2 January 2025

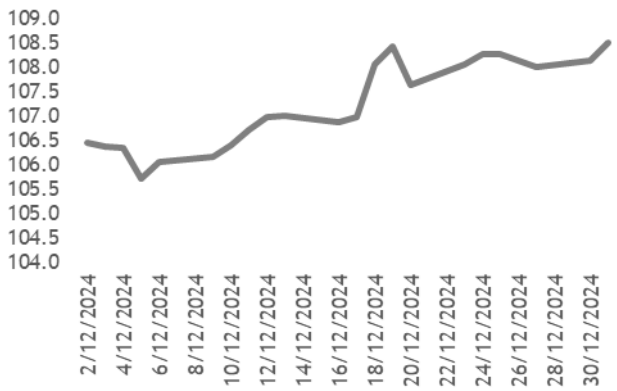
CURRENCY | Dec-24 Monthly Currency Review

Ringgit Weakened in Dec-24 as Market Adjusted Expectations on the Pace of Fed's Rate Cuts

- *The USD hit the highest level since Nov-22. The US dollar strengthened against major currencies in Dec-24 as the DXY dollar index rose by +2.6%mom to 108.49 (end-Nov-24: 105.74), mainly influenced by the changes in market sentiment on future expectations of a slower rate cut trajectory of the fed funds rate.*
- *The ringgit continued its weakening streak recorded since Nov-24, depreciating by -0.6mom and ended the month at RM4.472, the weakest level since mid-Nov-23.*
- *TWRI moved higher as Ringgit strengthened against trading partner currencies. Ringgit strengthened against currencies of Malaysia's major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) which fell by +1.0% month to 91.61% in Dec-24 (Nov-24: 90.70).*
- *Ringgit to appreciate further into 2025. We continue to foresee that the Malaysian ringgit will continue its strengthening trend against the USD, however at the slower pace on the back of the movement in the US monetary policy. We think that the ringgit will appreciate to average RM4.23 in 2025.*

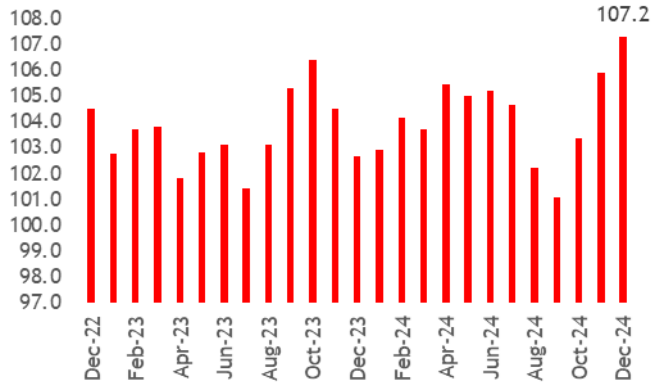
The USD hit the highest level since Nov-22. The US dollar strengthened against major currencies in Dec-24 as the DXY dollar index rose by +2.6%mom to 108.49 (end-Nov-24: 105.74), strengthening further for the second straight month. On average basis, the monthly dollar index increased by +1.3%mom to +107.22 (Nov-24: 105.86), the highest since Nov-22. The strengthening of the dollar was mainly influenced by the changes in market sentiment on future expectations of a slower rate cut trajectory of the fed funds rate (FFR). The Dec-24 FOMC meeting saw the Fed lowering its key interest rate by -25bps to 4.25% - 4.5% and indicating further rate cuts will continue in 2025 but at a slower pace than previously expected. The revision in the Dec-24 Summary of Economic Projections saw several deviations from the previous projections, especially in the FFR path with a reduction of only -50bps compared to the previous projection of -100bps. Meanwhile, PCE inflation forecast was revised higher to +2.5% (previous: +2.1%) for 2025 and to moderate nearer to the inflation target of +2.0% in 2026. As a result, the renewed expectations drove the DXY to strengthen over last month, with the dollar index hitting the intra month high of 108.4 on 19 December 2024.

Chart 1: Movement of DXY Dollar Index in Dec-24



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

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Broad strengthening of dollar against most currencies. The strengthening of US dollar in Dec-24 was broad based, appreciating against both major and regional currencies. Across the major currencies, the euro and the pound sterling depreciated against the US dollar by -2.1%mom and -1.7%mom, respectively. Among the Asian currencies, the smallest depreciation was recorded by the Thailand baht (-0.2%mom) followed by the Vietnamese dong by (-0.5%mom). In contrast, the Korean won (-5.5mom) and Australian dollar (+5.0%mom) were among the worst performing currencies during the month.

Table 1: End Period of USD Against Selected Currencies, YTD Change and MoM Change

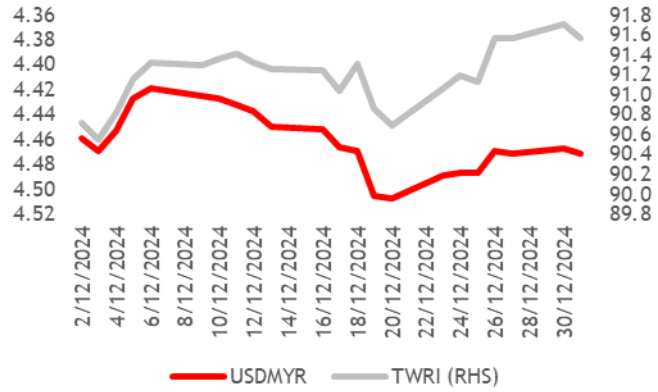
	2020	2021	2022	2023	Dec-24	YTD Change	MoM Change
DXY	89.94	95.67	103.52	101.33	108.49	+7.1%	+2.6%
GBPUSD	1.367	1.353	1.208	1.273	1.252	-1.7%	-1.7%
USDSGD	1.322	1.349	1.340	1.320	1.366	-3.3%	-1.9%
EURUSD	1.222	1.137	1.071	1.104	1.035	-6.2%	-2.1%
USDCAD	1.273	1.264	1.355	1.324	1.438	-7.9%	-2.6%
USDAUD	1.300	1.377	1.468	1.468	1.616	-9.2%	-5.0%
USDJPY	103.25	115.08	131.12	141.04	157.20	-10.3%	-4.7%
USDMYR	4.020	4.167	4.405	4.594	4.472	+2.7%	-0.6%
USDTHB	29.96	33.21	34.61	34.26	34.35	-0.3%	-0.2%
USDCNY	6.527	6.356	6.899	7.100	7.299	-2.7%	-0.7%
USDINR	73.07	74.34	82.74	83.21	85.61	-2.8%	-1.3%
USDPHP	48.03	50.99	55.74	55.39	57.98	-4.5%	+1.1%
USDIDR	14,050	14,263	15,573	15,399	16,132	-4.5%	-1.8%
USDVND	23,098	22,826	23,633	24,269	25,485	-4.8%	-0.5%
USDTWD	28.09	27.67	30.73	30.58	32.79	-6.7%	-0.9%
USDKRW	1,087	1,190	1,260	1,291	1,479	-12.7%	-5.5%

Source: Bloomberg, MIDFR

The Ringgit continued to weaken in Dec-24. The ringgit continued its monthly weakening streak recorded since Nov-24, depreciating by -0.6mom and ended the month at RM4.472, the weakest level since mid-Nov-23. Therefore, this the ringgit's year-to-date appreciation further drop to +2.7%ytd, erasing the gains recorded in Sep-24, which saw the Ringgit appreciating by +11.4%ytd. As we currently view that Malaysia's economic fundamentals and outlook remains positive, the weakness in the ringgit performance was partly due to the reversal of capital flows from the emerging markets back to the US financial market as the interest rate differentials spreads would remain slightly longer than previously expected due to the slower rate cuts path. As of now, we think the Fed is not expected to ease its monetary policy aggressively in 2025; however, we remain wary on the possibility of inflation to re-accelerate on the back of continued resilience in the economy and job market. On top of that, another potential source of inflationary pressure would adjustment in government policies that could be aligned with President elect Donald Trump election manifestos.

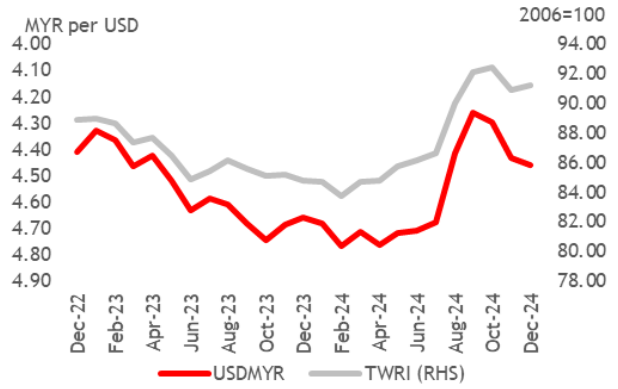
TWRI moved higher as Ringgit strengthened against trading partner currencies. Ringgit strengthened against currencies of Malaysia's major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) which fell by +1.0% month to 91.61% in Dec-24 (Nov-24: 90.70). While the average MIDF TWRI increased by +0.3%mom to 91.19 (Nov-24: 90.91), this indicates that the ringgit performed better against its trading partner, despite the weakness against the USD. On the year-to-date basis, the TWRI index still gained by 7.3%ytd, which was boost by double-digit gains against Japanese Yen (+13.4% ytd), Korean Won (+12.2%ytd), and Australian dollar (12.5%ytd) until end-Oct-24.

Chart 3: USDMYR vs. MIDF TWRI in Oct-24



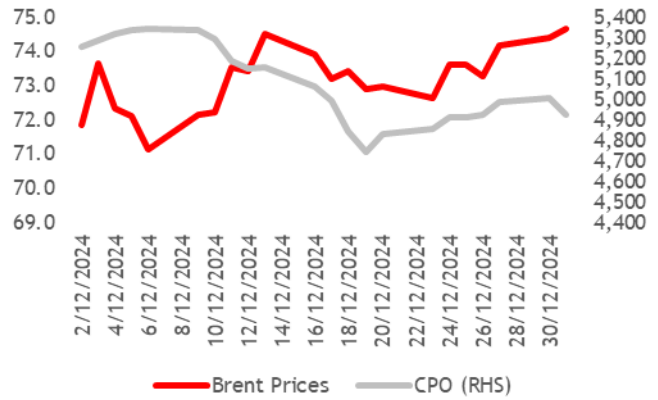
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



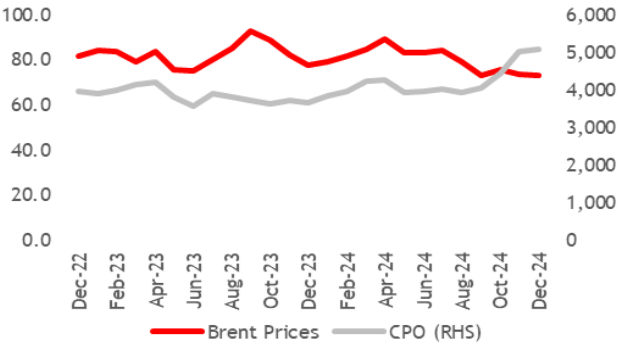
Source: Bloomberg, MIDFR

Chart 5: Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne) Prices



Bloomberg, MIDFR

Chart 6: Monthly Average Prices of Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne)



Source: Bloomberg, MIDFR

Ringgit weakened against most currencies. The depreciation of the ringgit against the US dollar did not significantly impact towards Ringgit performance against other cross currency pairings. Ringgit experienced the sharpest appreciation against the Korean Won (+4.9% mom), Japanese Yen (+4.3% mom), and Canadian dollar (+2.1% mom). In contrast, ringgit depreciated against the Philippines peso (-1.6% mom) and the US dollar (-0.6% mom). Against the other major currencies, ringgit appreciated against both the pound sterling (+0.5% mom) and euro (+0.8% mom).

Table 2: End Period of MYR Against Selected Currencies, YTD Change and MoM Change

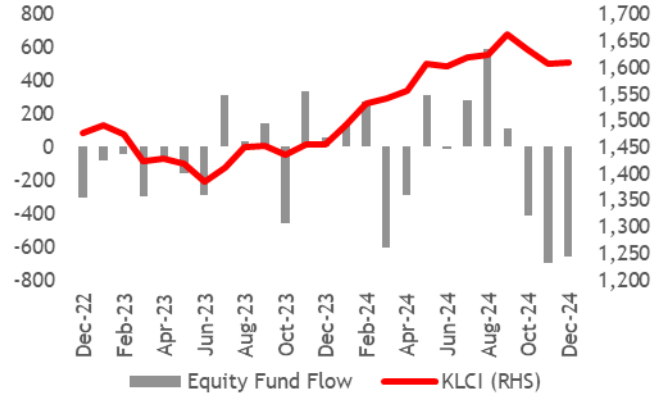
	2020	2021	2022	2023	Dec-24	YTD Change	MoM Change
CADMYR	3.156	3.271	3.251	3.467	3.113	+11.4%	+2.1%
EURMYR	4.946	4.719	4.693	5.076	4.659	+8.9%	+0.8%
SGDMYR	3.043	3.086	3.283	3.478	3.286	+5.9%	+1.0%
GBPMYR	5.495	5.631	5.299	5.837	5.615	+4.0%	+0.5%
USDMYR	4.020	4.167	4.405	4.594	4.472	+2.7%	-0.6%
TRYMYR	0.541	0.312	0.235	0.155	0.126	+22.8%	+1.3%
KRWMYR	0.370	0.350	0.350	0.356	0.303	+17.3%	+4.9%
JPYMYR	3.891	3.620	3.358	3.255	2.846	+14.4%	+4.3%
BDTMYR	4.751	4.831	4.271	4.181	3.721	+12.2%	-0.2%

TWDMYR	0.143	0.151	0.143	0.150	0.136	+10.1%	+0.3%
VNDMYR	0.174	0.183	0.187	0.189	0.175	+7.9%	+0.0%
PHPMYR	0.084	0.082	0.079	0.083	0.077	+7.7%	-1.6%
IDRMYR	0.029	0.029	0.028	0.030	0.028	+7.6%	+1.2%
NPRMYR	0.034	0.035	0.033	0.035	0.033	+5.8%	+0.8%
CNYMYR	0.616	0.655	0.638	0.646	0.613	+5.5%	+0.2%
THBMYR	13.38	12.56	12.75	13.40	13.02	+2.9%	-0.3%
LKRMYR	0.022	0.021	0.012	0.014	0.015	-7.0%	+0.2%

Source: Bloomberg, MIDFR

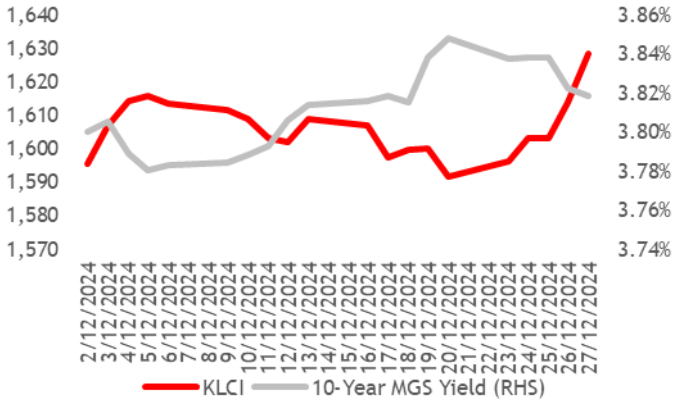
The third month of net fund outflows from the equity market. The funds outflows from the equity market in Dec-24 continued as foreign investors net sold Malaysian equities by -USD659.83m (Nov-24: +USD698.68), marking a total of +USD1771.29m outflows since Oct-24. The amount was the second largest net outflow for the year after the Nov-24 outflows of -USD698.68m recorded in Nov-24. In terms of foreign flows into the domestic debt market, the latest data shows that the foreign holdings of Malaysian debt securities continued to decline to RM276.59b in Nov-24 (Oct-24: RM277.73b), the lowest since Jul-24. As ringgit weakened last month, we believe the outflows of funds from the debt market also contributed to the weakening of local currency, apart from to the net selling of equities.

Chart 7: FBMKLCI (Average) vs Fund Flow into Malaysian Equity (USD m)



Source: Bloomberg, MIDFR

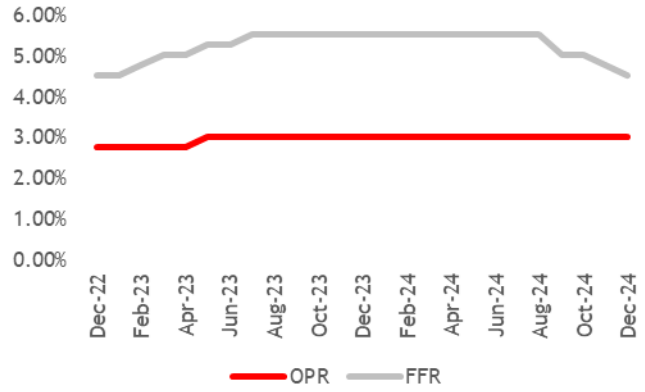
Chart 8: FBMKLCI and MGS 10-Yield Movement in Oct-24



Source: Bloomberg, MIDFR

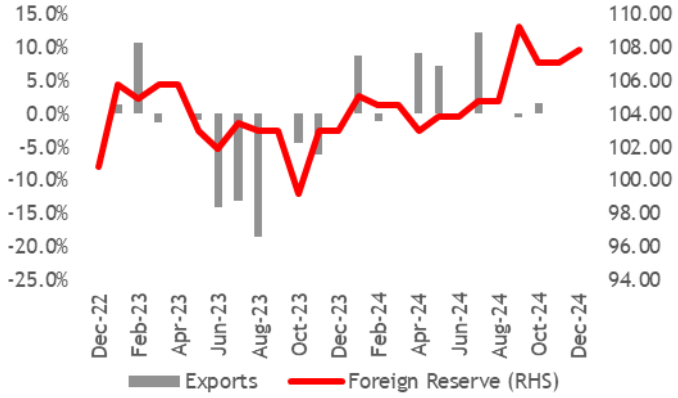
Ringgit to appreciate further into 2025. We continue to foresee that the Malaysian ringgit will continue its strenthengthening trend agains the USD, however at the slower pace on the back of the movement in the US monetary policy. We think that the ringgit will appreciate to average RM4.23 in 2025. Although, the unwinding of the US monetary policy will be slower than previously expected and interest rate differentials spread may continue to remain wide, the narrowing will still favour the emerging market currencies including the ringgit. Malaysia's growth fundamentals also remain supportive for ringgit to strengthen given continued surplus in terms of balance of trade and current account. On the same note, we expect our MIDF TWRI to increase towards 95.0 by year-end as we expect ringgit could appreciate further against other currencies.

Chart 9: Fed Funds Rate vs OPR at Month-End (%)



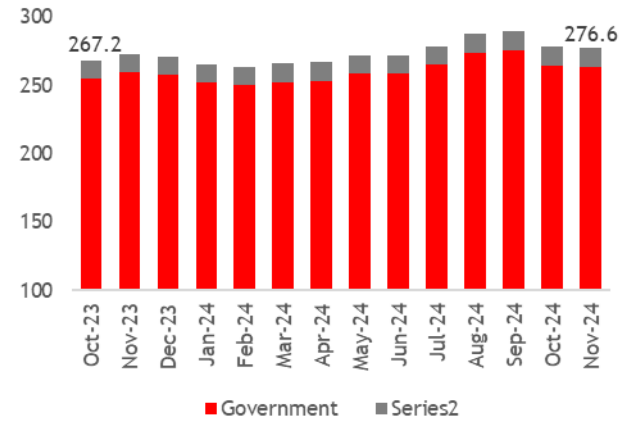
Source: Bloomberg, MIDFR

Chart 10: Exports (YoY%) and Foreign Currency Reserves (USD b)



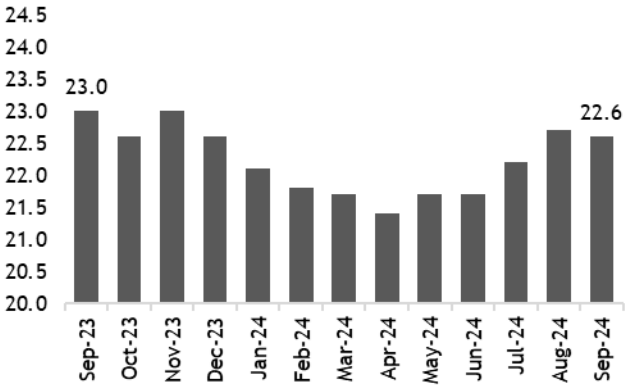
Source: Bloomberg, IMF, MIDFR

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: BNM, Bondstream, MIDFR

Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

October 2024 Key Economic Events

3 Dec: Korean won hits 2-year low after Yoon declares martial law The Korean won fell to a two-year low against the US dollar after President Yoon Suk Yeol declared emergency martial law late Tuesday. The Korean currency weakened as much as 1.4 percent and touched 1,430 won per dollar during the nighttime offshore trading.

4 Dec: Malaysia on the right track to consistently reduce deficit rate — Amir Hamzah Malaysia is on the right track to consistently reduce its deficit rate, according to Finance Minister II Datuk Seri Amir Hamzah Azizan. He highlighted that the fiscal deficit has been declining, from 6.4 per cent of gross domestic product (GDP) in 2021 to 5.5 per cent in 2022 and five per cent in 2023.

5 Dec: World Bank wins $100Bil replenishment of fund for poorest countries Donor countries have pledged a record $100 billion three-year replenishment of the World Bank's fund for the poorest nations, providing a vital lifeline for their struggles against crushing debts, climate disasters, inflation and conflict.

5 Dec: Ringgit extends gains on rising confidence of another US rate cut The US Federal Reserve might ease its monetary policy to achieve a soft landing for the economy in 2025, says analyst. The ringgit extended gains to close higher against the greenback today on rising confidence that there will be another US interest rate cut in the middle of the month.

9 Dec: Ringgit dips as US NFP data, Syrian conflict fuel US dollar demand The ringgit closed lower against the greenback on Monday as strong US nonfarm payrolls (NFP) data and the fall of the government in Syria spurred buying of the safe haven US dollar. At 6pm, the local currency slid to 4.4225/4280 against the US dollar, compared to last Friday's close of 4.4170/4220.

10 Dec: Reserve Bank keeps interest rates on hold in December but leaves door open to a February cut The Reserve Bank has left interest rates on hold in December for a ninth-straight meeting but opened the door to a rate cut as soon as February. The RBA kept its cash rate target at 4.35 per cent after a two-day meeting, a level it has been at since November 2023.

16 Dec: Iran currency slips to new lows amid U.S., Europe tensions The Iranian currency extended its fall on Saturday, hitting a new all-time low against the U.S. dollar amid uncertainties about Donald Trump's imminent arrival in the White House and tensions with the West over Tehran's nuclear programme.

17 Dec: Syria's caretaker PM Bashir: Syria has very low foreign currency reserves Syrian caretaker Prime Minister Mohammad al-Bashir told Al Jazeera TV on Tuesday that Syria has very low foreign currency reserves. Current and former Syrian officials have told Reuters that the dollar reserves have been nearly depleted because Bashar al-Assad's government increasingly used them to fund food, fuel and its war effort.

18 Dec: Federal Reserve cuts interest rates by 0.25 percentage points, but projects fewer reductions in 2025 The Federal Reserve on Wednesday announced its third consecutive interest rate cut of 2024, reducing its benchmark rate by 0.25 percentage points amid cooling inflation. Yet in a blow for borrowers, the central bank also projected that it will loosen rates less next year than previously expected.

19 Dec: S. Korea, National Pension to expand FX swap to $65 Billion South Korea's central bank agreed with the National Pension Service to expand the size and duration of a currency swap deal, a move that may help slow the won's decline. The swap deal will be raised to $65 billion from $50 billion, while the duration of the agreement was extended by another year to the end of 2025.

20 Dec: Ringgit nearly flat against US dollar, strengthens against basket of other currencies The ringgit opened nearly flat against the US dollar as the outcome of the two-day Federal Open Market Committee (FOMC) meeting and stronger US economic data are expected to remain supportive of the dollar, an economist said.

20 Dec: Bank Negara recognizes Rule of 78 in flat-rate financing must go but stays silent on car loans Bank Negara is considering abolishing the Rule of 78 method for calculating flat-rate financing, such as that used in hire purchases. On 16 December, Bank Negara invited public feedback on its proposed reform, albeit limited only to personal financing.

25 Dec: Russia holds interest rates at 21% amid inflation Russia's central bank has announced the decision to maintain the benchmark interest rate at 21 percent, resisting pressure for further increases despite surging inflation. This move follows an October hike that brought rates to record levels.

26 Dec: Express Premium Banner Iran economy crisis with currency plummeting to new low as Tehran marred by sanctions The economy of Iran is in free fall after years of war and sanctions have sent the local currency spiralling towards worthlessness - with a staggering 800,000 for every £1.

26 Dec: Bank of Korea appoints 11 banks as yuan-won trade market makers The Bank of Korea and the Ministry of Strategy and Finance announced on the 26th that 11 banks have been selected as market makers for the won-yuan direct trading market for next year. The selected banks will play a role in leading price formation and supplying liquidity to the market by continuously providing buy-sell prices in the won-yuan direct trading market.

27 Dec: Turkey lowers interest rate to 47.5 percent Turkey's central bank lowered its key interest rate on Thursday, the first cut in nearly two years as it battles with double-digit inflation. The bank's monetary policy committee decided to reduce the policy rate from 50 percent to 47.5 percent, with a statement citing improvement in "inflation expectations and pricing behaviour".

28 Dec: China and Nigeria extend $2 billion currency swap agreement China and Nigeria first established the currency-swap agreement in April 2018 for an initial three-year term, addressing dollar shortages in the country. China and Nigeria extended their 15-bil-yuan currency-swap agreement.

29 Dec: India's foreign currency & gold reserves dip as Rupee slips to record low India's foreign reserves dipped for the first time in 6 months, as of December 20. The Reserve Bank of India, which is responsible for holding these said reserves, divulged this report.

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