Ringgit Slightly Appreciated in Feb-25 as Market Digest Uncertainties in the US

MONTHLY CURRENCY REVIEW: March-25



Author

MIDF Research

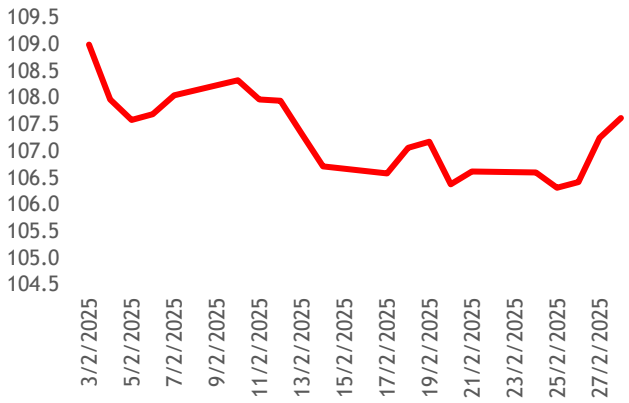
research@midf.com.my

Economic Review

- The USD closed the month slightly lower as it gradually weakened throughout the month. The US dollar index weakened by -0.7%mom to 107.61, marking the second month of weaker performance. On an average basis, the dollar index also weakened by -1.2%mom to 107.32 (Jan-25: 108.64).
- Ringgit appreciated against the US dollar in Feb-25, marking the second month of appreciation. The ringgit appreciated against the USD which increased by +0.1%mom and ended the month at USDMYR4.463 (previous: USDMYR4.466); the ringgit appreciated by +0.2%ytd.
- Ringgit to appreciate further into 2025. We maintain our forecast that the Malaysian ringgit will strengthen against the USD, albeit at a slower pace due to the evolving US monetary policy. We anticipate an average USDMYR rate of RM4.23 for the year.

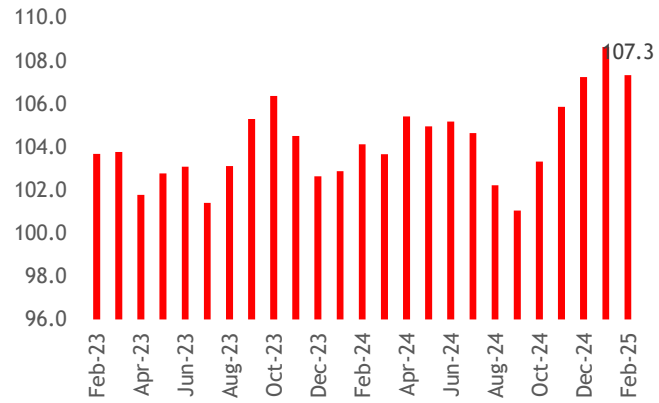
The USD closed the month slightly lower as it gradually weakened throughout the month. The US dollar index weakened by -0.7%mom to 107.61, marking the second month of weaker performance. On an average basis, the dollar index also weakened by -1.2%mom to 107.32 (Jan-25: 108.64). The dollar performance was mainly attributed to the slightly dovish signal by Fed Chair Powell in congress indicating the Fed is not in a rush to get interest rates lower added with the dovish FOMC minutes. Meanwhile, investors are also reacting to the news flow relating to President Donald Trump's announcements on tariffs. In the early part of the month, the DXY retreated lower breaching the 107 level which was influenced by the decision of President Donald Trump to delay the imposition of tariffs against Canada and Mexico by 30 days, while continuing its tariff measure on China. The Chinese government retaliated in return by imposing tariffs on several American imports. The DXY continued to weaken later last month; the FOMC minutes showed Fed officials are weighing the impact of trade and immigration policy changes on disinflation, creating uncertainty about future rate paths. However, markets still expect the first rate cut to happen in July-25. On top of that, President Donald Trump mentioned the possibility of additional tariffs on auto, pharmaceuticals, and semiconductor products, added to the efforts to improve the relationship between the US and Russia. However, nearing the end of the month saw signals of a weak labour market data and the moderation of the GDP data, which led to investors pricing for another rate cut at the end of the year in the futures market.

Chart 1: Movement of DXY Dollar Index in Feb-25



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

The mixed performance of the dollar against most currencies. The weakening of the US dollar in Feb-25 was quite mixed across different currency pairings. Across major currencies, the Japanese yen strengthened by +3.0%mom and the Pound sterling strengthened by +1.5%mom against the US dollar. Among the Asian currencies, the biggest appreciation against the US dollar was recorded by the Philippines peso (+0.7%mom) followed by the Singapore dollar (+0.4%mom). In contrast, the Vietnam dong (-1.9%yoy) and the Indonesian rupiah (-1.7%mom) were among the worst-performing currencies during the month against the US dollar.

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

	2021	2022	2023	2024	Feb-25	YTD Change	MoM Change
DXY	95.67	103.52	101.33	108.49	107.61	-0.8%	-0.7%
USDJPY	115.08	131.12	141.04	157.20	150.63	+4.4%	+3.0%
USDSGD	1.349	1.340	1.320	1.366	1.351	+1.1%	+0.4%
GBPUSD	1.353	1.208	1.273	1.252	1.258	+0.5%	+1.5%
USDAUD	1.377	1.468	1.468	1.616	1.611	+0.3%	-0.2%
EURUSD	1.137	1.071	1.104	1.035	1.038	+0.2%	+0.1%
USDCAD	1.264	1.355	1.324	1.438	1.446	-0.5%	+0.6%
USDKRW	1,189	1,266	1,288	1,472	1,460	+0.8%	-0.4%
USDCNY	6.356	6.899	7.100	7.299	7.278	+0.3%	-0.5%
USDMYR	4.166	4.404	4.594	4.472	4.463	+0.2%	-0.1%
USDTWD	27.68	30.72	30.71	32.79	32.83	-0.1%	-0.4%
USDTHB	33.41	34.61	34.14	34.10	34.17	-0.2%	-1.5%
USDPHP	50.99	55.73	55.39	57.84	57.99	-0.3%	+0.7%
USDVND	22,826	23,633	24,269	25,485	25,557	-0.3%	-1.9%
USDINR	74.34	82.74	83.21	85.61	87.51	-2.2%	-1.0%
USDIDR	14,253	15,568	15,397	16,102	16,580	-2.9%	-1.7%

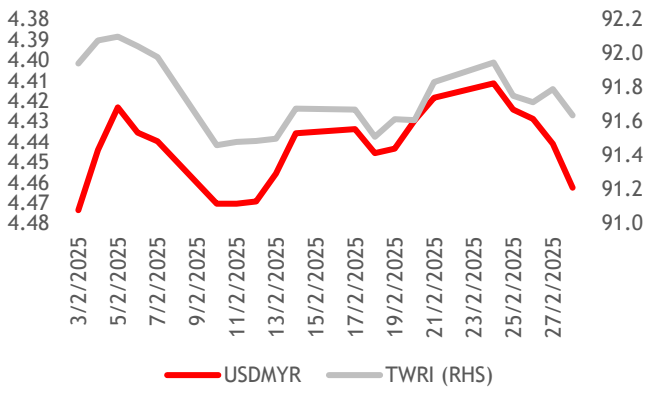
Source: Bloomberg, MIDFR

The ringgit appreciated against the US dollar in Feb-25, marking the second month of appreciation. The ringgit appreciated against the USD which increased by +0.1%mom and ended the month at USDMYR4.463 (previous: USDMYR4.466); the ringgit appreciated by +0.2%ytd. Despite our positive view on Malaysia's economy, the ringgit's recent decline was primarily due to capital outflows to the US, fuelled by persistent interest rate differences. With the Federal Reserve likely to maintain a cautious approach to rate cuts in 2025, and potential for renewed US inflation due to a strong economy and job market, we anticipate continued pressure on the ringgit. Further, the new US administration's tariff policies could exacerbate inflationary pressures, potentially altering market expectations regarding US interest rates. At the moment, we do not think it would derail our current

view of a one -25bps rate cut in the 2HCY25. Echoing Powel's speech in the Jan-25 FOMC meeting, we do not think that the central bank is in a hurry to cut rates again.

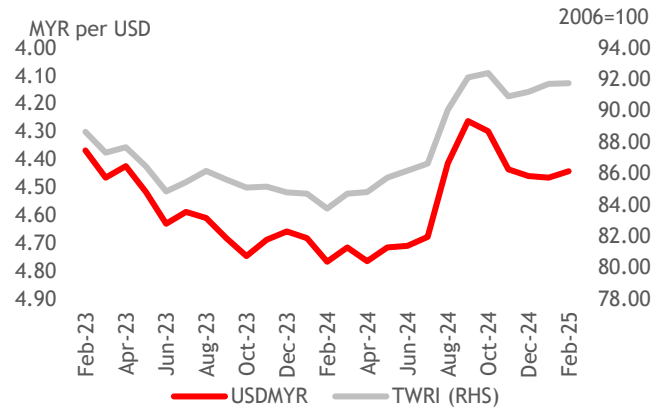
TWRI moved lower as the Ringgit weakened against trading partner currencies. Ringgit strengthened against currencies of Malaysia's major trading partners as shown by our MIDF Trade-Weighted Ringgit Index (TWRI) decreased by -0.3%mom to 91.64 (Jan-25: 91.90), this indicates that the ringgit performed weaker against its trading partner while the ringgit depreciated against the USD. The weakness was contributed by the weakening against the Japanese yen (-3.9%ytd), Korean won (-0.8%ytd), and Singapore dollar (-0.7%ytd).

Chart 3: USDMYR vs. MIDF TWRI in Feb-25



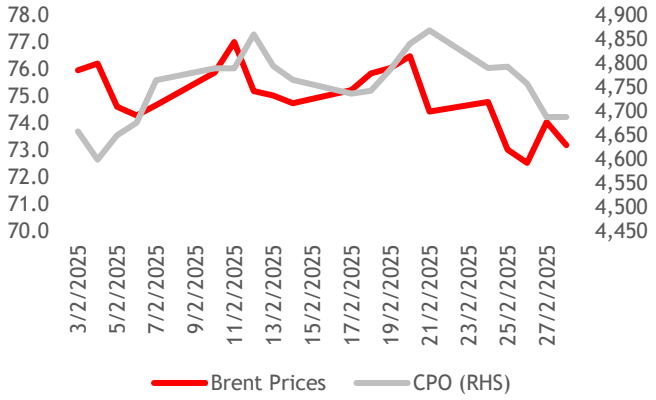
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



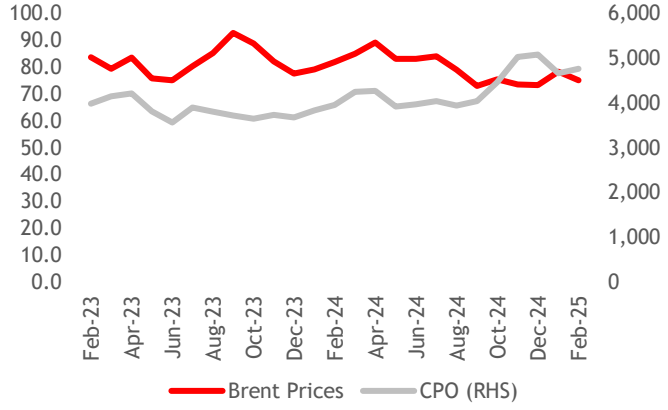
Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

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



Source: Bloomberg, MIDFR

The ringgit strengthened against most currencies. The depreciation of the ringgit against the US dollar is also reflected towards the ringgit's performance against other cross-currency pairings. The Ringgit depreciated against other major currencies, the ringgit depreciated against the Japanese Yen (-3.1%mom), pound sterling (-1.4%mom), and the euro (-0.2%mom). On the other hand, the ringgit appreciated against the Indonesian Rupiah (+1.7%mom), Turkish Lira (+1.6%mom), and Thai Baht (+1.3%mom).

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

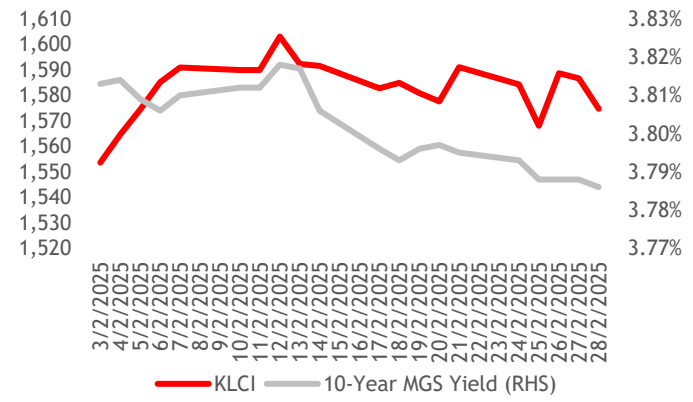
	2021	2022	2023	2024	Feb-25	YTD Change	MoM Change
CADMYR	3.271	3.251	3.467	3.113	3.091	+0.7%	-0.3%
EURMYR	4.719	4.693	5.076	4.659	4.639	+0.4%	-0.2%
USDMYR	4.166	4.404	4.594	4.472	4.463	+0.2%	-0.1%

GBPMYR	5.631	5.299	5.837	5.615	5.621	-0.1%	-1.4%
SGDMYR	3.086	3.283	3.478	3.286	3.309	-0.7%	-0.6%
TRYMYR	0.312	0.235	0.155	0.126	0.122	+3.4%	+1.6%
IDRMYR	0.029	0.028	0.030	0.028	0.027	+3.1%	+1.7%
NPRMYR	0.035	0.033	0.035	0.033	0.032	+2.4%	+0.9%
BDTMYR	4.831	4.271	4.181	3.721	3.671	+1.4%	-0.2%
LKRMYR	0.021	0.012	0.014	0.015	0.015	+1.0%	-1.0%
TWDMYR	0.151	0.143	0.150	0.136	0.136	+0.6%	+0.6%
VNDMYR	0.183	0.187	0.189	0.175	0.175	+0.5%	+1.0%
PHPMYR	0.082	0.079	0.083	0.077	0.077	+0.1%	-0.8%
CNYMYR	0.655	0.638	0.646	0.613	0.613	-0.1%	+0.4%
THBMYR	12.56	12.75	13.40	13.02	13.07	-0.4%	+1.3%
KRWMYR	0.350	0.350	0.356	0.303	0.306	-0.8%	+0.4%
JPYMYR	3.620	3.358	3.255	2.846	2.963	-3.9%	-3.1%

Source: Bloomberg, MIDFR

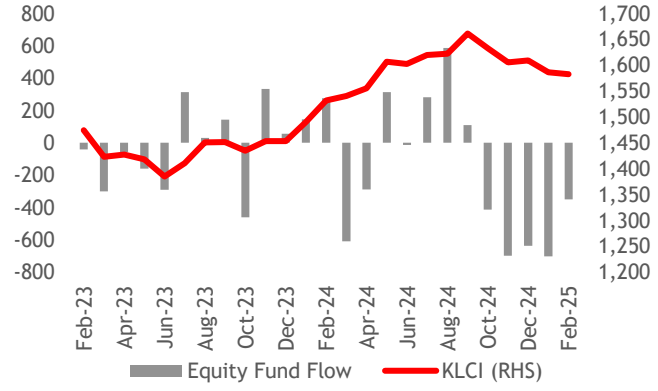
The fifth month of net fund outflows from the equity market. The funds outflows from the equity market in Feb-25 continued as foreign investors net sold Malaysian equities by -RM351m outflows since Oct-24. The amount was the smallest net outflow in the five months of outflow since Oct-24. In terms of foreign flows into the domestic debt market, the latest data shows that the foreign holdings of Malaysian debt securities increased to RM276b in Jan-25 (Dec-24: RM275b), reversing the three months of consecutive declines. As ringgit slightly strengthened last month, we believe that the inflows of funds from the debt market also support the ringgit to appreciate, despite the net selling of equities.

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



Source: Bloomberg, MIDFR

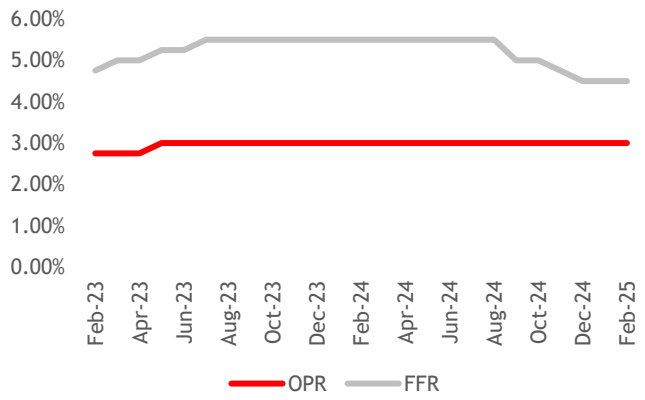
Chart 8: FBMKLCI and MGS 10-Yield Movement in Feb-25



Source: Bloomberg, MIDFR

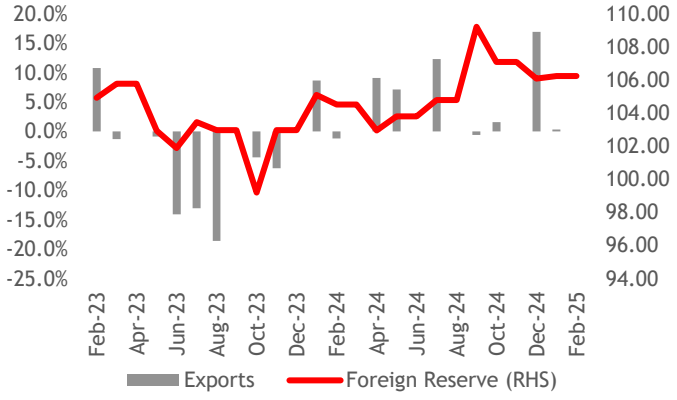
Ringgit to appreciate further into 2025. We maintain our forecast that the Malaysian ringgit will strengthen against the USD, albeit at a slower pace due to the evolving US monetary policy. We anticipate an average USDMYR rate of RM4.23 for the year. While US monetary policy easing is expected to be more gradual than initially projected, and interest rate differentials may remain wide, we believe the eventual narrowing will support emerging market currencies, including the ringgit. Malaysia's growth fundamentals also remain supportive for ringgit to strengthen given the continued surplus in terms of the 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 (%)



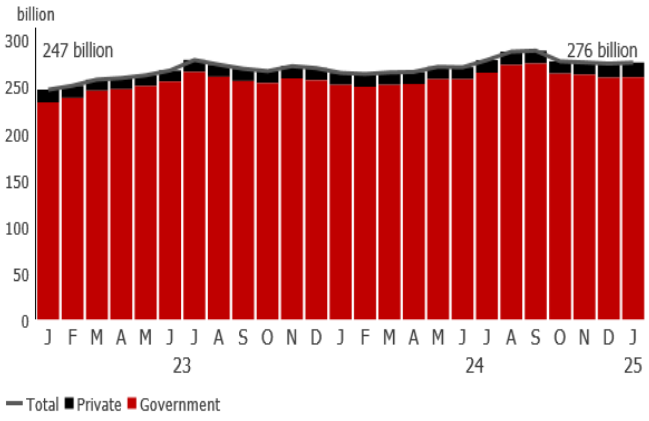
Source: Bloomberg, MIDFR

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



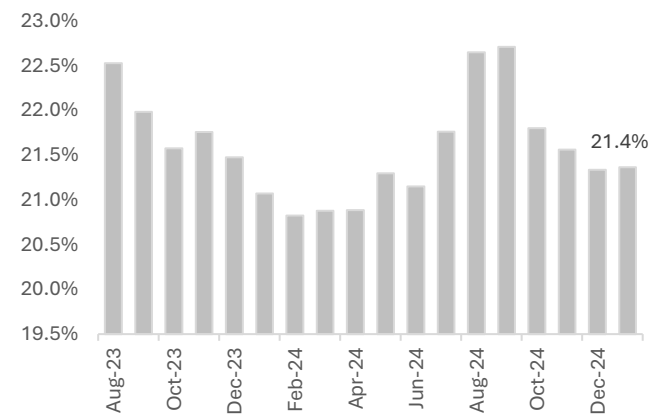
Source: Bloomberg, IMF, MIDFR

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



Source: BNM, Bondstream, MIDFR

Chart 4: Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

February 2025 Key Economic Events

1 Feb: US Dollar slips after US GDP falls to meet expectations The US Dollar Index (DXY), which tracks the performance of the US Dollar against six major currencies, is softening after the US Gross Domestic Product (GDP) release for the fourth quarter. Meanwhile the European Central Bank (ECB), as expected, has cut its policy rate by 25 basis points.

12 Feb: Malaysia Central Bank Says Ready to Curb Ringgit Volatility Malaysia's central bank said it's ready to manage excessive moves in the ringgit and expects inflows by state-linked firms and the country's economic prospects to buoy the currency in the longer term. The ringgit has relinquished almost all of its gains from January after President Donald Trump rattled global markets with a series of trade levies.

13 Feb: Brazil nixes BRICS currency, eyes less reliance on 'mighty' dollar Brazil's BRICS presidency this year will not advance a common currency for the group of major developing economies this year, four government officials said, but its agenda may pave the way for less reliance on the U.S. dollar in global trade.

14 Feb: Short-term rates end steady on BNM operations Short-term interbank rates closed steady today following Bank Negara Malaysia's (BNM) operations to absorb surplus liquidity from the financial system. Earlier, the central bank conducted two reverse repo tenders, an Islamic reverse repo and an overnight reverse repo tender.

17 Feb: Australia's central bank cuts rates for the first time in more than four years, flags economic uncertainties The Reserve Bank of Australia on Tuesday cut benchmark interest rates for the first time in over four years, finally joining ranks with other major global central banks, as softening inflation allows room for easing policy.

19 Feb: Govt Looking to Regulate Digital Currencies in Pakistan Prime Minister Muhammad Shehbaz Sharif on Wednesday chaired an important meeting of the Economic Advisory Council, where members of the council expressed their full confidence in the government's economic policies and presented key suggestions aimed at further strengthening Pakistan's economic growth.

20 Feb: Asian Currencies Face More Pain Against Peers as Low Carry Bites Emerging Asian currencies look set to extend their underperformance versus global peers as the prospect of interest-rate cuts further erodes their appeal, according to fund managers and strategists. A key reason: lower interest rates in Asia, which have dented the returns traders can earn by holding currencies — known as the carry.

20 Feb: European Central Bank reports highest loss in history The European Central Bank (ECB) reported its second consecutive year of losses on Thursday, with a deficit of about E7.9bil (US$8.2bil) recorded for 2024, the German news agency dpa reported. This marks the highest loss in the ECB's more than 25-year history.

25 Feb: USD/KRW gives up 1,430 after BoK's expected 25 bps rate cut Bank of Korea (BoK) Governor Rhee Chang-yong explained the reasons behind the interest rate cut decision in his post-policy meeting press conference on Tuesday. The South Korean central bank resumed its interest rate-cutting cycle by lowering the policy rate by 25 basis points (bps) to 2.75% after unexpectedly holding it at 3% in January.

7 Feb: India's central bank cuts rates for the first time in nearly five years, forecasts faster growth next year The Reserve Bank of India on Friday cut key interest rates for the first time in nearly five years, as cooling inflation offers the central bank room to stimulate the country's faltering economy. The central bank forecast real GDP growth for next fiscal year at 6.7%, and inflation rate at 4.2%.

12 Feb: Yen underperforms major currencies on Trump tariff uncertainties The yen is on track for its longest losing streak in more than a month amid heightened concerns Japan may be included in U.S. President Donald Trump's tariff plan.

Japan's currency dropped as much as 0.8% to ¥153.73 against the dollar on Wednesday, its weakest level in a week and lagging all major peers.

14 Feb: Ringgit records 2.7% overall appreciation against US$ in 2024 - Bank Negara The ringgit recorded an overall appreciation of 2.7 per cent against the US dollar in 2024, standing out as one of the few Asian currencies to strengthen versus the greenback, said Bank Negara Malaysia.

17 Feb: Central banks of Malaysia, Indonesia and Thailand enhance local currency transaction framework Bank Negara Malaysia, Bank Indonesia and Bank of Thailand have announced the adoption of a harmonised Local Currency Transaction Framework Operational Guidelines (LCTF OG) and the expansion of eligible cross-border transactions under the framework.

18 Feb: Reserve Bank cuts interest rates for the first time since November 2020 The Reserve Bank of Australia has cut interest rates for the first time since November 2020. It is a reprieve for mortgage borrowers after the central bank hiked on 13 occasions between May 2022 and November 2023, before leaving the cash rate on hold for more than a year.

19 Feb: Indonesia central bank holds rates as expected, pausing easing cycle Bank Indonesia (BI) is maintaining its benchmark interest rate at 5.75 per cent following its latest meeting and putting a pause to its easing cycle. It pledged to work consistently towards keeping inflation under control and to stabilise the rupiah amid global uncertainties.

20 Feb: Russian rouble strengthens past 90 to the US dollar The Russian rouble traded on the stronger side of the 90 mark against the U.S. dollar on Thursday following U.S. President Donald Trump's criticism of Ukrainian President Volodymyr Zelenskiy. The rouble was also up 1.8% at 12.12 against China's yuan, the most traded foreign currency in Russia, in trade on the Moscow stock exchange.

21 Feb: Ringgit rallies against major currencies as US dollar stumbles The ringgit rose against the US dollar in early trade as investors remained cautious about the policies of US President Donald Trump's administration, particularly on tariffs and geopolitics, an analyst said. At 8 am, the ringgit strengthened to 4.4040/4310 from 4.4270/4320 at Thursday's close.

25 Feb: S. Korea's central bank cuts rate, growth outlook over tariff fears South Korea's central bank on Tuesday slashed interest rates and its annual growth forecast as it looks to bolster the economy in the face of US tariffs and the fallout from President Yoon Suk Yeol's brief declaration of martial law last year.

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