Ringgit Strengthened Further in Jun-25 as Uncertainties Weigh on US Dollar

ECONOMIC REVIEW:
Jun-25
Monthly Currency Review



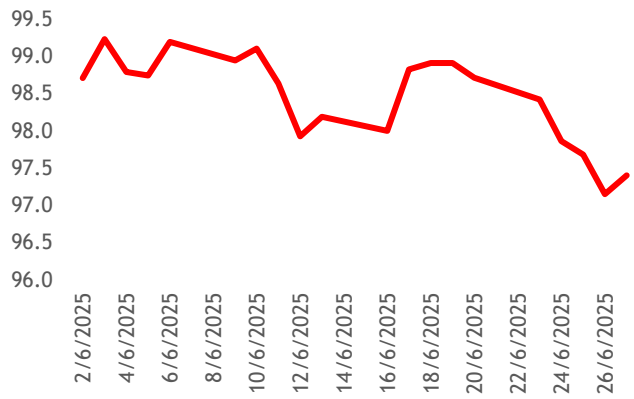
Author
MIDF Research
research@midf.com.my

Economic Review

- US dollar weakened further in Jun-25. The US dollar weakened in Jun-25 as the DXY dollar index declined by -2.6%mom to 96.88 (May-25: 99.41), marking the fifth month of depreciation against major currencies. On average, the US dollar index fell by -1.7%mom to 98.38 (May-25: 100.09).
- Ringgit appreciated it for the sixth consecutive month. The ringgit appreciated further by +0.6%mom to RM4.210 by end-Jun-25 (end-May-25: RM4.236). In the first 6 months, the ringgit has increased by +5.1%ytd (May-25: +5.3%ytd). Like other currencies, the ringgit gained against the weakening of the US dollar.
- The ringgit is expected to be appreciated in 2025. We continue to anticipate the Malaysian ringgit will strengthen against the US dollar, with the average exchange rate forecast at around RM4.20.

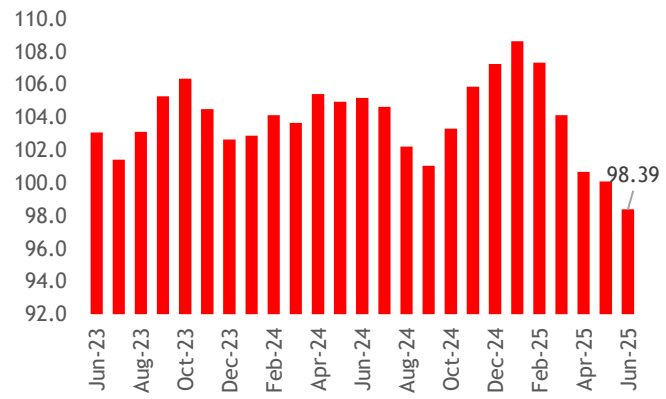
The US dollar weakened further in Jun-25. The US dollar weakened in Jun-25 as the DXY dollar index declined by -2.6%mom to 96.88 (May-25: 99.41), marking the fifth month of depreciation against major currencies. On average, the US dollar index fell by -1.7%mom to 98.38 (May-25: 100.09). The greenback experienced a notable weakening throughout the month, initially falling to 98.70 after a US trade court ruled that the sweeping tariffs imposed by the Trump administration were illegal, citing the president's overstepped authority under the Emergency Powers Act, coupled with President Donald Trump urging the Fed Chair for a full interest rate cut. However, the DXY index rebound slightly at mid-month following the escalating tensions in the Middle East, which renewed global market volatility and triggered a safe-haven bid, causing the US dollar to strengthen. This flare-up also complicated future rate cut expectations, deepening concerns about inflationary pressure from the surge in crude oil prices. Despite these renewed inflation worries, the FOMC left fed funds rates unchanged at 4.25-4.50% but signalled further stagflation risk, as 2025 growth forecast revised lower while projecting higher inflation, as well as slower pace of rate cuts for 2026 and 2027. Towards the end of the month, geopolitical risks eased with a ceasefire between Israel and Iran, and trade truces between the US, China, and India, leading investors to a moderate risk-on mode. While positive outcome from trade negotiations eased growth concerns, deteriorating confidence in US fiscal policy continued to reduce demand for the dollar. However, further delays in Fed rate cuts could elevate the dollar amid renewed inflation concerns from higher tariffs, which would adversely affect the US economy and its inflation outlook.

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



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

Most currencies gained against the weaker US dollar. As the US dollar weakened, most major currencies and regional currencies gained in Jun-25. Among the major currencies, the biggest appreciation was the euro (+3.8%mom), while the Philippine peso depreciated the most by (-1.3%mom). Among Asian currencies, the biggest appreciation against the US dollar was recorded by the Singapore dollar (+1.3%mom), Korean won (+1.6%mom), and Taiwan dollar (+0.7%mom). In contrast, the Philippine peso (-1.3%mom) and Indian rupee (-0.3%mom) were among the worst-performing currencies, weakening against the US dollar during the month.

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

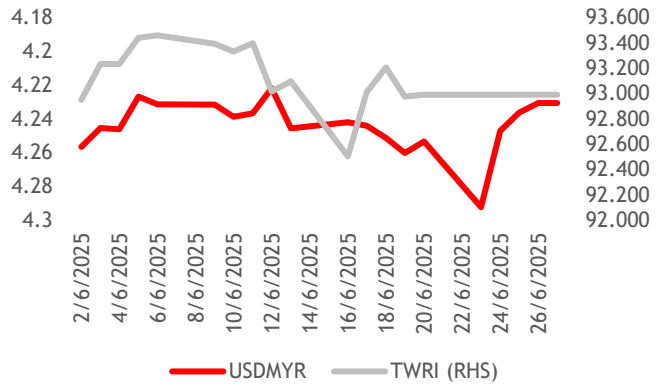
	2021	2022	2023	2024	Jun-25	YTD Change	MoM Change
DXY	95.67	103.52	101.33	108.49	96.88	-10.7%	-2.6%
EURUSD	1.137	1.071	1.104	1.035	1.179	+13.8%	+3.8%
GBPUSD	1.353	1.208	1.273	1.252	1.373	+9.7%	+1.9%
USDJPY	115.08	131.12	141.04	157.20	144.03	+9.1%	-0.1%
USDSGD	1.349	1.340	1.320	1.366	1.272	+7.4%	+1.3%
USDAUD	1.377	1.468	1.468	1.616	1.520	+6.3%	+2.4%
USDCAD	1.264	1.355	1.324	1.438	1.361	+5.7%	+1.6%
USDTWD	27.67	30.73	30.58	32.79	29.59	+10.8%	+0.7%
USDKRW	1,190	1,260	1,291	1,479	1,354	+9.2%	+1.6%
USDMYR	4.167	4.405	4.594	4.472	4.210	+6.2%	+0.6%
USDTHB	33.21	34.61	34.26	34.35	32.50	+5.7%	+0.3%
USDPHP	50.99	55.74	55.39	57.98	56.32	+2.9%	-1.3%
USDCNY	6.356	6.899	7.100	7.299	7.164	+1.9%	+0.3%
USDINR	74.34	82.74	83.21	85.61	85.75	-0.2%	-0.3%
USDIDR	14,263	15,573	15,399	16,132	16,238	-0.7%	+0.4%
USDVND	22,826	23,633	24,269	25,485	26,118	-2.4%	-0.5%

Source: Bloomberg, MIDFR

Ringgit appreciated it for the sixth consecutive month. The ringgit appreciated further by +0.6%mom to RM4.210 by end-Jun-25 (end-May-25: RM4.236). In the first 6 months, the ringgit has increased by +5.1%ytd (May-25: +5.3%ytd). Like other currencies, the ringgit gained against the weakening of US dollar. On the domestic front, the ringgit performance was backed by Malaysia's stable economic fundamentals, characterised by more modest inflation, still growth outlook and a steady monetary policy setting by BNM. Moreover, ongoing government fiscal reforms, including expansion of the scope for Sales and Service Tax (SST) and further subsidy rationalisation, are anticipated to bolster investor confidence.

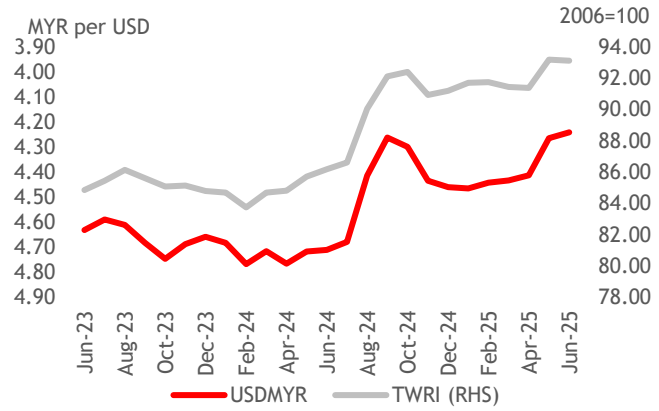
Ringgit depreciated against major trading partner currencies. The ringgit, however, weakened against currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index (TWRI) declined by -0.6%mom to 92.99 (May-25: 93.53). The depreciation was mainly against the euro (-2.5%mom), Taiwan dollar (-1.3%mom), and pound sterling (-1.0%mom).

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



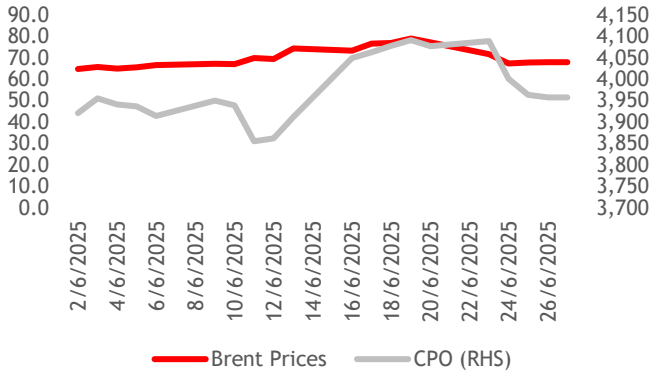
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



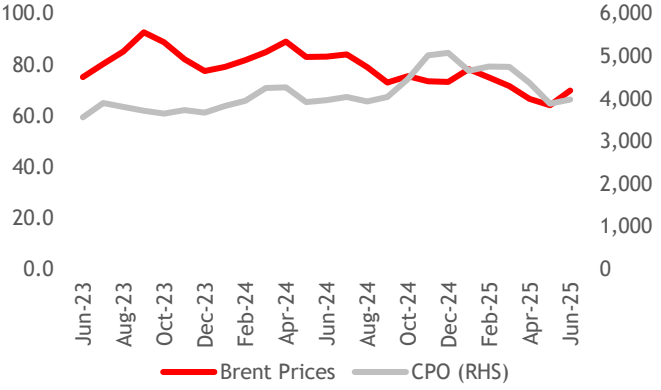
Source: Bloomberg, MIDFR

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

Ringgit strengthened against most currencies. While the decline in TWRI was mainly due to the stronger performance in major currencies, i.e. euro and pound sterling, the ringgit managed to perform better, appreciating against other cross-currency pairings. In particular, the ringgit gained against the Philippine peso (+2.0%mom), Turkish lira (+1.8%mom), and Vietnam dong (+1.1%mom). On the other hand, other than euro, Taiwan dollar and pound sterling, the ringgit also depreciated against Korean won (-0.8%mom), Singapore dollar (-0.4%mom), and Canadian dollar (-0.4%mom).

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

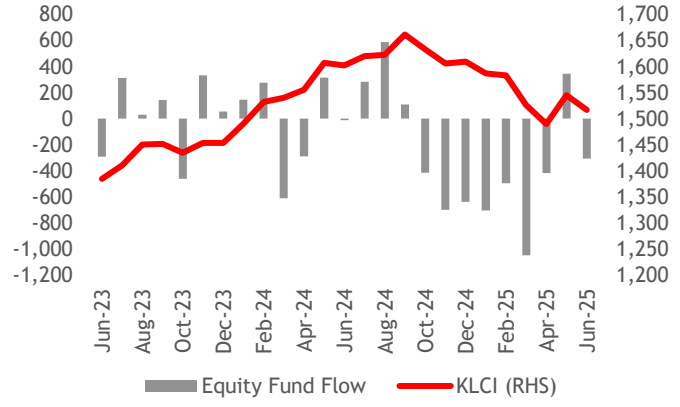
	2021	2022	2023	2024	Jun-25	YTD Change	MoM Change
USDMYR	4.167	4.405	4.594	4.472	4.210	+6.2%	+0.6%
CADMYR	3.271	3.251	3.467	3.113	3.077	+1.1%	-0.4%
SGDMYR	3.086	3.283	3.478	3.286	3.302	-0.5%	-0.4%
GBPMYR	5.631	5.299	5.837	5.615	5.766	-2.6%	-1.0%
EURMYR	4.719	4.693	5.076	4.659	4.933	-5.6%	-2.5%
TRYMYR	0.312	0.235	0.155	0.126	0.106	+19.5%	+1.8%

LKRMYR	0.021	0.012	0.014	0.015	0.014	+8.8%	+1.0%
VNDMYR	0.183	0.187	0.189	0.175	0.161	+8.7%	+1.1%
BDTMYR	4.831	4.271	4.181	3.721	3.441	+8.2%	+0.8%
IDRMYR	0.029	0.028	0.030	0.028	0.026	+6.9%	+0.3%
NPRMYR	0.035	0.033	0.035	0.033	0.031	+6.4%	+1.1%
CNYMYR	0.655	0.638	0.646	0.613	0.588	+4.3%	+0.3%
PHPMYR	0.082	0.079	0.083	0.077	0.075	+3.2%	+2.0%
THBMYR	12.56	12.75	13.40	13.02	12.94	+0.6%	+0.5%
KRWMYR	0.350	0.350	0.356	0.303	0.310	-2.2%	-0.8%
JPYMYR	3.620	3.358	3.255	2.846	2.923	-2.6%	+0.7%
TWDMYR	0.151	0.143	0.150	0.136	0.144	-5.3%	-1.3%

Source: Bloomberg, MIDFR

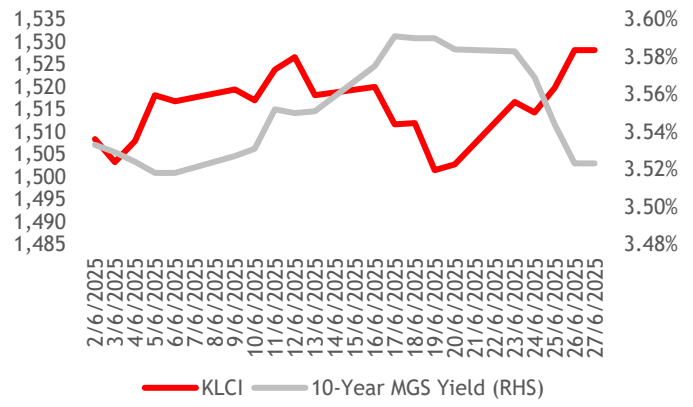
Net outflows from the equity market vs. continued inflows into the debt market. On the back of increased uncertainties, Malaysia's equity market returned to net outflow in Jun-25, with the net selling of Malaysian equities amounting to -RM305m (May-25: +3.44m). However, the size of monthly outflow in Jun-25 was smaller vis-à-vis more than RM400m a month between Oct-24 and Apr-25. Based on the latest data, foreign holdings of Malaysian debt securities rose by +RM13.4b to a new high of RM302.1b in May-25 (Apr-25: RM288.6b). In view of the net outflows from the equity market, the sustained appreciation of the ringgit appears to have been supported mainly by the inflows of foreign funds into the domestic bond market. Given the decline in MGS yields, we believe this indicates the inflows into the local debt market continued into Jun-25, generally signaling that Malaysian securities remain attractive to foreign investors.

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



Source: Bloomberg, MIDFR

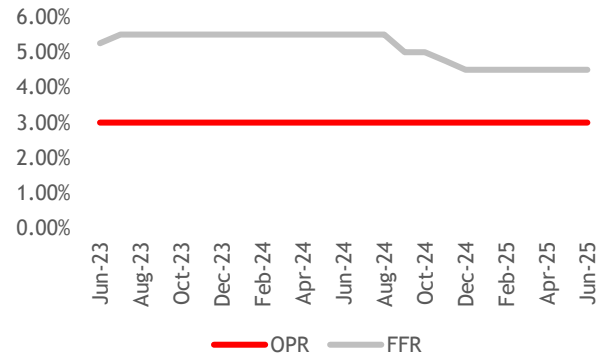
Chart 8: FBMKLCI and MGS 10-Yield Movement in Jun-25



Source: Bloomberg, MIDFR

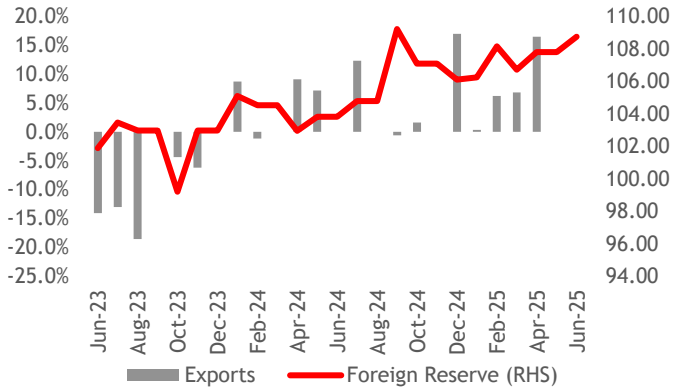
The ringgit is expected to be appreciated in 2025. We continue to anticipate the Malaysian ringgit will strengthen against the US dollar, with the average exchange rate forecast at around RM4.20. The outlook is primarily driven by an expected narrowing of interest rate differentials. We foresee the Fed to implement two rate cuts in 2HCY25, while BNM is projected to keep the OPR unchanged. Typically, such a scenario would support emerging market currencies, including the ringgit, to appreciate. However, growing indications suggest that the Fed's rate cut may be further delayed, which could lend short-term support to the US dollar. Despite this, Malaysia's strong economic fundamentals –particularly the consistent trade and current account surpluses– reinforce our positive view on the ringgit. From a broader perspective, we forecast an increase in our MIDF Trade-Weighted Ringgit Index (TWRI) to 95.0 by year-end as we anticipate the ringgit will continue to strengthen against a basket of other currencies. To a certain extent, this is supported by the stability in Malaysia's policy setting amid modest and stable inflation, compared to a more dovish stance among other central banks, which have recently eased their policy interest rates to support economic growth on the back of more moderate price pressures.

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



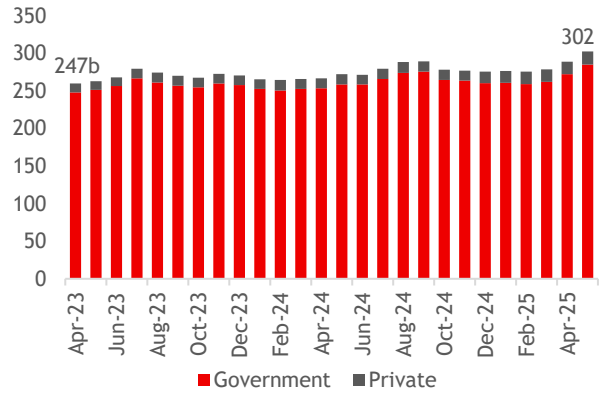
Source: Bloomberg, MIDFR

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



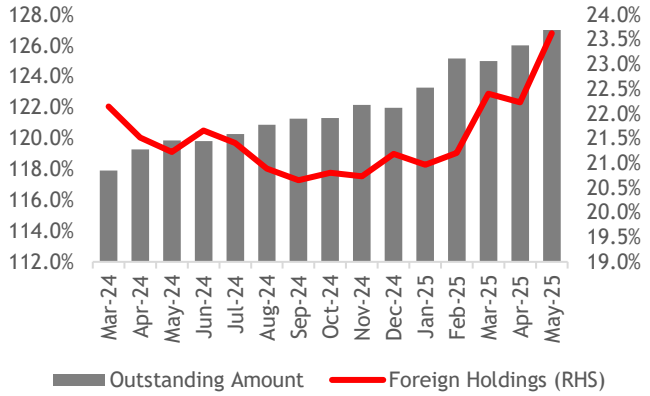
Source: Bloomberg, IMF, MIDFR

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



Source: BNM, Bondstream, MIDFR

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



Source: BNM, Bondstream, MIDFR

JUNE 2025 KEY ECONOMIC EVENTS

1 June: Malaysia's international reserves assets at US$118.70bil as of end-April. Malaysia's international reserve assets amounted to US$118.70 billion (US$1= RM4.21) as of end-April 2025, while other foreign currency assets stood at US$1.75 billion, according to Bank Negara Malaysia (BNM).

1 June: Malaysia's gross credit growth steady in April, BNM data shows. Malaysia's gross loan expanded at a steady pace in April this year, as increase in household loans and corporate bonds issuance offset slower lending to businesses, official data on Friday showed.

9 June: Malaysia to Expand Services Tax from July 1 to Trim Deficit. Malaysia is expanding its sales and service tax to include the construction and financial services sectors effective July 1, according to the Finance Ministry. The move is one of the key measures for Malaysia to narrow its fiscal deficit target to 3.8% of gross domestic product, from 4.1% the previous year.

10 June: May palm oil exports surge 25.6%, CPO output up 5.1%. Malaysia's palm oil exports rose 25.6% to 1.39 million tonnes last month from 1.10 million tonnes in April, the Malaysian Palm Oil Board (MPOB) said. The country produced 1.77 million tonnes of crude palm oil (CPO) in May, up 5.1% from 1.69 million tonnes in the preceding month, the agency said in its latest industry performance report.

11 June: MIDA: Malaysia approves investments totalling RM89.8b in 1Q, still chasing projects worth RM48.5b. Malaysia has approved RM89.8 billion in investments in the first three months of 2025, marking a 3.7% increase from the same period last year, a government agency said on Wednesday. A total of 1,556 new projects were approved in the first quarter, according to the Malaysian Investment Development Authority (Mida).

12 June: BNM to fully roll out Qualified Resident Investor programme on July. Bank Negara Malaysia (BNM) on Thursday announced the full rollout of the Qualified Resident Investor programme for eligible corporates, effective July 1, 2025. The programme provides flexibility for resident corporates that repatriate and convert foreign currency funds from overseas investments and may have interest in undertaking new or further direct investment abroad in the future.

12 June: **Malaysia Seeks Below 10% US Tariffs for Key Sectors**. Malaysia aims to lower US tariffs to below 10% for sectors that are critical to both economies, Bernama reported, citing Investment, Trade and Industry Minister Zafrul Aziz. Zafrul, who will head to Washington for another round of tariff negotiations on June 18.

17 June: Malaysia Aims to Introduce Carbon Tax After Subsidy Cuts. Malaysia aims to introduce carbon tax in 2026 once it has implemented subsidy cuts, according to Second Finance Minister Amir Hamzah Azizan. Subsidy rationalization will need to happen before the implementation of carbon tax.

17 June: Malaysia's BNM Pledges to Ensure Ringgit 'Doesn't Run Too Far'. Bank Negara Malaysia will be on guard to rein in any volatility in the ringgit even as market uncertainty remains high, according to a central bank official. The central bank will ensure markets are properly functioning and the exchange rate "doesn't run too far,"

18 June: The Federal Reserve holds its benchmark interest rate steady at today's FOMC meeting. The Federal Reserve said Wednesday it is holding its benchmark interest rate steady, marking a continuation of its "wait-and-see" approach as it assesses the impact of the Trump administration's economic policies. The central bank also expects inflation to worsen in the coming months, but it still foresees two interest rate cuts by the end of this year, the same as it projected in March.

19-June: Malaysia Reserves at Three-Year High to Aid Stable Ringgit. Malaysia's increasing currency reserves are bolstering its defenses against market volatility. The country's net foreign exchange reserves rose to $94.7 billion at the end of April, according to the latest central bank data, the highest since June 2022. Strong foreign inflows into
local bonds and a weaker greenback, which enabled Bank Negara Malaysia to unwind its net short forward FX position, both helped.

24-June: Malaysia to Boost Venture Capital with Tax Incentives. Malaysia is dangling new tax incentives to investors to boost its venture capital industry, according to Second Finance Minister Amir Hamzah Azizan. The government is offering a concessionary tax rate of 5% for up to 10 years for eligible funds investing at least 20% of their money in local startups.

24 June: Malaysia's May consumer prices rise at slowest pace in over three years. Malaysia's consumer inflation in May decelerated to its slowest pace in more than three years as food prices rose more moderately, official data released on Tuesday showed. The consumer price index — Malaysia's main gauge of inflation — rose 1.2% in May when compared to the same month in 2024.

26 June: Malaysia cuts July palm oil reference price, export duty falls to 8.5% — MPOB. Malaysia has lowered its July crude palm oil reference price, a change that lowers the export duty to 8.5%. The world's second-largest palm exporter calculated a reference price of RM3,730.48 (US$880.87) per metric tonne for July. The June reference price was RM3,926.59 a tonne, and incurred a duty of 9.5%.

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