Ringgit Strengthened Alongside the US Dollar in Oct-25

ECONOMIC REVIEW:
Monthly Currency Review
Oct-25



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- The US dollar strengthened in Oct-25 against major currencies as the DXY index increased by +2.1%mom to 99.80 (Sep-25: 97.78), performing better than last month's stable performance. Similarly, on average, the US dollar index increased by +1.1%mom to 98.76 (Sep-25: 97.69).
- The ringgit appreciated by +0.3%mom in Oct-25, closing the month at RM4.189 (end-Sep-25: RM4.207). In the first 10 months of this year, the ringgit gained by +6.8%ytd against the US dollar, as last month's performance was partly driven by the expectation for the Federal Reserve rate cut in the Oct-25 meeting, added with the positive sentiment from the domestic economic performance.
- We revise our base case for the Ringgit to strengthen further against the USD, moving our average forecast for the year to RM4.25 (previously RM4.30; 2024: RM4.56). The primary catalyst for this sustained appreciation bias is the expected narrowing of the US-Malaysia interest rate differential.

US dollar strengthened in Oct-25

The US dollar strengthened in Oct-25 against major currencies as the DXY index increased by +2.1%mom to 99.80 (Sep-25: 97.78), performing better than last month's stable performance. Similarly, on average, the US dollar index increased by +1.1%mom to 98.76 (Sep-25: 97.69). The greenback weakened in the first week due to the uncertainty stemming from the US federal government shutdown, which also led to heightened uncertainty for investors due to absence and delays in key economic data releases. Later in the month, market players shifted their attention to the FOMC minutes, signalling that inflation remains a "persistent and serious concern", which caused investors to focus on inflation concerns. However, investors' flight to safety demand picked up as trade war reignited following China's decision to tighten export controls for critical rare-earth metals, which led to the retaliation by President Donald Trump to impose an additional 100% tariff on goods from China, on top of the 30% tariff that is already in effect, driving investors' focus towards renewed geopolitical tensions. However, the appreciation of the DXY was contained as several speeches from the FOMC members which signalled a dovish stance, with the Fed Chair Jerome Powell indicating the Fed is nearing a point to stop reducing the size of its bond holdings and hinted at further rate cuts ahead of the Oct-25 FOMC meeting. Consequently, the FOMC decision at the end of the month was widely anticipated as the FOMC reduced its Fed Fund Rate by -25bps to 3.75-4.00%. The cautious remarks by the Fed Chair after the meeting, however, suggested that another move in Dec-25 is far from certain, pushing market expectations to price in a lower probability for another rate cut in Dec-25. As a result, US dollar strengthened towards the end of the month, with the DXY index moving higher 98.67 on 28th October to end the month at 99.80, which is the strongest level in 3 months.

Most major currencies weakened against the US dollar

On the back of stronger US dollar, most major currencies weakened in Oct-25. Among the major currencies, the euro weakened by -1.7%%mom, and the pound sterling depreciated by -1.0%mom. However, most of the regional currencies performed better against the US dollar; the biggest appreciation was recorded by the Indonesian rupiah (+0.4%mom),

Vietnam dong (+0.2%mom), and the Thai baht (+0.2%mom). Other Asian currencies like the Taiwan dollar (+0.4%mom) also strengthened during the month.

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

	2021	2022	2023	2024	Oct-25	YTD Change	MoM Change
DXY	95.67	103.52	101.33	108.49	99.80	-8.0%	+2.1%
EURUSD	1.137	1.071	1.104	1.035	1.154	+11.4%	-1.7%
GBPUSD	1.377	1.468	1.468	1.616	1.528	+5.8%	-1.0%
USDAUD	1.353	1.208	1.273	1.252	1.315	+5.1%	-2.2%
USDJPY	1.349	1.340	1.320	1.366	1.301	+5.0%	-0.8%
USDSGD	1.264	1.355	1.324	1.438	1.401	+2.7%	-0.6%
USDCAD	115.08	131.12	141.04	157.20	153.99	+2.1%	-4.0%
USDTWD	4.166	4.404	4.594	4.472	4.189	+6.8%	+0.4%
USDMYR	27.68	30.72	30.71	32.79	30.74	+6.7%	-0.9%
USDTHB	33.41	34.61	34.14	34.10	32.34	+5.4%	+0.2%
USDKRW	1,189	1,266	1,288	1,472	1,430	+2.9%	-1.8%
USDCNY	6.356	6.899	7.100	7.299	7.119	+2.5%	+0.0%
USDPHP	50.99	55.73	55.39	57.84	58.89	-1.8%	-1.2%
USDIDR	22,826	23,633	24,269	25,485	26,314	-3.2%	+0.4%
USDVND	14,253	15,568	15,397	16,102	16,630	-3.2%	+0.2%
USDINR	74.34	82.74	83.21	85.61	88.77	-3.6%	+0.0%

Source: Bloomberg, MBSBR

Ringgit resumed its appreciating trend in Oct-25, strengthening for the third consecutive month.

The ringgit appreciated by +0.3%mom in Oct-25, closing the month at RM4.189 (end-Sep-25: RM4.207). In the first 10 months of this year, the ringgit gained by +6.8%ytd against the US dollar, as last month's performance was partly driven by the expectation for the Federal Reserve rate cut in the Oct-25 meeting, added with the positive sentiment from the domestic economic performance. The ringgit traded within a range of RM4.1885 – RM4.231 last month, with sustained downward pressure through the third week of Oct-25, where the local currency briefly testing resistance above the RM4.23 threshold on two occasions. This softness peaked on 14th October, when the USDMYR closed at RM4.231, its lowest point since late Aug-25. Critically, the final days of the month saw a significant momentum shift, resulting in the ringgit reversing its trajectory and closing the month stronger against the US Dollar. Domestically, recent data continued to indicate a robust economic activity, consistent with the release of the robust 3QCY25 GDP growth and the stronger-than-expected Sep-25 external trade figures.

Ringgit also gained against other currencies

The ringgit also strengthened against currencies of Malaysia's major trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +1.1%mom to 95.58 (Sep-25: 94.51). The appreciation was seen mainly against the Japanese yen (+4.6%mom), Korean won (+2.1%mom), and the euro (+2.0%mom). We opine the nominal appreciation of the ringgit against a basket of currencies signals Malaysia's improved growth fundamentals vis-à-vis its major trading partners.

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

	2021	2022	2023	2024	Oct-25	YTD Change	MoM Change
USDMYR	4.166	4.404	4.594	4.472	4.189	+6.8%	+0.4%
CADMYR	3.271	3.251	3.467	3.113	2.991	+4.1%	+1.1%
SGDMYR	3.086	3.283	3.478	3.286	3.221	+2.0%	+1.3%
GBPMYR	5.631	5.299	5.837	5.615	5.505	+2.0%	+2.7%
EURMYR	4.719	4.693	5.076	4.659	4.850	-3.9%	+1.9%
TRYMYR	0.312	0.235	0.155	0.126	0.100	+26.9%	+1.5%
LKRMYR	0.021	0.012	0.014	0.015	0.014	+10.8%	+1.0%
VNDMYR	0.035	0.033	0.035	0.033	0.030	+10.4%	+0.3%

NPRMYR	0.183	0.187	0.189	0.175	0.159	+10.2%	+0.0%
IDRMYR	0.029	0.028	0.030	0.028	0.025	+10.0%	+0.2%
BDTMYR	4.831	4.271	4.181	3.721	3.431	+8.5%	+0.8%
PHPMYR	0.082	0.079	0.083	0.077	0.071	+8.1%	+1.4%
CNYMYR	3.620	3.358	3.255	2.846	2.720	+4.6%	+4.5%
JPYMYR	0.655	0.638	0.646	0.613	0.589	+4.1%	+0.3%
THBMYR	0.350	0.350	0.356	0.303	0.293	+3.5%	+2.1%
KRWMYR	12.56	12.75	13.40	13.02	12.96	+0.4%	+0.0%
TWDMYR	0.151	0.143	0.150	0.136	0.136	+0.1%	+1.3%

Source: Bloomberg, MBSBR

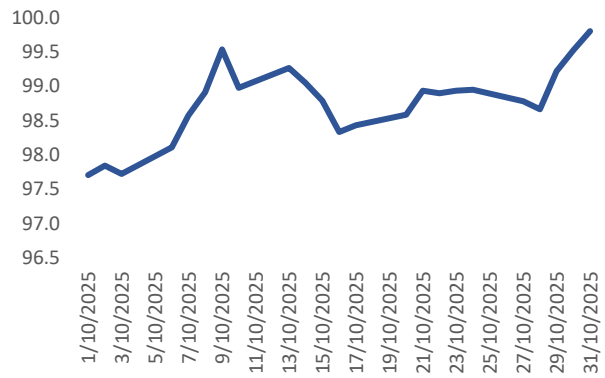
Net outflows of foreign funds from the equity market in Oct-25

On the back of the rising uncertainty in the global trade war and the heightened demand for safe assets, Malaysia's equity market recorded a net outflow of -USD565m in Oct-25, reversing the inflows the previous month (Sep-25: +USD19m). Based on the latest data, foreign holdings of Malaysian debt declined by -RM6.8b to RM287.3 in Sep-25 (Aug-25: RM294.1b). The ratio of foreign holdings moved lower to 21.7% in Sep-25 (Aug-25: 22.3%) of total outstanding government bonds. The MGS moved higher last month, tracking the UST market after the FOMC meeting, partly driven by the FOMC latest forward guidance; while no further easing is expected to be carried out by BNM, inflows into the debt market would be limited. Nevertheless, we believe the weakening of the ringgit last month was partly driven by the outflows from both the equity and domestic debt markets.

Ringgit to continue appreciating towards the end of the year

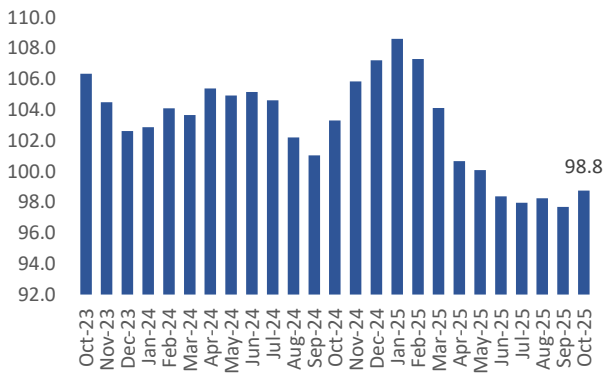
We revise our base case for the Ringgit to strengthen further against the USD, moving our average forecast for the year to RM4.25 (previously RM4.30; 2024: RM4.56). The primary catalyst for this sustained appreciation bias is the expected narrowing of the US-Malaysia interest rate differential. Our projection is fundamentally based on the US Fed delivering an additional 1–2 rate cuts this year, with BNM holding its OPR at 2.75%. Recent economic developments suggest a greater upside risk to the currency; consequently, we are reviewing our year-end projection, which holds a strong bias toward the Ringgit closing the year potentially stronger than RM4.09. This positive expectation is also supported by Malaysia's robust economic fundamentals, though it faces risks from potential delays in US rate cuts due to persistent buildup in inflationary pressures and ongoing global uncertainties. We forecast an increase in our MBSB Trade-Weighted Ringgit Index (TWRI) to 95.0 by year-end (end-2024: 91.56) as we anticipate the ringgit will also strengthen against the currencies of Malaysia's major trading partners. The resilience of the ringgit is underpinned by the stability of the nation's monetary policy settings on the back of sustained economic growth, unlike other central banks that have adopted a more dovish stance and recently eased policy interest rates to spur growth. According to the latest commentary from BNM, the domestic economy is projected to remain robustly supported. This projected stability is directly linked to Malaysia maintaining a low and contained inflationary profile, a crucial condition that validates the economic outlook and provides a solid, fundamental basis for the Ringgit to strengthen relative to its peers and major trading currencies.

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



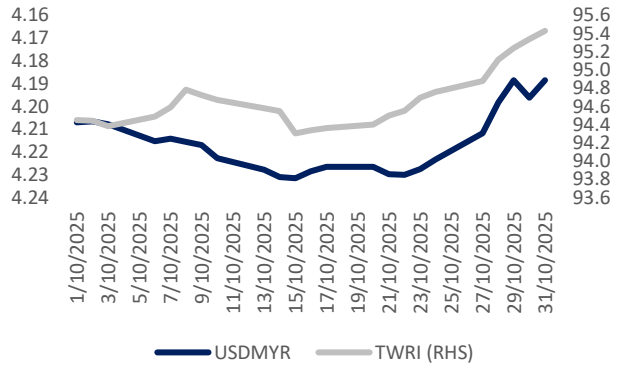
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



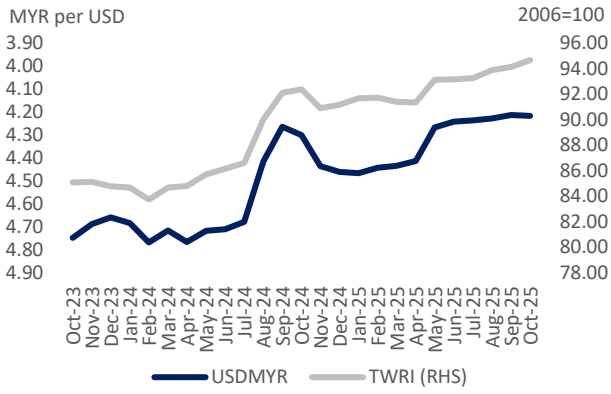
Source: Bloomberg, MBSBR

Chart 3: USDMYR vs. MBSB TWRI in Oct-25



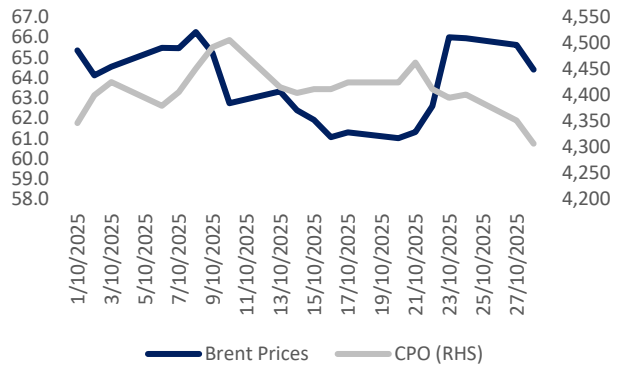
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



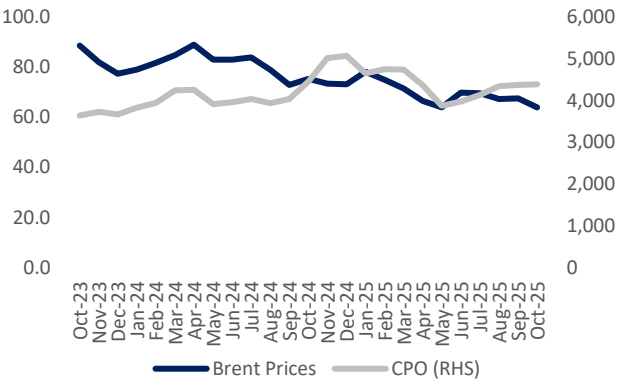
Source: Bloomberg, MBSBR

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



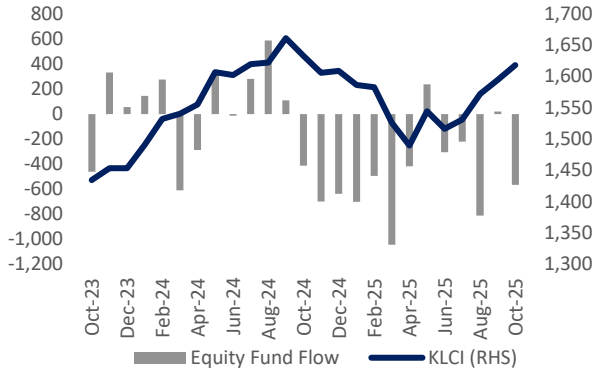
Source: Bloomberg, MBSBR

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



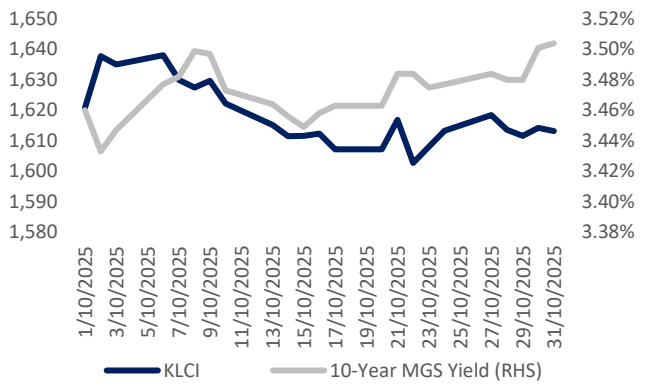
Source: Bloomberg, MBSBR

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



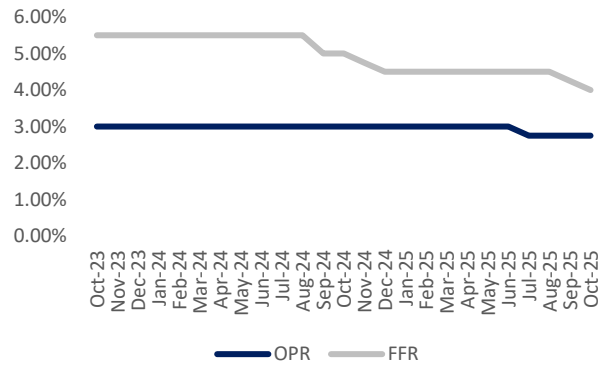
Source: Bloomberg, MBSBR

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



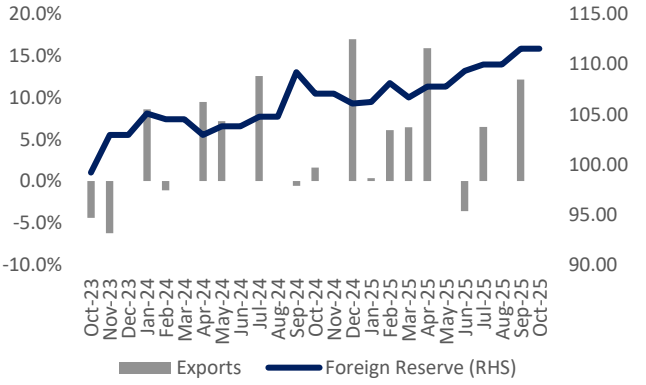
Source: Bloomberg, MBSBR

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



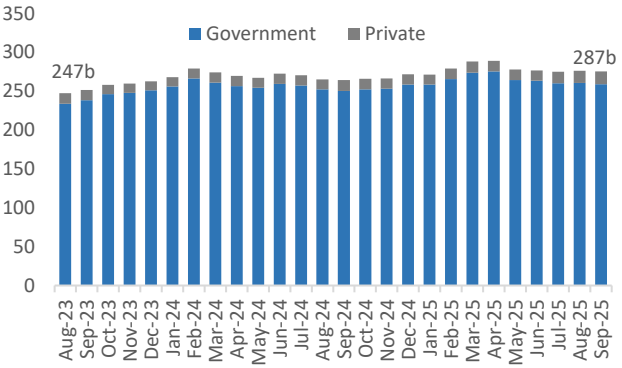
Source: Bloomberg, MBSBR

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



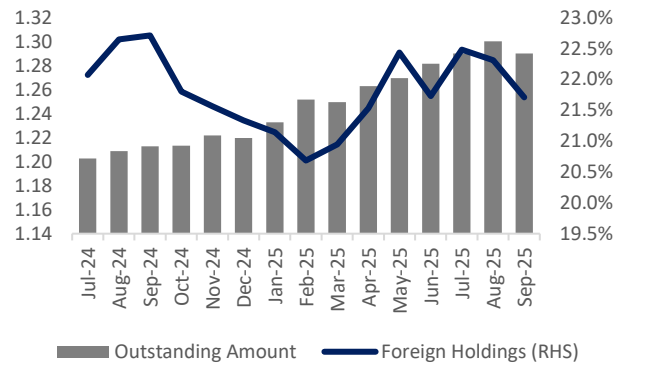
Source: Bloomberg, IMF, MBSBR

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



Source: BNM, Bondstream, MBSBR

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



Source: BNM, Bondstream, MBSBR

OCTOBER 2025 KEY ECONOMIC EVENTS

1 Oct: Malaysian manufacturing sector stabilises in September amid improved sentiment, softer cost pressures. Malaysia's manufacturing sector showed signs of stabilisation in September this year, with operating conditions remaining broadly unchanged, the latest S&P Global Malaysia Manufacturing PMI showed.

2 Oct: Zafrul: Reforms and innovation boost investors' confidence in Malaysia. Investor confidence is clearly returning to Malaysia as a result of the government's commitment to reform, cooperate, innovate, and build a stronger, more sophisticated and inclusive economy, said Investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Abdul Aziz**.**

7 Oct: Malaysia's foreign reserves expand to 11-year high as gold holdings grow. Malaysia built up its foreign currency reserves in September 2025 to the highest in 11 years, as its gold holdings grew, latest data from the central bank showed. International reserves totalled US$123.6 billion as at Sept 30, compared to US$122.8 billion a fortnight earlier.

10 Oct: Govt Debt Service Charges Expected To Increase To 16.3 Pct In 2025 --MOF - The federal government's debt servicing charges (DSC) are projected to increase by 7.6 per cent to RM54.3 billion in 2025, accounting for 16.3 per cent of total revenue compared to a 9.0 per cent increase of RM50.5 billion or 15.6 per cent in 2024.

15 Oct: IMF keeps real GDP growth forecasts for Malaysia at 4.5% in 2025, 4% in 2026. The International Monetary Fund (IMF) has maintained its projections for Malaysia's real gross domestic product (GDP) growth at 4.5% in 2025 and 4.0% in 2026. According to the October 2025 World Economic Outlook (WEO) update released on Tuesday titled "Global Economy in Flux, Prospects Remain Dim", the IMF had previously set Malaysia's 2024 GDP growth at 5.1%

16 Oct: Bank Negara says it will transition to transaction-based benchmark market rates. Malaysia's central bank said on Thursday that it will transition from the Kuala Lumpur Interbank Offered Rate (KLIBOR) to the Malaysia Overnight Rate (MYOR) and the Malaysia Islamic Overnight Rate (MYOR-i).

23 Oct: Malaysia's foreign reserves steady at US$123.4b as at mid-October. Bank Negara Malaysia's (BNM) international reserves stood at US$123.4 billion as at Oct 15, 2025, holding steady from the level recorded at end-September. The reserves position is sufficient to finance 4.8 months of imports of goods and services, and is 0.9 times the country's total short-term external debt,

27 Oct: US agrees to factor in Malaysia's trade deal commitments when deciding on semiconductor tariffs — Liew. Deputy Minister of Investment, Trade and Industry Liew Chin Tong said that although semiconductors are not included in the newly formalised US trade deal, Malaysia's commitments under the agreement will influence future US decisions on semiconductor tariffs.

2 Oct: E-hailing Budi95 quota may be expanded under Budget 2026 — Economy Ministry. The Economy Ministry has not ruled out the possibility of additional Budi Madani RON95 (Budi95) eligibility quotas for the e-hailing sector during the tabling of Budget 2026 next week.

7 Oct: World Bank: Malaysia's maturing debt not a worry, but falling development spending is. The World Bank says Malaysia's large maturing debts are normal and not a major concern, as long as the government can roll over its debt — or issue new bonds to replace old ones.

10 Oct: Govt To Galvanise RM470 Bln Resources In Budget 2026 To Fortify Economy Against Global Shocks - PM Anwar. Prime Minister Datuk Seri Anwar Ibrahim has galvanised RM470 billion resources in Budget 2026, prioritising economic resilience and expanded support for small businesses to future-proof the economy amid persistent global uncertainties and regional headwinds and also goes hard on enforcement to prevent economic leakages

13 Oct: Malaysia sees ringgit strengthening below 4 per US dollar. Malaysian ringgit is set to extend its recent gains as strong domestic spending and the government's fiscal prudence cushion the blow from US tariffs, Second Finance Minister Datuk Seri Amir Hamzah Azizan said. The currency may strengthen to "just below" RM4 versus the dollar in 12 months

15 Oct: BNM governor remains optimistic about ringgit's trajectory on economic fundamentals, structural reforms. Bank Negara Malaysia (BNM) remains optimistic about the trajectory of the ringgit, underpinned by Malaysia's strong economic fundamentals and structural reforms. The central bank's governor Datuk Seri Abdul Rasheed Ghaffour said that the ringgit had strengthened against the US dollar by 5.8% year to date amid a challenging global economic environment.

17 Oct: Malaysia's economy grows faster than expected in 3Q, official flash estimates show. Malaysia's economy expanded faster than expected in the third quarter as domestic demand, its main growth engine, continued to hum while exports chugged on, official flash estimates show.

24 Oct : Inflation rate hit 3.0% in September, lower than expected, long-awaited CPI report shows. The consumer price index showed a 0.3% increase on the month, putting the annual inflation rate at 3%. Economists surveyed by Dow Jones had been looking for readings of 0.4% and 3.1%, respectively. The annual rate reflected a 0.1 percentage point uptick from August. Excluding food and energy, core CPI showed a 0.2% monthly gain and an annual rate also at 3%, compared with estimates of 0.3% and 3.1%, respectively.

30 Oct: Fed delivers expected rate cut; Powell says December rate cut not assured. A divided U.S. Federal Reserve cut interest rates by a quarter of a percentage point on Wednesday and announced it will restart limited purchases of Treasury securities after money markets showed signs that liquidity was becoming scarce, a condition the U.S. central bank has pledged to avoid.

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