Ringgit Weakens, Breaching Above the RM4.00 Level

Monthly Currency Review
March 2026



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Economic Review

- The US dollar strengthened against major currencies in Mar-26 as the DXY dollar index increased by +2.2%mom to 99.79. The US dollar index hovered between a wider range of 98.38 to 100.5 compared to the previous month. On average, the dollar index increased by +2.1%mom to 99.47 (Feb-26: 97.43).
- The ringgit depreciated by -3.9%mom in Mar-26, closing the month at RM4.046 (end-Feb-26: RM3.893), breaking the RM4.00 level towards the end of the month. In the early part of the month, the ringgit traded stable within the RM3.90–4.00 range, throughout the month, until it broke the RM4.00 level at the end of the month and weakened to RM4.046.
- Based on the current developments, we are keeping our expectation that the ringgit will continue to strengthen further against the US dollar, as we revised our forecast for 2026 to average around RM3.92 (2025 average: RM4.28).

US dollar strengthened further in Mar-26

The US dollar strengthened against major currencies in Mar-26 as the DXY dollar index increased by +2.2%mom to 99.79. The US dollar index hovered between a wider range of 98.38 to 100.5 compared to the previous month. On average, the dollar index increased by +2.1%mom to 99.47 (Feb-26: 97.43). The US dollar appreciated especially towards the end of the month, with the dollar index breaking above the 100 level and hitting the highest level since Nov-25. In the early part of the month, the US dollar performance was influenced by President Donald Trump's announcement of his plans for a new 15% global tariff after it was struck down by the Supreme Court, and further supported by the increasing tension between the US and Iran, and the military actions, and the heighthened uncertainty due to the disruption in the global oil & gas supply following the closure of the Strait of Hormuz. However, the following weeks saw the US dollar strengthening as the situation continued to escalate, with the conflicts spreading to other nations with Qatar's decision to cut its gas production. Investors continue to price in the higher probability of oil prices remaining elevated for a longer period, which will have a domino effect on global inflation expectations. On top of that, the FOMC meeting in the third week of Mar-26 signalled increasing caution among the members, ashhe dot plot still suggested one rate cut in 2026. Meanwhile, the Fed also revised its 2026 PCE inflation forecast upwards to 2.7% (previous: 2.4%), indicating concerns of the upside risk towards inflation. Apart from the uncertainty from the geopolitical risks, we are closely monitoring trade policy developments; any pivot in this area could significantly alter dollar sentiment and introduce notable volatility to our bearish outlook.

Most currencies weakened against the US dollar

On the back of a stronger dollar, most major currencies weakened in Mar-26. The euro weakened by -2.9%mom, the pound sterling weakened by -2.0%mom, and the Japanese yen depreciated by -2.2%mom. Several regional currencies weakened against the US dollar, led by the Korean won (-5.8%mom), Thai baht (-5.3%mom), and the Philippine peso (-4.9%mom).

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

	2022	2023	2024	2025	Feb-26	YTD Change	MoM Change
DXY	103.52	101.33	108.49	99.79	99.79	+0.0%	+2.2%
GBPUSD	1.208	1.273	1.252	1.321	1.321	+0.0%	-2.0%
EURUSD	1.071	1.104	1.035	1.147	1.147	+0.0%	-2.9%
USDAUD	1.468	1.468	1.616	1.458	1.458	+0.0%	-3.7%
USDCAD	1.355	1.324	1.438	1.393	1.393	+0.0%	-2.1%
USDJPY	131.12	141.04	157.20	159.63	159.63	+0.0%	-2.2%
USDSGD	1.340	1.320	1.366	1.291	1.291	+0.0%	-2.0%
USDMYR	4.404	4.594	4.472	4.046	4.046	+0.0%	-3.8%
USDINR	82.74	83.21	85.61	94.83	94.83	+0.0%	-4.1%
USDPHP	55.73	55.39	57.84	60.64	60.64	+0.0%	-4.9%
USDCNY	6.899	7.100	7.299	6.907	6.907	+0.0%	-0.6%
USDTHB	34.61	34.14	34.10	32.82	32.82	+0.0%	-5.3%
USDVND	23,633	24,269	25,485	26,335	26,335	+0.0%	-1.1%
USDIDR	15,568	15,397	16,102	16,996	16,996	+0.0%	-1.3%
USDKRW	1,266	1,288	1,472	1,529	1,529	+0.0%	-5.8%
USDTWD	30.72	30.71	32.79	32.07	32.07	+0.0%	-2.6%

Source: Bloomberg, MBSBR

Ringgit depreciated, going back to above RM4.00 by end-month

The ringgit depreciated by -3.9%mom in Mar-26, closing the month at RM4.046 (end-Feb-26: RM3.893), breaking the RM4.00 level towards the end of the month. In the early part of the month, the ringgit traded stable within the RM3.90–4.00 range, throughout the month, until it broke the RM4.00 level at the end of the month and weakened to RM4.046. Recent domestic economic indicators continue to reinforce Malaysia's growth trajectory, sustaining a positive outlook for the local market. Conversely, Ringgit has experienced downward pressure due to a resurgence in the US dollar. This shift is primarily driven by heightened demand for dollar-denominated assets as market expectations pivot toward a 'higher-for-longer' interest rate environment in the US, as demand for the greenback increased on the back of heightened geopolitical uncertainty. The higher energy and inflation concern generally added to the expectations for the Fed keeping its rates higher for longer. Looking ahead, we expect the ringgit to remain on the current strengthening trend throughout 2026. This appreciation is primarily underpinned by the slightly lower differential between Malaysia's OPR and the US fed funds rate, again based on the latest dot plot. However, market players now priced in a no rate cut scenario this year. Given that the local currency has been trading stronger than our previous expectation, despite our expectation of the temporary strength of the US dollar, we revise our ringgit forecast to be relatively stronger; expecting the local currency to average around RM3.92 (previous forecast: RM4.00) in 2026 and moving towards RM3.85 2026 (previous forecast: RM3.95) by the end of the year.

Broad weakening of the ringgit against other currencies

The ringgit also weakened against currencies of Malaysia's major trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) declined by -1.2%mom to 100.47 (Mar-26: 101.38). The depreciation was seen mainly against the UAE dinar (-3.2%mom), Hong Kong dollar (-3.2%mom), and the Saudi riyal (-3.1%mom). We believe the ringgit's broad nominal appreciation against a basket of major currencies is driven by Malaysia's strengthening growth fundamentals. This outperformance, particularly when contrasted with the economic trajectories of our primary trading partners, underscores the robustness of the domestic recovery.

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

	2022	2023	2024	2025	Jan-26	YTD Change	MoM Change
CADMYR	3.251	3.467	3.113	2.891	2.891	+0.0%	-1.5%
EURMYR	4.693	5.076	4.659	4.616	4.616	+0.0%	-0.5%
SGDMYR	3.283	3.478	3.286	3.116	3.116	+0.0%	-1.3%
USDMYR	4.404	4.594	4.472	4.046	4.046	+0.0%	-3.8%
GBPMYR	5.299	5.837	5.615	5.318	5.318	+0.0%	-1.3%
TRYMYR	0.235	0.155	0.126	0.090	0.090	+0.0%	-2.1%
TWDMYR	0.143	0.150	0.136	0.126	0.126	+0.0%	-1.0%
BDTMYR	4.271	4.181	3.721	3.271	3.271	+0.0%	-2.7%
KRWMYR	0.350	0.356	0.303	0.263	0.263	+0.0%	+2.6%
IDRMYR	0.028	0.030	0.028	0.024	0.024	+0.0%	-2.1%
PHPMYR	0.079	0.083	0.077	0.066	0.066	+0.0%	+1.8%
VNDMYR	0.187	0.189	0.175	0.153	0.153	+0.0%	-2.1%
THBMYR	12.75	13.40	13.02	12.27	12.27	+0.0%	+2.1%
CNYMYR	0.638	0.646	0.613	0.582	0.582	+0.0%	-2.5%
NPRMYR	0.033	0.035	0.033	0.027	0.027	+0.0%	+0.4%
LKRMYR	0.012	0.014	0.015	0.013	0.013	+0.0%	-1.3%
JPYMYR	3.358	3.255	2.846	2.522	2.522	+0.0%	-1.1%

Source: Bloomberg, MBSBR

Net inflows into the bond market in Mar-26

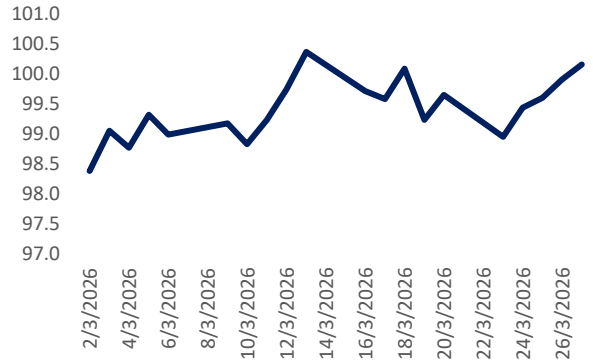
While global uncertainties escalate, Malaysia equity market continued to record positive net inflows in Mar-26, but at a moderated pace at +USD8m compared to +USD43m in Feb-26, being the third straight month of inflow. Based on the latest data, foreign holdings of Malaysian debt declined by -RM2.5b to RM299.2b in Feb-26 (Jan-26: RM301.7b) of total outstanding government bonds. Although the MGS yield curve moved higher last month, we are seeing an improved movement of non-resident holding inflows for Mar-26, showing resilient inflows into the MGS market. On that note, inflows into the equity market supported the ringgit's appreciation in Feb-26.

Expect the ringgit to continue appreciating trend in the medium term, despite the current volatility

Based on the current developments, we are keeping our expectation that the ringgit will continue to strengthen further against the US dollar, as we revised our forecast for 2026 to average around RM3.92 (2025 average: RM4.28). This continued appreciation is primarily underpinned by a slight narrowing in the differential between Malaysia's OPR and the US fed funds rate, as the FOMC's latest dot plot continued to signal potential one more rate cut. However, our ringgit outlook may be influenced by a stronger dollar with market players having shifted recently, now pricing in no rate cut this year, in response to higher oil price shocks and potentially prolonged tensions in the Middle East. Our baseline assumes of possible one -25bps cuts by the US Fed this year, contrasting with a neutral hold at 2.75% for Malaysia's OPR. We expect the ringgit to experience volatility during the increasing period of geopolitical uncertainty. Elevated US inflation and global geopolitical tensions remain the primary 'wildcards' in our forecast. Should these risks materialise, the Federal Reserve may further delay its policy easing cycle. Such a delay would create a substantial headwind, potentially capping the ringgit's current appreciation trend. Over the past month, the ringgit's appreciation bias has continued, bolstered by a series of robust economic data releases. The currency has maintained its strength even in the face of a rebounding US dollar, successfully breaching the RM3.90 level. This outperformance was supported by the positive market confidence in Malaysia's domestic recovery. We project the MBSB Trade-Weighted Ringgit Index (TWRI) to reach 102.0 by year-end 2026, up from 98.4 at end-2025. This forecast reflects the ringgit's broad-based strength against the currencies of Malaysia's major trading partners. At the same time, this resilience is currently anchored by stable monetary policy and robust economic growth, rising inflationary pressures, driven by elevated energy costs, which lead us to anticipate a hawkish pivot from the central bank in the near term. Supported by BNM's assessment of sustained domestic expansion, this

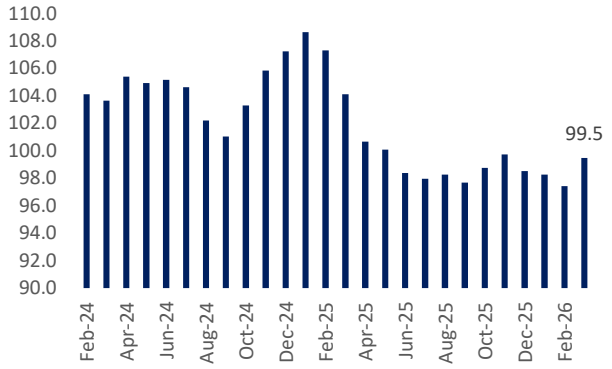
favourable macroeconomic backdrop remains a primary catalyst for the ringgit's outperformance against regional and global peers.

Chart 1: Movement of DXY Dollar Index in Mar-26



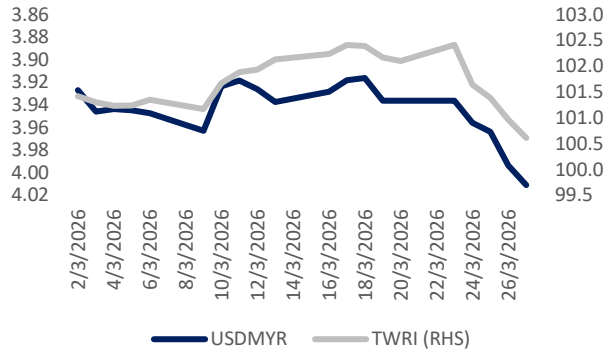
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



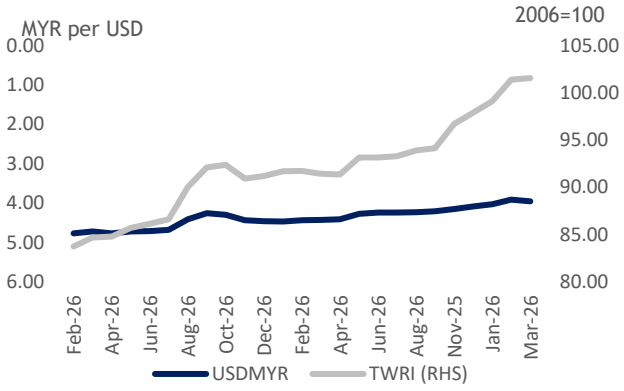
Source: Bloomberg, MBSBR

Chart 3: USDMYR vs. MBSB TWRI in Mar-26



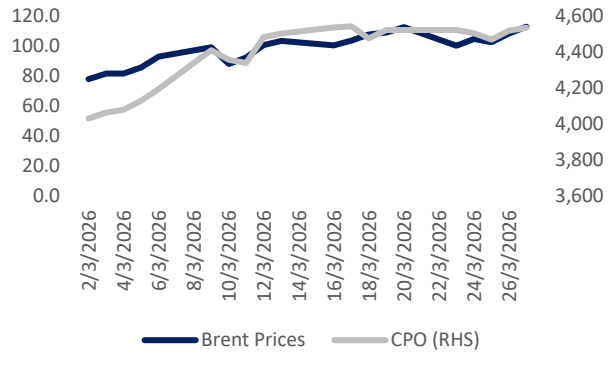
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



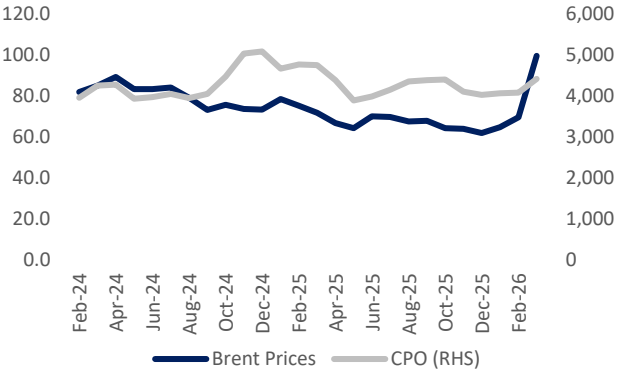
Source: Bloomberg, MBSBR

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



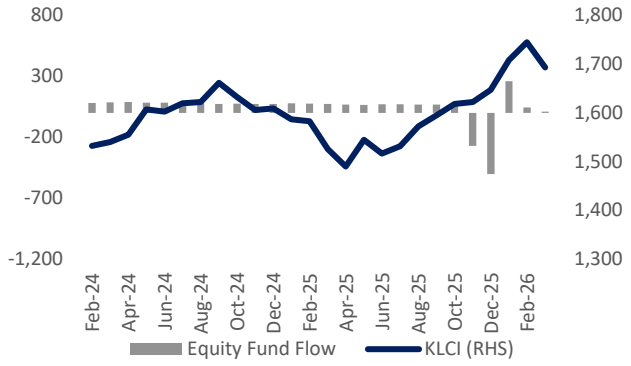
Source: Bloomberg, MBSBR

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



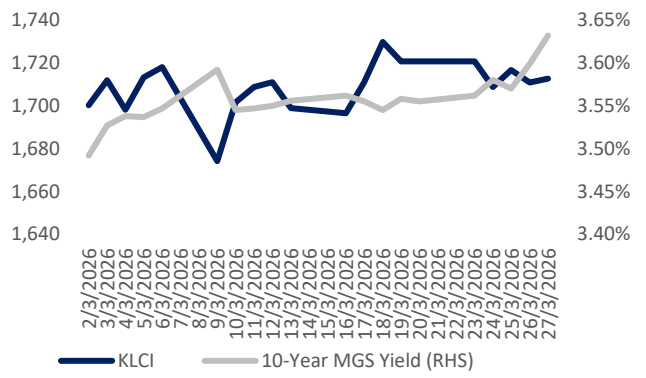
Source: Bloomberg, MBSBR

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



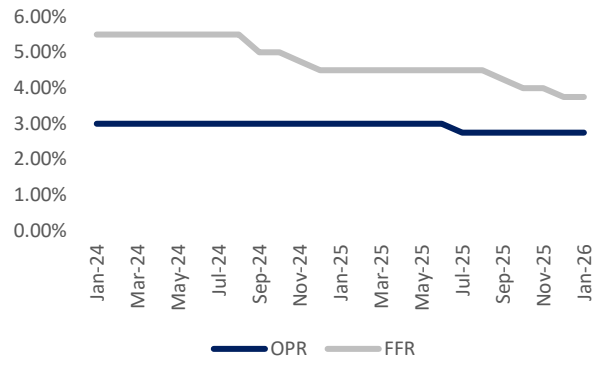
Source: Bloomberg, MBSBR

Chart 8: FBMKLCI and MGS 10-Yield Movement in Jan-26



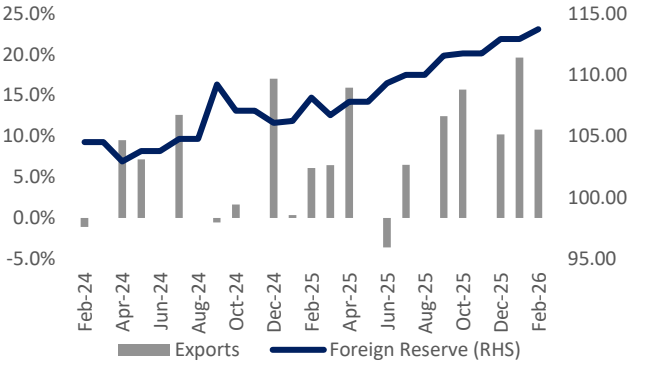
Source: Bloomberg, MBSBR

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



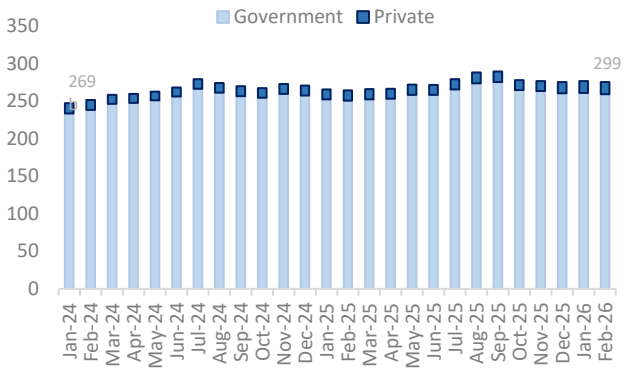
Source: Bloomberg, MBSBR

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



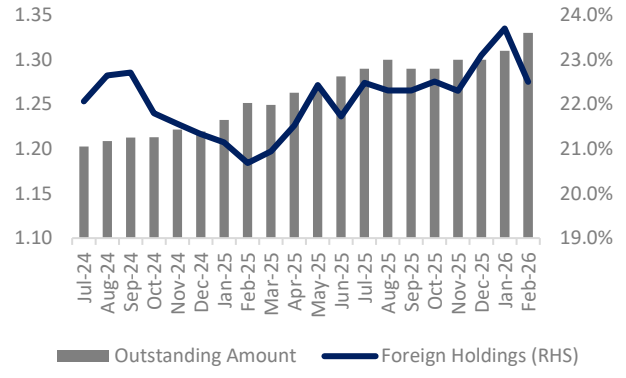
Source: Bloomberg, IMF, MBSBR

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

MARCH 2026 KEY ECONOMIC EVENTS

4 Mar: Gov't Monitoring Middle East Conflict; Minimum Impact To Malaysia's Total Trade. The government is monitoring the current conflict in the Middle East but has assured that there will be minimal impact on Malaysia's total trade.

9 Mar: Govt to do its utmost to keep RON95 at RM1.99 per litre — PM. The government will do its utmost to maintain the price of RON95 at RM1.99 per litre so that it does not burden the people, said Prime Minister Datuk Seri Anwar Ibrahim.

12 Mar: US Investigates Manufacturing Overcapacity In 15 Economies, Including Malaysia, EU. The United States (US) has initiated investigations into the acts, policies, and practices of 15 economies, including Malaysia and the European Union (EU), under Section 301(b) of the Trade Act of 1974 relating to structural excess capacity and production in manufacturing sectors.

17 Mar: Domestic tourism maintains encouraging growth, records 290.1 million visitors in 2025 — DOSM. The tourism sector has maintained encouraging growth in 2025, with the total number of domestic visitors reaching 290.1 million.

19 Mar: Malaysia's inflation modestly up 1.4 % in Feb 2026. Consumer price Index (CPI) climbing to 136.0 from 134.1 a year earlier, the Department of Statistics Malaysia (DOSM) said. In a statement today, chief statistician Datuk Seri Dr Mohd Uzir Mahidin said eight categories recorded slower year-on-year growth compared with January 2026.

19 Mar: Bank of England Holds Interest Rates Amid Iran War as Rate Hike Bets Increase. The Bank of England held interest rates at 3.75% as the Iran war rapidly shifts expectations for inflation and the UK economy.

20 Mar: ECB leaves rates unchanged amidst heightened geopolitical tensions. The European Central Bank (ECB) on Thursday kept key interest rates unchanged as heightened geopolitical tensions weigh on the outlook of inflation and economy in the euro area.

27 Mar: BUDI95 Adjustment, A Necessary Measure To Ensure Nation Remains Resilient. The temporary adjustment of Budi MADANI RON95 (BUDI95) Programme announced yesterday was described as a necessary step to ensure the country remains resilient following the uncertainty of the situation in the Middle East which has impacted the global market.

31 Mar: International Reserves Remains Stable at US$128.3 Billion As Of End-Feb. Malaysia's international reserves remained robust and fully usable as at end-February 2026, according to Bank Negara Malaysia (BNM).

5 Mar: Over 60% of Malaysian exporters likely affected by Middle East conflict: Matrade. The Malaysia External Trade Development Corporation (Matrade) said a survey shows over 60% of Malaysian exporters expect to be impacted by the Middle East conflict due to shipment delays and higher shipping and insurance costs.

11 Mar: Anwar says country's petroleum product supplies secured until May 2026. Prime Minister Datuk Seri Anwar Ibrahim has assured that the country's petroleum product supplies are secured at least until May 2026.

13 Mar: Govt to cover fuel subsidies expected to reach RM3.2 bil monthly for public welfare — Amir Hamzah. The government will ensure citizens continue to receive assistance through targeted RON95 subsidies under the Budi95 initiative, while keeping petrol and diesel prices unchanged despite the rise in fuel subsidy spending,

18 Mar: Fed votes to hold rates steady, notes 'uncertain' impacts from Iran war. The Federal Reserve on Wednesday voted to hold its key interest rate steady as policymakers navigate their way through higher-than-expected inflation readings, mixed signs on the labor market – and a war.

19 Mar: Malaysia's macro position is stronger to weather shock compared to pandemic era, says World Bank lead economist. Malaysia's stronger ringgit is helping to ease the impact of rising global import prices, although the country's import cover has declined, compared with pre-Covid 19 pandemic levels.

19-Mar: BoJ Governor discusses policy outlook after the expected interest rate hold. Bank of Japan (BoJ) Governor Kazuo Ueda is addressing the press conference, explaining the reason behind leaving the key interest rate unchanged at 0.75% in the March policy meeting.

25 Mar: Govt to Roll Out Immediate Measures to Safeguard Economy. Prime Minister Datuk Seri Anwar Ibrahim said the government will implement immediate, proactive intervention measures to protect Malaysia's economic resilience and manage rising cost-of-living pressures amid escalating global uncertainties.

31 Mar: BNM sees Malaysia's 2026 growth at 4%–5%, above MOF outlook. Malaysia's economy is forecast to grow between 4% to 5% in 2026, driven by resilient domestic demand and ongoing investment momentum, according to Bank Negara Malaysia (BNM).

31 Mar: Malaysia's 'friendly nation' status secures free passage in Strait of Hormuz: Loke. Malaysian vessels have been granted free passage through the Strait of Hormuz as the country is regarded by Iran as a "friendly nation", Transport Minister Anthony Loke Siew Fook confirmed on Tuesday.

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