Ringgit Dips as Markets Brace for Federal Funds Rate Increases

Monthly Currency Review
June 2026



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Economic Review

- The US dollar strengthened against major currencies in Jun-26 as the DXY dollar index increased by +2.3%mom to 101.19. The US dollar index hovered between a bigger trading range this month between 99.20 to 101.60. On average, the dollar index increased by +1.6%mom to 100.32 (May-26: 98.74).
- The ringgit weakened by -2.9%mom in Jun-26, closing the month at RM4.08 (end-May-26: RM3.965). Throughout the month, the ringgit was trading at a higher range between RM3.96 to RM4.16, continuing to trade above RM4.00 level.
- In light of recent economic developments, given that the local currency has been trading weaker than our previous expectation, we adjust our ringgit forecast to be relatively weaker; we expect the ringgit to average around RM4.01 in 2026 and move towards RM4.03 by end-2026.

US dollar strengthened further in Jun-26

The US dollar strengthened against major currencies in Jun-26 as the DXY dollar index increased by +2.3%mom to 101.19. The US dollar index hovered between a bigger trading range between 99.20 to 101.60. On average, the dollar index increased by +1.6%mom to 100.32 (May-26: 98.74). The US dollar index strengthened towards the end of the month and breached the 100-level mark during the mid-month. In the early of the month, the stronger-than-expected job growth data boosted market expectations for the FOMC members to provide a more hawkish forward guidance. Sentiment on the geopolitical risk eased but remained cautious because some level of tensions remained even after the announcement of the US-Iran peace deal. By mid of the month, the elevated CPI and PPI readings further fuelled rate hike expectations. In addition, the Fed held its benchmark interest rates steady at 3.50%–3.75% but delivered a distinctly hawkish post-meeting message. The hawkish shift was confirmed by the updated dot plot forecast, which revealed that half of the FOMC participants projecting at least one +25bps rate hike later this year. Based on the CME Fed Watch, market expectations began pricing in a high probability for the Fed to hike the fed funds rate as early as in Sep-26. Meanwhile, the bond yields also remained elevated as the UST10Y closed the month at 4.45%.

Most currencies weakened against the US dollar

On the back of a stronger dollar, most major currencies weakened in Jun-26. The euro weakened by -2.0%mom, the pound sterling depreciated by -1.4%mom, and the Japanese yen declined by -2.0%mom. In contrast, several regional currencies strengthened against the US dollar, led by the Philippine peso (+0.4%mom) and Indian rupee (+0.4%mom).

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

	2022	2023	2024	2025	Jun-26	YTD Change	MoM Change
DXY	103.52	101.33	108.49	97.79	101.19	+3.5%	+2.3%
GBPUSD	1.208	1.273	1.252	1.348	1.326	-1.6%	-1.4%
USDSGD	1.340	1.320	1.366	1.264	1.294	-2.3%	-1.3%
USDAUD	1.468	1.468	1.616	1.407	1.445	-2.6%	-3.7%

EURUSD	1.071	1.104	1.035	1.180	1.142	-3.2%	-2.0%
USDCAD	1.355	1.324	1.438	1.368	1.420	-3.6%	-2.8%
USDJPY	131.12	141.04	157.20	156.13	162.55	-3.9%	-2.0%
USDCNY	6.899	7.100	7.299	6.848	6.787	+0.9%	-0.3%
USDVND	23,633	24,269	25,485	26,073	26,310	-0.9%	+0.0%
USDTWD	30.72	30.71	32.79	31.23	31.85	-1.9%	-1.5%
USDINR	82.74	83.21	85.61	90.92	94.67	-4.0%	+0.4%
USDMYR	4.404	4.594	4.472	3.889	4.084	-4.8%	-2.9%
USDPHP	55.73	55.39	57.84	57.63	61.36	-6.1%	+0.4%
USDIDR	15,568	15,397	16,102	16,755	17,882	-6.3%	-0.0%
USDTHB	34.61	34.14	34.10	31.04	33.22	-6.6%	-2.0%
USDKRW	1,266	1,288	1,472	1,433	1,549	-7.5%	-2.9%

Source: Bloomberg, MBSBR

Ringgit weakened and broke above the 4.00 level

The ringgit weakened by -2.9%mom in Jun-26, closing the month at RM4.08 (end-May-26: RM3.965). Throughout the month, the ringgit was trading at a higher range between RM3.96 to RM4.16, continuing to trade above RM4.00 level. While Malaysia's domestic growth fundamentals remained firm, changes in the ringgit exchange rate continued to be influenced by the shift in market expectations favoring the US dollar. The strong domestic data, such as external trade, industrial production, and higher inflation, was overshadowed by external factors. A hawkish shift in Fed policy expectations triggered broad-based US dollar buying, effectively neutralising any upside (to ringgit) from Malaysia's positive macroeconomic prints. Towards the end of the month, the ringgit experienced downward pressure amid intensified Federal Reserve rate hike expectations, which fueled resilient structural demand for the greenback. This weakness persisted despite a late-week softening of the DXY going into the 4th week as investors reacted to signs of progress in the US-Iran talks. Looking ahead, given the ringgit's exchange rate has been weaker than previously anticipated and the shift in market expectations on the Fed's policy direction, we revised our ringgit forecast to reflect somewhat weaker trajectory. We now expect the ringgit to average RM4.01 in 2026 and move towards RM4.03 by end-2026. On the other hand, a sustained turnaround for the ringgit depends on an improvement in the inflation outlook, which would ease expectations of Fed rate hikes and in turn support the EM currencies.

Broad weakening of the ringgit against other currencies

The ringgit weakened against major currencies of Malaysia's major trading partners as our MSBS-Trade-Weighted Ringgit Index (TWRI) declined by -2.9%mom to 99.65 (May-26: 101.5). The depreciation was seen against Indian rupee (-4.3%mom), the Philippine peso (-3.3%mom) and Vietnamese dong (-3.1%mom). We believe the ringgit's broad nominal depreciation against a basket of major currencies again reflects the shift in market expectations despite Malaysia's still growth fundamentals. However, we continue to expect Malaysia's outperformance relative to major trading partners highlights the sustainable and robust nature of the domestic economic expansion.

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

	2022	2023	2024	2025	Jun-26	YTD Change	MoM Change
CADMYR	3.251	3.467	3.113	2.844	2.869	-0.9%	+0.1%
EURMYR	4.693	5.076	4.659	4.589	4.656	-1.4%	-0.9%
SGDMYR	3.283	3.478	3.286	3.078	3.155	-2.5%	-1.7%
GBPMYR	5.299	5.837	5.615	5.261	5.406	-2.7%	-1.6%
USDMYR	4.404	4.594	4.472	3.889	4.084	-4.8%	-2.9%
KRWMYR	0.350	0.356	0.303	0.273	0.263	+3.6%	-0.1%
LKRMYR	0.012	0.014	0.015	0.013	0.012	+3.5%	-1.0%
THBMYR	12.75	13.40	13.02	12.52	12.30	+1.8%	-0.9%
IDRMYR	0.028	0.030	0.028	0.023	0.023	+1.8%	-2.8%
PHPMYR	0.079	0.083	0.077	0.068	0.067	+1.4%	-3.3%
TRYMYR	0.235	0.155	0.126	0.089	0.087	+1.3%	-1.4%

JPYMYR	3.358	3.255	2.846	2.491	2.513	-0.9%	-0.9%
NPRMYR	0.033	0.035	0.033	0.027	0.027	-1.0%	-3.6%
TWDMYR	0.143	0.150	0.136	0.125	0.128	-2.9%	-1.4%
VNDMYR	0.187	0.189	0.175	0.149	0.155	-3.9%	-3.0%
BDTMYR	4.271	4.181	3.721	3.191	3.321	-4.0%	-2.7%
CNYMYR	0.638	0.646	0.613	0.569	0.602	-5.5%	-2.6%

Source: Bloomberg, MBSBR

Large outflows in Jun-26 from both equity and bond markets

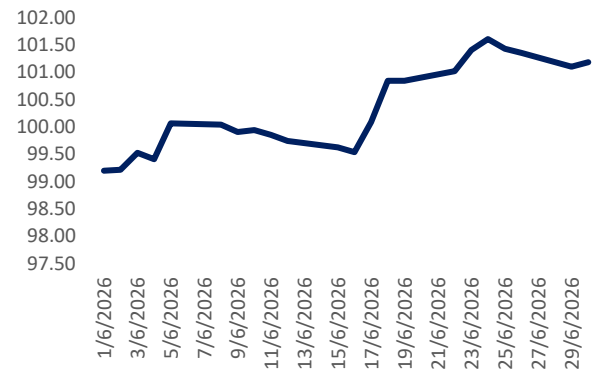
As geopolitical uncertainty remains unclear, Malaysia's equity market remained net outflow in Jun-26, with foreign funds declining by -USD592m in Jun-26 (May-26: +USD531m). Although the outflows in Jun-26 were the largest for this year, the performance of KLCI was supported by domestic players. Looking at the bond market, the latest data showed foreign holdings of Malaysian debt declined by -RM4.2b to RM304.9b (Apr-26: 309.2b). In Jun-26, the MGS yield curve shifted higher, also tracking the movement in the UST yields pricing in the hawkish tilt on the Fed policy direction. In addition, we noticed that there were high outflows of non-resident holdings in Jun-26, indicating weaker demand for domestic papers, which also contributed to the weaker ringgit performance.

Latest developments in the US led to a different trajectory, hence impacting the EM flows

In light of recent economic developments, given that the local currency has been trading weaker than our previous expectation, we adjust our ringgit forecast to be relatively weaker; we expect the ringgit to average around RM4.01 in 2026 and move towards RM4.03 by end-2026. The ringgit faces near-term pressure from strong external headwinds and a renewed strength in US dollar. Heightened global geopolitical tensions and sticky inflation drove safe-haven flows into the US, and the higher inflation also supports the Fed's "higher-for-longer" interest rate stance. This widening interest rate gap triggers portfolio capital outflows from emerging markets, including Malaysian fixed-income assets. The pressure is clearly reflected in the narrowing or negative yield spread between the 10-year UST and 10-year MGS. On the other hand, the robust exports and higher trade surplus are supportive of the ringgit outlook. A more upside boost to the ringgit could come from a possible improvement in the inflation outlook, as the expected rate hike by the Fed may only be an *"adjustment hike"* rather than a series of rate increases. The elevated risk of US inflation and global tensions remains the primary *'wild card'* in our outlook.

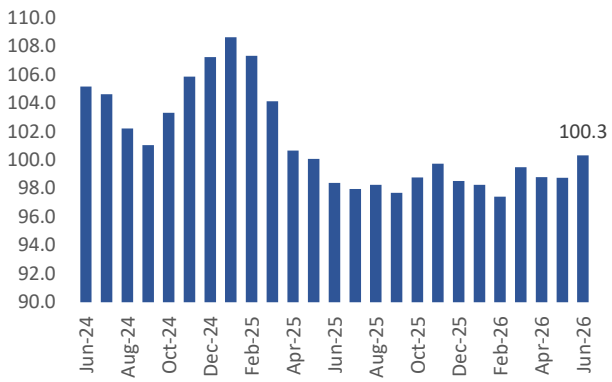
Over the past month, the ringgit's appreciation bias has stalled, despite the series of robust economic data releases. We forecast our MBSB Trade-Weighted Ringgit Index (TWRI) to rise from 98.4 at the end of 2025 to 102.0 by year-end 2026, reflecting the ringgit's broad strength against Malaysia's major trading partners. Although robust growth keeps the economy resilient for now, surging energy costs and mounting inflation will likely force the central bank to hike rates 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, but remain cautious due to inflationary risk, which may lead to a hawkish shift. Relatively, Malaysia's macroeconomic strength continues to differentiate the ringgit, allowing it to outpace both regional and global currency partners.

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



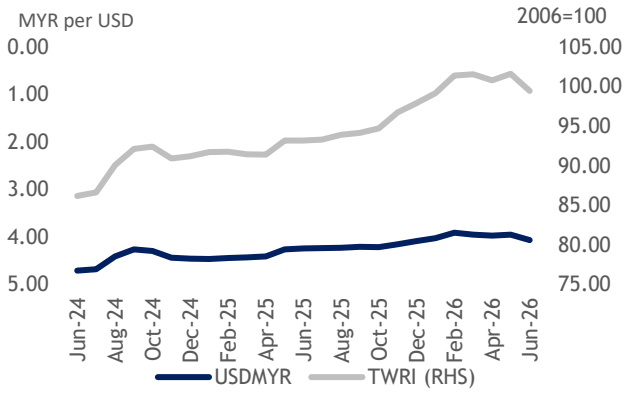
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



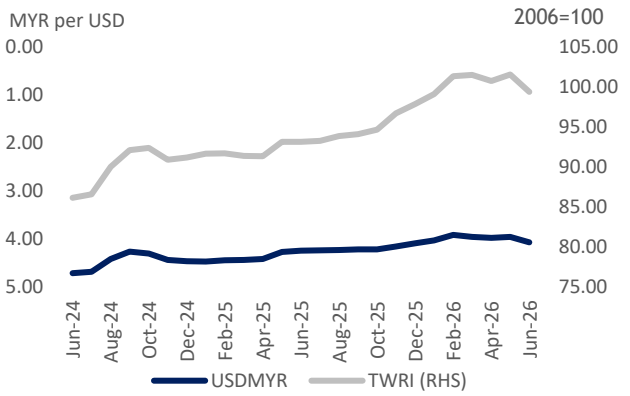
Source: Bloomberg, MBSBR

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



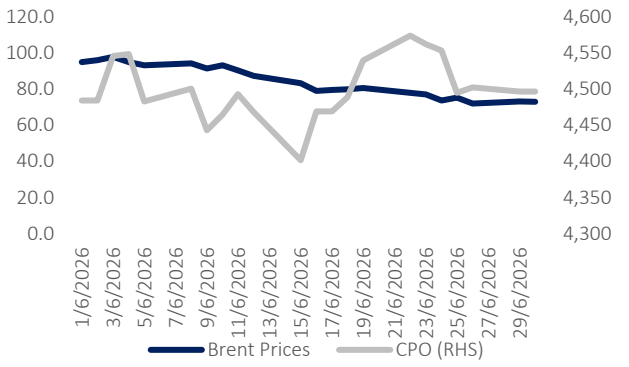
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



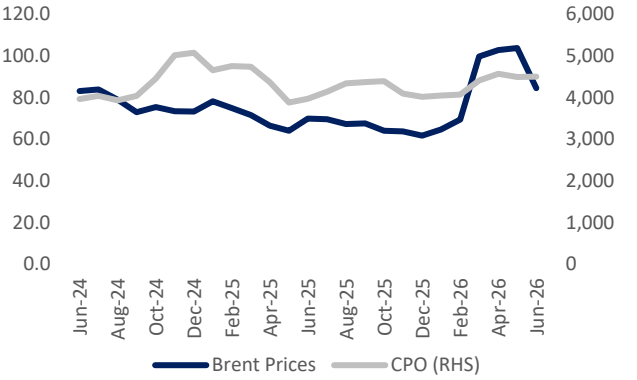
Source: Bloomberg, MBSBR

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



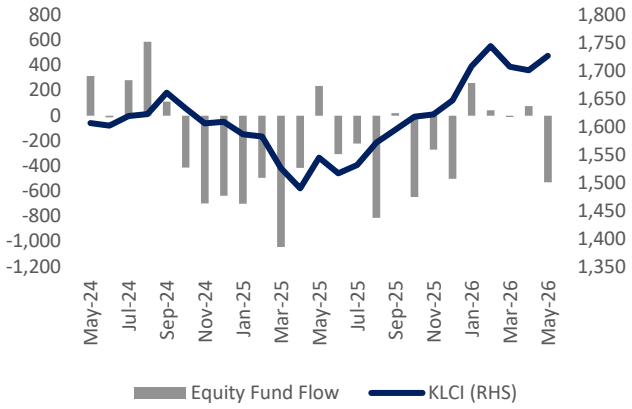
Source: Bloomberg, MBSBR

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



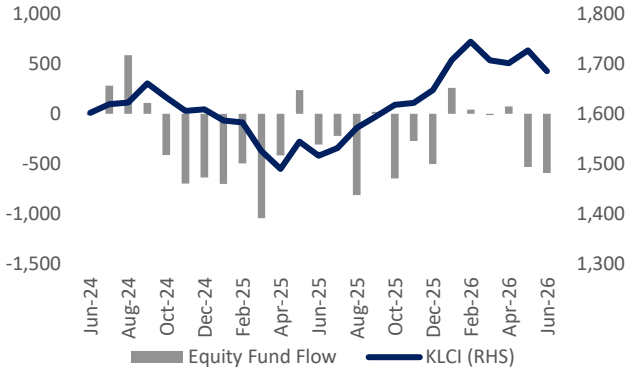
Source: Bloomberg, MBSBR

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



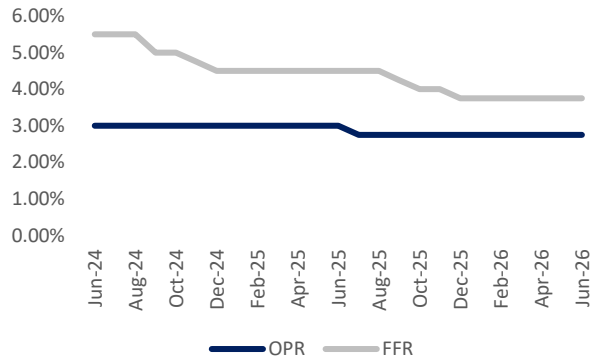
Source: Bloomberg, MBSBR

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



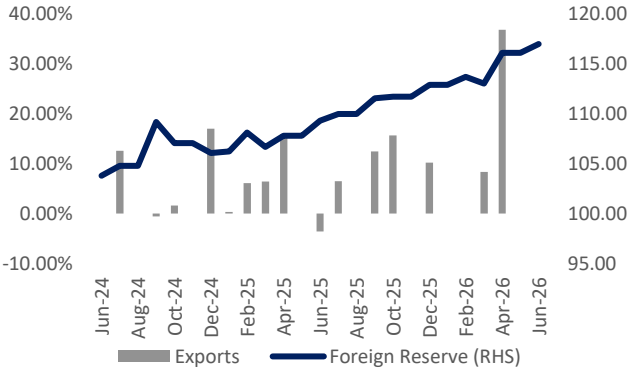
Source: Bloomberg, MBSBR

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



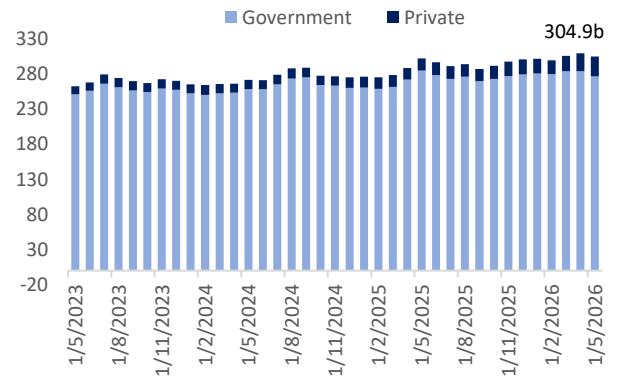
Source: Bloomberg, MBSBR

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



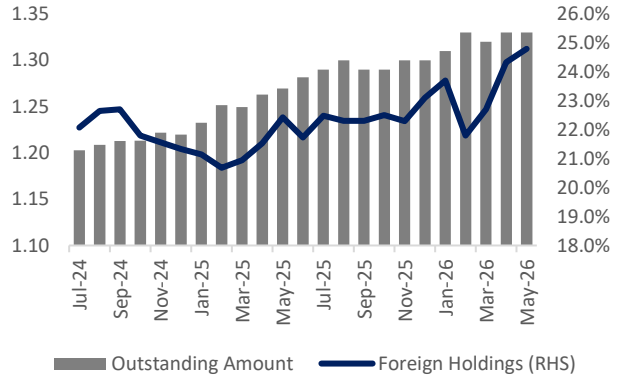
Source: Bloomberg, IMF, MBSBR

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

JUNE 2026 KEY ECONOMIC EVENTS

3 June: US proposes tariffs on Malaysia, 59 other economies over forced labour concerns. The US has proposed new tariffs targeting Malaysia and 59 other economies over alleged failures to act against forced labour. The US Trade Representative (USTR) proposal outlines duties ranging from 10% to 12.5%, which will undergo a public comment period before any final decision is made.

7 June: PM rejects raising fuel prices, govt to continue bearing subsidy. Prime Minister Datuk Seri Anwar Ibrahim said he did not agree with the move to increase fuel prices when the country was facing a global supply crisis. Anwar said the government would continue to try to cover the cost of fuel subsidies by incurring large expenses every month to avoid burdening the people.

9 June: MY Value Up guidebook launched to push PLCs towards long-term value creation. The Securities Commission Malaysia and Bursa Malaysia launched the MY Value Up Programme Guidebook to help public-listed companies strengthen medium- to long-term value creation and enhance their attractiveness to global investors.

16 June: Japan raises interest rate to highest for 31 years. Japan's central bank has increased its main interest rate to a new 31-year high after a surge in global energy prices.

18 June: US and Iran presidents sign ceasefire agreement, but Trump says he could still resume attacks. The US and Iran released the text of an interim agreement their presidents have signed to end their war on Wednesday, with U.S. President Donald Trump threatening to resume attacks and kill Iranian officials if they failed to honour their commitments.

20 June: Malaysia's fuel, gas supply secure for 20 years after talks with Putin, says Anwar. Russia has assured Malaysia of oil, gas and diesel supplies for at least the next 20 years, says Datuk Seri Anwar Ibrahim. The Prime Minister said Russian President Vladimir Putin conveyed the commitment during talks in Kazan.

22 June: MetMalaysia: El Nino to peak between November and January. The El Nino phenomenon is expected to persist until early next year, accor-ding to the Malaysian Meteoro-lo-gical Department (MetMalaysia). Based on MetMalaysia's weather outlook for June to November, below-average rainfall is expected, particularly between June and August.

25 June: Health Ministry rubbishes allegations of RM3.06bil budget cut. The Health Ministry has rubbished allegations that its budget has been slashed by RM3.06bil. In a statement to address the false allegations, the ministry had only had its operating expenditure restricted to RM500mil by the Finance Ministry.

29 June: Food supply sufficient for at least a month despite global crisis. Malaysia has sufficient stocks of essential food items — including chicken, eggs, fish, milk and fruits — to last for at least a month despite ongoing global supply chain disruptions, Economy Minister Akmal Nasrullah Mohd Nasir said.

29 June: Malaysia expects energy price, supply instability for at least another year. Malaysia expects global energy markets to begin stabilising in the third quarter of 2026, though price and supply volatility will continue to have an impact for the next one or two years, the country's Economy Minister Akmal Nasir said.

30 June: Nearly 80% of approved manufacturing investments realised at end-2025: MITI. Some 77% of approved manufacturing investment projects had been realised as at Dec 31, 2025, according to the Ministry of Investment, Trade and Industry (Miti). Around 4,114 projects with a total investment value of RM506bil have been implemented of the 5,350 projects worth RM707.2bil approved.

5 June: Anwar backs Negeri Sembilan assembly dissolution, says Johor polls came sooner than hoped. Prime Minister Datuk Seri Anwar Ibrahim today said he would have preferred Johor to delay its state election by a few months to allow the government to focus on economic recovery and addressing people's concerns.

9 June: Bank Negara international reserves rise to US$130.6bil. Bank Negara Malaysia's international reserves increased to US$130.6bil as at May 29, 2026, from US$129.5bil as at May 15, 2026. "The reserves position is sufficient to finance 4.6 months of imports of goods and services, and is 0.9 times the total short-term external debt," the central bank said in a statement.

11 June: ECB raises interest rate to tackle inflation surge. The European Central Bank has been moving to rein in inflation after a long pause on rate changes. The policy shift is aimed at tamping down prices while raising fresh concerns about growth.

17 June: Fed holds rates steady, pares down statement to remove cutting bias. Kevin Warsh's first meeting as Fed chairman concluded with no change in interest rates, anchored in a range of 3.50-3.75%, and a nod to possible hikes ahead. The meeting saw the removal of key language indicating a bias toward future cuts within a shorter policy statement

19 June: Moody's lifts Malaysia's outlook to A3 stable on AI-related growth. Moody's Ratings has modestly raised its forecasts for Malaysia to A3 with a stable outlook, due to its exports of artificial intelligence (AI)-related goods. The accelerating adoption of AI and ongoing supply-chain reconfiguration will create opportunities for stronger productivity growth in Asia-Pacific over the long term.

22 June: Gov't to save RM2 billion yearly with BUDI Madani diesel. The implementation of the BUDI MADANI Diesel programme (BUDI Diesel) at a subsidised price of RM2.10 per litre of diesel from July is expected to generate savings of up to RM2 billion annually through the reduction of fuel subsidy leakages.

25 June: Malaysia's durian industry hit by 'Musang King tsunami' oversupply. Malaysia's durian industry is grappling with a nationwide oversupply crisis this season, with farm-gate prices plummeting as low as RM1 per kg, prompting the Federal Agricultural Marketing Authority (Fama) to deploy emergency market interventions to protect farmers' income.

28 June: Anwar launches RM16.63bil LRT3 Shah Alam Line. Prime Minister Datuk Seri Anwar Ibrahim has officially launched the RM16.63bil Shah Alam Line (LRT3), with the new rail service expected to carry 67,000 passengers a day in its first year of operations and more than 117,000 daily within five years.

29 June: Poverty index review will improve aid targeting, close gaps in basic services. The National Multidimensional Poverty Index (NMPI) will be reviewed to ensure poverty and vulnerability are measured more accurately, says Economy Minister Akmal Nasrullah Mohd Nasir.

29 June: Anwar unveils Malaysia Digital 2030: Targets 30pc GDP, 500,000 jobs, 95pc services online by 2030. PM Datuk Seri Anwar Ibrahim launched Malaysia Digital 2030, a national action plan for 2026-2030 that marks a shift in the country's digital strategy from a technology consumer to a producer of home-grown innovation.

30 June: Malaysia's official reserve assets at US$130.63bil at end-May. Malaysia's official reserve assets amounted to US$130.63 billion at the end of May 2026, compared with US$129.73 billion at the end of April 2026. Bank Negara Malaysia (BNM) said other foreign currency assets amounted to US$766.5 million.

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