Ringgit Holds Firm Despite Weaker Dollar Performance

Monthly Currency Review
Jul 2026



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Economic Review

- The US dollar weakened against major currencies in Jul-26, as the DXY dollar index declined by -1.3%mom to 99.91 (end-Jun-26: 101.19). The US dollar index hovered between in a bigger trading range between 99.91 to 101.53. However, on average, the dollar index increased by +0.6%mom to 100.95 (Jul-26: 100.32).
- The ringgit was virtually stable and unchanged, only weakening marginally by -0.05%mom in Jul-26 and closing the month at RM4.086 (end-Jun-26: RM4.084). Throughout the month, the ringgit was trading at a weaker range between RM4.07 to RM4.096, continuing to trade above RM4.00 level.
- Our forecast for the Malaysian ringgit to average around RM4.01 in 2026 and potentially move towards RM4.03 by end-2026 is based on the assumptions that funds would flow back into EMs and Malaysia in the latter part of the year. Looking at recent developments, however, we foresee the possibility for ringgit trajectory to stay weak at least in the short run on the back of heightened uncertainties, volatility in the financial markets and continued expectations for rate hike by the Fed, which is supportive of the dollar

US dollar weakened in amid uncertain risks

The US dollar weakened against major currencies in Jul-26, as the DXY dollar index declined by -1.3%mom to 99.91 (end-Jun-26: 101.19). The US dollar index hovered between in a bigger trading range between 99.91 to 101.53. However, on average, the dollar index increased by +0.6%mom to 100.95 (Jul-26: 100.32). The US dollar remained above the 100 level in the early part of the month; there was a brief dip in energy prices on reports that US-Iran peace negotiations were making progress, but that pullback was erased almost immediately. A fresh round of retaliatory strikes cast serious doubt on the truce's durability, keeping risk premiums firmly priced into global oil. Despite the renewed geopolitical uncertainty, inflation expectations eased lower on the back of moderate inflation readings and weaker PPI, leading to reduced probability for an aggressive rate hike scenario. The greenback again rebounded amid the heightened tensions in the Middle East, with widening geopolitical risk and further disrupting supply as the Iran-backed Houthi rebels caused severe disruptions in the Red Sea, targeting merchant vessels, launching strikes on regional energy infrastructure and declaring a naval embargo against Saudi shipping through Bab al-Mandeb Strait. Surging oil prices have reignited inflation fears both globally and in the US. Consequently, market expectations are shifting back toward potential rate hikes by the Fed, providing underlying support to the US Dollar. In the final week, the FOMC left the US fed funds rate target range unchanged at 3.50-3.75%, but not unanimously as three voting members (Hammack, Kashkari, and Logan) dissented in favour of a +25 bps hike. Although this signalling a strong hawkish minority pushing for additional tightening, DXY weakened after the meeting.

Most currencies strengthened against the US dollar

On the back of a weaker dollar, most major currencies strengthened in Jul-26. The euro strengthened by +0.9%mom, the pound sterling appreciated by +1.7%mom, and the Japanese yen increased by +3.3%mom. The Japanese yen, in particular, was supported by coordinated intervention with the US, helping it rebound sharply from JPY164 to JPY157

against the US dollar in the last few days of Jul-26. Several regional currencies also strengthened against the US dollar, led by the Korean won (+7.7%mom), Australian dollar (+1.5%mom), and Chinese yuan (+0.5%mom).

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

	2022	2023	2024	2025	Jul-26	YTD Change	MoM Change
DXY	103.52	101.33	108.49	97.79	99.91	+2.2%	-1.3%
GBPUSD	1.208	1.273	1.252	1.348	1.348	+0.0%	+1.7%
USDJPY	131.12	141.04	157.20	156.13	157.40	-0.8%	+3.3%
USDAUD	1.468	1.468	1.616	1.407	1.425	-1.2%	+1.5%
USDSGD	1.340	1.320	1.366	1.264	1.283	-1.5%	+0.9%
EURUSD	1.071	1.104	1.035	1.180	1.153	-2.3%	+0.9%
USDCAD	1.355	1.324	1.438	1.368	1.402	-2.4%	+1.2%
USDCNY	6.899	7.100	7.299	6.848	6.753	+1.4%	+0.5%
USDKRW	1,266	1,288	1,472	1,433	1,439	-0.4%	+7.7%
USDVND	23,633	24,269	25,485	26,073	26,296	-0.8%	+0.1%
USDTWD	30.72	30.71	32.79	31.23	32.31	-3.3%	-1.4%
USDINR	82.74	83.21	85.61	90.92	95.39	-4.7%	-0.8%
USDMYR	4.404	4.594	4.472	3.889	4.086	-4.8%	-0.0%
USDPHP	55.73	55.39	57.84	57.63	61.25	-5.9%	+0.2%
USDIDR	15,568	15,397	16,102	16,755	18,000	-6.9%	-0.7%
USDTHB	34.61	34.14	34.10	31.04	33.39	-7.1%	-0.5%

Source: Bloomberg, MBSBR

Ringgit still influenced by external factors despite strong economic fundamentals

The ringgit was virtually stable and unchanged, only weakening marginally by -0.05%mom in Jul-26 and closing the month at RM4.086 (end-Jun-26: RM4.084). Throughout the month, the ringgit was trading at a weaker range between RM4.07 to RM4.096, continuing to trade above RM4.00 level. Although Malaysia's underlying domestic growth drivers remain resilient, ringgit movements continue to be predominantly steered by external factors particularly the strength in US dollar. Rising geopolitical uncertainty and shifting global yield expectations were basically in favour of the USD. In the early part of the month, the ringgit was supported by the robust IPI and still steady labour market conditions. With the economy broadly remaining resilient, BNM kept the OPR unchanged at 2.75% as inflation generally remained under control, despite potential upside risk to inflation from the supply shocks. Other data also pointed to healthy expansion in the domestic spending albeit the moderation in distributive trade. Even Malaysia's reported stronger-than-expected GDP growth in 2QCY26, the ringgit continued to trade weaker against the dollar as markets were more focused towards external developments. Towards the end of the month, the ringgit reversed some gains earlier as heightened geopolitical risks resulted in a stronger US dollar, which were driven by uncertainty in the Middle East as the blockade in on major oil shipping routes expanded and escalated tensions, spreading to the Red Sea, this led to oil prices edging higher to USD90.12pb, causing inflation risk to increase again. The ringgit also experienced downward pressure amid intensified expectations for rate hikes by the Fed, which fueled resilient structural demand for the greenback. Looking ahead, we expect the persistent pressures on ringgit to weaken would continue as market continues to price in possible policy tightening by the US Fed. A sustained turnaround in favour of ringgit and EM currencies, therefore, hinges on a clearer disinflation trend in the US, which would temper hawkish expectations on the central banks' policy direction, particular the Fed.

Broad weakening of the ringgit

The ringgit weakened against major currencies of Malaysia's trading partners as our MSBS-Trade-Weighted Ringgit Index (TWRI) declined by -1.0%mom to 99.39 (Jun-26: 99.65). The depreciation was significant mainly against the Korean won (-7.6%mom), Australian dollar (-2.1%mom), and Japanese yen (-1.7%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 positive growth fundamentals. However, we continue

to expect Malaysian ringgit has the potential to outperform given the sustainable and robust nature of the domestic economic expansion vis-à-vis other trading partners.

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

	2022	2023	2024	2025	Jul-26	YTD Change	MoM Change
EURMYR	4.693	5.076	4.659	4.589	4.701	-2.4%	-1.0%
CADMYR	3.251	3.467	3.113	2.844	2.916	-2.5%	-1.6%
SGDMYR	3.283	3.478	3.286	3.078	3.184	-3.3%	-0.9%
GBPMYR	5.299	5.837	5.615	5.261	5.496	-4.3%	-1.6%
USDMYR	4.404	4.594	4.472	3.889	4.086	-4.8%	-0.0%
LKRMYR	0.012	0.014	0.015	0.013	0.012	+3.3%	-0.2%
TRYMYR	0.235	0.155	0.126	0.089	0.086	+3.0%	+1.7%
IDRMYR	0.028	0.030	0.028	0.023	0.023	+2.4%	+0.6%
THBMYR	12.75	13.40	13.02	12.52	12.23	+2.4%	+0.5%
PHPMYR	0.079	0.083	0.077	0.068	0.067	+1.2%	-0.1%
NPRMYR	0.033	0.035	0.033	0.027	0.027	-0.0%	+0.9%
TWDMYR	0.143	0.150	0.136	0.125	0.127	-1.5%	+1.4%
KRWMYR	0.350	0.356	0.303	0.273	0.284	-3.8%	-7.1%
JPYMYR	3.358	3.255	2.846	2.491	2.592	-3.9%	-3.1%
BDTMYR	4.271	4.181	3.721	3.191	3.321	-3.9%	+0.0%
VNDMYR	0.187	0.189	0.175	0.149	0.155	-4.1%	-0.1%
CNYMYR	0.638	0.646	0.613	0.569	0.605	-6.0%	-0.5%

Source: Bloomberg, MBSBR

Fund outflows from the debt market

As geopolitical uncertainty remains to weigh on global markets, while Malaysia's macro figures are holding up, Malaysia's equity market turned positive after two months of strong outflows, increasing by +USD42m in Jul-26 (Jun-26: -USD592m), turning positive from the largest outflows for the year in Jun-26, as the KLCI were supported by foreign inflows. Looking at the bond market, the latest data showed foreign holdings of Malaysian debt increasing by +RM4.9b to RM309.8b (May-26: RM304.9b). In Jul-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 and Jul-26, indicating weaker demand for domestic papers, which also contributed to the weakening pressures on ringgit.

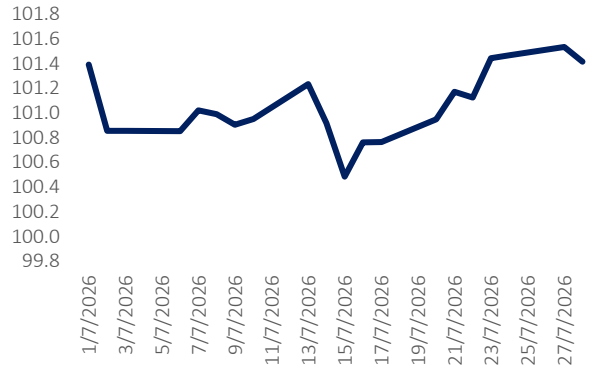
Emerging market flows affected by changes in the policy direction and inflation outlook

Our forecast for the Malaysian ringgit to average around RM4.01 in 2026 and potentially move towards RM4.03 by end-2026 is based on the assumptions that funds would flow back into EMs and Malaysia in the latter part of the year. Looking at recent developments, however, we foresee the possibility for ringgit trajectory to stay weak at least in the short run on the back of heightened uncertainties, volatility in the financial markets and continued expectations for rate hike by the Fed, which is supportive of the dollar. Heightened global geopolitical tensions and sticky inflation drove safe-haven flows into the US, and higher inflation also supports the Fed's "higher-for-longer" interest rate stance. On the flip side, strong export growth and a widening trade surplus continue to anchor fundamental support for the Ringgit. Looking ahead, further currency upside depends heavily on easing inflation pressures, specifically if any future Fed action remains a limited 'recalibrating hike' rather than an aggressive tightening cycle. On that note, elevated US inflation risks and ongoing geopolitical tensions remain the principal wildcards in our macroeconomic 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. While robust domestic growth keeps the economy resilient for now, surging energy costs and mounting inflation could compel Bank Negara Malaysia to adjust rates upward in the near term. This strong macroeconomic

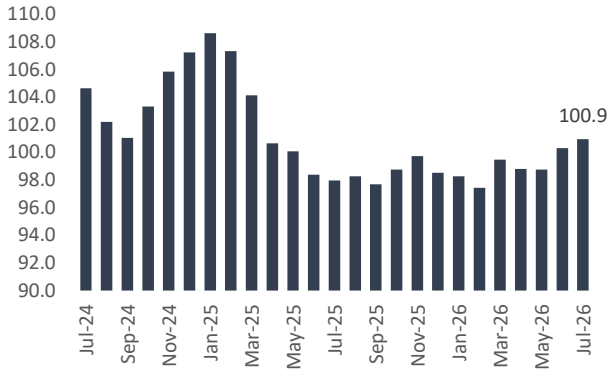
foundation aligns with BNM's assessment of sustained domestic expansion, serving as a primary catalyst for the Ringgit's outperformance against regional peers. However, we remain cautious: escalating inflationary risks could trigger a hawkish policy pivot that alters the broader monetary trajectory. 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 Jul-26



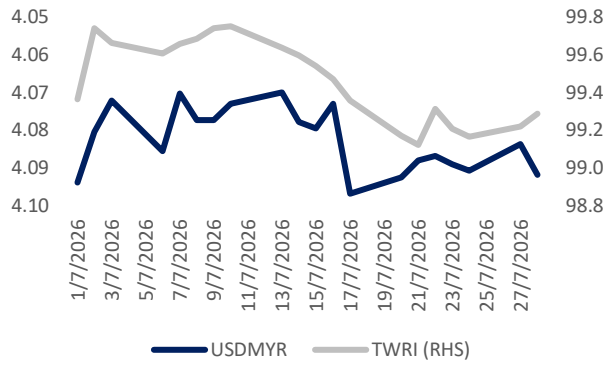
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



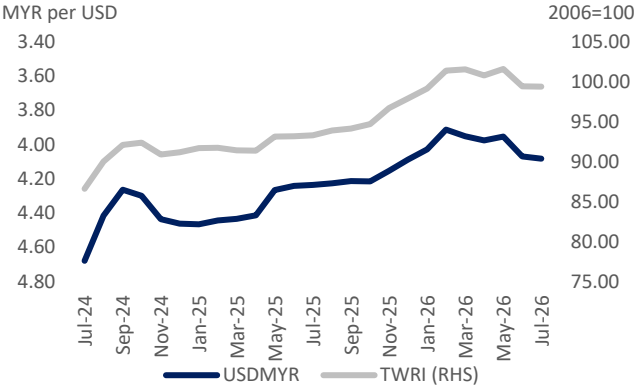
Source: Bloomberg, MBSBR

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



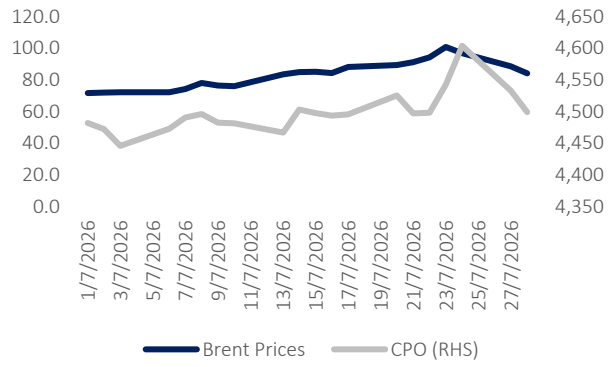
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



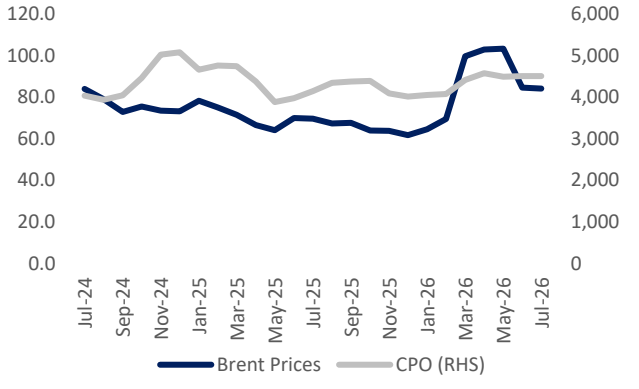
Source: Bloomberg, MBSBR

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



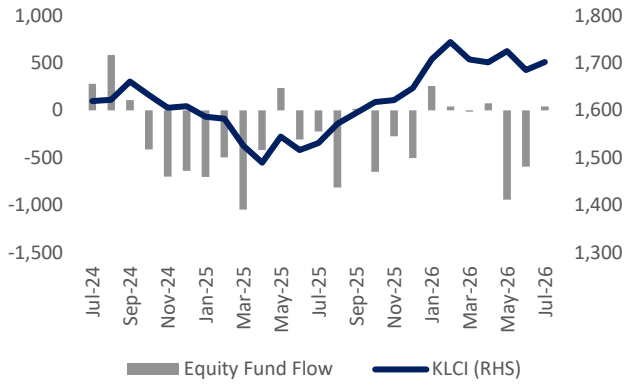
Source: Bloomberg, MBSBR

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



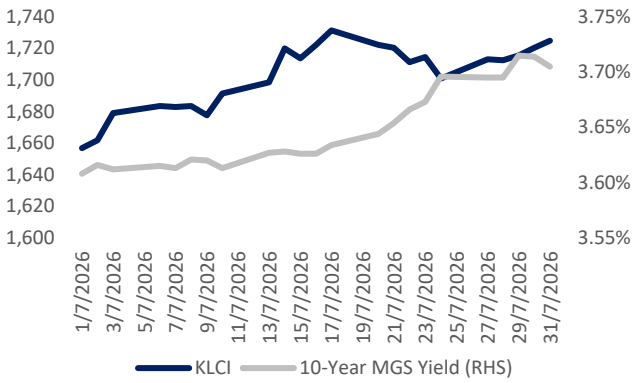
Source: Bloomberg, MBSBR

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



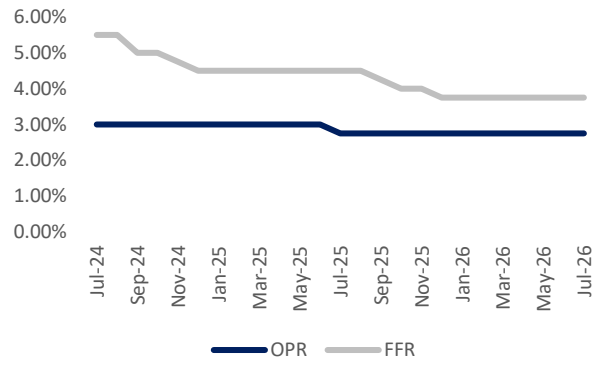
Source: Bloomberg, MBSBR

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



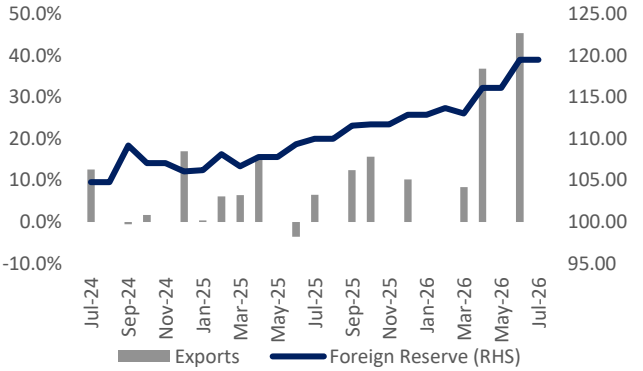
Source: Bloomberg, MBSBR

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



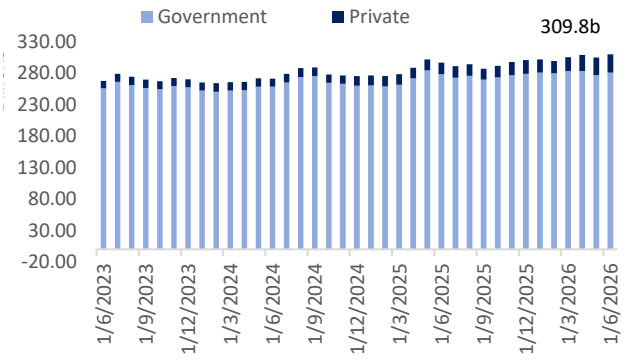
Source: Bloomberg, MBSBR

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



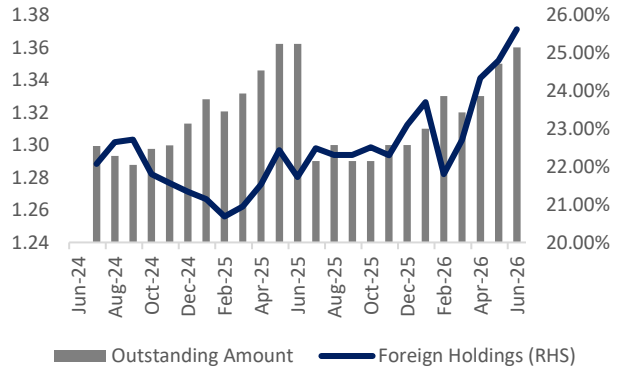
Source: Bloomberg, IMF, MBSBR

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

JULY 2026 KEY ECONOMIC EVENTS

2 July: Govt committed to JS-SEZ, achieves RM76.98bil in approved investments in 2025. The federal government remains committed to the success of the Johor-Singapore Special Economic Zone (JS-SEZ) as a national economic agenda that positions Johor as a new growth driver for the country. The JS-SEZ recorded approved investments amounting to RM76.98 billion in 2025.

7 July: Miti targets rollout of revamped automotive incentive framework next year. The government is aiming to roll out a revamped New Customised Incentive Mechanism (NCM) for the automotive industry next year, seeking to strengthen localisation, simplify investment incentives and ensure foreign manufacturers generate greater value for Malaysia's domestic supply chain.

10 July: MOF sees govt's statutory debt remaining below 65% of GDP in 2026. The federal government's statutory debt level, after taking into account borrowing requirements for 2026, is projected to remain below 65% of gross domestic product (GDP). The Ministry of Finance (MOF) stated that, from a debt management perspective, the government consistently ensures that the debt level remains below the statutory limit.

14 July: U.S. strikes Iranian missile sites, defence systems and reinstates port blockade. U.S. forces completed another round of strikes against Iranian targets, the Central Command said late Tuesday, as the order to resume its naval blockade of Iranian ports in and around the Strait of Hormuz took effect.

14 July: Warsh pledges Fed policy 'regime change' to rid inflation 'tax' on American people. Calling inflation an "unfair burden," Federal Reserve Chairman Kevin Warsh on Tuesday reiterated his call for "regime change" at the central bank. "It has been a tax on the American people and businesses. We plan on getting rid of that tax," he said.

22 July: Malaysia's forex reserves ease to US$131.8 bil in mid-July. Malaysia's international reserves slipped to US$131.8 billion (RM538.75 billion) as at July 15, 2026, according to the central bank's latest update on Wednesday.

24 July: US announces tariffs on 60 countries over forced labour concerns. The United States on Thursday announced tariffs of 10% or 12.5% on imports from 60 trading partners, accusing them of failing to impose and effectively enforce bans on imports of goods produced with forced labour. Certain products from the European Union will be among those affected, the Office of the US Trade Representative said.

29 July: Divided Fed holds interest rates steady, but three members voted to hike. The Federal Reserve on Wednesday voted to hold its key interest rate steady but not without opposition from three officials who have expressed concern over inflation and wanted to hike. Despite increasing support among some officials for a rate increase, the Federal Open Market Committee voted 9-3 to leave mandate to implement the country's AI agenda.

30 July: Bank of England holds UK interest rate steady at 3.75% — but policymakers see upside inflation risk. The Bank of England has left its key interest rate unchanged at 3.75%, in line with economists' expectations.

7 July: Malaysia's forex reserves swell over US$2b to 12-year high in June. Malaysia's international reserves expanded by over US$2 billion (RM8.1 billion) in just two weeks to end June at the highest level in 12 years, according to the central bank's latest update.

9 July: Bank Negara holds OPR at 2.75%, maintains 4%-5% growth forecast. Bank Negara Malaysia kept the overnight policy rate (OPR) unchanged at 2.75% on Thursday, extending its pause in monetary policy after a 25-basis-point cut in July 2025.

11 July: BN extends control over Johor with landslide victory. Barisan Nasional (BN) has retained Johor after its state election, winning 48 out of the 56 contested seats – more than it did in 2022. Such a resounding win will make the prospect of an early general election ahead of Parliament's expiry at end-2027 irresistible for the UMNO-led coalition.

14 July: Moody's keeps Malaysia rating at A3 with stable outlook, expects country to outpace peers in 2026 — MOF. Moody's Ratings has affirmed Malaysia's long-term local and foreign currency issuer ratings at A3 with a stable outlook amid a diversified and competitive economy, strong medium-term growth prospects, abundant natural resources and deep domestic savings, according to the Ministry of Finance (MOF).

22 July: Bank Indonesia keeps rates unchanged, offers incentives to attract inflows. Indonesia's central bank kept policy rates unchanged on Wednesday, defying market expectations of another rate hike following back-to-back increases aimed at supporting the rupiah currency, but it offered new incentives to attract foreign capital inflow.

23 July: ECB keeps rates unchanged but September hike firmly in play. The European Central Bank kept interest rates unchanged as expected on Thursday but held the door open to another increase in September, as renewed conflict in the Middle East has largely erased any hope of a quick moderation in energy costs

26 July: Malaysia confirmed as host of Bahrain Grand Prix. Malaysia will host the Formula 1 Gulf Air Bahrain Grand Prix at the Sepang International Circuit (SIC) from Oct 2 to 4, marking the first time in Formula One history that a race has been relocated to another country after being cancelled.

30 July: BOJ holds rates at 1%, warns of core inflation exceeding 2% target. The Bank of Japan kept its policy rate steady on Friday, as it warned that core inflation in the country could exceed its 2% target.

31 July: Malaysia's international reserves assets at US$132.56bil as of end-June. Malaysia's international reserve assets amounted to US$132.56 billion (US$1= RM4.08), while other foreign currency assets stood at US$1.54 billion as of end-June 2026, said Bank Negara Malaysia (BNM).

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