Ringgit Rebounds as Robust Domestic Fundamentals Anchor Sentiment

Monthly Currency Review
August 2026



Author
MBSB Research
research@mbsb.com

Economic Review

- The US dollar weakened against major currencies in Aug-26, with the DXY dollar index declining by -0.5%mom to 99.46 (end-Jul-26: 99.91), trading within a relatively narrow range of 98.80–100.01. On a monthly average basis, the DXY fell by -1.4%mom to 99.50 (Jul-26: 100.95).
- The ringgit appreciated against the US dollar by +1.5%mom in Aug-26, closing stronger at RM4.025 (end-Jul-26: RM4.086). The ringgit traded weaker during the early part of the month, reaching its weakest level of RM4.0975, before reversing course from mid-month onwards.
- Despite continued volatility arising from changing expectations over the Fed's policy path, we maintain our expectation for the ringgit to average around RM4.01 in 2026 before ending the year at around RM4.03. A more sustained appreciation of the ringgit would require clearer signs of disinflation in the US, which could reduce expectations of prolonged Fed policy restrictiveness and improve global risk appetite.

US dollar weakened in Aug-26 amid shifting expectations of FFR

The US dollar weakened against major currencies in Aug-26, with the DXY dollar index declining by -0.5%mom to 99.46 (end-Jul-26: 99.91), trading within a relatively narrow range of 98.80–100.01. On a monthly average basis, the DXY fell by -1.4%mom to 99.50 (Jul-26: 100.95). The dollar traded below the 100 level during the early part of the month as weaker-than-expected US labour market data dampened expectations of a near-term Federal Reserve rate hike. Non-farm payrolls declined by -23K in July, while sizeable downward revisions to the previous two months reinforced signs of broader labour market softening. Consequently, investors scaled back expectations of a Sep-26 policy tightening. Meanwhile, US CPI inflation moderated for the second consecutive month to +3.4%yoy in Jul-26 (Jun-26: +3.5%yoy), while core inflation also eased. PPI inflation similarly moderated to +4.7%yoy (Jun-26: +5.5%yoy), further supporting expectations for the Fed to remain on hold. Later in the month, the US Treasury Department announced a strategic recalibration of its liquidity facility, scaling up buybacks of longer-dated coupon securities to at least twice the current size, effective 9 September 2026, to stabilise the bond market following its recent sell-off. Towards month-end, however, expectations of a Sep-26 rate hike strengthened again after hawkish remarks by the Fed Chair at the Jackson Hole symposium, warning that inflation remained stubborn and reiterating the Fed's firm commitment to its +2% inflation target.

Most currencies strengthened against the US dollar

Against the weaker US dollar, most major currencies strengthened in Aug-26. The euro appreciated by +0.8%mom and the pound sterling gained +0.5%mom, while the Japanese yen weakened by -1.5%mom. Despite support from coordinated intervention with the US, the yen continued to weaken against the dollar amid upward pressure on Japanese bond yields. Several regional currencies also strengthened against the US dollar, led by the Korean won (+5.1%mom), Australian dollar (+2.1%mom) and Taiwan dollar (+2.0%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	99.46	+1.7%	-0.5%
USDAUD	1.468	1.468	1.616	1.407	1.396	+0.8%	+2.1%
GBPUSD	1.208	1.273	1.252	1.348	1.355	+0.5%	+0.5%
USDSGD	1.340	1.320	1.366	1.264	1.272	-0.6%	+0.8%
USDCAD	1.355	1.324	1.438	1.368	1.386	-1.3%	+1.1%
EURUSD	1.071	1.104	1.035	1.180	1.162	-1.5%	+0.8%
USDJPY	131.12	141.04	157.20	156.13	159.77	-2.3%	-1.5%
USDKRW	1,266	1,288	1,472	1,433	1,370	+4.7%	+5.1%
USDCNY	6.899	7.100	7.299	6.848	6.720	+1.9%	+0.5%
USDVND	23,633	24,269	25,485	26,073	26,074	-0.0%	+0.9%
USDTWD	30.72	30.71	32.79	31.23	31.68	-1.4%	+2.0%
USDMYR	4.404	4.594	4.472	3.889	4.025	-3.4%	+1.5%
USDINR	82.74	83.21	85.61	90.92	95.17	-4.5%	+0.2%
USDIDR	15,568	15,397	16,102	16,755	17,720	-5.4%	+1.6%
USDTHB	34.61	34.14	34.10	31.04	33.16	-6.4%	+0.7%
USDPHP	55.73	55.39	57.84	57.63	62.26	-7.4%	-1.6%

Source: Bloomberg, MBSBR

Ringgit strengthened as domestic economic fundamentals remained firm

The ringgit appreciated against the US dollar by +1.5%mom in Aug-26, closing stronger at RM4.025 (end-Jul-26: RM4.086). The ringgit traded weaker during the early part of the month, reaching its weakest level of RM4.0975, before reversing course from mid-month onwards. The USD/MYR rate subsequently trended lower, particularly over the final 10 days of the month, with the ringgit briefly strengthening beyond the RM4.02 level before ending slightly above it.

During the early part of the month, the ringgit traded largely sideways within the RM4.070–RM4.095 range, mainly reflecting broader US dollar movements. The dollar was initially supported by renewed geopolitical tensions in the Middle East and expectations of further Fed tightening to contain elevated inflationary pressures. While Malaysia's domestic economic fundamentals remained firm, the ringgit's short-term direction continued to be influenced by swings in the US dollar.

Nevertheless, domestic catalysts increasingly supported investor confidence in Malaysia's economic outlook, contributing to the ringgit's steady strengthening in the latter half of the month. The MYR was supported by stronger-than-expected 2Q26 GDP growth and continued resilience in external trade performance, despite persistent geopolitical uncertainty in the Middle East. The ringgit also benefited from easing expectations of near-term Fed rate hikes as US inflation moderated and labour market conditions softened. Although hawkish remarks by Fed Chair Kevin Warsh at the Jackson Hole Symposium revived expectations of more immediate policy tightening towards month-end, the ringgit remained relatively resilient.

Broad strengthening of the ringgit

The ringgit also strengthened against currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) rising by +0.9%mom to 99.19 (Jun-26: 98.28). The strongest gains were recorded against the Philippine peso (+2.9%mom), Indian rupee (+1.4%mom) and UAE dirham (+1.4%mom). The broad-based appreciation of the ringgit against a basket of major currencies reflects both improving domestic fundamentals and shifts in global market expectations. Looking ahead, we expect the ringgit to remain supported by Malaysia's relatively resilient economic fundamentals, although short-term movements are likely to remain sensitive to US monetary policy expectations and broader risk sentiment.

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	4.669	-1.7%	+0.7%
CADMYR	3.251	3.467	3.113	2.844	2.899	-1.9%	+0.6%
SGDMYR	3.283	3.478	3.286	3.078	3.164	-2.7%	+0.6%
USDMYR	4.404	4.594	4.472	3.889	4.025	-3.4%	+1.5%
GBPMYR	5.299	5.837	5.615	5.261	5.453	-3.5%	+0.8%
TRYMYR	0.235	0.155	0.126	0.089	0.083	+6.1%	+3.0%
PHPMYR	0.079	0.083	0.077	0.068	0.065	+4.7%	+3.4%
THBMYR	12.75	13.40	13.02	12.52	12.22	+2.5%	+0.1%
LKRMYR	0.012	0.014	0.015	0.013	0.012	+2.4%	-0.9%
IDRMYR	0.028	0.030	0.028	0.023	0.023	+2.1%	-0.3%
NPRMYR	0.033	0.035	0.033	0.027	0.026	+1.3%	+1.4%
JPYMYR	3.358	3.255	2.846	2.491	2.521	-1.2%	+2.8%
TWDMYR	0.143	0.150	0.136	0.125	0.127	-2.0%	-0.6%
BDTMYR	4.271	4.181	3.721	3.191	3.271	-2.4%	+1.6%
VNDMYR	0.187	0.189	0.175	0.149	0.154	-3.4%	+0.6%
CNYMYR	0.638	0.646	0.613	0.569	0.599	-5.1%	+1.0%
KRWMYR	0.350	0.356	0.303	0.273	0.295	-7.4%	-3.7%

Source: Bloomberg, MBSBR

Fund outflows from the equity market, but demand for the bond market remained relatively resilient

Geopolitical risks, shifting expectations over the Fed's policy path and tight global financial conditions continued to influence portfolio flows. Despite Malaysia's resilient macroeconomic fundamentals, the domestic equity market returned to net foreign outflows with a strong outflow of -USD426m in Aug-26 (Jul-26: +USD74m). In the bond market, the latest data showed foreign holdings of Malaysian debt securities declining by -RM5.6b to RM304.2b (Jun-26: RM309.8b). Meanwhile, MGS yields moved higher in Aug-26, broadly tracking the rise in UST yields, as hawkish expectations of Fed policy stance resurfaced following Fed Chair Kevin Warsh's Jackson Hole remarks, prompting markets to increasingly price in a Sep-26 rate hike. Nevertheless, non-resident holdings of Malaysian bonds remained at relatively healthy levels, suggesting that underlying foreign demand for ringgit-denominated fixed-income securities remains resilient and continues to provide some support to the ringgit.

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

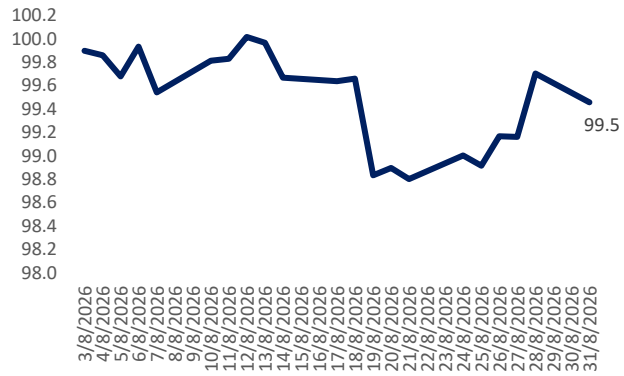
Despite continued volatility arising from changing expectations over the Fed's policy path, we maintain our expectation for the ringgit to average around RM4.01 in 2026 before ending the year at around RM4.03. A more sustained appreciation of the ringgit would require clearer signs of disinflation in the US, which could reduce expectations of prolonged Fed policy restrictiveness and improve global risk appetite. A less hawkish Fed would likely encourage renewed portfolio flows into emerging markets, providing additional support to the ringgit and other EM currencies.

Nevertheless, persistent geopolitical tensions and sticky US inflation continue to support safe-haven demand for the US dollar and the Fed's "higher-for-longer" policy stance. On the domestic front, strong export performance and a healthy trade surplus should continue to anchor the ringgit's underlying fundamentals. Looking ahead, further upside for the ringgit will therefore depend partly on a continued easing in US inflationary pressures, particularly if subsequent Fed tightening remains limited rather than developing into a more aggressive tightening cycle. Elevated US inflation risks and ongoing geopolitical tensions remain the key wildcards to our currency outlook.

Looking ahead, we maintain our forecast for the MBSB Trade-Weighted Ringgit Index (TWRI) to rise from 98.4 at end-2025 to 102.0 by end-2026, signalling broad-based appreciation against the currencies of Malaysia's major trading partners. Malaysia's resilient domestic growth, supported by healthy external trade performance, should continue to differentiate the ringgit from its regional peers.

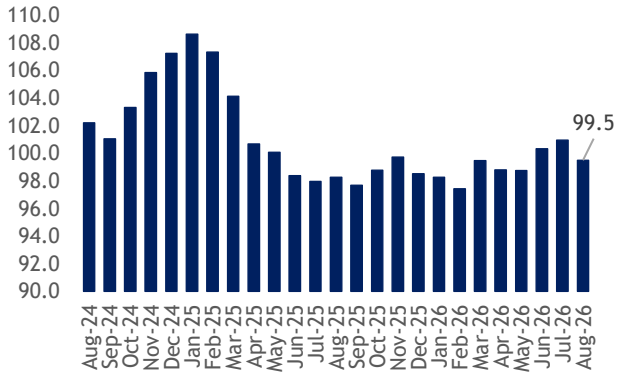
Nevertheless, we remain cautious over upside inflation risks from prolonged elevated energy prices, higher producer costs and persistent geopolitical disruptions. Should these pressures translate into more persistent domestic inflation, BNM may have less room to maintain an accommodative policy stance. At the same time, Malaysia's relatively strong macroeconomic fundamentals should continue to provide underlying support to the ringgit, allowing it to remain relatively resilient against both regional and major currencies.

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



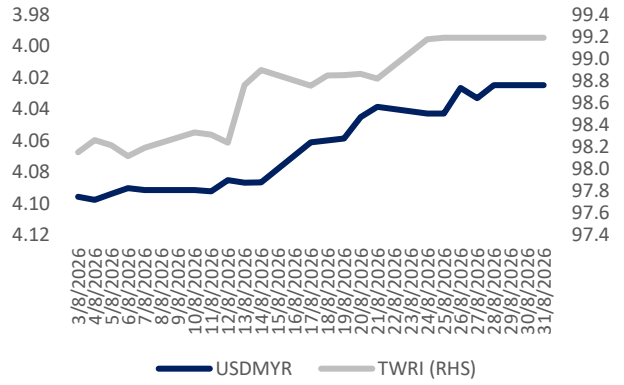
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



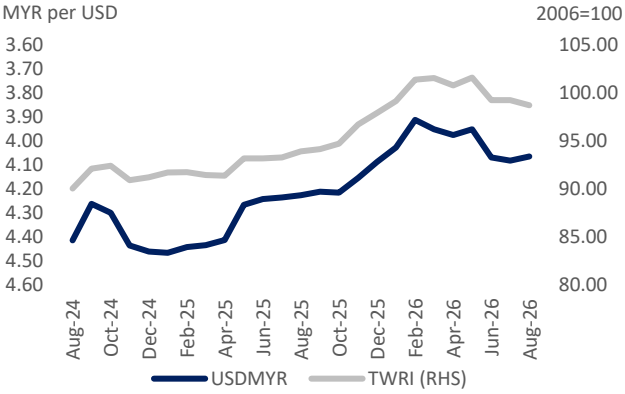
Source: Bloomberg, MBSBR

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



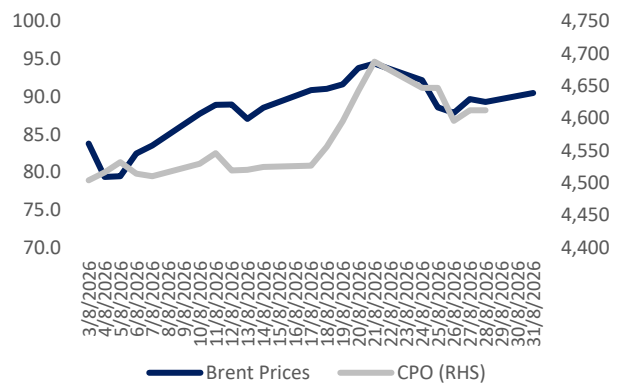
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



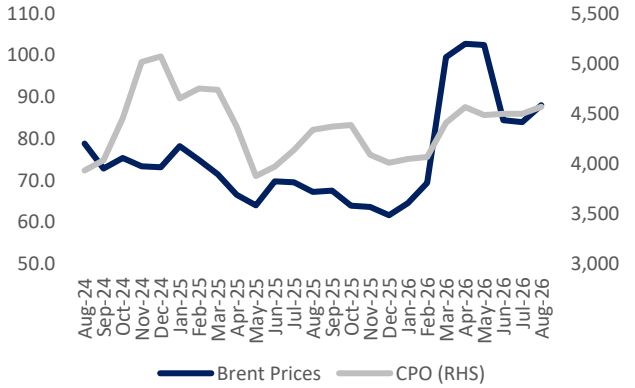
Source: Bloomberg, MBSBR

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



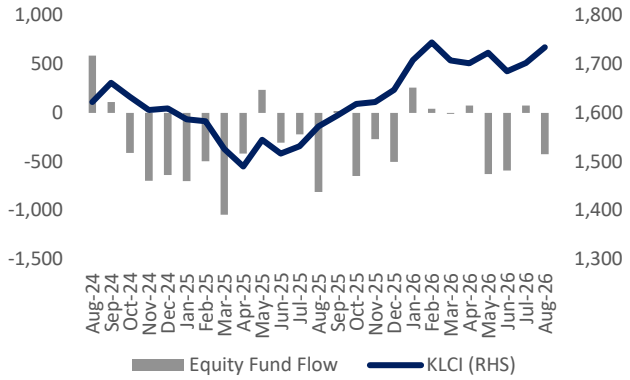
Source: Bloomberg, MBSBR

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



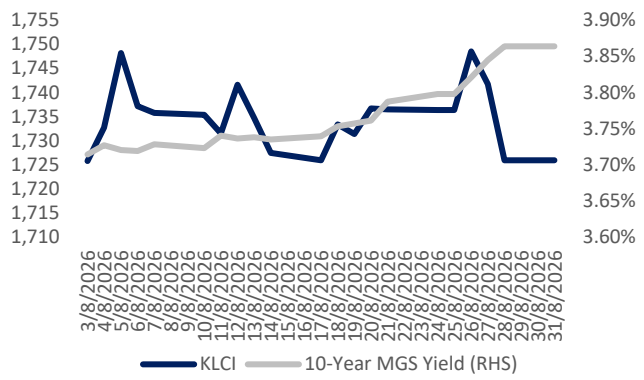
Source: Bloomberg, MBSBR

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



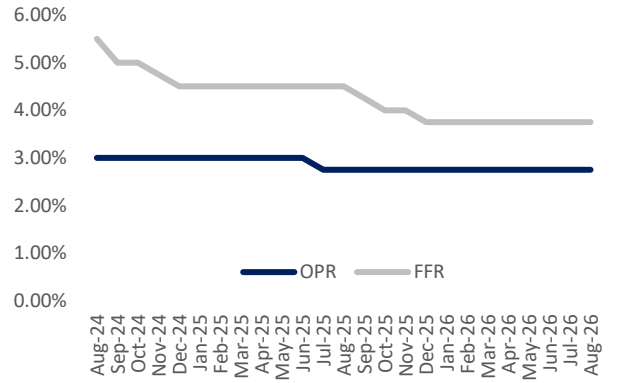
Source: Bloomberg, MBSBR

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



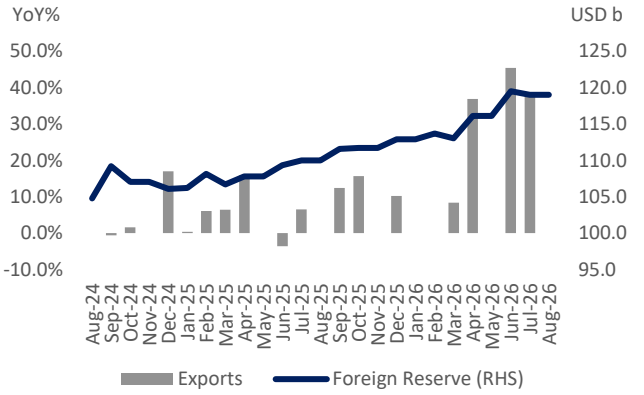
Source: Bloomberg, MBSBR

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



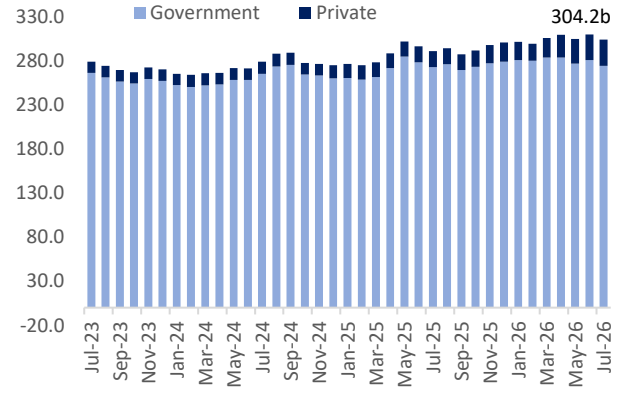
Source: Bloomberg, MBSBR

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



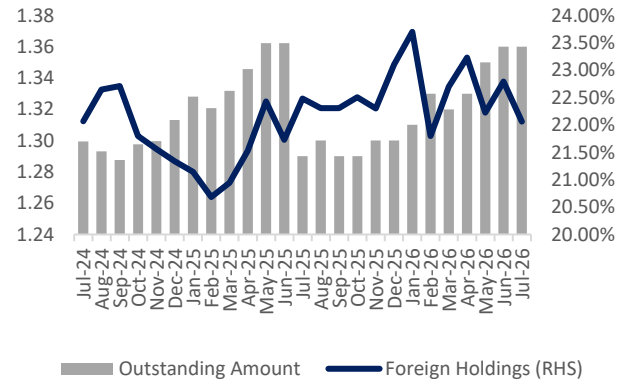
Source: Bloomberg, IMF, MBSBR

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

AUGUST 2026 KEY ECONOMIC EVENTS

2 Aug: New Negeri Sembilan MB Ismail Lasim pledges fair, transparent administration to honour public trust. Newly appointed Negeri Sembilan Menteri Besar Datuk Ismail Lasim pledged to honour the trust and confidence placed in him by the people by carrying out his administrative responsibilities fairly, transparently and effectively for the state well-being and progress.

3 Aug: Japan and US confirm rare joint intervention to prop up yen. Japan and the United States have confirmed a rare, coordinated yen-buying intervention to halt the Japanese currency's slide to 40-year lows, with Tokyo signalling it is willing to take further action if needed

8 Aug: US job market stalled in July as employers cut 23,000 jobs, delivering political setback to Trump. The U.S. job market stalled unexpectedly last month, delivering a political blow to President Donald Trump three months ahead of midterm elections and complicating decision-making for the inflation fighters at the Federal Reserve. Employers cut 23,000 jobs in July.

12 Aug: Strait of Hormuz ship traffic near three-month low as US-Iran deal in doubt. Ship traffic through the Strait of Hormuz is near a three-month low as doubt grows that the U.S. and Iran will reach an agreement to fully open the key Middle East oil export corridor. Vessel transits sat at a five-day average of around 13 on Tuesday, nearly the lowest level since May 12.

18 Aug: Malaysia could experience 'Super El Nino' from Oct, hottest weather since 1997-98. The likelihood of El Nino, which typically brings hotter and drier conditions, reaching the 'very strong' or 'Super El Nino' category between Oct and Dec has risen to more than 90 per cent. According to MetMalaysia, the recent situation indicate that El Nino is continuing to strengthen and is expected to peak towards the end of 2026.

19 Aug: US Treasury to double sizes of some debt buyback operations to at least $4 billion. The U.S. Treasury Department said it would double the size of liquidity support buyback operations for longer-dated nominal coupon securities from $2 billion to at least $4 billion per operation. The change, which will apply to the 10-year to 20-year sector and the 20-year to 30-year sector, will be effective September 9 through November 4.

24 Aug: Over 21 mil international tourists visited Malaysia in 1H2026 — Motac. Malaysia recorded more than 21 million international visitor arrivals in 1H 2026, despite geopolitical tensions in West Asia that led to the cancellation of 4,111 scheduled flights to the country. Data showing 21,118,039 arrivals between January and June is 2.5% higher than a year ago.

26 Aug: Bank of Korea delivers back-to-back rate hikes as core inflation stays elevated. South Korea's central bank on Thursday raised rates for a second straight time in its bid to cool rising prices, after core inflation reading hit the highest-level last month since December 2023.

28 Aug: Rate-hike expectations rise on Warsh speech at Jackson Hole. The Federal Reserve will "have work to do" if policymakers are not confident that underlying inflation is returning to its 2% target, Chair Kevin Warsh, the closest he has come to acknowledging rate hikes may be needed to ease price pressures.

2 Aug: Only one-third of Malaysia-US exports face new tariff. Only about one-third of Malaysia's exports to the United States will be subject to the new 10 per cent tariff under the US Trade Representative's (USTR) latest Section 301 action. About 31.9 per cent of Malaysia's exports to the US will be subject to the Section 301 tariff, down from 33 per cent under the previous Section 122.

5 Aug: EU carbon tariff could cost Malaysia's iron, steel industry over RM970 mil. A study by the Malaysian Steel Institute (MSI) estimates that costs associated with implementing the European Union's Carbon Border Adjustment Mechanism (EU-CBAM) could reach RM970.7 million for Malaysia's iron and steel industry in 2026 and expected to rise progressively in subsequent years.

11 Aug: Reserve Bank holds cash rate at 4.35% but threatens more hikes if needed. The Reserve Bank of Australia has held the official cash rate at 4.35% but warned higher interest rates are "quite possible" even if house prices keep falling.

12 Aug: China's central bank pledges timely new policy rollout. China's central bank said on Wednesday it would maintain an appropriately loose monetary stance and roll out practical, effective measures as needed but stopped short of signaling explicit cuts to policy rates or banks' reserve-requirement ratio..

18 Aug: Ten focus areas in upcoming Budget 2027 — MOF. The government has laid out 10 focus areas for upcoming Budget 2027, aiming at balancing measures to protect households from cost-of-living pressures, to raise Malaysia's growth potential, strengthen resilience and improve public-sector delivery. Budget 2027 will be guided by the three priorities of raising the ceiling for national growth and the floor for living standards, while driving governance reform, according to the Pre-Budget Statement 2027.

19 Aug: US debt crosses $40 trillion threshold after doubling under Trump and Biden. Total U.S. debt has topped $40 trillion for the first time, the Treasury Department said on Wednesday, drawing fresh warnings that a fiscal crisis is brewing as ballooning costs for social safety-net programs and interest payments far outstrip revenues held back by tax cuts.

26 Aug: Thailand central bank holds interest rate steady at 1% as real economy strains and investment targets technology. Bank of Thailand keeps its rate at 1% as two economies pull apart. Technology-driven and artificial intelligence projects attract capital but spread few gains, while SMEs lose loans, households cut spending and rising inflation adds further pressure.

28 Aug: Malaysia's international reserve assets at US$132.07bil as of end-July. Malaysia's international reserve assets amounted to US$132.07 billion (US$1= RM4.02), while other foreign currency assets stood at US$368.50 million as of end-July 2026, said Bank Negara Malaysia (BNM).

30 Aug: BUDI95 quota restored to 300 litres a month. The government has agreed to restore the basic monthly quota under the Budi MADANI RON95 (BUDI95) programme to 300 litres. Prime Minister Datuk Seri Anwar Ibrahim said the decision would benefit more than 16 million users of subsidised RON95.

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