Ringgit Pressured by Resurgent US Dollar Amid Hawkish Fed Stance

Monthly Currency Review
September 2026



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Economic Review

- The US dollar appreciated against major currencies in Sep-26, as the DXY dollar index increased by +2.0%mom to 101.45, breaching back to above the 100-level threshold. The US dollar index hovered between 98.7 to 101.9, trading higher towards the end of the month boosted by the hawkish stance after the Sep-26 FOMC meeting. Meanwhile, on average, the dollar index increased by +0.5%mom to 100.02 (Aug-26: 99.49%mom).
- The ringgit depreciated against the dollar by -1.4%mom in Sep-26, closing weaker at RM4.080 (end-Aug-26: RM4.025). The ringgit was trading gradually weaker in the early part of the month until mid-month, which hit the weakest level of the month at RM4.098.
- Our forecast for the Malaysian ringgit to average around RM4.01 in 2026 and potentially move towards RM4.03 by end-2026, however, we expect a weaker bias for now as the latest hawkish expectation by the Fed would potentially delay the potential reversal of funds back to EM currencies, including Malaysia.

US dollar strengthened amid hawkish expectations

The US dollar appreciated against major currencies in Sep-26, as the DXY dollar index increased by +2.0%mom to 101.45, breaching back to above the 100-level threshold. The US dollar index hovered between 98.7 to 101.9, trading higher towards the end of the month boosted by the hawkish stance after the Sep-26 FOMC meeting. Meanwhile, on average, the dollar index increased by +0.5%mom to 100.02 (Aug-26: 99.49%mom). The US dollar index remained above the 100 level in the second half of the month, as the Federal Reserve delivered a +25bps rate hike, lifting the federal funds rate target range to 3.75–4.00%. Markets responded to a decidedly hawkish FOMC stance, as updated economic projections signaled firmer growth while persistent inflation remained a key risk. Investors were further caught off guard by the latest dot-plot projections indicating for at least one additional +25 bps rate increase before year-end. This dollar rally was further supported by resilient US economic activity, persistent geopolitical uncertainty in the Middle East, and a sequential rise in global crude oil prices. However, late-month market sentiment experienced mild relief as oil prices saw a modest pullback amid reports that US and Iranian negotiators may be exploring a phased framework to reopen the Strait of Hormuz, temporarily easing broader inflationary concerns. 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 at the upcoming meeting in Dec-26, providing underlying support to the US Dollar.

Most currencies weakened against the US dollar

On the back of a stronger US dollar, most major currencies depreciated in Sep-26. The euro weakened by -2.5%mom to USD1.133, the pound sterling fell by -2.1%mom to USD1.327, and the Japanese yen depreciated by -1.5%mom, with USDJPY closing at 157.41. In contrast, select regional Asian currencies bucked the broader trend and appreciated against the US Dollar, led by the Korean won (+0.9%mom to 1,357), Vietnamese dong (+0.4%mom to 25,964), and Chinese yuan (+0.2%mom to 6.706).

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

	2022	2023	2024	2025	Sep-26	YTD Change	MoM Change
DXY	103.52	101.33	108.49	97.79	101.45	+3.7%	+2.0%
USDJPY	131.12	141.04	157.20	156.13	157.41	-0.8%	+1.5%
USDSGD	1.340	1.320	1.366	1.264	1.277	-1.0%	-0.5%
GBPUSD	1.208	1.273	1.252	1.348	1.327	-1.6%	-2.1%
USDAUD	1.468	1.468	1.616	1.407	1.439	-2.2%	-3.1%
USDCAD	1.355	1.324	1.438	1.368	1.423	-3.9%	-2.7%
EURUSD	1.071	1.104	1.035	1.180	1.133	-4.0%	-2.5%
USDKRW	1,266	1,288	1,472	1,433	1,357	+5.7%	+0.9%
USDCNY	6.899	7.100	7.299	6.848	6.706	+2.1%	+0.2%
USDVND	23,633	24,269	25,485	26,073	25,964	+0.4%	+0.4%
USDTWD	30.72	30.71	32.79	31.23	31.84	-1.9%	-0.5%
USDMYR	4.404	4.594	4.472	3.889	4.080	-4.7%	-1.4%
USDINR	82.74	83.21	85.61	90.92	95.83	-5.1%	-0.7%
USDIDR	15,568	15,397	16,102	16,755	17,870	-6.2%	-0.8%
USDTHB	34.61	34.14	34.10	31.04	33.56	-7.5%	-1.2%
USDPHP	55.73	55.39	57.84	57.63	62.65	-8.0%	-0.6%

Source: Bloomberg, MBSBR

Ringgit still influenced by external factors despite strong economic fundamentals

The ringgit depreciated against the dollar by -1.4%mom in Sep-26, closing weaker at RM4.080 (end-Aug-26: RM4.025). The ringgit was trading gradually weaker in the early part of the month until mid-month, which hit the weakest level of the month at RM4.098. The trend later reversed some of the weakness with the USDMYR rate trending lower towards the end of the month. The ringgit generally remained below the RM4.10 level in Sep-26. In the early part of the month, the ringgit traded mostly on a weaker path between RM4.03 to RM4.099, with the dollar strengthening on the back of stronger expectation for a rate hike before and after the Sep-26 FOMC meeting. While Malaysia's domestic economic fundamentals remain firm, the ringgit's short-term trajectory continued to be dictated by broad US dollar performance. However, domestic catalyst influenced investors' confidence in Malaysia's economic performance, which led to the steady performance of the MYR in the latter half of the month, which saw the ringgit traded sideways between RM4.06 to RM4.08 level. Ringgit managed to end the month just slightly.

Although the recent weakening pressure on ringgit is closely linked to the changing expectations on the possibility of Fed rate hikes, we continue to expect that the ringgit to average around RM4.01 in 2026, before settling around RM4.03 by year-end. Nevertheless, a sustained recovery in the Ringgit hinges on clear US disinflation, which would temper expectations of prolonged Federal Reserve tightening and catalyse a broader emerging market currency rally. A shift away from the Fed's hawkish stance would bolster global risk appetite and foreign portfolio inflows, providing structural support to the ringgit and its regional peers.

Broad weakening of the ringgit

The ringgit also weakened against major currencies of Malaysia's trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) declined by -1.1%mom to 98.20 (end-Aug-26: 99.26). The depreciation was mainly against the Korean Won (-2.6%mom), Chinese yuan (-1.4%mom), and Vietnamese dong (-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 growth fundamentals. Looking ahead, we continue to project outperformance for the Ringgit, supported by a durable and resilient domestic economic expansion that compares favorably against key regional and global trading partners.

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

	2022	2023	2024	2025	Sep-26	YTD Change	MoM Change
EURMYR	4.693	5.076	4.659	4.589	4.634	-1.0%	+0.7%
CADMYR	3.251	3.467	3.113	2.844	2.877	-1.2%	+0.8%
SGDMYR	5.299	5.837	5.615	5.261	5.418	-2.9%	+0.6%
GBPMYR	3.283	3.478	3.286	3.078	3.196	-3.7%	-1.0%
USDMYR	4.404	4.594	4.472	3.889	4.080	-4.7%	-1.4%
LKRMYR	0.235	0.155	0.126	0.089	0.083	+6.5%	+0.4%
TRYMYR	0.079	0.083	0.077	0.068	0.065	+3.5%	-1.1%
IDRMYR	12.75	13.40	13.02	12.52	12.15	+3.0%	+0.5%
THBMYR	0.012	0.014	0.015	0.013	0.012	+1.9%	-0.4%
PHPMYR	0.028	0.030	0.028	0.023	0.023	+1.8%	-0.3%
NPRMYR	0.033	0.035	0.033	0.027	0.027	+0.5%	-0.8%
TWDMYR	0.143	0.150	0.136	0.125	0.128	-2.7%	-0.7%
KRWMYR	4.271	4.181	3.721	3.191	3.321	-3.9%	-1.5%
JPYMYR	3.358	3.255	2.846	2.491	2.592	-3.9%	-2.7%
BDTMYR	0.187	0.189	0.175	0.149	0.157	-5.1%	-1.7%
VNDMYR	0.638	0.646	0.613	0.569	0.608	-6.6%	-1.5%
CNYMYR	0.350	0.356	0.303	0.273	0.301	-9.4%	-2.2%

Source: Bloomberg, MBSBR

Fund Inflows into the debt market

As geopolitical uncertainty remains to weigh on global markets, while Malaysia's macro figures are holding up, Malaysia's equity market recorded negative outflows for two months, declining by -USD416m in Sep-26 (Aug-26: -USD486m), going back to the outflow trend since May-26, as the KLCI continued to be impacted by changing foreign flows. Looking at the bond market, the latest data showed foreign holding of Malaysian debt increasing by +RM15.8b to RM320.1b (Jul-26: RM304.2b). In Sep-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 inflows of non-resident holdings in Sep-26, indicating stronger demand for domestic papers, which also contributed to the strengthening pressures on ringgit, reversing some of the weakness in the earlier part of the month.

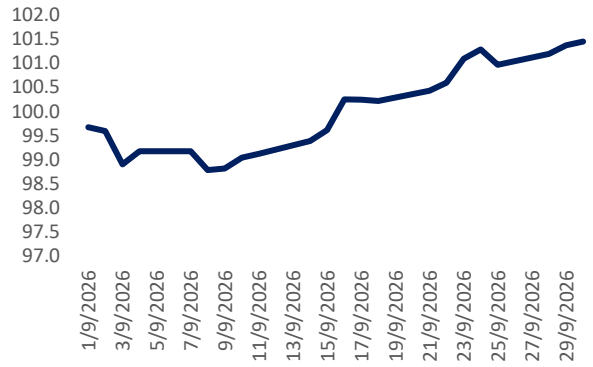
Emerging market flows affected by changes in the policy direction and inflation outlook

Our forecast for the Malaysian ringgit to average around RM4.01 in 2026 and potentially move towards RM4.03 by end-2026, however, we expect a weaker bias for now as the latest hawkish expectation by the Fed would potentially delay the potential reversal of funds back to EM currencies, including Malaysia. 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. Escalating global geopolitical risks and persistent inflation have spurred safe-haven flows into the US Dollar, while sticky price pressures reinforce the Federal Reserve's "higher-for-longer" rate stance. Conversely, robust domestic export growth and a widening trade surplus continue to provide strong fundamental backing 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

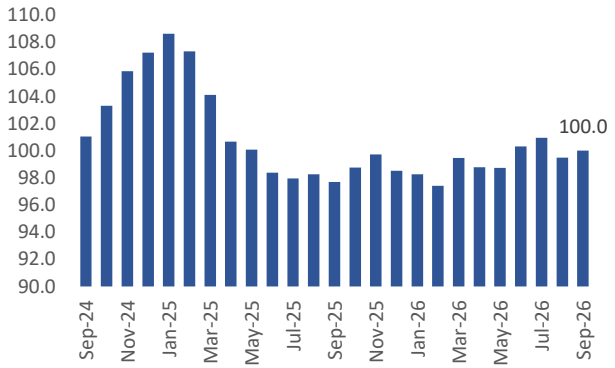
economy resilient for now, surging energy costs and mounting inflation could compel Bank Negara Malaysia to adjust rates upward in the near term. This strong macroeconomic foundation aligns with BNM's assessment of sustained domestic expansion, serving as a primary catalyst for the Ringgit's outperformance 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 Sep-26



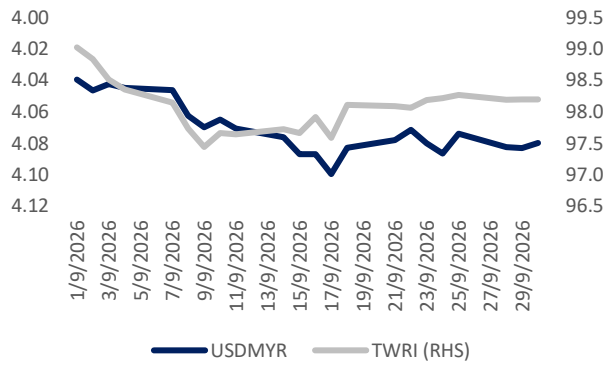
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



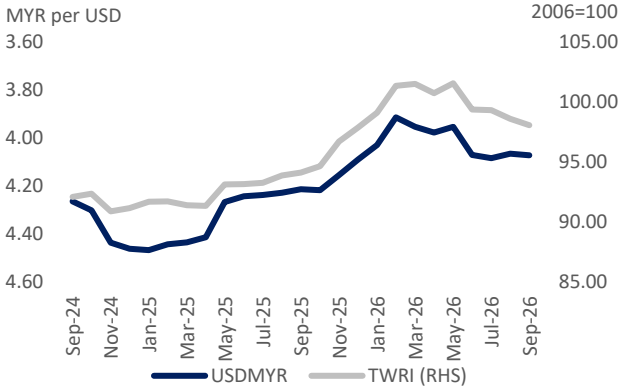
Source: Bloomberg, MBSBR

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



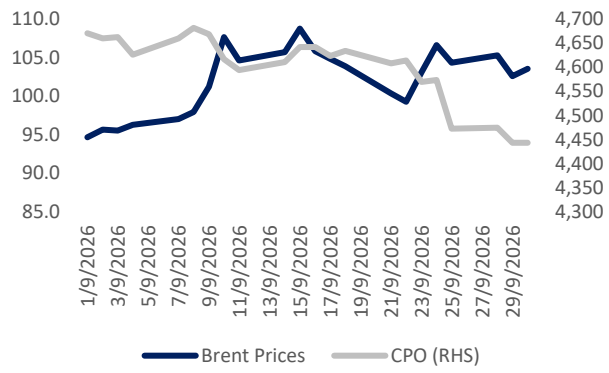
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



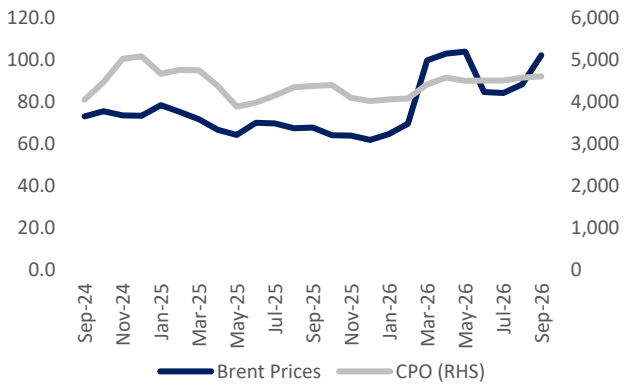
Source: Bloomberg, MBSBR

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



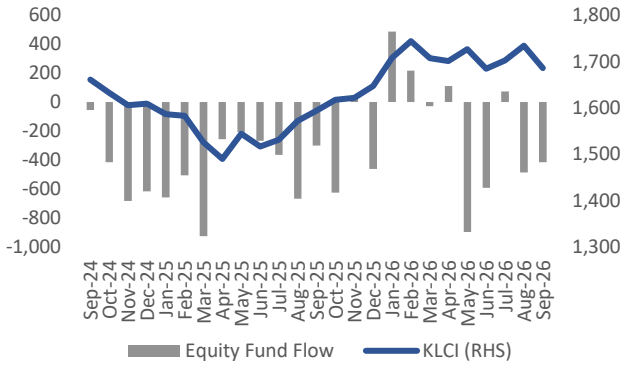
Source: Bloomberg, MBSBR

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



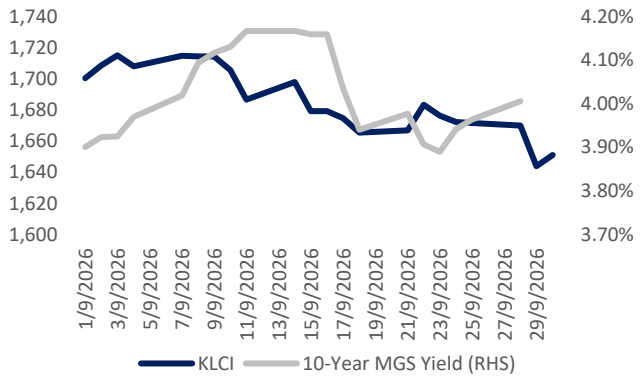
Source: Bloomberg, MBSBR

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



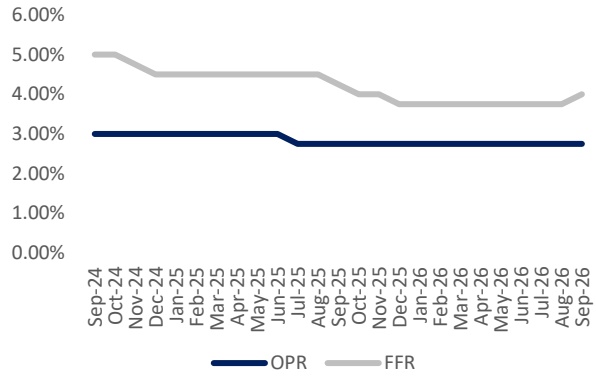
Source: Bloomberg, MBSBR

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



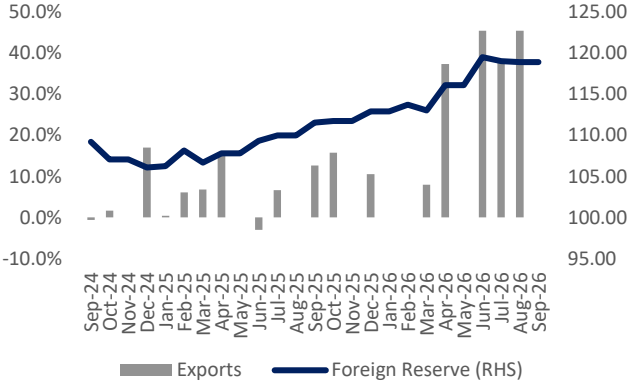
Source: Bloomberg, MBSBR

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



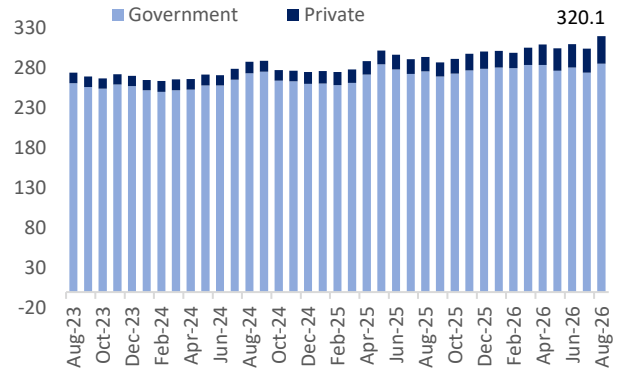
Source: Bloomberg, MBSBR

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



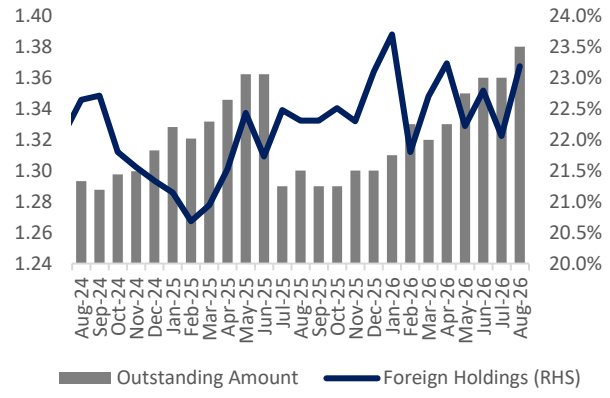
Source: Bloomberg, IMF, MBSBR

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

SEPTEMBER 2026 KEY ECONOMIC EVENTS

3 Sep: Bank Negara maintains OPR at 2.75%. Bank Negara Malaysia (BNM) has maintained its overnight policy rate (OPR) at 2.75%, following its latest monetary policy committee meeting. The central bank last adjusted the OPR in July 2025, when it lowered the rate from 3% as a pre-emptive measure to spur growth.

3 Sep: Penang manufacturing investments jump 38% to RM17.3bil in 1H2026 Penang recorded RM17.3bil in approved manufacturing investments in the first half of 2026, up 38% from the corresponding period last year and putting the state on track to surpass its 2025 record of RM22.4bil.

9 Sep: Malaysia's IPI expands 4.7% in July, manufacturing sales hit RM177.3bil. Malaysia's Industrial Production Index (IPI) expanded by 4.7%yoy in Jul-26, while manufacturing sales increased to RM177.3 billion. The growth was driven by continued resilience in the manufacturing sector, supported by sustained demand for E&E and technology-related products.

11 Sep: Malaysia's wholesale, retail trade sales rise to RM170.5bil in July 2026 Malaysia's wholesale and retail trade sales increased to RM170.5 billion in Jul-26, reflecting continued resilience in domestic demand. Growth was supported by wholesale, retail and motor vehicle segments, although the pace of expansion moderated compared with previous months.

13 Sep: Bank set to hold interest rates but 'needs to be ready' to act on inflation. The Bank of England is expected to keep interest rates unchanged for the sixth time this year, but experts said it "needs to be ready" to hike rates if energy prices continue to surge

18 Sep: Malaysia's exports surge 45.5% in August on strong external demand. Malaysia's exports surged 45.5% year-on-year (y-o-y) to RM191.05bil in August 2026, supported by strong shipments of manufactured and mining goods.

18 Sep: Malaysia's inflation rises to 1.9% in August. Malaysia's inflation increased to 1.9%yoy in Aug-26 from 1.8%yoy in Jul-26, driven mainly by higher transport, housing and food costs. According to DOSM, transport inflation accelerated to 2.0%, supported by higher fuel and public transport prices, while food and beverages inflation edged up to 1.9%.

23 Sep: Malaysia adds another US$100 mil to forex shield, pushing it to new decade high. Malaysia's international reserves have continued to climb in September, reaching a new 10-year high of US$122.8 billion.

24 Sep: Malaysia secures over RM28 bil potential investments from China visit. Malaysia has secured more than RM28 billion in potential investments following trade talks with major Chinese industry players, said Prime Minister Datuk Seri Anwar Ibrahim. The commitments were secured during a three-day working visit to Shanghai and Hangzhou.

26: China, US agree to AI dialogue, tariff cuts on $30 billion in goods during Xi visit. The United States and China have agreed to reduce tariffs on $30 billions of goods and launch a dialogue on AI, both countries said following President Xi Jinping's visit to Washington.

28 Sep: RM2,000 minimum wage decision rests with Budget 2027. Any decision on a possible increase in the minimum wage to RM2,000 should be left to Prime Minister Datuk Seri Anwar Ibrahim's announcement when tabling Budget 2027, Economy Minister Akmal Nasrullah Mohd Nasir said.

28 Sep: S&P affirms Malaysia's A- sovereign rating, outlook stable. Malaysia's consistently strong economic growth and high degree of monetary policy flexibility underpin the sovereign ratings, the rating agency said in a statement.

3 Sep: Malaysia, Indonesia eye further growth in RM114bil bilateral trade. Malaysia and Indonesia have significant scope to expand bilateral trade beyond the RM114 billion recorded last year by strengthening trade facilitation and improving cross-border goods movement.

8 Sep: Malaysia's trade rises 24.7% to RM2.16 trillion in first seven months of 2026. Malaysia's total trade rose 24.7% year-on-year (y-o-y) to RM2.16 trillion in the first seven months of 2026, according to the Malaysia External Trade Development Corporation (MATRADE).

10 Sep: European Central Bank hikes interest rates to 2.5% as policymakers see risk of higher inflation, weaker growth. The European Central Bank has voted to raise its key deposit rate by 25 basis points to 2.5% from 2.25% in a move widely expected by investors.

12 Sep: Unemployment rate holds steady at 3% in July. Malaysia's unemployment rate held steady at 3% in July, unchanged from June, with 520,300 people out of work, according to the latest Statistics Department figures. The labour force grew 0.1% month-on-month to 17.37 million from 17.34 million in June.

16 Sep: Fed approves interest rate hike, signals one more to come this year. The Federal Reserve on Wednesday approved its first-interest rate hike in more than three years and indicated another is to come, as part of an effort aimed at combating inflation brought on by spiralling oil prices and other factors.

18 Sep: Bank of Japan raises policy rate to 31-year high - as it happened. We're wrapping up our live coverage of the Bank of Japan's decision to raise interest rates to a 31-year high.

21 Sep: Malaysia's exports jump 31.2% to RM1.36 trillion in first eight months. According to Malaysia External Trade Development Corporation (MATRADE), exports to 40 countries, including the United States, France and Ireland, have already exceeded their full-year 2025 levels.

23 Sep: ADB slightly lifts 2026 growth outlook, trims inflation forecast. The Asian Development Bank (ADB) raised Malaysia's economic growth forecasts to 4.9% for 2026 and 4.7% for 2027.

24 Sep: PBoC vows to maintain loose monetary policy, keep Chinese Yuan stable. The People's Bank of China (PBoC) said on Thursday that it will step up counter-cyclical adjustments and continue to implement an "appropriately loose" monetary policy, according to Reuters.

26 Sep: Anwar signals more measures to boost wages in 2027 Budget. Prime Minister Datuk Seri Anwar Ibrahim said the government remained dissatisfied with wage levels despite rising productivity and high profits recorded by some companies.

28: Malaysia's producer prices rise 10.7% in August, led by mining. According to the Department of Statistics Malaysia (DOSM), the increase reflected rising producer costs, particularly in mining-related activities, amid elevated commodity and energy prices.

28 Sep: Oil up, stock futures slip as Iran offer rejected. Oil advanced and US equity futures slipped after President Donald Trump rejected Iran's latest proposal to reopen the Strait of Hormuz, while saying negotiations may resume this week.

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