Fundamental Resilience Keeps Ringgit Firm Amid US Fed Hawkishness

Monthly Currency Review
October 2026



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Economic Review

- The US dollar appreciated against major currencies in Oct-26, with the DXY increasing by +0.4%mom to 101.88 (end-Sep-26: 101.45), remaining above the 100 level since mid-Sep-26. The index initially strengthened to above 102.0 in early October, supported by elevated US Treasury yields following a sharp bond market sell-off that pushed the 10-year UST yield to a 24-year high of 5.342%.
- The ringgit traded relatively steadily between RM4.05 and RM4.09 against the US dollar throughout Oct-26, hovering around RM4.08 for much of the month. Nevertheless, it recorded a marginal appreciation of +0.5%mom, closing at RM4.058 (end-Oct-25: RM4.0808). The ringgit weakened slightly by -0.3%mom to RM4.082 on average, reflecting its softer performance during the first half of the month amid US dollar strength and shifting expectations of further Fed tightening
- We maintain our forecast for the ringgit to average RM4.01 in 2026 and strengthen towards RM4.03 by year-end, although near-term volatility could persist amid the Fed's hawkish monetary policy stance.

US dollar strengthened amid hawkish expectations

The US dollar appreciated against major currencies in Oct-26, with the DXY increasing by +0.4%mom to 101.88 (end-Sep-26: 101.45), remaining above the 100 level since mid-Sep-26. The index initially strengthened to above 102.0 in early October, supported by elevated US Treasury yields following a sharp bond market sell-off that pushed the 10-year UST yield to a 24-year high of 5.342%. However, the DXY subsequently reversed its gains, retreating from a monthly high of 102.59 on 12-Oct-26 to 101.61 on 22-Oct-26, as Treasury yields eased and concerns over geopolitical tensions and the broader economic outlook weighed on sentiment. The index rebounded briefly ahead of the FOMC meeting, reaching 102.32 on 27-Oct-26, before weakening again despite the Fed's hawkish hold. The FOMC maintained the federal funds rate at 3.75–4.00%, with a 10–2 split vote, as Chair Kevin Warsh reiterated the need for more economic data before making further policy adjustments. Despite stronger-than-expected economic data, including the acceleration in headline PCE inflation to +3.6%yoy and core inflation to +3.1%yoy, alongside robust 3QCY26 GDP growth of +3.4%qoq annualised, the DXY continued to lose ground towards month-end. This reflected declining Treasury yields amid a technology-led equity sell-off, which outweighed support from expectations of further Fed tightening. Nevertheless, the prospect of another rate hike in Dec-26 could continue to provide underlying support for the US dollar, despite near-term fluctuations.

Mixed currencies movements against the US dollar

On the back of a slightly stronger US dollar (+0.4%mom to 101.88), major currencies recorded mixed movements in Oct-26. The euro weakened by -1.5%mom to USD1.116, while the Japanese yen eased slightly by -0.1%mom, closing at JPY157.56 per USD. In contrast, the pound sterling gained by +0.9%mom to USD1.339. Across regional Asian currencies, performance was similarly mixed, with the Korean won strengthening by +1.7%mom, followed by gains in the Chinese yuan (+0.8%mom) and the Vietnamese dong (+0.6%mom).

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

	2022	2023	2024	2025	Oct-26	YTD Change	MoM Change
DXY	103.52	101.33	108.49	97.79	101.88	+4.2%	+0.4%
GBPUSD	1.208	1.273	1.252	1.348	1.339	-0.7%	+0.9%
USDJPY	131.12	141.04	157.20	156.13	157.56	-0.9%	-0.1%
USDAUD	1.468	1.468	1.616	1.407	1.422	-1.0%	+1.2%
USDSGD	1.340	1.320	1.366	1.264	1.278	-1.1%	-0.1%
USDCAD	1.355	1.324	1.438	1.368	1.397	-2.1%	+1.8%
EURUSD	1.071	1.104	1.035	1.180	1.116	-5.4%	-1.5%
USDKRW	1,266	1,288	1,472	1,433	1,334	+7.5%	+1.7%
USDCNY	6.899	7.100	7.299	6.848	6.655	+2.9%	+0.8%
USDVND	23,633	24,269	25,485	26,073	25,802	+1.1%	+0.6%
USDTWD	30.72	30.71	32.79	31.23	32.52	-4.0%	-2.1%
USDMYR	4.404	4.594	4.472	3.889	4.058	-4.2%	+0.5%
USDINR	82.74	83.21	85.61	90.92	94.96	-4.3%	+0.9%
USDIDR	15,568	15,397	16,102	16,755	18,127	-7.6%	-1.4%
USDTHB	34.61	34.14	34.10	31.04	33.68	-7.9%	-0.4%
USDPHP	55.73	55.39	57.84	57.63	63.74	-9.6%	-1.7%

Source: Bloomberg, MBSBR

Ringgit performance is influenced by external factors despite robust economic fundamentals

The ringgit traded relatively steadily between RM4.05 and RM4.09 against the US dollar throughout Oct-26, hovering around RM4.08 for much of the month. Nevertheless, it recorded a marginal appreciation of +0.5%mom, closing at RM4.058 (end-Oct-25: RM4.0808). The ringgit weakened slightly by -0.3%mom to RM4.082 on average, reflecting its softer performance during the first half of the month amid US dollar strength and shifting expectations of further Fed tightening. Meanwhile, improving domestic sentiment surrounding Budget 2027 and the government's commitment to fiscal consolidation provided underlying support. Towards month-end, the ringgit strengthened following Malaysia's resilient 3Q26 GDP advance estimate and robust external trade performance, alongside easing US Treasury yields. The improving domestic outlook and renewed interest in ringgit-denominated assets helped reverse some of the currency's earlier weakness.

While recent pressure on the ringgit has largely reflected shifting expectations of further Fed rate hikes, we maintain our projection for the currency to average around RM4.01 in 2026 and end the year near RM4.03 against the US dollar. Nevertheless, a sustained appreciation would depend on clearer signs of US disinflation and easing external uncertainties. Once the Fed moves away from its hawkish stance, improving global risk appetite and renewed foreign portfolio inflows could provide more durable support for the ringgit and other regional currencies.

Broad strength of the ringgit

The ringgit also strengthened against several major currencies of Malaysia's trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) rising by +0.6%mom to 98.76 (end-Sep-26: 98.20). The gains were mainly driven by appreciation against the Taiwan dollar (+2.7%mom), Philippine peso (+2.3%mom) and Thai baht (+2.7%mom). The ringgit's broad nominal appreciation against a basket of major currencies reflects improving market sentiment, supported by Malaysia's resilient economic fundamentals. Looking ahead, we expect the ringgit to remain relatively resilient, underpinned by sustained domestic expansion and comparatively favourable growth prospects 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	Oct6	YTD Change	MoM Change
EURMYR	4.693	5.076	4.659	4.589	4.544	+1.0%	+2.0%
CADMYR	3.251	3.467	3.113	2.844	2.907	-2.2%	-1.0%
SGDMYR	3.283	3.478	3.286	3.078	3.177	-3.1%	+0.6%
GBPMYR	5.299	5.837	5.615	5.261	5.450	-3.5%	-0.6%
USDMYR	4.404	4.594	4.472	3.889	4.058	-4.2%	+0.5%
TRYMYR	0.235	0.155	0.126	0.089	0.081	+9.1%	+2.5%
PHPMYR	0.079	0.083	0.077	0.068	0.064	+6.0%	+2.4%
THBMYR	12.75	13.40	13.02	12.52	12.05	+3.9%	+0.9%
IDRMYR	0.028	0.030	0.028	0.023	0.022	+3.8%	+2.0%
LKRMYR	0.012	0.014	0.015	0.013	0.012	+3.1%	+1.1%
NPRMYR	0.033	0.035	0.033	0.027	0.027	+0.2%	-0.3%
TWDMYR	0.143	0.150	0.136	0.125	0.125	+0.1%	+2.9%
BDTMYR	4.271	4.181	3.721	3.191	3.271	-2.6%	+1.3%
JPYMYR	3.358	3.255	2.846	2.491	2.575	-3.3%	+0.6%
VNDMYR	0.187	0.189	0.175	0.149	0.157	-5.2%	-0.1%
CNYMYR	0.638	0.646	0.613	0.569	0.610	-6.8%	-0.2%
KRWMYR	0.350	0.356	0.303	0.273	0.304	-10.3%	-1.0%

Source: Bloomberg, MBSBR

Fund Inflows into the debt market

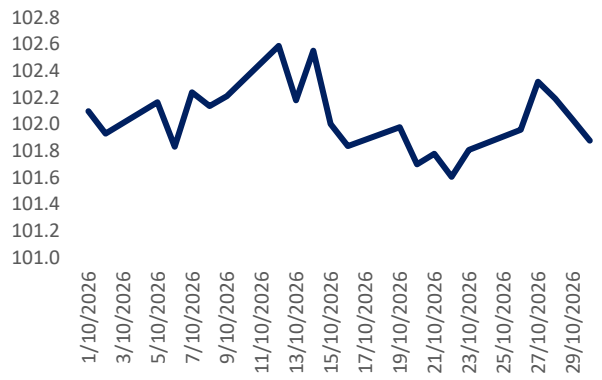
Despite lingering geopolitical uncertainties, Malaysia's resilient macroeconomic fundamentals continue to provide support for investor sentiment. Foreign investors remained net sellers of Malaysian equities for the third consecutive month, although net outflows moderated to -USD228m in Oct-26 (Sep-26: -USD416m), marking the second-lowest monthly outflow this year. Meanwhile, foreign holdings of Malaysian debt securities declined by -RM1.7b to RM318.3b in Sep-26 (Aug-26: RM320.1b). In Oct-26, the MGS yield curve shifted lower, broadly tracking declining UST yields as expectations of further Fed tightening moderated. Notably, renewed non-resident demand for domestic debt securities provided some support for the ringgit, helping reverse its earlier weakness towards month-end.

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

We maintain our forecast for the ringgit to average RM4.01 in 2026 and strengthen towards RM4.03 by year-end, although near-term volatility could persist amid the Fed's hawkish monetary policy stance. The Fed's recent hawkish signals could delay the anticipated recovery in capital flows towards emerging market currencies, including the ringgit. Looking ahead, heightened geopolitical uncertainties, persistent inflationary pressures and expectations of further Fed tightening could continue to support safe-haven demand for the US dollar. Nevertheless, Malaysia's robust export performance, widening trade surplus and resilient domestic growth should provide some cushion against external headwinds. We believe more sustained ringgit appreciation would depend on easing US inflationary pressures and a clearer shift away from further Fed tightening, although geopolitical risks remain a key uncertainty.

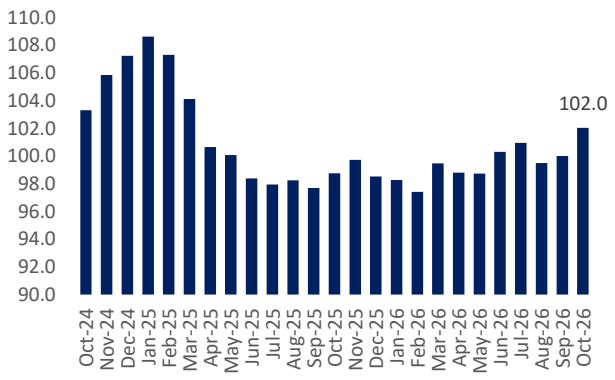
Over the past month, the ringgit's appreciation momentum moderated despite resilient domestic fundamentals, supported by robust exports and a widening trade surplus. We forecast our MBSB Trade-Weighted Ringgit Index (TWRI) to rise from 98.4 at end-2025 to 102.0 by end-2026, reflecting broad-based appreciation against Malaysia's major trading partners. While resilient domestic growth continues to support the ringgit, elevated energy costs, persistent global inflation and geopolitical uncertainties could weigh on market sentiment and encourage a more cautious monetary policy stance by major central banks. Nevertheless, Malaysia's favourable growth prospects and relatively stable domestic economic conditions should continue to underpin the ringgit's resilience against regional peers.

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



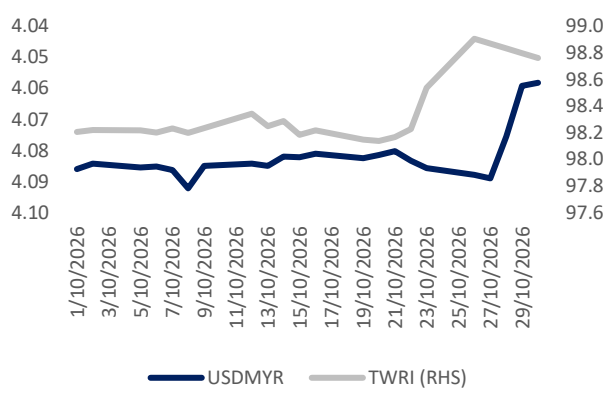
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



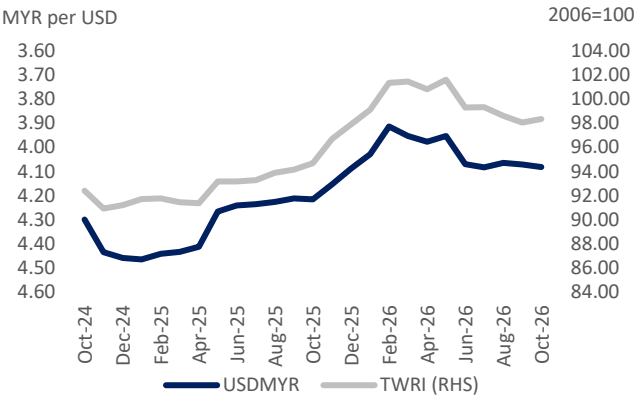
Source: Bloomberg, MBSBR

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



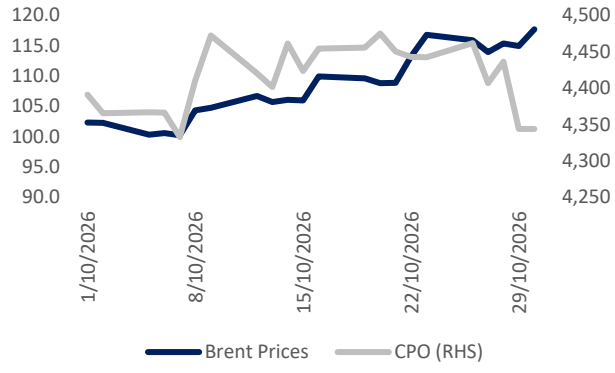
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



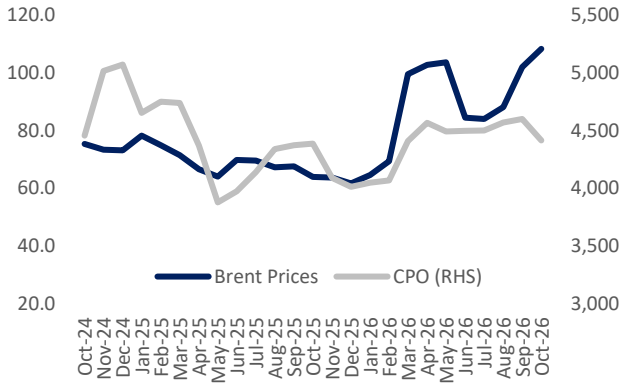
Source: Bloomberg, MBSBR

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



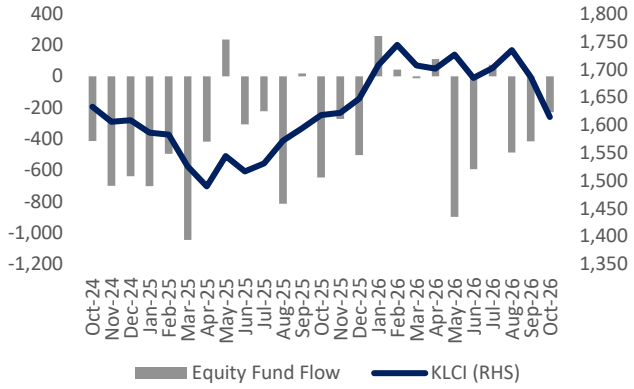
Source: Bloomberg, MBSBR

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



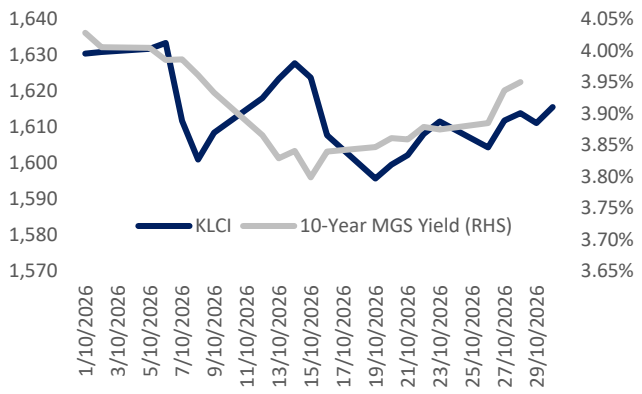
Source: Bloomberg, MBSBR

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



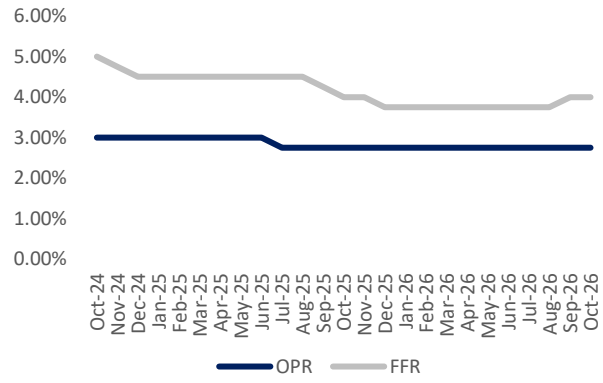
Source: Bloomberg, MBSBR

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



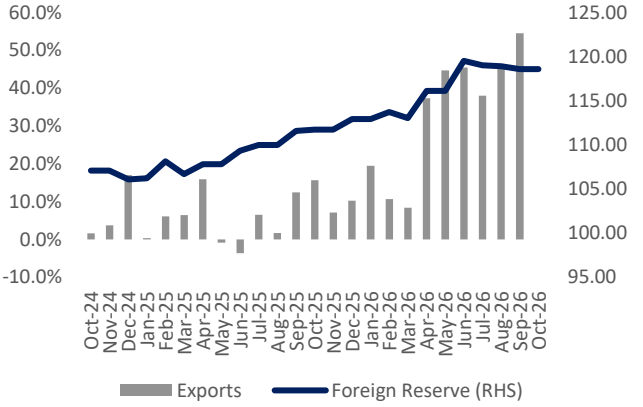
Source: Bloomberg, MBSBR

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



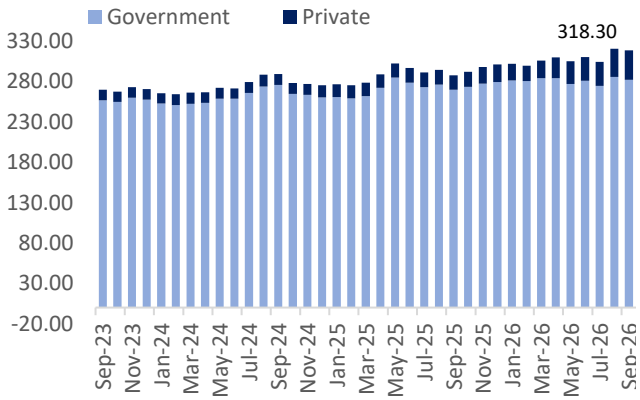
Source: Bloomberg, MBSBR

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



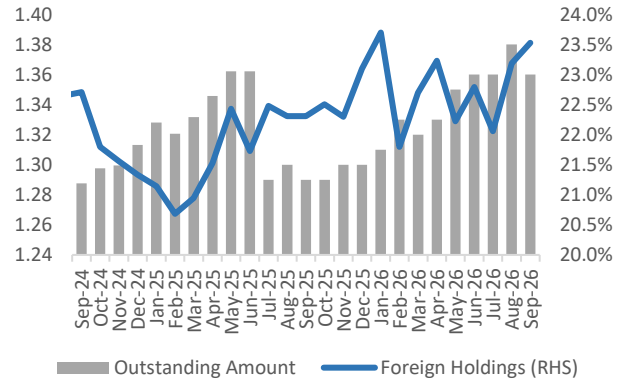
Source: Bloomberg, IMF, MBSBR

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: BNM, Bondstream, MBSBR

Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MBSBR

OCTOBER 2026 KEY ECONOMIC EVENTS

5 Oct: West Asia conflict poses downside risks, but impact on Malaysia's financial stability manageable, says BNM. The implications of the West Asia conflict, which has disrupted global commodity supplies and strategic trade routes, have remained manageable for Malaysia's financial stability, according to Bank Negara Malaysia (BNM). Malaysia's financial system has limited direct exposures to West Asia.

6 Oct: Malaysian banks and PayNet plan fraud alert pilot in 2027. Malaysian banks and PayNet are developing industry-wide fraud alerts to warn banks and customers before potentially risky payments go through. The alerts will prompt customers to pause, think and verify before proceeding with a transaction.

9 Oct: Budget 2027: Govt raises public spending and investment to record RM510 billion. Securities Commission Malaysia (SC) and Bursa Malaysia have taken 13 key measures in the first eight months of 2026 to enhance the liquidity and efficiency of Malaysia's capital market.

13 Oct: Malaysia's semiconductor exports to US remain exempt from tariffs — Johari Ghani. Malaysia continues to enjoy tariff exemptions for its semiconductor exports to the US, said Investment, Trade and Industry Minister Datuk Seri Johari Abdul Ghani.

15 Oct: 84 data centres approved: Malaysia's challenge is turning billions into lasting gains. Malaysia's data centre ambitions are gathering pace, with 84 projects approved nationwide as of July, including 27 flagship developments carrying an estimated investment value of RM225.97 billion and the potential to create 4,053 jobs. But as billions of ringgits pour into the sector.

18 Oct: Amir Hamzah sees Malaysia's diversified economy, fiscal buffers cushioning external shocks in 2027. Malaysia's economy expanded faster than expected in the third quarter as growth of manufacturing and services sectors offset a contraction in mining activities, official flash estimates showed. GDP rose 5.3% in the July-September quarter from a year earlier.

20 Oct: China's Q3 GDP growth set to pick up as exports power ahead. China's economy likely sped up slightly in the third quarter from a more than three-year low, helped by hot demand for the country's technological goods and fresh policy support, but further stimulus may be needed to sustain the momentum.

20-Oct : PBOC leaves Loan Prime Rates unchanged in October. The People's Bank of China (PBOC), China's central bank, announced to leave its Loan Prime Rates (LPRs) unchanged on Tuesday. The one-year and five-year LPRs were at 3.00% and 3.50%, respectively.

28 Oct: Malaysia's latest haze cost RM8b in welfare losses, may have led to 1,700 deaths, report finds. Malaysia's recent haze episode carried an estimated RM8 billion in welfare losses, while short-term exposure to fine particles from fires may have contributed to about 1,700 deaths, according to a report commissioned by the Federation of Malaysian Manufacturers.

29-Oct: BOJ holds rates as underlying inflation aligns with 2% target for first time since 2013. The Bank of Japan declared that underlying inflation in the country was "generally consistent" with its target of 2%, the first time it has made that assessment since adopting the target in 2013.

29 Oct: Govt gathering industry feedback on proposal to suspend CPO export duties. The government is gathering industry feedback on a proposal to temporarily suspend crude palm oil (CPO) export duties to ease stock pressure and boost exports, Plantation and Commodities Minister Datuk Seri Dr Noraini Ahmad said.

5 Oct: Household financial position remains resilient amid West Asia risks. The financial position of households has remained generally resilient, supported by Malaysia's stable labour market conditions, according to Bank Negara Malaysia (BNM). Domestic policy measures, including expanded government cash assistance and continued fuel subsidies, have also helped contain the pass-through of higher global costs to domestic consumer prices.

7 Oct: Malaysia's foreign reserves expand to 11-year high as gold holdings grow. Malaysia built up its foreign currency reserves in September 2025 to the highest in 11 years, as its gold holdings grew, latest data from the central bank showed.

12 Oct: Malaysia targets 3.3pc fiscal deficit in 2027, 3pc by 2028, says Treasury sec-gen. Malaysia is targeting a fiscal deficit of 3.3 per cent next year as it presses ahead with plans to bring the figure down to 3 per cent by 2028, Treasury secretary-general Tan Sri Johan Mahmood Merican said.

13 Oct: Youths aged 30 and below rack up RM5.4bil in BNPL transactions. Young people aged 30 and below recorded 65.9 million buy now, pay later (BNPL) transactions worth RM5.4bil in the first half of 2026, accounting for 37.9 per cent of total transactions nationwide. The Finance Ministry said Malaysia recorded 173.9mil BNPL transactions worth RM14.7bil.

16 Oct: Malaysia banks on policy certainty, economic resilience to attract investment. Malaysia is strengthening its business environment, policy certainty and economic resilience to attract long-term investment, with foreign and domestic direct investments reaching record highs, said Finance Minister II Datuk Seri Amir Hamzah Azizan.

19 Oct: MOF: Nearly RM11b in STR, Sara aid disbursed as of September 2026. Nearly RM11 billion in Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (Sara) assistance had been disbursed to eligible recipients as of September 2026, according to the Ministry of Finance (MOF). The MOF said that RM3.6 billion had been disbursed to STR recipients through 3w payment phases.

20 Oct: Iskandar Malaysia records RM525.26 bil in investments, shifts towards high-value growth. Iskandar Malaysia is now focusing on high-value investments and strengthening the regional economic ecosystem after recording total investments of RM525.26 billion since its establishment 20 years ago.

26 Oct: US$50 bil AI investment: Tanjung Embang identified as strategic location, says Abang Johari. The US$50 billion (RM204 billion) investment announced by Prime Minister Datuk Seri Anwar Ibrahim recently includes strategic plans by a major international company to develop an artificial intelligence (AI) data centre in Tanjung Embang.

28 Oct: Fed leaves rates unchanged as it awaits 'accumulation of more information'. The Federal Reserve held interest rates steady on Wednesday, as expected, opting to delay any changes to borrowing costs until after next week's US midterm elections while it awaits further data on inflation, which the central bank said "remains elevated."

29 Oct: European Central Bank keeps key interest rate on hold at 2.5%. The European Central Bank voted to hold interest rates steady on Thursday, meeting market expectations, despite euro zone inflation rising to a three-year high.

29 Oct: SST retained as GST not an option amid high cost of living. The federal government will continue to implement the SST, as the GST will not be considered due to the ongoing burden of the cost of living. Finance Minister II Datuk Seri Amir Hamzah Azizan said the government would continue to improve the SST to reduce the impact of cascading taxes and simplify compliance.

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