

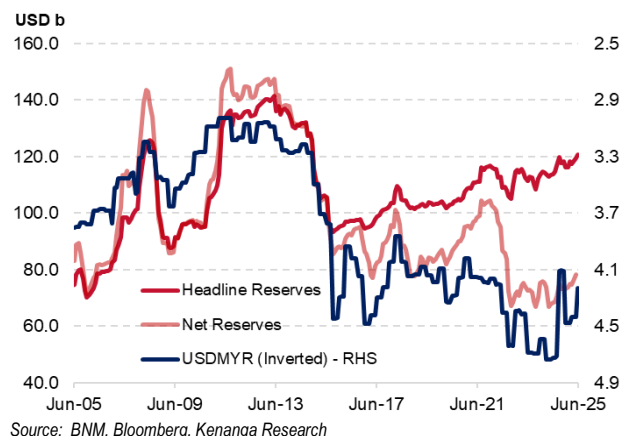
08 July 2025

BNM International Reserves

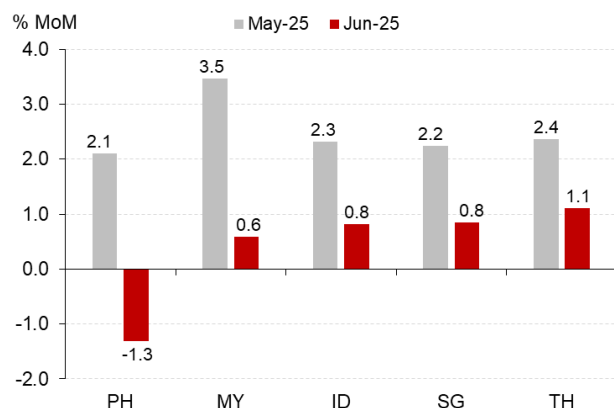
Up 0.8% in June to hit 10-year high on FX and gold revaluation gains

- Bank Negara Malaysia (BNM) international reserves rose by USD1.0b or 0.8% MoM to USD120.6b as of 30 June 2025, highest since November 2014**
 - Despite the increase, import coverage declined to 4.8 months (May: 5.0), while the reserves-to-short-term external debt ratio held steady at 0.9 time.
- The increase was mainly driven by revaluation gains in foreign exchange (FX) and gold reserves**
 - FX reserves** rose USD0.6b (+0.5% MoM) to USD107.0b, buoyed by a weaker USD. Of note, BNM's net FX reserves reached USD68.8b in May (Apr: USD67.4b), the highest since August 2022.
 - Gold** holdings surged to a record high of USD4.1b (+USD0.3b or +7.8% MoM), driven by a 5.3% QoQ rally in gold price to USD3,283.6/troy ounce amid rising geopolitical tensions.
 - Special Drawing Rights** edged up by USD0.1b (+2.2% MoM), while the IMF reserve position and other reserve assets remained broadly unchanged.
- In ringgit terms, however, reserves declined sharply by RM19.9b (-3.8% MoM) to RM510.1b in June**
 - USDMYR monthly performance:** The ringgit strengthened for the fifth consecutive month in June, averaging 4.24/USD (May: 4.27), below its 10-year average of 4.28. The USD weakened despite rising geopolitical tensions and higher oil prices, weighed down by persistent US fiscal concerns and policy uncertainty. Improved sentiment around US-China trade talks also supported emerging market (EM) currencies.
 - Regional FX:** Most ASEAN-5 currencies appreciated against the greenback in June as the DXY fell to 98.4 (May: 100.1), with investors rotating into EUR-denominated assets. The THB led regional gains (+1.1%), followed by the SGD (+0.8%), IDR (+0.8%), and MYR (+0.6%). The PHP was the only decliner (-1.3%), pressured by higher oil prices and a policy rate cut by Bangko Sentral ng Pilipinas.
- Policy pause remains the base case; ringgit strength has further room to run**
 - Monetary Policy Outlook:** While markets are speculating on a possible BNM rate cut as early as this week, the case for a policy easing remains weak. GDP is tracking above 4.0% and inflation risks are edging higher, suggesting less urgency to pivot. The prevailing policy rate remains attractive for foreign capital inflows, especially into bonds, and near-term structural reforms are likely to be inflationary. That said, a sustained growth slowdown, particularly if headline growth dips below 3.5%, could shift the policy calculus.
 - USDMYR year-end forecast (4.08; 2024: 4.47):** We retain our year-end USDMYR forecast of 4.08, supported by sound domestic fundamentals. Eroding confidence in US fiscal management is driving capital flows towards the EU and reform-oriented emerging markets. Malaysia, with its macro stability and steady FDI inflows, stands to gain from this rebalancing. A Fed pivot to rate cuts could further lift the ringgit. Malaysia has now been slapped with a 25.0% tariff, slightly above the earlier 24.0% proposal, but still fares better than most peers, except Vietnam. We see limited immediate impact, though much depends on the final tariff list and whether Malaysia can secure concessions in the three-week window before implementation on August 1. Tariffs targeting BRICS-aligned economies may accelerate moves to build alternative financial systems. Whether BRICS can translate this pressure into a cohesive geopolitical bloc remains to be seen.

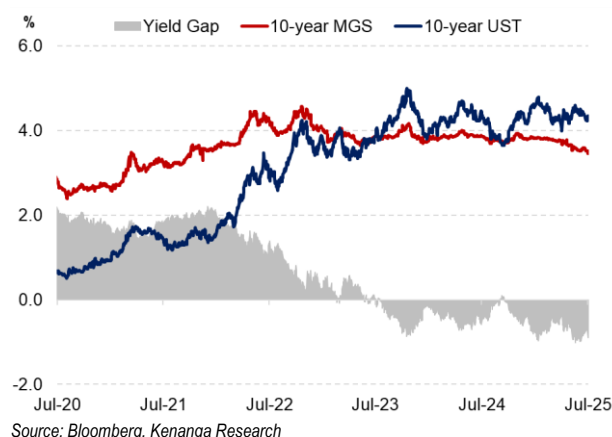
Graph 1: BNM's International Reserves



Graph 2: ASEAN-5 Currencies (monthly average)



Graph 3: 10-Year US Treasury vs. MGS Yield



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Table 1: Latest Update and Historical Milestone for BNM Reserves

		RM bil	Change from previous month	USDMYR	US bil	Change from previous month	Months of retained	Times of ST
	Month	O/stand.	RM bil	End Period	O/stand .	US bil	Imports.	Debt
Pre crisis high	Jan-94	89.99	13.51	2.7598	32.61	4.29	na	na
Start of Asian Financial Crisis (AFC)	Apr-97	70.93	-1.26	2.5110	28.25	-0.87	na	na
Reserves at its lowest in USD term	Nov-97	61.30	-0.40	3.5022	17.50	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	4.3990	20.25	-1.46	3.2	na
Govt imposed capital control and pegged ringgit at 3.80 to USD	Sep-98	81.51	23.6	3.8000	21.45	1.22	4.4	na
USDMYR peg removed	Jul-05	297.17	13.07	3.7978	78.25	3.48	9.0	7.6
Highest level post USDMYR de-peg (before GFC)	Jun-08	410.87	10.73	3.2665	125.78	0.59	10.0	5.1
Biggest single month decline in USD-terms	Sep-08	379.35	-20.83	3.4567	109.75	-12.84	9.0	4.1
Lowest level during the Global Financial Crisis	May-09	322.47	2.07	3.6513	88.32	0.59	8.3	3.8
Highest Level (in USD term)	May-13	436.80	3.52	3.0884	141.43	1.12	9.5	4.3
Highest Level (in MYR term)	Aug-24	550.45	9.19	4.7128	116.80	2.14	5.4**	1.0
End-2021	Dec-21	486.85	54.47*	4.1650	116.89	9.25*	7.7	1.2
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.42*	4.5890	113.48	-1.18*	5.4**	1.0
End-2024	Dec-24	520.16	2.75*	4.4764	116.20	-0.71*	5.0**	1.0
Latest release	Jun-25	510.06	-19.94	4.2293	120.60	1.00	4.8**	0.9

Source: Dept. of Statistics, Kenanga Research, CEIC, Bloomberg

*: Change from the preceding year

**: Imports of goods and services (effective from 22 February 2022)

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