

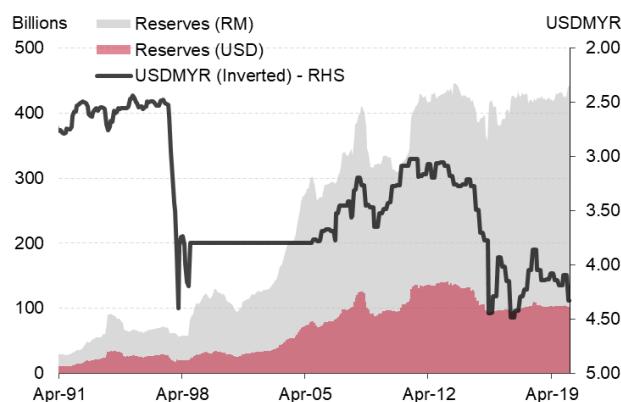
12 May 2020

# BNM International Reserves

Up 0.8% in April, a rebound after a sharp fall in March

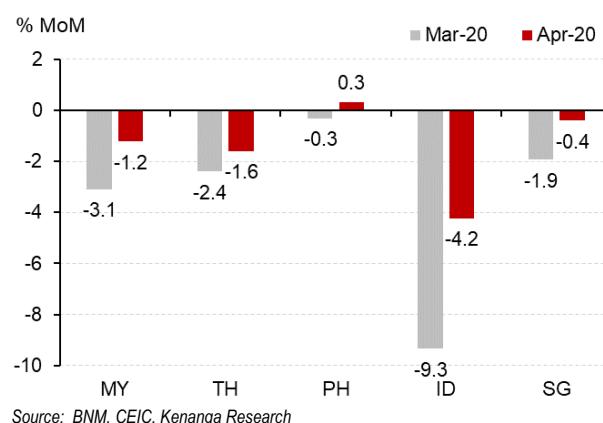
- **Bank Negara Malaysia (BNM) international reserves rebounded by USD0.8b or 0.8% MoM to USD102.5b as at 30 April 2020 after a sharp drop in March (-USD1.7b)**
  - Sufficient to finance 7.9 months of retained imports and is 1.1 times the total short-term external debt.
- **The rise was attributable to a more stable financial market following the shock brought about at the onset of the COVID-19 pandemic. This is reflected in an increase in foreign currency reserves, other reserve assets and IMF reserve position**
  - Foreign currency reserves (+USD0.8b or 0.8% MoM to USD96.1b):
  - Other reserve assets (+USD0.03b or 1.2% MoM to USD2.2b): increased marginally.
  - IMF reserve position (+USD0.01b or 0.7% MoM to USD1.1b): increased marginally.
- **In Ringgit terms, the value of BNM reserves increased by RM3.6b or 0.8% MoM to RM443.7b**
  - USDMYR: traded at an average of RM4.36 in April (Mar: RM4.30), MYR weakest level in 36 months, depreciating by 1.2% MoM (Mar: -3.1%) on the impact of worsening COVID-19 outbreak and plummeting oil prices.
  - Regional currencies (monthly average): Depreciated against the USD, led by Indonesian Rupiah (-4.2% MoM), followed by Thai Baht (-1.6%), and Singapore Dollar (-0.4%). Bucking the trend, Philippines Peso gained marginally by 0.5%.
- **BNM still has ample room to embark on further rate cut**
  - The extension of Conditional Movement Control Order (CMCO) by another four weeks to 9 June, and slowing economic growth brought by the impact of COVID-19 could further drag the domestic economy. Therefore, BNM might still need to cut the overnight policy rate by another 25bps likely at its next rate setting meeting in July, bringing it at an all-time low of 1.75% for 2020. The likelihood of another rate cut seems higher given the tone of recent monetary policy statement pointing out that it will “utilise its policy levers as appropriate to create enabling conditions for a sustainable economic recovery”.
  - USDMYR year-end forecast (4.30; 2019: 4.09): We expect Ringgit to remain volatile on the back of heightened political and geopolitical risk premium, weak oil prices, and a further drag on the domestic economy due to the extension of CMCO.

**Graph 1: BNM's International Reserves**

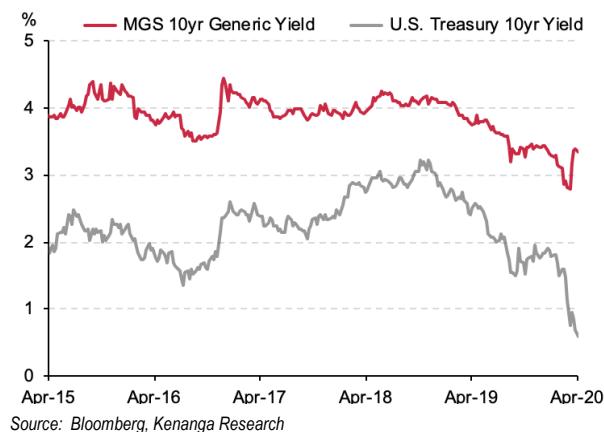


Source: BNM, Bloomberg, Kenanga Research

**Graph 2: ASEAN-5 Currencies (monthly average)**



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



Source: Bloomberg, Kenanga Research

**Table 1: Latest Update and Historical Milestone for BNM Reserves**

		RM bil	Change frm Prev Mth	USDMYR	US bil	Change frm Prev Mth	Months of retained	Times of ST
	Month	O/stand.	RM bil	Average	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	<b>17.50</b>	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	<b>4.3990</b>	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	<b>-12.84</b>	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	<b>141.43</b>	1.12	9.5	4.3
End-2016	Dec-16	424.15	24.51*	4.4872	94.52	-1.87*	8.8	1.3
End-2017	Dec-17	414.60	-15.79*	4.0770	102.40	0.58*	7.2	1.1
End-2018	Dec-18	419.54	-3.31*	4.1729	101.40	-0.58*	7.4	1.0
End-2019	Dec-19	424.12	-7.87*	4.1464	103.60	0.44*	7.5	1.1
<b>Latest release (end Apr-20)</b>	<b>Apr-20</b>	<b>443.72</b>	<b>3.60</b>	<b>4.3553</b>	<b>102.50</b>	<b>0.80</b>	<b>7.9</b>	<b>1.1</b>

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

\*: Change from the preceding year

**For further information, please contact:**

**Wan Suahimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Atiqah Noor Azlan**  
Economist  
[atiqa.noorazlan@kenanga.com.my](mailto:atiqa.noorazlan@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saiyuddin.sapuan@kenanga.com.my](mailto:saiyuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

