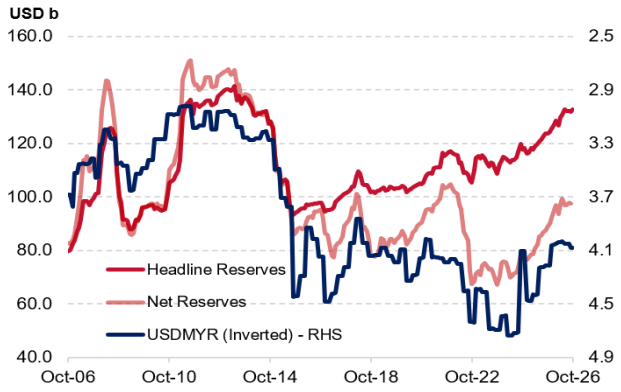
BNM International Reserves (end-October)

Reserves snap a three-month slide as FX reserves and gold edge up

- **Bank Negara Malaysia (BNM) international reserves rose USD0.8b (+0.6% MoM) to USD132.6b as at 30 October 2026, ending a three-month decline**
  - Net of drains, total reserves eased to USD97.6b in September (Aug: USD97.8b) and foreign currency reserves fell to USD81.9b (Aug: USD82.4b). Both net series lag the headline by a month.
- **FX reserves drove the gain, with gold adding at the margin**
  - **Foreign currency reserves** rose USD0.6b (+0.5% MoM) to USD116.8b, as foreign investors bought RM7.2b of Malaysian debt securities in October.
  - **Gold** holdings rose USD0.2b (+3.6% MoM) to USD6.2b. This points to fresh buying rather than valuation gains, after holdings stayed at 1.44m fine troy ounces since July.
  - Special drawing rights, other reserve assets and the IMF reserve position were broadly unchanged.

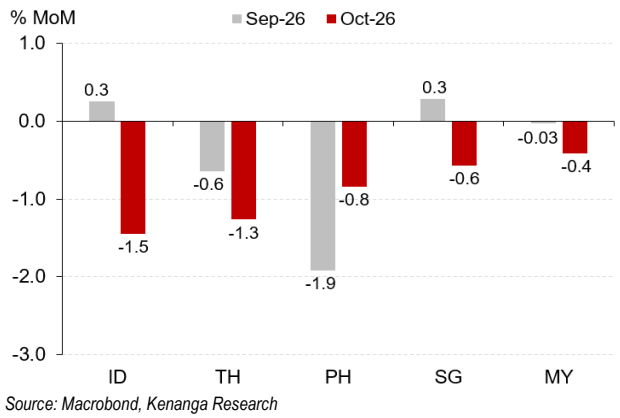
Graph 1: USDMYR, Headline and Net Reserves



Source: BNM, Macrobond, Kenanga Research

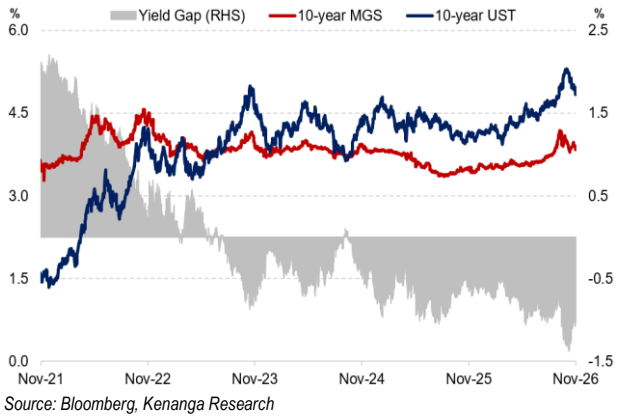
- **In ringgit terms, total reserves rose RM3.2b (+0.6% MoM) to RM540.9b in October, the third highest on record**
  - **USDMYR monthly performance:** The ringgit weakened 0.4% in October, its second straight monthly loss, to average 4.08/USD (Sep: 4.07/USD). It slipped to 4.09 in the first week as French fiscal turmoil and hawkish FOMC minutes pushed the DXY to fresh year highs. Mid-month, a hot US CPI print briefly lifted the USD before an AI-sector debt sell-off pulled short-dated yields lower, and the ringgit firmed to 4.08. It held near 4.08 in the third week as AI-sector stress weighed on the USD. In the final week, strong SK Hynix results eased AI-bust fears and the 10Y UST fell below 5.00% after the Fed held. Investors trimmed USD longs, lifting the ringgit to 4.06.
  - **Regional FX:** All ASEAN-5 currencies weakened as the DXY rose 2.0% to average 102.0 in October (Sep: 100.0). The IDR (-1.5%) and THB (-1.3%) led losses, followed by the PHP (-0.8%), SGD (-0.6%) and MYR (-0.4%). Higher UST yields and a firmer Fed path drained carry flows from the region. The ringgit's late-month rebound on lower long-end UST yields made it ASEAN-5's most resilient currency.
- **We still see one OPR hike to 3.00% in 1Q27: a return to neutral, not the start of a tightening cycle**
  - **Monetary Policy Outlook:** BNM held the OPR at 2.75% on 5 November, in line with our view, and turned more upbeat on growth. It now sees 2026 GDP growth above 5.0% after 3Q26 GDP grew 5.3%. We keep our call for a 25 bps hike in 1Q27, then a hold through 2027. With most major central banks raising rates, an unchanged OPR would widen rate differentials against the ringgit. A modest pickup in inflation next year would also erode the real policy rate. Headline and core inflation have averaged just 1.8% and 1.9% so far this year, so BNM can move gradually.
  - **USDMYR year-end forecast (4.00; 2025: 4.06):** We keep our end-2026 target at 4.00. The Democrats' sweep of Congress in the 3 November midterms leaves our Fed call unchanged: one final 25 bps hike in December, then a hold through 2027. Gridlock rules out fresh US fiscal stimulus, and that outlook pulled UST yields and the DXY lower. This narrows the UST-MGS gap and supports a return of foreign buying in MGS and GII. We see the ringgit softening to 4.05 in 1Q27 on GE16 risk and as seasonal USD weakness reverses, before firming to 3.90 by end-2027. The 2027 US debt-limit cycle and the unresolved Iran conflict keep risks two-sided.

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

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



Source: Bloomberg, Kenanga Research

Table 1: Latest Update and Historical Milestones for BNM Reserves

		RM bil	Change from previous month	USDMYR	USD bil	Change from previous month	Months of retained	Times of ST
	Month	O/stand.	RM bil	End Period	O/stand.	USD 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 their lowest in USD terms	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 controls and pegged ringgit at 3.80/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 after USDMYR de-peg (pre-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 terms)	May-13	436.80	3.52	3.0884	**141.43**	1.12	9.5	4.3
Highest level (in MYR terms)	Aug-24	**550.45**	9.19	4.7128	116.80	2.14	5.4**	1.0
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.53*	4.5890	113.48	-1.18*	5.4**	1.0
End-2024	Dec-24	520.16	-0.73*	4.4764	116.20	-2.74*	5.0**	1.0
End-2025	Dec-25	509.78	-10.35*	4.0620	125.50	9.28*	4.7**	1.0
Latest release	**Oct-26**	**540.90**	**3.20**	**4.0792**	**132.60**	**0.78**	**N/A**	**N/A**

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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