



MYR ripe for near-term profit-taking

13 November 2025

Executive Summary

The sharp MYR rally in November appears stretched and unsupported, given the absence of fresh domestic catalysts recently, after earlier bullish news on trade, growth, and monetary policy fronts. Hence, we target a USD/MYR level of 4.16 by end-2025, implying an approximate 1% pullback in the near term. With the Fed's policy outlook remaining unclear, while BNM is likely to lean dovish ahead, we think a USD/MYR 4.00 target within 12 months remains unlikely, requiring other bullish events to achieve it.

Stellar 2025 MYR run sees quicker pace in November

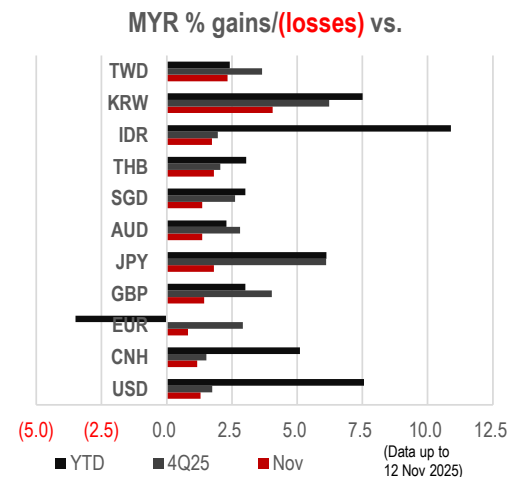
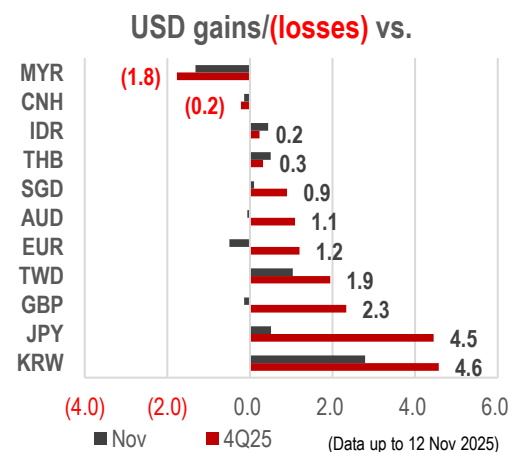
The MYR has strengthened 1.8% against the USD in 4Q2025, with most of the gains accruing over the limited sessions thus far in November (see Exhibit 2). This further solidifies the MYR's year-to-date gains of 8.2% against the USD, following a 2.7% appreciation in 2024 and a 4.1% depreciation in 2023.

Fed pushes back dovish bets, while BNM holds steady

As a recap of monetary policy meetings in October and November, the Fed slashed policy rates by 25 basis points to 3.75-4.00% as expected for its October FOMC meeting. However, subsequent remarks by several Fed officials were more hawkish than expected, citing continued uncertainty on inflation's trajectory. As such, swap markets have pared the number of Fed rate cuts expected to just 3.30 by mid-2026 (pre-FOMC: 3.71). Meanwhile, BNM left the OPR unchanged at 2.75% for its final MPC meeting of 2025, citing it as still appropriate and supportive of the economy. Overall, the language added nothing new to the outlook, with the central bank continuing to note higher product-specific tariffs and an escalation of geopolitical tensions as key risks ahead.

Stretched USD/MYR levels call for a near-term pullback

Most major and Asian currencies have weakened against the USD in November amid the paring of expectations for Fed rate cuts. Juxtaposed against this backdrop is instead the Ringgit's appreciation, which we think may be ripe for some slight profit-taking after earlier solid gains against all currencies (see Exhibits 1 and 2), given the lack of any domestic events or upbeat data recently. We assess that the earlier US-Malaysia Agreement on Reciprocal Trade (ART) deal (signed on 26 October) is overall neutral for markets, given that the essence of the agreement was already largely agreed upon in August. BNM's MPC meeting (on 4 November) also added little new for markets to digest, while the expectations-beating advance 3Q2025 GDP and September exports data were released earlier in mid-October. As such, we view current levels around 4.13 as slightly stretched, and likely warrant a 0.5-1.5% pullback to fare closer in line with regional peers. That said, Malaysia's recent economic performance, calming of tensions between its two major trade partners (the US and China),

Exhibit 1: The MYR has strengthened against all major and Asian FX in 2025, apart from the EUR**Exhibit 2: MYR's recent strength against the USD in Nov is in sharp contrast to more muted moves by regional currencies****Exhibit 3: AmBank FX forecasts**

		4Q25	1Q26	2Q26	3Q26	4Q26
DXY	Revised	98.3	97.3	96.6	96.4	95.6
	Prior:	97.6	96.8	96.3	96.3	96.5
USDMYR	Revised	4.16	4.13	4.13	4.15	4.18
	Prior:	4.20	4.18	4.16	4.19	4.22

and signs of improving demand for local bonds among non-residents have acted as bullish tailwinds for the currency. As such, our revised end-2025 USD/MYR forecasts of 4.16 reflect this better sentiment (prior: 4.20).

Glass half-empty for Malaysia, while the US's remain murky

BNM's policy rate pathway remains tilted to the downside, given Malaysia's subdued inflation profile and still-present external headwinds on growth, even despite relative resilience in 3Q2025. Hence, a policy rate differential narrative should exert a slight negative tilt on the Ringgit outlook. Downside risks also lie ahead for export-oriented businesses in Malaysia, particularly in the semiconductor sector (see Exhibit 4), which is heavily contingent upon the US' tech-driven economy. Assuming reduced access to US markets amid a high base factor, post-frontloading, and recent questions on US tech equity valuations, greater competition for other markets will necessitate some price adjustments to ensure exports remain competitive. This will also have the by-product of weakening Malaysia's trade surplus via a weaker MYR real effective exchange rate (REER).

In comparison, with earlier excessive dovish positioning for the Fed now dialled down, the upcoming US government data releases (labour market and inflation) will be influential on the direction ahead – especially with recent batches missing amid the US government shutdown and BLS staff furlough. Focus ahead will also be on changes to the Fed FOMC composition, with new members expected from 31 January 2026 (replacing Fed Governor Stephen Miran), 28 February 2026 (Atlanta Fed President Raphael Bostic), and chief of all – on 15 May 2026 (term-end of Chairman Jerome Powell). Meanwhile, the US Supreme Court's sceptical stance on US President Trump's use of broad powers to impose (reciprocal) tariffs globally also suggests some form of intervention in the future, which may herald months of uncertainty ahead for businesses and countries globally, as well as the US government's fiscal projections.

Until greater clarity is achieved on these fronts, we pencil in USD/MYR to bottom at 4.13 in mid-2026, before seeing a slight rebound thereafter.

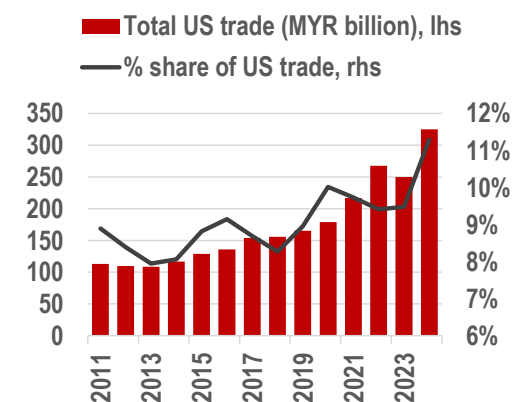
Requirements for a flat 4.0

We agree with the MOF's statement that Malaysia's bright economic prospects and continued fiscal consolidation should act as positive catalysts for the Ringgit. While positive tailwinds are abound, we believe other factors will need to supplement the USD/MYR's strength to drive it down to below 4.00 within 12 months. Such a strengthening implies a further Ringgit appreciation of more than 5% (vs. October's average of 4.215) – especially after stellar runs in 2024 and 2025.

To achieve the desired USD/MYR 4.00 target within this short period would require more bullish catalysts, such as:

1. Fed rate cuts deeper than current market projections, bringing interest rates below the estimated R* (real neutral interest rate) of 0.8-1.5%. This would require a sharp decline in core inflation and/or a significant worsening of employment conditions in the US.

Exhibit 4: Expanding trade ties with the US driven by reliance on the E&E sector, marking it as a key risk to US semiconductor tariffs



Sources: AmBank Economics, Bloomberg, CEIC

2. A further erosion in US policy certainty or debt-obligation credibility (threats to Fed independence, US government data credibility, unsustainable fiscal measures, talks of debt-default arrangements, etc.)
3. Preferential access for Malaysia's E&E exporters to US markets (i.e. minimal tariff applied + a trade deal that is more advantageous than key competitors, such as Vietnam, Thailand, and Taiwan – see Exhibit 5).
4. Prolonged momentum in the current global semiconductor upcycle, driven by expected greater AI use cases across industries, as well as profit visibility for the ecosystem.
5. Continued resilient domestic economic performance, anchored by firm labour market conditions and resilient private consumption.
6. Higher-than-expected O&G revenue (from higher commodity prices) vis-à-vis continued energy subsidy rationalisation by the government.
7. A positive outlook revision on Malaysia's sovereign credit rating (most potentially by Fitch, given its below-median BBB+ rating)

Exhibit 5: Malaysia occupies both sides of the value chain in exports to the US (i.e., exporting both semiconductor devices and electronic ICs). As such, Malaysia faces competition from Vietnam and Thailand for semiconductor devices (under HS Code 8541) and Taiwan (under HS Code 8542).

Countries	HS Code: 8541 - Semiconductor devices "e.g. diodes, transistors, semiconductor-based transducers"				HS Code: 8542 - Electronic integrated circuits (IC); parts thereof				Combined value (USD million)
	Value (USD million)	% share US imports	Units (millions)	Value/unit (USD)	Value (USD million)	% share US imports	Units (millions)	Value/unit (USD)	
Malaysia	3,390	15.1	4,654	0.73	9,598	23.8	2,334	4.1	12,988
Taiwan	539	2.4	2,108	0.26	11,355	28.1	2,534	4.5	11,894
Vietnam	5,846	26.1	593	9.86	1,401	3.5	23	62.0	7,247
Thailand	3,602	16.1	1,760	2.05	1,074	2.7	1,406	0.8	4,676
Israel	61.2	0.3	23	2.71	4,195	10.4	64	66.0	4,256
South Korea	824	3.7	986	0.84	2,422	6.0	311	7.8	3,246
China	631	2.8	13,467	0.05	1,474	3.6	1,644	0.9	2,105
Japan	986	4.4	3,126	0.32	1,016	2.5	441	2.3	2,002
Ireland	7.75	0.0	3.77	2.06	1,918	4.7	24	80.0	1,925
Mexico	423	1.9	115	3.69	1,487	3.7	1,651	0.9	1,911
India	1,685	7.5	153	11.00	42.0	0.1	11	4.0	1,727
Cambodia	1,411	6.3	40	35.00	0.6	0.0	0	55.0	1,411
Costa Rica	1.53	0.0	1.46	1.05	1,233	3.1	4	276.0	1,234
Philippines	184	0.8	943	0.20	954	2.4	967	1.0	1,139
Germany	297	1.3	343	0.86	812	2.0	483	1.7	1,108

Note: Data represent exports to the US only, not globally

Sources: AmBank Economics, USITC

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