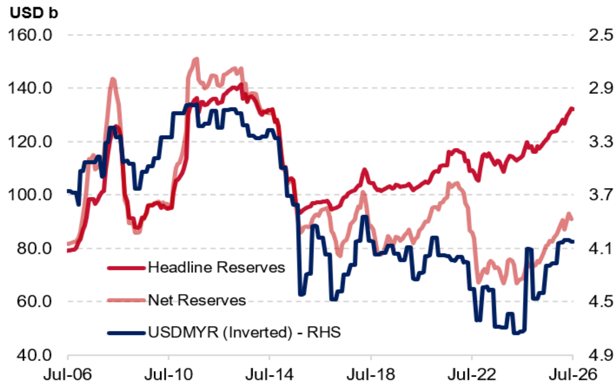
10 August 2026

BNM International Reserves (end-July)

Edge lower as bond outflows tests the external buffer

- **Bank Negara Malaysia (BNM) international reserves fell by USD0.5b (-0.4% MoM) to USD132.1b as at 31 July 2026, the first decline in four months**
  - Import cover held steady at 4.7 months, and the reserves-to-short-term external debt ratio stayed unchanged at 0.9x.
- **The decline was driven mainly by lower FX reserves**
  - **Foreign currency reserves** fell by USD0.4b (-0.3% MoM) to USD116.8b, likely reflecting sizeable foreign outflows from the domestic bond market. Meanwhile, net FX reserves declined to USD81.3b in June (May: USD83.4b), mainly due to a sharp increase in short positions (-USD27.2b).
  - Holdings of **other reserve assets** declined by USD0.1b (-5.8% MoM) to USD2.2b.
  - Gold, special drawing rights, and the IMF reserve position remained broadly unchanged.

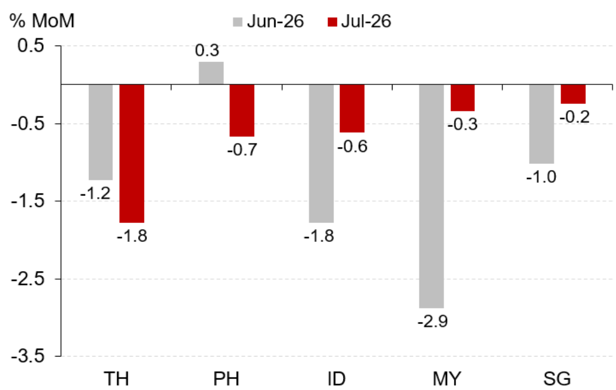
Graph 1: USDMYR, Headline and Net Reserves



Source: BNM, Macrobond, Kenanga Research

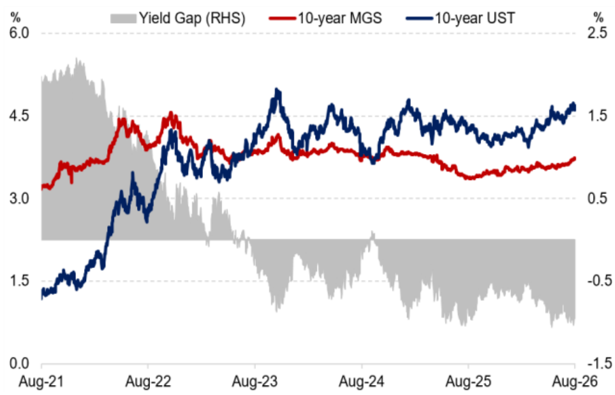
- **In ringgit terms, total reserves declined by RM1.9b (-0.4% MoM) to RM535.1b in July**
  - **USDMYR monthly performance:** The ringgit extended June's losses, depreciating a further 0.3% in July to average 4.08/USD (June: 4.07/USD). It traded largely within our projected 4.07-4.10/USD range. Elevated Middle East tensions and higher energy prices supported the USD, while softer US inflation and labour market data tempered expectations of further Fed tightening. The Fed's decision to keep rates unchanged at its July meeting reinforced expectations of an extended pause, letting the USD give back some earlier gains and helping stabilise the ringgit by month-end.
  - **Regional FX:** All ASEAN-5 currencies weakened against the USD as the DXY rose to 100.9 in July (June: 100.3). The THB fell the most (-1.8%), followed by the PHP (-0.7%), IDR (-0.6%), MYR (-0.3%) and SGD (-0.2%). Renewed geopolitical tensions and higher energy prices sustained safe-haven demand for the USD, while softer US inflation and expectations of an extended Fed pause tempered broader USD strength towards month-end.
- **BNM likely to hold rates as inflation remains contained while monitoring pipeline price pressures**
  - **Monetary Policy Outlook:** We expect BNM to maintain the OPR at 2.75% through 2026 as underlying inflation stays contained and growth remains resilient. Higher PPI warrant close monitoring for signs of pass-through into CPI, but we expect any cost pressures to remain manageable. Unless broader second-round inflationary pressures emerge, BNM is likely to look through temporary supply-driven shocks and prioritise policy stability.
  - **USDMYR year-end forecast (3.95; 2025: 4.06):** Our constructive medium-term view remains unchanged. We view the recent strength in the USD as a hawkish detour rather than a change in destination, driven by geopolitical risks and markets pushing back Fed easing expectations. Over the medium term, structural factors, including reserve diversification, persistent US fiscal deficits and gradual portfolio reallocation, should reassert once the Fed moves past its extended pause into actual easing. Near term, the pause itself likely keeps the USD supported on rate-differential grounds; it's the transition to cuts that should renew downward pressure. Malaysia's fundamentals remain supportive: resilient growth, sustained current account surpluses and record foreign currency deposits, which provide scope for future conversion into ringgit assets.

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 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-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	**Jul-26**	**535.12**	**-1.91**	**4.0509**	**132.10**	**-0.47**	**4.7****	**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)*

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

Published 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 E-mail: research@kenanga.com.my