

Statement by the Financial Markets Committee on the Ringgit Foreign Exchange Market

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The Financial Markets Committee (FMC) convened today to discuss recent developments in the ringgit foreign exchange market.

The meeting concurred with the assessment that the current level of ringgit is deemed undervalued, particularly as Malaysia's economic fundamentals continue to be strong and the economic prospect is positive.

The FMC welcomes Finance Minister II's statement on ringgit especially on the intensified coordination between the government and BNM to encourage more inflows into the market. This includes stepping up coordination with government-linked companies (GLCs) and government-linked investment companies (GLICs) to encourage them to repatriate foreign investment income and convert that income into ringgit more consistently, playing their roles to support the ringgit amidst challenging global environment.

The meeting noted that there has been an immediate impact on market flows and increased market interest in buying ringgit. The potential for further conversion to ringgit could be high, given the prevailing level of foreign currency balances onshore. The FMC noted that BNM will enhance engagements with corporates and investors to further encourage conversions and strengthen market sentiment on the ringgit.

The FMC also noted global investors' continued confidence in the Malaysian financial market. On a YTD basis, the KLCI rose 6.7%, supported by USD422 million inflows from non-resident investors. Long-term government bond holdings by non-residents continued to be stable at around 22% while the FX market remains vibrant with a healthy daily turnover of USD15.3 billion. These will continue to facilitate efficient intermediation in the economy.

Standard Chartered Bank Malaysia's Head of Treasury, Sylvia Wong notes, "We have seen balanced flows from both corporates and institutional investors as the ringgit continues to be traded in an orderly manner. External factors, namely US rate hike expectations, continue to dictate regional FX movements, including the ringgit. Once US rate cut visibility improves, bilateral exchange rates valuation against the USD should improve."

Allianz Malaysia Berhad's Chief Investment Officer, Wong Siew Lin also added, "The positive equity performance YTD has not been observed for a while and the rally has been evidently broad-based in nature. In addition, the main market has outperformed the small-caps this year."

FMC Chairman and Bank Negara Malaysia Deputy Governor, Adnan Zaylani concluded, “It was a good and informative meeting. Based on the insights shared, the prospect for ringgit to strengthen from here is strong.”

About the Financial Markets Committee (FMC)

The FMC is a committee established by BNM in May 2016 and comprises representatives from Bank Negara Malaysia, financial institutions, corporations, financial service providers and other institutions which have prominent role or participation in the financial markets.

Bank Negara Malaysia

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