# Malaysian Economy

## Ringgit Strengthening and Its Impact

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**_Summary_**

*The outlook for a stronger Malaysian Ringgit is becoming more realistic, supported by a series of positive developments both domestically and globally that could drive its performance next year. Currently, the Ringgit is undergoing a "correction phase," hovering around RM4.30-RM4.40 against the US dollar after hitting a favourable RM4.125 on 27 September 2024. The worst may be behind, as the Ringgit has recovered from being above RM4.60 for nearly three years. This recovery is bolstered by strong economic fundamentals and improving investor sentiment towards Malaysia. Looking ahead to 2025, we anticipate the Ringgit's upward trajectory to continue, with a high probability of breaking the RM4.00 psychological barrier and testing the next support level at RM3.90.* ***Although some volatility is expected between RM4.30 and RM3.90, the Ringgit could record a stronger average of RM4.10 in 2025, better than the expected RM4.55 this year.***

*In this study, we can conclude that the ringgit's appreciation has varied sectoral impacts. Beneficiaries include* ***building materials, consumer goods, insurance, media, power & utilities, and transportation****, which gain from lower import costs and foreign exchange gains from USD-denominated debts. Conversely, sectors reliant on foreign revenue—such as* ***automotive, gaming, healthcare, oil & gas, plantation, and technology****—face revenue pressures as foreign income loses value.* ***Banking*** *must also watch regional currency fluctuations that may reduce earnings. Meanwhile,* ***property*** *and* ***telecommunication*** *see minimal impact, while* ***construction*** *may face manageable cost adjustments due to supplier price changes. In a nutshell, we conclude that for every 5% appreciation in Ringgit, the core earnings of our stock universe will contract by 1.4% while the FBMKLCI component stocks under coverage will reduce by 1.9%. Top five beneficiaries of stronger Ringgit are* ***LHI*** *(Buy, TP:RM0.76),* ***CAPITALA*** *(Hold, TP:RM0.87),* ***CHINWEL*** *(Sell, TP:RM0.69),* ***ANNJOO*** *(Buy, TP:RM1.05) and* ***ASTRO*** *(Buy, TP:RM0.30). Top losers are* ***UNISEM*** *(Buy, TP:RM3.62),* ***SDG*** *(Sell, TP:RM4.70),* ***MPI*** *(Buy, TP:RM38.20),* ***KLK*** *(Hold, TP:RM22.09) and* ***CORAZA*** *(Buy, TP:RM0.53).*

### Fundamentals of Supply and Demand for the Ringgit

- Understanding the supply and demand dynamics for the ringgit is essential to explain its strength and potential appreciation in 2025. Several macroeconomic and market-driven factors influence the interaction between supply and demand, which can either increase or decrease the ringgit's value.

**Figure 1: Demand Drivers of Malaysian Ringgit**

**1 Exports and Trade Surplus**

- Exports are a major source of demand for the ringgit. When foreign buyers purchase Malaysian goods, they need to convert their currency into ringgit, increasing demand for the currency.
- Malaysia has historically maintained a trade surplus, which supports a stable demand for its currency.

**2 Foreign Direct Investment (FDI)**

- Strong FDI inflows drive up demand for the ringgit.
- Rising FDI, particularly from China, the US, and the EU, will continue to support demand for the ringgit.

**3 Portfolio Investments**

- Global investors looking to invest in Malaysian assets need to purchase the local currency.
- A favourable investment environment, driven by economic growth and stable interest rates, encourages these capital inflows.

### 4 Tourism and Services

- Foreign tourists spend in Malaysia, converting their currencies to Ringgit.
- Events like Visit Malaysia Year or a recovery in global travel trends can increase tourism receipts, boosting the demand for the currency.

### 5 Interest Rates and Yield Differentials

- Monetary tightening will make foreign investors invest in these higher-return assets.
- Increases demand for the ringgit as investors need local currency to purchase Malaysian bonds or deposit in local banks.

### 6 Current Account Surplus

- Malaysia has often maintained a current account surplus, driven by strong export performance.
- A surplus means that foreign demand for goods and services exceeds imports, contributing to sustained demand for the Ringgit.

*Source: TA Securities*

**Figure 2: Malaysia Exports Performance (2010 – 2023)**

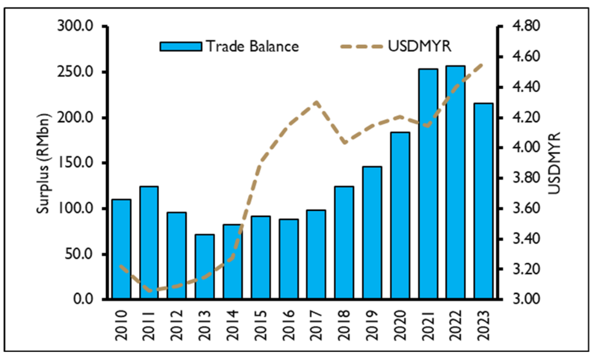
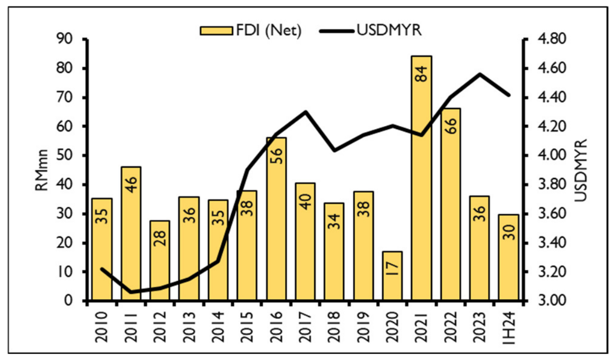



**Figure 3: Malaysia FDI (2010 – YTD24)**




*Source: Bloomberg, DOSM, TA Securities*

**Figure 4: Malaysia Equity Flow (Jan 2018 – YTD24)**

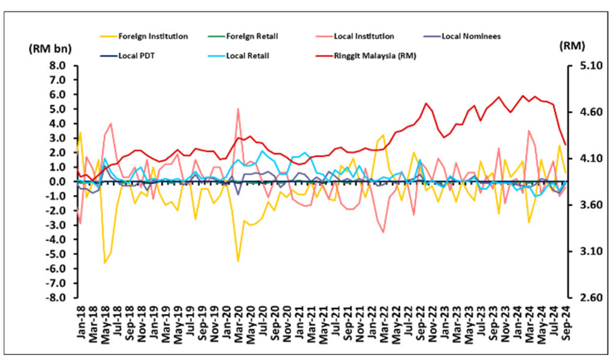
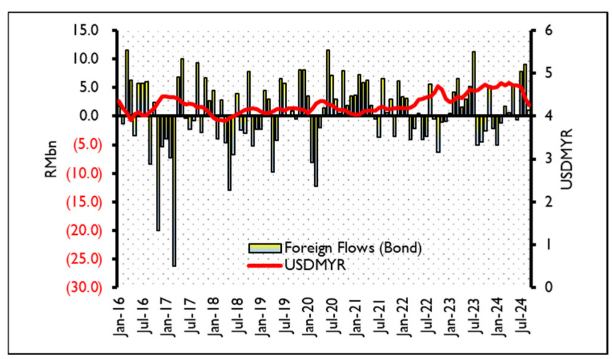



**Figure 5: Malaysia Bond Flow (Jan 2016 – YTD24)**




*Source: Bloomberg, DOSM, TA Securities*

**Figure 6: Malaysia Tourism Statistics (2010 – 2026F)**

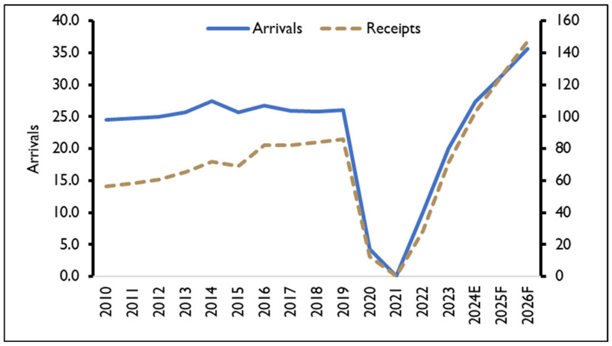
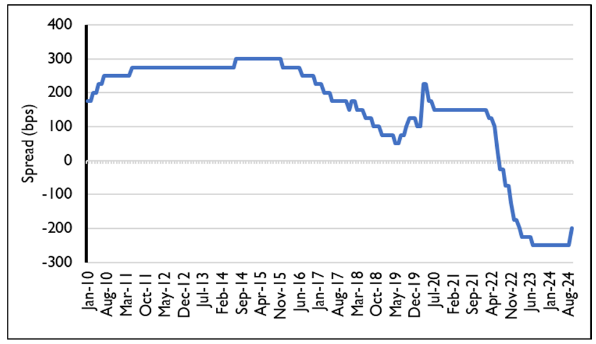



**Figure 7: Malaysia-US Interest Rate Spread (Jan 2010 – YTD24)**




*Source: Bloomberg, Bursa, BNM, DOSM, TA Securities*

**Supply Drivers for the Ringgit**

- Supply, or the availability of the ringgit in global and domestic markets, can increase when local entities and individuals exchange the ringgit for foreign currencies, either for imports, external investments, or debt repayment. Key drivers of supply include:

**Figure 8: Supply Drivers of Malaysian Ringgit**

**1 Imports of Goods and Services**

- Malaysian businesses and consumers need to exchange ringgit for foreign currencies when importing goods.
- This increases the supply of the ringgit in international markets.

**2 Outward Investments and Capital Flight**

- When Malaysian companies or investors purchase assets abroad (such as real estate, equities, or bonds), they convert their ringgit into foreign currencies.
- This process increases the supply of the ringgit in international currency markets.

**3 External Debt Repayment**

- The conversion of ringgit into foreign currencies increases the supply of the ringgit.
- High levels of external debt due to large-scale infrastructure or government projects can increase currency outflows, raising the supply of the ringgit.

**4 Foreign Reserves and Central Bank Interventions**

- When the central bank sells ringgit from its reserves to stabilise the currency or manage liquidity, it directly increases the supply of ringgit in global markets.
- Conversely, if the central bank actively purchases ringgit to defend its value, this can tighten supply.

**5 Commodity Prices**

- When commodity prices are low, Malaysia earns less foreign exchange from its exports, reducing demand for the ringgit and increasing its supply as importers purchase foreign currencies for trade.

**6 Political and Economic Risks**

- Political instability or economic uncertainty can increase the outflow of capital, leading to more ringgits being supplied to international markets.
- Foreign investors might withdraw funds due to perceived risks, leading to a larger supply of ringgit in the currency markets.

*Source: TA Securities*

**Figure 9: Malaysia Imports Performance**

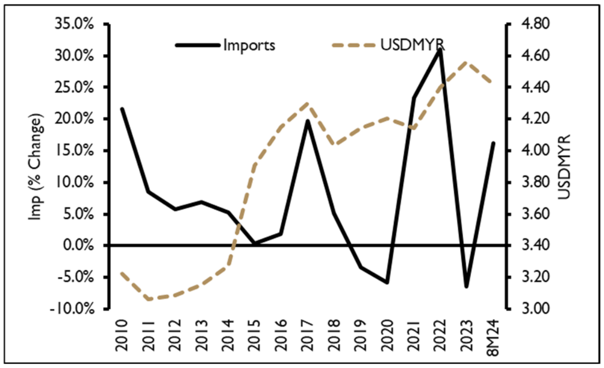
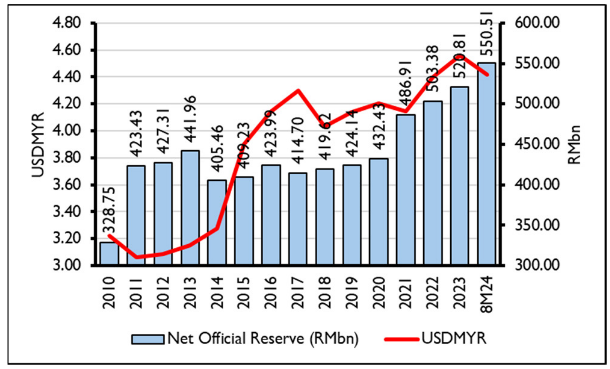



**Figure 10: Malaysia International Reserve**




*Source: Bloomberg, DOSM, TA Securities*

**Figure 11: Malaysia CPO Prices**

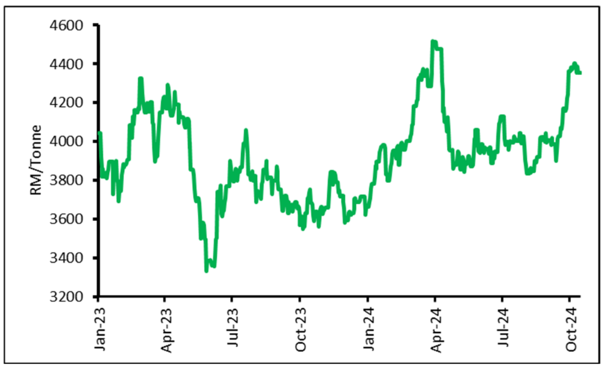
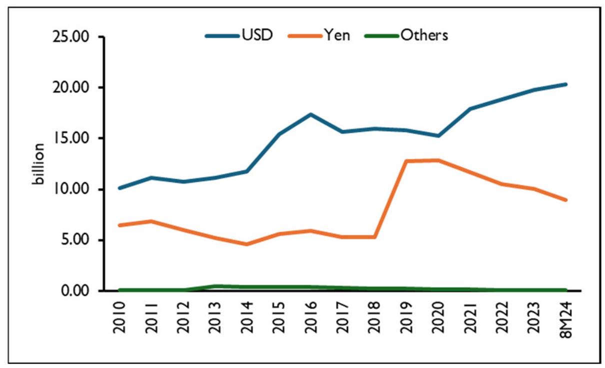



**Figure 12: Malaysia Debt in Foreign Currency**




*Source: Bloomberg, DOSM, TA Securities*

**Balancing Supply and Demand**

- The relative strength of the ringgit, therefore, is determined by the balance of these supply and demand factors. If demand for the ringgit exceeds supply—driven by rising exports, robust FDI, and high interest rates—the ringgit appreciates. Conversely, if supply outweighs demand, particularly during periods of heavy imports or capital outflows, the ringgit weakens.

- In the projected 2025 scenario, a combination of stronger trade surpluses, a narrowing interest rate differential, and a more favourable investment environment is expected to bolster demand for the ringgit, leading to its anticipated appreciation. Meanwhile, Malaysia's strategic focus on reducing external debts and encouraging inward FDI should help balance the supply-side pressures.

## Performance of the Ringgit Year-to-Date Against the USD and Selected Asian Currencies

- **The Malaysian Ringgit has strengthened notably,** appreciating from RM4.594 per USD at the end of December 2023 to RM4.306 per USD at the time of writing, marking a robust 6.7% year-to-date (YTD) gain. This bullish momentum is largely driven by rising market confidence, fuelled by positive developments in Malaysia. Additionally, the narrowing spread between the Overnight Policy Rate (OPR) and the Federal Funds Rate, currently at 200 basis points, has supported the Ringgit's sustained strength.

- Beyond its appreciation against the US dollar, the Ringgit has also gained ground against most other major currencies. It saw significant appreciation against the **South Korean Won** (11.8% YTD), the **Japanese Yen** (11.6% YTD), and the **Taiwanese Dollar** (10.3% YTD). Other notable gains include the Philippine Peso (9.8% YTD), the Vietnamese Dong (9.6% YTD), and the Euro (7.7% YTD).

- Over the medium term, we maintain a positive outlook on the Ringgit, supported by narrowing yield differentials with the US and a relatively resilient domestic economic growth outlook. We believe there is further potential for appreciation in the long term, particularly if the Federal Reserve continues its monetary easing. However, it is common for a correction to occur after a bullish trend reaches its peak, as we are currently witnessing. The Ringgit has depreciated to RM4.30 level from its recent high of RM4.125 per USD on 27 September 2024 when geopolitical tension escalated.

**Figure 13: Currency Performance (Base: RM) (YTD as of 20th October)**

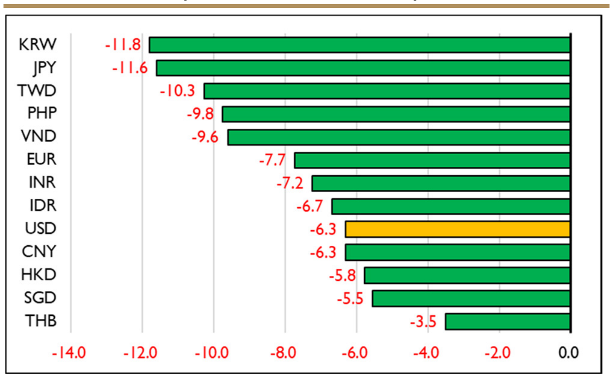
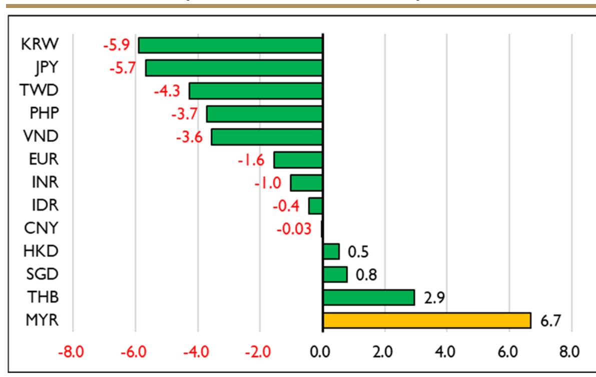



**Figure 14: Selected Currency Performance (Base: USD) (YTD as of 20th October)**




*Source: Bloomberg, DOSM, TA Securities*

## The Performance of Ringgit Post-budget

- Based on our analysis of the Ringgit's performance following past budgets, the currency has exhibited mixed reactions in the short to medium term. **Examining data from the past 14 budgets since 2010, the Ringgit experienced an average depreciation of 0.1% in the first month after the budget announcement, followed by a marginal decrease of 0.03% in the fourth month.** However, the currency strengthened in the second month by 0.2%, 0.7% in the third, and 0.4% in both the fifth and sixth months.

- Despite these average gains, there is a notable risk of depreciation, with a 64.3% probability of the Ringgit weakening within the first six months after the Budget—a factor that should not be underestimated, particularly in forecasting and risk management. The likelihood of depreciation declines to 53.8% over the following 12 months, suggesting that while the immediate post-budget period is marked by volatility, the longer-term trend tends toward stabilisation.

- This pattern could be driven by various external and domestic factors, including market sentiment, fiscal policy adjustments, and global economic conditions that influence investor confidence. It is crucial for stakeholders to weigh these probabilities when formulating financial strategies, particularly for those exposed to foreign exchange risk or engaged in sectors sensitive to currency fluctuations. A more granular analysis, incorporating factors like global commodity prices, interest rate differentials, and foreign capital flows, could further refine our understanding of the Ringgit's performance in the post-budget period.

- While historical trends suggest a generally pessimistic outlook for the Ringgit in the months following past budgets, there have been several instances where the currency moved in a positive direction. This highlights the potential for the Ringgit to perform better in the coming months, particularly with the anticipated improvements in Budget 2025. Factors such as sustained momentum in the domestic economy and potential weakness in the USD could serve as catalysts for a stronger Ringgit.

- Political stability under the Madani Government has also contributed to the local currency's resilience. **Since the appointment of Anwar Ibrahim as Malaysia's 10th Prime Minister in November 2022, the Ringgit has appreciated by nearly 8%.** This upward trend reflects growing market confidence in the government's reform agenda and its efforts to promote sustainable economic growth.

- The continued focus on fiscal reforms, including measures to boost revenue and control spending while managing fiscal risks, could further strengthen the Ringgit post-Budget 2025. The government's commitment to long-term fiscal sustainability, coupled with targeted initiatives aimed at stimulating key economic sectors, may reinforce investor sentiment, leading to a more favourable exchange rate. Moreover, the alignment of these fiscal policies with global macroeconomic trends—such as potential USD weakness and shifts in global capital flows—could enhance the currency's performance in the medium to long term.

- In this context, stakeholders should remain cautious but optimistic about the Ringgit's trajectory, as external and domestic factors could interplay to drive better-than-expected outcomes in the post-budget period.

**Figure 15: Performance of the Ringgit Post-Budget (2010-2024)**

| | T | T+1 | T+2 | T+3 | T+4 | T+5 | T+6 | T+12 |
|---|---|---|---|---|---|---|---|---|
| Budget 2011 | 3.1115 | -1.6% | 1.6% | 1.6% | 2.0% | 2.8% | 5.1% | 1.5% |
| Budget 2012 | 3.0655 | -3.5% | -3.2% | 0.8% | 2.4% | 0.0% | 1.3% | 0.6% |
| Budget 2013 | 3.0590 | 0.4% | 0.6% | 0.03% | -1.5% | -1.0% | -1.1% | -6.2% |
| Budget 2014 | 3.1554 | -2.1% | -3.7% | -5.6% | -3.7% | -3.3% | -3.4% | -4.1% |
| Budget 2015 | 3.2895 | -2.8% | -5.9% | -9.4% | -8.7% | -11.2% | -7.7% | -23.5% |
| Budget 2016 | 4.3012 | 1.0% | 0.2% | 3.7% | 2.3% | 10.3% | 10.2% | 2.5% |
| Budget 2017 | 4.1945 | -6.1% | -6.5% | -5.3% | -5.5% | -5.2% | -3.4% | -0.9% |
| Budget 2018 | 4.2320 | 3.4% | 4.6% | 8.6% | 8.0% | 9.5% | 7.9% | 1.1% |
| Budget 2019 | 4.1842 | 1.2% | 2.2% | 2.9% | 2.5% | 1.2% | -0.1% | 0.2% |
| Budget 2020 | 4.1782 | 0.01% | 2.1% | 2.0% | -0.9% | -3.3% | -2.9% | 0.5% |
| Budget 2021 | 4.0738 | 1.3% | 0.8% | 0.6% | -1.7% | -0.3% | -1.2% | -3.1% |
| Budget 2022 | 4.1403 | -1.5% | -0.6% | -1.1% | -1.4% | -1.5% | -4.9% | -12.4% |
| Budget 2023 | 4.7280 | 6.3% | 7.3% | 10.8% | 5.4% | 7.1% | 6.0% | -0.7% |
| Budget 2024 | 4.7635 | 2.2% | 3.7% | 0.6% | 0.4% | 0.8% | -0.2% | 15.6% |
| Frequency Loss | | 42.9% | 35.7% | 28.6% | 50.0% | 50.0% | 64.3% | 53.8% |
| Frequency Gain | | 57.1% | 64.3% | 71.4% | 50.0% | 50.0% | 35.7% | 46.2% |
| Average Loss | | -2.9% | -4.0% | -5.3% | -3.4% | -3.7% | -2.8% | -8.4% |
| Average Gain | | 2.0% | 2.6% | 3.2% | 3.3% | 4.5% | 6.1% | 2.7% |
| **Total average** | | -0.1% | 0.2% | 0.7% | -0.03% | 0.4% | 0.4% | -2.1% |

*Source: Bloomberg, TA Securities*

**Figure 16: Ringgit Trend Post Budget 2011**

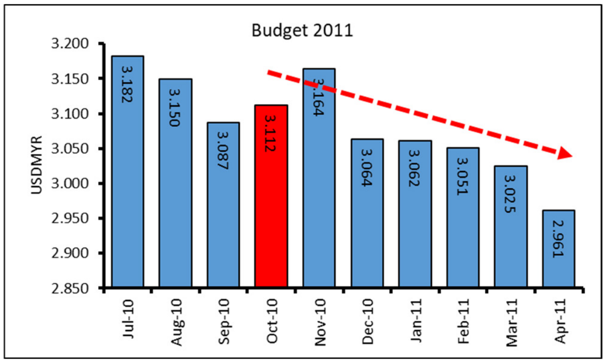
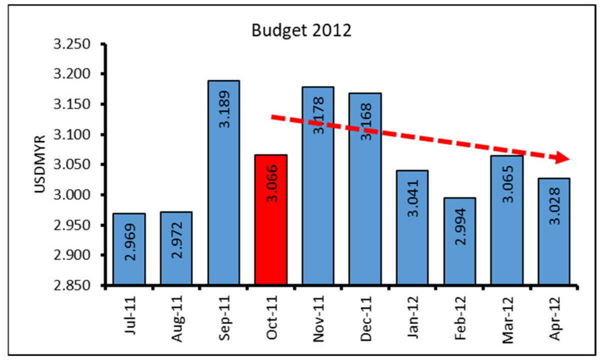



**Figure 17: Ringgit Trend Post Budget 2012**




*Source: Bloomberg, TA Securities*

**Figure 18: Ringgit Trend Post Budget 2013**

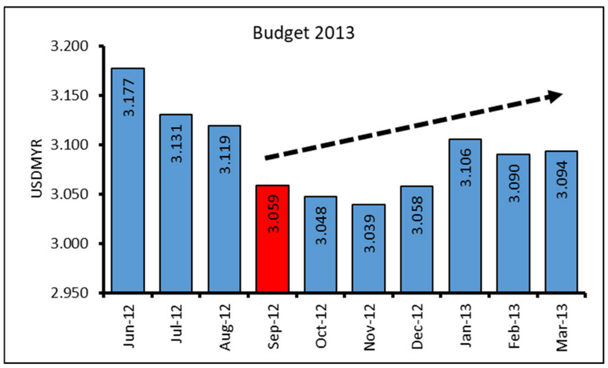
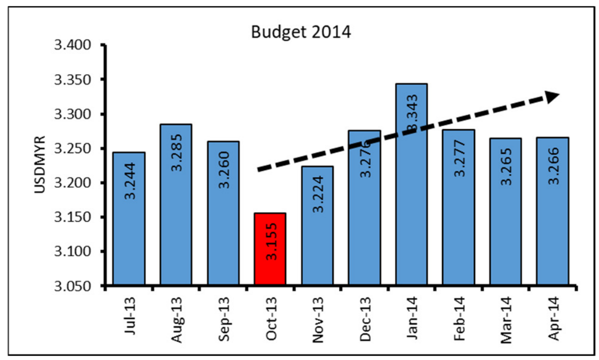



**Figure 19: Ringgit Trend Post Budget 2014**




*Source: Bloomberg, TA Securities*

**Figure 20: Ringgit Trend Post Budget 2015**

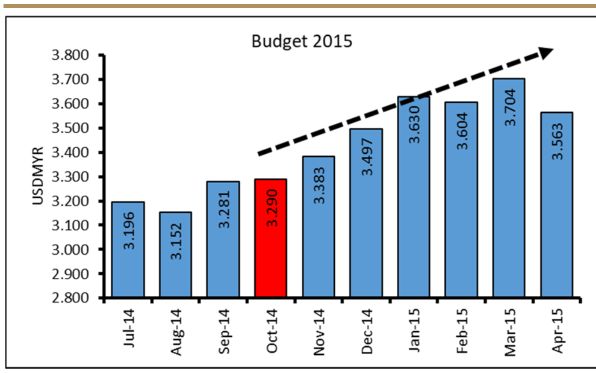
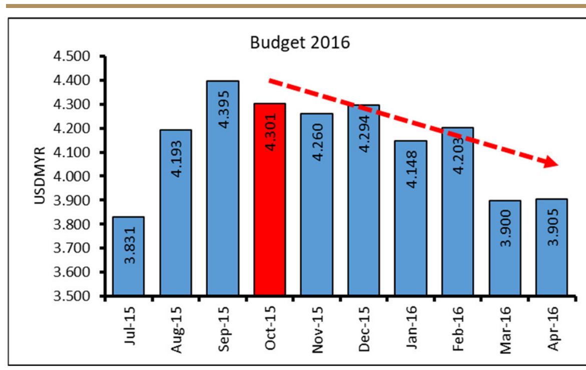



**Figure 21: Ringgit Trend Post Budget 2016**




*Source: Bloomberg, TA Securities*

**Figure 22: Ringgit Trend Post Budget 2017**

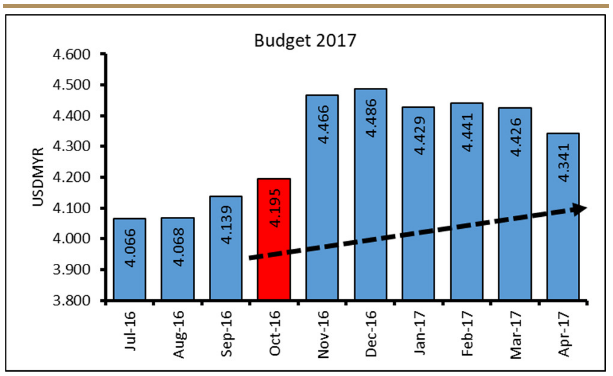
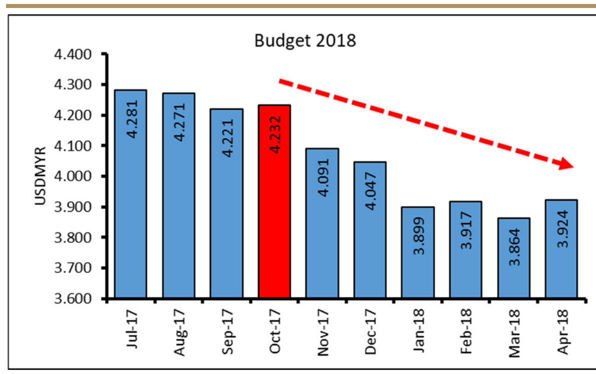



**Figure 23: Ringgit Trend Post Budget 2018**




*Source: Bloomberg, TA Securities*

**Figure 24: Ringgit Trend Post Budget 2019**

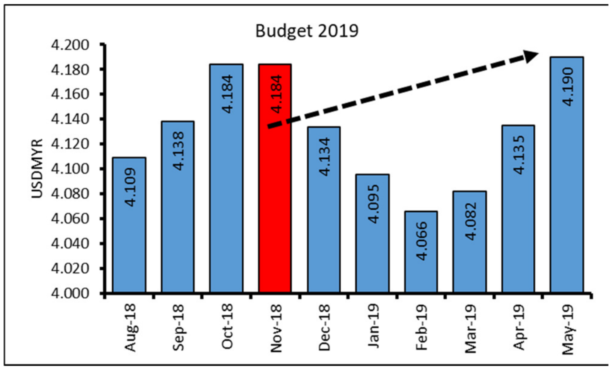
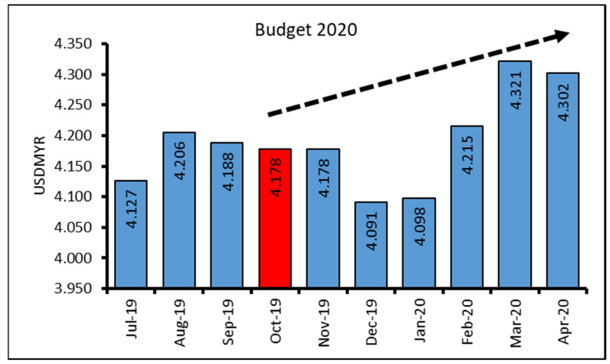



**Figure 25: Ringgit Trend Post Budget 2020**




*Source: Bloomberg, TA Securities*

**Figure 26: Ringgit Trend Post Budget 2021**

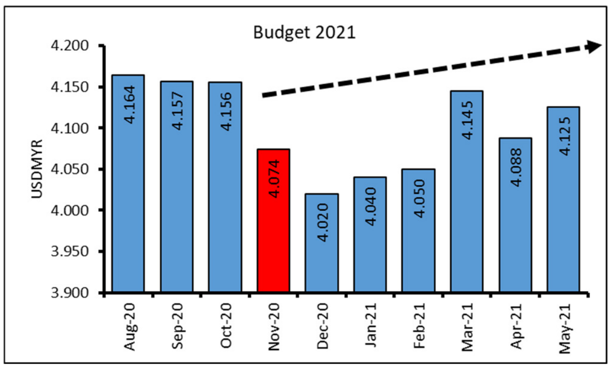
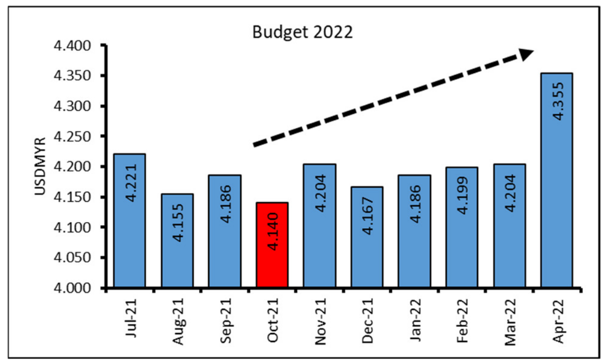



**Figure 27: Ringgit Trend Post Budget 2022**




*Source: Bloomberg, TA Securities*

**Figure 28: Ringgit Trend Post Budget 2023**

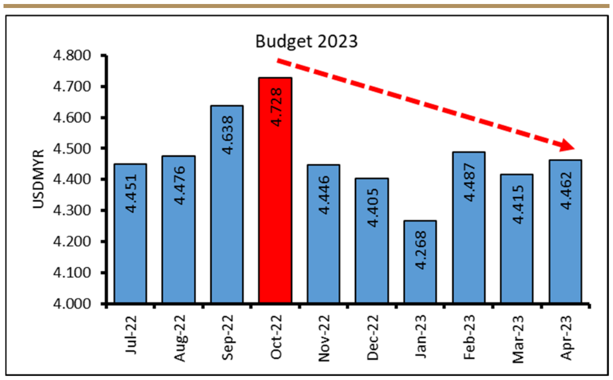
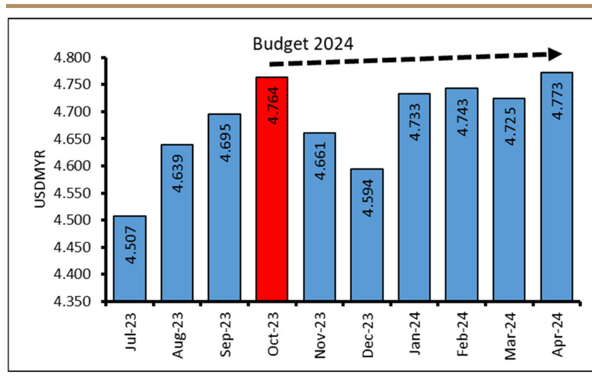
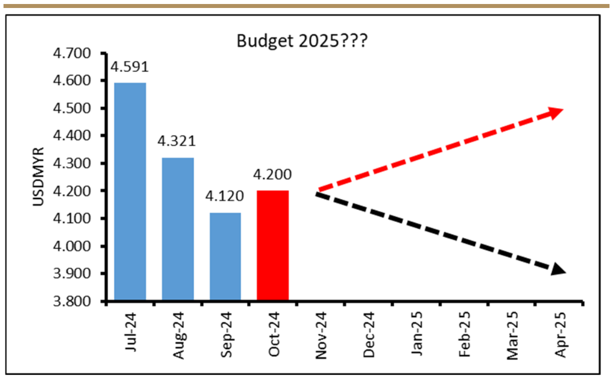



**Figure 29: Ringgit Trend Post Budget 2024**




*Source: Bloomberg, TA Securities*

**Figure 30: How will it behave?**




*Source: Bloomberg, DOSM, TA Securities*

**Expected 2025 Trajectory Based on Fundamental Analysis**

- The ringgit is expected to appreciate further in 2025, anchored by a combination of macroeconomic factors and improving fundamentals. A key question for many market participants is whether the ringgit could break the psychological level of RM4.00 against the USD from its current level of RM4.30 (as of 20 October 2024).

- Several fundamental factors could contribute to the ringgit's potential to strengthen beyond this key psychological threshold, breaking the RM4.00 mark:

- **Key Factors Influencing a Break Below RM4.00:**

  - **Economic Growth:** A strong economic performance, characterised by rising GDP, increasing industrial output, and robust consumer demand, tends to bolster a currency. A healthy economy typically attracts foreign investment, which drives up demand for the domestic currency. For 2025, there is a strong possibility for better economic growth, supported by rising wages in both the public and private sectors, improvements in labour market conditions, and a recovery in external demand. **The Ministry of Finance has forecasted a GDP growth range of 4.5% to 5.5%, which we believe will eventually surpass the estimated 4.8% to 5.3% range for 2024.**

  - **Widening Trade Surplus:** Malaysia's position as a net exporter of key commodities like crude oil, palm oil, and electronics products will play a crucial role in strengthening the ringgit. Several factors contribute to a widening trade surplus, which would bolster the currency:

    - **Higher Commodity Prices:** Strong global prices for oil and palm oil in 2025, driven by supply constraints or geopolitical tensions, would lead to higher export revenues. **Next year, we are looking at USD75 per barrel for Brent and RM3,800 per tonne for crude palm oil prices.** This influx of foreign exchange would support the ringgit, reducing the supply of the currency in international markets and pushing it closer to the RM4.00 level.

    - **Strong Electronics Exports:** Malaysia is a significant player in the global semiconductor and electronics supply chain. Continued high demand for electronics, especially in sectors like electric vehicles (EVs), 5G, and AI technologies, would further increase export earnings. A consistent trade surplus puts upward pressure on the ringgit. **For 2025, the government is looking at a better surplus of around RM130.9bn, an increase of 1.5% from this year.**

  - **Interest Rate Differential**: If Bank Negara Malaysia (BNM) adopts a more aggressive monetary policy compared to other central banks, it could attract capital inflows and strengthen the ringgit. However, we expect BNM to maintain its current rate while major economies, such as the US and Eurozone, begin lowering their interest rates. This could narrow the interest rate differential in Malaysia's favour, encouraging capital inflows as investors seek higher yields in the Malaysian market.

  - **Increased Foreign Direct Investment (FDI)**
    - Higher FDI inflows into Malaysia, particularly in strategic sectors like technology, green energy, and infrastructure, would significantly boost demand for the ringgit. Several drivers could accelerate FDI inflows in 2025, such as Malaysia's commitment to becoming a green energy hub, which could attract billions of dollars in foreign investment. FDI in renewable energy projects, such as solar power or electric vehicle (EV) infrastructure, could significantly increase demand for the ringgit as foreign companies establish operations or enter partnerships with local players.

- **Strong Global Demand for Malaysian bonds, particularly Malaysian Government Securities (MGS),** could see strong demand in 2025 due to the country's improving fiscal position and relatively higher yields compared to developed markets. Several factors may attract foreign investors:

    - **Stable Fiscal Management:** Malaysia's efforts to reduce its fiscal deficit and enhance government debt management could boost investor confidence. Solid fiscal discipline reassures international markets and positions Malaysian bonds as a safe investment, driving demand for the ringgit. The fiscal deficit is projected to decrease to 3.8% for the upcoming year, down from an estimated 4.3% for this year.

    - **Positive Real Yields:** Malaysia's bonds may present an attractive option for foreign investors due to the potential for positive real yields (interest rates adjusted for inflation). Currently, Malaysia's real rate of return stands at 1.20%, positioning it competitively among other global markets. For comparison, the real rates of return are as follows: United States at 2.6%, United Kingdom at 3.3%, Eurozone at 1.55%, China at 2.70%, Indonesia at 4.16%, Philippines at 4.10%, Taiwan at 0.18%, Thailand at 1.64%, and Vietnam at 1.87%. This moderate yield profile may appeal to investors seeking inflation-protected returns within a stable emerging market framework.

- **China's Economic Recovery and Strong Trade Ties**
    - China is Malaysia's largest trading partner, and any improvement in China's economy could have a positive knock-on effect on the ringgit. If China's economy recovers strongly in 2025 after recent slowdowns, its demand for Malaysian products, particularly palm oil, natural gas, and electronics, will likely increase. A more robust Chinese economy translates to higher trade volumes, supporting ringgit appreciation.

- **Strong Oil Prices and Malaysia's Role as a Net Oil Exporter**

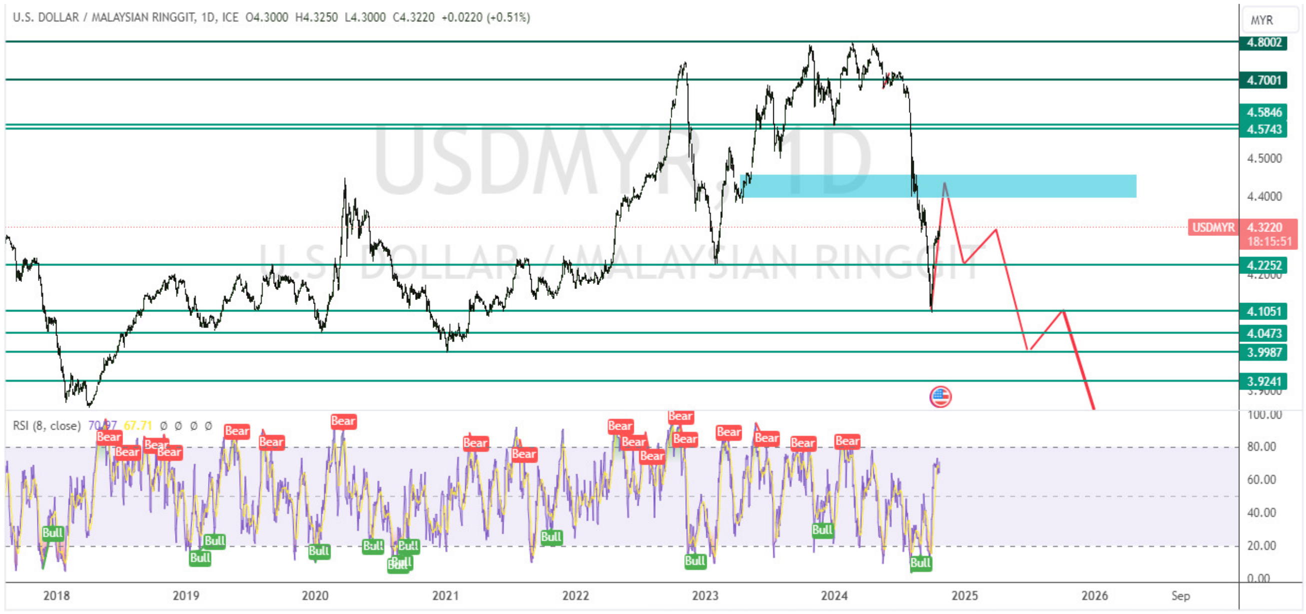
    As a net exporter of crude oil and liquefied natural gas (LNG), Malaysia stands to benefit from rising global oil prices, which could provide support for the ringgit. When oil prices increase due to factors like geopolitical tensions or supply disruptions, Malaysia's export earnings tend to rise, potentially boosting foreign exchange reserves and enhancing demand for the ringgit. Given the close link between energy prices and global inflation dynamics, any oil price rally could further support Malaysia's currency. Current forecasts for 2025 place oil at USD 75 per barrel, down from USD 80 in 2024. Despite this anticipated decline, oil prices are projected to remain elevated. Notably, recent research from Rystad Energy indicates that the average breakeven cost for non-OPEC oil projects has risen to USD 47 per barrel of Brent crude, suggesting ongoing market support at current levels.

- **Improved Political Stability and Economic Reforms**
    - Political stability is essential for strengthening a currency. Transparent and stable governance, along with ongoing economic reforms, inspires confidence among foreign investors. Government initiatives to improve infrastructure, enhance digitalisation, and foster a business-friendly environment can attract more foreign capital. This influx of investments will help strengthen the ringgit as investor confidence in Malaysia's long-term prospects grows. The Madani Economy embodies these principles through its three key themes: (1) Raise the Ceiling, (2) Whole Nation Reform, and (3) Raise the Floor.

▪ A convergence of favourable factors—including a robust trade surplus, attractive interest rate differentials, increased FDI, and high commodity prices—could push the ringgit to break the psychological level of RM4.00. However, this trajectory will also depend on external risks, such as global economic uncertainty, monetary policies in advanced economies, and commodity price volatility. Nonetheless, **with the expected**

**strengthening of Malaysia's economic fundamentals in 2025, the likelihood of ringgit breaking the RM4.00 barrier is a plausible scenario.**

**Figure 31: Malaysian Ringgit (2018 – YTD24)**



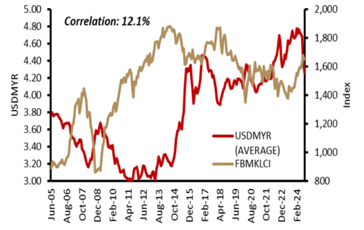
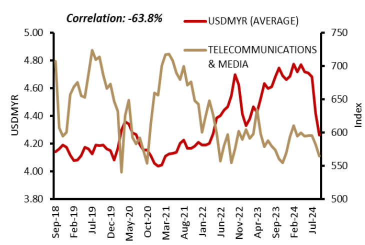
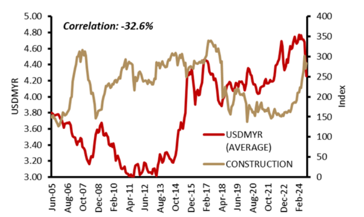
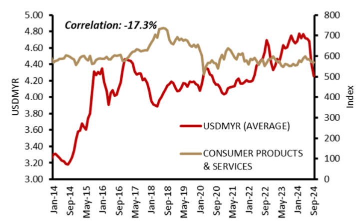
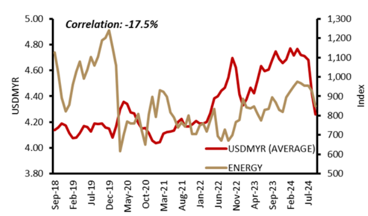
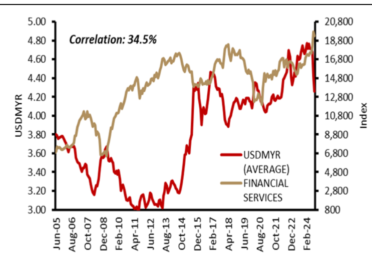

*Source: Bloomberg, TA Securities*

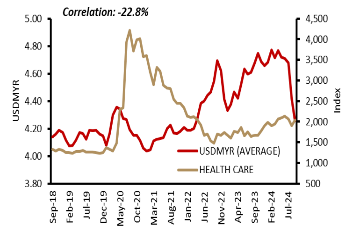
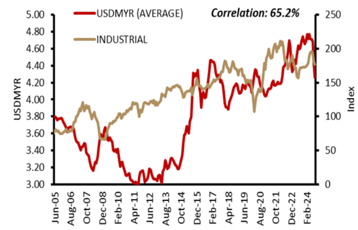
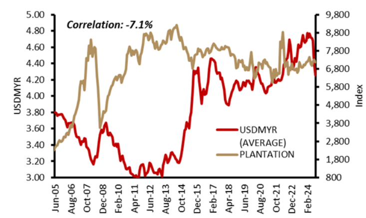
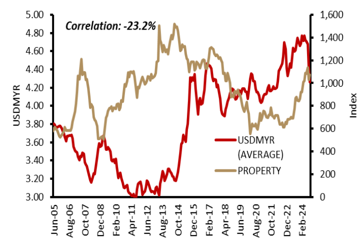
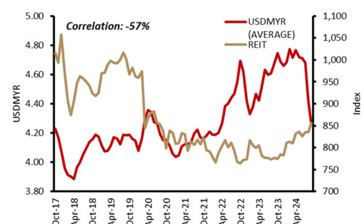
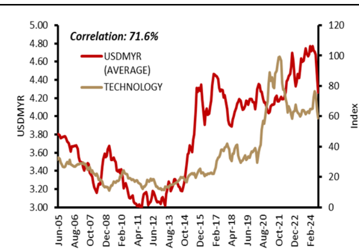
### Correlation between Ringgit and the FBMKLCI, and Subcomponents of the Index

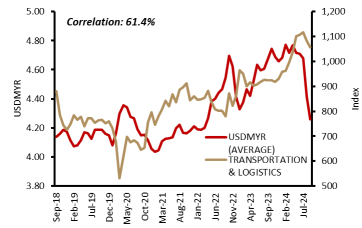
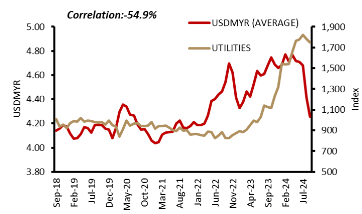
- The correlation analysis between the ringgit and various sectors of the Bursa Malaysia Index (FBMKLCI and its subcomponents) provides insight into how currency strength might impact sectoral performance. A stronger ringgit tends to benefit some sectors of the FBMKLCI due to increased investor confidence, improved earnings for import-dependent companies, and capital inflows from foreign investors. However, some sectors might face challenges, particularly those heavily reliant on exports, where a stronger ringgit could make Malaysian goods more expensive in international markets.

- Below is a detailed look at the correlation of the ringgit with various subcomponents of the FBMKLCI and how different sectors may react to a stronger currency.

**Figure 32: * The Correlation Between Ringgit and FBMKLCI, and Subcomponents of the Index**

| Sector | Correlation with USDMYR | Interpretation | Charts |
|---|---|---|---|
| **FBMKLCI** | 12.1% | **Positive correlation**: KLCI drops as USDMYR decreases (ringgit strengthen). |  |
| **Communication** | -63.8% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |  |
| **Construction** | -32.6% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |  |
| **Consumer** | -17.3% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |  |
| **Energy** | -17.5% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |  |
| **Financial Services** | 34.5% | **Positive correlation**: Index drops as USDMYR decreases (ringgit strengthen). |  |

| Sector | Correlation with USDMYR | Interpretation | Charts |
|---|---|---|---|
| **Healthcare** | -22.8% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |   |
| **Industrial** | 60.6% | **Positive correlation**: Index drops as USDMYR decreases (ringgit strengthen). |   |
| **Plantation** | -7.1% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |   |
| **Property** | -23.2% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |   |
| **REIT** | -57.0% | **Negative correlation**: Index increases as USDMYR decreases (ringgit Strengthen). |   |
| **Technology** | 71.6% | **Positive correlation:** Index drops as USDMYR decreases (ringgit strengthen). |   |

| Sector | Correlation with USDMYR | Interpretation | Charts |
|---|---|---|---|
| **Transportation** | **61.4%** | **Positive correlation:** Index drops as USDMYR decreases (ringgit strengthen). |   |
| **Utilities** | **54.9%** | **Positive correlation:** Index drops as USDMYR decreases (ringgit strengthen). |   |

**Some of the data, including sectors like **communication, healthcare, utilities, transportation, and REIT**, do not begin from the original sample date of Jun 2005 up to the present year-to-date (YTD). As a result, the findings may not fully reflect the complete historical context of these sectors. Besides, the outcomes of the correlation analysis may differ from the insights gained in our detailed analysis below **as the movement of stock indices is influenced by multiple factors beyond the ringgit alone.***

*Source: TA Securities*

## The Impact of a Stronger Ringgit on Each Sector Under Our Coverage

- **Now, let's delve into the impact of a stronger ringgit on the industries under our coverage.** The effects maybe closely align with the general trends highlighted in our earlier analysis, with specific nuances based on each company and sector. While the overall themes remain consistent, the impact will vary depending on the unique characteristics and market positioning of each industry and stocks we cover.

**Automotive Sector (Negative)** **Angeline Chin**

- A stronger Ringgit generally has a beneficial effect on the automotive industry, mainly by lowering the costs of imported components and raw materials. However, a company with significant overseas exposure will be negatively affected when the ringgit strengthens against major currencies, as this would lead to lower revenue in ringgit terms. Overall, a 5% appreciation of the ringgit against foreign currencies is expected to reduce sector earnings by approximately 1.8%.

- For **Sime Darby (Hold, TP: RM2.74)**, approximately 70% of its revenue is derived from international markets, primarily China and Australia and the group applies natural hedging by buying and selling in the same currency whenever possible. We estimate that a 5% appreciation of the Ringgit against the RMB and AUD would lead to a 2.6% impact on the group's bottom line. In the case of **BAuto (Hold, TP: RM2.47)**, the primary exposure is JPY, only the CBUs are subject to JPY-denominated purchases, while CKDs are mostly acquired in Ringgit. We estimate that a 5% appreciation in Ringgit will increase its earnings by 0.5%. Additionally, **MBM (Sell, TP: RM4.70)** would see minimal impact as over 95% of its components are sourced locally, and they have mechanisms to pass costs through effectively.

**Figure 33: Impact to Automotive Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Automobile** | | | | | | |
| BAUTO | 312.4 | 314.1 | 0.5% | 310.8 | -0.5% | The primary exposure is to JPY and only the CBUs are subject to JPY-denominated purchases, while CKDs are mostly acquired in Ringgit. |
| MBMR | 262.6 | 262.7 | 0.0% | 262.6 | 0.0% | The impact is minimal since most income was derived from its associate, Perodua, which sources the majority of its components locally and has effective mechanisms to pass costs through. |
| SIME | 1,420.0 | 1,382.7 | 2.6% | 1,457.3 | -2.6% | About 70% of its revenue comes from overseas, mainly China and Australia and the Group applies natural hedging by buying and selling in the same currency whenever possible. For domestic operations, particularly UMW Toyota, the strengthening ringgit will benefit them, as imports of auto components and CBU vehicles are priced in USD. |
| **Total** | **1,995.1** | **1,959.5** | **-1.8%** | **2,030.7** | **1.8%** | |

*Source: TA Securities*

**Banking Sector (Negative)** **Li Hsia Wong**

- Banks in Malaysia primarily focus on the domestic market with minimal overseas exposure, except for **CIMB (Buy, TP: RM8.05), Maybank (Buy, TP: RM10.48) and Hong Leong Bank (Buy, TP: RM23.20).** CIMB's overseas operations account for 44% of the group's PBT, led by Indonesia (24%), Singapore (15%) and Thailand (4%). Maybank's overseas operations account for 31% of the total group PBT, led mainly by Singapore at 25% in 1H 2024. Meanwhile, Hong Leong Bank is exposed to the Chinese Yuan (RMB) via a 19.8% stake in the Bank of Chengdu Co Ltd (BoCD).

- Given the recent appreciation of the Malaysian ringgit (MYR), currency fluctuations between the Singapore dollar (SGD), Indonesian Rupiah (IDR), RMB and MYR are key factors to monitor. We estimate that a 5% appreciation of the MYR against the SGD and IDR would lead to a 1.5% reduction in Maybank Group's PBT and a 4.0% reduction in CIMB Group's PBT. We also estimate a 5% appreciation of the MYR against the RMB to reduce Hong Leong's earnings by around 1.6%.

- Other banks may, however, be indirectly affected by USD movements through their borrowers, especially those who rely on exports. A stronger MYR against the USD could reduce the competitiveness of their products and services.

**Figure 34: Impact to Banking Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Finance** | | | | | | |
| Affin Bank | 536.9 | 536.9 | 0.0% | 536.9 | 0.0% | Affin's business is primarily focused on the domestic market with minimal overseas exposure |
| Alliance Bank | 768.8 | 768.8 | 0.0% | 768.8 | 0.0% | Alliance's business is primarily focused on the domestic market with minimal overseas exposure |
| AMMB | 1915.6 | 1915.6 | 0.0% | 1915.6 | 0.0% | AMMB's business is primarily focused on the domestic market with minimal overseas exposure |
| Bursa Malaysia | 337.8 | 337.8 | 0.0% | 337.8 | 0.0% | Bursa's business is primarily focused on the domestic market with minimal overseas exposure |
| CIMB | 7690.0 | 7382.4 | -4.0% | 7997.6 | 4.0% | CIMB's overseas operations account for 44% of group's PBT, led by Indonesia, Singapore and Thailand. |
| Hong Leong Bank | 4681.5 | 4606.6 | -1.6% | 4756.4 | 1.6% | Hong Leong Bank is exposed to the RMB via a 19.8% stake in the Bank of Chengdu Co Ltd. |
| Maybank | 9914.1 | 9765.4 | -1.5% | 10062.8 | 1.5% | Maybank's overseas operations account for 31% of total group PBT, led mostly by Singapore. |
| Public Bank | 7293.7 | 7293.7 | 0.0% | 7293.7 | 0.0% | Public Bank's business is primarily focused on the domestic market with minimal overseas exposure |
| RHB Bank | 3106.2 | 3106.2 | 0.0% | 3106.2 | 0.0% | RHB's business is primarily focused on the domestic market with minimal overseas exposure |
| **Total** | **36244.5** | **35713.3** | **-1.5%** | **36775.8** | **1.5%** | |

*Source: TA Securities*

**Building Materials (Positive)** **Raymond Ng Ing Yeow**

- Most steel companies under our coverage favour a stronger Ringgit, as their procurement of raw materials is largely imported and denominated in USD currency. A stronger Ringgit performance will ease the cost pressure, resulting in better profitability margin and offset the impact of subdued average selling price amidst sluggish sales tonnage recovery.

- Assuming the Ringgit fluctuates by 5%, we estimate the potential impact on the stock will be as follows:

**Figure 35: Impact to Building Materials Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Building Materials** | | | | | | |
| ANNJOO | 62.9 | 69.3 | 10.2% | 56.5 | -10.2% | Given the raw material costs are heavily reliant on the import of intermediate goods, the forex fluctuation will be materially impacted on the profitability margins. |
| CSCSTEL | 41.5 | 41.9 | 1.0% | 41.1 | -1.0% | The input costs are positively correlated with the currency fluctuation. |
| CHINWEL | 22.1 | 19.1 | -13.8% | 25.1 | 13.8% | The impact of currency's fluctuation was largely underpinned by 67% of its revenue which was derived from overseas markets. |
| PGF | 41.9 | 40.3 | -3.9% | 43.6 | 3.9% | Exposure to USD is insignificant at 5% of revenue. However, the exposure to AUD is close to 30% of revenue. |

*Source: TA Securities*

**Consumer Sector (Positive)** **Liew Yi Jiet**

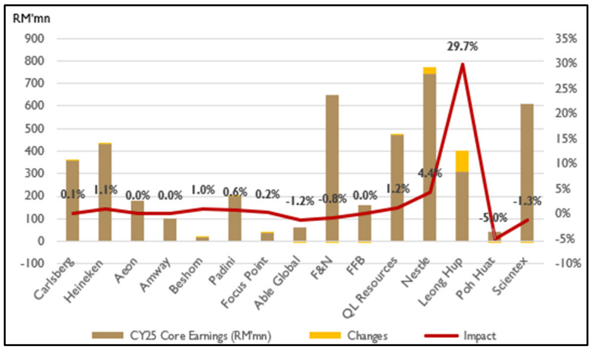
- The impact on brewery players and retailers is minimal as most of their revenues and costs are denominated in Ringgit, except **BESHOM (Hold, TP: RM0.96)** and **HEIM (Buy, TP: RM28.02)**. For BESHOM, 50% of the total costs of raw materials are denominated in USD, while the rest is in Chinese yuan. For HEIM, raw materials and packaging expenses account for 8% of its total costs, while 33% of the procurement comes from foreign suppliers. Thus, a strengthening ringgit will benefit BESHOM and HEIM in terms of input costs.

- On the other hand, F&B stands to become the largest beneficiary under our portfolio if the ringgit appreciates by 5%. Notably, **LHI (Buy, TP: RM0.76)** is the key driver of our sector's earnings, thanks to a stronger Ringgit and cheaper raw materials. YTD, commodity prices (mainly corn and soybean meal) have contracted more than 16.0%, allowing LHI to enjoy lower feed costs compared to its peak in 2022. Coupled with stronger Ringgit, LHI emerges as a significant winner in our universe, benefitting from cheaper import costs. Similarly, 80% of **NESTLE's (Hold, TP: RM124.22)** sales are denominated in Ringgit, while most raw materials costs are paid in USD. Given a 5% depreciation in USD, Nestle's earnings would likely increase by 4.4%, mainly from cost savings.

- On the flip side, export-oriented companies such as **POHUAT (Hold, TP: RM1.40)** and SCIENTX would be adversely impacted by weakened USD. Note that 90% of POHUAT's total sales and 75% of SCIENTX's manufacturing revenue are transacted in USD. Both companies would experience contraction in the topline due to foreign exchange losses. However, we believe that the impact on **SCIENTX (Buy, TP: RM5.40)** is manageable, as the property segment is the key driver of its earnings.

- In summary, a strengthening in Ringgit is advantageous for the consumer sector, as it leads to savings in operational costs. Our estimates projected that a 5% increase in the Ringgit could enhance the consumer sector's core earnings by 2.8%.

**Figure 36: USD Impact on Companies Under our Coverage**




*Source: TA Securities*

**Figure 37: Impact to Consumer Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Consumer** | | | | | | |
| CARLSBG | 360.0 | 360.4 | 0.1% | 359.6 | -0.1% | Revenue denominated in MYR, while raw materials and packaging costs which transacted in USD accounts for 8% of the total cost of sales. |
| HEIM | 430.4 | 435.0 | 1.1% | 425.8 | -1.1% | Revenue is denominated in MYR. Raw materials and packaging costs, which are transacted in USD, account for 8% of the total cost of sales, with 33% of procurement sourced from foreign suppliers. |
| **Total Brewery** | **790.4** | **795.4** | **0.6%** | **785.4** | **-0.6%** | |
| ABLEGLOB | 62.6 | 61.8 | -1.2% | 63.3 | 1.2% | 80% of dairy products are exported. Sales in USD is more than procurement in USD. |
| F&N | 649.3 | 644.0 | -0.8% | 654.5 | 0.8% | Approximately 60% of F&N's raw material are imported while the sales mix for its operations in Malaysia and Thailand stands at 57% and 43%, respectively. |
| FFB | 160.2 | 160.1 | 0.0% | 160.2 | 0.0% | The export market contributes about 18% to the group's revenue. Meanwhile, only one-quarter of the purchases are denominated in AUD and USD. |
| LHI | 308.6 | 400.5 | 29.7% | 216.8 | -29.7% | 70-80% of the raw materials is transacted in USD. |
| NESTLE | 741.2 | 773.7 | 4.4% | 708.6 | -4.4% | 80% of Nestlé's sales are denominated in Ringgit, while most input and raw material costs are in USD. |
| QL | 472.4 | 478.2 | 1.2% | 466.7 | -1.2% | The majority of sales are transacted in Ringgit. |
| **Total F&B** | **2,394.3** | **2,518.4** | **5.2%** | **2,270.1** | **-5.2%** | |
| AEON | 181.1 | 181.1 | 0.0% | 181.1 | 0.0% | Sales are denominated in Ringgit, while the majority of raw materials are procured from local suppliers. |
| AMWAY | 102.9 | 102.9 | 0.0% | 102.9 | 0.0% | No significant impact as Amway has locked in a fixed exchange rate for the next 12 months. The group has changed its procurement method to a Limited Risk Distributor model (with Amway Global as the principal and Amway Malaysia as the distributor) from a direct import mechanism. |
| BESHOM | 19.9 | 20.1 | 1.0% | 19.7 | -1.0% | 50% of the total raw material costs is transacted in USD while the rest is in CNY. |
| FOCUSP | 36.5 | 36.6 | 0.2% | 36.4 | -0.2% | No significant impact impact the selling price of optical products is based on the recommended retail price |
| PADINI | 198.9 | 200.1 | 0.6% | 197.7 | -0.6% | There is no direct impact for Padini, as the company procures from local third-party suppliers. |
| **Total Retail** | **539.4** | **540.9** | **0.3%** | **537.8** | **-0.3%** | |
| POH HUAT | 42.3 | 40.2 | -5.0% | 44.4 | 5.0% | 90% of its total sales are transacted in USD. |
| SCIENTEX | 610.1 | 602.3 | -1.3% | 618.0 | 1.3% | 75% of its manufacturing revenue are transacted in USD. |
| **Total Industrial** | **652.4** | **642.5** | **-1.5%** | **662.4** | **1.5%** | |
| **Total** | **4,376.5** | **4,497.2** | **2.8%** | **4,255.8** | **-2.8%** | |

*Source: TA Securities*

**Construction Sector (Negative)** **Raymond Ng Ing Yeow**

- Generally, we do not anticipate any significant impact from the strengthening of the Ringgit on most construction players under our coverage, as most companies' revenue are largely denominated in Ringgit. However, companies that have expanded overseas or holding assets abroad, such as **GAMUDA (Buy, TP: RM10.98)** with exposure in Australia, the UK, Singapore, and Taiwan; **SUNCON (Buy, TP: RM6.15)** in India and Singapore, **IJM (Buy, TP: RM4.00)** in the UK and India, and **WCT (Buy, TP: RM1.54)** in Saudi Arab, may be affected.

- Currency fluctuations could have an impact on the input costs, as suppliers might transfer increased costs to contractor clients. However, we expect this impact to be manageable, as the long-standing relationships between construction companies and building material suppliers can provide some cost stability, as contractors may leverage these relationships for more favourable pricing. Based on our channel checks, we estimate that the effect of a stronger Ringgit on construction players would hover around 0.3%, which is immaterial and negligible.

- Based on our estimation, the potential impact on the earnings of construction companies in our portfolio based on a 5% Ringgit appreciation/depreciation are as follows:

**Figure 38: Impact to Construction Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | Comment |
|---|---|---|---|---|---|---|
| **Construction** | | | | | | |
| BNASTRA | 124.0 | 124.3 | 0.3% | 123.6 | -0.3% | Despite no exposure to overseas markets, input costs may vary due to currency fluctuations, though the impact is minimal. |
| GADANG | 13.4 | 13.5 | 0.3% | 13.4 | -0.3% | Despite no exposure to overseas markets, input costs may vary due to currency fluctuations, though the impact is minimal. |
| GAMUDA | 1,346.1 | 1,269.3 | -5.7% | 1,422.8 | 5.7% | Exposure to overseas project is significant at 70% of orderbook, namely Australia, Taiwan and Singapore. |
| IJM | 523.7 | 515.8 | -1.5% | 531.5 | 1.5% | Mainly due to its borrowings are partly denominated in USD. |
| INTA | 41.2 | 41.3 | 0.3% | 41.1 | -0.3% | Despite no exposure to overseas markets, input costs may vary due to currency fluctuations, though the impact is minimal. |
| KERJAYA | 188.9 | 189.5 | 0.3% | 188.3 | -0.3% | Despite no exposure to overseas markets, input costs may vary due to currency fluctuations, though the impact is minimal. |
| SUNCON | 294.6 | 287.2 | -2.5% | 302.0 | 2.5% | Exposure to SGD is immaterial at less than 10% of revenue. |
| TRC | 20.3 | 20.4 | 0.3% | 20.2 | -0.3% | Despite no exposure to overseas markets, input costs may vary due to currency fluctuations, though the impact is minimal. |
| WCT | 94.7 | 86.0 | -9.2% | 103.4 | 9.2% | Largely due to its business exposure in UAE regions. |
| **Total** | **2,646.8** | **2,547.3** | **-3.8%** | **2,746.3** | **3.8%** | |

*Source: TA Securities*

## Gaming Sector (Negative) — Tan Kam Meng

- The sector earnings are sensitive to fluctuations in ringgit as significant amounts of revenue are denominated in USD, SGD, and GBP. It has a negative correlation with ringgit performance due to its foreign operations. For every 5% increase in the value of the ringgit against these foreign currencies, the sector earnings would reduce by 4.2% and vice-versa.

- Among the 3 gaming stocks under our coverage, **BJToto** (**Hold, TP: RM1.76**) is least sensitive to ringgit as the EBIT margin from the car franchising division is only 2% compared to 11% from NFO operations locally. As such, the bottom-line impact is not obvious. For Genting group, **Genting** (**Buy, TP: RM4.76**) is most sensitive to ringgit fluctuation, given its significant gaming business exposure in Singapore. Meanwhile, **Genting Malaysia** (**Buy, TP: RM3.13**) has moderately low sensitivity to ringgit performance, as close to 70% of revenue is generated from Resorts World Genting Highlands.

**Figure 39: Impact to Gaming Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | Comment |
|---|---|---|---|---|---|---|
| **Gaming** | | | | | | |
| GENTING | 2,051.4 | 1,930.8 | -5.9% | 2,172.4 | 5.9% | Close to 64% of revenue is denominated in SGD, USD and GBP. |
| GENM | 1,384.8 | 1,352.7 | -2.3% | 1,416.7 | 2.3% | Close to 30% of revenue is denominated in USD and GBP. |
| SPTOTO | 221.1 | 218.9 | -1.0% | 223.4 | 1.0% | Close to 53% of revenue is denominated in GBP but the EBIT margin from the car franchising division is low at 2%. |
| **Total** | **3,657.3** | **3,502.4** | **-4.2%** | **3,812.4** | **4.2%** | |

*Source: TA Securities*

**Healthcare Sector- Hospitals & Pharmaceuticals (Negative)** **Tan Kong Jin**

- For hospitals, the impact of a stronger Ringgit on healthcare providers is relatively muted. Healthcare players may benefit from lower cost of drugs and medical equipment, but this could be offset by weaker medical tourism numbers. KPJ does not face significant exposure to foreign exchange risks, as the bulk of its operations are domestic. Meanwhile, IHH may be slightly impacted as profits from overseas operations are translated back into Ringgit.

- For Duopharma, the group would benefit from the stronger Ringgit, as 50-60% of its COGS are denominated in USD. Additionally, the group's government APPL contract is based on an exchange rate of RM4.70/USD.

- As for Supercoment, the group would be impacted because 80% of Scomnet's profits comes from international market such as the US, Taiwan, Mexico and Denmark, while the local market contributes about 20%. Meanwhile, bulk of the group's cost of goods is denominated in USD. The foreign currency purchase is mostly related to the purchase of raw materials (about 70-75% of its cost). For every 5% change in forex rates, we estimate an impact of RM1.6mn impact on earnings.

**Healthcare Sector- Rubber Gloves (Negative)**

**A Stronger Ringgit is Bad for Glove Producers**

- The earnings of rubber glove manufacturers are very sensitive to movements in the USD against the Ringgit, given that their sales are almost entirely denominated in USD. The recent drop in export proceeds can be slightly mitigated by the lower cost of imported inputs due to the stronger Ringgit, as about 30-40% of their costs are denominated in USD.

- For stability in earnings, gradual rather than abrupt fluctuations are desirable, as there is typically a time lag of 1-3 months before any cost or savings are passed through to customers. Overall, we believe that currency movements – whether strong or weaker Ringgit – will have only a short-term impact as the cost-sharing mechanism eventually takes effect.

- Generally, a stronger Ringgit would warrant a price hike for glove products. For instance, the Ringgit strengthened to RM4.32/USD in August 2024 (compared to the July average of RM4.23/USD). As a result, glove manufacturers adjusted November's nitrile ASP upwards by USD1-2 per 1000 gloves to USD19.5/1000 gloves.

**Sensitivity Analysis**

- Thus far in 2024, the USD has weakened against the Ringgit by 6.0%, closing at RM4.33/USD and averaging RM4.61/USD. In tandem with this, our house's USD/Ringgit forecast for 2024 is unchanged at RM4.55/USD, while our forecast for 2025 is RM4.10/USD. Assuming a 70% cost pass-through mechanism, our sensitivity analysis suggests a 5.2-7.7% negative impact on earnings for every 5% appreciation of the Ringgit against the dollar (see Figure 42).

**Figure 40: Impact to Healthcare Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | Comment |
|---|---|---|---|---|---|---|
| **Healthcare** | | | | | | |
| **Hospitals/ Pharmaceutical** | | | | | | |
| DPHARMA | 88.4 | 92.7 | 4.9% | 84.1 | -4.9% | 50-60% of its COGS are denominated in USD. |
| IHH | 1,705.5 | 1,675.4 | -1.8% | 1,735.5 | 1.8% | Profits from overseas operations are translated back into Ringgit. |
| KPJ | 322.5 | 323.5 | 0.3% | 321.5 | -0.3% | No significant direct impact. |
| SCOMNET | 49.5 | 47.9 | -3.0% | 51.0 | 3.0% | 80% of Scomnet's profit comes from the international market while raw materials accounts for 70% of its costs. |
| **Rubber Gloves** | | | | | | |
| HARTA | 258.0 | 243.6 | -5.6% | 272.5 | 5.6% | Sales are almost entirely denominated in USD. |
| KOSSAN | 206.8 | 196.0 | -5.2% | 217.5 | 5.2% | Sales are almost entirely denominated in USD. |
| SUPERMX | 61.2 | 57.3 | -6.3% | 65.0 | 6.3% | Sales are almost entirely denominated in USD. |
| TOPGLOV | 149.7 | 138.2 | -7.7% | 161.2 | 7.7% | Sales are almost entirely denominated in USD. |
| **Total Healthcare** | **2,841.6** | **2,774.8** | **-2.4%** | **2,908.4** | **2.4%** | |

*Source: TA Securities*

**Figure 41: Impact on Earnings Based on Every 5% Change in USD/MYR Rate**

| Cost/savings pass on/shared | Kossan | Supermax | Hartalega | Top Glove |
|---|---|---|---|---|
| 100% | 0.0% | 0.0% | 0.0% | 0.0% |
| 90% | 1.7% | 2.1% | 1.9% | 2.6% |
| 80% | 3.5% | 4.2% | 3.7% | 5.1% |
| 70% | 5.2% | 6.3% | 5.6% | 7.7% |
| 60% | 6.9% | 8.3% | 7.5% | 10.2% |
| 50% | 8.7% | 10.4% | 9.3% | 12.8% |
| 40% | 10.4% | 12.5% | 11.2% | 15.4% |
| 30% | 12.1% | 14.6% | 13.1% | 17.9% |
| 20% | 13.9% | 16.7% | 14.9% | 20.5% |
| 10% | 15.6% | 18.8% | 16.8% | 23.0% |
| 0% | 17.3% | 20.9% | 18.7% | 25.6% |

**Figure 42: Sector Impact to CY25 Earnings, Assuming 70% Pass Through (due to time-lag)**

| Companies | CY25 Current est. net profit | If Ringgit Strengthens by 5%, assuming 70% pass | Impact (%) |
|---|---|---|---|
| **Hartalega** | | | |
| Net Profit (RMmn) | 258.0 | 243.6 | -5.6% |
| **Top Glove** | | | |
| Net Profit (RMmn) | 149.7 | 138.2 | -7.7% |
| **Kossan** | | | |
| Net Profit (RMmn) | 206.8 | 196.0 | -5.2% |
| **Supermax** | | | |
| Net Profit (RMmn) | 61.2 | 57.3 | -6.3% |
| **Total Sector** | **675.7** | **635.2** | **-6.0%** |

*Source: TA Securities*

**Insurance Sector (Positive)** **Tan Kong Jin**

- The impact on insurance companies is insignificant as most of their revenues are denominated in Ringgit. Generally, a stronger Ringgit would improve the purchasing power of Malaysians and help cushion medical inflation. In addition, some motor parts may become cheaper in the short term, which could benefit **Allianz**, given that the motor segment accounts for 68% of its general portfolio mix.

- Conversely, the stronger Ringgit could mildly affect **Tune Protect's** earnings due to its partnerships with Middle Eastern airlines like Air Arabia. However, it is essential to note that the group's Middle East segment is insignificant compared to the overall portfolio.

**Figure 43: Impact to Insurance Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | Comment |
|---|---|---|---|---|---|---|
| **Insurance** | | | | | | |
| ALLIANZ | 801.2 | 810.8 | 1.2% | 791.5 | -1.2% | Some motor parts comes from foreign country. Motor accounts for 68% of its general portfolio mix. |
| TUNEPRO | 33.1 | 32.9 | -0.4% | 33.2 | 0.4% | No significant direct impact. |
| **Total Insurance** | **834.3** | **843.7** | **1.1%** | **824.8** | **-1.1%** | |

*Source: TA Securities*

**Media Sector (Positive)** **Lee Yun Leon**

- We expect a positive impact from ringgit appreciation on media companies as they often rely on imported content, technology, and equipment, especially for TV, film, and digital platforms. A stronger ringgit makes these imports cheaper, potentially lowering operating costs and improving margins.
- We see **ASTRO** in our coverage to benefit the most as they have the highest exposure to foreign content. However, we see much of this benefit only to be reflected after 1H25 as they have hedging in place, having already locked in prices. Hence, the impact is mitigated but still significant: 9.3% change for every 5% change in ringgit, assuming 50% of the content cost is foreign.
- On the other hand, we see **MEDIA PRIMA** and **STAR MEDIA's** impact to be negligible as STAR MEDIA, which is diversifying to the property development business (now the highest EBITDA contributor), has no overseas exposure. Meanwhile, MEDIA PRIMA's exposure to foreign content is not significant enough to impact the overall cost and earnings.

**Figure 44: Impact to Media Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Media** | | | | | | |
| ASTRO | 114.4 | 125.0 | 9.3% | 103.8 | -9.3% | 50% of content is imported. Hedging in place and we expect Astro to start benefit after 1H25. |
| MEDIA PRIMA | 69.7 | 69.7 | 0.1% | 69.6 | -0.1% | Impact Negligible. |
| STAR | 18.2 | 18.2 | 0.0% | 18.2 | 0.0% | Impact Negligible as most of the core net profit are from property development that is denominated in MYR. |
| **Total** | **202.2** | **212.9** | **5.3%** | **191.6** | **-5.3%** | |

*Source: TA Securities*

**Oil & Gas Sector (Negative)** **Lee Yun Leon**

- We expect a negative impact from ringgit appreciation on the oil and gas sector. This is because most oil and gas companies derive their revenues in USD as crude oil and natural gas are globally traded commodities. A stronger ringgit against the USD would translate to lower revenue when converted to Ringgit, which could pressure top-line growth.
- Most of the companies have their own hedging strategies in place to mitigate the situation. Hence, the full negative impact might be lagged. In a sensitivity analysis of companies under our oil and gas universe, we have estimated that for every 5% appreciation in ringgit, **COASTAL/ LCTITAN/ MHB/ MISC/ PANTECH/ PCHEM/ VELESTO** will decrease the earnings by 4.7%/ 1.3%/ 5.0%/ 0.3%/ 4.3%/ 2.2%/ 5.1%.
- We see **VELESTO** as the most impacted company, as they have no formal hedging strategy in place while their revenue, primarily derived from daily charter rates, is denominated in USD.

**Figure 45: Impact to Oil & Gas Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Oil & Gas** | | | | | | |
| COASTAL | 128.0 | 122.0 | -4.7% | 134.0 | 4.7% | Contracts are denominated in USD. |
| LCTITAN | -213.6 | -216.4 | -1.3% | -210.8 | 1.3% | Contracts are denominated in USD. |
| MHB | 114.8 | 109.1 | -5.0% | 120.5 | 5.0% | Contracts are denominated in USD. |
| MISC | 2,380.5 | 2,374.0 | -0.3% | 2,387.0 | 0.3% | They have implemented hedging strategy by holding forward currency contracts. |
| PANTECH | 103.4 | 99.0 | -4.3% | 107.8 | 4.3% | 70-80% of the export is denominated in foreign currency. |
| PCHEM | 2,775.0 | 2,715.0 | -2.2% | 2,835.0 | 2.2% | Minimal impact as hedging strategy is in place. Management has guided for every 10sen appreciation, EBITDA is reduced by RM25-30mn. |
| VELESTO | 196.8 | 186.8 | -5.1% | 206.8 | 5.1% | Contracts are denominated in USD. |
| **Total** | **5,484.9** | **5,389.5** | **-1.7%** | **5,580.3** | **1.7%** | |

*Source: TA Securities*

**Plantation (Negative)** **Angeline Chin**

- The strengthening of Ringgit is generally unfavourable for planters as it will result in lower translated revenue and profits for companies. Besides, a stronger ringgit would also translate to higher CPO prices compared to other vegetable oils, which diminishes export competitiveness. However, plantation companies with USD-denominated loans could gain from a stronger ringgit, as it would lower their interest costs. In the case of fertilisers and pesticides, most companies source these products on a semi-annual basis and primarily engage with local suppliers, with transactions mostly conducted in Ringgit. Overall, a 5% appreciation of the ringgit against foreign currencies is expected to reduce sector earnings by approximately 11.1%.

- The potential impact of a 5% appreciation of the ringgit on company earnings differs among firms. **FGV (Hold, TP: RM1.19)** is expected to see a 5.1% decrease in earnings, while **IOICORP (Buy, TP: RM4.17)** is projected to experience a 9.6% decline, suggesting greater resilience. **KLK (Hold, TP: RM22.09)** anticipates a 12.0% impact, and **TSH (Sell, TP: RM1.07)** expects a 9.4% drop. In contrast, **UMCCA (Hold, TP: RM5.59)** is forecasted to see a 2.8% increase, largely due to its USD-denominated loans. Notably, **KMLOONG (Hold, TP: RM2.50)** is expected to remain unaffected, with earnings unchanged at 0%. Finally, **SDG (Sell, TP: RM4.70)** is projected to experience the largest decline, with a 14.4% reduction in earnings.

**Figure 46: Impact to Plantation Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Plantation** | | | | | | |
| FGV | 218.3 | 207.2 | -5.1% | 229.4 | 5.1% | Part of the sales are sold in USD and the exposure to USD also comes from USD borrowings and certain costs incurred by MSM that are denominated in USD. |
| IOICORP | 1,398.8 | 1,264.1 | -9.6% | 1,533.5 | 9.6% | Most of the group's products are sold in USD and some of its costs are in USD. The group's primary exposure to USD also comes from borrowings in that currency. |
| KLK | 1,268.7 | 1,116.6 | -12.0% | 1,420.8 | 12.0% | A major portion of group's sales and some of its costs are in USD, providing a natural hedge. The group's primary exposure to USD also comes from borrowings in that currency. |
| KMLOONG | 153.1 | 153.1 | 0.0% | 153.1 | 0.0% | The Group has no exposure to USD since its operations are mainly local and there are no balance sheet translations in USD. |
| SDG | 1,502.2 | 1,285.2 | -14.4% | 1,719.1 | 14.4% | The Group's exposure to USD primarily stems from the product sales and borrowings denominated in USD. |
| TSH | 92.6 | 83.9 | -9.4% | 101.3 | 9.4% | Around 70% of the group sales exposure to USD and part of its borrowing also denominated in USD. |
| UMCCA | 71.0 | 73.0 | 2.8% | 69.0 | -2.8% | The Group's exposure to USD primarily stems from borrowings denominated in USD. |
| **Total** | **4,704.7** | **4,183.0** | **-11.1%** | **5,226.3** | **11.1%** | |

*Source: TA Securities*

**Power & Utilities (Neutral)** **Hafriz Hezry**

- Most companies in the power & utilities sector are largely exposed to domestic operations and, hence, are not significantly impacted by the stronger Ringgit from an operational standpoint. However, the Ringgit appreciation may positively impact reported earnings of the power & utilities sector, mainly given a favourable translation of foreign currency-denominated debts. However, the majority of these translation impacts would be non-cash, given the long-term nature of borrowings.

- **TENAGA (BUY, TP: RM17.30)** is the most sensitive to forex fluctuation - TENAGA's USD-denominated debt accounts for up to 16% of total group debt. Every 5% change in the USD:RM impacts TENAGA's reported earnings by 8.5%, based on our estimates, although again, these are mostly unrealised translation impact. From an operational standpoint, while coal is imported in USD, fuel is a pass-through item under the IBR. Hence, the gains from coal cost savings are passed through to consumers via the semi-annual ICPT adjustments.

- Meanwhile, **YTL Power (BUY, TP: RM6.39)** is expected to be negatively impacted by a stronger Ringgit, given the negative translation impact of its overseas operations.

**Figure 47: Impact to Power & Utilities Sector Based on a 5% Strengthening of the Ringgit (excluding impact from debt-translation)**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Power & Utilities** | | | | | | |
| PETGAS | 2,085.1 | 2,110.5 | 1.2% | 2,059.8 | -1.2% | Majority of business is domestic-focused. Impact mainly from USD lease liability for jetty usage at Pengerang LNG regasification terminal |
| MALAKOF | 296.2 | 296.2 | 0.0% | 296.2 | 0.0% | Minimal impact as business is primarily focused on domestic market |
| TENAGA | 4,657.9 | 4,679.9 | 0.5% | 4,635.9 | -0.5% | Minimal operational impact. Gains from cheaper USD-denominated coal cost is passed through via semi-annual ICPT adjustments. |
| RANHILL | 52.3 | 51.0 | -2.5% | 53.6 | 2.5% | Majority of business is domestic-focused. Minor impact from Thailand and China operations. |
| YTLPOWR | 2,982.3 | 2,890.2 | -3.1% | 3,074.3 | 3.1% | Negative translation impact |
| SAMAIDEN | 28.8 | 28.8 | 0.0% | 28.8 | 0.0% | Minimal impact as business is primarily focused on the domestic market |
| PETDAG | 923.7 | 918.6 | -0.6% | 928.9 | 0.6% | Minimal impact as business is primarily focused on the domestic market |
| **Total** | **11,026.2** | **10,975.1** | **-0.5%** | **11,077.3** | **0.5%** | |

*Source: TA Securities*

**Property (Neutral)** **Thiam Chiann Wen**

- We expect a neutral impact from Ringgit appreciation on property developers as revenue and cost are mostly Ringgit-denominated except for companies with exposure to overseas markets. Note that **IOIPG (BUY, TP: RM3.02)** has exposure in China and Singapore. **SIMEPROP (BUY, TP: RM2.00)** has exposure in the UK, **SPSETIA (BUY, TP: RM1.91**) has exposure in Australia, UK and Vietnam, and **SUNWAY (BUY, TP: RM4.76)** has exposure in Singapore and China.

- However, Malaysian developers with overseas operations are likely to see minimal impact from Ringgit appreciation, as they use natural hedging by matching foreign currency revenues with expenses, minimizing exposure to currency fluctuations.

- Furthermore, since most construction contracts are awarded at a fixed sum, cost savings from a stronger Ringgit may not directly enhance developers' margins, given that costs are usually locked in at the contract stage.

- Based on sensitivity analysis of earnings to forex changes, the impact of every 5% strengthening of the Ringgit is expected to have a minimal earnings impact of less than 0.5% to CY25 earnings of the property companies. Overall, the earnings contribution of the property companies is mainly from local projects; hence, we do not expect a significant earnings impact from the appreciation of the Ringgit.

- **MREITs** are largely unaffected by Ringgit appreciation, as their assets and rental income are domestically based and Ringgit-denominated. With operating expenses also in Ringgit, foreign exchange risk is minimal. As such, changes in the Ringgit's value are unlikely to impact MREITs' earnings, distribution yields, or asset valuations.

**Figure 48: Impact to Property & REIT Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **PROPERTY** | | | | | | |
| GLOMAC | 24.2 | 24.2 | 0.0% | 24.2 | 0.0% | The group has no foreign currency transactions or balances and is therefore not exposed to foreign currency risk. |
| IBRACO | 61.9 | 61.9 | 0.0% | 61.9 | 0.0% | The group has no foreign currency transactions or balances and is therefore not exposed to foreign currency risk. |
| IOIPG | 851.8 | 849.3 | -0.3% | 854.4 | 0.3% | IOIPG's ongoing projects in China and Singapore are subject to FX fluctuations. Ringgit appreciation is likely to reduce IOIPG's earnings, as it decreases the Ringgit value of foreign revenue upon conversion. |
| MAHSING | 246.6 | 247.0 | 0.2% | 246.2 | -0.2% | While over 95% of MAHSING's earnings come from domestic property development, its glove manufacturing division faces FX fluctuations, with 90% of sales exported to the US. Operating 6 out of 12 production lines, the division is currently loss-making, and we assume no meaningful turnaround in CY25. A stronger ringgit reduces the reported loss in RM terms, and vice versa. |
| PARAMON | 86.4 | 86.4 | 0.0% | 86.4 | 0.0% | Paramon's 21.5% stake in EcoWorld International (EWI) faces FX fluctuations from its UK and Australian operations. However, due to the modest stake size, the impact remains minimal. EWI has also paused new launches amid high interest rates and elevated living costs in the UK, limiting earning contributions to Paramon for now. |
| SIMEPROP | 593.1 | 593.7 | 0.1% | 592.6 | -0.1% | The group is exposed to currency translation risk arising from its net investment in Battersea. Ringgit apapreciation reduces Battersea's reported loss magnitude in RM terms and vice versa. |
| SPSETIA | 185.1 | 187.2 | 1.2% | 182.9 | -1.2% | The group currently operates in Australia, Vietnam, and the UK. Earnings from the Australian project will only be recognized upon completion in 2029, so SPSETIA mainly faces FX fluctuations from the UK (Battersea) and Vietnam. A stronger ringgit reduces the reported loss from Battersea in RM terms, and vice versa. |
| SUNWAY | 863.2 | 861.6 | -0.2% | 864.8 | 0.2% | SUNWAY's ongoing projects in China and Singapore are subject to FX fluctuations. Ringgit appreciation is likely to reduce Sunway's earnings, as it decreases the Ringgit value of foreign revenue upon conversion. |
| **Total** | **2,912.3** | **2,911.2** | **0.0%** | **2,913.4** | **0.0%** | |
| **REIT** | | | | | | |
| CLMT | 147.3 | 147.3 | 0.0% | 147.3 | 0.0% | The trust has no foreign currency transactions or balances and is therefore not exposed to foreign currency risk. |
| KIPREIT | 51.5 | 51.5 | 0.0% | 51.5 | 0.0% | The trust has no foreign currency transactions or balances and is therefore not exposed to foreign currency risk. |
| SUNREIT | 362.4 | 362.4 | 0.0% | 362.4 | 0.0% | The trust has no foreign currency transactions or balances and is therefore not exposed to foreign currency risk. |
| **Total** | **561.2** | **561.2** | **0.0%** | **561.2** | **0.0%** | |

*Source: TA Securities*

**Telecommunication (Positive)** **Chan Mun Chun**

- Most major telco players in Malaysia do not have significant foreign exposure except for AXIATA. Generally, the strengthening ringgit should have a neutral to slightly positive impact on local telco players, given that some large capital expenditures, such as hardware and equipment, are imported from foreign countries. For AXIATA, despite having significant overseas exposure, we believe it could be a net beneficiary of a strengthening ringgit, as approximately 60.0% of its borrowings are denominated in USD. Based on our rough calculations, every 5% depreciation of the USD against the Ringgit will increase the group's earnings by 6.8%. Overall, the impact of every 5% strengthening of the Ringgit is expected to have an approximately 1.0% impact on our CY25 earnings for the telecommunication sector.

**Figure 49: Impact to Telecommunication Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Telecommunication** | | | | | | |
| AXIATA | 988.0 | 1,055.2 | 6.8% | 920.8 | -6.8% | Mainly due to the debt as 60.0% of its borrowings are denominated in USD. |
| CDB | 2,413.0 | 2,413.0 | 0.0% | 2,413.0 | 0.0% | The main business operation is in Malaysia, and exposure to USD is negligible. |
| MAXIS | 1,637.0 | 1,637.0 | 0.0% | 1,637.0 | 0.0% | The main business operation is in Malaysia, and exposure to USD is negligible. |
| TM | 1,624.0 | 1,624.0 | 0.0% | 1,624.0 | 0.0% | The main business operation is in Malaysia, and exposure to USD is negligible. |
| **Total** | **6,662.0** | **6,729.2** | **1.0%** | **6,594.8** | **-1.0%** | **Mainly due to Axiata as a result of its foreign currency debts.** |

*Source: TA Securities*

**Technology (Negative)** **Chan Mun Chun**

- We expect the near-term earnings of some semiconductor stocks in our coverage to be impacted by the recent strengthening of the Ringgit against the US dollar. Since the sales of many semiconductor players are primarily denominated in or tied to the USD, they are considered net losers of weaker USD. In a sensitivity analysis of companies under our technology universe, we estimate every 5% depreciation of the USD against the Ringgit will reduce **INARI/UNISEM/MPI/CORAZA/ELSOFT**'s earnings by 6.5%/14.5%/12.5%/10.5%/1.0%. Meanwhile, the currency impact on SKP and REXIT is expected to be negligible given that SKP has a special cost pass-through arrangement with its key customers, while REXIT's primary business exposure is within Malaysia.

- Overall, the impact of every 5% strengthening of Ringgit is expected to see approximately 8.3% earnings contraction to our CY25 earnings for the technology sector, mainly due to the sales of semiconductor players primarily denominated in USD.

**Figure 50: Impact to Technology Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Technology** | | | | | | |
| CORAZA | 11.9 | 10.7 | -10.5% | 13.1 | 10.5% | Approximately 70.0% of sales are denominated in USD. |
| ELSOFT | 15.5 | 15.3 | -1.0% | 15.7 | 1.0% | Minimal impact due to the group has cost pass-through arrangement with the key customers. |
| INARI | 445.2 | 416.2 | -6.5% | 474.1 | 6.5% | At least 80.0% of sales are denominated in USD. |
| MPI | 230.5 | 201.7 | -12.5% | 259.3 | 12.5% | Sales are mainly denominated in USD, coupled with high operating leverage as a result of high fixed cost. |
| REXIT | 14.8 | 14.8 | 0.0% | 14.8 | 0.0% | The main business operation is in Malaysia, and exposure to USD is negligible. |
| SKPRES | 148.7 | 148.7 | 0.0% | 148.7 | 0.0% | The group has a special cost pass-through arrangement with its key customer. Hence, the forex risk is minimal. |
| UNISEM | 205.1 | 175.4 | -14.5% | 234.8 | 14.5% | More than 90% of sales are mainly denominated in USD, coupled with high operating leverage as a result of high fixed cost. |
| **Total** | **1,071.7** | **982.8** | **-8.3%** | **1,160.5** | **8.3%** | **Mainly due to the sales of semiconductor players are primarily denominated in USD.** |

*Source: TA Securities*

**Transportation Sector (Positive)** **Tan Kam Meng**

- The sector earnings positively correlate with ringgit performance, and the impact is significant due to fuel consumption from airline operations, which is paid in USD. For every 5% increase in the value of the ringgit against the USD, the sector earnings would increase by 6.3% and vice-versa.

- Specifically for **Capital A (Hold, TP: RM0.87)**, fuel cost accounts for 40% of operating cost. For every 5% increase in the value of ringgit against USD, Capital A earnings would increase by 21.3% due to cost savings and vice versa. If fuel price and ringgit performance are not in favour, a fuel surcharge can be imposed to minimise the impact on earnings.

**Figure 51: Impact to Transportation Sector Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | | Comment |
|---|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change | |
| **Transportation** | | | | | | |
| CAPITALA | 828.4 | 1,005.2 | 21.3% | 651.6 | -21.3% | Capital A is sensitive to fuel cost, which is paid in USD. |
| CJCEN | 12.6 | 12.6 | 0.0% | 12.6 | 0.0% | No significant direct impact. |
| PTRANS | 74.0 | 74.0 | 0.0% | 74.0 | 0.0% | No significant direct impact. |
| AIRPORT | 738.4 | 731.6 | -0.9% | 745.2 | 0.9% | MAHB has little exposure to Euro due to its operations in Turkey. |
| WPRTS | 1,038.6 | 1,038.6 | 0.0% | 1,038.6 | 0.0% | No significant direct impact. |
| **Total** | **2,692.0** | **2,862.0** | **6.3%** | **2,522.0** | **-6.3%** | |

*Source: TA Securities*

## Conclusion

- **We believe the medium to long-term performance of the Ringgit will largely depend on government policies and its commitment to maintaining financial and economic stability.** While macroeconomic data will play a crucial role in supporting the Ringgit, it is equally important for the government to demonstrate a strong commitment to economic reforms that drive tangible results and enhance the profitability of public companies. Additionally, market sentiment will be a significant factor in currency performance. **For 2025, we project that the Ringgit's average could range between RM3.90 and RM4.30 per USD**, with a midpoint of RM4.10. A stronger ringgit, with the potential to chart a better average in 2025 as compared to RM4.55 in 2024, introduces both opportunities and risks across sectors.

- In this study, we found that the appreciation of the Ringgit has diverse implications across different economic sectors, reflecting both opportunities and challenges. A stronger Ringgit generally benefits sectors that rely heavily on imports, as it reduces the cost of acquiring foreign goods and raw materials. Conversely, export-driven industries and those earning significant revenues in foreign currencies face pressures as their earnings are negatively impacted when converted back to the stronger local currency.

- The appreciation of the ringgit has mixed effects across sectors, with some benefiting from reduced costs and others facing revenue pressures. In a nutshell, **we conclude that for every 5% appreciation in Ringgit, the core earnings of our stock universe will contract by 1.4% while the FBMKLCI component stocks under coverage will reduce by 1.9%.**

**Figure 52: Impact on FBMKLCI Based on a 5% Strengthening of the Ringgit**

| Company | CY25 Net profit (RM'mn) | | | | |
|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change |
| **FBMKLCI (Based on the following 25 component stocks under coverage)** | | | | | |
| SIME | 1,420.0 | 1,382.7 | 2.6% | 1,457.3 | -2.6% |
| NESTLE | 741.2 | 773.7 | 4.4% | 708.6 | -4.4% |
| QL | 472.4 | 478.2 | 1.2% | 466.7 | -1.2% |
| CIMB | 7,690.0 | 7,382.4 | -4.0% | 7,997.6 | 4.0% |
| HLBANK | 4,681.5 | 4,606.6 | -1.6% | 4,756.4 | 1.6% |
| MAYBANK | 9,914.1 | 9,765.4 | -1.5% | 10,062.8 | 1.5% |
| PBBANK | 7,293.7 | 7,293.7 | 0.0% | 7,293.7 | 0.0% |
| RHBBANK | 3,106.2 | 3,106.2 | 0.0% | 3,106.2 | 0.0% |
| GENTING | 2,051.4 | 1,930.8 | -5.9% | 2,172.4 | 5.9% |
| GENM | 1,384.8 | 1,352.7 | -2.3% | 1,416.7 | 2.3% |
| IHH | 1,705.5 | 1,675.4 | -1.8% | 1,735.5 | 1.8% |
| MISC | 2,380.5 | 2,374.0 | -0.3% | 2,387.0 | 0.3% |
| PCHEM | 2,775.0 | 2,715.0 | -2.2% | 2,835.0 | 2.2% |
| IOICORP | 1,398.8 | 1,264.1 | -9.6% | 1,533.5 | 9.6% |
| KLK | 1,268.7 | 1,116.6 | -12.0% | 1,420.8 | 12.0% |
| SDG | 1,502.2 | 1,285.2 | -14.4% | 1,719.1 | 14.4% |
| PETGAS | 2,085.1 | 2,110.5 | 1.2% | 2,059.8 | -1.2% |
| TENAGA | 4,657.9 | 4,679.9 | 0.5% | 4,635.9 | -0.5% |
| YTLPOWR | 2,982.3 | 2,890.2 | -3.1% | 3,074.3 | 3.1% |
| PETDAG | 923.7 | 918.6 | -0.6% | 928.9 | 0.6% |
| SUNWAY | 863.2 | 861.6 | -0.2% | 864.8 | 0.2% |
| AXIATA | 988.0 | 1,055.2 | 6.8% | 920.8 | -6.8% |
| CDB | 2,413.0 | 2,413.0 | 0.0% | 2,413.0 | 0.0% |
| MAXIS | 1,637.0 | 1,637.0 | 0.0% | 1,637.0 | 0.0% |
| TM | 1,624.0 | 1,624.0 | 0.0% | 1,624.0 | 0.0% |
| **Total** | **67,960.0** | **66,692.6** | **-1.9%** | **69,227.6** | **1.9%** |

*Source: TA Securities*

- In terms of sectors, **building materials, consumer goods**, **insurance, media, power & utilities, and transportation** will experience positive impacts as a stronger ringgit reduces the cost of imported components, goods, and USD-denominated debt. This results in lower production expenses, boosted consumer demand, and improved profit margins. For example, reduced input costs benefit consumer sectors, while insurance companies gain from cheaper imported motor parts.
- However, in the **banking sector**, currency fluctuations, particularly in the Singapore dollar, Indonesian rupiah, and Chinese yuan, need to be closely monitored, as they can lead to earnings reductions. Meanwhile, sectors like **automotive, gaming, healthcare, oil & gas, plantation, and technology** face negative impacts. These industries are reliant on foreign markets, and a stronger ringgit results in lower revenue when converting foreign earnings back to the local currency. Gaming operators with foreign casinos, glove manufacturers, and semiconductor firms are particularly vulnerable, as their foreign income's value diminishes with the currency appreciation.
- Other sectors, such as **property**, are expected to see a neutral impact, as most revenue and costs are ringgit-denominated, although property developers with overseas exposure may face some effects. Major **telecommunications** players, with minimal foreign exposure, are similarly insulated. In the **construction** sector, currency fluctuations could impact input costs, as suppliers might pass on cost increases to contractors, but this impact is expected to remain manageable.
- *Top five beneficiaries of stronger Ringgit are **LHI** (Buy, TP:RM0.76), **CAPITALA** (Hold, TP:RM0.87), **CHINWEL** (Sell, TP:RM0.69), **ANNJOO** (Buy, TP:RM1.05) and **ASTRO** (Buy, TP:RM0.30). Top losers are **UNISEM** (Buy, TP:RM3.62), **SDG** (Sell, TP:RM4.70), **MPI** (Buy, TP:RM38.20), **KLK** (Hold, TP:RM22.09) and **CORAZA** (Buy, TP:RM0.53).*

**Figure 53: Impact on Sectors Based on a 5% Strengthening of the Ringgit**

| Sector | CY25 Net profit (RM'mn) | | | | |
|---|---|---|---|---|---|
| | Current | After 5% Appreciation in RM | % Change | After 5% Depreciation in RM | % Change |
| Automobile | 1,995.1 | 1,959.5 | -1.8% | 2,030.7 | 1.8% |
| Building materials | 168.4 | 176.7 | 4.9% | 160.2 | -4.9% |
| Consumer | 4,376.5 | 4,497.2 | 2.8% | 4,255.8 | -2.8% |
| Construction | 2,646.8 | 2,547.3 | -3.8% | 2,746.3 | 3.8% |
| Finance | 36,244.5 | 35,713.3 | -1.5% | 36,775.8 | 1.5% |
| Gaming | 3,657.3 | 3,502.4 | -4.2% | 3,812.4 | 4.2% |
| Healthcare | 2,841.6 | 2,774.8 | -2.4% | 2,908.4 | 2.4% |
| Insurance | 834.3 | 843.7 | 1.1% | 824.8 | -1.1% |
| Media | 202.2 | 212.9 | 5.3% | 191.6 | -5.3% |
| Oil & Gas | 5,484.9 | 5,389.5 | -1.7% | 5,580.3 | 1.7% |
| Plantation | 4,704.7 | 4,183.0 | -11.1% | 5,226.3 | 11.1% |
| Power & Utilities | 11,026.2 | 10,975.1 | -0.5% | 11,077.3 | 0.5% |
| Property | 2,912.3 | 2,911.2 | 0.0% | 2,913.4 | 0.0% |
| REIT | 561.2 | 561.2 | 0.0% | 561.2 | 0.0% |
| Telecommunication | 6,662.0 | 6,729.2 | 1.0% | 6,594.8 | -1.0% |
| Technology | 1,071.7 | 982.8 | -8.3% | 1,160.5 | 8.3% |
| Transportation | 2,692.0 | 2,862.0 | 6.3% | 2,522.0 | -6.3% |
| **Grand Total** | **88,081.7** | **86,821.9** | **-1.4%** | **89,341.8** | **1.4%** |

*Source: TA Securities*

- In conclusion, the appreciation of the Ringgit presents opportunities and risks, with sectors like automotive, consumer, insurance, and media emerging as winners due to lower input costs and improved domestic purchasing power. On the other hand, sectors such as gaming, healthcare, and technology face challenges from reduced foreign earnings. Ultimately, the effects of a stronger currency are highly sector-specific, shaped by the balance between local cost savings and foreign revenue exposure.

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