

Thursday, 30 April 2009

# Flash Notes

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## Malaysia: BNM Kept OPR Steady at 2.0% in April

Bank Negara kept its key Overnight Policy Rate (OPR) unchanged at 2.0% on Wed against mixed market expectation after the central bank repeatedly said that the interest rate cuts had been front-loaded while economic data remained weak and inflation eased. We have expected the BNM to cut the OPR by 25bps at the April meeting to end the rate cut cycle in the country. This followed a 50bps cut at its previous meeting in February. BNM said it believed the monetary policy in the country has been sufficiently loose to support domestic demand and expects the economy to improve in 2H09. This warranted the rate decision yesterday.

The break in the rate easing trend on Wed suggests that the BNM will probably remain on hold for the rest of the year with cumulative rate cuts of 150bps since it began cutting rates in November 2008. However, this will not have significant impact on USD/MYR as most Asian central banks are nearing if not at the end of their interest rates easing cycle. We expect the pair to rebound to 3.64 by end-2Q and then ease to 3.56 by year-end as global economic outlook improves.

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