

What's happening to my Ringgit?

Understand Forex and figure out your next move

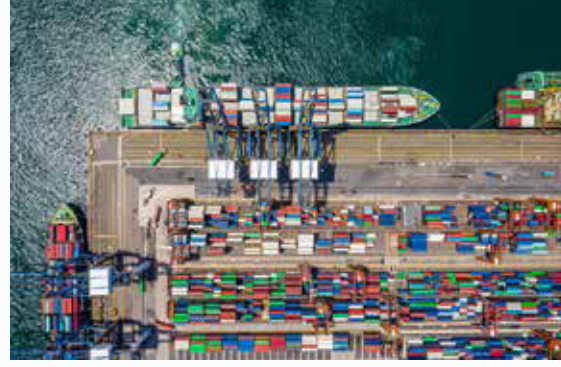
Foreign Exchange, (Forex or FX), is one of the most common things in the world of finance. It allows you to exchange one currency for another at any point in time at the most recent prices. Can you invest in it?

Here's a fresh take on it: It looks complicated, but it really isn't. If you can understand it well enough, it's a good tool that every investor should know how to make use of. In this article, we're starting with the basics.



What is Forex, and where is it used?

Forex stretches far beyond money changers, when you travel overseas, shop online or even the many expatriates or migrant labourers who send money home. The Forex market is a lot larger than just that; its part and parcel of our everyday lives. To give you an idea of the size of the Forex market, here's an example:



The container terminal of Hong Kong processes millions of tonnes of cargo around the clock. It's all paid for by buyers and sellers across the world using various currencies. Without Forex, none of this would be possible at all.

It's solely not limited to physical goods, think about corporations or governments investing in foreign countries or making bond market repayments, all of this depends on the exchange of currencies. Forex is pervasive in our modern world - it is everywhere you look.

“The forex market is gigantic: In 2019, USD \$6.6 trillion was traded per day”

Source: FX markets, The Triennial Central Bank Survey by the Bank for International Settlements.



How some currencies became as ‘good as gold’



The pre-independence US Dollar: Over two and a half centuries later, it's now the world's reserve currency. The strength of currencies takes time to develop, and is driven by trust, stability and wide usage in all kinds of transactions globally.

Currency strength: some key factors to look for:

- Healthy supply and demand
- Balanced inflation levels
- Well-managed monetary supply (eg: controlled money printing by the central bank)
- Political aspects such as stability, acceptance into Free Trade Agreements or regional unions
- Low corruption or wastage of public funds

Strong currencies are considered 'safe haven' currencies you can hold in volatile times. Based on the factors above, they tend to be stable over time.

Some strong currencies to get familiar with:



Swiss Francs (CHF) Strength due to stability of Swiss government and financial system.	US Dollars (USD) The world's reserve currency used by central banks and financial institutions internationally.	Japanese Yen (JPY) Known for high tech, innovative design of manufactured goods – an 'eastern' alternative to western currencies.
Australian Dollars (AUD) The world's biggest coal and iron exporter. Resource-rich, and a major exporter of petroleum and gold.*	New Zealand Dollars (NZD) The world's biggest exporter of concentrated milk. Also exports other dairy products, meat, and wool.*	Canadian Dollars (CAD) Relies on exports of natural resources like timber and fuels. The price of oil is a major driver in the economy.

*Source: Observatory of Economic Complexity (OEC)

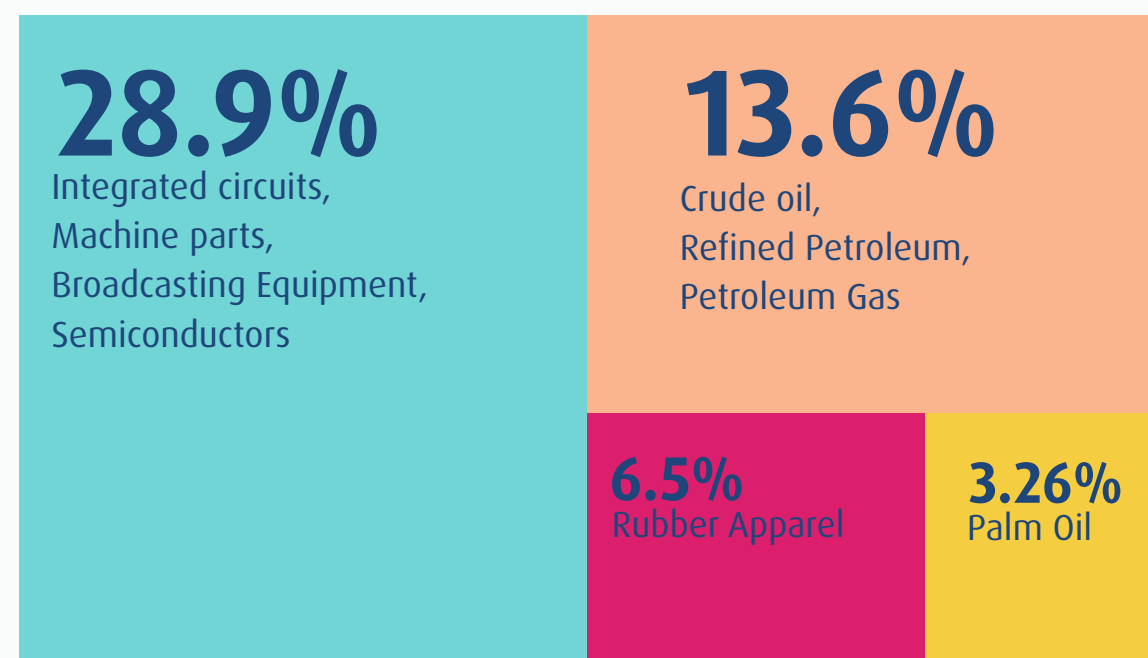


MYR: The good, the bad and its future

Malaysia is considered an emerging market – a developing nation that is transitioning from a low-income nation to a modern, industrial economy with higher standards of living.

Part of this transition will see both high inflows and outflows of foreign investments, making the Ringgit a relatively unstable currency.

Malaysia's top four exports:

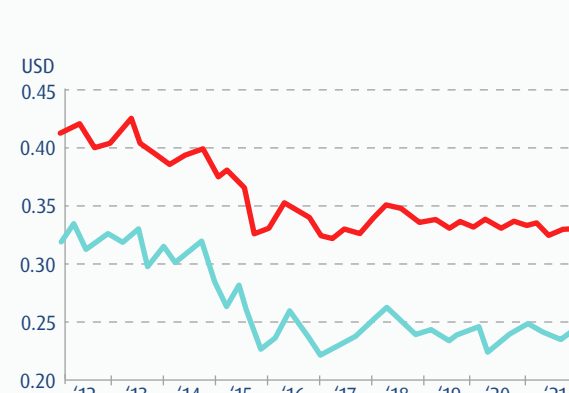


Source: OED

However, these products and commodities have volatile prices, and in turn, they affect the volatility of the Ringgit as well.

The volatility of any currency can also driven by political stability and the ability to withstand geopolitical pressures, resolve corruption scandals and put in place concrete economic growth plans amongst many other factors.

How much USD or SGD can you buy with RM1?



We see constant reminders that the MYR is worth less and less vs the USD or SGD. For those looking to protect the value of their savings, it may be good to diversify your holdings to include strong currencies like the USD and SGD amongst others.

Time to start investing in Forex

Forex trading can be a good active strategy for investors. Wise investors use it to diversify their investments to try to reduce their overall risk. They tend to monitor and buy into currencies when prices are lower. The forex market is ideal for this approach as it is highly liquid and has fast-moving trends. As with all things in investing, if you understand the market you can do well.

Two simple ways to get started:

ONE: Use what you may already have; your HLB account. You can use it to hold your foreign currencies and even check the latest rates through the HLB Connect app.



To learn more about opening a foreign currency account, [click here!](#)

TWO: When investing in the various funds we offer, many allow you to denominate your investment in a foreign currency. It's a simple way to gain exposure to other currencies. Ask your investment advisor for help!

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Please reach out if you need to know more, or need personalised help.

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