

Ringgit Strengthens Slightly Against US Dollar Amid Tariff Uncertainty

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The Malaysian ringgit showed early gains against the US dollar on Tuesday, buoyed by broader weakness in the greenback as investors await clarity on forthcoming trade decisions from Washington. The modest appreciation comes amid global market uncertainty, with the United States expected to decide on a fresh round of reciprocal tariffs by August 1.

As of 8:01 a.m. local time, the ringgit traded at 4.2230/4.2450 against the US dollar, strengthening from Monday's closing level of 4.2320/4.2365. This movement reflects cautious optimism from traders as the dollar softens, largely driven by geopolitical tensions and trade policy speculation surrounding the Trump administration's stance on imports.

Afzanizam Rashid, Chief Economist at Bank Muamalat Malaysia Berhad (Bhd), stated that the ringgit is likely to maintain its positive momentum in the near term. However, he also noted that lingering uncertainty over potential US tariff actions remains a key risk factor for market sentiment. Rashid emphasized that investors are keeping a close eye on Washington's approach to tariff enforcement and any shifts in economic diplomacy.

The scheduled tariff decision has put currency markets on edge, as traders weigh the potential global impact of further protectionist measures. The United States' trade policy, especially under the Trump administration, has focused heavily on reciprocal tariffs, taxes imposed on imports from countries that levy similar duties on US goods.

While the ringgit's gain was modest, it underscores the sensitivity of emerging market currencies to developments in US fiscal and trade policy. A weaker dollar often provides relief to currencies like the ringgit, but prolonged ambiguity over tariff structures could dampen this effect.

Market participants now look toward upcoming statements from US Treasury officials and the Office of the United States Trade Representative (USTR) for guidance. With the August 1 deadline approaching, clarity, or lack thereof, could determine near-term currency movements across Asia and beyond.

In the meantime, financial analysts suggest maintaining a cautious outlook, highlighting that currency strength driven by temporary dollar softness may not hold if tariff decisions swing markets sharply in either direction.