

# Ringgit Outlook

Ringgit rally may run out of steam this week

### Fundamental Overview

- MYR extended its gain for the second straight week. It closed higher last Friday as the dollar tumbled on risk-seeking environment amid easing lockdown among emerging countries.
- The local note is expected to gain further as Malaysia set to enter the recovery movement control order (RMCO) phase and supported by the National Economic Recovery Plan (PENJANA). In addition, a rebound in Brent crude oil price as OPEC+ had agreed on extending record output cuts to end of July, reaffirming ringgit strength going forward.

### Technical Analysis

- EMA signals a potential bullish comeback for USD this week, with the local note expected to depreciate by 0.27% against the greenback from its closing price of 4.267 last Friday.
- The technical outlook for USDMYR trend this week remains to the upside, with an immediate resistance seen at (R1) 4.302 level where a breach will aim at the (R2) 4.338 level. Conversely, a downward reversal may drive the pair towards the (S2) 4.227 level, should the pair tilt below the (S1) 4.247 support level.

**Table 1: Currency Outlook**

Long Term*						
	Q1-20	Q2-20F	Q3-20F	Q4-20F	Q1-21F	OUTLOOK
USDMYR	4.321	4.345	4.325	4.302	4.278	▲
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.278	4.302	4.338	4.247	4.227	▲

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

EMA (5): 5-day Exponential Moving Average

EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

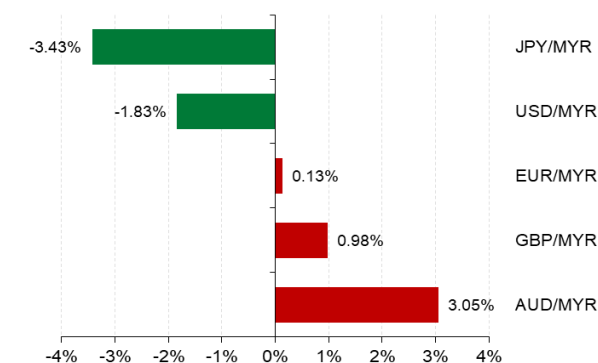
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

**Graph 1: USDMYR**



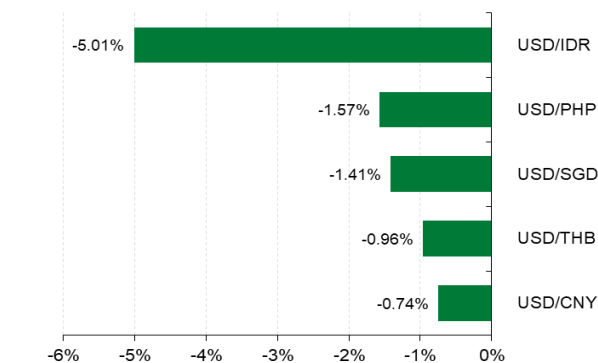
Source: Kenanga Research, Bloomberg

**Graph 2: Weekly Performance of Core Pairs**



Source: Kenanga Research, Bloomberg

**Graph 3: Weekly Peers' Performance**



Source: Kenanga Research, Bloomberg

09 June 2020

Table 2: Performance of Core Pairs

Currencies	02/01/20	05/06/19	05/05/20	29/05/20	05/06/20	ytd (%)	yoy (%)	mom (%)	wow (%)
	YTD	Last Year	Last Month	Last Week					
<b>MYR</b>									
USDMYR	4.089	4.175	4.306	4.347	4.267	4.36%	2.20%	-0.92%	-1.83%
AUDMYR	2.864	2.923	2.767	2.889	2.978	3.97%	1.87%	7.60%	3.05%
GBPMYR	5.405	5.309	5.358	5.343	5.395	-0.19%	1.62%	0.70%	0.98%
EURMYR	4.584	4.709	4.672	4.831	4.838	5.55%	2.74%	3.55%	0.13%
JPYMYR	3.758	3.855	4.034	4.032	3.893	3.60%	0.99%	-3.48%	-3.43%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	13893	14269	15080	14610	13878	-0.11%	-2.74%	-7.97%	-5.01%
USDTHB	30.152	31.336	32.402	31.812	31.507	4.49%	0.55%	-2.76%	-0.96%
USDSGD	1.3475	1.3647	1.4163	1.4135	1.394	3.41%	2.11%	-1.61%	-1.41%
USDPHP	50.719	51.759	50.531	50.605	49.810	-1.79%	-3.77%	-1.43%	-1.57%
USDCNY	6.9643	6.9089	7.0632	7.1364	7.083	1.71%	2.53%	0.29%	-0.74%
USDJPY	108.81	108.31	106.75	107.83	109.59	0.72%	1.18%	2.66%	1.63%
<b>USD</b>									
EURUSD	1.120	1.126	1.084	1.110	1.129	0.84%	0.28%	4.19%	1.72%
GBPUSD	1.321	1.271	1.245	1.234	1.267	-4.11%	-0.32%	1.72%	2.63%
AUDUSD	0.700	0.700	0.644	0.667	0.697	-0.40%	-0.39%	8.15%	4.53%

Source: Bloomberg, Kenanga Research

Table 3: Upcoming Major Data Release

Date	Country	Indicator	Consensus/Forecast
10/6/2020	US	Inflation Rate YoY (MAY)	0.2%
11/6/2020	US	Fed Interest Rate Decision	0.25%
11/6/2020	MY	Industrial Production YoY (APR)	N/A
11/6/2020	US	Initial Jobless Claims (06/JUN)	1500K
11/6/2020	US	PPI YoY (MAY)	-1.1%
12/6/2020	MY	Retail Sales YoY (APR)	N/A
12/6/2020	US	Import Prices MoM (MAY)	0.6%
12/6/2020	US	Export Prices MoM (MAY)	0.4%

Source: Trading Economics, Kenanga Research

## For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Atiqa Noor Azlan**  
Economist  
[atiqa.noorazlan@kenanga.com.my](mailto:atiqa.noorazlan@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)