

# Ringgit Outlook

Positive prospect on the back of oil market rebalancing and travel bubble talks

## Fundamental Overview

- MYR eased against the USD last week, despite the recovery in oil prices. The weakness was mainly due to the favourable market sentiment around the greenback and a sharp spike in Malaysia's unemployment rate.
- The positive tone surrounding the oil market is expected to uplift the commodity-linked currency from last week's loss. In addition, the news on possible bilateral travel bubble between Malaysia and six other 'green' countries will help to provide further support for the local note.

## Technical Analysis

- EMA suggests a downward bias for MYR this week with the local note to depreciate slightly by 0.13% to 4.273 against USD from its closing price of 4.262 last Friday.
- Overall, the short-term technical outlook indicates MYR to trade within a range between 4.260 and 4.290. A support level is seen at (S1) 4.262, while resistance may test (R1) 4.278. However, we believe a breach above (R2) 4.288 is needed to reaffirm the bearish MYR setup.

Table 1: Currency Outlook

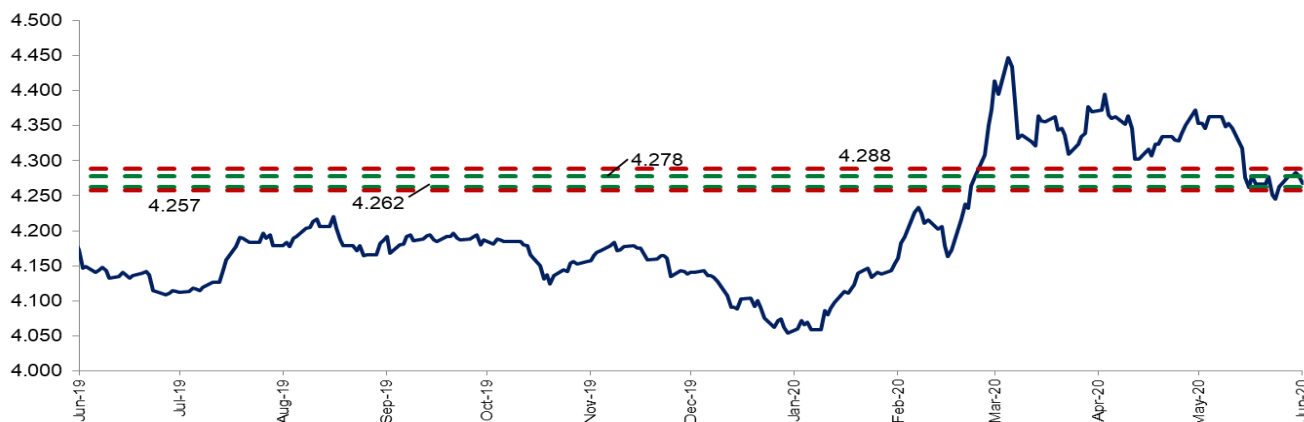
| Long Term*             |         |        |        |        |        |         |
|------------------------|---------|--------|--------|--------|--------|---------|
|                        | Q1-20   | Q2-20F | Q3-20F | Q4-20F | Q1-21F | OUTLOOK |
| USDMYR                 | 4.321   | 4.345  | 4.325  | 4.302  | 4.278  | ▲       |
| Short Term (Technical) |         |        |        |        |        |         |
|                        | EMA (5) | R1     | R2     | S1     | S2     | OUTLOOK |
| USDMYR                 | 4.273   | 4.278  | 4.288  | 4.262  | 4.257  | ▲       |

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.

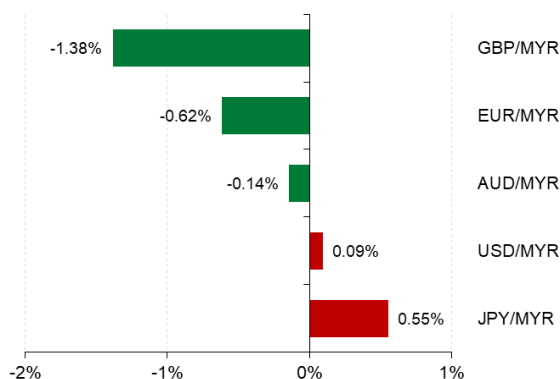
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR



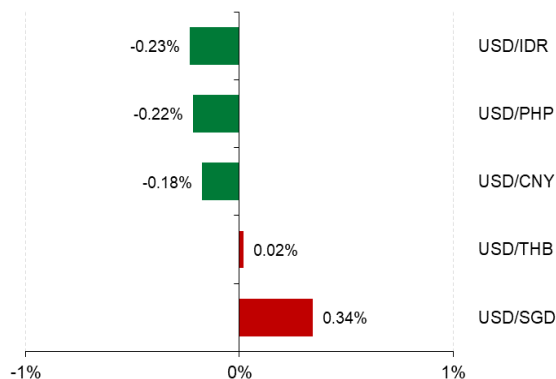
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

22 June 2020

Table 2: Performance of Core Pairs

| Currencies               | 02/01/20 | 19/06/19  | 19/05/20   | 12/06/20  | 19/06/20 | ytd (%) | yoy (%) | mom (%) | wow (%) |
|--------------------------|----------|-----------|------------|-----------|----------|---------|---------|---------|---------|
|                          | YTD      | Last Year | Last Month | Last Week |          |         |         |         |         |
| <b>MYR</b>               |          |           |            |           |          |         |         |         |         |
| USDMYR                   | 4.089    | 4.173     | 4.353      | 4.264     | 4.268    | 4.37%   | 2.28%   | -1.97%  | 0.09%   |
| AUDMYR                   | 2.864    | 2.869     | 2.850      | 2.940     | 2.936    | 2.52%   | 2.33%   | 3.01%   | -0.14%  |
| GBPMYR                   | 5.405    | 5.250     | 5.325      | 5.384     | 5.310    | -1.77%  | 1.14%   | -0.28%  | -1.38%  |
| EURMYR                   | 4.584    | 4.678     | 4.760      | 4.827     | 4.797    | 4.67%   | 2.55%   | 0.78%   | -0.62%  |
| JPYMYR                   | 3.758    | 3.849     | 4.045      | 3.971     | 3.993    | 6.25%   | 3.73%   | -1.28%  | 0.55%   |
| <b>ASEAN 5 + CN + JP</b> |          |           |            |           |          |         |         |         |         |
| USDIDR                   | 13893    | 14270     | 14770      | 14133     | 14100    | 1.49%   | -1.19%  | -4.54%  | -0.23%  |
| USDTHB                   | 30.152   | 31.262    | 31.888     | 31.015    | 31.021   | 2.88%   | -0.77%  | -2.72%  | 0.02%   |
| USDSGD                   | 1.348    | 1.3674    | 1.4156     | 1.3926    | 1.397    | 3.70%   | 2.19%   | -1.29%  | 0.34%   |
| USDPHP                   | 50.719   | 51.892    | 50.715     | 50.18     | 50.071   | -1.28%  | -3.51%  | -1.27%  | -0.22%  |
| USDCNY                   | 6.964    | 6.9036    | 7.0989     | 7.0835    | 7.071    | 1.53%   | 2.42%   | -0.39%  | -0.18%  |
| USDJPY                   | 108.81   | 108.4     | 107.63     | 107.38    | 106.87   | -1.78%  | -1.41%  | -0.71%  | -0.47%  |
| <b>USD</b>               |          |           |            |           |          |         |         |         |         |
| EURUSD                   | 1.120    | 1.121     | 1.097      | 1.126     | 1.118    | -0.18%  | -0.26%  | 1.91%   | -0.69%  |
| GBPUSD                   | 1.321    | 1.259     | 1.225      | 1.254     | 1.235    | -6.52%  | -1.88%  | 0.83%   | -1.52%  |
| AUDUSD                   | 0.700    | 0.687     | 0.655      | 0.687     | 0.684    | -2.32%  | -0.54%  | 4.38%   | -0.45%  |

Source: Bloomberg, Kenanga Research

Table 3: Upcoming Major Data Release

| Date       | Country | Indicator                            | Consensus/Forecast |
|------------|---------|--------------------------------------|--------------------|
| 23/06/2020 | US      | Markit Manufacturing PMI Flash (JUN) | 44                 |
| 24/06/2020 | MY      | Inflation Rate (MAY)                 | N/A                |
| 25/06/2020 | US      | GDP Growth Rate Final (Q1)           | -0.05              |
| 25/06/2020 | US      | Trade Balance Adv (MAY)              | N/A                |
| 25/06/2020 | US      | Initial Jobless Claims 20/JUN        | 1275K              |
| 26/06/2020 | US      | Personal Income (MAY)                | -0.06              |
| 26/06/2020 | US      | Personal Spending (MAY)              | 0.09               |
| 26/06/2020 | US      | PCE Price Index (MAY)                | N/A                |

Source: Trading Economics, Kenanga Research

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