

Ringgit Outlook

A technical correction expected despite heightened domestic political uncertainty

Fundamental Overview

- MYR depreciated to a two-week low last week, weighed by the cloudy local political scene and a weaker oil price. Rising COVID-19 infections further weaken the local note amid strengthening USD. Meanwhile, FTSE Russell's decision to keep Malaysia on the watch list of the FTSE WGBI alongside RM10.0b KITA PRIHATIN fiscal stimulus has managed to support MYR from further downside.
- The ringgit is expected to remain under pressure due to domestic political uncertainty and fears of COVID-19 resurgence as evident by the rising number of new cases domestically and globally. Nevertheless, China's ongoing recovery may boost confidence in Asian currencies, and probably giving a lift to the ringgit upside.

Technical Analysis

- Notwithstanding the current risk-off environment, MYR has the potential to bounce back by at least 0.35% and trade at around 4.156 this week, based on our 5-day EMA.
- From a technical point of view, the USD could be at the cusp of reversing its gains against the MYR and trade around the (S1) 4.138 level. Conversely, if the (R1) 4.187 level is broken, then the pair might attempt to move higher and test the (R2) 4.203 level.

Table 1: Currency Outlook

Long Term*						
	Q2-20	Q3-20F	Q4-20F	Q1-21F	Q2-21F	OUTLOOK
USDMYR	4.286	4.175	4.302	4.278	4.253	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.156	4.187	4.203	4.138	4.106	▼

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.

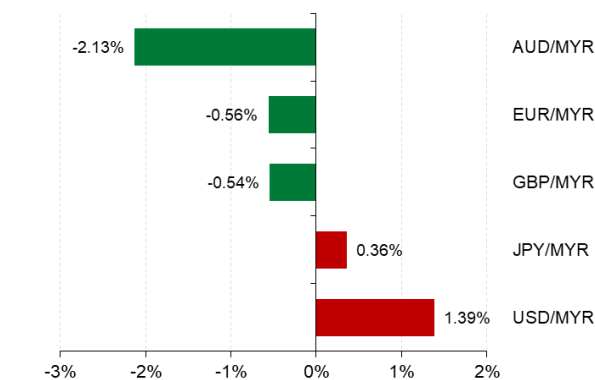
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR



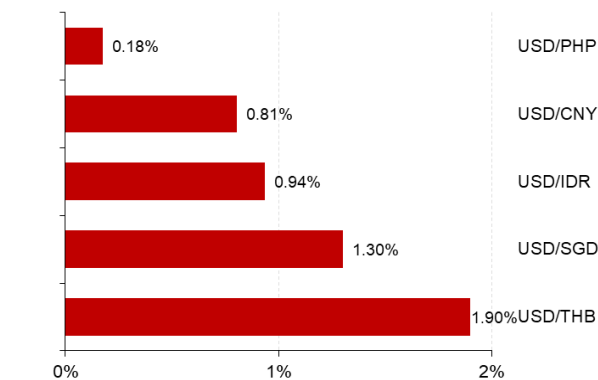
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

28 September 2020

Table 2: Performance of Core Pairs

Currencies	02/01/20 YTD	25/09/19 Last Year	25/08/20 Last Month	18/09/20 Last Week	25/09/20	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.089	4.192	4.169	4.114	4.171	2.00%	-0.50%	0.04%	1.39%
AUDMYR	2.864	2.841	2.987	3.011	2.947	2.89%	3.72%	-1.35%	-2.13%
GBPMYR	5.405	5.211	5.467	5.350	5.321	-1.57%	2.10%	-2.67%	-0.54%
EURMYR	4.584	4.611	4.931	4.886	4.858	5.99%	5.37%	-1.48%	-0.56%
JPYMYR	3.758	3.906	3.916	3.936	3.950	5.10%	1.13%	0.88%	0.36%
SGDMYR	3.036	3.042	3.045	3.038	3.032	-0.13%	-0.32%	-0.44%	-0.20%
ASEAN 5 + CN + JP									
USDIDR	13893	14152	14649	14735	14873	7.05%	5.09%	1.53%	0.94%
USDTHB	30.152	30.553	31.483	31.034	31.624	4.88%	3.51%	0.45%	1.90%
USDSGD	1.3475	1.3779	1.3689	1.3599	1.378	2.23%	-0.02%	0.64%	1.30%
USDPHP	50.719	52.246	48.5	48.388	48.474	-4.43%	-7.22%	-0.05%	0.18%
USDCNY	6.9643	7.1315	6.9129	6.7692	6.824	-2.02%	-4.31%	-1.29%	0.81%
USDJPY	108.81	107.32	106.47	104.57	105.58	-2.97%	-1.62%	-0.84%	0.97%
USD									
EURUSD	1.120	1.099	1.183	1.184	1.163	3.87%	5.79%	-1.65%	-1.77%
GBPUSD	1.321	1.241	1.313	1.292	1.275	-3.52%	2.67%	-2.89%	-1.32%
AUDUSD	0.700	0.678	0.718	0.729	0.703	0.49%	3.78%	-2.08%	-3.54%

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release

Date	Country	Indicator	Consensus/Forecast
28/09/2020	MY	Exports (AUG)	4.9%
30/09/2020	MY	Money Supply (AUG)	N/A
30/09/2020	US	GDP Growth Rate Final (Q2)	-31.7% QoQ
01/10/2020	MY	Markit Manufacturing PMI (SEP)	N/A
01/10/2020	US	Personal Spending (AUG)	0.7%
01/10/2020	US	PCE Price Index (AUG)	N/A
01/10/2020	US	Non Farm Payrolls (SEP)	875K
01/10/2020	US	Unemployment Rate (SEP)	8.3%

Source: Kenanga Research, Trading Economics

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