

Ringgit Weekly Outlook

COVID-19 vaccine rollout and US stimulus talks to influence currency direction

Fundamental Overview

- Despite Fitch Rating's decision to downgrade Malaysia's sovereign debt rating to BBB+, MYR soared to its highest level in more than two years last week due to a surprising rebound in Brent crude oil price, COVID-19 vaccine optimism and further weakening of the US dollar.
- MYR may continue to gain strength against the greenback and breach the major psychological threshold of 4.00 as the US government plans to accelerate the COVID-19 inoculation rollout. The local note may continue to ride on the weaker US dollar this week as US stimulus talks continue.

Technical Analysis

- EMA technical indicator signals a reversal in the USDMYR trend, with the ringgit expected to depreciate against the greenback by 0.26% to 4.060 this week.
- The pair faces an initial resistance at (R1) 4.064, followed by (R2) 4.079. Conversely, a sustained dive below (S1) 4.042 suggests an extension of the bullish MYR trend.

Table 1: Currency Outlook

Long Term*						
	Q3-20	Q4-20F	Q1-21F	Q2-21F	Q3-21F	OUTLOOK
USDMYR	4.157	4.069	4.037	4.007	3.979	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.060	4.064	4.079	4.042	4.035	▲

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.

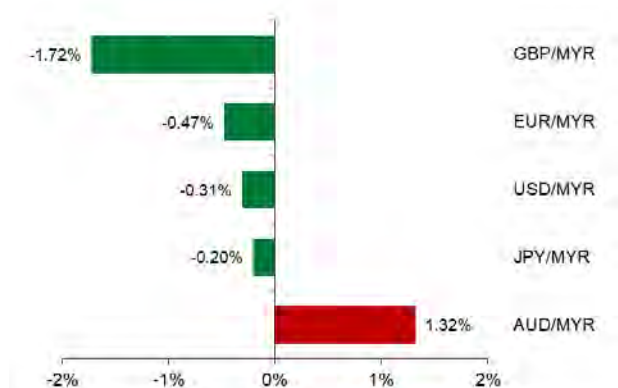
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



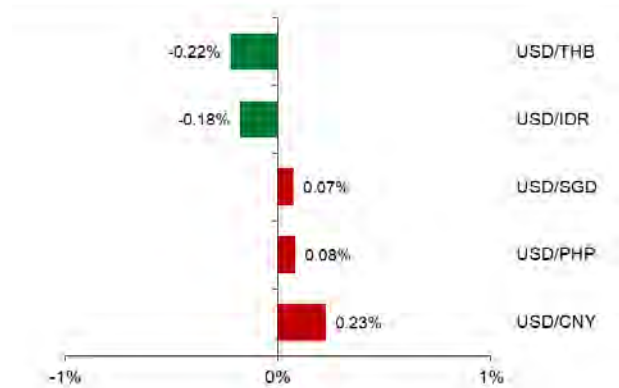
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

14 December 2020

Table 2: Performance of Core Pairs

Currencies	02/01/20 YTD	11/12/19 Last Year	11/11/20 Last Month	04/12/20 Last Week	11/12/20	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.089	4.165	4.133	4.062	4.050	-0.96%	-2.76%	-2.01%	-0.31%
AUDMYR	2.864	2.843	3.014	3.012	3.052	6.57%	7.36%	1.26%	1.32%
GBPMYR	5.405	5.472	5.487	5.448	5.355	-0.93%	-2.15%	-2.41%	-1.72%
EURMYR	4.584	4.617	4.870	4.937	4.914	7.21%	6.43%	0.89%	-0.47%
JPYMYR	3.758	3.832	3.918	3.900	3.892	3.57%	1.56%	-0.67%	-0.20%
SGDMYR	3.036	3.063	3.064	3.046	3.031	-0.16%	-1.05%	-1.08%	-0.49%
ASEAN 5 + CN + JP									
USDIDR	13893	14038	14085	14105	14080	1.35%	0.30%	-0.04%	-0.18%
USDTHB	30.152	30.264	30.285	30.191	30.124	-0.09%	-0.46%	-0.53%	-0.22%
USDSGD	1.348	1.360	1.349	1.336	1.337	-0.79%	-1.68%	-0.88%	0.07%
USDPHP	50.719	50.861	48.265	48.035	48.075	-5.21%	-5.48%	-0.39%	0.08%
USDCNY	6.964	7.039	6.631	6.532	6.546	-6.00%	-7.00%	-1.28%	0.23%
USDJPY	108.810	108.670	105.460	104.170	104.040	-4.38%	-4.26%	-1.35%	-0.12%
USD									
EURUSD	1.120	1.108	1.179	1.212	1.211	8.16%	9.29%	2.77%	-0.07%
GBPUSD	1.321	1.315	1.326	1.344	1.322	0.10%	0.54%	-0.26%	-1.61%
AUDUSD	0.700	0.684	0.729	0.743	0.753	7.66%	10.20%	3.29%	1.45%

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release

Date	Country	Indicator	Consensus/Forecast
15/12/2020	US	Industrial Production (NOV)	-5.0% YoY
16/12/2020	US	Retail Sales (NOV)	-0.3% MoM
16/12/2020	US	Markit Manufacturing PMI Flash (DEC)	55.8
16/12/2020	US	Markit Services PMI Flash (DEC)	56.5
17/12/2020	US	Fed Interest Rate Decision	0.25%
17/12/2020	US	Housing Starts (NOV)	1.53M
17/12/2020	US	Initial Jobless Claims (12/DEC)	800K
18/12/2020	US	Current Account (3Q20)	-USD188.9B

Source: Kenanga Research, Trading Economics

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
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 E-mail: research@kenanga.com.my

