

Ringgit Weekly Outlook

A continued rally expected on vaccine rollout optimism

Fundamental Overview

- MYR surged to a 29-month high last week driven by vaccine rollout optimism, US stimulus hopes and dovish US Fed. Continued rebound in Brent crude oil price which hit a level last seen prior to the start of the COVID-19 pandemic also boosted the local note.
- MYR is expected to strengthen this week underpinned by continued weakening of USD following mass COVID-19 vaccination campaign led by the US and UK as well as development in the US stimulus package.

Technical Analysis

- Contrary to MYR's bullish trend momentum, based on the EMA indicator, the ringgit is expected to depreciate slightly by 0.13% to 4.045 this week, highlighting a potential profit-taking sell-off for the local note.
- From a technical perspective, the dollar is expected to see some upward momentum this week, with an immediate resistance observed at (R1) 4.053 level. On the other hand, a break below the (S1) 4.030 support level is needed to confirm MYR extended bullish bias.

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 | 4.045 | 4.053 | 4.065 | 4.030 | 4.021 | ▲ |

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.

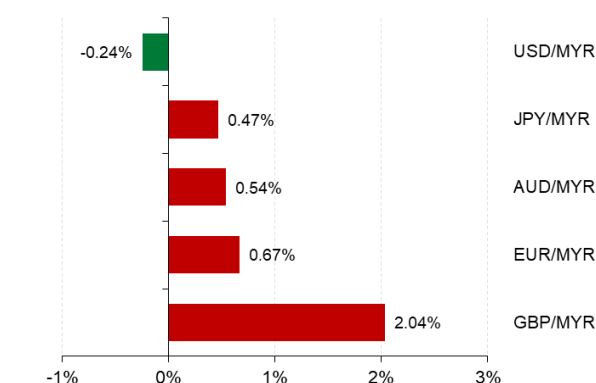
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



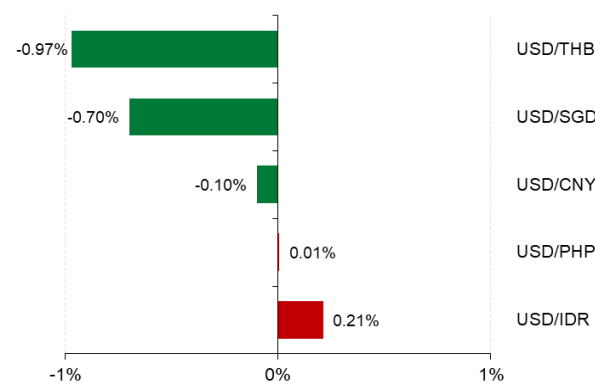
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

21 December 2020

Table 2: Performance of Core Pairs

| Currencies | 02/01/20 YTD | 18/12/19 Last Year | 18/11/20 Last Month | 11/12/20 Last Week | 18/12/20 | ytd (%) | yoy (%) | mom (%) | wow (%) |
|--------------------------|-----------------|-----------------------|------------------------|-----------------------|----------|---------|---------|---------|---------|
| MYR | | | | | | | | | |
| USDMYR | 4.089 | 4.139 | 4.087 | 4.050 | 4.040 | -1.20% | -2.39% | -1.16% | -0.24% |
| AUDMYR | 2.864 | 2.833 | 2.992 | 3.052 | 3.069 | 7.15% | 8.32% | 2.55% | 0.54% |
| GBPMYR | 5.405 | 5.421 | 5.431 | 5.355 | 5.464 | 1.08% | 0.79% | 0.61% | 2.04% |
| EURMYR | 4.584 | 4.605 | 4.857 | 4.914 | 4.947 | 7.93% | 7.41% | 1.86% | 0.67% |
| JPYMYR | 3.758 | 3.781 | 3.936 | 3.892 | 3.911 | 4.06% | 3.43% | -0.64% | 0.47% |
| SGDMYR | 3.036 | 3.052 | 3.049 | 3.031 | 3.041 | 0.18% | -0.36% | -0.25% | 0.34% |
| ASEAN 5 + CN + JP | | | | | | | | | |
| USDIDR | 13893 | 13988 | 14070 | 14080 | 14110 | 1.56% | 0.87% | 0.28% | 0.21% |
| USDTHB | 30.152 | 30.218 | 30.293 | 30.124 | 29.832 | -1.06% | -1.28% | -1.52% | -0.97% |
| USDSGD | 1.348 | 1.355 | 1.341 | 1.337 | 1.328 | -1.48% | -2.06% | -0.98% | -0.70% |
| USDPHP | 50.719 | 50.664 | 48.23 | 48.075 | 48.079 | -5.21% | -5.10% | -0.31% | 0.01% |
| USDCNY | 6.964 | 7.003 | 6.561 | 6.546 | 6.540 | -6.09% | -6.61% | -0.31% | -0.10% |
| USDJPY | 108.810 | 109.460 | 103.860 | 104.040 | 103.300 | -5.06% | -5.63% | -0.54% | -0.71% |
| USD | | | | | | | | | |
| EURUSD | 1.120 | 1.113 | 1.188 | 1.211 | 1.226 | 9.46% | 10.09% | 3.20% | 1.20% |
| GBPUSD | 1.321 | 1.310 | 1.329 | 1.322 | 1.352 | 2.36% | 3.25% | 1.74% | 2.26% |
| AUDUSD | 0.700 | 0.685 | 0.732 | 0.753 | 0.762 | 8.93% | 11.21% | 4.07% | 1.18% |

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release

| Date | Country | Indicator | Consensus/Forecast |
|------------|---------|---------------------------------|--------------------|
| 22/12/2020 | US | GDP Growth Rate Final (Q3) | 33.1% QoQ |
| 22/12/2020 | US | Existing Home Sales (NOV) | 6.7m |
| 23/12/2020 | MY | Inflation Rate YoY (NOV) | -1.3% YoY |
| 23/12/2020 | US | Personal Income (NOV) | -0.3% MoM |
| 23/12/2020 | US | Personal Spending (NOV) | -0.2% MoM |
| 23/12/2020 | US | Core PCE Price Index (NOV) | 1.5% YoY |
| 24/12/2020 | US | Durable Goods Orders (NOV) | 0.6% MoM |
| 24/12/2020 | US | Initial Jobless Claims (19/DEC) | 900.0k |

Source: Kenanga Research, Trading Economics

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