

Ringgit Weekly Outlook

Increased bearish probability as inflation fears weigh on markets

Fundamental Overview

- MYR closed lower at 4.050 on Friday, as higher US bond yields offset optimism on Malaysia's vaccination drive, positive export number and higher Brent crude oil price. The yield on the benchmark US 10-year treasury note rose to a one-year high of 1.52% on 25th Feb.
- MYR may remain under pressure as US bond yields are expected to keep rising as fears of rising inflation may continue to trigger a sell-off in the bond markets. In addition, the passing of Biden's USD1.9t stimulus may push the yield even higher. However, improving oil prices will continue to buoy the local note and cap it below the 4.100 level against the USD in the short to medium term horizon.

Technical Analysis

- On the contrary, our 5-day EMA indicator suggests that MYR might reverse its depreciation and appreciate slightly against the USD by 0.14% to 4.044 this week.
- Technical-wise, the pair faces an initial support at (S1) 4.043, followed by (S2) 4.037. On the other hand, should a sustained rise above (R1) 4.053 occur, it would affirm an extended bearish MYR trend.

Table 1: Currency Outlook

Long Term*						
	Q4-20	Q1-21F	Q2-21F	Q3-21F	Q4-21F	OUTLOOK
USDMYR	4.020	4.039	3.998	3.979	3.953	▲
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.044	4.053	4.056	4.043	4.037	▼

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.

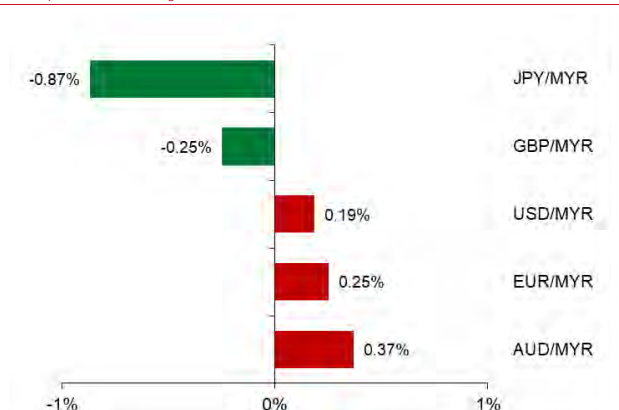
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



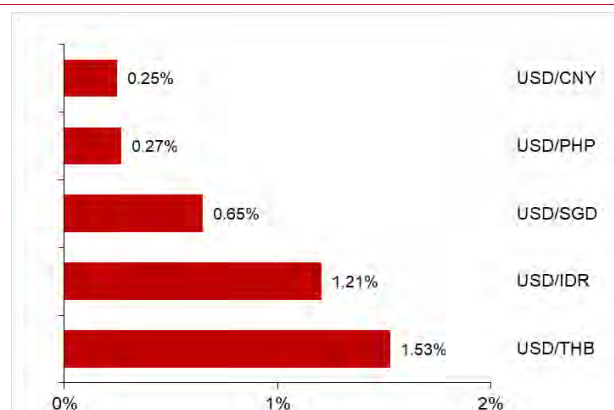
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

01 March 2021

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	26/02/20 Last Year	26/01/21 Last Month	19/02/21 Last Week	26/02/21	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.226	4.048	4.042	4.050	0.73%	-4.16%	0.05%	0.19%
AUDMYR	3.099	2.778	3.115	3.161	3.173	2.38%	14.21%	1.86%	0.37%
GBPMYR	5.495	5.482	5.523	5.660	5.646	2.74%	2.99%	2.23%	-0.25%
EURMYR	4.900	4.602	4.915	4.906	4.919	0.37%	6.87%	0.08%	0.25%
JPYMYR	3.895	3.828	3.899	3.833	3.800	-2.43%	-0.72%	-2.55%	-0.87%
SGDMYR	3.043	3.024	3.049	3.055	3.052	0.29%	0.91%	0.09%	-0.10%
ASEAN 5 + CN + JP									
USDIDR	14050	13940	14065	14065	14235	1.32%	2.12%	1.21%	1.21%
USDTHB	30.028	31.842	29.988	29.978	30.436	1.36%	-4.42%	1.49%	1.53%
USDSGD	1.322	1.398	1.327	1.324	1.333	0.81%	-4.66%	0.39%	0.65%
USDPHP	48.03	51.092	48.079	48.455	48.585	1.16%	-4.91%	1.05%	0.27%
USDCNY	6.527	7.023	6.465	6.458	6.474	-0.82%	-7.82%	0.13%	0.25%
USDJPY	103.200	110.390	103.800	105.450	106.570	3.27%	-3.46%	2.67%	1.06%
USD									
EURUSD	1.222	1.089	1.213	1.212	1.208	-1.15%	10.91%	-0.43%	-0.36%
GBPUSD	1.367	1.293	1.365	1.402	1.393	1.91%	7.74%	2.04%	-0.59%
AUDUSD	0.769	0.657	0.770	0.787	0.771	0.16%	17.31%	0.09%	-2.07%

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release

Date	Country	Indicator	Consensus/Forecast
1/3/2021	MY	Markit Manufacturing PMI (FEB)	N/A
1/3/2021	CN	Caixin Manufacturing PMI (FEB)	51.5
4/3/2021	MY	BNM Interest Rate Decision	1.75%
4/3/2021	US	Initial Jobless Claims (27/FEB)	755.0k
5/3/2021	US	Non Farm Payrolls (FEB)	165.0k
5/3/2021	US	Balance of Trade (JAN)	-USD67.5b
5/3/2021	US	Unemployment Rate (FEB)	6.3%

Source: Kenanga Research, Trading Economics

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