Asia FX Monthly Outlook
Stand to gain as USD weakening bias may persist on falling UST yields

CNY (6.475) ▲

- CNY strengthened against the USD in April, reaching a near 2-month high, on the back of robust domestic economic data with 1Q21 GDP growth registering a record 18.3% (4Q20: 6.5%). Additionally, the dollar was weighed by falling US Treasury (UST) yields and the US Fed's persistent dovish outlook.

- CNY may continue to trade higher this month, amid China's solid economic recovery and further USD weakness. Nevertheless, downside risks remain as US-CN tensions show no signs of easing.

JPY (109.310) ▼

- JPY strengthened in April mainly due to weaker USD amid falling UST yields despite weak local economic indicators, slower vaccine rollout and rising domestic COVID-19 infections.

- JPY may depreciate this month, weigh by the Bank of Japan dovish stance amid a state of emergency and lockdown measures as COVID-19 cases continue to rise. Nonetheless, the decline in UST yields may limit the downside.

MYR (4.088) ▲

- MYR rose 1.38% in April, its first monthly gain of the year as the 10-year UST yield slipped to 1.63% from 1.74% in March, dragging the USD lower. Despite local COVID-19 surge, the ringgit still managed to appreciate, supported by the rise in Brent crude oil price and a more encouraging domestic economic data.

- MYR is expected to remain volatile and fluctuate in the range of 4.07-4.13 before closing the month slightly higher against the greenback, as USD's sell-off is expected to persist in May. A stronger-than-expected 1Q21 MY GDP reading and positive CN's economic data could help to provide additional support for the ringgit.

IDR (14,445) ▲

- IDR inched up against the dollar in April as Bank Indonesia (BI) left the interest rate unchanged and further bolstered by the weak USD on the back of falling UST yields. However, the rupiah was pressured earlier due to concerns over the BI's independence.

- IDR is expected to extend its appreciation in May following the US Fed dovish stance and development in the US tax hikes. This would likely be supported by further improvement in the external sector amid wider global vaccine rollout.

THB (31.160) ▲

- THB appreciated marginally as the USD weakened amid a retreat in UST yields. However, the upside was limited by the emergence of a third wave of COVID-19 infections ahead of the Songkran holiday.

- THB may continue to strengthen against a bearish dollar trend as the Fed retains its dovish policy and Biden unveils his tax hikes proposal. These are expected to outweigh the impact from the tightened COVID-19 restrictions locally.

Table 1: Currencies Outlook

| | Long Term* | | | | | |
	Q1-21	Q2-21F	Q3-21F	Q4-21F	Q1-22F	OUTLOOK
USDCNY	6.553	6.451	6.460	6.481	6.506	▼
USDJPY	110.670	108.794	108.657	108.518	108.373	▼
USDMYR	4.145	4.088	3.979	3.953	3.931	▼
USDIDR	14525	14474	14562	14652	14739	▼
USDTHB	31.259	31.056	30.916	30.775	30.639	▼
USDPHP	48.535	48.079	48.012	47.928	47.854	▼

| | Short Term (Technical) | | | | | |
	EMA (21)	R1	R2	S1	S2	OUTLOOK
USDCNY	6.504	6.537	6.600	6.442	6.410	▲
USDJPY	108.787	110.810	112.310	107.790	106.270	▼
USDMYR	4.113	4.128	4.168	4.068	4.048	▲
USDIDR	14497	14558	14672	14388	14332	▲
USDTHB	31.268	31.443	31.727	31.018	30.877	▲
USDPHP	48.418	48.463	48.787	47.978	47.817	▲

Signal for USD Trend = ▲ Bullish   ▬ Neutral   ▼ Bearish
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

EMA (21): 21-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.

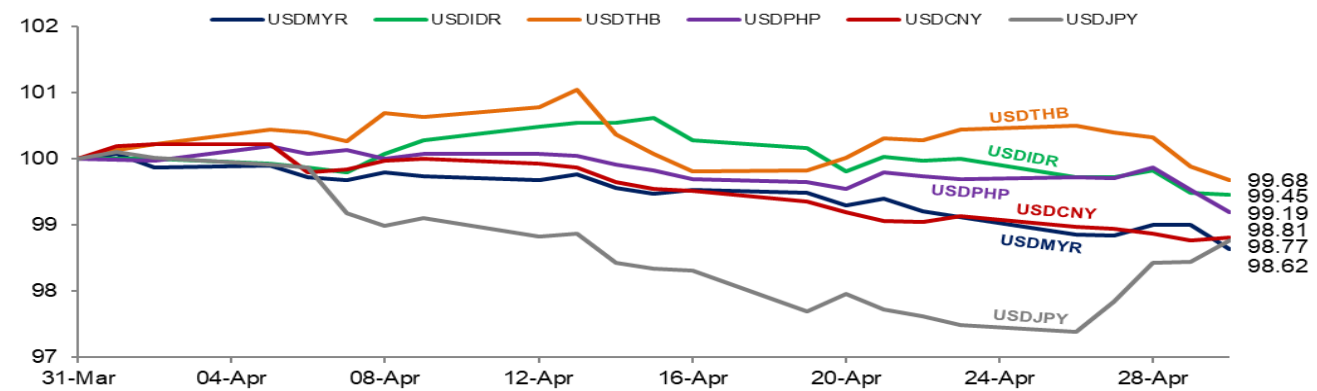$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Table 2: Upcoming Major Data Release

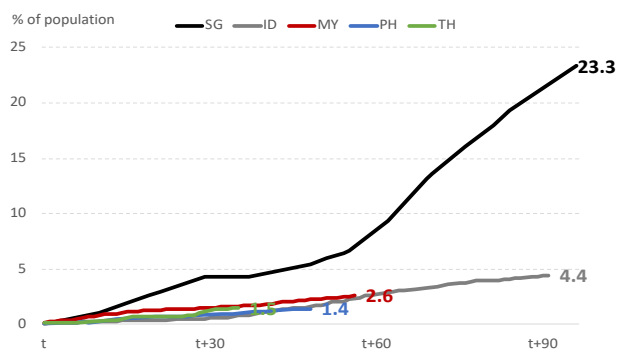| Date	Currency	Indicator
03/05/2021	IDR	Inflation (APR)
03/05/2021	MYR	PMI (APR)
05/05/2021	IDR	GDP (Q1)
05/05/2021	THB	Inflation (APR)
05/05/2021	THB	Interest Rate Decision
06/05/2021	MYR	Interest Rate Decision
07/05/2021	CNY	Trade (APR)
07/05/2021	MYR	Unemployment (MAR)
07/05/2021	MYR	Retail Sales (MAR)
11/05/2021	CNY	Inflation (APR)
11/05/2021	CNY	PPI (APR)
11/05/2021	MYR	GDP (Q1)
11/05/2021	MYR	Current Account (Q1)
13/05/2021	JPY	Current Account (MAR)
17/05/2021	CNY	Retail Sales (APR)
17/05/2021	CNY	Unemployment Rate (APR)
18/05/2021	THB	GDP (Q1)
20/05/2021	IDR	Trade (APR)
21/05/2021	JPY	Trade (APR)
21/05/2021	THB	Trade (APR)
22/05/2021	JPY	Inflation (APR)
25/05/2021	IDR	Retail Sales (MAR)
25/05/2021	IDR	Interest Rate Decision
26/05/2021	MYR	Inflation (APR)
28/05/2021	MYR	Trade (APR)
29/05/2021	JPY	Unemployment Rate (APR)
29/05/2021	MYR	Money Supply (APR)
31/05/2021	THB	Unemployment (APR)

Source: Kenanga Research, Trading Economics

Graph 1: Monthly Asia FX Indices Trend

Source: Kenanga Research, Bloomberg

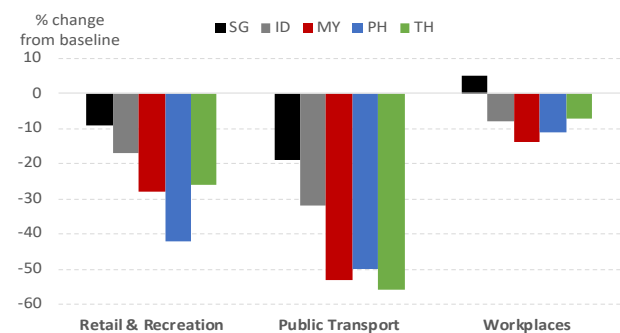## Update on ASEAN-5 COVID-19 vaccination pace and mobility recovery

Graph 2: Share of Population With COVID-19 Vaccine*

*minimum one dose, share of populations hits 0.1% on day t
Source: Our World in Data, Kenanga Research

Graph 3: Google Mobility Data

Source: Google COVID-19 Community Mobility Report, Kenanga Research

- The speed of COVID-19 vaccination within the ASEAN-5 varies, with smaller countries (i.e. SG) progressing at a much faster pace. A more important factor is the timing of the vaccination kick-off, whereby despite ID's massive population (eight times larger than MY's), it managed to be the first runner-up in the vaccination race, as it started its vaccination drive relatively early in January. Lagging behind are MY, PH and TH, with their inoculations began two months ago.

- The pace of vaccination correlates with the pace of economic recovery. Looking at Google Mobility Data, it is generally evident that mobility, which generates positive spillover to the overall economic activities, has recovered faster in SG (avg. -7.7%) and ID (-19.0%), and less so for MY (-31.7%), PH (-34.3%) and TH (-29.7%).

- Unfavourable movement of these two indicators, which is expected for TH and MY in the immediate term as they are battling a new wave of COVID-19 cases, would weigh on investors' sentiment, exerting additional pressure on their respective currencies.

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

Zalman Basree
Research Assistant