

Ringgit Weekly Outlook

Volatility expected to rise ahead of FOMC meeting

Fundamental Overview

- MYR further strengthened its position to below the 4.11 level against the USD as the 10-year US Treasury (UST) yield fell to below 1.5% despite a higher-than-expected increase in US CPI. The local note was also supported by record high Malaysia's IPI and retail sales readings, increased pace of vaccinations and higher Brent crude oil price.
- The local note could advance further against the greenback this week as the Fed's policy is expected to remain easy as we think that it is a little bit too soon for the Fed to be hawkish. However, stronger-than-expected readings in the US industrial production and retail sales data could potentially push the UST yields higher, prompting the MYR to trade lower against the USD.

Technical Analysis

- If the USDMYR pair can break above the 5-day EMA of 4.118, it is possible that we will see a short-term USD bullish reversal above the 4.120 level.
- Based on our technical analysis, the USD may test the pair's upside at (R1) 4.122 and potentially hit the (R2) 4.135 level if there is a surprise hawkish shift in the Fed's tone during the FOMC meeting. Conversely, a potential downside could tilt the pair towards the (S1) 4.102 and (S2) 4.096 support level.

Table 1: Currency Outlook

Long Term*						
	Q1-21	Q2-21F	Q3-21F	Q4-21F	Q1-22F	OUTLOOK
USDMYR	4.145	4.116	4.066	4.028	4.000	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.118	4.122	4.135	4.102	4.096	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

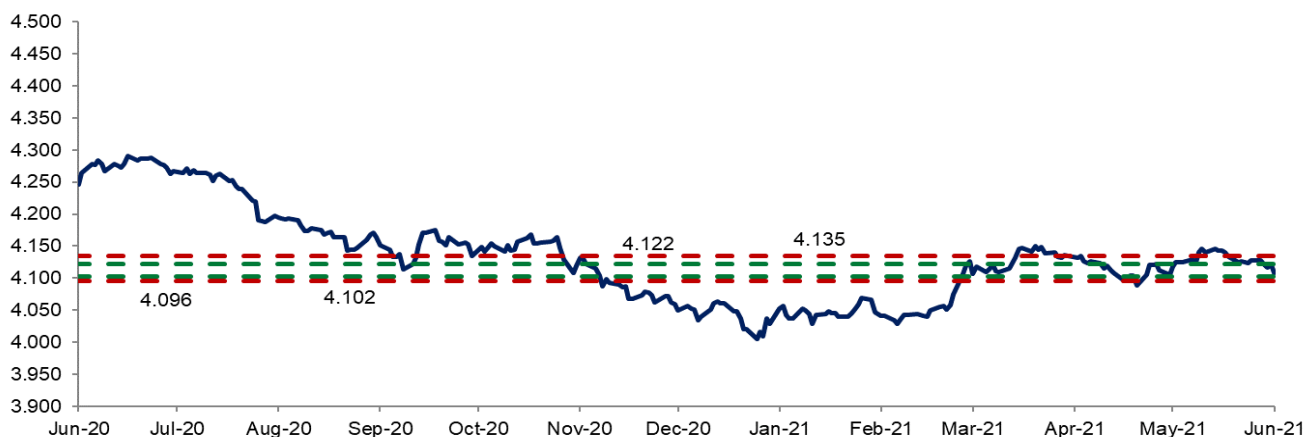
Source: Kenanga Research, Bloomberg

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.

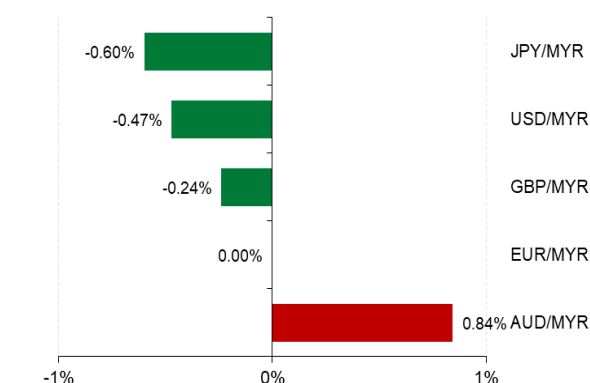
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



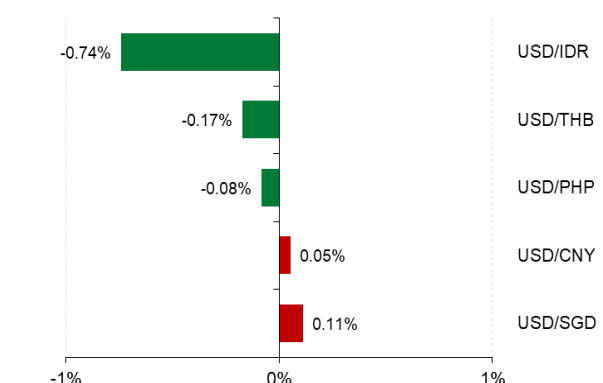
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

14 June 2021

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	11/06/20 Last Year	11/05/21 Last Month	04/06/21 Last Fortnight	11/06/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.246	4.118	4.128	4.109	2.19%	-3.23%	-0.22%	-0.47%
AUDMYR	3.099	2.951	3.232	3.163	3.190	2.92%	8.10%	-1.31%	0.84%
GBPMYR	5.495	5.397	5.824	5.831	5.818	5.86%	7.79%	-0.10%	-0.24%
EURMYR	4.900	4.841	5.010	5.000	4.999	2.02%	3.27%	-0.21%	0.00%
JPYMYR	3.895	3.967	3.786	3.769	3.746	-3.81%	-5.55%	-1.05%	-0.60%
SGDMYR	3.043	3.064	3.105	3.108	3.106	2.10%	1.37%	0.04%	-0.05%
ASEAN 5 + CN + JP									
USDIDR	14050	14020	14198	14295	14189	0.99%	1.21%	-0.06%	-0.74%
USDTHB	30.028	30.938	31.096	31.14	31.087	3.53%	0.48%	-0.03%	-0.17%
USDSGD	1.322	1.387	1.326	1.325	1.326	0.31%	-4.39%	0.03%	0.11%
USDPHP	48.03	50.19	47.82	47.74	47.701	-0.68%	-4.96%	-0.25%	-0.08%
USDCNY	6.527	7.065	6.429	6.395	6.399	-1.97%	-9.43%	-0.47%	0.05%
USDJPY	103.200	107.030	108.750	109.520	109.660	6.26%	2.46%	0.84%	0.13%
USD									
EURUSD	1.221	1.137	1.216	1.217	1.211	-0.87%	6.48%	-0.43%	-0.48%
GBPUSD	1.367	1.268	1.413	1.416	1.411	3.18%	11.22%	-0.13%	-0.35%
AUDUSD	0.769	0.693	0.784	0.774	0.771	0.18%	11.18%	-1.72%	-0.40%

Source: Kenanga Research, Bloomberg

Table 3: Upcoming Major Data Release And Policy Announcement for the Week

Date	Country	Indicator	Consensus/Forecast
15/6/2021	US	Retail Sales (MAY)	-0.8% MoM
15/6/2021	US	Industrial Production (MAY)	0.6% MoM
16/6/2021	CN	Fixed Asset Investment (YTD) (MAY)	16.8% YoY
16/6/2021	CN	Industrial Production (MAY)	8.9% YoY
16/6/2021	US	Export Prices (MAY)	0.8% MoM
17/6/2021	US	Fed Interest Rate Decision	0.25%
17/6/2021	US	Initial Jobless Claims (12/JUN)	N/A

Source: Kenanga Research, Trading Economics

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