

Ringgit Weekly Outlook

May continue to depreciate ahead of FOMC meeting, but technical rebound likely

Fundamental Overview

- MYR depreciated for the sixth consecutive week to a level last seen in July 2020. The weak performance was primarily due to the unabated rise in domestic COVID-19 cases, which rose past the 15.0k mark last Friday. Despite rapid ramp-up in the country's inoculations, the local note lost ground against the strengthening USD due to the safe-haven demand driven by fear of rising Delta variant cases.
- MYR may continue to decline against the USD ahead of the FOMC meeting this week as the market factor in the possibility that the Fed may start to tiptoe towards tapering its bond purchases. Looking beyond the near-term COVID-induced USD strength and Malaysia's worsening health crisis, the local note may be supported by a better-than-expected trade figures and a potential easing of the COVID-19 restrictions for fully vaccinated people.

Technical Analysis

- On the contrary, our 5-day EMA indicator suggests that MYR might reverse its downtrend and appreciate slightly against the USD by 0.09% to 4.223 this week.
- Technical-wise, the pair faces an initial support at (S1) 4.222, followed by (S2) 4.217. On the other hand, should a sustained rise above (R1) 4.232 occur, it would attest an extended bearish MYR trend.

Table 1: Currency Outlook

Long Term*						
	Q2-21	Q3-21F	Q4-21F	Q1-22F	Q2-22F	OUTLOOK
USDMYR	4.149	4.133	4.028	4.000	3.977	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.223	4.232	4.238	4.222	4.217	▼

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.

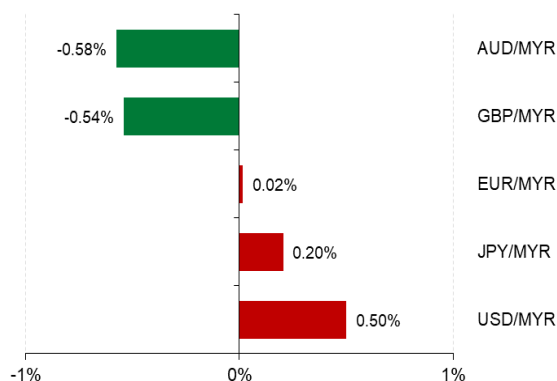
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



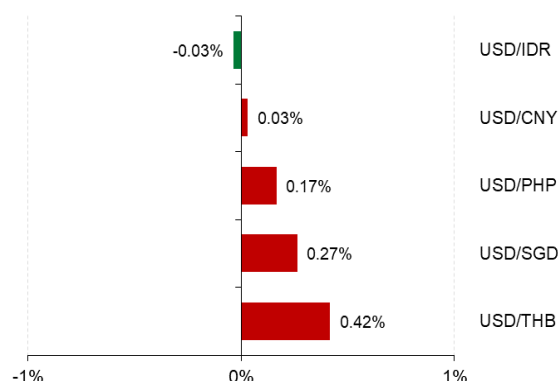
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

26 July 2021

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	23/07/20 Last Year	23/06/21 Last Month	16/07/21 Last Fortnight	23/07/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.260	4.162	4.206	4.227	5.13%	-0.77%	1.55%	0.50%
AUDMYR	3.099	3.042	3.151	3.133	3.115	0.50%	2.41%	-1.13%	-0.58%
GBPMYR	5.495	5.411	5.819	5.835	5.803	5.60%	7.24%	-0.27%	-0.54%
EURMYR	4.900	4.930	4.971	4.976	4.977	1.55%	0.95%	0.12%	0.02%
JPYMYR	3.895	3.975	3.749	3.816	3.824	-1.83%	-3.81%	2.00%	0.20%
SGDMYR	3.043	3.075	3.095	3.110	3.109	2.17%	1.09%	0.45%	-0.05%
ASEAN 5 + CN + JP									
USDIDR	14050	14580	14433	14498	14493	3.15%	-0.60%	0.42%	-0.03%
USDTHB	30.028	31.694	31.831	32.8	32.937	9.69%	3.92%	3.47%	0.42%
USDSGD	1.322	1.385	1.345	1.357	1.361	2.94%	-1.74%	1.20%	0.27%
USDPHP	48.03	49.376	48.792	50.241	50.325	4.78%	1.92%	3.14%	0.17%
USDCNY	6.527	7.004	6.474	6.479	6.481	-0.70%	-7.46%	0.11%	0.03%
USDJPY	103.200	107.150	111.040	110.070	110.550	7.12%	3.17%	-0.44%	0.44%
USD									
EURUSD	1.221	1.159	1.194	1.181	1.177	-3.63%	1.59%	-1.44%	-0.30%
GBPUSD	1.367	1.271	1.397	1.377	1.375	0.56%	8.16%	-1.56%	-0.14%
AUDUSD	0.769	0.713	0.757	0.740	0.737	-4.26%	3.31%	-2.68%	-0.47%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
26/7/2021	US	New Home Sales (JUN)	3.5% MoM
27/7/2021	US	Durable Goods Orders (JUN)	2.1% MoM
28/7/2021	MY	Exports (JUN)	7.1% YoY
29/7/2021	US	Fed Interest Rate Decision	0.25%
29/7/2021	US	GDP Growth Rate Adv (Q2)	8.6% QoQ
29/7/2021	US	Initial Jobless Claims (24/JUL)	365.0k
30/7/2021	MY	M3 Money Supply (JUN)	N/A
30/7/2021	US	Personal Spending (JUN)	0.7% MoM
30/7/2021	US	Personal Income (JUN)	-0.3% MoM

Source: Kenanga Research, Trading Economics

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