

Ringgit Weekly Outlook

To trade with downside bias amid Malaysia's worsening political and COVID-19 situation

Fundamental Overview

- After depreciating from Monday to Thursday last week, the local note rebounded near the 4.22 level against the greenback on Friday as the USD index retreated amid Powell's dovish comments. The MYR was also supported by higher Brent crude oil price and lower 10-year US Treasury yield. However, the gains were limited due to the Malaysia's worsening COVID-19 infections and heightened political uncertainty.
- MYR is expected to weaken around the 4.23 – 4.25 level against the USD this week as domestic political concerns grow. On top of that, continuous rise in the number of Malaysia's COVID-19 ICU cases and deaths, coupled with lack of positive catalysts, are seen to drag the local note lower. However, higher crude oil prices should limit ringgit's losses.

Technical Analysis

- Due to the unfavourable fundamental outlook, EMA technical indicator signals a bearish MYR trend, with the ringgit expected to depreciate against the greenback by 0.20%.
- The pair faces an immediate resistance level at (R1) 4.233, followed by (R2) 4.245. Alternatively, should the USD bearish trend continue due to a shift in investor sentiment, the USDMYR pair could trade around the (S2) 4.209 - (S1) 4.215 level.

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	4.229	4.233	4.245	4.215	4.209	▲

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.

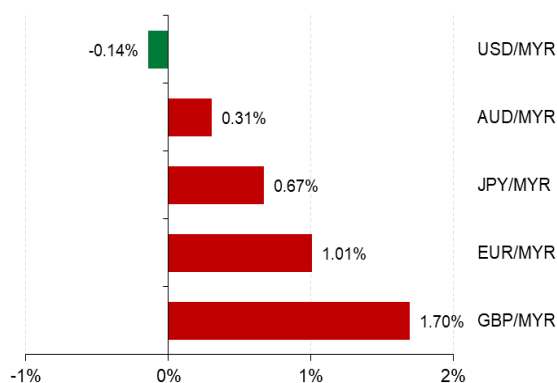
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



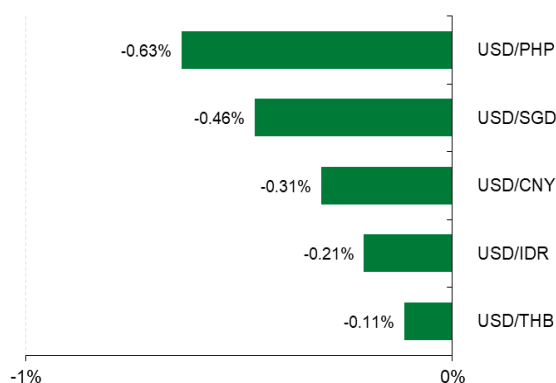
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

02 August 2021

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	30/07/20 Last Year	30/06/21 Last Month	23/07/21 Last Fortnight	30/07/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.239	4.149	4.227	4.221	4.98%	-0.44%	1.72%	-0.14%
AUDMYR	3.099	3.027	3.114	3.115	3.125	0.81%	3.22%	0.34%	0.31%
GBPMYR	5.495	5.509	5.745	5.803	5.901	7.39%	7.11%	2.73%	1.70%
EURMYR	4.900	4.981	4.936	4.977	5.027	2.58%	0.92%	1.84%	1.01%
JPYMYR	3.895	4.034	3.755	3.824	3.849	-1.17%	-4.56%	2.51%	0.67%
SGDMYR	3.043	3.083	3.088	3.109	3.124	2.66%	1.31%	1.17%	0.48%
ASEAN 5 + CN + JP									
USDIDR	14050	14600	14500	14493	14463	2.94%	-0.94%	-0.26%	-0.21%
USDTHB	30.028	31.445	32.068	32.937	32.900	9.56%	4.63%	2.59%	-0.11%
USDSGD	1.322	1.375	1.344	1.361	1.354	2.46%	-1.52%	0.75%	-0.46%
USDPHP	48.03	49.157	48.81	50.325	50.006	4.11%	1.73%	2.45%	-0.63%
USDCNY	6.527	7.009	6.457	6.481	6.461	-1.01%	-7.81%	0.07%	-0.31%
USDJPY	103.200	105.100	110.490	110.550	109.720	6.32%	4.40%	-0.70%	-0.75%
USD									
EURUSD	1.221	1.175	1.189	1.177	1.187	-2.82%	1.05%	-0.17%	0.84%
GBPUSD	1.367	1.302	1.386	1.375	1.390	1.70%	6.81%	0.30%	1.13%
AUDUSD	0.769	0.715	0.750	0.737	0.734	-4.55%	2.74%	-2.13%	-0.30%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
2/8/2021	MY	Markit Manufacturing PMI (JUL)	N/A
2/8/2021	CN	Caixin Manufacturing PMI (JUL)	51.0
2/8/2021	US	ISM Manufacturing PMI (JUL)	60.9
3/8/2021	US	Factory Orders (JUN)	1.0% MoM
4/8/2021	US	ADP Employment Change (JUL)	700.0k
5/8/2021	US	Balance of Trade (JUN)	-USD73.9b
6/8/2021	US	Non Farm Payrolls (JUL)	900.0k
6/8/2021	US	Unemployment Rate (JUL)	5.7%
6/8/2021	US	Wholesale Inventories (JUN)	0.8% MoM

Source: Kenanga Research, Trading Economics

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Zalman Basree
Economist
zalman@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my