

Ringgit Weekly Outlook

Market sentiment may remain positive despite technical correction

Fundamental Overview

- MYR ended last week in the green, appreciating to below the 4.14 level against the USD for the first time since June 18. The local note gained sharply on Friday following a rise in the yuan amid US-China optimism after President Biden and Premier Xi spoke for the first time since February on September 10. Despite last week's disappointing economic data, the ringgit remained supported by the stabilising Brent crude oil price and progress on the National Recovery Plan.
- MYR may trade around the 4.14 level against the USD as profit-taking activities is likely to emerge following last week's strong gains. Despite facing selling pressure, the ringgit is expected to remain firm on a relatively weak USD narrative and bullish market sentiment due to positive progress in US-China relations. The ringgit's performance will also track the domestic COVID-19 developments.

Technical Analysis

- EMA technical indicator signals a reversal in the USDMYR trend, with the ringgit expected to depreciate against the greenback by 0.27% to 4.147 this week.
- Technical-wise, the USDMYR pair may move towards the (R1) 4.149 level and potentially test the (R2) 4.162, which indicates an upside pattern for the greenback. Nonetheless, a rally towards the (S1) 4.129 level will reaffirm the ringgit's strength.

Table 1: Currency Outlook

Long Term*						
	Q2-21	Q3-21F	Q4-21F	Q1-22F	Q2-22F	OUTLOOK
USDMYR	4.149	4.221	4.182	4.153	4.131	▲

Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.147	4.149	4.162	4.129	4.122	▲

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.

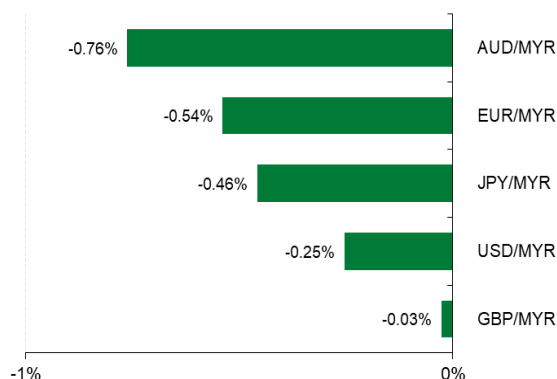
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



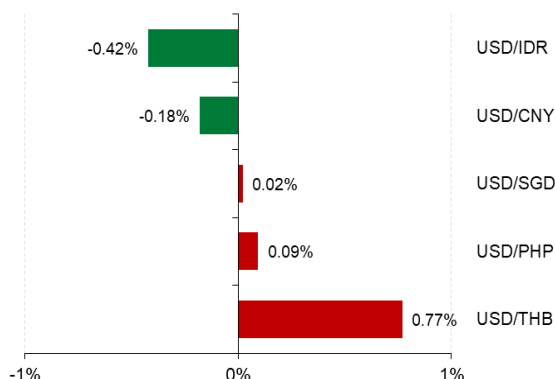
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	10/09/20 Last Year	10/08/21 Last Month	03/09/21 Last Fortnight	10/09/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.164	4.229	4.146	4.136	2.87%	-0.67%	-2.20%	-0.25%
AUDMYR	3.099	3.028	3.103	3.082	3.058	-1.33%	1.01%	-1.43%	-0.76%
GBPMYR	5.495	5.420	5.855	5.737	5.735	4.37%	5.82%	-2.05%	-0.03%
EURMYR	4.900	4.928	4.970	4.921	4.895	-0.11%	-0.67%	-1.51%	-0.54%
JPYMYR	3.895	3.925	3.828	3.781	3.764	-3.36%	-4.09%	-1.67%	-0.46%
SGDMYR	3.043	3.043	3.117	3.090	3.088	1.48%	1.46%	-0.94%	-0.06%
ASEAN 5 + CN + JP									
USDIDR	14050	14855	14383	14263	14203	1.09%	-4.39%	-1.25%	-0.42%
USDTHB	30.028	31.3	33.454	32.48	32.730	9.00%	4.57%	-2.16%	0.77%
USDSGD	1.322	1.368	1.358	1.341	1.342	1.48%	-1.90%	-1.22%	0.02%
USDPHP	48.03	48.574	50.399	49.822	49.869	3.83%	2.67%	-1.05%	0.09%
USDCNY	6.527	6.835	6.486	6.456	6.444	-1.27%	-5.71%	-0.64%	-0.18%
USDJPY	103.200	106.090	110.460	109.710	109.940	6.53%	3.63%	-0.47%	0.21%
USD									
EURUSD	1.221	1.184	1.173	1.188	1.181	-3.28%	-0.20%	0.75%	-0.56%
GBPUSD	1.367	1.302	1.386	1.387	1.384	1.22%	6.27%	-0.15%	-0.23%
AUDUSD	0.769	0.727	0.734	0.746	0.736	-4.39%	1.17%	0.22%	-1.39%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
14/9/2021	US	Inflation Rate (AUG)	5.3% YoY
15/9/2021	CN	Industrial Production (AUG)	5.8% YoY
15/9/2021	CN	Retail Sales (AUG)	7.1% YoY
15/9/2021	CN	Unemployment Rate (AUG)	N/A
15/9/2021	US	Export Prices (AUG)	0.5% MoM
15/9/2021	US	Industrial Production (AUG)	0.5% MoM
16/9/2021	US	Retail Sales (AUG)	-1.0% MoM
16/9/2021	US	Initial Jobless Claims (11/SEP)	315.0k
16/9/2021	US	Business Inventories (JUL)	0.5% 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

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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