

Ringgit Weekly Outlook

May continue to slide as Omicron variant fears spur flight-to-safety

Fundamental Overview

- MYR logged its worst weekly decline since September 2020 against the safe-haven USD as the global markets were rattled by the new COVID-19 variant, Omicron. The local note breached the 4.20 level for the first time in three months due to weakening crude oil prices and strengthening USD index (DXY). To note, the DXY surged to an almost 17-month high of 96.9 on November 11 as Powell's renomination fuelled US rate hike bets.
- MYR may continue to weaken around the 4.25 level against the greenback this week as renewed COVID-19 concerns triggered global risk-off mood. The weakness in the ringgit for this week will be mainly driven by a potential rise in the DXY due to the expected improvement in the US labour market and rising safe-haven demand. To highlight, the direction of the crude oil prices will be influenced by the OPEC+ oil production plan.

Technical Analysis

- Despite the current risk-off environment, if the USDMYR pair dive towards the 5-day EMA of 4.217, it is possible that we will see a MYR bullish reversal below the 4.210 level.
- Technically, should there be any ringgit buying interest amid a potential improvement in the Malaysia external trade data, the local note may reverse its bearish position and trade around the (S1) 4.204 level. Conversely, a break above the (R1) 4.256 level is needed to confirm MYR extended bearish bias.

Table 1: Currency Outlook

Long Term*						
	Q3-21	Q4-21F	Q1-22F	Q2-22F	Q3-22F	OUTLOOK
USDMYR	4.186	4.182	4.153	4.131	4.113	▼

Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.217	4.256	4.273	4.204	4.169	▼

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.

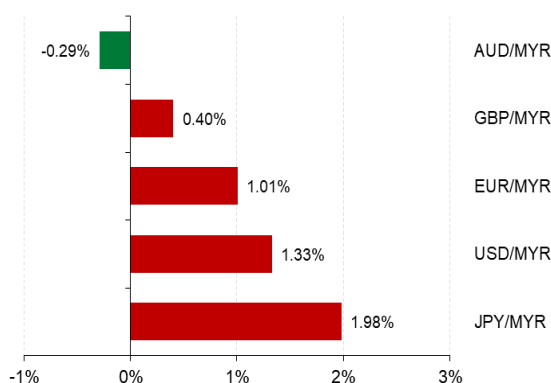
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



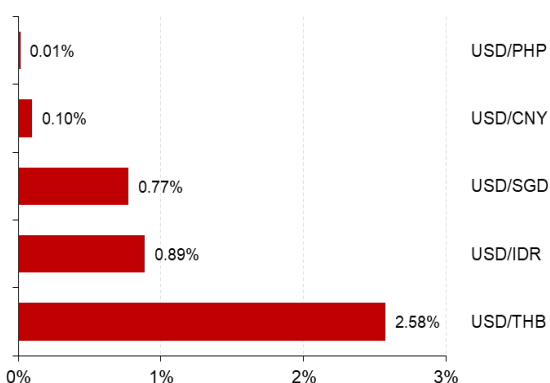
Source: Kenanga Research, Bloomberg

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	26/11/20 Last Year	26/10/21 Last Month	19/11/21 Last Fortnight	26/11/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.068	4.146	4.183	4.239	5.43%	4.19%	2.23%	1.33%
AUDMYR	3.099	2.994	3.109	3.030	3.021	-2.53%	0.92%	-2.83%	-0.29%
GBPMYR	5.495	5.435	5.719	5.620	5.643	2.68%	3.82%	-1.33%	0.40%
EURMYR	4.900	4.848	4.817	4.727	4.775	-2.57%	-1.52%	-0.87%	1.01%
JPYMYR	3.895	3.901	3.637	3.671	3.744	-3.88%	-4.04%	2.94%	1.98%
SGDMYR	3.043	3.037	3.080	3.073	3.091	1.59%	1.77%	0.35%	0.60%
ASEAN 5 + CN + JP									
USDIDR	14050	14100	14153	14232	14358	2.19%	1.83%	1.45%	0.89%
USDTHB	30.028	30.278	33.088	32.797	33.642	12.04%	11.11%	1.67%	2.58%
USDSGD	1.322	1.338	1.346	1.361	1.372	3.77%	2.50%	1.92%	0.77%
USDPHP	48.03	48.1	50.771	50.423	50.430	5.00%	4.84%	-0.67%	0.01%
USDCNY	6.527	6.576	6.383	6.387	6.393	-2.05%	-2.77%	0.16%	0.10%
USDJPY	103.200	104.280	114.020	113.990	113.380	9.86%	8.73%	-0.56%	-0.54%
USD									
EURUSD	1.222	1.191	1.162	1.129	1.132	-7.35%	-4.96%	-2.62%	0.24%
GBPUSD	1.367	1.335	1.383	1.345	1.334	-2.45%	-0.11%	-3.53%	-0.85%
AUDUSD	0.769	0.737	0.751	0.724	0.712	-7.42%	-3.29%	-5.14%	-1.55%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
29/11/2021	MY	Exports (OCT)	15.5% YoY
29/11/2021	US	Pending Home Sales (OCT)	1.0% MoM
30/11/2021	CN	NBS Manufacturing PMI (NOV)	49.6
30/11/2021	MY	Money Supply (OCT)	N/A
30/11/2021	US	S&P/Case-Shiller Home Price (SEP)	19.3% YoY
30/11/2021	US	Fed Chair Powell Testimony	N/A
1/12/2021	MY	Markit Manufacturing PMI (NOV)	N/A
1/12/2021	US	ADP Employment Change (NOV)	525.0k
3/12/2021	US	Non Farm Payrolls (NOV)	550.0k

Source: Kenanga Research, Trading Economics

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