

Ringgit Weekly Outlook

May continue to ride the risk-on rally as Omicron fears ebb

Fundamental Overview

- After trading above the 4.200 level against the USD from Monday to Thursday last week, the ringgit strengthened to 4.196 on Friday as real-world data from the UK indicate that Omicron infections are less severe than Delta. To note, most risky assets resume their risk-on rally as investors turned more optimistic about the global economic outlook. To add, the local note also benefitted from a 3.6% WoW rise in Brent crude oil price.
- Even though the USD index is expected to remain elevated due to the recent hawkish turn by the Fed, the ringgit may continue its positive momentum against the greenback this week as global economic sentiment improves. Additionally, MYR may be supported by higher crude oil prices, favourable bond yield differentials, better-than-expected trade figures and improving domestic COVID-19 situation.

Technical Analysis

- Despite the current risk-on environment, MYR may reverse last week's bullish trend and trade lower against the USD by 0.24%.
- Our technical analysis suggests a short-term bullish bias for USD this week, with an immediate resistance at (R1) 4.216. Conversely, should inventors' risk appetite continue to improve, a rally towards the (S1) 4.186 level will negate the bullish greenback pattern.

Table 1: Currency Outlook

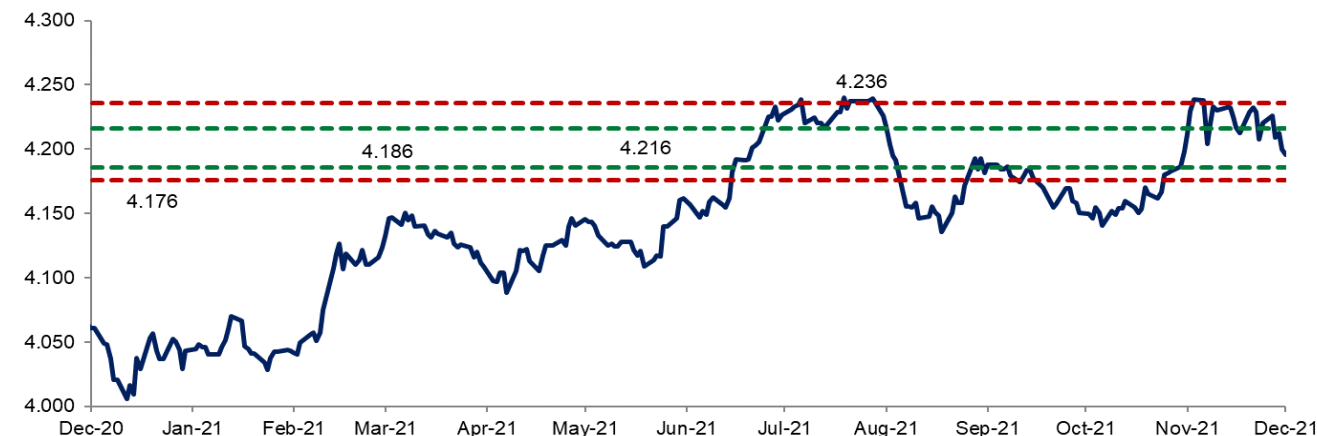
Long Term*						
	Q3-21	Q4-21F	Q1-22F	Q2-22F	Q3-22F	OUTLOOK
USDMYR	4.186	4.182	4.153	4.131	4.113	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.206	4.216	4.236	4.186	4.176	▲

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.

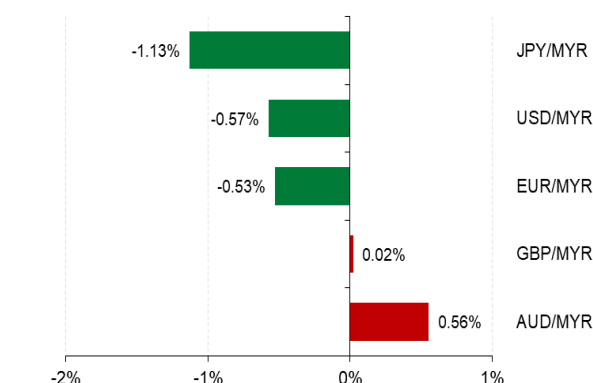
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



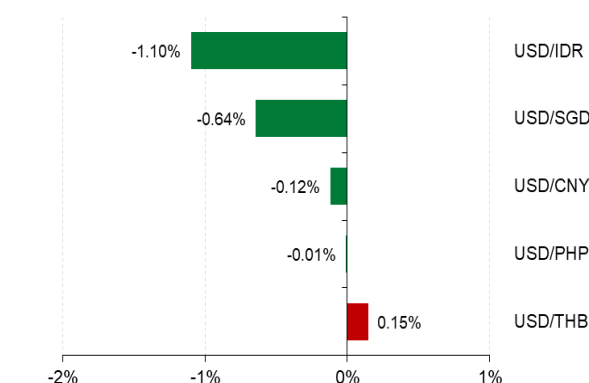
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

27 December 2021

Table 2: Performance of Core Pairs

Currencies	01/01/21 YTD	24/12/20 Last Year	24/11/21 Last Month	17/12/21 Last Fortnight	24/12/21 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.020	4.061	4.212	4.220	4.196	4.37%	3.33%	-0.37%	-0.57%
AUDMYR	3.099	3.085	3.040	3.023	3.039	-1.94%	-1.48%	-0.01%	0.56%
GBPMYR	5.495	5.522	5.628	5.619	5.620	2.27%	1.79%	-0.14%	0.02%
EURMYR	4.900	4.955	4.719	4.783	4.758	-2.91%	-3.97%	0.82%	-0.53%
JPYMYR	3.895	3.918	3.660	3.711	3.669	-5.79%	-6.36%	0.24%	-1.13%
SGDMYR	3.043	3.057	3.082	3.091	3.090	1.57%	1.10%	0.28%	-0.01%
ASEAN 5 + CN + JP									
USDIDR	14050	14200	14265	14355	14197	1.05%	-0.02%	-0.48%	-1.10%
USDTHB	30.028	30.084	33.341	33.355	33.404	11.24%	11.04%	0.19%	0.15%
USDSGD	1.322	1.328	1.368	1.368	1.359	2.80%	2.32%	-0.63%	-0.64%
USDPHP	48.03	48.021	50.34	50.025	50.020	4.14%	4.16%	-0.64%	-0.01%
USDCNY	6.527	6.530	6.392	6.375	6.368	-2.44%	-2.49%	-0.39%	-0.12%
USDJPY	103.200	103.630	115.050	113.630	114.380	10.83%	10.37%	-0.58%	0.66%
USD									
EURUSD	1.222	1.220	1.121	1.124	1.132	-7.34%	-7.21%	0.98%	0.70%
GBPUSD	1.367	1.361	1.336	1.325	1.339	-2.09%	-1.62%	0.23%	1.06%
AUDUSD	0.769	0.760	0.721	0.713	0.722	-6.15%	-4.95%	0.14%	1.35%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
27/12/2021	US	Dallas Fed Manufacturing Index (DEC)	N/A
28/12/2021	MY	Exports (NOV)	34.1% YoY
28/12/2021	US	S&P/Case-Shiller Home Price (OCT)	18.5% YoY
29/12/2021	US	Goods Trade Balance Adv (NOV)	N/A
29/12/2021	US	Pending Home Sales (NOV)	0.6% MoM
30/12/2021	MY	PPI (NOV)	N/A
30/12/2021	US	Initial Jobless Claims (25/DEC)	205.0k
31/12/2021	CN	NBS Manufacturing PMI (DEC)	N/A
31/12/2021	MY	Money Supply (NOV)	N/A

Source: Kenanga Research, Trading Economics

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