

Ringgit Weekly Outlook

Mildly bullish on BNM's economic assessment, but USD may regain strength

Fundamental Overview

- Despite a 7.0% spike in the US inflation rate, the ringgit managed to recoup most of its losses against the greenback as the USD index (DXY) fell to as low as 94.8 on Jan 13. The weakness in the DXY were attributable to rising commodity prices and a sell-off in the US technology stocks. In addition, the market has already priced in a faster-than-expected Fed rate-hike cycles.
- A potential slowdown in the China's 4Q21 GDP may help the US dollar to regain some of its losses and put pressure on the local note. However, rising Brent crude oil price and US weak retail sales data is expected to hold the DXY below the 96.0 mark. To add, on the domestic front, if the BNM delivers an upbeat economic assessment, the ringgit may strengthen and trade around the 4.17 level.

Technical Analysis

- The EMA technical indicator projects MYR to depreciate slightly by 0.15% to 4.184 this week, counting on a potential technical correction for the local note.
- From a technical view, the US dollar is expected to reverse its bearish momentum this week. The USDMYR pair faces an immediate resistance level of (R1) 4.194. Inversely, a sustained dive below the support level (S1) 4.169, followed by (S2) 4.161 is needed to reaffirm the continuation of USD downtrend.

Table 1: Currency Outlook

Long Term*						
	Q4-21	Q1-22F	Q2-22F	Q3-22F	Q4-22F	OUTLOOK
USDMYR	4.167	4.153	4.131	4.113	4.100	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.184	4.194	4.209	4.169	4.161	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

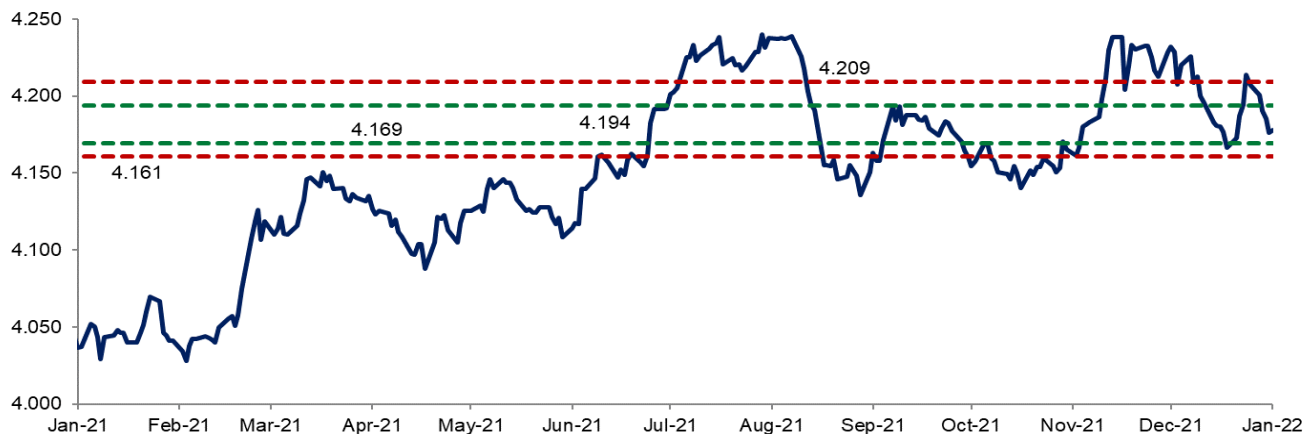
Source: Kenanga Research, Bloomberg

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.

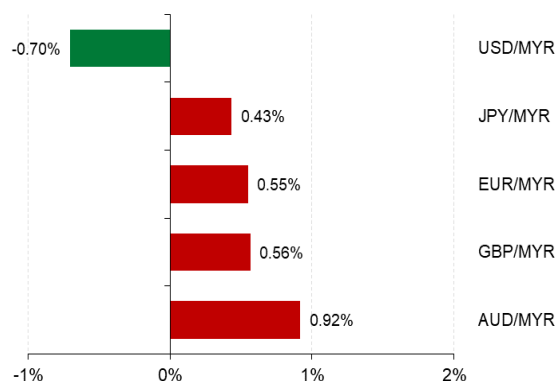
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



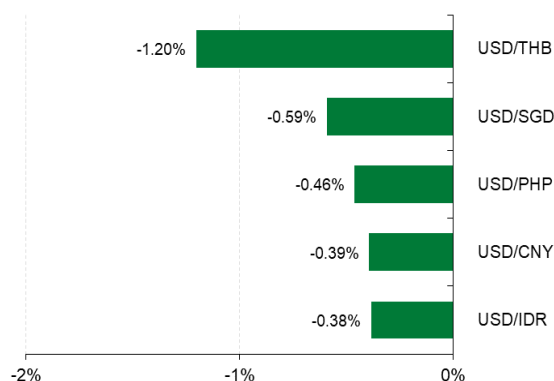
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

17 January 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	14/01/21 Last Year	14/12/21 Last Month	07/01/22 Last Fortnight	14/01/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.037	4.232	4.208	4.178	0.13%	3.51%	-1.28%	-0.70%
AUDMYR	3.028	3.138	3.013	3.011	3.038	0.35%	-3.17%	0.84%	0.92%
GBPMYR	5.642	5.520	5.594	5.702	5.734	1.63%	3.88%	2.50%	0.56%
EURMYR	4.738	4.914	4.784	4.762	4.788	1.06%	-2.55%	0.08%	0.55%
JPYMYR	3.626	3.882	3.726	3.642	3.658	0.89%	-5.76%	-1.83%	0.43%
SGDMYR	3.092	3.047	3.094	3.097	3.104	0.39%	1.90%	0.34%	0.24%
ASEAN 5 + CN + JP									
USDIDR	14266	14059	14325	14351	14296	0.21%	1.69%	-0.20%	-0.38%
USDTHB	33.163	29.991	33.394	33.61	33.206	0.13%	10.72%	-0.56%	-1.20%
USDSGD	1.350	1.325	1.368	1.356	1.348	-0.19%	1.69%	-1.46%	-0.59%
USDPHP	50.998	48.062	50.362	51.351	51.115	0.23%	6.35%	1.50%	-0.46%
USDCNY	6.356	6.475	6.367	6.378	6.353	-0.05%	-1.88%	-0.23%	-0.39%
USDJPY	115.080	103.990	113.570	115.560	114.190	-0.77%	9.81%	0.55%	-1.19%
USD									
EURUSD	1.136	1.217	1.132	1.136	1.141	0.49%	-6.21%	0.84%	0.45%
GBPUSD	1.351	1.365	1.324	1.359	1.368	1.21%	0.17%	3.32%	0.64%
AUDUSD	0.725	0.776	0.712	0.718	0.721	-0.58%	-7.16%	1.18%	0.38%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
17/1/2022	CN	GDP Growth Rate (Q4)	3.6% YoY
17/1/2022	CN	Industrial Production (DEC)	3.6% YoY
17/1/2022	CN	Retail Sales (DEC)	3.7% YoY
19/1/2022	US	Housing Starts (DEC)	1.65m
19/1/2022	US	Building Permits (DEC)	1.701m
20/1/2022	CN	Loan Prime Rate (1Y)	N/A
20/1/2022	MY	Interest Rate Decision	1.75%
20/1/2022	US	Initial Jobless Claims (15/JAN)	N/A
21/1/2022	MY	Inflation Rate (DEC)	3.0% YoY

Source: Kenanga Research, Trading Economics

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