

Ringgit Weekly Outlook

Remains bearish above 4.40 as the Fed may turn more aggressive to fight inflation

Fundamental Overview

- Despite Malaysia's strong retail sales and labour market performance in April, the ringgit once again depreciated past the 4.40 threshold against a strengthening USD. The USD index (DXY) still continued to trend upwards in spite of ECB's hawkishness, as demand for safe-haven assets remained strong amid growing global recession risk. On top of that, the ringgit was also dragged by a weaker yuan (above 6.70 per USD).
- The DXY breached the 104.0 level on June 10 due to a hotter-than-expected US inflation reading of 8.6% YoY or 1.0% MoM. Due to this, the Fed may deliver a more hawkish guidance at its June FOMC meeting, prompting the MYR to continue to trade above the 4.40 level against a well-positioned USD. However, ringgit's losses may be limited if Malaysia's trade performance remain robust and if Brent crude oil price continue to trend higher.

Technical Analysis

- On the contrary, our 5-day EMA indicator suggests that MYR might reverse its downtrend and appreciate slightly against the USD by 0.15% to 4.395 this week.
- From a technical perspective, the recent USD uptrend may be short-lived if there is any reversal in risk trends, with an immediate support observed at (S1) 4.393 level. Inversely, an ascent above the (R1) 4.406 support level may suggest an extension of the bullish USD trend.

Table 1: Currency Outlook

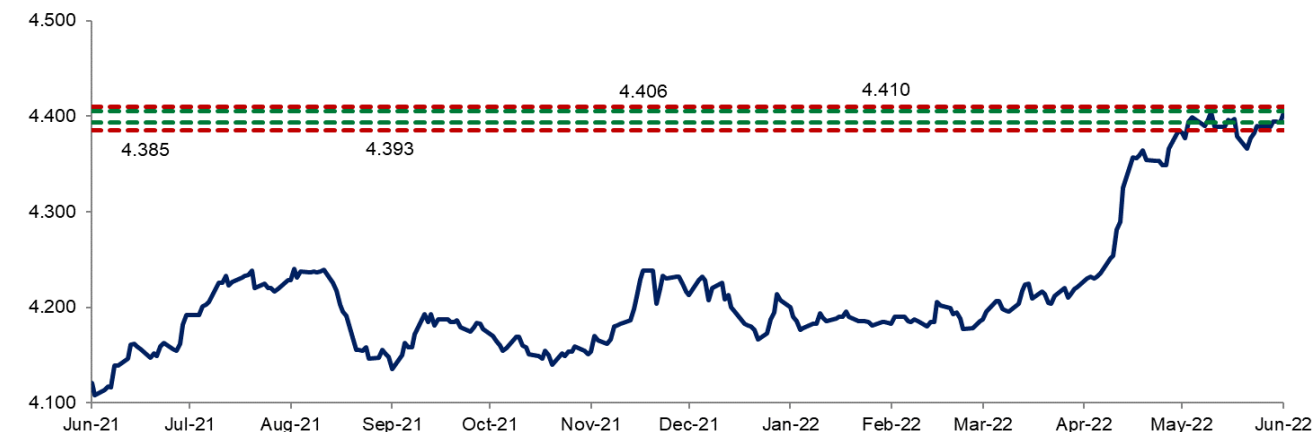
| Long Term* | | | | | | |
|------------------------|---------|--------|--------|--------|--------|---------|
| | Q1-22 | Q2-22F | Q3-22F | Q4-22F | Q1-23F | OUTLOOK |
| USDMYR | 4.204 | 4.337 | 4.310 | 4.283 | 4.256 | ▲ |
| Short Term (Technical) | | | | | | |
| | EMA (5) | R1 | R2 | S1 | S2 | OUTLOOK |
| USDMYR | 4.395 | 4.406 | 4.410 | 4.393 | 4.385 | ▼ |

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.

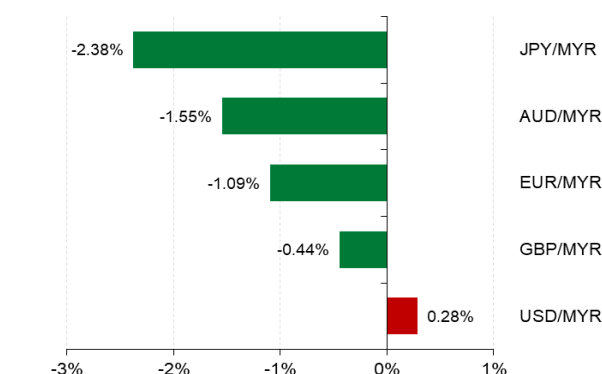
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



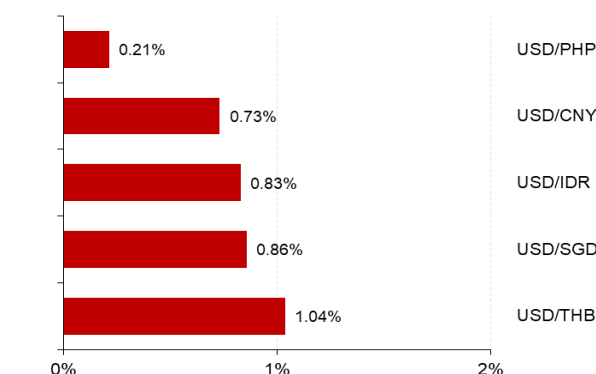
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

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Table 2: Performance of Core Pairs

| Currencies | 03/01/22 YTD | 10/06/21 Last Year | 10/05/22 Last Month | 03/06/22 Last Fortnight | 10/06/22 Last Week | ytd (%) | yoy (%) | mom (%) | wow (%) |
|--------------------------|-----------------|-----------------------|------------------------|----------------------------|-----------------------|---------|---------|---------|---------|
| MYR | | | | | | | | | |
| USDMYR | 4.173 | 4.121 | 4.383 | 4.389 | 4.402 | 5.48% | 6.81% | 0.43% | 0.28% |
| AUDMYR | 3.028 | 3.188 | 3.049 | 3.183 | 3.134 | 3.52% | -1.69% | 2.79% | -1.55% |
| GBPMYR | 5.642 | 5.803 | 5.406 | 5.519 | 5.495 | -2.62% | -5.32% | 1.63% | -0.44% |
| EURMYR | 4.738 | 5.012 | 4.618 | 4.717 | 4.666 | -1.53% | -6.91% | 1.02% | -1.09% |
| JPYMYR | 3.626 | 3.764 | 3.369 | 3.355 | 3.275 | -9.67% | -12.98% | -2.77% | -2.38% |
| SGDMYR | 3.092 | 3.109 | 3.155 | 3.198 | 3.189 | 3.11% | 2.57% | 1.06% | -0.31% |
| ASEAN 5 + CN + JP | | | | | | | | | |
| USDIDR | 14266 | 14248 | 14555 | 14433 | 14553 | 2.01% | 2.14% | -0.01% | 0.83% |
| USDTHB | 33.163 | 31.175 | 34.555 | 34.375 | 34.732 | 4.73% | 11.41% | 0.51% | 1.04% |
| USDSGD | 1.350 | 1.325 | 1.390 | 1.376 | 1.388 | 2.78% | 4.76% | -0.17% | 0.86% |
| USDPHP | 50.998 | 47.757 | 52.384 | 52.864 | 52.977 | 3.88% | 10.93% | 1.13% | 0.21% |
| USDCNY | 6.356 | 6.393 | 6.735 | 6.660 | 6.709 | 5.55% | 4.94% | -0.38% | 0.73% |
| USDJPY | 115.080 | 109.480 | 130.090 | 130.880 | 134.410 | 16.80% | 22.77% | 3.32% | 2.70% |
| USD | | | | | | | | | |
| EURUSD | 1.136 | 1.217 | 1.055 | 1.072 | 1.052 | -7.36% | -13.56% | -0.32% | -1.87% |
| GBPUSD | 1.351 | 1.410 | 1.235 | 1.249 | 1.232 | -8.86% | -12.64% | -0.28% | -1.39% |
| AUDUSD | 0.725 | 0.774 | 0.696 | 0.721 | 0.706 | -2.65% | -8.82% | 1.44% | -2.07% |

Source: Kenanga Research, Bloomberg

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

| Date | Country | Indicator | Consensus/Forecast |
|-----------|---------|-----------------------------|--------------------|
| 14/6/2022 | US | PPI (MAY) | 0.8% MoM |
| 15/6/2022 | CN | Industrial Production (MAY) | -0.5% YoY |
| 15/6/2022 | CN | Retail Sales (MAY) | -7.3% YoY |
| 15/6/2022 | US | Retail Sales (MAY) | 0.2% MoM |
| 15/6/2022 | US | Export Prices (MAY) | 1.4% MoM |
| 16/6/2022 | US | Fed Interest Rate Decision | 1.5% (50 bps hike) |
| 16/6/2022 | US | Housing Starts (MAY) | 1.7m |
| 17/6/2022 | MY | Exports (MAY) | N/A |
| 17/6/2022 | US | Industrial Production (MAY) | 0.4% MoM |

Source: Kenanga Research, Trading Economics

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