

Ringgit Weekly Outlook

May extend bearish momentum as USD remain bid ahead of Powell’s testimony

Fundamental Overview

- Most regional currencies including the ringgit, weakened against the well-bid USD, mainly due to the FOMC’s aggressive 75 basis-point rate hike. To note, the USDMYR pair rose to as high as 4.42 on June 14 as both the USD index (DXY) and 10-year US Treasury yield soared to as high as 105.5 and 3.47% respectively. However, the MYR managed to shed some losses on Friday’s closing due to strong external trade performance.
- The ringgit may continue to trade with a downside bias against the USD as the DXY is expected stay bid around the 104.0-106.0 level as Fed’s Powell may solidify expectations of a further tightening. However, an aggressive hiking campaign by other major central banks could cap gains for the USD. Looking beyond the strong USD position on deck, the MYR’s movement may also be influenced by the China’s economic uncertainty and volatile crude oil prices.

Technical Analysis

- Based on the 5-day EMA technical indicator, MYR could weaken and depreciate by 0.09% to 4.406 this week.
- Technical-wise, MYR is expected to trend lower against the USD amid a potential DXY’s bullish continuation, with the pair’s immediate resistance awaits at (R1) 4.414, followed by (R2) 4.427. Inversely, the pair may test (S1) 4.396, and a sustained break below (S2) 4.390 should reaffirm MYR bullish trend.

Table 1: Currency Outlook

Long Term*						
	Q1-22	Q2-22F	Q3-22F	Q4-22F	Q1-23F	OUTLOOK
USDMYR	4.204	4.402	4.374	4.347	4.320	▲

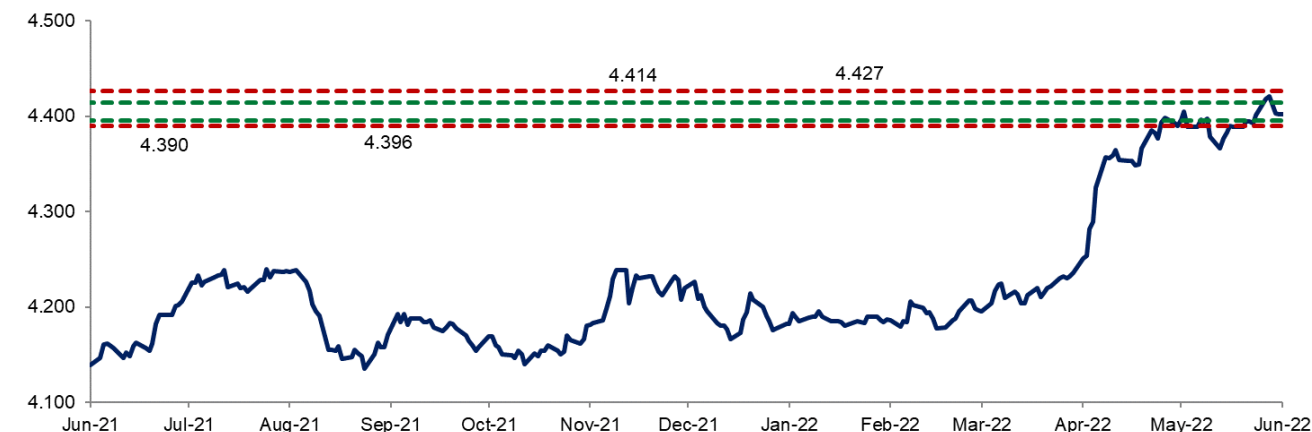
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.406	4.414	4.427	4.396	4.390	▲

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.

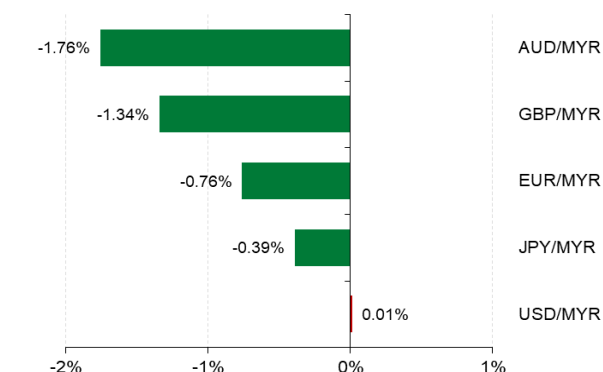
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



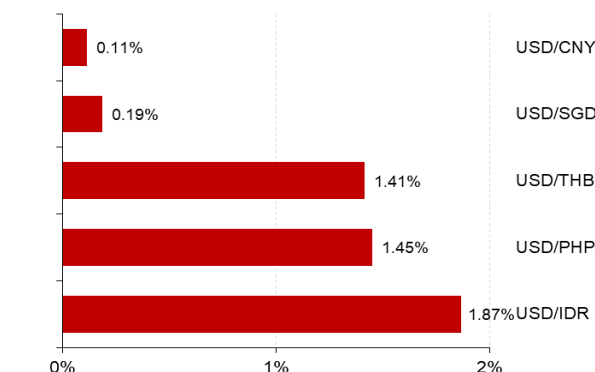
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers’ Performance



Source: Kenanga Research, Bloomberg

20 June 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	17/06/21 Last Year	17/05/22 Last Month	10/06/22 Last Fortnight	17/06/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.140	4.390	4.402	4.402	5.50%	6.34%	0.28%	0.01%
AUDMYR	3.028	3.147	3.087	3.134	3.079	1.70%	-2.15%	-0.27%	-1.76%
GBPMYR	5.642	5.786	5.475	5.495	5.421	-3.93%	-6.31%	-1.00%	-1.34%
EURMYR	4.738	4.946	4.600	4.666	4.630	-2.28%	-6.39%	0.65%	-0.76%
JPYMYR	3.626	3.739	3.394	3.275	3.263	-10.02%	-12.75%	-3.87%	-0.39%
SGDMYR	3.092	3.093	3.166	3.189	3.177	2.73%	2.72%	0.33%	-0.37%
ASEAN 5 + CN + JP									
USDIDR	14266	14355	14645	14553	14825	3.92%	3.27%	1.23%	1.87%
USDTHB	33.163	31.411	34.494	34.732	35.223	6.21%	12.14%	2.11%	1.41%
USDSGD	1.350	1.341	1.385	1.388	1.391	2.98%	3.71%	0.40%	0.19%
USDPHP	50.998	48.387	52.436	52.977	53.745	5.39%	11.07%	2.50%	1.45%
USDCNY	6.356	6.448	6.738	6.709	6.717	5.67%	4.16%	-0.31%	0.11%
USDJPY	115.080	110.700	129.340	134.410	135.020	17.33%	21.97%	4.39%	0.45%
USD									
EURUSD	1.136	1.193	1.052	1.052	1.050	-7.54%	-12.01%	-0.16%	-0.19%
GBPUSD	1.351	1.394	1.247	1.232	1.224	-9.41%	-12.21%	-1.80%	-0.60%
AUDUSD	0.725	0.757	0.704	0.706	0.693	-4.39%	-8.46%	-1.49%	-1.79%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
20/6/2022	CN	Loan Prime Rate 1Y	3.7%
21/6/2022	US	Existing Home Sales (MAY)	5.39m
22/6/2022	US	Fed Chair Powell Testimony	N/A
23/6/2022	US	Current Account (1Q22)	-USD273.3b
23/6/2022	US	Initial Jobless Claims (18/JUN)	225.0k
23/6/2022	US	S&P Global Manufacturing PMI Flash (JUN)	56.4
24/6/2022	MY	Inflation Rate (MAY)	2.6%
24/6/2022	US	New Home Sales (MAY)	0.585m
24/6/2022	US	Michigan Consumer Sentiment Final (JUN)	50.2

Source: Kenanga Research, Trading Economics

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