

Ringgit Weekly Outlook

To linger around the 4.40-level amid heightened market uncertainty

Fundamental Overview

- MYR extended its bearish momentum and weakened marginally against the USD due to growing global recession fears amid aggressive central bank rate hikes. The local note was also pressured by volatile Brent crude oil price. However, a slight fall in the USD index (DXY) and a stronger yuan has helped the ringgit to limit its losses. The hawkish comments from Fed's Powell during his testimony has failed to push the DXY higher.
- Even though the DXY experienced a slight correction of -0.5% WoW last Friday, it may continue to trade above the 104.0 level as the market may continue to hear hawkish statements from a slew of Fed speakers this week. As such, the USDMYR pair may turn muted and is expected to trade around the 4.40 level. However, a further decline in the US Core PCE (consensus: 4.8%; Apr: 4.9%) may prompt the Fed to tone down its aggressive monetary policy tightening, possibly lifting the ringgit.

Technical Analysis

- Looking at the EMA technical indicator, MYR may continue to depreciate by 0.02% to 4.404 this week, highlighting a potential ascent of the DXY.
- The short-term technical outlook shows that the USD may test the pair's upside at (R1) 4.407 and potentially hit (R2) 4.411 level. Conversely, a potential sell-off in the greenback could tilt the pair towards the (S1) 4.397 and (S2) 4.392 support level.

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	▲

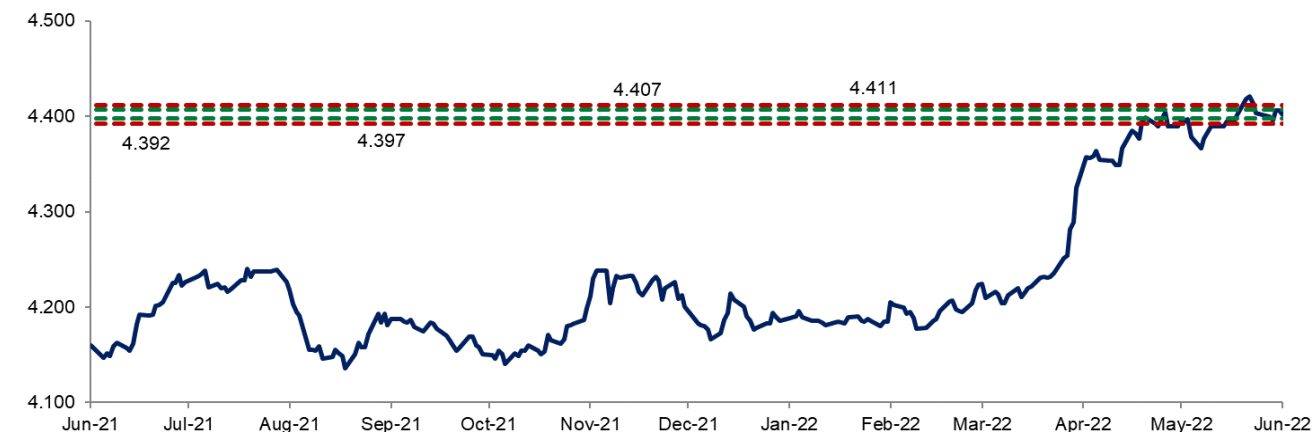
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.404	4.407	4.411	4.397	4.392	▲

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.

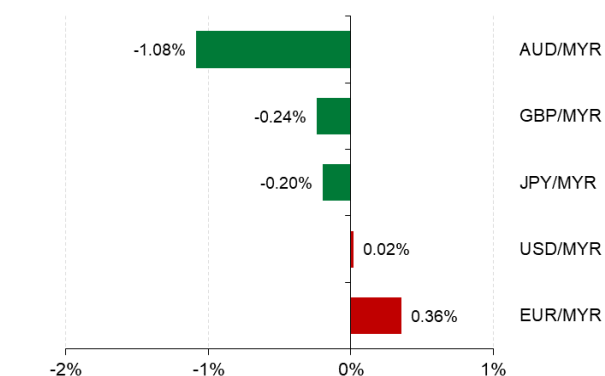
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



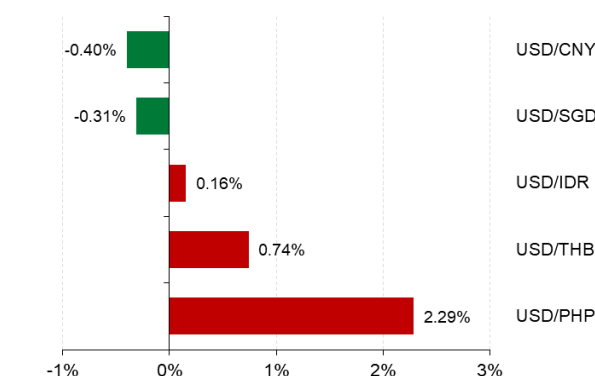
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Peers' Performance



Source: Kenanga Research, Bloomberg

27 June 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	24/06/21 Last Year	24/05/22 Last Month	17/06/22 Last Fortnight	24/06/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.160	4.396	4.402	4.403	5.51%	5.85%	0.15%	0.02%
AUDMYR	3.028	3.153	3.109	3.079	3.046	0.60%	-3.39%	-2.05%	-1.08%
GBPMYR	5.642	5.813	5.484	5.421	5.408	-4.16%	-6.97%	-1.39%	-0.24%
EURMYR	4.738	4.963	4.709	4.630	4.647	-1.93%	-6.37%	-1.33%	0.36%
JPYMYR	3.626	3.754	3.449	3.263	3.256	-10.20%	-13.27%	-5.60%	-0.20%
SGDMYR	3.092	3.095	3.194	3.177	3.173	2.62%	2.54%	-0.64%	-0.10%
ASEAN 5 + CN + JP									
USDIDR	14266	14440	14661	14825	14848	4.08%	2.83%	1.28%	0.16%
USDTHB	33.163	31.853	34.144	35.223	35.485	7.00%	11.40%	3.93%	0.74%
USDSGD	1.350	1.343	1.374	1.391	1.386	2.66%	3.22%	0.89%	-0.31%
USDPHP	50.998	48.747	52.33	53.745	54.976	7.80%	12.78%	5.06%	2.29%
USDCNY	6.356	6.472	6.654	6.717	6.690	5.25%	3.37%	0.54%	-0.40%
USDJPY	115.080	110.810	127.460	135.020	135.230	17.51%	22.04%	6.10%	0.16%
USD									
EURUSD	1.136	1.195	1.071	1.050	1.055	-7.06%	-11.65%	-1.47%	0.51%
GBPUSD	1.351	1.397	1.251	1.224	1.227	-9.21%	-12.20%	-1.94%	0.22%
AUDUSD	0.725	0.758	0.708	0.693	0.695	-4.21%	-8.39%	-1.91%	0.19%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
27/6/2022	US	Durable Goods Orders (MAY)	0.0% MoM
27/6/2022	US	Pending Home Sales (MAY)	-4.0% MoM
28/6/2022	MY	PPI (MAY)	N/A
28/6/2022	US	S&P/Case-Shiller Home Price (APR)	21.0% YoY
29/6/2022	US	GDP Growth Rate Final (Q1)	-1.5% QoQ
30/6/2022	CN	NBS Manufacturing PMI (JUN)	48.6
30/6/2022	US	Personal Spending (MAY)	0.5% MoM
30/6/2022	US	Core PCE Price Index (MAY)	4.8% YoY
1/7/2022	MY	S&P Global Manufacturing PMI (JUN)	N/A

Source: Kenanga Research, Trading Economics

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