MalayMail - Ringgit Could Hit RM4.20 To Greenback in 2Q

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By Stephanie Augustin
stephanie@mmail.com.my

KUALA LUMPUR — The local currency could strengthen to as much as RM4.20 to the US dollar in the second quarter (2Q) as the US dollar rally reversal spurs flows to risk assets, thereby opening up opportunities in Asia, Affin Hwang Asset Management believes.

"Our house view is that the bulk in appreciation in the greenback is done, and we expect that the earliest tax reform would be done is in August.

"Given the reality check in Obamacare repeal attempts, (US President Donald) Trump will have to distract the Americans from now till August, but there is unlikely to be any significant catalyst to get people excited about the US again," said Affin Hwang Asset Management chief investment officer David Ng.

He noted that the ringgit is now trading at 2.2 standard deviations below its FX (foreign exchange) long-term average, making it the second cheapest Asian currency in terms of real effective exchange rate after the Turkish lira.

"With some of the reasons for the ringgit depreciation against the US dollar and regional currencies now dissipating, I would say RM4.20 to RM4.30 is achievable in 2Q, and maybe RM4.20 by year-end," he added.

Ng, who oversees close to RM39 billion in assets, the majority of which are in Malaysia, was speaking to reporters at a market outlook briefing here yesterday.

He is positive on the Malaysian market, particularly on the genuine reform attempts at the corporate level within the Permodalan Nasional Bhd stable of companies.

"These efforts are concentrated in large equities, meaning they are investable for both domestic and foreign investors. Add to this the cheap ringgit, and the Malaysian market is looking very attractive."

Affin Hwang Asset Management is holding around 10-15% of its unit trust equity funds in cash, and will redeploy this based on the themes of reflation, domestic consumption, and infrastructure investments — particularly in Southeast Asian economies.

The asset manager is keeping its powder dry, waiting on corporates to announce first quarter results before looking to fully invest its cash portion again.

"We will increase our exposure to yield-driven, domestic-oriented stocks. We see positive growth resuming and sectors like banking and insurance will be in focus. We like CIMB Group Holdings Bhd as we are seeing improvements in its Indonesian and Malaysian operations.

"On the second theme of domestic consumption, we see expenditure moving towards experiential products or services, so while people may not spend as much on big-ticket items like cars or houses, they are willing to spend more on holidays.

"Here we can see direct beneficiaries such as e-Commerce players, and indirect beneficiaries (of tourism) like airports. Our preferred pick here is the Beijing Capital International Airport, the second busiest airport in the world.

"Thirdly, on infrastructure plays, we are exposed to PT Pembangunan Perumahan (Persero) TBK in Indonesia, which is and will continue to benefitting from government spending on ports, power plants and bridges," Ng said.