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Ringgit moving closer to fair value of RM3.75

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PETALING JAYA: MIDF Research said the ringgit is moving closer to its fair value of RM3.75 and has accordingly revised its year end target for the currency to RM3.85 from RM4.00 previously.

In a report yesterday, MIDF noted that recent developments at external and internal front such as the US Federal Reserve (Fed) being more dovish than it was previously as well as 1Malaysia Development Bhd (1MDB) debt settlements, among others, had contributed to the ringgit getting closer to its fair value.

However, the research house does not perceive that the negative sentiment will be able to be totally written off and therefore it will be “difficult” for ringgit to reach its real fair value.

“As such, we are revising our ringgit average forecast from RM4.175/dollar to RM4.000/dollar while revising our year-end forecast from RM4.00/dollar to RM3.85/dollar,” MIDF said.

The ringgit has strengthened against most major and regional currencies to become one of the strongest performing Asian currencies this year.

A solid bullish momentum in the favour of the ringgit saw the local currency strengthen against the dollar from a low of RM4.457 to RM3.92 yesterday in a span of just six months.

The ringgit received a huge boost in investor sentiment after the price of US crude oil, West Texas Internmediate (WTI), finally jumped past US$35 a barrel.

Last month saw WTI make its biggest gain since the beginning of the year, pushing through the US$40 a barrel level from US$36, raising the prospects of a bull run.

The prospects were somewhat dimmed by a constant weakness in the form of a fundamental oversupply, but that didn’t stop a series of small charges by the bulls.

“This move in WTI was critical towards encouraging and improving sentiment in the emerging markets, and it allowed the ringgit to progress towards the next phase of its psychological recovery of what have been huge losses since the beginning of 2015.

“We now see the currency probably ranging between 3.98 and 4.14 in the months ahead while a consistent and sustained move in WTI either side of US$35 and US$42 would be needed to reassess this possible trading range," Forex Time Ltd (FXTM) chief market analyst Jameel Ahmad said.

On where the ringgit will head head this week, a foreign currency (forex) trader said it will much depend on the Trade Balance report that will be released by the Department of Statistics Malaysia today.

He noted that disappointing trade results could put the ringgit under a short- term bearish pressure.

According to a poll by Reuters, Malaysia's exports are expected to have returned to growth in February, helped by stronger commodities and oil prices.

Economists surveyed forecast that exports would expand 3.1% from a year earlier after a 2.8% decline in January, the first drop in eight months.

Imports in February, however, are expected to drop 1.5% from a year earlier, down from the 3.3% year-on-year growth in January.

Malaysia's trade surplus in February is seen at RM6.31 billion. Malaysia recorded a trade surplus of RM5.4 billion in January, down 39.8% from RM9 billion a year ago.