



FIRST SEMESTER SESSION 2020/2021 (A201)
BWFF3043 INTERNATIONAL FINANCE
GROUP B

Group Assignment 1

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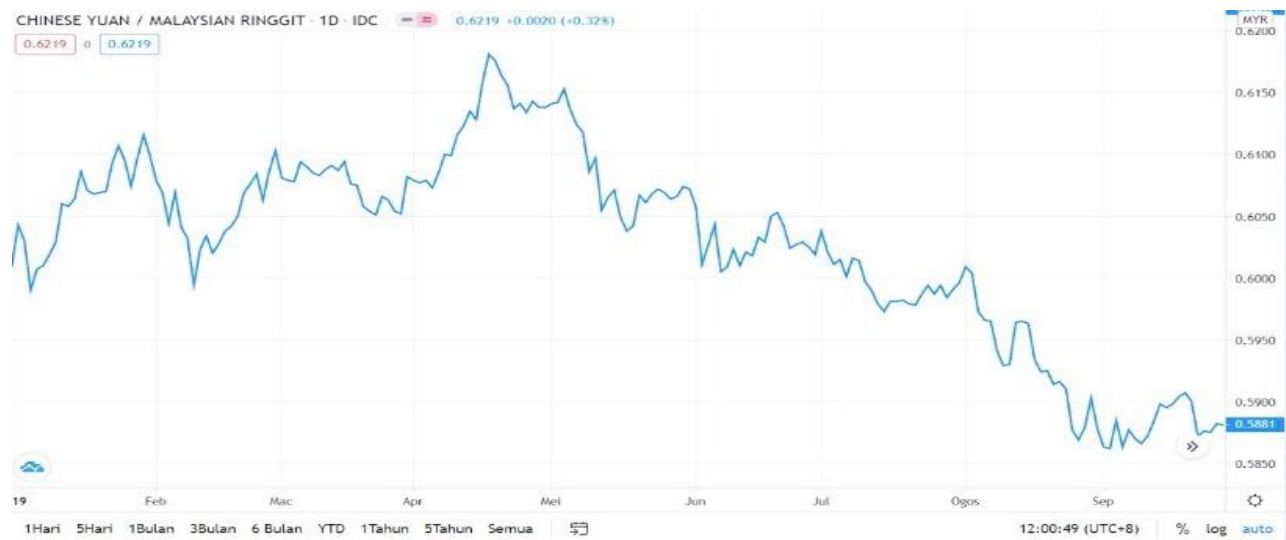
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1.0 Movement of foreign currencies against Malaysian Ringgit for the past 270 days

1.1 Chinese Yuan Renminbi (CNY) against Malaysian Ringgit (RM)



Source: Trading View

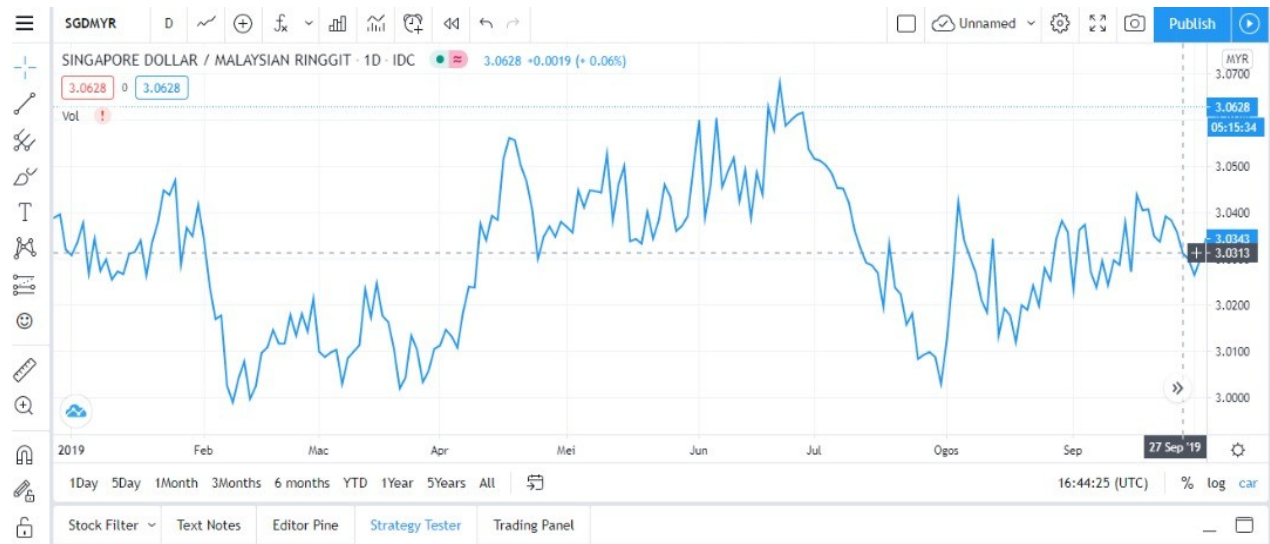
Figure 1: CNY to MYR exchange rate history from 1st January 2019 until 27th September 2019.

Generally, China is one of the biggest and most important trading partners in Malaysia nowadays. Based on the chart above, Chinese Yuan Renminbi currency was very volatile against Malaysian Ringgit as the graph displays the fluctuation and we saw the upward trend within 5 months starting from January to the middle of April 2019. On these months, we saw Malaysia Ringgit depreciated against Chinese Yuan Renminbi has made the demand for Malaysia exports increased as it is cheaper from China. According to the ministry of international trade and industry (Miti), the growth of exports to China influenced by manufacturing goods such as electrical and electronics (E&E) products, petroleum products, iron, steel products, processed food as well as the liquefied natural gas (LNG). Besides, the effect of the tension of US-China trade war have made export volume surged up to the point Malaysia's ability of competitiveness at the global stage.

In May 2019, Malaysian Ringgit has appreciated against Chinese Yuan Renminbi currency and we saw the downward trend from May to September. This happened when central bank has made a move to strengthen Malaysia Ringgit by encouraging boost oil prices, enhance market liquidity and much- better-than-expected first quarter gross domestic product (GDP) figures. Other than that, when the pressure of two economic powerhouse has made global

economy and demand for Malaysia exports decreased tremendously. This has caused significant loss as Malaysia is an open country.

1.2 Singapore Dollars (SGD) against Malaysia Ringgit (MYR)



Source: Trading View

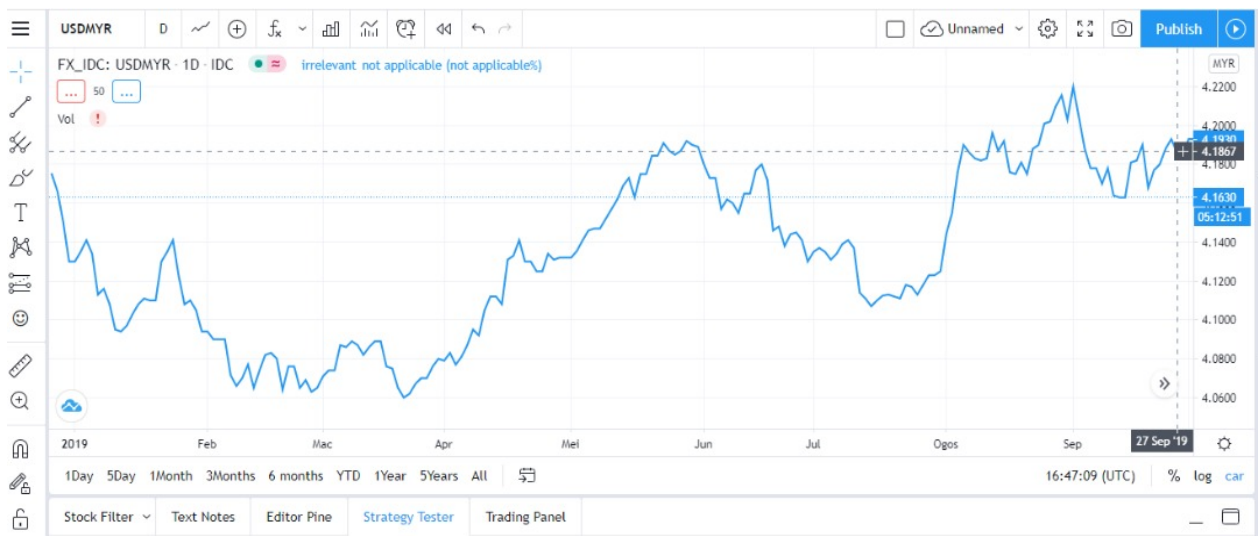
Figure 2: SGD to MYR exchange rate history from 1st January 2019 until 27th September 2019.

From the Singapore Dollar to Malaysia Ringgit historical chart above, we can see that there is downgrade signal on the first quartile of 2019. It was because of the Singapore's GDP expanded 1.2 at the end of 31 March 2019 which is the lowest in nearly a decade. In addition, this slower in economic growth has affected by protracted of United State and China trade war that led to a downgrade to the growth forecast of the country in Southeast Asia. This factor has makes Singapore Dollar value was decreased and MYR was increase.

For the second quartile, we can see that there, from the data statistic of Malaysia, In January until October, Singapore is the main source of Malaysia's import which is 12.4% of total import. In 2019, import from Malaysia to Singapore is (\$28.4B) which Crude Petroleum (\$7.08B), Integrated Circuits (\$6.94B), Office Machine Parts (\$1.53B) and Broadcasting Equipment (999.37M). But, in that particular year, imports from Singapore were declined -10.9% which is RM 1.1 billion from a year 2018.

From the third quartile of 2019, we can see from the chart there is decreasing trend in July because of slower Singapore economy may affected the currency of Singapore dollar and Malaysia ringgit. Due to slower economy of Singapore could have impact on Malaysia external demand which is electrical and electronic (E&E) product and that the cause of the Singapore dollar currency depreciates.

1.3 United States Dollar (USD) against Malaysian Ringgit (RM)



Source: Trading View

Figure 3: USD to MYR exchange rate history from 1st January 2019 to 27th September 2020.

The spot exchange rate of US Dollars against Malaysia determines how much one currency, the US Dollars, is presently worth in terms of the other Malaysia. Although the MYR spot exchange rate of US dollars is quoted and traded on the same day, the forward rate of USDMYR is quoted today, but on a particular future date for delivery and payment. Based on the chart, it shows the upward and downward trend. As we can see the exchange rate US Dollar against Malaysia Ringgit shown the downward trend from February 2019 until April 2019 by 0.02 USDMYR. Based on that FXTM predicted that Ringgit Malaysia would stand sponsored, while Asian bond currency to the larger success against the greenback. After that, we can see that the exchange rate fluctuates from May 2019 to September 2019 since Malaysia's top export destinations are the United States with 14.7 billion US dollars and 14.7 billion US dollars, while

in other countries the percentage of top export nations is 28.8 percent. Suddenly, due to the ringgit, the exchange rate declined to its lowest level in Malaysia by 0.33 percent against the US dollar at the end of September 2019, Malaysia may be at risk of losing up to one-third of its potential oil income, including from taxes and dividends. The entire trade balance will be impacted if the economy slows down, and declining exports will weaken the ringgit against the US dollar.

1.4 Japanese Yen (JPY) to Malaysian Ringgit (MYR)



Source: Trading View

Figure 4: JPY to MYR exchange rate history from 1st January 2019 until 27th September 2019.

Based on the chart, it shows an upward and downward trend. For the first quarter in 2019, Japan is experiencing economic growth better than expected because of its prime minister enough political cover to push through a controversial proposal to hike its sales tax. Japan's gross domestic product has increased by 2.1%, although expected to face an economic contraction as GDP in Q4 2018 experienced a 1.6% increase. Japan also experienced a drop in export value of 2.4%, which is the largest drop in value since 2015. Import values also recorded a decline for the first quarter

In the third quarter, the chart showed an increase. Due to the Japanese economy growing faster, domestic demand can offset the organization despite declining exports and global trade tensions. In July-September, the gross domestic product showed a growth of 1.8%. More substantial growth expects an economic expansion in the fourth quarter. Annual GDP growth also experienced a quarter-on-quarter development of 0.4% from April-June, compared with a more significant 0.5% increase in the second quarter and an initial reading of a 0.1% increase.

1.5 Hong Kong Dollar (HKD) to Malaysian Ringgit (MYR)



Source: Trading View

Figure 5: HKD to MYR exchange rate history from 1st January 2019 until 27th September 2019.

According to this chart of the Hong Kong dollar against the Malaysian ringgit, the first record shows a downtrend line from January 2019 until in the middle of Mac 2019. The fall in exchange rates was largely attributed to the tumbles of growth again in Q4 2018, and JLL, one of the company's manager for real estate and investments, said the Hong Kong home prices could decrease as much as 25% if the United States and China trade war escalated, is still cautious.

After that, based on the report 2019, we can see that the currency exchange from Hong Kong Dollar to Malaysian Ringgit was increasing from April 2019 until July 2019 because one of the top export destinations of Malaysia is Hong Kong with 13.6B US DOLLAR or 6.7% from

the export activities in Malaysia. Hong Kong, sadly, has to spend trillions to avoid recession as demonstrations strike the August 2019 economy. Tax changes, additional social security benefits and education subsidies became part of the stimulus programme.

2.0 Projection for Malaysian Ringgit (MYR) in future

Based on the above analysis, the Chinese Yuan Renminbi's prediction to Malaysia Ringgit exchange rate may drop in the future. It will decline for a projection of one year, but the effect is relatively within the controllable range, with China as a capable currency-controlling country, neither leading to exchange rate depreciation nor enabling the exchange rate to appreciate substantially.

Meanwhile, the prediction for Singapore Dollar to Malaysia Ringgit may be a substantial addition to the portfolio in the future because it considers a range of factors, such as volume changes, rate changes, and business cycles. The Singapore dollar forecasts are continually evolving, influenced by news and relative sentiment towards the Singapore economy. There is an increased risk that the Singapore Monetary Authority (MAS) will start driving the Singapore dollar down through direct market interventions.

Furthermore, the greenback continues to slide on a downward line, but that has put pressure on exporters dependent on dollar receipts in Malaysia. According to analysts, by the end of 2020, the ringgit will rise to 4.00 against the US dollar, in line with the improvement of the global economy. Experts believe that the local note is unlikely to trade against the greenback range above the 4.30-4.35 range, considering the volatility of the exchange rate fueled by the Covid-19 pandemic. For importers buying goods and services denominated in the US dollar, stronger Ringgit Malaysia comes as a benefit, but it is a bane for exporters selling their products in US dollar terms. In early trading today, the ringgit was higher against the US dollar on improving investor sentiment towards the local note due to the higher global oil price.

Malaysia's Ringgit forecast will decline in the fourth quarter as Japan will undergo an economic recession due to higher sales taxes. The Japanese Yen's currency to Malaysia exchange rate will rise to 0.0399 to 0.0411 in one year. Because of the continued volatility of GBP, EUR, and USD, investors will start investing in JPY because it is a secure currency between the other

currencies. Therefore, Malaysia can reduce imports from Japan to reduce the cost of currency exchange because the Japanese Yen is a safe currency between the different currencies.

Finally, we forecast for the Hong Kong Dollar that Malaysia Ringgit is expected to steadily moderate the HKD / MYR exchange rate in the future. Due to the impact of Hong Kong events, the HKD / MYR data may increase to some degree, but under self-adjustment of the market, the change curve will return to the usual trend.

3.0 Conclusion

In conclusion, we can see that currency value fluctuate because of several factors such political, slower economy of the country, the declined of GDP and the global trade. As we know currency are one of major import to the economies and the country.

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