

# Ringgit Weekly Outlook

Any signs of the Fed changing course may shift bearish narrative

## Fundamental Overview

- Despite the US debt ceiling deal and a below-consensus US ISM Services PMI print, the ringgit experienced continued depreciation against the USD, mainly due to the current market sentiment of caution and risk avoidance in anticipation of the upcoming US Fed meeting. Although the USD index weakened below the 103.5 level, the ringgit did not benefit from this due to the weakening of the yuan, which was driven by China's weaker-than-expected exports reading of -7.5% YoY in May (April: 8.5%; consensus: -0.4%).
- The ringgit may continue to face depreciatory pressure as investors are likely to adopt a wait-and-see approach leading up to the release of US CPI data and the US FOMC meeting next week. If the US core inflation reading turns out to be lower than the consensus forecast of 0.4% MoM, it may prompt a reassessment of market expectations regarding the direction of the Fed's monetary policy, potentially shifting from a hawkish to a dovish position, which would favour the local note. Additionally, the ringgit will also be influenced by China and US retail sales reading for May.

## Technical Analysis

- The USDMYR pair's outlook is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.605 as the pair's RSI is in the middle of the range (See ST Technical table).
- Technical-wise, the pair may move towards (S1) 4.581 and test (S2) 4.557, which indicates an upside pattern for the local note. Conversely, if the Fed remains relatively hawkish, the pair may test (R1) 4.626 and attempt to move higher to test (R2) 4.646.

Table 1: Currency Outlook

Long Term*							
	Q1-23	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Trend
USDMYR	4.415	4.527	4.267	4.107	4.046	4.022	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	57.825	4.605	4.626	4.646	4.581	4.557	—

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

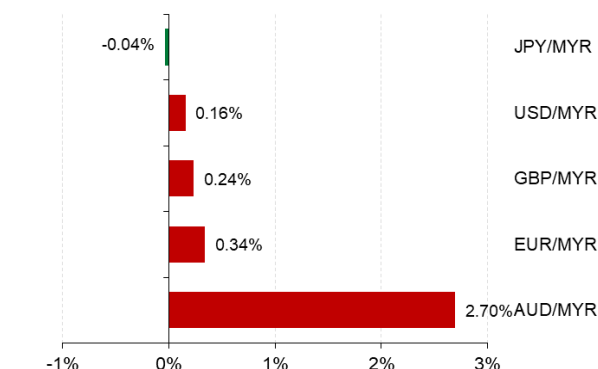
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



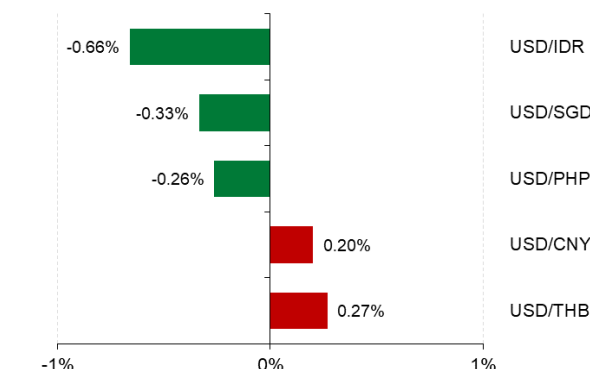
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

09 June 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	08/06/22 Last Year	08/05/23 Last Month	01/06/23 Last Week	08/06/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.409	4.395	4.437	4.614	4.621	4.82%	5.15%	4.15%	0.16%
AUDMYR	2.962	3.157	3.012	3.006	3.087	4.22%	-2.22%	2.51%	2.70%
GBPMYR	5.255	5.501	5.610	5.744	5.757	9.56%	4.65%	2.63%	0.24%
EURMYR	4.649	4.704	4.897	4.941	4.958	6.63%	5.39%	1.24%	0.34%
JPYMYR	3.373	3.279	3.286	3.307	3.306	-2.00%	0.80%	0.59%	-0.04%
SGDMYR	3.280	3.192	3.350	3.412	3.431	4.59%	7.47%	2.42%	0.55%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15601	14492	14711	14994	14895	-4.53%	2.78%	1.25%	-0.66%
USDTHB	34.444	34.537	33.835	34.742	34.835	1.14%	0.86%	2.96%	0.27%
USDSGD	1.346	1.376	1.324	1.352	1.347	0.06%	-2.09%	1.72%	-0.33%
USDPHP	55.799	52.921	55.27	56.28	56.132	0.60%	6.07%	1.56%	-0.26%
USDCNY	6.915	6.684	6.914	7.098	7.112	2.85%	6.40%	2.86%	0.20%
USDJPY	130.690	134.000	135.030	139.540	139.790	6.96%	4.32%	3.53%	0.18%
<b>USD</b>									
EURUSD	1.053	1.072	1.105	1.071	1.073	1.89%	0.09%	-2.88%	0.20%
GBPUSD	1.191	1.254	1.266	1.246	1.247	4.67%	-0.57%	-1.57%	0.01%
AUDUSD	0.670	0.719	0.679	0.652	0.668	-0.36%	-7.11%	-1.68%	2.44%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
12/6/2023	MY	Retail Sales (APR)	17.7% YoY	N/A
13/6/2023	US	Core Inflation Rate (MAY)	0.4% MoM	0.4% MoM
14/6/2023	US	PPI (MAY)	0.2% MoM	-0.1% MoM
15/6/2023	US	Fed Interest Rate Decision	5.25%	5.25% (status quo)
15/6/2023	CN	Retail Sales (MAY)	18.4% YoY	13.9% YoY
15/6/2023	EA	ECB Interest Rate Decision	3.75%	4.00% (25 bps hike)
15/6/2023	US	Retail Sales (MAY)	0.4% MoM	0.0% MoM
16/6/2023	US	Michigan Consumer Sentiment Preliminary (JUN)	59.2	60.0

Source: Kenanga Research, Trading Economics, Bloomberg

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