

# Ringgit Weekly Outlook

Downside bias amid strong USD safe-haven demand and lack of domestic boost

## Fundamental Overview

- The Fed's recent hawkish pause, coupled with the ECB and BoE's dovish bias has helped the USD index (DXY) to maintain a foothold above the 105.0 level, weakening the ringgit. The deepening of negative yield differential between MY-US 10-year bond (above -50 bps) due to the Fed's higher-for-longer narrative has also pressured the MYR to trade close to the 4.70/USD threshold. Malaysia's weaker-than-expected trade figures and China's worsening economic outlook have further contributed to the depreciation.
- Even though the Fed continues to indicate the possibility of another 25 bps rate hike this year, the market remains sceptical (the CME FedWatch Tool expects the Fed to maintain rates at 5.50% until June 2024). Therefore, we reckon that, unless there is an upside surprise in US macro readings, the DXY may consolidate around the 105.0 – 105.5 level next week, which would keep the ringgit weak around the 4.65 - 4.70 level. Also, the looming risk of a potential US government shutdown (deadline: September 30) may benefit the USD in the short-run. Of note, we still maintain a bullish outlook for the ringgit's potential recovery in 4Q23 as we factor in more cuts by the Fed in 2024 due to growing headwinds. However, we have revised our end-2023 ringgit forecast to 4.44 from 4.29.

## Technical Analysis

- The USDMYR outlook is neutral-to-bearish, as its RSI is nearing an overbought zone (See ST Technical table).
- Technically, the pair may move towards (S1) 4.685 and test (S2) 4.681, suggesting an upside pattern for the ringgit. However, the pair may test (R2) 4.701 if the market increase USD's long position.

Table 1: Currency Outlook

Long Term*							
	Q2-23	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Trend
USDMYR	4.667	4.660	4.440	4.331	4.306	4.280	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	64.500	4.689	4.695	4.701	4.685	4.681	▼

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

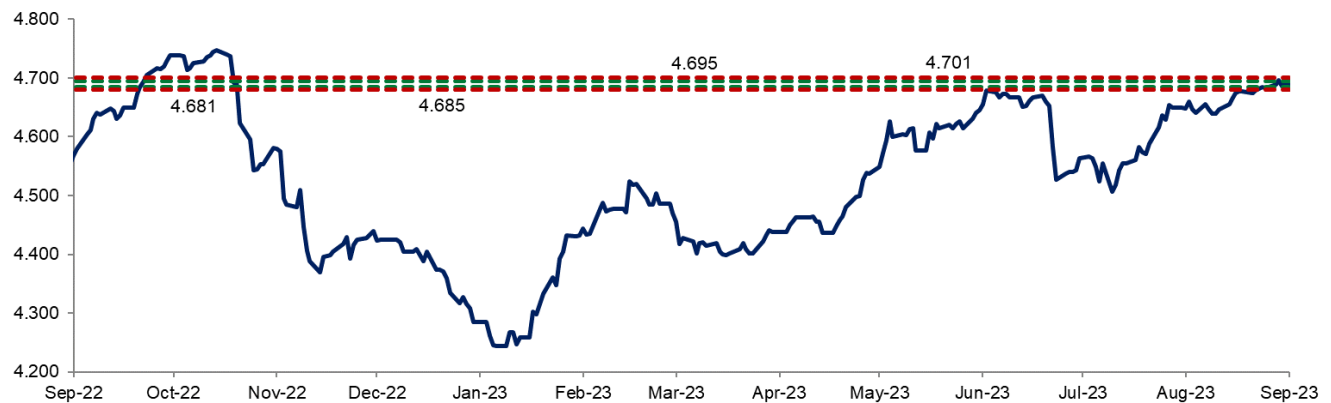
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

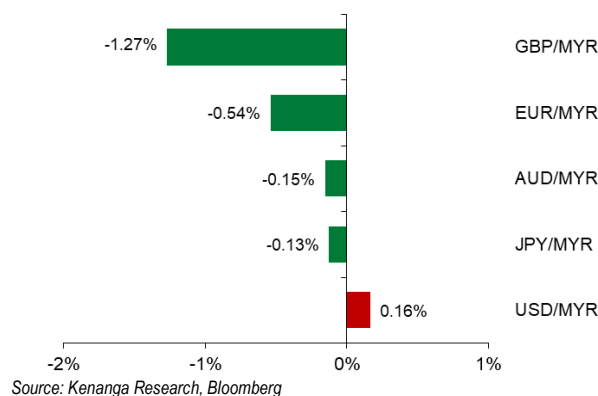
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

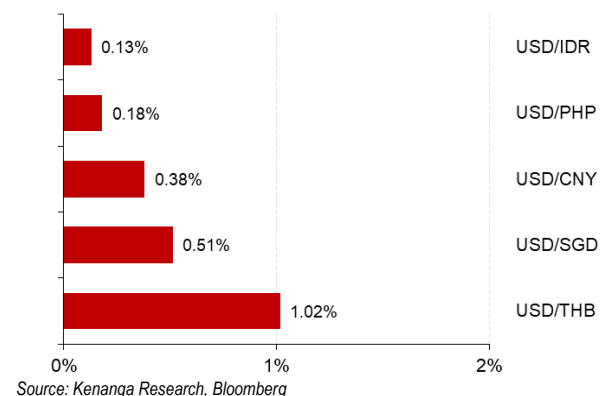
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



22 September 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	21/09/22 Last Year	21/08/23 Last Month	14/09/23 Last Week	21/09/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.409	4.554	4.649	4.684	4.692	6.42%	3.03%	0.92%	0.16%
AUDMYR	2.962	3.041	2.980	3.011	3.006	1.48%	-1.15%	0.88%	-0.15%
GBPMYR	5.255	5.161	5.923	5.843	5.768	9.77%	11.78%	-2.61%	-1.27%
EURMYR	4.649	4.522	5.068	5.025	4.998	7.50%	10.52%	-1.38%	-0.54%
JPYMYR	3.373	3.164	3.186	3.179	3.175	-5.87%	0.36%	-0.34%	-0.13%
SGDMYR	3.280	3.222	3.426	3.441	3.430	4.57%	6.46%	0.13%	-0.31%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15601	14997	15325	15355	15375	-1.45%	2.52%	0.33%	0.13%
USDTHB	34.444	37.144	35.186	35.778	36.142	4.93%	-2.70%	2.72%	1.02%
USDSGD	1.346	1.413	1.357	1.361	1.368	1.57%	-3.22%	0.77%	0.51%
USDPHP	55.799	57.997	56.347	56.755	56.858	1.90%	-1.96%	0.91%	0.18%
USDCNY	6.915	7.050	7.283	7.279	7.307	5.66%	3.64%	0.32%	0.38%
USDJPY	130.690	143.910	145.930	147.320	147.740	13.05%	2.66%	1.24%	0.29%
<b>USD</b>									
EURUSD	1.053	0.992	1.090	1.074	1.065	1.14%	7.35%	-2.28%	-0.78%
GBPUSD	1.191	1.134	1.274	1.246	1.230	3.28%	8.45%	-3.46%	-1.31%
AUDUSD	0.670	0.667	0.641	0.644	0.641	-4.40%	-3.97%	0.06%	-0.51%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
26/9/2023	MY	PPI (AUG)	-2.3% YoY	N/A
26/9/2023	US	S&P/Case-Shiller Home Price (JUL)	0.9% MoM	N/A
26/9/2023	US	New Home Sales (AUG)	4.4% MoM	-2.0% MoM
27/9/2023	US	Durable Goods Orders (AUG)	-5.2% MoM	-0.4% MoM
28/9/2023	US	GDP Growth Rate Final (Q2)	2.0% QoQ	2.0% QoQ
29/9/2023	CN	Caixin Manufacturing PMI (AUG)	51.0	N/A
29/9/2023	MY	M3 Money Supply (AUG)	3.5% YoY	N/A
29/9/2023	US	Core PCE Price Index (AUG)	0.2% MoM	0.2% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

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