

Ringgit Weekly Outlook

Shifting to a mixed bias due to US economic uncertainty and Malaysia's budget 2024

Fundamental Overview

- The ringgit depreciated to its weakest level in 11 months as the USD index (DXY) soared to as high as 107.0 (Oct 3) due to an improvement in the US ISM manufacturing PMI and a hawkish Fed speech. The DXY was further bolstered by the better-than-expected US JOLTS job openings figure. The widening of the negative 10-year MY-US government bond yield differential has also pressured the ringgit to trade above the 4.70/USD level. Nevertheless, the ringgit managed to pare some of its losses following news of US private payrolls recording its slowest growth since Jan 2021.
- While the ringgit is expected to trade in the range of 4.71 to 4.73 next week, driven by robust demand for the safe-haven USD amid the recalibration of the Fed's monetary policy cycle, the direction of the currency will primarily be influenced by the US nonfarm payrolls and inflation data. If these readings turn out to be lower than consensus, it could trigger another adjustment in the Fed's cycle, potentially leading to more rate cuts expectations next year and resulting in a USD sell-off, which would benefit the ringgit. Additionally, the local note may find support from the expected pro-growth federal budget for 2024 to be unveiled on Oct 13.

Technical Analysis

- The USDMYR is expected to turn neutral-to-bearish next week as its RSI reading is nearing overbought level (See ST Technical table).
- Technical-wise, MYR is expected to trend higher against the USD should US core inflation reading surprise on the downside, with the pair's immediate support awaits at (S1) 4.717, followed by (S2) 4.710. Conversely, the pair may test (R1) 4.730 if DXY trend higher.

Table 1: Currency Outlook

Long Term*							
	Q3-23	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Trend
USDMYR	4.695	4.440	4.331	4.306	4.280	4.254	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	66.893	4.721	4.730	4.736	4.717	4.710	▼

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.

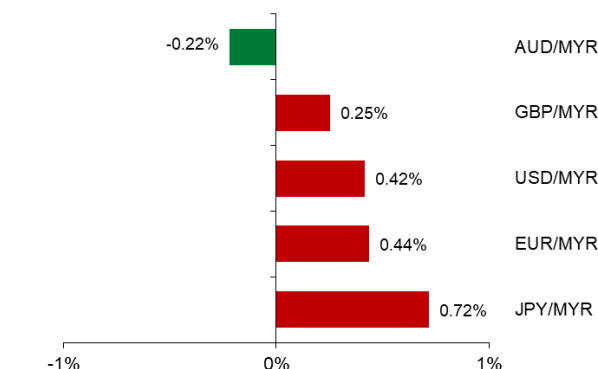
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



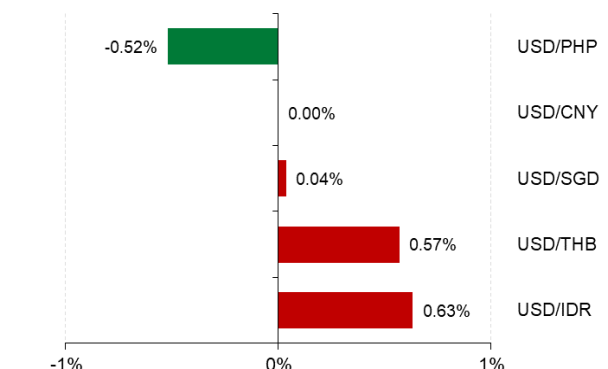
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

06 October 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	05/10/22 Last Year	05/09/23 Last Month	28/09/23 Last Week	05/10/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.630	4.664	4.708	4.728	7.24%	2.11%	1.38%	0.42%
AUDMYR	2.962	2.995	2.975	3.002	2.995	1.10%	0.01%	0.67%	-0.22%
GBPMYR	5.255	5.289	5.856	5.717	5.732	9.08%	8.38%	-2.12%	0.25%
EURMYR	4.649	4.598	5.013	4.946	4.968	6.85%	8.04%	-0.89%	0.44%
JPYMYR	3.373	3.208	3.167	3.153	3.176	-5.84%	-0.99%	0.27%	0.72%
SGDMYR	3.280	3.255	3.427	3.433	3.446	5.05%	5.87%	0.55%	0.37%
ASEAN 5 + CN + JP									
USDIDR	15601	15193	15270	15520	15618	0.11%	2.80%	2.28%	0.63%
USDTHB	34.444	37.377	35.486	36.73	36.939	7.24%	-1.17%	4.09%	0.57%
USDSGD	1.346	1.424	1.362	1.370	1.370	1.78%	-3.76%	0.65%	0.04%
USDPHP	55.799	58.658	56.876	56.974	56.678	1.58%	-3.38%	-0.35%	-0.52%
USDCNY	6.915	7.116	7.303	7.298	7.298	5.54%	2.56%	-0.07%	0.00%
USDJPY	130.690	144.350	147.230	149.310	148.840	13.89%	3.11%	1.09%	-0.31%
USD									
EURUSD	1.053	0.992	1.074	1.054	1.052	-0.11%	6.00%	-2.05%	-0.20%
GBPUSD	1.191	1.138	1.256	1.220	1.214	1.93%	6.71%	-3.31%	-0.50%
AUDUSD	0.670	0.647	0.637	0.639	0.635	-5.33%	-1.92%	-0.31%	-0.70%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
10/10/2023	MY	Unemployment Rate (AUG)	3.4%	N/A
11/10/2023	US	PPI (SEP)	0.7% MoM	0.3% MoM
11/10/2023	CN	New Yuan Loans (SEP)	CNY1360.0b	CNY2500.0b
12/10/2023	US	FOMC Minutes	N/A	N/A
12/10/2023	MY	Industrial Production (AUG)	0.7% YoY	N/A
12/10/2023	MY	Retail Sales (AUG)	5.5% YoY	N/A
12/10/2023	US	Core Inflation Rate (SEP)	0.3% MoM	0.3% MoM
12/10/2023	US	Initial Jobless Claims (OCT/07)	207.0k	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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