

Ringgit Weekly Outlook

Possible bullish shift if US non-farm payrolls and inflation indicates dovish Fed

Fundamental Overview

- Despite a surprising decline in US job openings and a softer ADP private payrolls report, the ringgit failed to strengthen against the USD. The persistent decrease in the 10-year US Treasury yield, driven by the increasing market expectation of a Fed pivot, coupled with China's better-than-expected exports, has not succeeded in bolstering the local note. This might be attributed to investors adopting a cautious "wait-and-see" stance ahead of today's non-farm payrolls release. The lack of confidence in the Fed's future monetary policy direction and Moody's downgrade of China's credit outlook have kept the ringgit weak above the 4.65/USD level.
- A softening labour demand, as indicated by the Fed's Beige Book survey and JOLTS report, could be a signal of a potentially lower-than-anticipated non-farm payroll reading tonight. This, coupled with a further deceleration in US CPI readings may solidify market expectation of a potential shift in Fed's language in its December FOMC meeting next week. Any dovish signals from the meeting are expected to considerably bolster the ringgit. Investors will also closely examine the US retail sales report for signs of waning consumer demand and China's retail sales numbers to gauge the momentum of the country's economic growth. Domestically, improvements in industrial production and retail sales readings may further contribute to a ringgit appreciation.

Technical Analysis

- The USDMYR's neutral outlook is expected to persist for the week ahead, with the pair likely to trade near its 5-day EMA of 4.669.
- The pair may hover in a range of (S2) 4.650 – (R2) 4.683 next week. However, a dovish Fed may drive the pair to trade below 4.600.

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	47.247	4.669	4.676	4.683	4.659	4.650	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

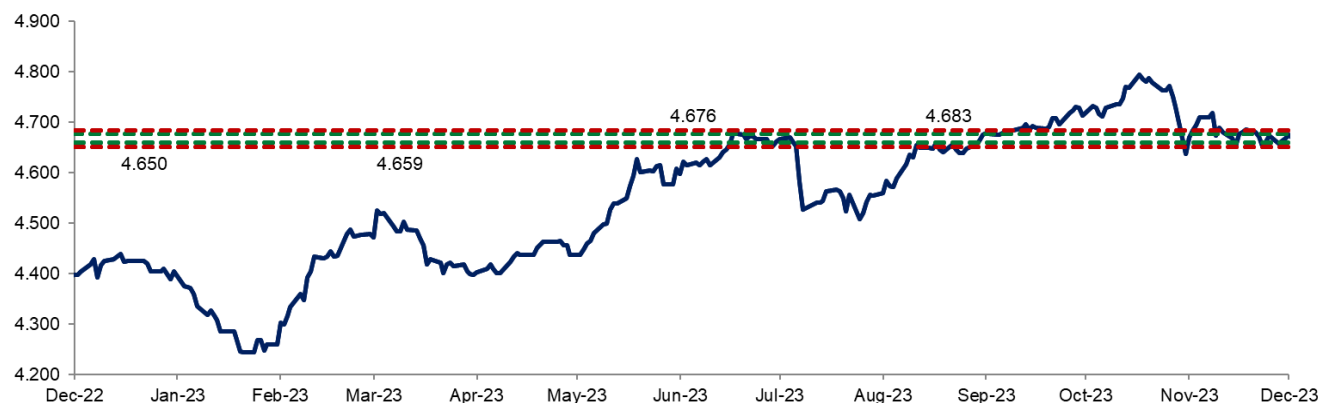
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

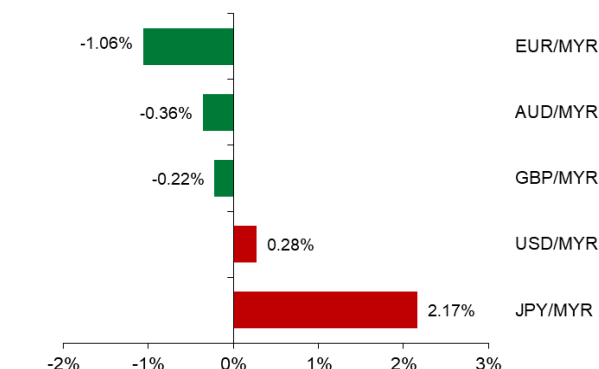
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



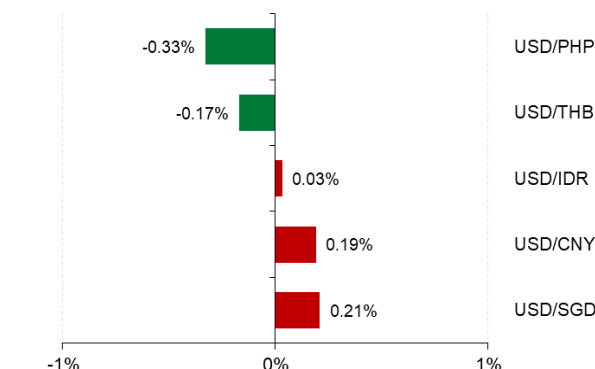
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

08 December 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	07/12/22 Last Year	07/11/23 Last Month	30/11/23 Last Week	07/12/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.398	4.670	4.661	4.674	6.03%	6.29%	0.09%	0.28%
AUDMYR	2.962	2.935	2.999	3.084	3.072	3.72%	4.68%	2.45%	-0.36%
GBPMYR	5.255	5.333	5.746	5.898	5.885	11.99%	10.34%	2.41%	-0.22%
EURMYR	4.649	4.607	4.989	5.093	5.039	8.38%	9.37%	0.99%	-1.06%
JPYMYR	3.373	3.199	3.106	3.159	3.227	-4.33%	0.87%	3.89%	2.17%
SGDMYR	3.280	3.234	3.446	3.491	3.491	6.42%	7.95%	1.29%	0.01%
ASEAN 5 + CN + JP									
USDIDR	15601	15637	15636	15510	15515	-0.55%	-0.78%	-0.77%	0.03%
USDTHB	34.444	35.089	35.561	35.249	35.189	2.16%	0.28%	-1.05%	-0.17%
USDSGD	1.346	1.359	1.355	1.337	1.340	-0.51%	-1.40%	-1.11%	0.21%
USDPHP	55.799	55.47	56.141	55.487	55.304	-0.89%	-0.30%	-1.49%	-0.33%
USDCNY	6.915	6.970	7.280	7.135	7.149	3.38%	2.56%	-1.80%	0.19%
USDJPY	130.690	137.430	150.340	147.570	144.860	10.84%	5.41%	-3.65%	-1.84%
USD									
EURUSD	1.053	1.050	1.068	1.092	1.077	2.28%	2.58%	0.83%	-1.35%
GBPUSD	1.191	1.218	1.230	1.264	1.259	5.70%	3.38%	2.37%	-0.44%
AUDUSD	0.670	0.668	0.642	0.660	0.657	-2.06%	-1.68%	2.24%	-0.55%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
11/12/2023	MY	Industrial Production (OCT)	-0.5% YoY	2.5% YoY
11/12/2023	MY	Retail Sales (OCT)	5.9% YoY	N/A
12/12/2023	US	Core Inflation Rate (NOV)	0.2% MoM	0.3% MoM
13/12/2023	US	PPI (NOV)	-0.5% MoM	0.1% MoM
14/12/2023	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
14/12/2023	UK	BoE Interest Rate Decision	5.25%	5.25% (status quo)
14/12/2023	US	Retail Sales (NOV)	-0.1% MoM	-0.1% MoM
15/12/2023	CN	Retail Sales (NOV)	7.6% YoY	12.4% YoY

Source: Kenanga Research, Trading Economics, Bloomberg

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