

Ringgit Weekly Outlook

To remain weak on USD preserved safe-haven status, but downside limited

Fundamental Overview

- Despite the above-consensus US nonfarm payrolls reading, which stood at 216.0k (Nov: 173.0k), the USD index (DXY) shows minimal movement. This can be attributed primarily to conflicting signals from the job market, highlighted by a contraction in the ISM services employment component. However, due to the absence of factors supporting its strength and ongoing external uncertainties, the local note depreciated, surpassing the 4.64 level against the USD.
- The DXY once again failed to strengthen despite upside surprises in US CPI readings, which turned out to be hotter-than-expected. Despite the initial knee-jerk reaction that propelled the DXY to around 102.7, supported by a surge in the 10-year US Treasury yield, the market ultimately concluded that the CPI reading does not significantly alter the trajectory of Fed policy. Nevertheless, this development diminishes the likelihood of an early Fed rate cut, and the market may soon gradually unwind its bets on a March rate cut (CME FedWatch tool: > 70.0% probability). Next week, investors may closely monitor China's 4Q23 data for any signs of economic recovery. A pro-yuan story, coupled with a weaker US retail sales reading, may help the ringgit to recoup some of its losses. Meanwhile, focus will shift to tomorrow's Taiwan election, adding a new geopolitical dimension to the economic context.

Technical Analysis

- The USDMYR outlook is neutral next week, with the pair expected to hover around its 5-day EMA of 4.642.
- Technically, the pair may trade in the range of (S1) 4.639 – (R1) 4.649. However, continued demand for safe-haven assets might weaken the MYR.

Table 1: Currency Outlook

Long Term*							
	Q4-23	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Trend
USDMYR	4.594	4.548	4.396	4.327	4.254	4.191	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	53.027	4.642	4.649	4.655	4.639	4.636	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

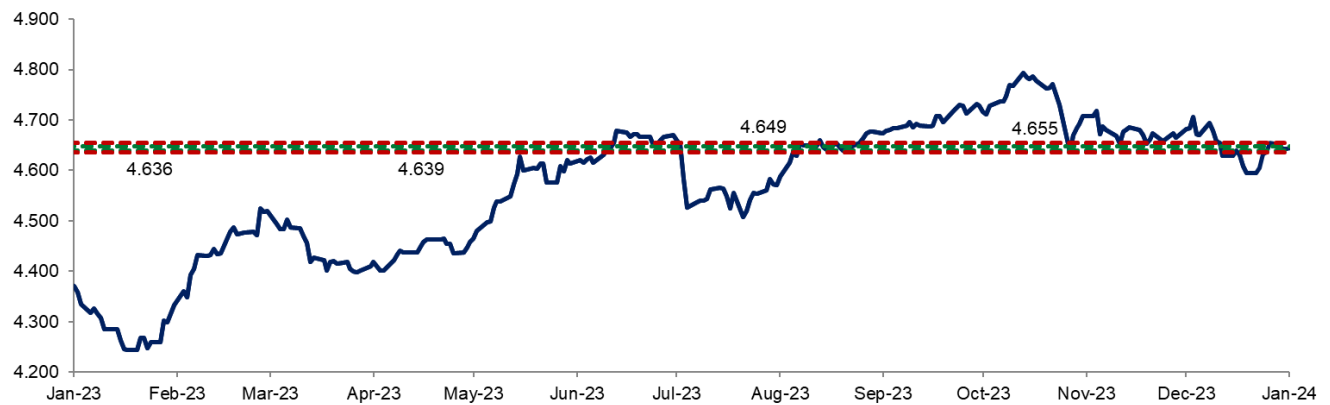
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

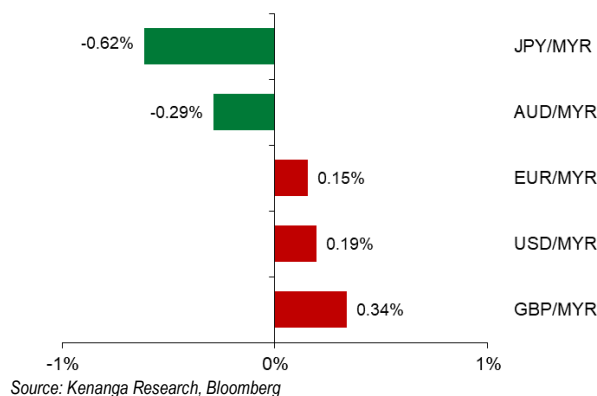
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

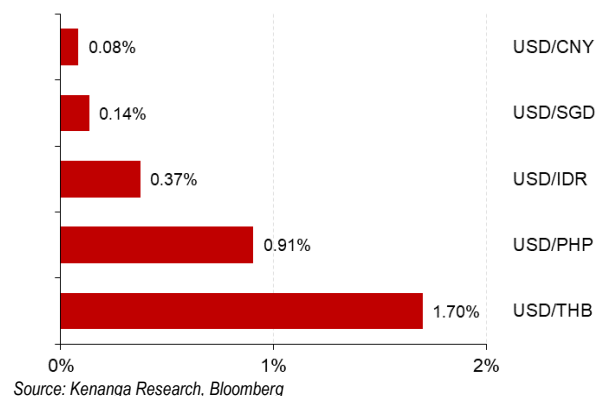
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



12 January 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	11/01/23 Last Year	11/12/23 Last Month	04/01/24 Last Week	11/01/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.371	4.683	4.635	4.644	0.83%	6.24%	-0.83%	0.19%
AUDMYR	3.142	3.021	3.071	3.126	3.117	-0.80%	3.16%	1.49%	-0.29%
GBPMYR	5.857	5.303	5.879	5.896	5.916	1.01%	11.56%	0.64%	0.34%
EURMYR	5.073	4.695	5.042	5.084	5.092	0.36%	8.44%	1.00%	0.15%
JPYMYR	3.251	3.299	3.202	3.213	3.193	-1.77%	-3.21%	-0.26%	-0.62%
SGDMYR	3.482	3.283	3.485	3.492	3.491	0.28%	6.34%	0.19%	-0.03%
ASEAN 5 + CN + JP									
USDIDR	15470	15482	15623	15491	15549	0.51%	0.43%	-0.47%	0.37%
USDTHB	34.151	33.346	35.684	34.477	35.064	2.67%	5.15%	-1.74%	1.70%
USDSGD	1.323	1.332	1.343	1.328	1.330	0.51%	-0.12%	-0.97%	0.14%
USDPHP	55.665	54.803	55.66	55.495	55.998	0.60%	2.18%	0.61%	0.91%
USDCNY	7.143	6.765	7.174	7.161	7.167	0.33%	5.94%	-0.10%	0.08%
USDJPY	141.650	132.500	146.240	144.260	145.420	2.66%	9.75%	-0.56%	0.80%
USD									
EURUSD	1.101	1.075	1.077	1.096	1.097	-0.35%	2.05%	1.81%	0.12%
GBPUSD	1.270	1.214	1.257	1.271	1.275	0.41%	5.03%	1.38%	0.31%
AUDUSD	0.682	0.690	0.656	0.674	0.671	-1.61%	-2.85%	2.26%	-0.43%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
17/01/2024	CN	GDP Growth Rate (Q4)	4.9% YoY	N/A
17/01/2024	US	Retail Sales (DEC)	0.3% MoM	0.3% MoM
17/01/2024	US	Industrial Production (DEC)	0.2% MoM	-0.1% MoM
18/01/2024	US	Building Permits Preliminary (DEC)	1.467m	N/A
18/01/2024	US	Housing Starts (DEC)	14.8% MoM	N/A
18/01/2024	US	Initial Jobless Claims (JAN/13)	202.0k	N/A
19/01/2024	MY	Exports (DEC)	-5.9% YoY	N/A
19/01/2024	US	Michigan Consumer Sentiment Preliminary (JAN)	69.7	68.8

Source: Kenanga Research, Trading Economics, Bloomberg

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my