

# Ringgit Weekly Outlook

Weakness to persist as markets favour defensive USD positions ahead of Fed meeting

## Fundamental Overview

- Despite the risk rally led by China, sparked by discussions surrounding the USD278.0b rescue package and a 50 bps reduction in the Reserve Requirement Ratio, the ringgit has persistently weakened, surpassing the 4.73/USD level. This depreciation can be attributed to concerns about the global economic outlook and the market's recalibration of expectations regarding Fed easing cycle.
- The robust 4Q23 US GDP performance has not significantly propelled the USD index (DXY), mainly as the market remains more responsive to adverse US data than positive surprises. This subdued reaction can also be attributed to US Treasury Chief Yellen's assertion that the solid growth is not inflationary. Anticipating the release of US Core PCE data tonight, which is expected to persistently moderate to 3.0% YoY (Nov: 3.2%), the DXY might continue to trade in a range near the 130.0 level. Looking ahead, the focus will shift to job numbers preceding the Fed meeting next week, as investors seek insights into potential motivations for a rate cut in March. Despite this scrutiny, there appears to be no compelling catalyst to expedite the rate cut cycle. As such, we maintain our view of the DXY staying strong in the short term, exerting pressure on the ringgit to trade around the 4.70/USD level.

## Technical Analysis

- The technical outlook for the USDMYR continues to remain bearish, with the pair expected to trade near its 5-day EMA of 4.726.
- The pair may hover in a range of (S1) 4.726 – (R1) 4.730 next week. However, a downside surprise in US data may support 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	76.172	4.726	4.730	4.733	4.726	4.724	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

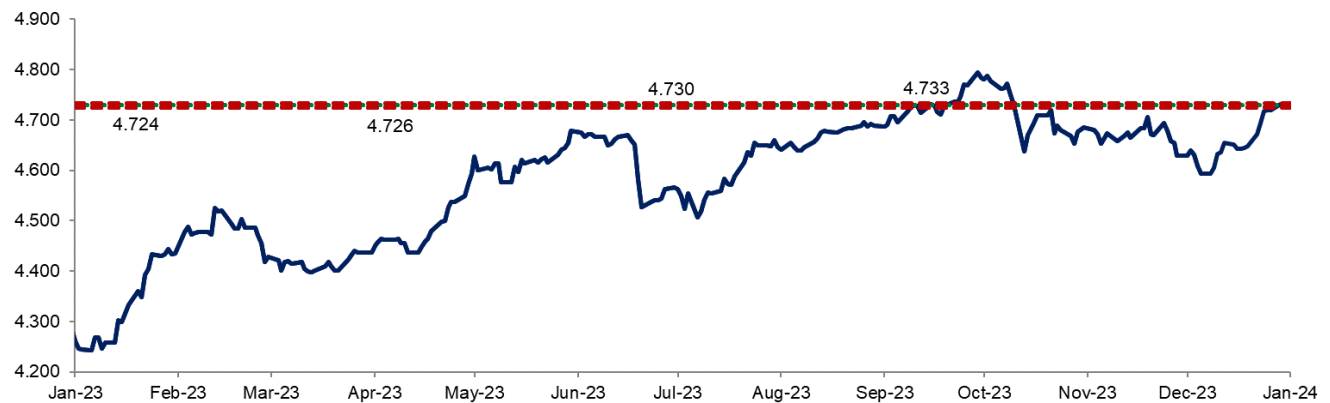
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

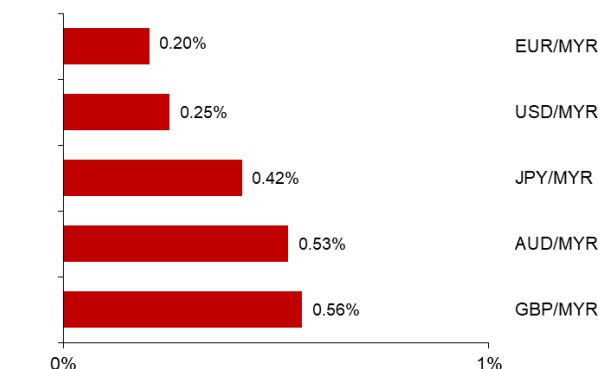
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



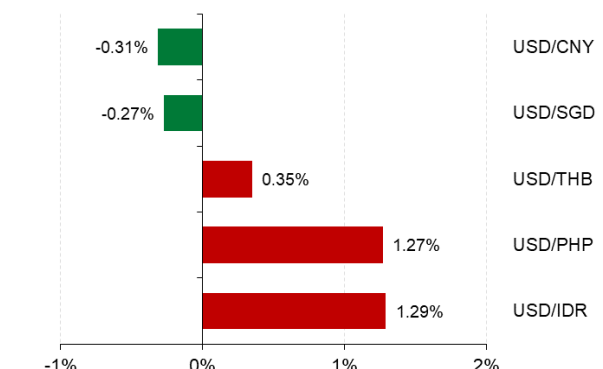
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

26 January 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	25/01/23 Last Year	25/12/23 Last Month	18/01/24 Last Week	25/01/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.262	4.629	4.719	4.731	2.71%	11.00%	2.21%	0.25%
AUDMYR	3.142	3.021	3.150	3.097	3.114	-0.89%	3.07%	-1.14%	0.53%
GBPMYR	5.857	5.246	5.872	5.981	6.015	2.69%	14.66%	2.44%	0.56%
EURMYR	5.073	4.638	5.093	5.136	5.147	1.45%	10.98%	1.05%	0.20%
JPYMYR	3.251	3.279	3.252	3.192	3.205	-1.41%	-2.25%	-1.43%	0.42%
SGDMYR	3.482	3.239	3.495	3.512	3.531	1.41%	9.01%	1.04%	0.54%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15470	14965	15484	15624	15826	2.30%	5.75%	2.21%	1.29%
USDTHB	34.151	32.854	34.585	35.563	35.687	4.50%	8.62%	3.19%	0.35%
USDSGD	1.323	1.317	1.324	1.343	1.340	1.23%	1.75%	1.16%	-0.27%
USDPHP	55.665	54.655	55.36	55.833	56.543	1.58%	3.45%	2.14%	1.27%
USDCNY	7.143	6.793	7.136	7.196	7.174	0.43%	5.61%	0.53%	-0.31%
USDJPY	141.650	129.980	142.350	147.860	147.600	4.20%	13.56%	3.69%	-0.18%
<b>USD</b>									
EURUSD	1.101	1.087	1.102	1.090	1.089	-1.04%	0.25%	-1.11%	-0.02%
GBPUSD	1.270	1.230	1.270	1.269	1.274	0.32%	3.53%	0.32%	0.35%
AUDUSD	0.682	0.709	0.680	0.657	0.659	-3.34%	-7.01%	-3.12%	0.35%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
30/01/2024	US	JOLTs Job Openings (DEC)	8.79m	N/A
31/01/2024	CN	NBS Manufacturing PMI (JAN)	49.0	N/A
31/01/2024	MY	M3 Money Supply (DEC)	4.6% YoY	N/A
31/01/2024	US	ADP Employment Change (JAN)	164.0k	150.0k
01/02/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
01/02/2024	MY	S&P Global Manufacturing PMI (JAN)	47.9	N/A
01/02/2024	US	ISM Manufacturing PMI (JAN)	47.4	47.5
02/02/2024	US	Non Farm Payrolls (JAN)	216.0k	185.0k

Source: Kenanga Research, Trading Economics, Bloomberg

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