

Ringgit Weekly Outlook

Solid USD demand may keep the pair above 4.70, especially if the Fed signals a tighter-for-longer policy

Fundamental Overview

- Despite the unexpectedly robust nonfarm payroll and the hotter-than-expected US core inflation readings, the ringgit traded stronger, hovering around the 4.678 - 4.686 level against the USD from Monday to Thursday. The USD index (DXY) did not surge as it had in last month's above-consensus release, possibly due to the ambiguous nature of the job report. The ringgit's resilience can partly be attributed to strong domestic readings (i.e. IPI), signalling brighter growth prospects for Malaysia. Additionally, government efforts to repatriate foreign investment income and interventions by the BNM could also be supporting the strength of the ringgit.
- The ringgit is currently back above the 4.70/USD threshold, propelled by both the DXY and the 10-year US Treasury edging higher. This surge comes amid escalating uncertainty over Fed rate cut expectations, fuelled by key US data such as the PPI. As the market braces for the upcoming FOMC meeting, the allure of the safe-haven USD may persist, particularly in light of the US economy's persistent resilience. Unless clear indicators of an imminent downturn emerge, USD bears may remain in hibernation, particularly with expectations that the Bank of Japan may defer any significant moves until April, rather than acting next week. However, potential support for the ringgit could materialise if China's key data releases and Malaysia's trade figures exceed expectations.

Technical Analysis

- The USDMYR outlook is neutral next week, with the pair expected to hover around its 5-day EMA of 4.695.
- Technically, the pair may trade in the range of (S1) 4.687 – (R1) 4.713. However, higher demand for USD may 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	4.690	4.597	4.508	4.416	4.324	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	44.653	4.695	4.713	4.722	4.687	4.670	—

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.

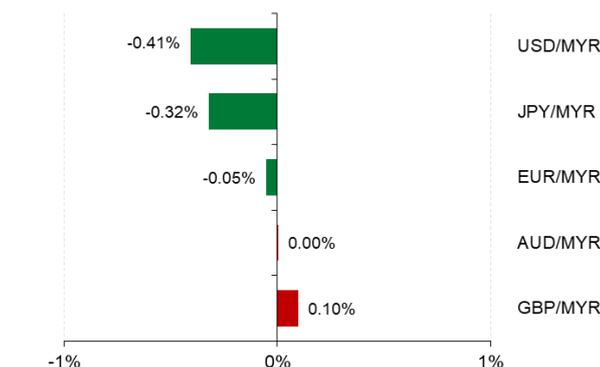
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



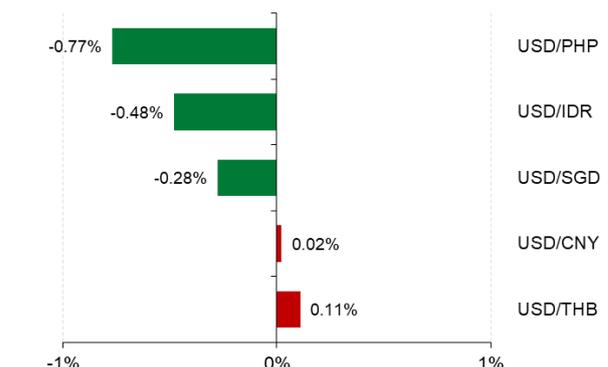
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

15 March 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	14/03/23 Last Year	14/02/24 Last Month	07/03/24 Last Week	14/03/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.484	4.787	4.705	4.686	1.74%	4.50%	-2.10%	-0.41%
AUDMYR	3.142	2.981	3.100	3.104	3.104	-1.20%	4.14%	0.14%	0.00%
GBPMYR	5.857	5.451	6.002	6.000	6.005	2.53%	10.17%	0.05%	0.10%
EURMYR	5.073	4.803	5.122	5.130	5.127	1.06%	6.74%	0.10%	-0.05%
JPYMYR	3.251	3.347	3.178	3.182	3.172	-2.43%	-5.24%	-0.21%	-0.32%
SGDMYR	3.482	3.327	3.546	3.522	3.518	1.04%	5.74%	-0.80%	-0.12%
ASEAN 5 + CN + JP									
USDIDR	15470	15385	15604	15655	15580	0.71%	1.27%	-0.15%	-0.48%
USDTHB	34.151	34.543	36.157	35.569	35.608	4.27%	3.08%	-1.52%	0.11%
USDSGD	1.323	1.346	1.350	1.336	1.332	0.66%	-1.03%	-1.31%	-0.28%
USDPHP	55.665	55.103	56.113	55.835	55.405	-0.47%	0.55%	-1.26%	-0.77%
USDCNY	7.143	6.874	7.194	7.193	7.194	0.71%	4.67%	0.01%	0.02%
USDJPY	141.650	133.970	150.590	147.870	147.750	4.31%	10.29%	-1.89%	-0.08%
USD									
EURUSD	1.101	1.072	1.070	1.090	1.094	-0.62%	2.05%	2.20%	0.39%
GBPUSD	1.270	1.216	1.255	1.276	1.281	0.91%	5.39%	2.10%	0.40%
AUDUSD	0.682	0.665	0.648	0.661	0.662	-2.85%	-0.47%	2.24%	0.24%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
18/03/2024	CN	Industrial Production (JAN-FEB)	6.8% YoY	5.2% YoY
18/03/2024	CN	Retail Sales (JAN-FEB)	7.4% YoY	5.3% YoY
18/03/2024	MY	Exports (FEB)	8.7% YoY	3.0% YoY*
19/03/2024	JP	BoJ Interest Rate Decision	-0.1%	-0.1%* (status quo)
19/03/2024	US	Building Permits Preliminary (FEB)	1.489m	1.500m
20/03/2024	CN	Loan Prime Rate (1Y)	3.45%	3.45% (status quo)
21/03/2024	US	Fed Interest Rate Decision	5.50%	5.50%* (status quo)
21/03/2024	US	S&P Global Manufacturing PMI Flash (MAR)	52.2	51.8

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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