

# Ringgit Weekly Outlook

Potential for further gains if US inflation data falls below consensus

## Fundamental Overview

- Despite not being as strong as expected, the ringgit appreciated against the USD, trading near the 4.74/USD level this week, mainly due to the softer US jobs report last Friday. Initially, the USD index (DXY) fell below the 105.0 mark but quickly rebounded, benefiting from a lower volatility environment and US-Europe monetary policy divergence. Despite the lack of pro-USD catalysts, the Riksbank's rate cut and the BoE's dovish leaning boosted demand for the safe-haven, high-yielding greenback. Domestically, the BNM's decision to maintain the policy rate and the solid retail sales reading also helped to prop up the ringgit.
- Emerging evidence of US labour market softness, such as the rise in US weekly jobless claims, has triggered another recalibration in the Fed's rate expectations. Now, two cuts in 2024 are back on the table. This, coupled with stable domestic unemployment rate and expected solid IPI readings today, may support the ringgit to trade around the 4.73/USD level. Focus will shift to key US macro data next week, namely CPI, PPI, and retail sales. Any downside surprise, especially regarding inflation, may convince the market and Fed hawks that the policy rate has been restrictive enough and that a rate cut should be initiated soon. This potential development may help to pull the DXY below the 105.0 mark and benefit the ringgit.

## Technical Analysis

- The outlook for the USDMYR pair remains neutral-to-bullish, with the pair expected to trade near its 5-day EMA of 4.741.
- Technically, the pair is projected to fluctuate within the range of (S1) 4.733 – (R1) 4.739 next week. However, if US key data surprises on the upside, it could drive the pair above the (R2) 4.744 level.

Table 1: Currency Outlook

Long Term*							
	Q1-24	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Trend
USDMYR	4.725	4.666	4.553	4.416	4.324	4.232	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	23.211	4.741	4.739	4.744	4.733	4.731	▲

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

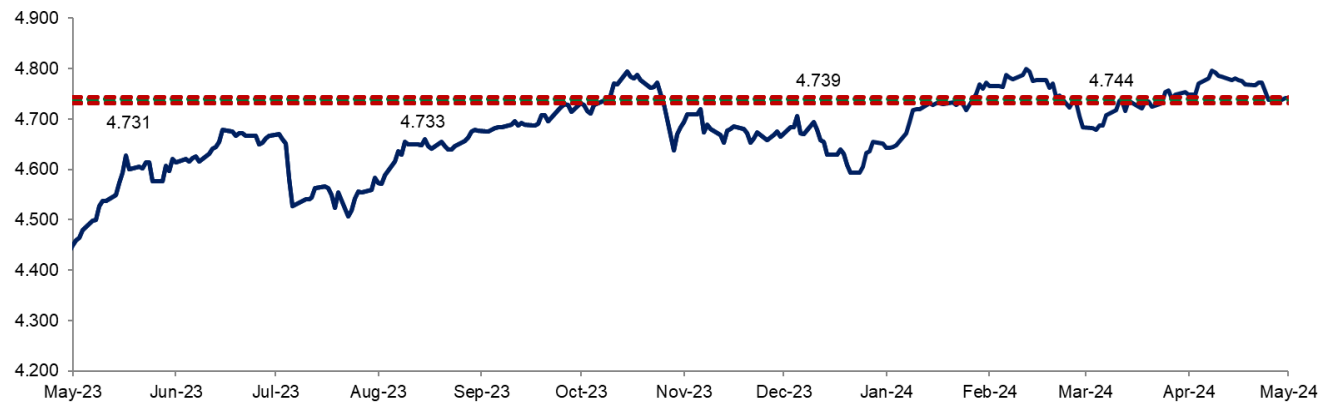
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

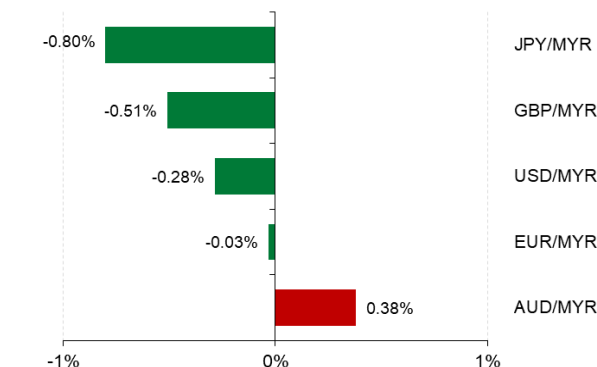
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



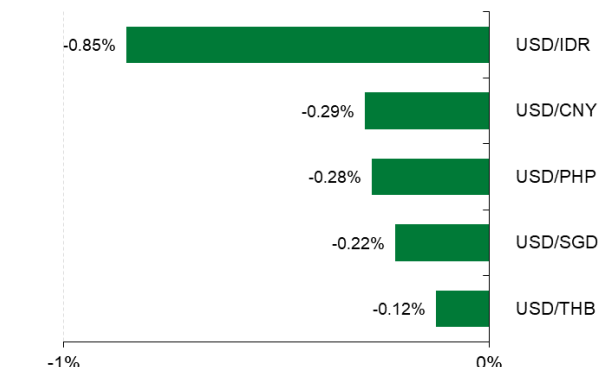
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

10 May 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	09/05/23 Last Year	09/04/24 Last Month	02/05/24 Last Week	09/05/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.448	4.748	4.755	4.741	2.94%	6.59%	-0.14%	-0.28%
AUDMYR	3.142	3.008	3.144	3.105	3.117	-0.78%	3.63%	-0.86%	0.38%
GBPMYR	5.857	5.615	6.021	5.950	5.920	1.07%	5.42%	-1.67%	-0.51%
EURMYR	5.073	4.886	5.160	5.089	5.087	0.28%	4.13%	-1.40%	-0.03%
JPYMYR	3.251	3.299	3.130	3.065	3.041	-6.47%	-7.84%	-2.84%	-0.80%
SGDMYR	3.482	3.354	3.529	3.498	3.495	0.39%	4.21%	-0.94%	-0.08%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15470	14742	15848	16185	16047	3.73%	8.85%	1.26%	-0.85%
USDTHB	34.151	33.671	36.368	36.965	36.919	8.11%	9.65%	1.52%	-0.12%
USDSGD	1.323	1.326	1.346	1.359	1.356	2.51%	2.29%	0.80%	-0.22%
USDPHP	55.665	55.762	56.43	57.538	57.379	3.08%	2.90%	1.68%	-0.28%
USDCNY	7.143	6.921	7.232	7.241	7.220	1.07%	4.33%	-0.17%	-0.29%
USDJPY	141.650	134.790	151.800	155.100	155.920	10.07%	15.68%	2.71%	0.53%
<b>USD</b>									
EURUSD	1.101	1.098	1.087	1.070	1.074	-2.48%	-2.23%	-1.23%	0.29%
GBPUSD	1.270	1.262	1.269	1.251	1.249	-1.64%	-1.05%	-1.57%	-0.20%
AUDUSD	0.682	0.676	0.662	0.652	0.658	-3.54%	-2.78%	-0.71%	0.80%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
14/05/2024	US	PPI (APR)	0.2% MoM	0.3% MoM
15/05/2024	US	Core Inflation Rate (APR)	0.4% MoM	0.3% MoM
15/05/2024	US	Retail Sales (APR)	0.7% MoM	0.4% MoM
16/05/2024	US	Building Permits Preliminary (APR)	1.467m	1.488m
16/05/2024	US	Industrial Production (APR)	0.4% MoM	0.2% MoM
17/05/2024	CN	Industrial Production (APR)	4.5% YoY	5.5% YoY
17/05/2024	CN	Retail Sales (APR)	3.1% YoY	3.9% YoY
17/05/2024	MY	GDP Growth Rate (Q1)	3.0% YoY	3.9% YoY

Source: Kenanga Research, Trading Economics, Bloomberg

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