

# Ringgit Weekly Outlook

Range-bound trading expected amid US economic uncertainty

## Fundamental Overview

- The ringgit traded within a relatively stable range this week, initially weakening to above 4.45/USD on Monday, due to stability in the US equity market. However, it later firmed up, trading between 4.42-4.44 against the USD as global sentiment improved following softer US inflation prints. The USD index dipped below 102.6 after the inflation release, while the 10-year US Treasury (UST) yield fell below 3.85%, as markets fully priced in a September rate cut. To note, the narrowing of the 10-year MGS-UST negative yield differential to an average of -10.8 bps this week (last week: -16.3 bps) has helped attract RM2.3b inflows into Malaysia's domestic debt market, bolstering the ringgit.
- Resilient US consumer spending, evidenced by a stronger-than-expected 1.0% MoM retail sales increase and a drop in jobless claims, reinforces our view that recession fears are overblown. The market has recalibrated its expectations, now anticipating a 25 bps cut (>70% probability) at the September FOMC meeting instead of a 50 bps cut. Next week, focus will shift to key Fed speeches for dovish signals ahead of the Jackson Hole event on August 22-24. With uncertainty over the scale of the Fed's rate cut, the ringgit may experience some volatility but should remain range-bound around 4.43 – 4.46 against the USD, with potential upside if domestic macro conditions further improve.

## Technical Analysis

- The USDMYR outlook has turned neutral, with the pair expected to trade near the 5-day EMA of 4.442.
- With this neutral short-term bias, the pair is projected to trade within the range of (S2) 4.404 to (R2) 4.472 next week.

Table 1: Currency Outlook

Long Term*							
	Q2-24	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Trend
USDMYR	4.718	4.553	4.416	4.376	4.284	4.192	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	34.705	4.442	4.456	4.472	4.422	4.404	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

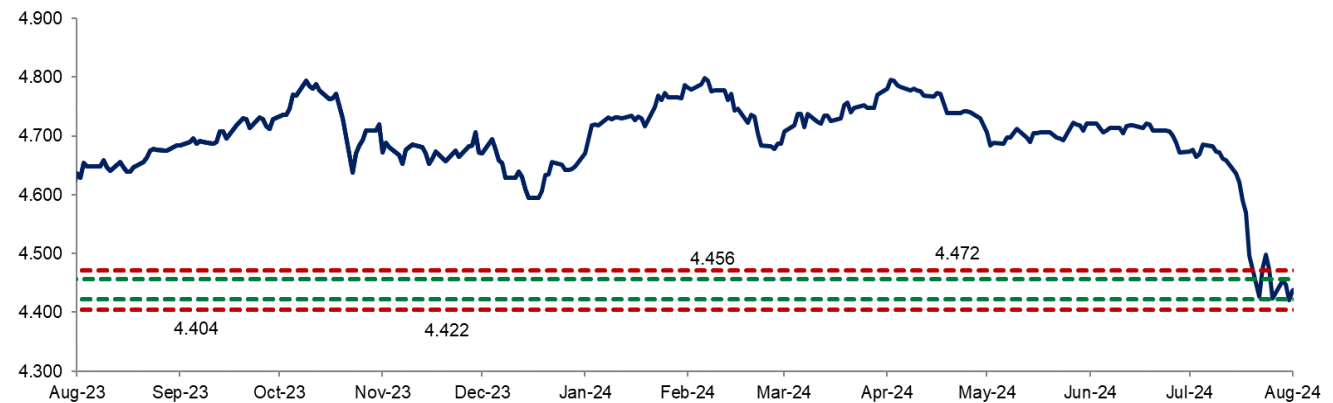
\*F=Forecasts for end of period  
Source: Kenanga Research, Bloomberg

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.

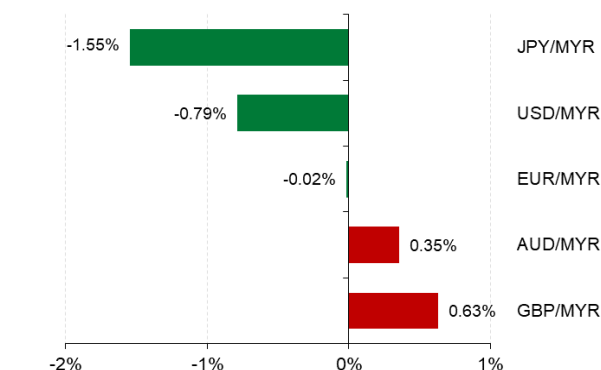
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



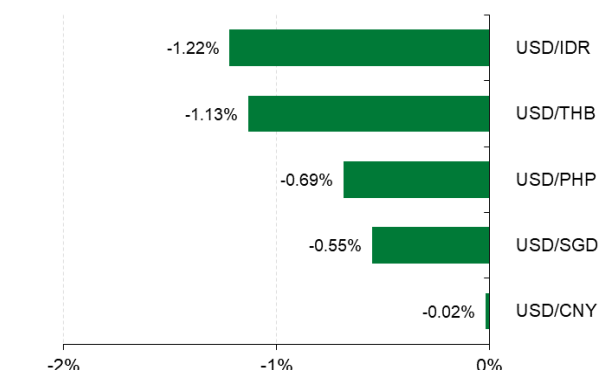
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

16 August 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	15/08/23 Last Year	15/07/24 Last Month	08/08/24 Last Week	15/08/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.636	4.674	4.473	4.438	-3.65%	-4.28%	-5.05%	-0.79%
AUDMYR	3.142	3.003	3.169	2.930	2.940	-6.42%	-2.08%	-7.22%	0.35%
GBPMYR	5.857	5.901	6.067	5.668	5.704	-2.62%	-3.33%	-5.99%	0.63%
EURMYR	5.073	5.072	5.100	4.888	4.887	-3.67%	-3.65%	-4.18%	-0.02%
JPYMYR	3.251	3.186	2.959	3.061	3.014	-7.29%	-5.39%	1.86%	-1.55%
SGDMYR	3.482	3.418	3.482	3.376	3.368	-3.27%	-1.47%	-3.28%	-0.24%
<b>ASEAN 5 + CNY + JPY</b>									
USDIDR	15470	15342	16170	15894	15700	1.49%	2.33%	-2.91%	-1.22%
USDTHB	34.151	35.39	36.2	35.347	34.946	2.33%	-1.25%	-3.46%	-1.13%
USDSGD	1.323	1.357	1.342	1.325	1.317	-0.44%	-2.91%	-1.83%	-0.55%
USDPHP	55.665	56.833	58.49	57.333	56.940	2.29%	0.19%	-2.65%	-0.69%
USDCNY	7.143	7.288	7.258	7.176	7.175	0.44%	-1.56%	-1.15%	-0.02%
USDJPY	141.650	145.540	157.960	146.110	147.230	3.94%	1.16%	-6.79%	0.77%
<b>USD</b>									
EURUSD	1.101	1.094	1.091	1.093	1.101	0.02%	0.69%	0.92%	0.78%
GBPUSD	1.270	1.271	1.298	1.269	1.285	1.25%	1.13%	-0.96%	1.29%
AUDUSD	0.682	0.647	0.678	0.655	0.663	-2.82%	2.38%	-2.29%	1.11%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
19/08/2024	MY	Exports (JUL)	1.7% YoY	5.2% YoY*
20/08/2024	CN	Loan Prime Rate (1Y)	3.35%	3.35% (status quo)
22/08/2024	US	FOMC Minutes	N/A	N/A
22/08/2024	MY	Inflation Rate (JUL)	2.0% YoY	N/A
22/08/2024	US	Initial Jobless Claims (AUG/17)	227.0k	N/A
22/08/2024	US	Existing Home Sales (JUL)	-5.4% MoM	0.3% MoM
23/08/2024	US	Fed Chair Powell Speech	N/A	N/A
23/08/2024	US	New Home Sales (JUL)	0.617m	0.631m

Source: Kenanga Research, Trading Economics, Bloomberg

\*KIBB

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