

Ringgit Weekly Outlook

Hawkish FOMC signals and technical correction may push USDMYR back to 4.04-4.05

Overview

- Performance:** The ringgit strengthened this week, appreciating to below 4.04/USD on Thursday, its strongest level since Feb 2021.
- Market Dynamics:** The MYR drew support from a softer USD and BNM's decision to keep policy unchanged. The USD index fell below 99.0, pressured by spillovers from heightened volatility in Japanese government bonds (JGBs) and concerns that European investors may reduce their holdings of US Treasuries (UST). Fresh fiscal giveaways proposed by Prime Minister Takaichi triggered a further sell-off in JGBs, amplifying global bond market jitters. Risk assets found additional support on Thursday after a framework agreement on Greenland led Trump to abandon plans for new tariffs on the EU.
- Data Impact:** US initial jobless claims held steady at 200.0k, while consumer spending rose at a solid pace. Core PCE inflation increased by 0.2% MoM, in line with expectations. Attention now turns to next week's FOMC meeting, with markets focused on Powell's tone and market's reaction to the press conference. We are also monitoring the risk of further JGBs volatility spilling into UST, closer scrutiny of upcoming US technology earnings, and the potential re-emergence of geopolitical risks.
- Outlook:** Overnight US data and the recent sell-off in bonds and equities have done little to alter market pricing of the Fed's next move. Our base case remains two cuts this year, more likely starting in 1H26 rather than concentrated at year-end, as incoming data ahead of the March FOMC should support an earlier move. If next week's meeting turns more clearly hawkish, the DXY could edge higher, pushing the MYR back towards the 4.04-4.05/USD level.
- Technical:** USDMYR appears due for a technical correction, with scope for a drift towards the 5-day EMA around 4.04.

Table 1: Currency Outlook

Long Term*							
	Q4-25	Q1-26F	Q2-26F	Q3-26F	Q4-26F	Q1-27F	Trend
USDMYR	4.06	4.05	4.02	3.99	3.95	4.00	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	23.710	4.041	4.046	4.065	4.016	4.007	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

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

RSI (7): 7-day Relative Strength Index

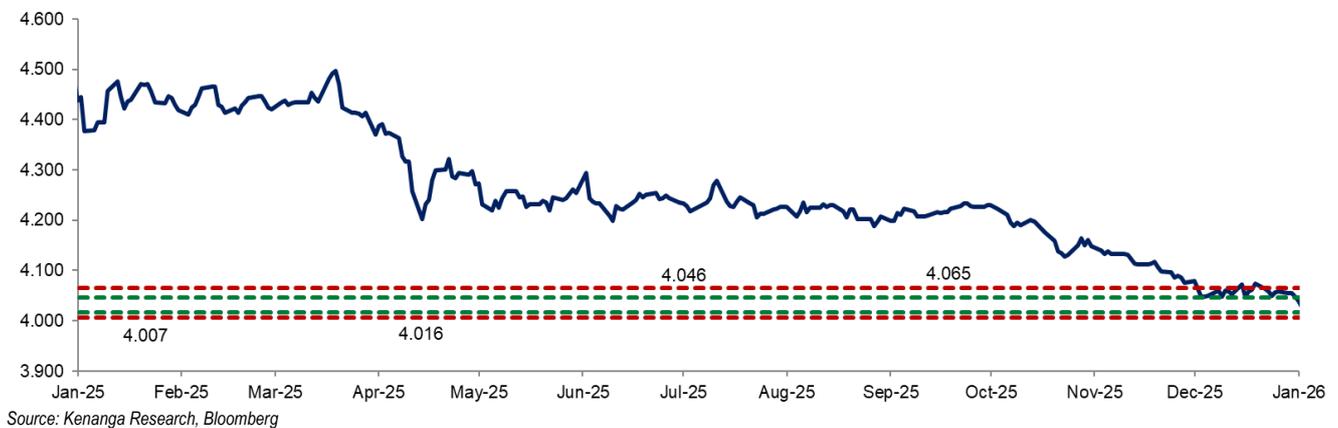
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

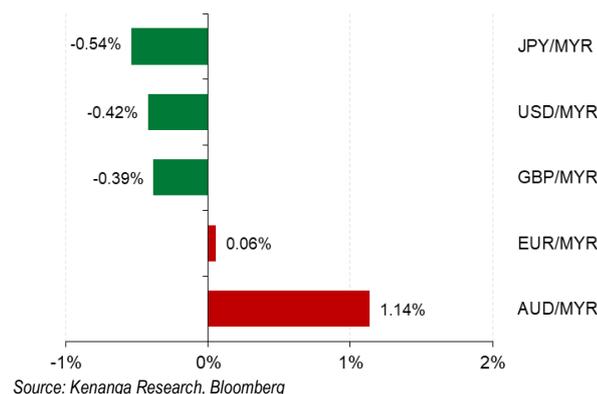
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

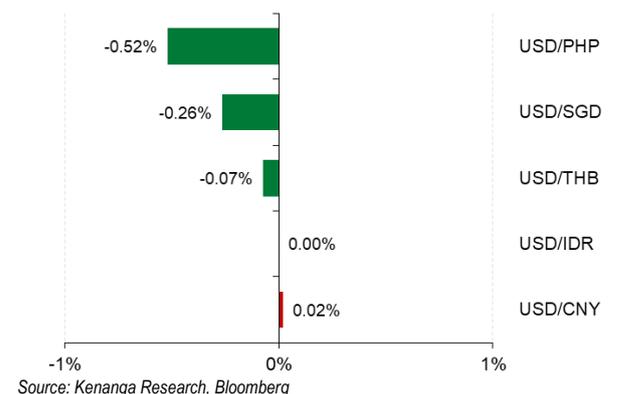
Graph 1: USDMYR Trend



Graph 2: Weekly Core Pairs' Performance



Graph 3: Weekly Regional Peers' Performance



23 Jan 2026

Table 2: Performance of Core Pairs

Currencies	02/01/26 YTD	22/01/25 Last Year	22/12/25 Last Month	15/01/26 Last Week	22/01/26 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.054	4.437	4.079	4.057	4.039	-9.81%	-8.96%	-0.96%	-0.42%
AUDMYR	2.716	2.787	2.708	2.716	2.747	-1.36%	-1.46%	1.44%	1.14%
GBPMYR	5.455	5.484	5.475	5.450	5.429	-2.88%	-1.00%	-0.84%	-0.39%
EURMYR	4.752	4.635	4.784	4.720	4.723	1.87%	1.90%	-1.27%	0.06%
JPYMYR	2.585	2.848	2.591	2.560	2.546	-10.66%	-10.59%	-1.74%	-0.54%
SGDMYR	3.152	3.280	3.160	3.152	3.146	-4.32%	-4.08%	-0.46%	-0.18%
ASEAN 5 + CNY + JPY									
USDIDR	16725	16280	16777	16896	16896	4.31%	3.78%	0.71%	0.00%
USDTHB	31.524	33.803	31.19	31.361	31.338	-8.57%	-7.29%	0.47%	-0.07%
USDSGD	1.286	1.352	1.290	1.287	1.284	-5.94%	-5.05%	-0.52%	-0.26%
USDPHP	58.862	58.507	58.722	59.475	59.166	2.21%	1.13%	0.76%	-0.52%
USDCNY	6.989	7.276	7.037	6.967	6.969	-4.53%	-4.23%	-0.97%	0.02%
USDJPY	156.840	155.770	157.400	158.470	158.640	0.95%	1.84%	0.79%	0.11%
USD									
EURUSD	1.172	1.045	1.173	1.164	1.170	13.36%	11.91%	-0.32%	0.51%
GBPUSD	1.346	1.237	1.344	1.342	1.345	8.04%	8.73%	0.10%	0.21%
AUDUSD	0.669	0.629	0.664	0.670	0.680	9.57%	8.21%	2.44%	1.55%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
26/1/2026	US	Durable Goods Orders (NOV)	-2.2% MoM	3.0% MoM
27/1/2026	US	ADP Employment Change Weekly	8.0k	N/A
29/1/2026	US	Fed Interest Rate Decision	3.75%	3.75% (status quo)*
29/1/2026	US	Balance of Trade (NOV)	-USD29.4b	-USD45.0b
29/1/2026	US	Initial Jobless Claims (JAN/24)	200.0k	N/A
30/1/2026	MY	M3 Money Supply (DEC)	3.9%	N/A
30/1/2026	EA	GDP Growth Rate Flash (Q4)	0.3% QoQ	N/A
30/1/2026	US	PPI (DEC)	0.2% MoM	0.3% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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