

Ringgit Weekly Outlook

To remain bearish above the 4.60 threshold amid China’s weak economic sentiment

Fundamental Overview

- Even though the USD index (DXY) fell by 1.2% on a Thursday-to-Thursday basis, the ringgit still weakened against the greenback, mainly due to the depreciation of the yuan following the unexpected decision by the PBoC to reduce its key short-term policy rates by 10 bps. Additionally, the ringgit faced pressure from Malaysia's relatively subdued economic sentiment, which was influenced by China's economic downturn and uncertainty surrounding the direction of US monetary policy following the Fed's hawkish pause.
- The ringgit may face continued pressure due to the anticipated further weakening of the yuan, as the PBoC is expected to lower its one-year loan prime rate by 10 bps next week to boost its sputtering economy. However, the ringgit's depreciation is expected to be limited around the 4.62 - 4.63 level, as the DXY is likely to hover near the 102.0 level amid lack of market conviction in the Fed's recent hawkish guidance (another 50 bps hike by end-2023). That being said, the market may continue to look for signs of US disinflation and slowing economic activity before buying risk assets.

Technical Analysis

- The USDMYR outlook remained neutral for the week ahead, with the pair likely to hover around its 5-day EMA of 4.613 as the pair's RSI is in the middle of the range (See ST Technical table).
- As the short-term bias for the pair has remained neutral, the pair is projected to trade in the range of (S2) 4.583 – (R2) 4.634 next week. However, downside risks to the local note remained amid weak China's economic prospects and US' policy uncertainty.

Table 1: Currency Outlook

Long Term*							
	Q1-23	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Trend
USDMYR	4.415	4.594	4.400	4.235	4.151	4.126	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	47.062	4.613	4.617	4.634	4.591	4.583	—

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.

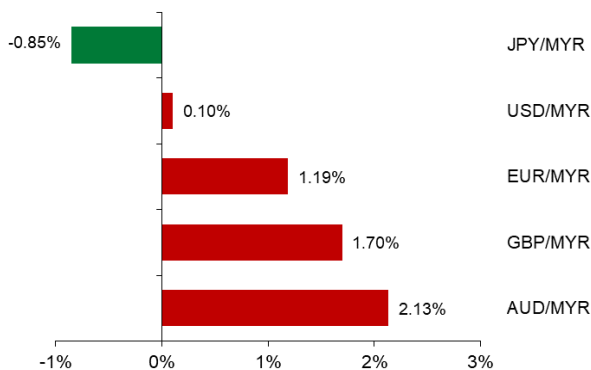
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



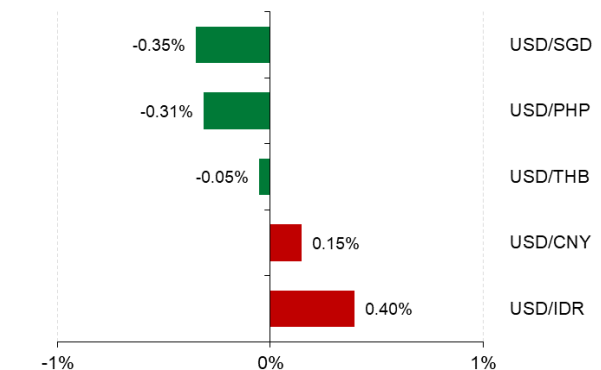
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

16 June 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	15/06/22 Last Year	15/05/23 Last Month	08/06/23 Last Week	15/06/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.414	4.497	4.621	4.626	4.93%	4.81%	2.86%	0.10%
AUDMYR	2.962	3.062	3.005	3.087	3.153	6.44%	2.97%	4.94%	2.13%
GBPMYR	5.255	5.341	5.619	5.757	5.855	11.42%	9.63%	4.20%	1.70%
EURMYR	4.649	4.630	4.888	4.958	5.017	7.90%	8.35%	2.63%	1.19%
JPYMYR	3.373	3.284	3.304	3.306	3.277	-2.84%	-0.20%	-0.80%	-0.85%
SGDMYR	3.280	3.178	3.361	3.431	3.445	5.01%	8.41%	2.51%	0.40%
ASEAN 5 + CN + JP									
USDIDR	15601	14745	14805	14895	14954	-4.15%	1.42%	1.01%	0.40%
USDTHB	34.444	35.021	33.772	34.835	34.817	1.08%	-0.58%	3.09%	-0.05%
USDSGD	1.346	1.390	1.338	1.347	1.343	-0.29%	-3.43%	0.36%	-0.35%
USDPHP	55.799	53.449	56.07	56.132	55.956	0.28%	4.69%	-0.20%	-0.31%
USDCNY	6.915	6.715	6.952	7.112	7.122	3.00%	6.07%	2.45%	0.15%
USDJPY	130.690	134.400	136.120	139.790	141.150	8.00%	5.02%	3.70%	0.97%
USD									
EURUSD	1.053	1.048	1.088	1.073	1.084	2.95%	3.43%	-0.33%	1.04%
GBPUSD	1.191	1.209	1.251	1.247	1.267	6.36%	4.76%	1.28%	1.62%
AUDUSD	0.670	0.694	0.669	0.668	0.681	1.58%	-1.83%	1.84%	1.95%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
20/6/2023	CN	Loan Prime Rate (1Y)	3.65%	3.55% (10 bps cut)
20/6/2023	MY	Exports (MAY)	-17.4% YoY	-16.4% YoY*
20/6/2023	US	Building Permits Preliminary (MAY)	1.417m	1.435m
22/6/2023	UK	BoE Interest Rate Decision	4.50%	4.75% (25 bps hike)
22/6/2023	US	Fed Chair Powell Testimony	N/A	N/A
22/6/2023	US	Existing Home Sales (MAY)	4.28m	4.24m
23/6/2023	MY	Inflation Rate (MAY)	3.3% YoY	2.9% YoY*
23/6/2023	US	S&P Global Manufacturing PMI Flash (JUN)	48.4	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Zalman Basree
Economist
zalman@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my