

Ringgit Weekly Outlook

Weakening bias to hold on expectations of a hawkish Fed, but technical correction likely

Fundamental Overview

- The ringgit continued to weaken near the 4.68 level against the greenback, as the USD index (DXY) has once again ascended above the 103.0 level. This rise was driven by solid US macroeconomic data and a hawkish stance from the Fed. Adding to the pressure was the further weakening of the yuan, which surpassed the 7.20/USD threshold due to the lack of intervention by the People's Bank of China and China's weak factory activity.
- MYR is expected to further depreciate against the USD to near the 4.69 area as investors may still maintain a long USD position in anticipation of tonight's release of the US core PCE data (Consensus: 0.3% MoM; Apr: 0.4% MoM). Any upside surprise to the inflation data may help the DXY to remain bid near the 104.0 level, weakening the ringgit. For next week, key highlights include the release of the US FOMC minutes, US job reports, China's manufacturing readings and BNM's interest rate decision. A weaker US labour market and signs of China's economic activity recovery are expected to help the ringgit to recover some of its losses.

Technical Analysis

- The technical outlook for the USDMYR remains neutral-to-bearish, with the pair expected to hover around its 5-day EMA of 4.674 as its RSI is nearing an overbought level (See ST Technical table).
- MYR is expected to trend higher against the USD should US job reports surprise on the downside, with the pair's immediate support awaits at (S1) 4.673, followed by (S2) 4.660. Conversely, the pair may test (R1) 4.692 if the market turns more risk averse.

Table 1: Currency Outlook

| Long Term* | | | | | | | |
|------------|-------|--------|--------|--------|--------|--------|-------|
| | Q1-23 | Q2-23F | Q3-23F | Q4-23F | Q1-24F | Q2-24F | Trend |
| USDMYR | 4.415 | 4.689 | 4.509 | 4.290 | 4.205 | 4.180 | ▲ |

| Short Term (Technical) | | | | | | | |
|------------------------|---------|---------|-------|-------|-------|-------|-------|
| | RSI (7) | EMA (5) | R1 | R2 | S1 | S2 | Trend |
| USDMYR | 77.911 | 4.674 | 4.692 | 4.699 | 4.673 | 4.660 | ▼ |

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.

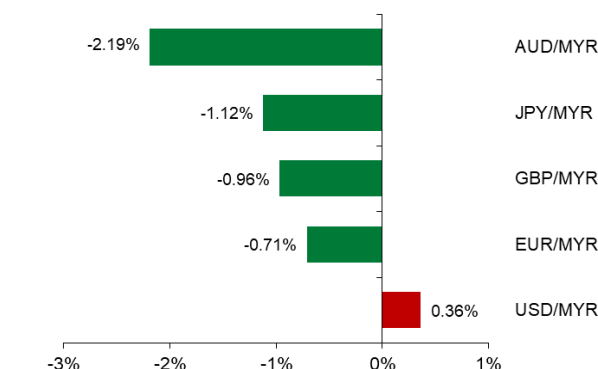
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



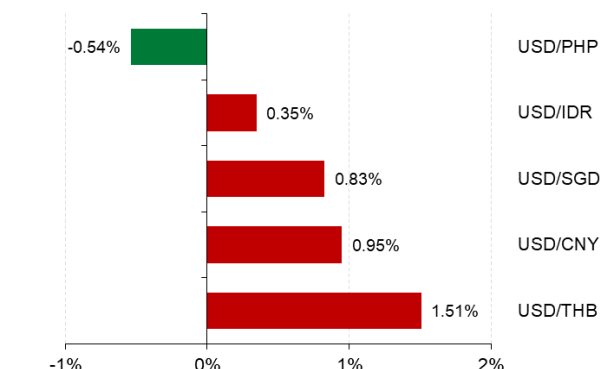
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

30 June 2023

Table 2: Performance of Core Pairs

| Currencies | 03/01/23 YTD | 29/06/22 Last Year | 29/05/23 Last Month | 22/06/23 Last Week | 29/06/23 Yesterday | ytd (%) | yoy (%) | mom (%) | wow (%) |
|--------------------------|-----------------|-----------------------|------------------------|-----------------------|-----------------------|---------|---------|---------|---------|
| MYR | | | | | | | | | |
| USDMYR | 4.409 | 4.400 | 4.605 | 4.655 | 4.672 | 5.98% | 6.20% | 1.47% | 0.36% |
| AUDMYR | 2.962 | 3.021 | 3.011 | 3.163 | 3.093 | 4.42% | 2.39% | 2.74% | -2.19% |
| GBPMYR | 5.255 | 5.358 | 5.685 | 5.953 | 5.895 | 12.19% | 10.03% | 3.71% | -0.96% |
| EURMYR | 4.649 | 4.624 | 4.935 | 5.122 | 5.086 | 9.38% | 9.98% | 3.06% | -0.71% |
| JPYMYR | 3.373 | 3.223 | 3.282 | 3.277 | 3.240 | -3.94% | 0.54% | -1.29% | -1.12% |
| SGDMYR | 3.280 | 3.167 | 3.403 | 3.472 | 3.449 | 5.13% | 8.89% | 1.35% | -0.66% |
| ASEAN 5 + CN + JP | | | | | | | | | |
| USDIDR | 15601 | 14853 | 14972 | 14941 | 14993 | -3.90% | 0.94% | 0.14% | 0.35% |
| USDTHB | 34.444 | 35.135 | 34.749 | 35.055 | 35.583 | 3.31% | 1.28% | 2.40% | 1.51% |
| USDSGD | 1.346 | 1.389 | 1.353 | 1.341 | 1.352 | 0.43% | -2.65% | -0.07% | 0.83% |
| USDPHP | 55.799 | 55.067 | 56.13 | 55.63 | 55.330 | -0.84% | 0.48% | -1.43% | -0.54% |
| USDCNY | 6.915 | 6.701 | 7.071 | 7.180 | 7.248 | 4.81% | 8.16% | 2.49% | 0.95% |
| USDJPY | 130.690 | 136.510 | 140.280 | 142.060 | 144.180 | 10.32% | 5.62% | 2.78% | 1.49% |
| USD | | | | | | | | | |
| EURUSD | 1.053 | 1.052 | 1.072 | 1.101 | 1.093 | 3.77% | 3.87% | 1.99% | -0.70% |
| GBPUSD | 1.191 | 1.216 | 1.235 | 1.278 | 1.266 | 6.27% | 4.08% | 2.52% | -1.00% |
| AUDUSD | 0.670 | 0.688 | 0.654 | 0.679 | 0.663 | -1.06% | -3.63% | 1.39% | -2.36% |

Source: Kenanga Research, Bloomberg

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

| Date | Country | Indicator | Previous | Consensus/Forecast |
|----------|---------|------------------------------------|----------|--------------------|
| 3/7/2023 | MY | S&P Global Manufacturing PMI (JUN) | 47.8 | N/A |
| 3/7/2023 | CN | Caixin Manufacturing PMI (JUN) | 50.9 | 50.2 |
| 6/7/2023 | US | FOMC Minutes | N/A | N/A |
| 6/7/2023 | MY | Interest Rate Decision | 3.00% | 3.00% (status quo) |
| 6/7/2023 | US | ADP Employment Change (JUN) | 278.0k | 250.0k |
| 6/7/2023 | US | JOLTs Job Openings (MAY) | 10.103m | N/A |
| 7/7/2023 | US | Non Farm Payrolls (JUN) | 339.0k | 200.0k |
| 7/7/2023 | US | Unemployment Rate (JUN) | 3.7% | 3.6% |

Source: Kenanga Research, Trading Economics, Bloomberg

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