

Ringgit Weekly Outlook

Downside bias on stronger US job report and inflation outcome

Fundamental Overview

- The ringgit appreciated by around 0.25% on a Thursday-to-Thursday basis against the USD due to the below-consensus ISM manufacturing index print and decreased activity in US markets amid the US Independence Day holiday. However, the ringgit's gains were capped by a surge in the 10-year US Treasury yield above the 4.0% level for the first time in more than four months, amid hawkish FOMC minutes and strong private-sector job growth.
- The differential between MY-US 10-year government bond yields is likely to remain in negative territory, as BNM has adopted a more neutral stance, retaining the overnight policy rate at 3.0%, while the Fed has become more hawkish in its policy stance, supported by strong US labour data. This, coupled with the current market consensus of another 25 bps rate hike by the Fed in July, is likely to continue to exert downward pressure on the ringgit. However, the market is still expected to wait for the release of US non-farm payrolls tonight and US core inflation data next week before making any major moves. That being said, any above-consensus reading may prompt another round of adjustment, weakening the local note.

Technical Analysis

- The USDMYR pair outlook is neutral-to-bearish and it is expected to trade near its 5-day EMA of 4.663 as its RSI reading is approaching an overbought position (See ST Technical table).
- Technical-wise, the pair may move towards (S1) 4.657 and test (S2) 4.644, which indicates an upside pattern for the local note. Conversely, if US inflation comes in hotter-than-expected, the pair may test (R1) 4.677 and attempt to move higher to test (R2) 4.684.

Table 1: Currency Outlook

Long Term*							
	Q2-23	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Trend
USDMYR	4.667	4.509	4.290	4.205	4.180	4.155	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	64.353	4.663	4.677	4.684	4.657	4.644	▼

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.

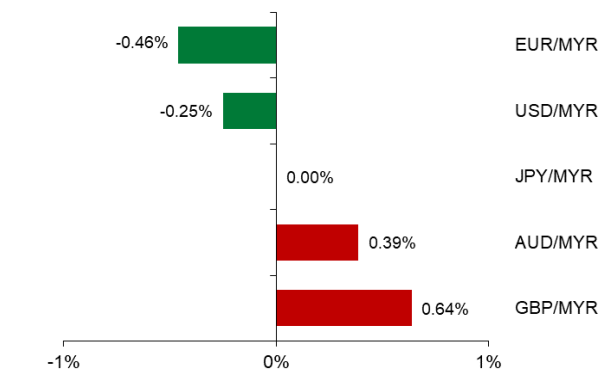
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



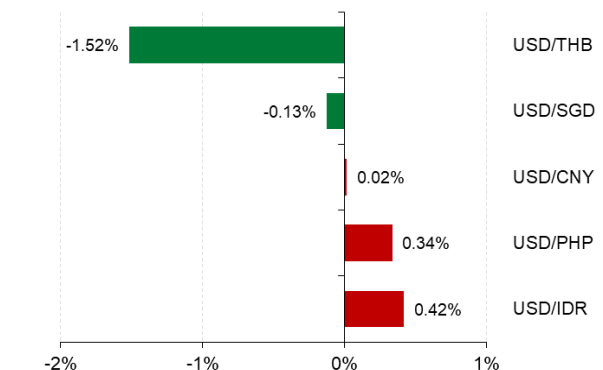
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

07 July 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	06/07/22 Last Year	06/06/23 Last Month	29/06/23 Last Week	06/07/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.424	4.608	4.672	4.661	5.72%	5.34%	1.15%	-0.25%
AUDMYR	2.962	3.007	3.066	3.093	3.105	4.83%	3.27%	1.29%	0.39%
GBPMYR	5.255	5.292	5.717	5.895	5.933	12.91%	12.12%	3.77%	0.64%
EURMYR	4.649	4.523	4.927	5.086	5.062	8.88%	11.92%	2.74%	-0.46%
JPYMYR	3.373	3.268	3.304	3.240	3.240	-3.94%	-0.85%	-1.94%	0.00%
SGDMYR	3.280	3.153	3.417	3.449	3.448	5.09%	9.34%	0.90%	-0.04%
ASEAN 5 + CN + JP									
USDIDR	15601	14999	14860	14993	15056	-3.49%	0.38%	1.32%	0.42%
USDTHB	34.444	36.112	34.771	35.583	35.043	1.74%	-2.96%	0.78%	-1.52%
USDSGD	1.346	1.405	1.349	1.352	1.351	0.30%	-3.85%	0.13%	-0.13%
USDPHP	55.799	55.696	56.236	55.33	55.517	-0.51%	-0.32%	-1.28%	0.34%
USDCNY	6.915	6.708	7.118	7.248	7.249	4.83%	8.06%	1.84%	0.02%
USDJPY	130.690	135.390	139.440	144.180	143.830	10.05%	6.23%	3.15%	-0.24%
USD									
EURUSD	1.053	1.020	1.070	1.093	1.089	3.38%	6.78%	1.77%	-0.38%
GBPUSD	1.191	1.192	1.242	1.266	1.277	7.25%	7.13%	2.88%	0.92%
AUDUSD	0.670	0.680	0.666	0.663	0.668	-0.36%	-1.79%	0.35%	0.71%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
10/7/2023	CN	Inflation Rate (JUN)	0.2% YoY	0.2% YoY
10/7/2023	MY	Unemployment Rate (MAY)	3.5%	N/A
12/7/2023	MY	Industrial Production (MAY)	-3.3% YoY	3.2% YoY
12/7/2023	MY	Retail Sales (MAY)	12.9% YoY	N/A
12/7/2023	US	Core Inflation Rate (JUN)	0.4% MoM	0.3% MoM
13/7/2023	US	PPI (JUN)	-0.3% MoM	0.2% MoM
13/7/2023	US	Initial Jobless Claims (JUL/08)	248.0k	N/A
14/7/2023	US	Michigan Consumer Sentiment Preliminary (JUL)	64.4	65.5

Source: Kenanga Research, Trading Economics, Bloomberg

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

This document has been prepared for general circulation based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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