

Ringgit Weekly Outlook

To benefit from USD's correction, but upside remains limited amid China's uncertainty

Fundamental Overview

- The ringgit traded weak around the 4.65-4.67 zone from Monday to Wednesday as the MY-US 10-year government bond yield differential continued to be in negative territory amid hawkish Fed expectations. The local note was also pressured by a relatively weak yuan as demand remained weak in China, as evidenced by its CPI reading of 0.0% YoY. However, the downside surprise in US core CPI reading (0.2% MoM; May: 0.4%) has dragged the USD index (DXY) below the 100.0 level for the first time in 15 months, subsequently strengthening the ringgit below the 4.60 threshold.
- The ringgit is expected to trade in the range of 4.51 - 4.55 with a marginal upside bias against the USD, as the DXY is expected to remain on a downtrend and approach the 99.0 level, especially if US retail sales data turn out to be lower-than-expected (consensus: 0.5% MoM; May: 0.3%). The market may also continue to monitor China's macro conditions (i.e. GDP and unemployment rate) and People Bank of China's policy direction next week. Any pro-yuan catalysts could help to boost the ringgit to trade closer to its psychological threshold of 4.50/USD.

Technical Analysis

- The USDMYR outlook is partially bullish for next week, with the pair expected to move towards its 5-day EMA of 4.607 as its RSI has entered into an oversold territory (See ST Technical table).
- Technically, MYR is expected to trade lower against the USD next week, with the pair's immediate resistance level at (R1) 4.632, followed by (R2) 4.709. Nonetheless, a move towards (S1) 4.517 will reaffirm the ringgit's strength.

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	13.346	4.607	4.632	4.709	4.517	4.478	▲

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.

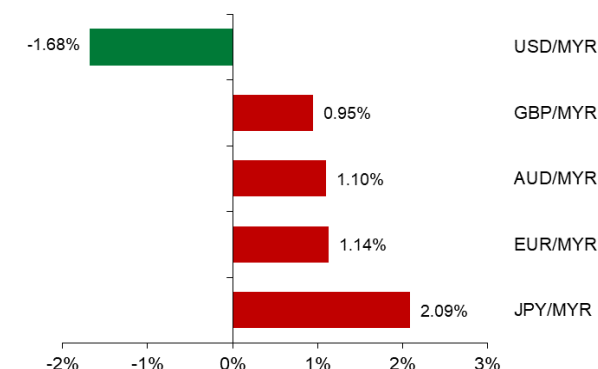
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



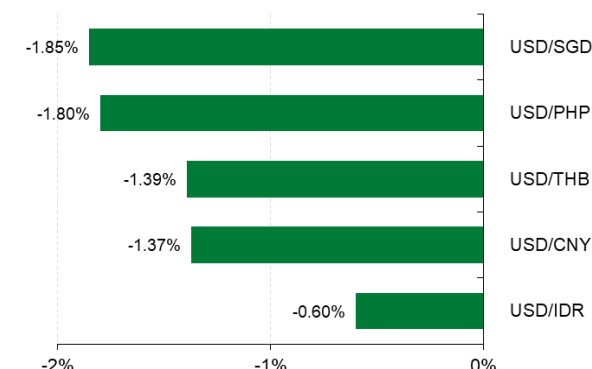
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

14 July 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	13/07/22 Last Year	13/06/23 Last Month	06/07/23 Last Week	13/07/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.437	4.615	4.661	4.582	3.94%	3.27%	-0.71%	-1.68%
AUDMYR	2.962	3.009	3.127	3.105	3.140	5.99%	4.35%	0.41%	1.10%
GBPMYR	5.255	5.273	5.800	5.933	5.989	13.98%	13.58%	3.27%	0.95%
EURMYR	4.649	4.454	4.987	5.062	5.120	10.11%	14.96%	2.66%	1.14%
JPYMYR	3.373	3.239	3.307	3.240	3.308	-1.93%	2.14%	0.03%	2.09%
SGDMYR	3.280	3.155	3.443	3.448	3.457	5.39%	9.60%	0.42%	0.28%
ASEAN 5 + CN + JP									
USDIDR	15601	14992	14863	15056	14966	-4.07%	-0.17%	0.69%	-0.60%
USDTHB	34.444	36.139	34.56	35.043	34.555	0.32%	-4.38%	-0.01%	-1.39%
USDSGD	1.346	1.404	1.341	1.351	1.326	-1.55%	-5.62%	-1.12%	-1.85%
USDPHP	55.799	56.272	55.941	55.517	54.518	-2.30%	-3.12%	-2.54%	-1.80%
USDCNY	6.915	6.719	7.165	7.249	7.149	3.39%	6.41%	-0.22%	-1.37%
USDJPY	130.690	137.020	139.550	143.830	138.520	5.99%	1.09%	-0.74%	-3.69%
USD									
EURUSD	1.053	1.006	1.080	1.089	1.117	6.08%	11.03%	3.44%	2.61%
GBPUSD	1.191	1.192	1.257	1.277	1.307	9.72%	9.65%	3.96%	2.31%
AUDUSD	0.670	0.679	0.678	0.668	0.686	2.30%	1.00%	1.23%	2.66%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
17/7/2023	CN	GDP Growth Rate (Q2)	4.5% YoY	7.1% YoY
18/7/2023	US	Retail Sales (JUN)	0.3% MoM	0.5% MoM
18/7/2023	US	Industrial Production (JUN)	-0.2% MoM	0.0% MoM
19/7/2023	US	Building Permits Preliminary (JUN)	1.496m	1.483m
20/7/2023	CN	Loan Prime Rate (1Y)	3.55%	3.55% (status quo)
20/7/2023	MY	Exports (JUN)	-0.7% YoY	N/A
20/7/2023	US	Initial Jobless Claims (JUL/15)	237.0k	N/A
20/7/2023	US	Existing Home Sales (JUN)	4.30m	4.25m

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

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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