

# Ringgit Weekly Outlook

Another Fed pause or a dovish guidance may reverse safe-haven flows, but uncertainty remains

## Fundamental Overview

- The UK disinflationary story, dovish ECB repricing and BoJ's Governor Ueda's signal to maintain ultra-easy policy have all contributed to boost the USD index (DXY) back above the 100.0 level, weakening the local note from its last Friday's level of 4.527. The ringgit has continued to depreciate to 4.543 against the USD on Thursday, despite a surge in yuan amid reports of government intervention. However, the ringgit's losses were capped by weaker-than-expected US retail sales and industrial production readings.
- The direction of the ringgit for next week will be primarily influenced by the outcome of the Fed's July FOMC meeting. While the house expects the Fed to keep rates unchanged at 5.25%, given signs of disinflation and emerging cracks in the labour market in the US, a majority still expects a 25 bps hike. This potential rate increase could bolster the DXY to trade above the 101.0 level. On the other hand, if the Fed decides to maintain status quo or provide a dovish guidance, it should help the ringgit to appreciate near the 4.50/USD level. Additionally, the market will also closely monitor the policy direction of the ECB and BoJ.

## Technical Analysis

- The USDMYR outlook is bullish-to-neutral for next week, with the pair expected to trade near its 5-day EMA of 4.554 as its RSI is approaching the middle range (See ST Technical table).
- Technically, the pair is projected to hover in a tight range of (S1) 4.544 – (R1) 4.565 next week. However, should there be any safe-haven buying interest post-FOMC meeting, the pair may trade higher around the (R2) 4.572 level.

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	34.097	4.554	4.565	4.572	4.544	4.530	—

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

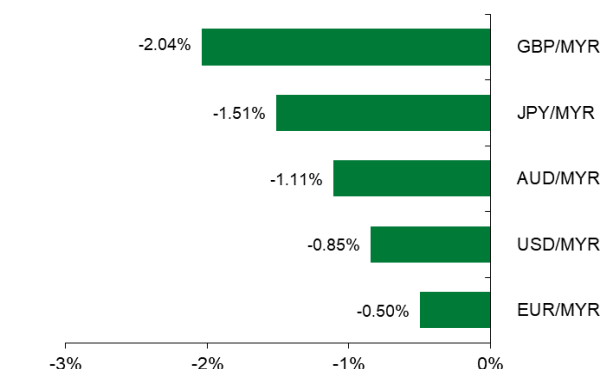
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

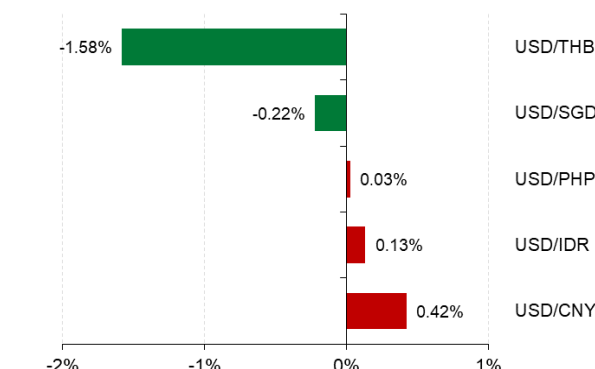
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



21 July 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	20/07/22 Last Year	20/06/23 Last Month	13/07/23 Last Week	20/07/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.409	4.452	4.641	4.582	4.543	3.06%	2.05%	-2.09%	-0.85%
AUDMYR	2.962	3.083	3.149	3.140	3.105	4.81%	0.71%	-1.40%	-1.11%
GBPMYR	5.255	5.345	5.925	5.989	5.867	11.66%	9.77%	-0.97%	-2.04%
EURMYR	4.649	4.563	5.070	5.120	5.094	9.56%	11.65%	0.48%	-0.50%
JPYMYR	3.373	3.222	3.282	3.308	3.258	-3.42%	1.12%	-0.72%	-1.51%
SGDMYR	3.280	3.197	3.457	3.457	3.435	4.72%	7.45%	-0.62%	-0.64%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15601	14990	15005	14966	14986	-3.94%	-0.03%	-0.13%	0.13%
USDTHB	34.444	36.673	34.748	34.555	34.009	-1.26%	-7.26%	-2.13%	-1.58%
USDSGD	1.346	1.393	1.343	1.326	1.323	-1.77%	-5.05%	-1.49%	-0.22%
USDPHP	55.799	56.306	55.555	54.518	54.533	-2.27%	-3.15%	-1.84%	0.03%
USDCNY	6.915	6.756	7.181	7.149	7.180	3.83%	6.27%	-0.02%	0.42%
USDJPY	130.690	138.190	141.420	138.520	139.470	6.72%	0.93%	-1.38%	0.69%
<b>USD</b>									
EURUSD	1.053	1.020	1.093	1.117	1.120	6.39%	9.86%	2.53%	0.30%
GBPUSD	1.191	1.198	1.277	1.307	1.290	8.29%	7.64%	1.03%	-1.31%
AUDUSD	0.670	0.691	0.679	0.686	0.684	2.00%	-0.97%	0.68%	-0.29%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
24/7/2023	MY	Inflation Rate (JUN)	2.8% YoY	2.3% YoY*
26/7/2023	US	New Home Sales (JUN)	0.763m	0.722m
27/7/2023	US	Fed Interest Rate Decision	5.25%	5.50% (25 bps hike)
27/7/2023	EA	ECB Interest Rate Decision	4.00%	4.25% (25 bps hike)
27/7/2023	US	Durable Goods Orders (JUN)	1.7% MoM	1.0% MoM
27/7/2023	US	GDP Growth Rate Advance (Q2)	2.0% QoQ	1.8% QoQ
28/7/2023	US	Personal Spending (JUN)	0.1% MoM	0.4% MoM
28/7/2023	US	Core PCE Price Index (JUN)	0.3% MoM	0.2% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

\*KIBB

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