

Ringgit Weekly Outlook

To extend neutral trend and US labour market report to influence price action

Fundamental Overview

- After weakening to around the 4.55 - 4.57 level against the USD, the ringgit surprisingly rebounded and strengthened to near the 4.52 level following a 25 bps rate hike by the Fed. The market interpreted Fed Powell's decision not to confirm another rate hike this year during the post-FOMC press conference as a dovish shift, pressuring the USD index (DXY) and boosting the ringgit. Additionally, the local note has benefitted from the strengthening of the yuan due to the state bank's intervention measures and optimism over the government's stimulus pledge.
- The better-than-expected US 2Q23 GDP reading of 2.4% QoQ (Consensus: 1.8%) and Lagarde's dovish tone post-ECB 25 bps hike may help to keep the DXY supported above the 101.5 level, thereby putting pressure on the ringgit. Nevertheless, the market will continue to monitor key macro indicators, such as the US Core PCE reading, and if it comes in lower than expected (Consensus: 0.2% MoM), it could provide some support to the ringgit. Looking ahead to next week, the local note stands to benefit if there are signs of cracks emerging from the US labour market, indicating that recession risks continue to linger on despite the solid GDP reading.

Technical Analysis

- The USDMYR neutral outlook is expected to continue for the week ahead, with the pair likely to hover around its 5-day EMA of 4.545 as its RSI is in the middle zone (See ST Technical table).
- Technically, the pair is expected to hover in a range of (S1) 4.523 – (R1) 4.566 next week. However, a potential USD's upside may push the pair above the (R2) 4.587 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 | 38.446 | 4.545 | 4.566 | 4.587 | 4.523 | 4.502 | — |

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.

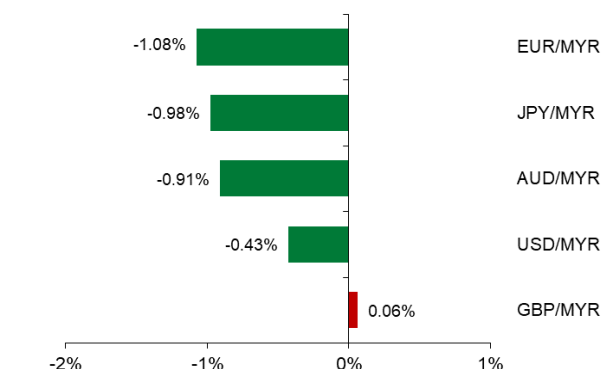
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



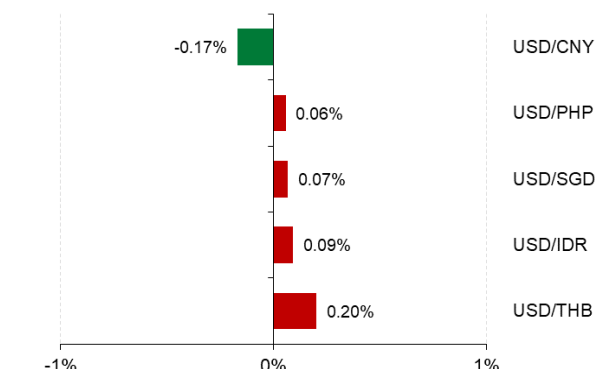
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

28 July 2023

Table 2: Performance of Core Pairs

| Currencies | 03/01/23 YTD | 27/07/22 Last Year | 27/06/23 Last Month | 20/07/23 Last Week | 27/07/23 Yesterday | ytd (%) | yoy (%) | mom (%) | wow (%) |
|--------------------------|-----------------|-----------------------|------------------------|-----------------------|-----------------------|---------|---------|---------|---------|
| MYR | | | | | | | | | |
| USDMYR | 4.409 | 4.458 | 4.666 | 4.543 | 4.524 | 2.62% | 1.48% | -3.05% | -0.43% |
| AUDMYR | 2.962 | 3.097 | 3.122 | 3.105 | 3.076 | 3.85% | -0.67% | -1.45% | -0.91% |
| GBPMYR | 5.255 | 5.379 | 5.935 | 5.867 | 5.871 | 11.73% | 9.15% | -1.08% | 0.06% |
| EURMYR | 4.649 | 4.522 | 5.106 | 5.094 | 5.039 | 8.38% | 11.44% | -1.30% | -1.08% |
| JPYMYR | 3.373 | 3.261 | 3.247 | 3.258 | 3.226 | -4.36% | -1.07% | -0.65% | -0.98% |
| SGDMYR | 3.280 | 3.213 | 3.457 | 3.435 | 3.418 | 4.20% | 6.37% | -1.12% | -0.49% |
| ASEAN 5 + CN + JP | | | | | | | | | |
| USDIDR | 15601 | 15010 | 14993 | 14986 | 15000 | -3.85% | -0.07% | 0.05% | 0.09% |
| USDTHB | 34.444 | 36.849 | 35.262 | 34.009 | 34.078 | -1.06% | -7.52% | -3.36% | 0.20% |
| USDSGD | 1.346 | 1.387 | 1.349 | 1.323 | 1.324 | -1.70% | -4.60% | -1.90% | 0.07% |
| USDPHP | 55.799 | 55.705 | 55.33 | 54.533 | 54.565 | -2.21% | -2.05% | -1.38% | 0.06% |
| USDCNY | 6.915 | 6.759 | 7.224 | 7.180 | 7.168 | 3.65% | 6.04% | -0.78% | -0.17% |
| USDJPY | 130.690 | 136.720 | 143.740 | 139.470 | 140.230 | 7.30% | 2.57% | -2.44% | 0.54% |
| USD | | | | | | | | | |
| EURUSD | 1.053 | 1.015 | 1.095 | 1.120 | 1.114 | 5.75% | 9.68% | 1.70% | -0.60% |
| GBPUSD | 1.191 | 1.206 | 1.273 | 1.290 | 1.296 | 8.81% | 7.46% | 1.77% | 0.48% |
| AUDUSD | 0.670 | 0.694 | 0.669 | 0.684 | 0.680 | 1.36% | -2.15% | 1.52% | -0.63% |

Source: Kenanga Research, Bloomberg

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

| Date | Country | Indicator | Previous | Consensus/Forecast |
|-----------|---------|------------------------------------|----------|---------------------|
| 31/7/2023 | CN | NBS Manufacturing PMI (JUL) | 49.0 | 48.9 |
| 1/8/2023 | MY | S&P Global Manufacturing PMI (JUL) | 47.7 | N/A |
| 1/8/2023 | US | JOLTs Job Openings (JUN) | 9.824m | N/A |
| 2/8/2023 | US | ADP Employment Change (JUL) | 497.0k | 185.0k |
| 3/8/2023 | UK | BoE Interest Rate Decision | 5.00% | 5.25% (25 bps hike) |
| 3/8/2023 | US | Initial Jobless Claims (JUL/29) | 221.0k | N/A |
| 4/8/2023 | US | Unemployment Rate (JUL) | 3.6% | 3.6% |
| 4/8/2023 | US | Non Farm Payrolls (JUL) | 209.0k | 190.0k |

Source: Kenanga Research, Trading Economics, Bloomberg

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