

Ringgit Weekly Outlook

To teeter between gains and losses amid US and China's uncertainty

Fundamental Overview

- The ringgit strengthened near the 4.50/USD threshold on July 31, supported by the yuan's appreciation amid stronger PBoC's daily fixing, and market expectations of weak US macroeconomic readings. However, these gains were short-lived as the local currency depreciated above the 4.55 level on August 3. This depreciation could be attributed to China's weak manufacturing PMI reading and the USD index (DXY) rising above the 102.0 level due to increased safe-haven demand following Fitch's downgrade of the US credit rating and better-than-expected private sector job data.
- While we partly agree with Fitch's view on the US fiscal conditions due to its ballooning debt burden, we do not believe this downgrade will have any material long-term impact on the USD. Our stance on the projection of the DXY remains neutral-to-bearish, as we expect the Fed to have reached an end of its hiking cycle. Any downside surprise to the US non-farm payrolls reading tonight should solidify our expectations, leading to a stronger ringgit. However, without intervention and stimulus by the Chinese government, the yuan may continue to weaken due to its weak macro landscape, exerting pressure on the ringgit.

Technical Analysis

- The USDMYR outlook continued to remain neutral and is likely to hover around its 5-day EMA of 4.544 as the pair's RSI is in the middle of the range (See ST Technical table).
- Technically, a sustained move over (R1) 4.569 should signal the presence of sellers for the MYR, while a sustained dip below the (S1) 4.520 level may suggest a return of risk-on in the FX market.

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	49.871	4.544	4.569	4.586	4.520	4.489	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

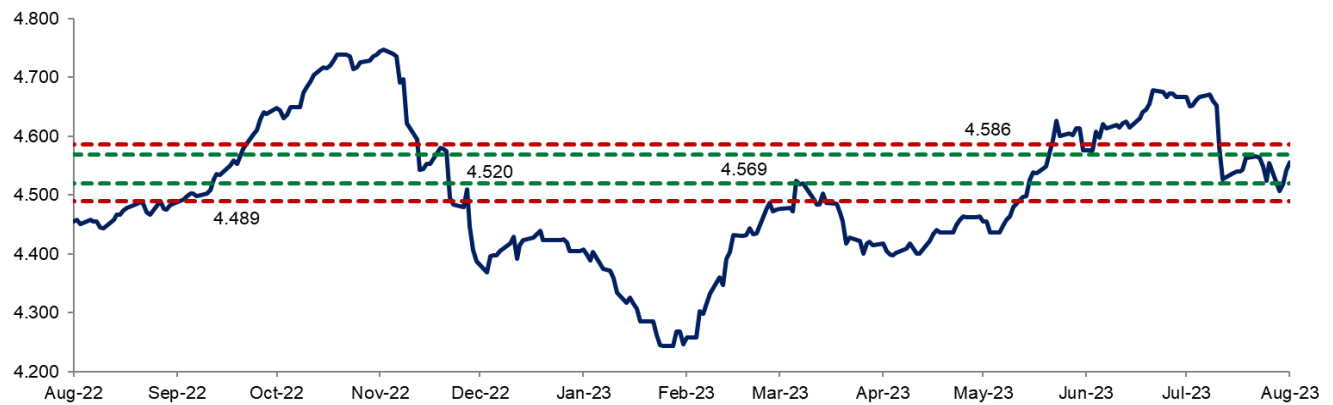
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

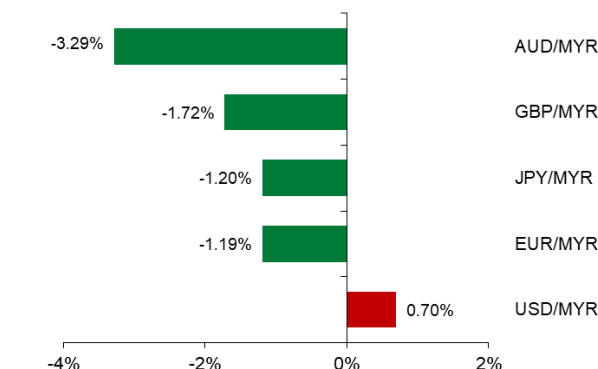
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



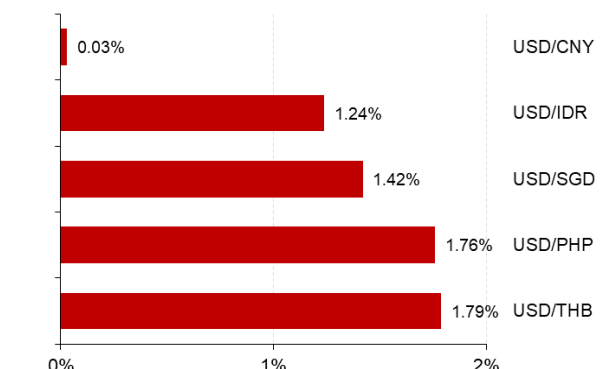
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

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Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	03/08/22 Last Year	03/07/23 Last Month	27/07/23 Last Week	03/08/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.456	4.667	4.524	4.555	3.33%	2.24%	-2.38%	0.70%
AUDMYR	2.962	3.089	3.103	3.076	2.975	0.44%	-3.70%	-4.10%	-3.29%
GBPMYR	5.255	5.427	5.913	5.871	5.770	9.80%	6.31%	-2.41%	-1.72%
EURMYR	4.649	4.539	5.082	5.039	4.979	7.09%	9.70%	-2.03%	-1.19%
JPYMYR	3.373	3.341	3.224	3.226	3.187	-5.51%	-4.60%	-1.14%	-1.20%
SGDMYR	3.280	3.227	3.450	3.418	3.394	3.45%	5.17%	-1.65%	-0.72%
ASEAN 5 + CN + JP									
USDIDR	15601	14912	15030	15000	15186	-2.66%	1.84%	1.04%	1.24%
USDTHB	34.444	36.283	35.201	34.078	34.688	0.71%	-4.40%	-1.46%	1.79%
USDSGD	1.346	1.381	1.352	1.324	1.342	-0.30%	-2.79%	-0.72%	1.42%
USDPHP	55.799	55.742	55.314	54.565	55.526	-0.49%	-0.39%	0.38%	1.76%
USDCNY	6.915	6.758	7.247	7.168	7.170	3.68%	6.09%	-1.06%	0.03%
USDJPY	130.690	133.360	144.740	140.230	142.920	9.36%	7.17%	-1.26%	1.92%
USD									
EURUSD	1.053	1.019	1.089	1.114	1.093	3.83%	7.32%	0.39%	-1.82%
GBPUSD	1.191	1.218	1.267	1.296	1.266	6.33%	3.95%	-0.07%	-2.28%
AUDUSD	0.670	0.693	0.666	0.680	0.653	-2.61%	-5.79%	-1.89%	-3.91%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
8/8/2023	CN	Exports (JUL)	-12.5% YoY	-12.6% YoY
8/8/2023	MY	Industrial Production (JUN)	4.7% YoY	-3.3% YoY*
8/8/2023	US	Balance of Trade (JUN)	-USD69.0b	-USD65.0b
9/8/2023	CN	Inflation Rate (JUL)	0.0% YoY	-0.5% YoY
9/8/2023	MY	Retail Sales (JUN)	5.0% YoY	N/A
10/8/2023	MY	Unemployment Rate (JUN)	3.5%	N/A
10/8/2023	US	Core Inflation Rate (JUL)	0.2% MoM	0.2% MoM
11/8/2023	US	Michigan Consumer Sentiment Preliminary (AUG)	71.6	71.0

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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