

Ringgit Weekly Outlook

Under pressure amid absence of pro-ringgit catalyst, China's weak outlook and safe-haven demand

Fundamental Overview

- The yuan's depreciation above the 7.20/USD threshold, driven by diminishing investor confidence in China's economic growth, in light of its weaker-than-expected trade figures and July's deflationary reading of -0.3% YoY, has led to a weakening of the ringgit beyond the 4.57/USD level. Additionally, despite a series of discouraging US economic data, which included subdued inflation figures and a rise in jobless claims, the anticipated decrease in the USD index (DXY) did not materialise. This could be attributed to a lack of dovish conviction by the Fed speakers, a deeper-than-expected US federal budget deficit and the US ban on China's tech.
- While we anticipate no immediate increase in Malaysia's political risk premium in the lead-up to tomorrow's state elections, an unfavourable outcome combined with the possibility of a weaker-than-expected 2Q23 GDP reading due to subdued macroeconomic indicators might exert pressure on the ringgit in the coming week. On the external front, the direction of the local note is still expected to be influenced by the DXY's trajectory, which is contingent on the tone of the FOMC minutes and US macro readings. Additionally, the direction of the yuan, which hinges on investor's confidence in the Chinese economy, could also further impact the ringgit.

Technical Analysis

- The USDMYR pair outlook is neutral-to-bearish as its RSI reading is approaching an overbought position (See ST Technical table).
- Technically, the ringgit is expected to trade rangebound around the (S1) 4.566 – (R1) 4.589 level with an upside bias.

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	60.426	4.571	4.589	4.597	4.566	4.551	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

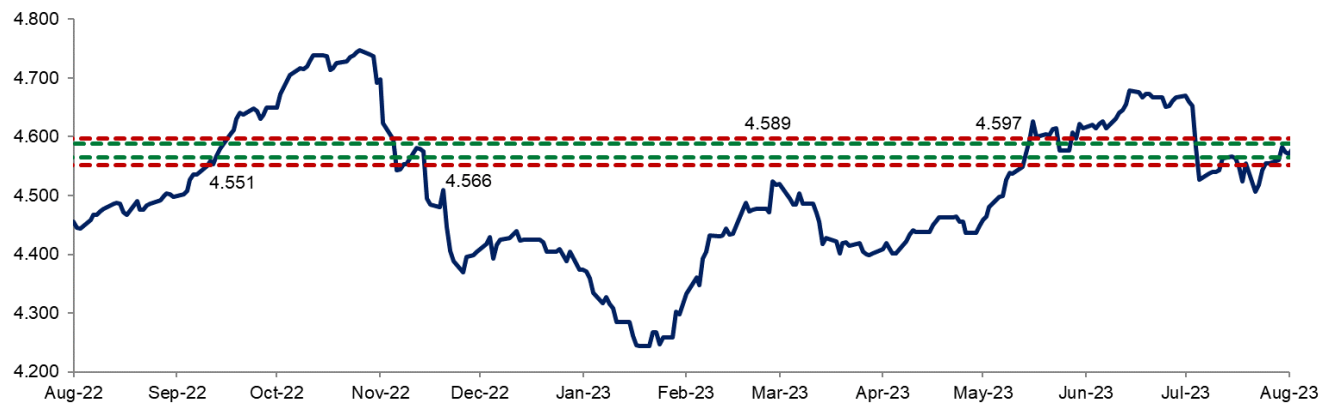
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

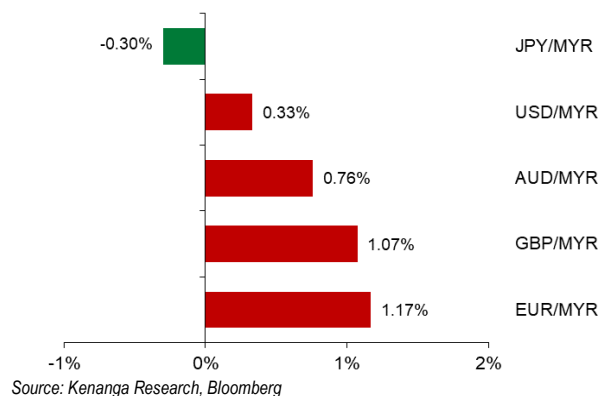
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

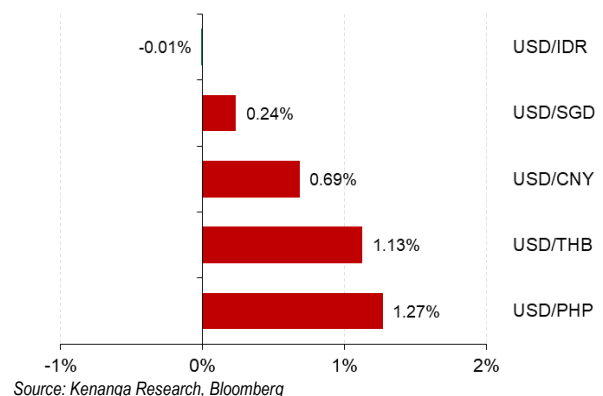
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



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Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	10/08/22 Last Year	10/07/23 Last Month	03/08/23 Last Week	10/08/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.456	4.671	4.555	4.571	3.67%	2.58%	-2.14%	0.33%
AUDMYR	2.962	3.108	3.100	2.975	2.998	1.20%	-3.54%	-3.29%	0.76%
GBPMYR	5.255	5.390	5.982	5.770	5.832	10.98%	8.19%	-2.51%	1.07%
EURMYR	4.649	4.558	5.120	4.979	5.037	8.34%	10.52%	-1.61%	1.17%
JPYMYR	3.373	3.301	3.279	3.187	3.178	-5.79%	-3.73%	-3.07%	-0.30%
SGDMYR	3.280	3.235	3.463	3.394	3.396	3.52%	4.97%	-1.93%	0.07%
ASEAN 5 + CN + JP									
USDIDR	15601	14871	15205	15186	15185	-2.67%	2.11%	-0.13%	-0.01%
USDTHB	34.444	35.559	35.134	34.688	35.079	1.84%	-1.35%	-0.16%	1.13%
USDSGD	1.346	1.377	1.349	1.342	1.346	-0.07%	-2.31%	-0.24%	0.24%
USDPHP	55.799	55.672	55.702	55.526	56.233	0.78%	1.01%	0.95%	1.27%
USDCNY	6.915	6.724	7.226	7.170	7.219	4.39%	7.36%	-0.10%	0.69%
USDJPY	130.690	134.980	142.450	142.920	143.820	10.05%	6.55%	0.96%	0.63%
USD									
EURUSD	1.053	1.024	1.096	1.093	1.103	4.72%	7.67%	0.63%	0.86%
GBPUSD	1.191	1.210	1.279	1.266	1.277	7.24%	5.58%	-0.13%	0.85%
AUDUSD	0.670	0.697	0.664	0.653	0.656	-2.10%	-5.87%	-1.19%	0.52%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
15/8/2023	CN	Industrial Production (JUL)	4.4% YoY	4.3% YoY
15/8/2023	CN	Retail Sales (JUL)	3.1% YoY	4.2% YoY
15/8/2023	US	Retail Sales (JUL)	0.2% MoM	0.4% MoM
16/8/2023	US	Building Permits Preliminary (JUL)	1.441m	1.464m
17/8/2023	US	FOMC Minutes	N/A	N/A
17/8/2023	US	Initial Jobless Claims (AUG/12)	248.0k	N/A
18/8/2023	MY	GDP Growth Rate (Q2)	5.6% YoY	6.0% YoY*
18/8/2023	MY	Exports (JUL)	-14.1% YoY	N/A

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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