

Ringgit Weekly Outlook

May continue to be drag by yuan's weaker coattails, but technical correction likely

Fundamental Overview

- The lack of pro-ringgit catalysts, coupled with China's weaker-than-expected macro readings, a surprise 15 basis points (bps) rate cut by the PBoC, and the Fed's openness to more tightening as reflected in its July FOMC minutes, have significantly weakened the ringgit. The local note depreciated by more than 1.8% on a Thursday-to-Thursday basis, the worst among its ASEAN-5 peers as the market is also expecting a slowdown in Malaysia's 2Q23 economic growth. However, the status quo outcome from the recent state elections has bought the incumbent government time to realise their *Madani* Economy framework, benefitting the ringgit.
- Growing pessimism over China's recovery, stemming from its economic distress and lack of stimulus support, may continue to weaken the yuan, subsequently pressuring the ringgit. However, the PBoC's stronger-than-expected fixing and continued intervention by the state-owned banks may limit yuan's depreciation. Additionally, the absence of USD impetus ahead of the Jackson Hole Symposium may cap the USD index topside around the 103.5 level, which should benefit the ringgit. Domestically, a better-than-expected 2Q23 GDP reading may provide support to the ringgit.

Technical Analysis

- The USDMYR pair outlook remained neutral-to-bearish as its RSI is hovering near the overbought level (See ST Technical table).
- Hence, the pair may move towards the (S1) 4.618 level and potentially test (S2) 4.598. However, the ongoing risk-off mood may push the pair to trade between (R1) 4.657 – (R2) 4.675.

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	68.035	4.631	4.657	4.675	4.618	4.598	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

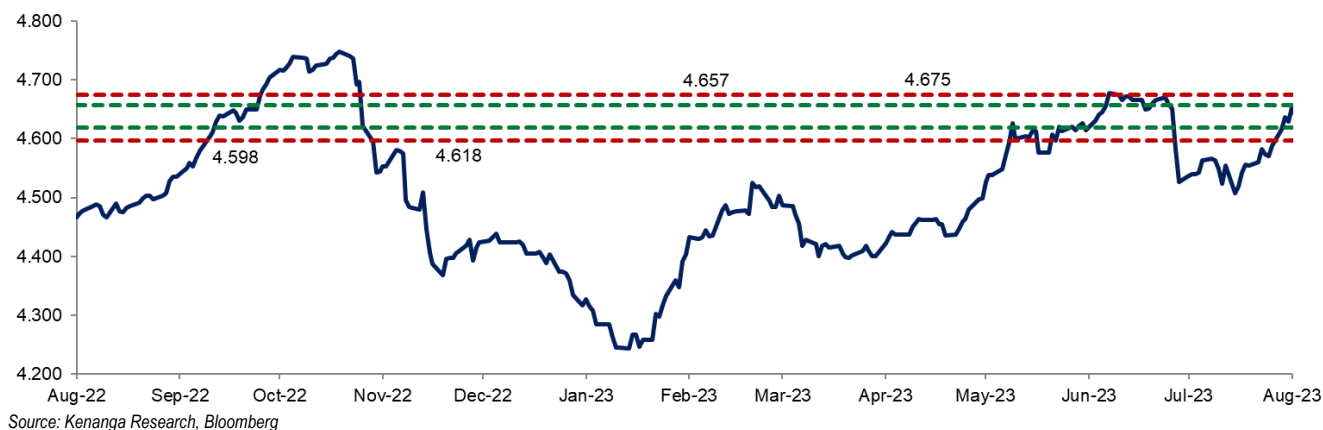
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

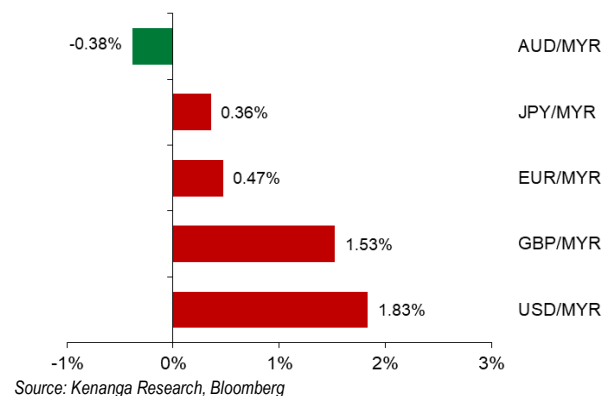
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

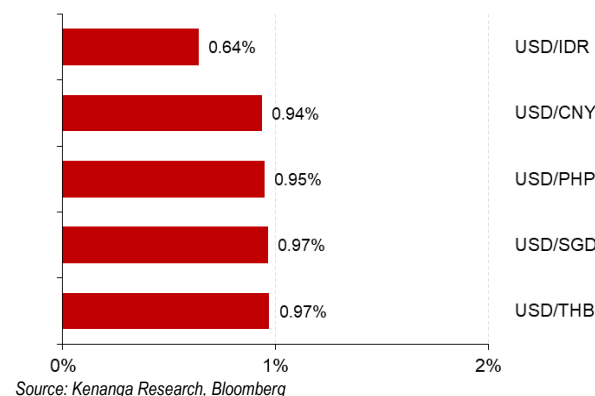
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



18 August 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	17/08/22 Last Year	17/07/23 Last Month	10/08/23 Last Week	17/08/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.467	4.537	4.571	4.654	5.58%	4.19%	2.58%	1.83%
AUDMYR	2.962	3.114	3.090	2.998	2.986	0.81%	-4.08%	-3.36%	-0.38%
GBPMYR	5.255	5.408	5.941	5.832	5.921	12.68%	9.49%	-0.34%	1.53%
EURMYR	4.649	4.549	5.102	5.037	5.061	8.85%	11.25%	-0.81%	0.47%
JPYMYR	3.373	3.310	3.285	3.178	3.189	-5.45%	-3.65%	-2.91%	0.36%
SGDMYR	3.280	3.235	3.434	3.396	3.421	4.27%	5.73%	-0.40%	0.72%
ASEAN 5 + CN + JP									
USDIDR	15601	14768	15013	15185	15282	-2.04%	3.48%	1.79%	0.64%
USDTHB	34.444	35.44	34.603	35.079	35.420	2.83%	-0.06%	2.36%	0.97%
USDSGD	1.346	1.382	1.321	1.346	1.359	0.90%	-1.69%	2.83%	0.97%
USDPHP	55.799	55.88	54.385	56.233	56.767	1.73%	1.59%	4.38%	0.95%
USDCNY	6.915	6.781	7.174	7.219	7.287	5.37%	7.45%	1.57%	0.94%
USDJPY	130.690	134.960	138.150	143.820	145.960	11.68%	8.15%	5.65%	1.49%
USD									
EURUSD	1.053	1.018	1.123	1.103	1.088	3.35%	6.97%	-3.09%	-1.31%
GBPUSD	1.191	1.210	1.308	1.277	1.275	7.05%	5.35%	-2.52%	-0.17%
AUDUSD	0.670	0.695	0.681	0.656	0.643	-4.09%	-7.51%	-5.62%	-2.03%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
21/8/2023	CN	Loan Prime Rate (1Y)	3.55%	3.40% (15 bps cut)
22/8/2023	US	Existing Home Sales (JUL)	4.16m	4.15m
23/8/2023	US	S&P Global Manufacturing PMI Flash (AUG)	49.0	49.0
23/8/2023	US	New Home Sales (JUL)	0.697m	0.707m
24/8/2023	US	Durable Goods Orders (JUL)	4.7% MoM	-4.0% MoM
24/8/2023	US	Initial Jobless Claims (AUG/19)	239.0k	N/A
25/8/2023	MY	Inflation Rate (JUL)	2.4% YoY	2.1% YoY*
25/8/2023	US	Jackson Hole Symposium	N/A	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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