

Ringgit Weekly Outlook

Cautious trading with an upside bias ahead of the US non-farm payroll release

Fundamental Overview

- The appreciation of the yuan following market speculation of more stimulus measures by the Chinese government and the People's Bank of China's FX intervention has helped the ringgit to recoup some of its losses against the USD. In addition, the weakness in the US labour market as evidenced by below-consensus readings in JOLTS job openings and ADP private payrolls has dragged the USD index (DXY) below 104.0, which has bolstered the ringgit. However, the DXY remains buoyed around 103.5 due to solid US consumer spending and elevated core PCE print (4.2% YoY; Jun: 4.1%).
- Despite a slew of weak US economic data this week, the market may continue to hold the USD ahead of the US non-farm payroll reading tonight. A lower-than-expected reading (consensus: 170.0k; July: 187.0k) could spark a dovish repricing in US interest rate futures, significantly weakening the DXY. Risk-on currencies including the ringgit should benefit as this would undermine the Fed's argument that rates need to remain high for some time due to the ultra-hot job market. On the domestic side, the BNM is expected to keep the OPR unchanged at 3.00% and maintain their data-dependent approach, which should also benefit the ringgit.

Technical Analysis

- The USDMYR outlook continued to remain neutral as the pair's RSI is closer to the middle of the range (See ST Technical table).
- Should there be any USD buying interest, the ringgit may shed some gains and trade around (R1) 4.647. Conversely, a breach below the (S1) 4.624 level is needed to confirm MYR extended bullish 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	48.144	4.638	4.647	4.663	4.624	4.617	—

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

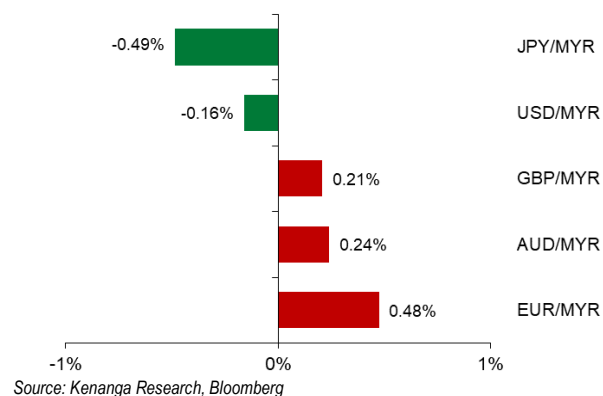
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

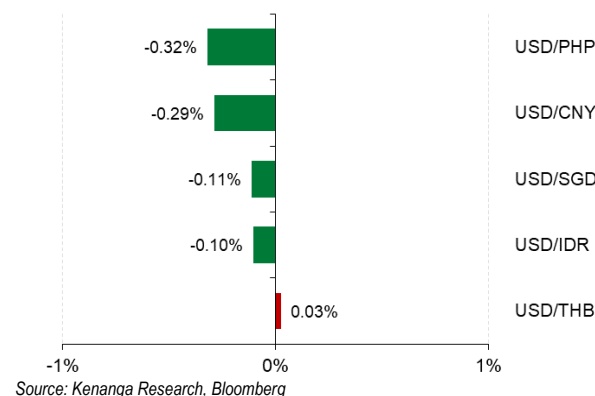
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



01 September 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	31/08/22 Last Year	31/07/23 Last Month	24/08/23 Last Week	31/08/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.476	4.507	4.646	4.632	5.07%	3.50%	2.77%	-0.30%
AUDMYR	2.962	3.067	3.020	2.995	3.002	1.35%	-2.11%	-0.59%	0.24%
GBPMYR	5.255	5.221	5.795	5.887	5.899	12.26%	12.99%	1.79%	0.21%
EURMYR	4.649	4.467	4.972	5.040	5.064	8.92%	13.38%	1.85%	0.48%
JPYMYR	3.373	3.226	3.168	3.194	3.179	-5.76%	-1.46%	0.35%	-0.49%
SGDMYR	3.280	3.200	3.389	3.431	3.435	4.71%	7.36%	1.35%	0.11%
ASEAN 5 + CN + JP									
USDIDR	15601	14843	15080	15246	15230	-2.38%	2.61%	0.99%	-0.10%
USDTHB	34.444	36.47	34.223	34.971	34.980	1.56%	-4.09%	2.21%	0.03%
USDSGD	1.346	1.398	1.330	1.353	1.351	0.36%	-3.34%	1.64%	-0.11%
USDPHP	55.799	56.155	54.898	56.783	56.602	1.44%	0.80%	3.10%	-0.32%
USDCNY	6.915	6.890	7.143	7.280	7.259	4.97%	5.35%	1.63%	-0.29%
USDJPY	130.690	138.730	142.250	145.440	145.920	11.65%	5.18%	2.58%	0.33%
USD									
EURUSD	1.053	0.998	1.104	1.086	1.087	3.25%	8.97%	-1.49%	0.17%
GBPUSD	1.191	1.161	1.287	1.269	1.268	6.47%	9.18%	-1.45%	-0.04%
AUDUSD	0.670	0.685	0.671	0.645	0.647	-3.52%	-5.56%	-3.56%	0.25%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
5/9/2023	CN	Caixin Services PMI (AUG)	54.1	53.5
5/9/2023	US	Factory Orders (JUL)	2.3% MoM	-2.5% MoM
6/9/2023	US	Balance of Trade (JUL)	-USD65.5b	-USD67.5b
6/9/2023	US	ISM Services PMI (AUG)	52.7	52.4
7/9/2023	CN	Exports (AUG)	-14.5% YoY	-7.8% YoY
7/9/2023	MY	Interest Rate Decision	3.00%	3.00%* (status quo)
7/9/2023	US	Initial Jobless Claims (SEP/02)	228.0k	N/A
8/9/2023	MY	Unemployment Rate (JUL)	3.4%	N/A

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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