

Ringgit Weekly Outlook

Set for a volatile week on Fed’s uncertainty, while technical suggests a minor upward correction

Fundamental Overview

- Despite the strengthening of the yuan against the USD, the ringgit weakened to a 10-month low of 4.68 as the USD index (DXY) soared to 105.4 (Sep 14) amid higher-than-expected US core inflation reading of 0.3% MoM in August (Jul: 0.2%). Of note, the yuan managed to reverse most of its last week's losses due to the PBoC's RRR cut, window guidance policy and a stronger daily fix. Although the ringgit saw marginal benefits from solid domestic IPI and retail sales readings, it remains under pressure due to lingering concerns over US inflation and a lack of optimism on China's growth.
- The ringgit may find some support from the appreciation of the yuan, given China's solid macro readings in August, coupled with the potential for continued PBoC's intervention. However, the appreciation may be offset by a potential interest rate cut by the Chinese central bank, as increasing PBoC-Fed monetary policy divergence could put pressure on the yuan. Next week's focal point will be the FOMC's meeting. While a rate hike is unlikely, the market will closely monitor the dot plot projections. Any dovish revisions in these projections may pressure the DXY to retreat to around the 104.5 level, which would benefit the ringgit.

Technical Analysis

- The USDMYR outlook remain neutral-to-bearish next week, as its RSI is approaching overbought position (See ST Technical table).
- Technically, MYR may reverse some of its losses against the USD next week if the Fed signal an official end to its hiking cycle. Nevertheless, the pair may continue to be pressured by the lack of buying interest and trade between (S2) 4.671 – (R2) 4.690.

Table 1: Currency Outlook

Long Term*							
	Q2-23	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Trend
USDMYR	4.667	4.591	4.290	4.205	4.180	4.155	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	76.091	4.680	4.687	4.690	4.677	4.671	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

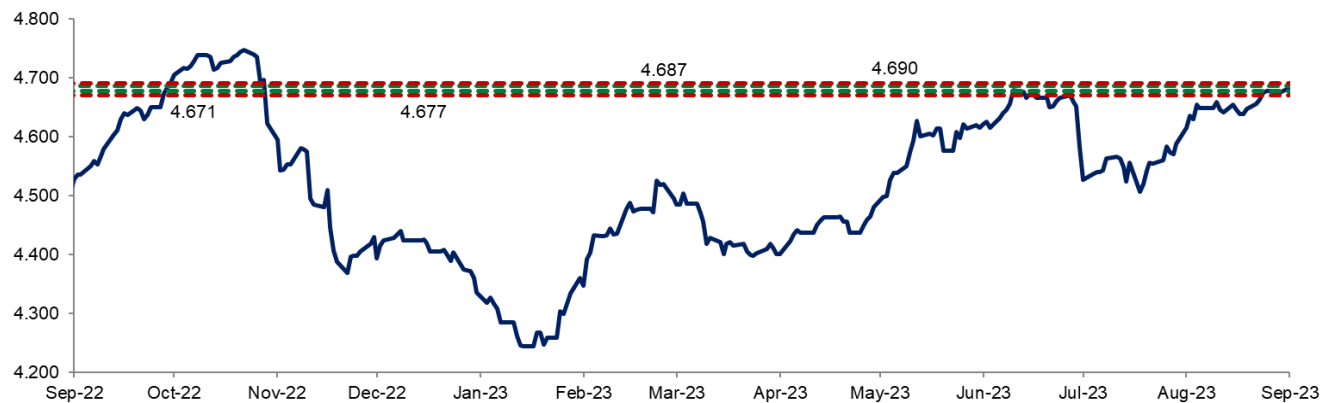
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

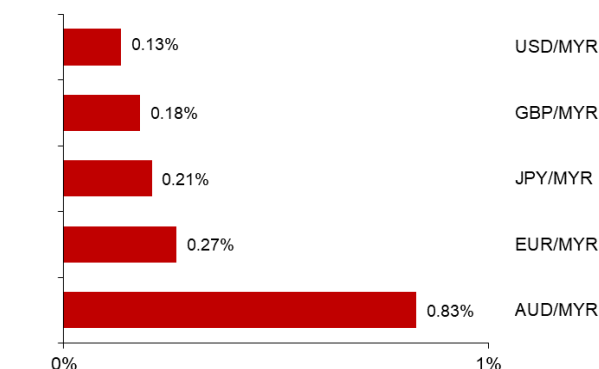
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



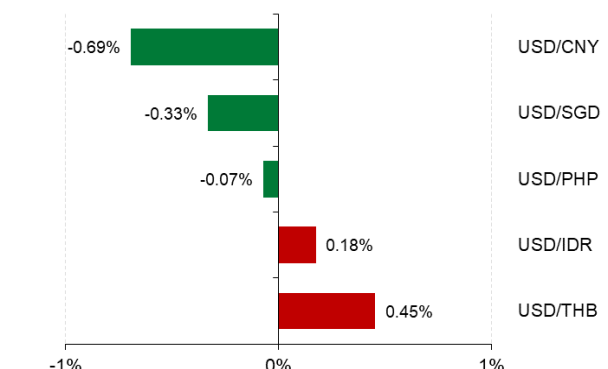
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

15 September 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	14/09/22 Last Year	14/08/23 Last Month	07/09/23 Last Week	14/09/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.528	4.616	4.678	4.684	6.24%	3.45%	1.48%	0.13%
AUDMYR	2.962	3.050	2.999	2.986	3.011	1.64%	-1.28%	0.40%	0.83%
GBPMYR	5.255	5.225	5.860	5.832	5.843	11.19%	11.83%	-0.31%	0.18%
EURMYR	4.649	4.532	5.054	5.012	5.025	8.08%	10.89%	-0.57%	0.27%
JPYMYR	3.373	3.162	3.183	3.173	3.179	-5.75%	0.55%	-0.13%	0.21%
SGDMYR	3.280	3.226	3.408	3.428	3.441	4.90%	6.68%	0.97%	0.38%
ASEAN 5 + CN + JP									
USDIDR	15601	14908	15315	15328	15355	-1.58%	3.00%	0.26%	0.18%
USDTHB	34.444	36.594	35.165	35.616	35.778	3.87%	-2.23%	1.74%	0.45%
USDSGD	1.346	1.404	1.354	1.365	1.361	1.05%	-3.07%	0.48%	-0.33%
USDPHP	55.799	57.092	56.854	56.795	56.755	1.71%	-0.59%	-0.17%	-0.07%
USDCNY	6.915	6.962	7.257	7.330	7.279	5.26%	4.55%	0.30%	-0.69%
USDJPY	130.690	143.270	145.010	147.440	147.320	12.72%	2.83%	1.59%	-0.08%
USD									
EURUSD	1.053	1.001	1.095	1.071	1.074	1.94%	7.26%	-1.92%	0.27%
GBPUSD	1.191	1.156	1.270	1.246	1.246	4.65%	7.82%	-1.88%	0.06%
AUDUSD	0.670	0.673	0.650	0.638	0.644	-3.91%	-4.21%	-0.86%	0.94%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
19/9/2023	MY	Export (AUG)	-13.1% YoY	-14.6% YoY*
19/9/2023	US	Building Permits Preliminary (AUG)	USD1.443m	USD1.448m
20/9/2023	CN	Loan Prime Rate (1Y)	3.45%	3.45% (status quo)
21/9/2023	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
21/9/2023	UK	BoE Interest Rate Decision	5.25%	5.50% (25 bps hike)
21/9/2023	US	Initial Jobless Claims (SEP/16)	220.0k	N/A
22/9/2023	JP	BoJ Interest Rate Decision	-0.10%	-0.10% (status quo)
22/9/2023	MY	Inflation Rate (AUG)	2.0% YoY	2.0% YoY*

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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