

Ringgit Weekly Outlook

Short-term USD strength to curb upside, but China’s renewed optimism may offer solace

Fundamental Overview

- A substantial drop in the US Treasury 10-year yield from 4.80% (Oct 9) to 4.56% (Oct 11) due to the Fed's dovish comments has helped the ringgit to recoup some of its losses and strengthened against the USD on a Thursday-to-Thursday basis. The ringgit also benefitted from Malaysia’s solid macro fundamentals. Nevertheless, cautious FOMC minutes, combined with the hotter-than-expected US PPI reading and the Middle East conflict, have continued to drive demand for the safe-haven USD, exerting pressure on the ringgit.
- Despite an unexpected increase in the US inflation figure, a moderation in the core CPI number continues to support the argument that the Fed is done hiking. However, this surprising reading is helping to push the USD index to maintain a foothold above the 106.0 level, weakening the ringgit. More clarity is needed from US economic figures (i.e. receding price pressure and a weakening labour market), to prompt the Fed to signal that they have taken sufficient measures, and the next step would be a rate cut. Therefore, the ringgit may continue to face pressure due to this short-term USD strength. As the ringgit is also closely tracking the yuan, any positive development on China's economy (i.e. solid GDP growth and new round of stimulus) may benefit the local note. Domestically, the ringgit may find support from Budget 2024 today.

Technical Analysis

- The USDMYR pair's outlook is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.723.
- Technically, barring any unforeseen shock to the market, the pair is projected to hover in a tight range of (S1) 4.719 – (R1) 4.740.

Table 1: Currency Outlook

Long Term*							
	Q3-23	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Trend
USDMYR	4.695	4.440	4.331	4.306	4.280	4.254	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	63.208	4.723	4.740	4.747	4.719	4.704	▼

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.

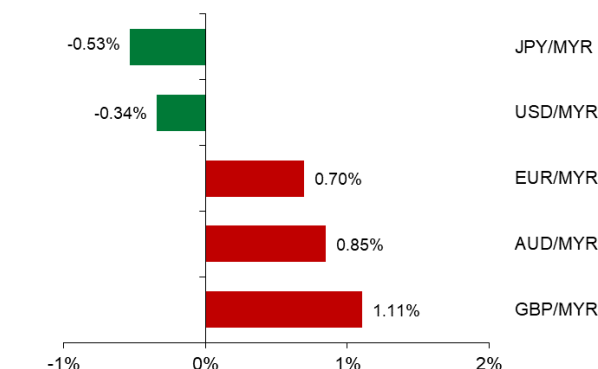
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



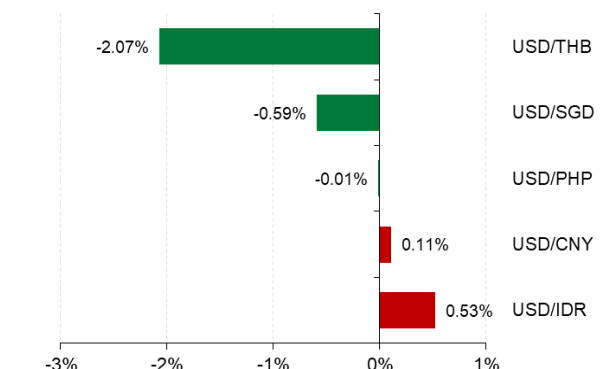
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

13 October 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	12/10/22 Last Year	12/09/23 Last Month	05/10/23 Last Week	12/10/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.684	4.678	4.728	4.712	6.87%	0.59%	0.72%	-0.34%
AUDMYR	2.962	2.936	3.007	2.995	3.021	1.96%	2.88%	0.46%	0.85%
GBPMYR	5.255	5.184	5.835	5.732	5.795	10.29%	11.78%	-0.68%	1.11%
EURMYR	4.649	4.547	5.016	4.968	5.003	7.60%	10.01%	-0.27%	0.70%
JPYMYR	3.373	3.197	3.184	3.176	3.159	-6.34%	-1.17%	-0.79%	-0.53%
SGDMYR	3.280	3.261	3.437	3.446	3.458	5.40%	6.04%	0.61%	0.34%
ASEAN 5 + CN + JP									
USDIDR	15601	15357	15342	15618	15700	0.63%	2.23%	2.33%	0.53%
USDTHB	34.444	38.022	35.665	36.939	36.173	5.02%	-4.86%	1.42%	-2.07%
USDSGD	1.346	1.436	1.362	1.370	1.362	1.18%	-5.12%	0.01%	-0.59%
USDPHP	55.799	58.965	56.653	56.678	56.670	1.56%	-3.89%	0.03%	-0.01%
USDCNY	6.915	7.175	7.292	7.298	7.306	5.65%	1.83%	0.19%	0.11%
USDJPY	130.690	146.530	146.910	148.840	149.160	14.13%	1.79%	1.53%	0.21%
USD									
EURUSD	1.053	0.972	1.072	1.052	1.062	0.84%	9.29%	-0.91%	0.95%
GBPUSD	1.191	1.108	1.247	1.214	1.229	3.23%	10.98%	-1.40%	1.28%
AUDUSD	0.670	0.626	0.642	0.635	0.640	-4.47%	2.25%	-0.23%	0.90%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
17/10/2023	US	Retail Sales (SEP)	0.6% MoM	0.3% MoM
17/10/2023	US	Industrial Production (SEP)	0.4% MoM	-0.1% MoM
18/10/2023	CN	GDP Growth Rate (Q3)	6.3% YoY	4.4% YoY
19/10/2023	MY	Exports (SEP)	-18.6% YoY	N/A
19/10/2023	US	Initial Jobless Claims (OCT/14)	209.0k	N/A
19/10/2023	US	Existing Home Sales (SEP)	4.04m	3.90m
20/10/2023	CN	Loan Prime Rate (1Y)	3.45%	3.45% (status quo)
20/10/2023	MY	Inflation Rate (SEP)	2.0% YoY	2.1% YoY*

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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