

Ringgit Weekly Outlook

May face choppy waters amid the absence of pro-ringgit catalysts and rising USD strength

Fundamental Overview

- The ringgit experienced a sharp depreciation of -1.2% against the USD on a Thursday-to-Thursday basis, making it one of the worst performing currencies of the week. This decline is primarily due to the significant ascent of the US Treasury (UST) yields, driven by fears of a hawkish Fed and rising tensions in the Middle East. Notably, the MY-US 10-year government bond yield spread has continued to widen negatively, surpassing -80.0 bps, its largest negative gap since October 2007 (early phase of GFC). The relatively stable yuan, supported by China's better-than-expected GDP performance has not provided the much-needed relief to the ringgit.
- Fed Chair Powell's recent quasi-hawkish remarks have not pushed back against market expectations that the Fed Fund rates have already peaked. However, the market continues to maintain long-USD positions due to the rising demand for safe-haven greenback amid growing tensions in the Middle East and soaring UST yields, driven by the strength of the US economy and increasing US debt sales. As a result, the ringgit may continue to suffer losses and breach the 4.80/USD threshold. The MYR is expected to be primarily influenced by the USD due to the absence of domestic catalysts in the coming week. Any upside surprise in the US 3Q23 GDP reading may further drive UST yields higher, causing distress for the ringgit.

Technical Analysis

- The USDMYR outlook is bearish for next week, with the pair likely to trade near its 5-day EMA, as its RSI is in an overbought zone.
- Technically, a potential correction of the overvalued USD may push the pair to trade around the (S1) 4.750 level.

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	82.921	4.757	4.793	4.808	4.750	4.722	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

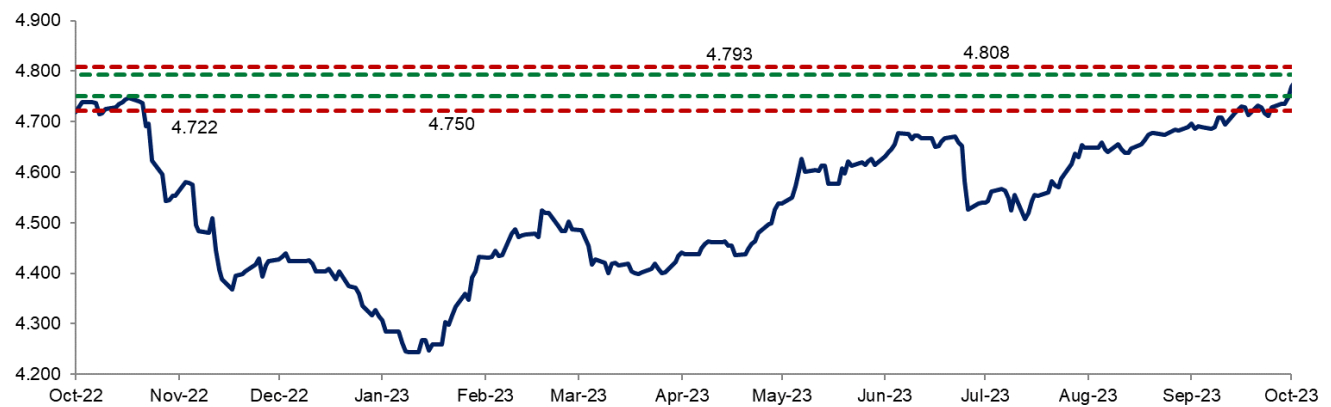
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

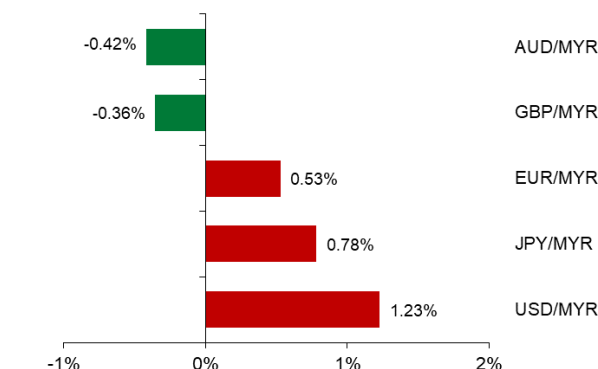
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



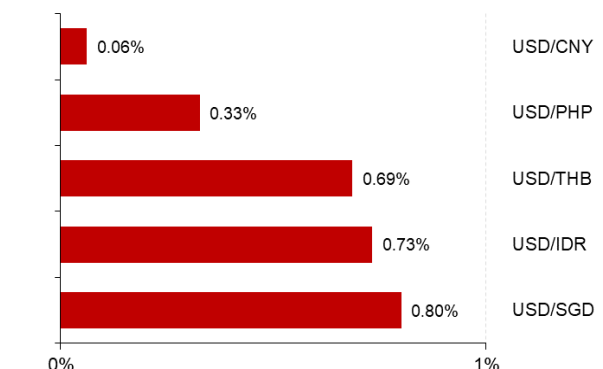
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

20 October 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	19/10/22 Last Year	19/09/23 Last Month	12/10/23 Last Week	19/10/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.720	4.696	4.712	4.770	8.19%	1.05%	1.57%	1.23%
AUDMYR	2.962	2.981	3.032	3.021	3.008	1.54%	0.89%	-0.80%	-0.42%
GBPMYR	5.255	5.323	5.818	5.795	5.775	9.89%	8.48%	-0.75%	-0.36%
EURMYR	4.649	4.634	5.020	5.003	5.029	8.17%	8.52%	0.19%	0.53%
JPYMYR	3.373	3.156	3.180	3.159	3.184	-5.61%	0.89%	0.11%	0.78%
SGDMYR	3.280	3.319	3.446	3.458	3.472	5.84%	4.61%	0.77%	0.41%
ASEAN 5 + CN + JP									
USDIDR	15601	15498	15380	15700	15815	1.37%	2.05%	2.83%	0.73%
USDTHB	34.444	38.273	35.959	36.173	36.421	5.74%	-4.84%	1.28%	0.69%
USDSGD	1.346	1.424	1.363	1.362	1.373	1.99%	-3.56%	0.73%	0.80%
USDPHP	55.799	58.963	56.765	56.67	56.855	1.89%	-3.58%	0.16%	0.33%
USDCNY	6.915	7.229	7.297	7.306	7.311	5.72%	1.13%	0.18%	0.06%
USDJPY	130.690	149.580	147.670	149.160	149.800	14.62%	0.15%	1.44%	0.43%
USD									
EURUSD	1.053	0.978	1.070	1.062	1.055	0.19%	7.87%	-1.39%	-0.64%
GBPUSD	1.191	1.126	1.240	1.229	1.212	1.78%	7.69%	-2.21%	-1.41%
AUDUSD	0.670	0.629	0.646	0.640	0.632	-5.80%	0.41%	-2.21%	-1.39%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
25/10/2023	US	New Home Sales (SEP)	0.675m	0.684m
26/10/2023	MY	PPI (SEP)	-1.8% YoY	N/A
26/10/2023	EA	ECB Interest Rate Decision	4.50%	4.50% (status quo)
26/10/2023	US	Durable Goods Orders (SEP)	0.2% MoM	1.1% MoM
26/10/2023	US	GDP Growth Rate Advance (Q3)	2.1% QoQ	4.3% QoQ
26/10/2023	US	Initial Jobless Claims (OCT/21)	198.0k	N/A
27/10/2023	US	Core PCE Price Index (SEP)	0.1% MoM	0.2% MoM
27/10/2023	US	Personal Income (SEP)	0.4% MoM	0.4% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

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