

# Ringgit Weekly Outlook

Neutral-to-bullish on major central banks' decisions and US macro readings

## Fundamental Overview

- The ringgit extended last week's losses and depreciated to its weakest level on record against the USD. The local note breached its 1998 low of 4.77 as the 10-year US Treasury (UST) soared above the 5.00% level for first time since July 2007, driven by increasing demand for safe-haven assets amid the Middle East crisis. The USD also strengthened due to the election of a new US House Speaker, which helps mitigate the risk of a potential government shutdown by November 17. Of note, year-to-date, the local note has already weakened by a substantial 8.6% vis-à-vis the greenback.
- Despite US' better-than-expected 3Q23 GDP growth of 4.9% QoQ (Consensus: 4.5%), increasing financial pressure on US households may weaken demand and strain the US economy in the coming quarters. Investors will closely monitor the Fed's preferred inflation measure tonight, which is expected to trend higher to 0.3% MoM (Aug: 0.1%). This, coupled with the European Central Bank's cautious stance and a potential Bank of England pause, may continue to keep the USD in demand. However, our expectation of a potential policy tweak by the Bank of Japan and market's anticipation of a continued pause by the Fed and a relatively weak US jobs report next week may temper the USD's ascent.

## Technical Analysis

- The ringgit outlook is neutral-to-bullish next week, with the pair likely to trade near its 5-day EMA 4.779.
- MYR may reverse its weakness against the USD should risk sentiment improve, with the pair immediate support awaits at (S1) 4.773. Conversely, the pair may test (R1) 4.788 if DXY trend higher.

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	63.962	4.779	4.788	4.799	4.773	4.768	▼

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.

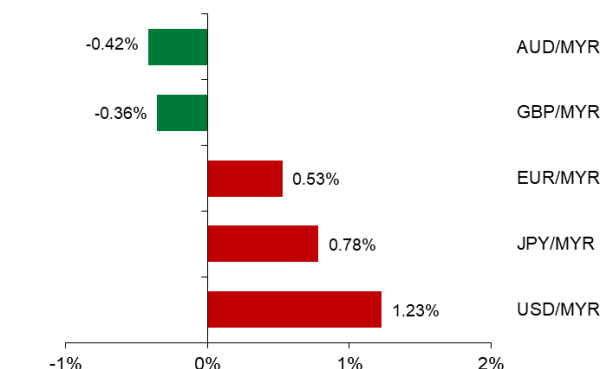
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



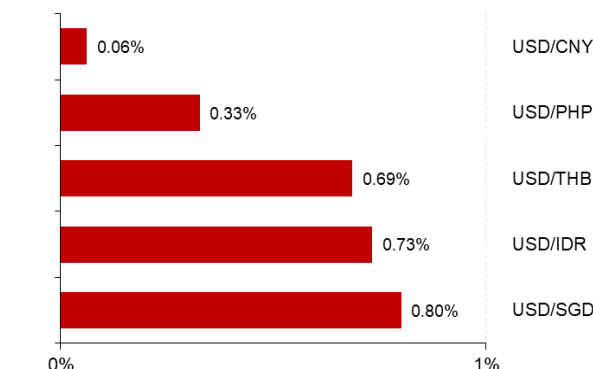
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

27 October 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	26/10/22 Last Year	26/09/23 Last Month	19/10/23 Last Week	26/10/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.409	4.714	4.690	4.770	4.787	8.59%	1.54%	2.08%	0.37%
AUDMYR	2.962	3.051	3.008	3.008	3.022	2.00%	-0.96%	0.47%	0.46%
GBPMYR	5.255	5.454	5.717	5.775	5.787	10.14%	6.12%	1.24%	0.22%
EURMYR	4.649	4.727	4.970	5.029	5.049	8.59%	6.81%	1.58%	0.39%
JPYMYR	3.373	3.204	3.150	3.184	3.185	-5.57%	-0.59%	1.11%	0.04%
SGDMYR	3.280	3.347	3.430	3.472	3.491	6.43%	4.31%	1.78%	0.56%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15601	15563	15490	15815	15920	2.04%	2.29%	2.78%	0.66%
USDTHB	34.444	37.731	36.377	36.421	36.271	5.30%	-3.87%	-0.29%	-0.41%
USDSGD	1.346	1.407	1.368	1.373	1.371	1.86%	-2.56%	0.26%	-0.13%
USDPHP	55.799	58.45	56.965	56.855	56.964	2.09%	-2.54%	0.00%	0.19%
USDCNY	6.915	7.173	7.311	7.311	7.317	5.81%	2.00%	0.08%	0.09%
USDJPY	130.690	147.130	148.890	149.800	150.270	14.98%	2.13%	0.93%	0.31%
<b>USD</b>									
EURUSD	1.053	1.002	1.060	1.055	1.054	0.06%	5.13%	-0.56%	-0.13%
GBPUSD	1.191	1.157	1.219	1.212	1.208	1.40%	4.42%	-0.89%	-0.37%
AUDUSD	0.670	0.648	0.641	0.632	0.630	-5.98%	-2.66%	-1.59%	-0.19%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
31/10/2023	CN	NBS Manufacturing PMI (OCT)	50.2	N/A
31/10/2023	JP	BoJ Interest Rate Decision	-0.1%	-0.1%*
01/11/2023	MY	S&P Global Manufacturing PMI (OCT)	46.8	N/A
01/11/2023	US	JOLTs Job Openings (SEP)	9.61m	N/A
01/11/2023	US	ISM Manufacturing PMI (OCT)	49.0	49.0
02/11/2023	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
02/11/2023	MY	BNM Interest Rate Decision	3.00%	3.00%* (status quo)
03/11/2023	US	Non Farm Payrolls (OCT)	336.0k	168.0k

Source: Kenanga Research, Trading Economics, Bloomberg

\*KIBB

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