

Ringgit Weekly Outlook

Despite the Fed’s hawkish push, below consensus CPI readings may provide fodder for risk assets

Fundamental Overview

- As expected, the ringgit appreciated sharply against the USD on Monday amid a notable decline in the USD index (DXY) near the 105.0 level. The DXY weakness was mainly driven by signs of a faltering US labour market, underscored by a below consensus non-farm payrolls reading. Tighter credit conditions and weaker demand for loans in the US signal that an economic downturn is imminent, supporting the view that the Fed is done raising rates. However, the MYR’s gains were partially erased as hawkish Fed speakers pushed back against the dovish interpretation of the Fed’s future move.
- The DXY’s ascent near the 106.0 level, driven by Fed Chair Powell’s hawkish comments and rising Treasury yields after a disappointing 30-year bonds auction, may exert pressure on the ringgit today. Powell remarked that the Fed "is not confident" that interest rates are sufficiently high to curb inflation. As such, next week US CPI data will be scrutinised to assess the Fed’s progress in controlling inflation. Any below consensus reading is expected to diminish the Fed’s hawkish narrative, benefitting the ringgit. Also, the unlikelihood of a US government shutdown by November 17, coupled with the potential for an upside surprise in Malaysia’s 3Q23 GDP reading may also help to boost the local note.

Technical Analysis

- The USDMYR outlook continued to remain neutral and may trade near its 5-day EMA of 4.708 as its RSI is in the middle of the range.
- Technically, a sustained move over (R1) 4.748 should signal the return of sellers for the ringgit, while a sustained dip below the (S1) 4.665 level may suggest a return of risk-on mood in the FX market.

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	49.109	4.708	4.748	4.775	4.665	4.609	—

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.

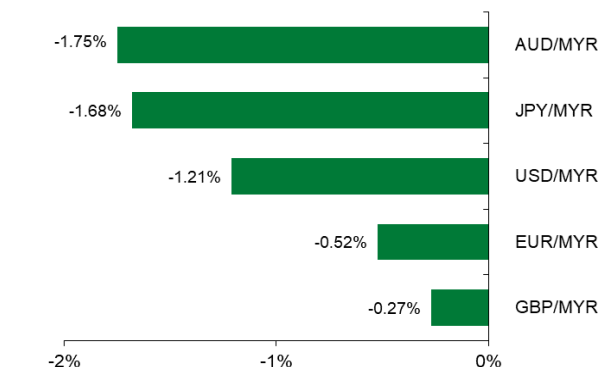
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



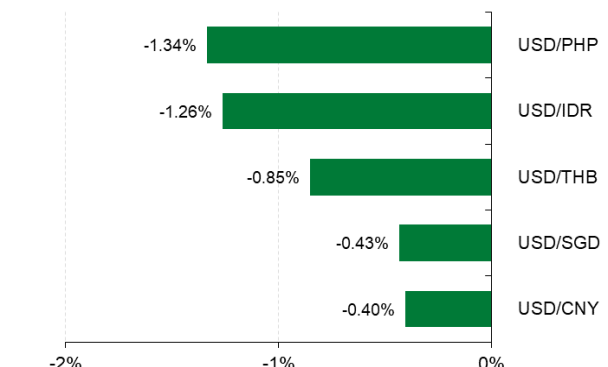
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers’ Performance



Source: Kenanga Research, Bloomberg

10 November 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	09/11/22 Last Year	09/10/23 Last Month	02/11/23 Last Week	09/11/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.692	4.732	4.751	4.693	6.45%	0.03%	-0.81%	-1.21%
AUDMYR	2.962	3.040	3.010	3.060	3.007	1.50%	-1.08%	-0.11%	-1.75%
GBPMYR	5.255	5.367	5.767	5.788	5.773	9.86%	7.56%	0.10%	-0.27%
EURMYR	4.649	4.714	4.984	5.047	5.021	7.98%	6.51%	0.73%	-0.52%
JPYMYR	3.373	3.221	3.173	3.159	3.106	-7.92%	-3.56%	-2.10%	-1.68%
SGDMYR	3.280	3.354	3.456	3.481	3.459	5.44%	3.14%	0.10%	-0.64%
ASEAN 5 + CN + JP									
USDIDR	15601	15657	15692	15855	15655	0.35%	-0.01%	-0.24%	-1.26%
USDTHB	34.444	36.884	37.122	35.906	35.600	3.36%	-3.48%	-4.10%	-0.85%
USDSGD	1.346	1.400	1.369	1.364	1.358	0.86%	-3.02%	-0.80%	-0.43%
USDPHP	55.799	58.005	56.971	56.616	55.860	0.11%	-3.70%	-1.95%	-1.34%
USDCNY	6.915	7.241	7.293	7.314	7.285	5.35%	0.60%	-0.11%	-0.40%
USDJPY	130.690	145.690	149.150	150.360	151.130	15.64%	3.73%	1.33%	0.51%
USD									
EURUSD	1.053	1.005	1.053	1.064	1.069	1.48%	6.38%	1.51%	0.49%
GBPUSD	1.191	1.144	1.217	1.219	1.227	3.06%	7.32%	0.85%	0.68%
AUDUSD	0.670	0.647	0.636	0.644	0.640	-4.47%	-0.99%	0.71%	-0.62%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
14/11/2023	US	Core Inflation Rate (OCT)	0.3% MoM	0.3% MoM
15/11/2023	CN	Industrial Production (OCT)	4.5% YoY	4.6% YoY
15/11/2023	CN	Retail Sales (OCT)	5.5% YoY	7.0% YoY
15/11/2023	US	PPI (OCT)	0.5% MoM	0.1% MoM
15/11/2023	US	Retail Sales (OCT)	0.7% MoM	-0.3% MoM
16/11/2023	US	Initial Jobless Claims (NOV/11)	217.0k	N/A
17/11/2023	MY	GDP Growth Rate (Q3)	2.9% YoY	1.7% YoY*
17/11/2023	US	Building Permits Preliminary (OCT)	USD1.471m	USD1.450m

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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