

Ringgit Weekly Outlook

Year-end strength may settle below the 4.60/USD level amid weak US dollar bias

Fundamental Overview

- Despite pushback from Fed members against market expectations of at least six rate cuts next year, the ringgit has appreciated to around the 4.65 level against the USD. This can be primarily attributed to the market's strong conviction that the Fed will pivot towards monetary easing as early as 1Q24. Additionally, the expectation that the BNM may maintain the overnight policy rate throughout 2024 has further contributed to the ringgit's strength. However, the local note's gains were capped by weaker-than-expected Malaysia trade figures and the depreciation of the yuan.
- The persistent narrowing of the 10-year MY-US government bond yield differential, driven by the Fed's dovish narrative, is expected to continue benefitting the ringgit next week. If tonight's core PCE data turns out to be lower than the consensus of 0.2% MoM (Oct: 0.2%), it may solidify expectations of early rate cuts by the Fed, potentially boosting the ringgit to strengthen below the 4.60/USD threshold. Despite the absence of significant catalysts heading into the holiday-shortened trading week, the ringgit could gain additional support from the weakening of the USD resulting from month-end rebalancing activity.

Technical Analysis

- The USDMYR's neutral outlook is expected to continue for the week ahead, with the pair likely to hover around its 5-day EMA of 4.659.
- Technically, the pair is expected to fluctuate within the range of (S1) 4.626 – (R1) 4.677 next week. However, the potential downside of the USD may push the pair to trade below the (S2) 4.609 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	34.190	4.659	4.677	4.711	4.626	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

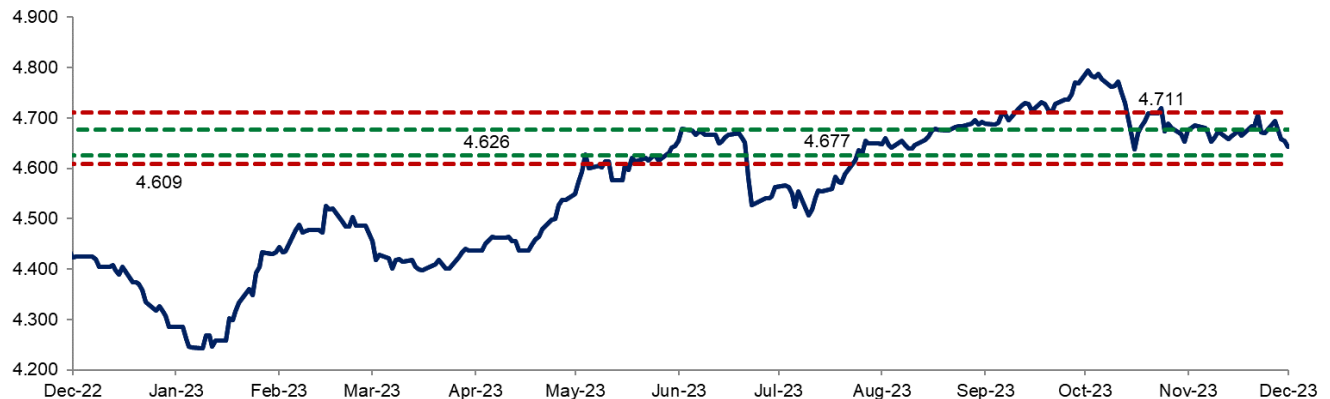
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

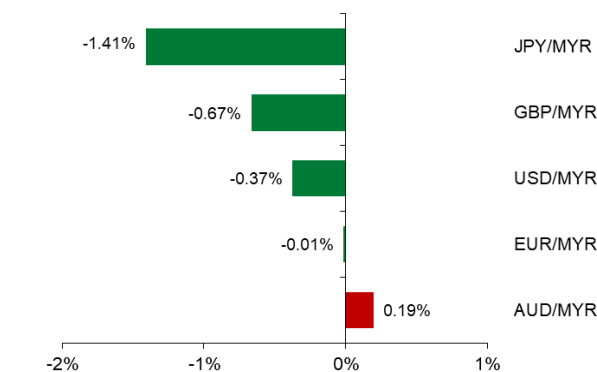
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



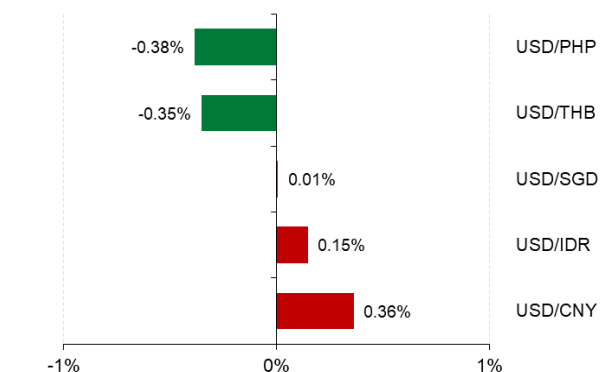
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	21/12/22 Last Year	21/11/23 Last Month	14/12/23 Last Week	21/12/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.439	4.653	4.672	4.655	5.58%	4.85%	0.03%	-0.37%
AUDMYR	2.962	2.963	3.054	3.135	3.141	6.04%	6.00%	2.84%	0.19%
GBPMYR	5.255	5.388	5.836	5.918	5.879	11.88%	9.11%	0.75%	-0.67%
EURMYR	4.649	4.712	5.092	5.094	5.094	9.55%	8.10%	0.02%	-0.01%
JPYMYR	3.373	3.367	3.153	3.301	3.254	-3.53%	-3.36%	3.19%	-1.41%
SGDMYR	3.280	3.283	3.483	3.513	3.499	6.67%	6.57%	0.47%	-0.40%
ASEAN 5 + CN + JP									
USDIDR	15601	15588	15440	15502	15525	-0.49%	-0.40%	0.55%	0.15%
USDTHB	34.444	34.734	35.191	35.023	34.900	1.32%	0.48%	-0.83%	-0.35%
USDSGD	1.346	1.352	1.336	1.330	1.330	-1.20%	-1.60%	-0.45%	0.01%
USDPHP	55.799	55.12	55.372	55.805	55.591	-0.37%	0.85%	0.40%	-0.38%
USDCNY	6.915	6.982	7.141	7.112	7.138	3.22%	2.23%	-0.04%	0.36%
USDJPY	130.690	131.840	147.580	141.570	143.020	9.43%	8.48%	-3.09%	1.02%
USD									
EURUSD	1.053	1.062	1.095	1.091	1.095	4.02%	3.15%	0.08%	0.38%
GBPUSD	1.191	1.213	1.254	1.266	1.264	6.15%	4.20%	0.78%	-0.15%
AUDUSD	0.670	0.668	0.657	0.671	0.674	0.60%	1.03%	2.65%	0.51%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
26/12/2023	US	Chicago Fed National Activity Index (NOV)	-0.49	N/A
26/12/2023	US	S&P/Case-Shiller Home Price (OCT)	3.9% YoY	5.0% YoY
26/12/2023	US	Dallas Fed Manufacturing Index (DEC)	-19.9	N/A
27/12/2023	MY	PPI (NOV)	-0.3% YoY	N/A
28/12/2023	US	Goods Trade Balance Advance (NOV)	-USD89.56b	-USD89.50b
28/12/2023	US	Initial Jobless Claim (DEC)	205.0k	N/A
28/12/2023	US	Pending Home Sales (NOV)	-1.5% MoM	1.0% MoM
29/12/2023	MY	M3 Money Supply (NOV)	3.7% YoY	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my