

# Ringgit Weekly Outlook

May recoup some losses amid a potential increase in Fed's dovish bets

## Fundamental Overview

- All ASEAN-5 currencies concluded the first week (end-Thursday) of the year in the red against the USD. The ringgit retraced above the 4.60/USD level as the market unwound some of its dovish Fed positions due to the lack of risk-on catalysts. Also, the USD found support from seasonal factors, driven by the reversion of December tax flows by US corporations and mixed signals in the FOMC minutes. However, the persistently weak US ISM manufacturing PMI, combined with lower-than-expected US job openings and robust China factory activity, has helped to limit the ringgit's depreciation.
- The disparity in US labour data, evident by the rise in private payrolls and easing job openings, may reinforce the Fed's argument for maintaining higher interest rates for longer, bolstering the USD. However, market expectations of a decline in tonight's US nonfarm payrolls data (consensus: 175.0k; Nov: 199.0k), along with a potential cooling of US core inflation (consensus: 0.2% MoM; Nov: 0.3%) next week, could foster a more dovish market sentiment, favouring risk-on currencies. The market may also focus on China CPI reading to assess consumer demand and speculate about potential economic stimulus. Domestically, improvements in IPI and retail sales readings may contribute to supporting the local note.

## Technical Analysis

- The USDMYR outlook is neutral-to-bullish next week, with the pair expected to trade near its 5-day EMA of 4.630.
- Technical-wise, the pair may move towards (S1) 4.611, which indicates an upside pattern for the MYR. Conversely, if US inflation comes in hotter-than-expected, the pair may test (R1) 4.661.

Table 1: Currency Outlook

Long Term*							
	Q4-23	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Trend
USDMYR	4.594	4.548	4.396	4.327	4.254	4.191	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	58.309	4.630	4.661	4.678	4.611	4.577	▼

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

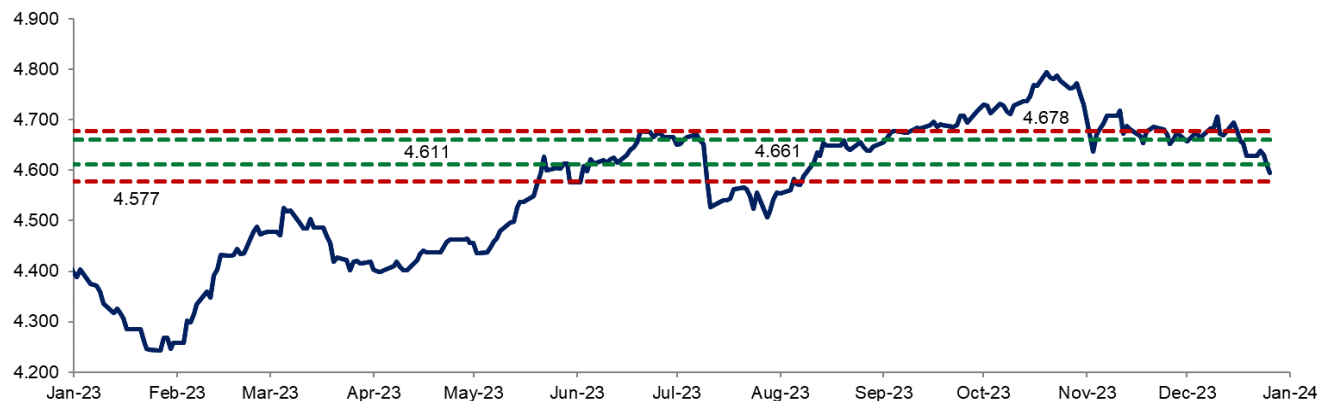
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

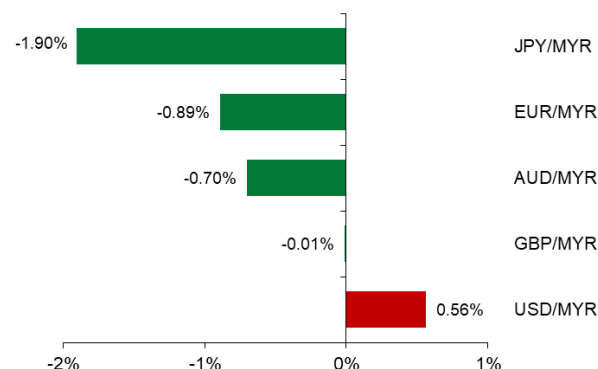
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



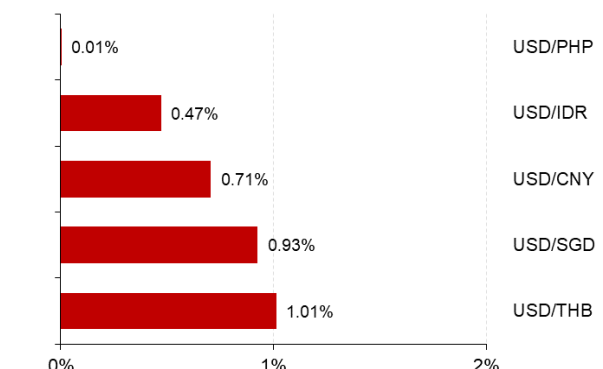
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

05 January 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	04/01/23 Last Year	04/12/23 Last Month	28/12/23 Last Week	04/01/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.399	4.658	4.609	4.635	0.63%	5.38%	-0.48%	0.56%
AUDMYR	3.142	3.023	3.098	3.148	3.126	-0.52%	3.41%	0.90%	-0.70%
GBPMYR	5.857	5.305	5.902	5.897	5.896	0.67%	11.15%	-0.10%	-0.01%
EURMYR	5.073	4.668	5.065	5.130	5.084	0.21%	8.92%	0.37%	-0.89%
JPYMYR	3.251	3.372	3.178	3.276	3.213	-1.16%	-4.71%	1.11%	-1.90%
SGDMYR	3.482	3.284	3.489	3.500	3.492	0.30%	6.33%	0.08%	-0.21%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15470	15583	15463	15418	15491	0.14%	-0.59%	0.18%	0.47%
USDTHB	34.151	34.013	34.948	34.131	34.477	0.95%	1.36%	-1.35%	1.01%
USDSGD	1.323	1.339	1.335	1.316	1.328	0.37%	-0.78%	-0.52%	0.93%
USDPHP	55.665	55.908	55.326	55.492	55.495	-0.31%	-0.74%	0.31%	0.01%
USDCNY	7.143	6.897	7.143	7.111	7.161	0.25%	3.82%	0.24%	0.71%
USDJPY	141.650	130.430	146.560	140.690	144.260	1.84%	10.60%	-1.57%	2.54%
<b>USD</b>									
EURUSD	1.101	1.062	1.087	1.113	1.096	-0.47%	3.15%	0.81%	-1.55%
GBPUSD	1.270	1.207	1.267	1.280	1.271	0.09%	5.29%	0.32%	-0.70%
AUDUSD	0.682	0.688	0.665	0.684	0.674	-1.19%	-2.09%	1.26%	-1.55%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
09/01/2024	US	Balance of Trade (NOV)	-USD64.3b	-USD64.8b
10/01/2024	MY	Unemployment Rate (NOV)	3.4%	N/A
11/01/2024	MY	Industrial Production (NOV)	2.7% YoY	N/A
11/01/2024	MY	Retail Sales (NOV)	3.9% YoY	N/A
11/01/2024	US	Core Inflation Rate (DEC)	0.3% MoM	0.2% MoM
11/01/2024	US	Initial Jobless Claims (JAN/06)	202.0k	N/A
12/01/2024	CN	Inflation Rate (DEC)	-0.5% YoY	-0.3% YoY
12/01/2024	US	PPI (DEC)	0.0% MoM	0.2% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

## For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto: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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)