

# Ringgit Weekly Outlook

Sell-off to persist ahead of US key macro data, but minor technical correction likely

## Fundamental Overview

- The recent shift in global risk sentiment, driven by escalating tensions in the Middle East and persistent vulnerabilities in the Chinese economy, has pushed the ringgit to once again breach the 4.70/USD threshold. This was exacerbated by the pushback from Fed officials against an early easing cycle, coupled with a robust performance in US retail sales. Despite the better-than-expected US macro readings, the USD index exhibits a relatively subdued response, attributable in part to the enduring strength of the equity market. Additionally, risk assets have suffered setbacks due to the market's tempered expectations for Fed rate cuts.
- The ringgit may continue to trade weak around the 4.70 level against the USD, driven by an unfavourable risk environment marked by geopolitical uncertainty, the waning Fed rate cut expectations, and China's lack of definitive stimulus measures. Nevertheless, the MYR may benefit from a potential hawkish shift in the BoJ's monetary policy direction and if the US 4Q23 GDP data unfolds weaker than expected. Attention will also be directed towards the US Core PCE reading, as investors search for indications of a cooling US economy. To add, Malaysia's stable inflation outlook, stronger 4Q23 GDP estimate reading and the BNM's commitment to maintaining the status quo may continue to support the ringgit.

## Technical Analysis

- The technical outlook for the USDMYR is bearish, with the pair expected to hover around its 5-day EMA of 4.703.
- The pair may hover in a range of (S1) 4.686 – (R1) 4.734 next week. However, a shift in risk sentiment may help to prop up the MYR.

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	83.320	4.703	4.734	4.751	4.686	4.654	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

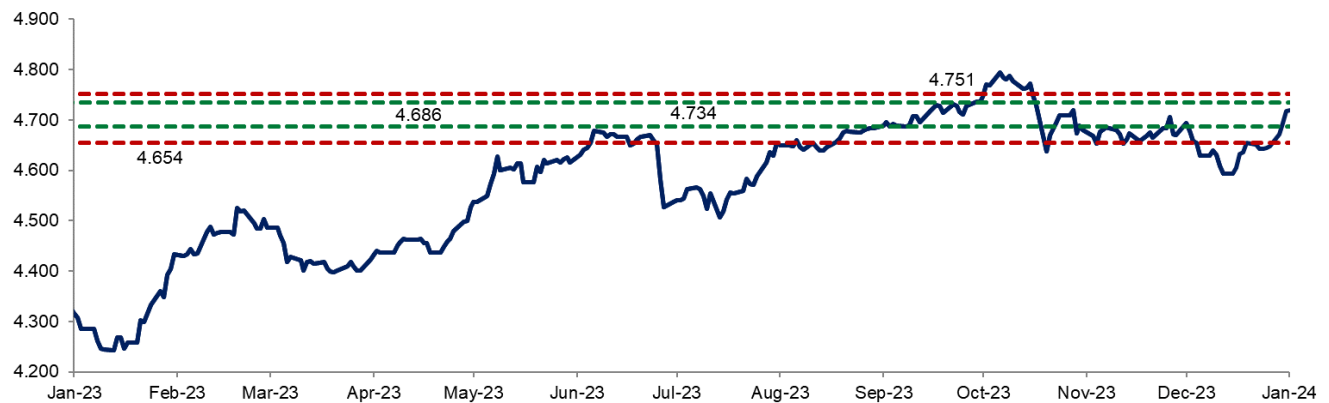
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

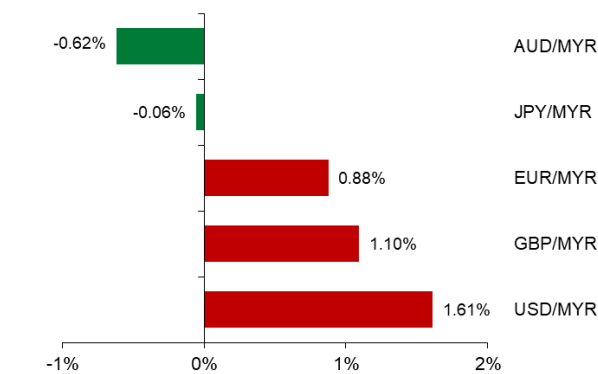
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



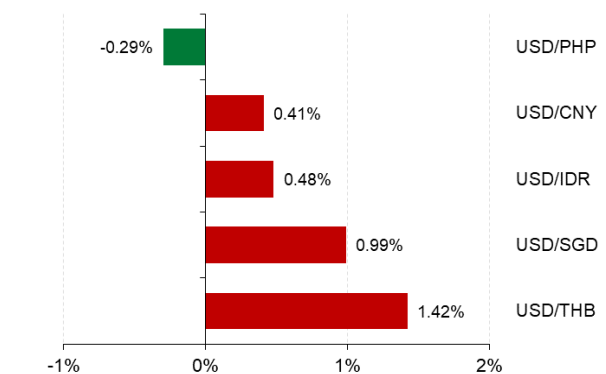
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

19 January 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	18/01/23 Last Year	18/12/23 Last Month	11/01/24 Last Week	18/01/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.316	4.694	4.644	4.719	2.46%	9.34%	0.53%	1.61%
AUDMYR	3.142	3.033	3.159	3.117	3.097	-1.42%	2.14%	-1.97%	-0.62%
GBPMYR	5.857	5.335	5.947	5.916	5.981	2.11%	12.11%	0.57%	1.10%
EURMYR	5.073	4.691	5.126	5.092	5.136	1.25%	9.49%	0.20%	0.88%
JPYMYR	3.251	3.341	3.289	3.193	3.192	-1.82%	-4.48%	-2.96%	-0.06%
SGDMYR	3.482	3.281	3.527	3.491	3.512	0.86%	7.02%	-0.44%	0.58%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15470	15088	15510	15549	15624	1.00%	3.55%	0.74%	0.48%
USDTHB	34.151	32.874	35.022	35.064	35.563	4.13%	8.18%	1.54%	1.42%
USDSGD	1.323	1.317	1.332	1.330	1.343	1.50%	1.96%	0.86%	0.99%
USDPHP	55.665	54.61	55.86	55.998	55.833	0.30%	2.24%	-0.05%	-0.29%
USDCNY	7.143	6.758	7.131	7.167	7.196	0.74%	6.49%	0.91%	0.41%
USDJPY	141.650	129.190	142.720	145.420	147.860	4.38%	14.45%	3.60%	1.68%
<b>USD</b>									
EURUSD	1.101	1.085	1.091	1.097	1.090	-1.03%	0.40%	-0.14%	-0.67%
GBPUSD	1.270	1.235	1.267	1.275	1.269	-0.02%	2.78%	0.20%	-0.43%
AUDUSD	0.682	0.702	0.672	0.671	0.657	-3.68%	-6.51%	-2.25%	-2.10%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
22/01/2024	CN	Loan Prime Rate 1Y	3.45%	3.45% (status quo)
22/01/2024	MY	Inflation Rate (DEC)	1.5% YoY	1.5% YoY*
23/01/2024	JP	BoJ Interest Rate Decision	-0.1%	-0.1% (status quo)
24/01/2024	MY	BNM Interest Rate Decision	3.00%	3.00% (status quo)*
25/01/2024	US	Durable Goods Orders (DEC)	5.4% MoM	1.0% MoM
25/01/2024	US	GDP Growth Rate Advance (Q4)	4.9% QoQ	1.9% QoQ
26/01/2024	US	Core PCE Price Index (DEC)	0.1% MoM	0.2% MoM
26/01/2024	US	Personal Spending (DEC)	0.2% MoM	0.4% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

\*KIBB

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