

Ringgit Weekly Outlook

May stabilise around 4.73/USD on signs of cooling US labour market and domestic boost

Fundamental Overview

- The ringgit traded relatively weak, around the 4.76-4.78 level in the first three days of the week before strengthening to 4.74/USD on Thursday. The local currency faced initial pressure due to a downturn in investors' risk appetite amid market's ongoing downward recalibration of Fed interest rate expectations. Nevertheless, joint efforts by the government and BNM to increase inflows into the domestic FX market have somewhat helped to boost the ringgit, not only against the USD but also against its ASEAN-5 peers. Additionally, this week saw net foreign inflows of RMO.15b into the domestic debt, driven by an influx of investment in corporate bonds.
- Even though the US core PCE recorded a hot 0.4% MoM (Dec: 0.1%) reading, cooling personal spending may continue to support disinflation and reduce aggregate demand, setting the stage for a potential Fed pivot towards easing in June. This, coupled with BNM's and the government's efforts to boost the appeal of the ringgit, along with our expectation of a status quo in the OPR next week, may support the ringgit to trade around the 4.73/USD level. Next week, the spotlight would once again shift to US jobs data, and any indications of weakness are likely to contribute to a weakening USD and an increase in demand for risk assets.

Technical Analysis

- The USDMYR is expected to turn neutral-to-bullish next week as its RSI is nearing an oversold territory (See ST Technical table).
- Technically, MYR is expected to trade lower against the USD next week, with the pair's immediate resistance level at (R1) 4.764.

Table 1: Currency Outlook

Long Term*							
	Q4-23	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Trend
USDMYR	4.594	4.690	4.597	4.508	4.416	4.324	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	29.572	4.754	4.764	4.791	4.724	4.711	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

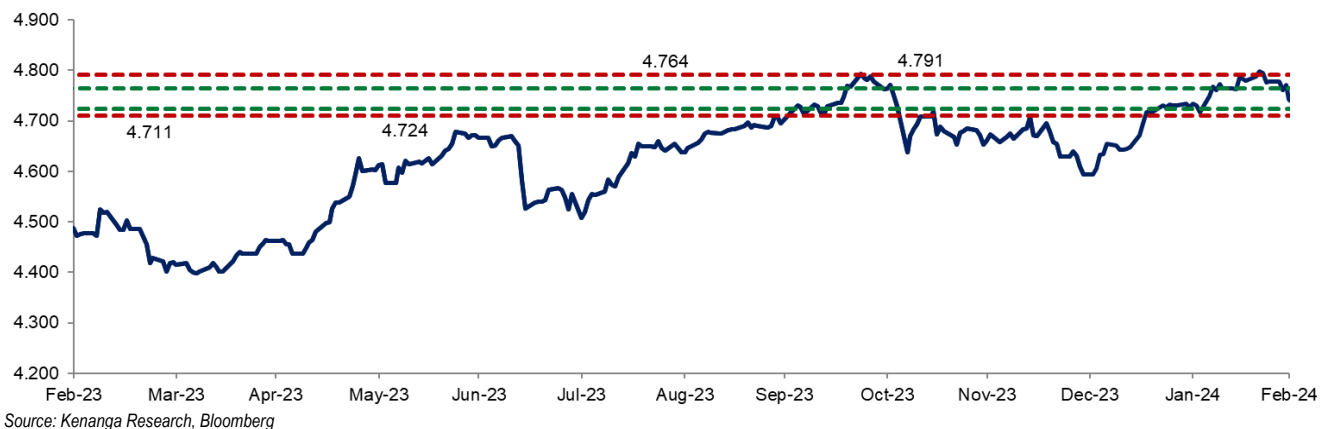
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

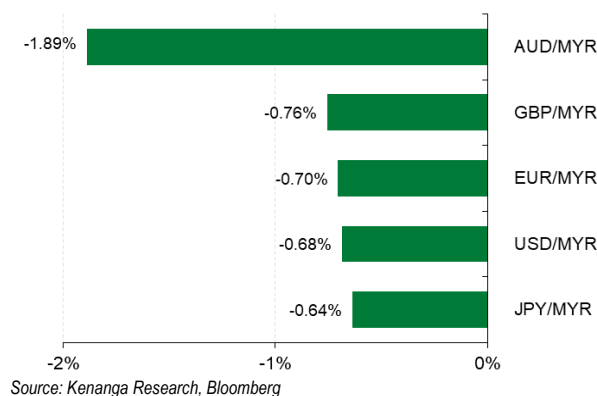
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

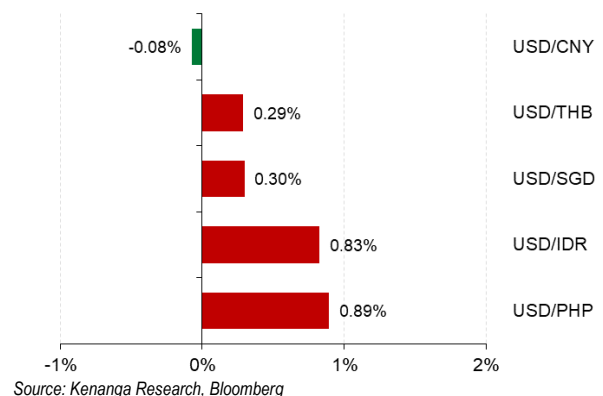
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



01 March 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	01/03/23 Last Year	29/01/24 Last Month	22/02/24 Last Week	29/02/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.473	4.734	4.776	4.743	2.97%	6.04%	0.20%	-0.68%
AUDMYR	3.142	3.025	3.124	3.144	3.084	-1.83%	1.96%	-1.29%	-1.89%
GBPMYR	5.857	5.399	6.013	6.053	6.007	2.56%	11.28%	-0.10%	-0.76%
EURMYR	5.073	4.760	5.124	5.183	5.146	1.44%	8.11%	0.44%	-0.70%
JPYMYR	3.251	3.297	3.202	3.180	3.160	-2.80%	-4.16%	-1.32%	-0.64%
SGDMYR	3.482	3.335	3.529	3.561	3.528	1.33%	5.80%	-0.03%	-0.94%
ASEAN 5 + CN + JP									
USDIDR	15470	15235	15810	15590	15719	1.61%	3.18%	-0.58%	0.83%
USDTHB	34.151	34.682	35.573	35.817	35.921	5.18%	3.57%	0.98%	0.29%
USDSGD	1.323	1.340	1.342	1.341	1.345	1.65%	0.35%	0.25%	0.30%
USDPHP	55.665	54.987	56.29	55.717	56.215	0.99%	2.23%	-0.13%	0.89%
USDCNY	7.143	6.870	7.180	7.194	7.189	0.64%	4.64%	0.11%	-0.08%
USDJPY	141.650	135.670	147.830	150.160	150.100	5.97%	10.64%	1.54%	-0.04%
USD									
EURUSD	1.101	1.067	1.082	1.086	1.084	-1.54%	1.59%	0.18%	-0.18%
GBPUSD	1.270	1.205	1.271	1.268	1.266	-0.29%	5.03%	-0.37%	-0.17%
AUDUSD	0.682	0.677	0.660	0.659	0.650	-4.72%	-4.03%	-1.62%	-1.37%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
5/03/2024	US	ISM Services PMI (FEB)	53.4	52.9
6/03/2024	US	ADP Employment Change (FEB)	107.0k	150.0k
6/03/2024	US	JOLTs Job Openings (JAN)	9.026m	N/A
7/03/2024	CN	Balance of Trade (JAN-FEB)	USD75.34b	N/A
7/03/2024	MY	BNM Interest Rate Decision	3.00%	3.00%* (status quo)
7/03/2024	US	Initial Jobless Claims (MAR/02)	215.0k	N/A
8/03/2024	MY	Unemployment Rate (JAN)	3.3%	N/A
8/03/2024	US	Non Farm Payrolls (FEB)	353.0k	190.0k

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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