

Ringgit Weekly Outlook

US data to decide market direction; weak readings could spur risk asset demand

Fundamental Overview

- Following a brief uptick below the 4.72/USD level, partly propelled by RMO.5b inflows into the bond market on Monday and bolstered by an enhanced risk sentiment amid People's Bank of China's efforts to stabilise the yuan, the ringgit weakened again due to the favourable appeal of the USD. The USD index (DXY) received support as investors adjusted their expectations for Fed rate cuts, prompted by the ongoing ambiguity in US data.
- The ringgit has continued to trade above the 4.73 level against the USD, propelled by hawkish comments from Fed Waller and a stronger-than-expected upward revision in the US 4Q23 GDP. These factors have heightened the possibility of the Fed postponing rate cuts. Further bolstering the USD's upward trajectory is S&P's reaffirmation of the US' AA+ rating, citing economic resilience. Tonight's core PCE data holds significant sway over the USD's trajectory leading up to next week's job report. A reading lower than the current consensus of 0.4% MoM might push the ringgit toward the 4.70/USD mark. With inflation assuming greater importance, a robust job report next week may have minimal impact on the USD. However, markedly weak readings could prompt market reassessment of Fed rate expectations, benefiting risk assets.

Technical Analysis

- The USDMYR outlook for next week remains neutral, anticipated to remain close to its 5-day EMA of 4.731.
- Technically, the pair is expected to fluctuate within the range of (S1) 4.725 to (R1) 4.745. However, shifts in risk sentiment could potentially push the pair below the (S2) 4.716 level.

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	58.171	4.731	4.740	4.745	4.725	4.716	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

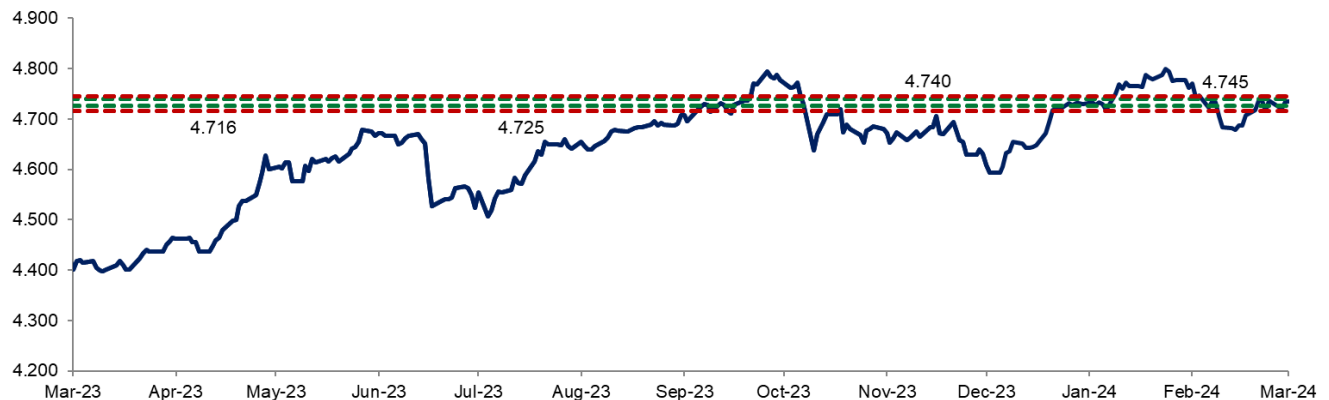
RSI (7): 7-day Relative Strength Index
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

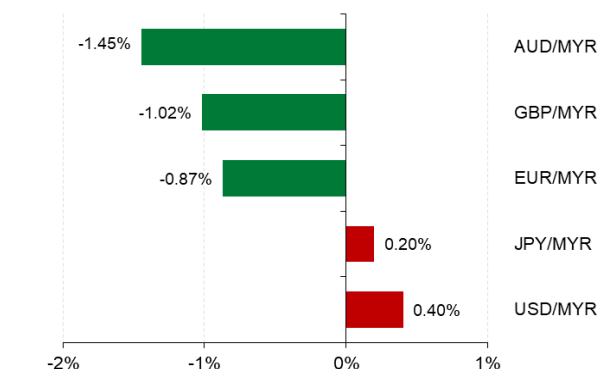
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



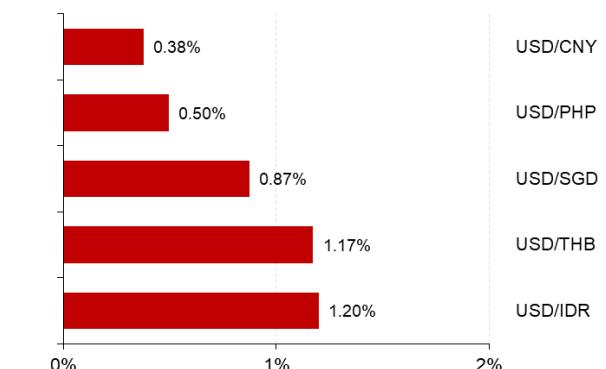
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

29 March 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	28/03/23 Last Year	28/02/24 Last Month	21/03/24 Last Week	28/03/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.401	4.771	4.716	4.735	2.79%	7.58%	-0.77%	0.40%
AUDMYR	3.142	2.937	3.097	3.117	3.072	-2.23%	4.58%	-0.81%	-1.45%
GBPMYR	5.857	5.408	6.024	6.022	5.961	1.77%	10.23%	-1.04%	-1.02%
EURMYR	5.073	4.760	5.153	5.146	5.101	0.55%	7.17%	-1.00%	-0.87%
JPYMYR	3.251	3.361	3.167	3.121	3.127	-3.81%	-6.95%	-1.26%	0.20%
SGDMYR	3.482	3.312	3.542	3.522	3.504	0.65%	5.82%	-1.05%	-0.49%
ASEAN 5 + CN + JP									
USDIDR	15470	15085	15692	15669	15857	2.50%	5.12%	1.05%	1.20%
USDTHB	34.151	34.283	36.031	36.056	36.479	6.82%	6.41%	1.24%	1.17%
USDSGD	1.323	1.329	1.346	1.339	1.351	2.07%	1.66%	0.33%	0.87%
USDPHP	55.665	54.475	56.26	56.042	56.320	1.18%	3.39%	0.11%	0.50%
USDCNY	7.143	6.876	7.198	7.200	7.227	1.17%	5.10%	0.40%	0.38%
USDJPY	141.650	130.960	150.670	151.110	151.400	6.88%	15.61%	0.48%	0.19%
USD									
EURUSD	1.101	1.082	1.082	1.092	1.079	-1.99%	-0.31%	-0.25%	-1.19%
GBPUSD	1.270	1.231	1.265	1.277	1.262	-0.63%	2.46%	-0.28%	-1.18%
AUDUSD	0.682	0.668	0.650	0.661	0.649	-4.74%	-2.71%	-0.06%	-1.75%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
1/04/2024	MY	S&P Global Manufacturing PMI (MAR)	49.5	N/A
1/04/2024	CN	Caixin Manufacturing PMI (MAR)	50.9	51.0
1/04/2024	US	ISM Manufacturing PMI (MAR)	47.8	48.4
2/04/2024	US	JOLTs Job Openings (FEB)	8.863m	8.770m
3/04/2024	US	ADP Employment Change (MAR)	140.0k	150.0k
3/04/2024	US	ISM Services PMI (MAR)	52.6	52.8
5/04/2024	US	Non Farm Payrolls (MAR)	275.0k	203.0k
5/04/2024	US	Unemployment Rate (MAR)	3.9%	3.9%

Source: Kenanga Research, Trading Economics, Bloomberg

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