

Ringgit Weekly Outlook

US economic weakness could boost demand, but data variance may support USD

Fundamental Overview

- Despite the improvement in China's factory activity, the ringgit weakened to nearly 4.76 against the USD on April 3, driven by better-than-expected US manufacturing PMI (50.3; Consensus: 48.4) and JOLTs job openings data. Notably, the 10-year MGS-UST negative yield differential widened to an average of -47.0 bps (last week: -37.0 bps). However, the ringgit later appreciated marginally to 4.74 following a lower-than-expected ISM services reading and a dovish tone surrounding the Fed's interest rate direction.
- Data is currently steering the trajectory of the USD, and tonight's nonfarm payroll reading (consensus: 214.0k) will be closely watched. If it proves favourable enough to prompt the Fed to consider a rate cut, the USD is expected to weaken. Next week, attention will shift to US core inflation, and once again, the market will be looking for a reading below 0.2% MoM to justify closing their long USD positions. However, inconsistent US economic data and the absence of clear weakness may keep the USD elevated, putting pressure on the ringgit to trade around its current level. The FOMC minutes and China's key macro data may also influence ringgit. Stronger-than-expected data from China may boost the appeal of risk assets, benefitting the ringgit.

Technical Analysis

- The technical outlook for the USDMYR pair is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.743.
- Technically, MYR is expected to trend higher against the USD should the market shift to risk-on mode, with the pair's immediate support awaits at (S1) 4.732, followed by (S2) 4.718. Conversely, the pair may test (R1) 4.757 if demand for the USD remains strong.

Table 1: Currency Outlook

Long Term*							
	Q1-24	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Trend
USDMYR	4.725	4.597	4.508	4.416	4.324	4.232	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	57.571	4.743	4.757	4.769	4.732	4.718	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

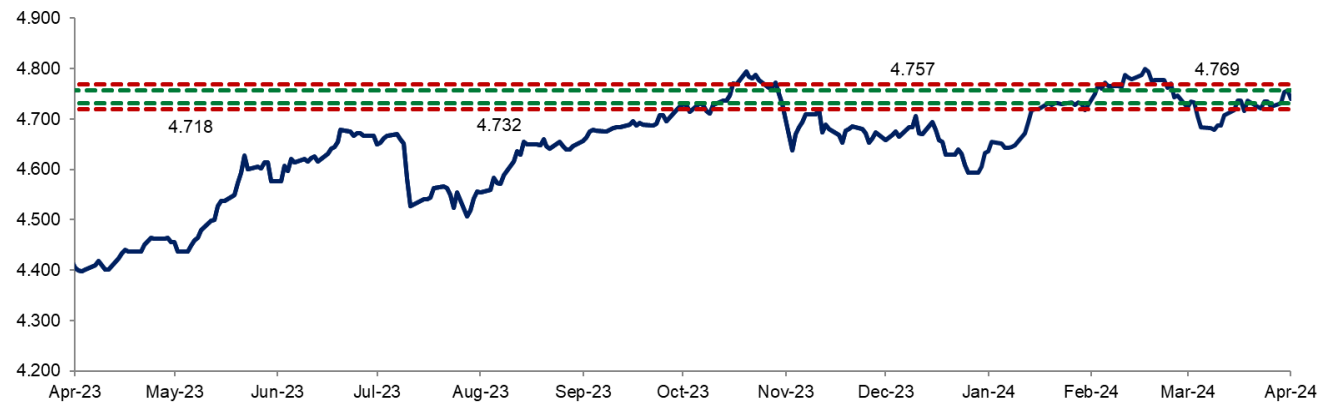
RSI (7): 7-day Relative Strength Index
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

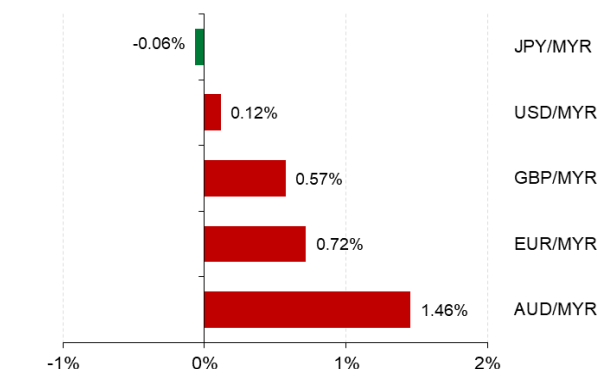
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



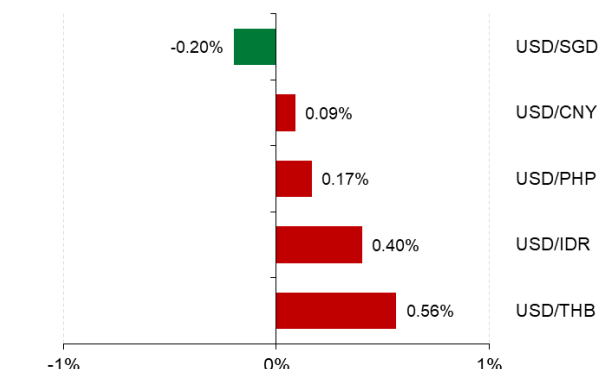
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

05 April 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	04/04/23 Last Year	04/03/24 Last Month	28/03/24 Last Week	04/04/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.404	4.723	4.735	4.740	2.91%	7.62%	0.37%	0.12%
AUDMYR	3.142	2.976	3.081	3.072	3.116	-0.81%	4.72%	1.15%	1.46%
GBPMYR	5.857	5.511	5.987	5.961	5.995	2.36%	8.78%	0.14%	0.57%
EURMYR	5.073	4.815	5.124	5.101	5.138	1.28%	6.71%	0.28%	0.72%
JPYMYR	3.251	3.314	3.140	3.127	3.125	-3.87%	-5.69%	-0.46%	-0.06%
SGDMYR	3.482	3.322	3.516	3.504	3.516	1.00%	5.86%	0.02%	0.34%
ASEAN 5 + CN + JP									
USDIDR	15470	14899	15742	15857	15921	2.92%	6.86%	1.14%	0.40%
USDTHB	34.151	34.223	35.818	36.479	36.685	7.42%	7.19%	2.42%	0.56%
USDSGD	1.323	1.326	1.343	1.351	1.348	1.87%	1.66%	0.36%	-0.20%
USDPHP	55.665	54.499	55.981	56.32	56.414	1.35%	3.51%	0.77%	0.17%
USDCNY	7.143	6.879	7.199	7.227	7.233	1.26%	5.14%	0.48%	0.09%
USDJPY	141.650	132.920	150.420	151.400	151.680	7.08%	14.11%	0.84%	0.18%
USD									
EURUSD	1.101	1.092	1.085	1.079	1.084	-1.54%	-0.75%	-0.14%	0.46%
GBPUSD	1.270	1.250	1.268	1.262	1.265	-0.37%	1.15%	-0.21%	0.26%
AUDUSD	0.682	0.676	0.652	0.649	0.658	-3.55%	-2.69%	0.81%	1.25%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
8/04/2024	MY	Industrial Production (FEB)	4.3% YoY	1.8% YoY*
8/04/2024	MY	Retail Sales (FEB)	2.6% YoY	N/A
8/04/2024	MY	Unemployment Rate (FEB)	3.3%	N/A
10/04/2024	US	Core Inflation Rate (MAR)	0.4% MoM	0.3% MoM
11/04/2024	US	FOMC Minutes	N/A	N/A
11/04/2024	CN	Inflation Rate (MAR)	0.7% YoY	0.4% YoY
11/04/2024	US	PPI (MAR)	0.6% MoM	0.3% MoM
12/04/2024	CN	Balance of Trade (MAR)	USD39.71b	USD70.65b

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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