

Ringgit Weekly Outlook

Tight range expected amid data lull; profit-taking may trigger correction

Fundamental Overview

- The ringgit strengthened to below the 4.70/USD level for the first time since mid-March. This upturn is primarily attributed to the depreciation of the USD index and a downturn in the 10-year US Treasury yield. Despite an unexpected rise in the PPI reading, the market responded with optimism amid disinflationary prospects. The weakening of the DXY can be largely attributed to the slowdown in core CPI, weak retail sales reading and perceived dovish tone of Fed Chair Powell's remarks. Additionally, news of Chinese cities ramping up policy efforts to bolster the housing sector has further bolstered the ringgit's position.
- Next week, the ringgit is expected to trade within a narrow range of 4.67-4.69 against the USD due to the absence of key data. The sentiment expressed in the FOMC minutes is likely to be the primary driver of the ringgit's trajectory, with a dovish stance potentially leading to a depreciation of the USD and benefiting the local currency. It is anticipated that China will maintain its benchmark loan prime rate unchanged to uphold stability in the yuan. US-China relations remain a geopolitical concern. On the domestic front, inflation is expected to remain stable, reinforcing the likelihood of BNM maintaining policy rate status quo. This stability could attract foreign investors and contribute to the appreciation of the ringgit.

Technical Analysis

- The USDMYR outlook has turned bullish, with the pair likely to trade near the 5-day EMA of 4.702 as its RSI is in an oversold zone.
- Technically, the MYR is expected to trade lower against the USD next week, with the pair's immediate resistance level at (R1) 4.716.

Table 1: Currency Outlook

Long Term*							
	Q1-24	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Trend
USDMYR	4.725	4.666	4.553	4.416	4.324	4.232	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	12.597	4.702	4.716	4.746	4.670	4.653	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

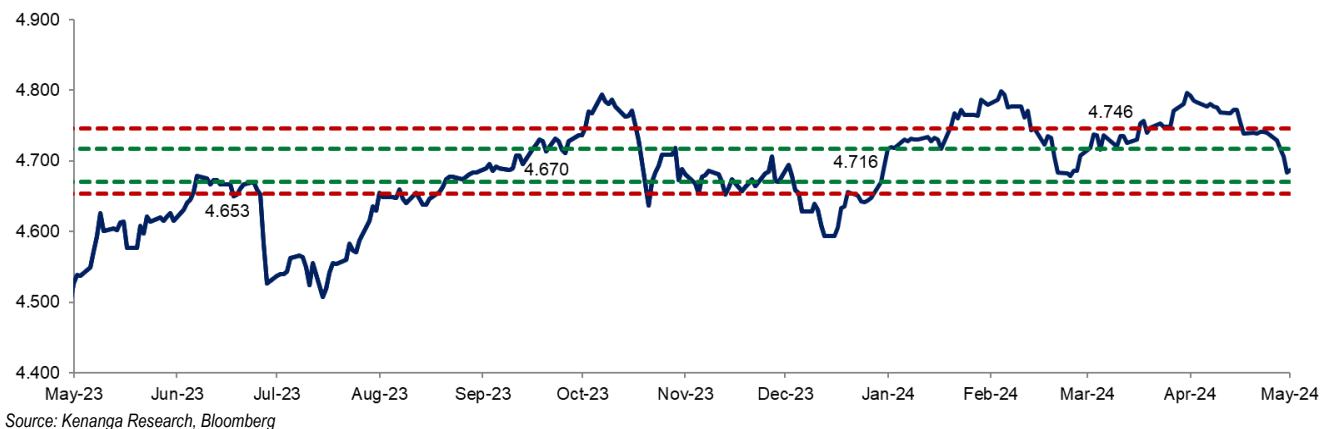
RSI (7): 7-day Relative Strength Index
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

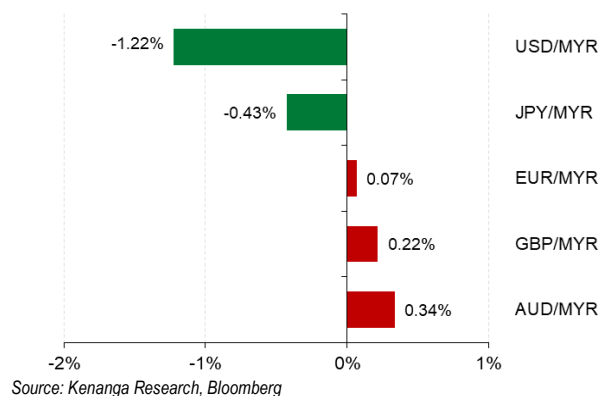
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

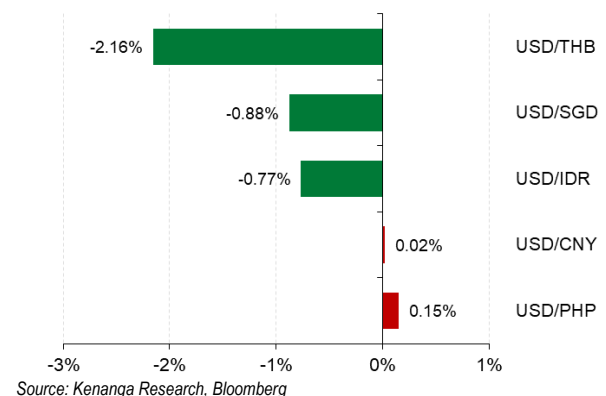
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



17 May 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	16/05/23 Last Year	16/04/24 Last Month	09/05/24 Last Week	16/05/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.499	4.796	4.741	4.683	1.68%	4.09%	-2.35%	-1.22%
AUDMYR	3.142	3.010	3.078	3.117	3.128	-0.45%	3.92%	1.61%	0.34%
GBPMYR	5.857	5.639	5.971	5.920	5.933	1.29%	5.20%	-0.65%	0.22%
EURMYR	5.073	4.902	5.098	5.087	5.091	0.34%	3.86%	-0.14%	0.07%
JPYMYR	3.251	3.313	3.102	3.041	3.028	-6.87%	-8.60%	-2.40%	-0.43%
SGDMYR	3.482	3.367	3.515	3.495	3.483	0.04%	3.43%	-0.90%	-0.35%
ASEAN 5 + CN + JP									
USDIDR	15470	14820	16176	16047	15924	2.93%	7.45%	-1.56%	-0.77%
USDTHB	34.151	33.959	36.669	36.919	36.123	5.77%	6.37%	-1.49%	-2.16%
USDSGD	1.323	1.336	1.365	1.356	1.345	1.61%	0.64%	-1.48%	-0.88%
USDPHP	55.665	56.061	56.997	57.379	57.467	3.24%	2.51%	0.82%	0.15%
USDCNY	7.143	6.977	7.238	7.220	7.221	1.09%	3.50%	-0.23%	0.02%
USDJPY	141.650	135.820	154.600	155.920	154.670	9.19%	13.88%	0.05%	-0.80%
USD									
EURUSD	1.101	1.090	1.063	1.074	1.087	-1.24%	-0.21%	2.32%	1.28%
GBPUSD	1.270	1.253	1.245	1.249	1.267	-0.20%	1.09%	1.79%	1.46%
AUDUSD	0.682	0.668	0.641	0.658	0.668	-2.08%	-0.13%	4.09%	1.51%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
20/05/2024	CN	Loan Prime Rate (1Y)	3.45%	3.45% (status quo)
20/05/2024	MY	Exports (APR)	-0.8% YoY	13.2% YoY*
22/05/2024	US	Existing Home Sales (APR)	4.19m	4.18m
23/05/2024	US	FOMC Minutes	N/A	N/A
23/05/2024	US	Initial Jobless Claims (MAY/18)	222.0k	N/A
23/05/2024	US	New Home Sales (APR)	0.693m	0.680m
24/05/2024	MY	Inflation Rate (APR)	1.8% YoY	1.8% YoY*
24/05/2024	US	Durables Goods Orders (APR)	2.6% MoM	0.5% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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