

Ringgit Weekly Outlook

Choppy trading expected ahead of US core PCE; geopolitical tensions pose downside risks

Fundamental Overview

- The ringgit stabilised around the 4.68 - 4.70 level against the greenback as the USD index (DXY) remained below the 105.0 level due to a lack of catalyst. However, a more hawkish tone than anticipated in the FOMC minutes, which mentioned a "lack of further progress" in efforts to bring inflation toward the 2.0% target, pushed the DXY back to around the 105.1 level on May 23. This movement weakened the ringgit to above the 4.70/USD level. Additionally, the DXY found support from the prospect of policy divergence between the Fed and G10 central banks, stemming from ECB President Lagarde's endorsement of a June rate cut and Canada's softer-than-expected inflation reading.
- The unexpectedly positive S&P PMI readings in the US are fuelling bets that the US economy could achieve another robust GDP growth in 2Q24, supporting the Fed's higher-for-longer narrative and benefitting the DXY. Looking ahead, there are no significant US data releases scheduled for next week, except for core PCE data on Friday, which is expected to influence the DXY's trajectory leading up to June's job report. On the domestic front, inflation is forecasted to remain stable at 1.8% YoY today, which should help maintain stability in the ringgit at its current level. However, escalating geopolitical tensions between China and Taiwan could potentially boost the USD and place pressure on risk assets.

Technical Analysis

- The USDMYR outlook has shifted to a neutral stance, with the pair likely to hover around its 5-day EMA of 4.705.
- The pair is projected to trade in the range of (S1) 4.696 – (R1) 4.727, with geopolitical uncertainty posing downside risks.

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	54.796	4.705	4.727	4.738	4.696	4.676	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

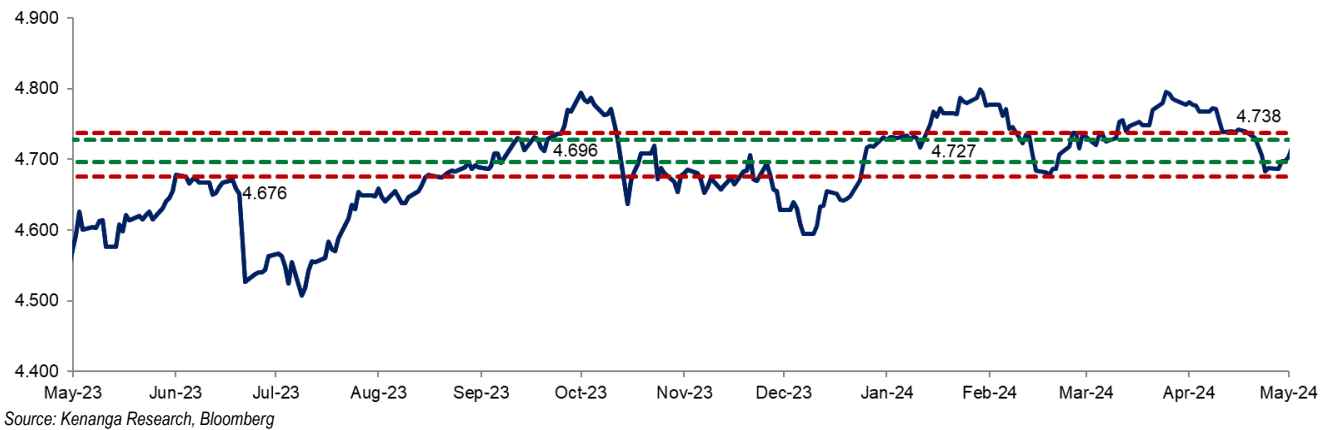
RSI (7): 7-day Relative Strength Index
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

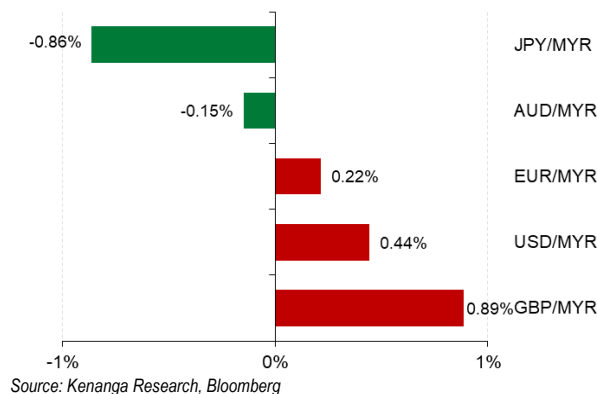
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

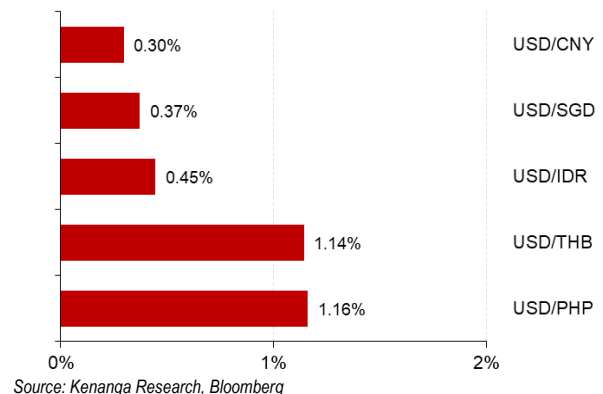
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



24 May 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	23/05/23 Last Year	23/04/24 Last Month	16/05/24 Last Week	23/05/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.573	4.780	4.683	4.704	2.13%	2.87%	-1.60%	0.44%
AUDMYR	3.142	3.027	3.081	3.128	3.123	-0.60%	3.19%	1.35%	-0.15%
GBPMYR	5.857	5.663	5.909	5.933	5.985	2.18%	5.69%	1.30%	0.89%
EURMYR	5.073	4.930	5.096	5.091	5.102	0.56%	3.49%	0.12%	0.22%
JPYMYR	3.251	3.301	3.088	3.028	3.002	-7.67%	-9.08%	-2.80%	-0.86%
SGDMYR	3.482	3.395	3.508	3.483	3.486	0.12%	2.68%	-0.62%	0.08%
ASEAN 5 + CN + JP									
USDIDR	15470	14875	16220	15924	15995	3.39%	7.53%	-1.39%	0.45%
USDTHB	34.151	34.727	37.041	36.123	36.536	6.98%	5.21%	-1.36%	1.14%
USDSGD	1.323	1.348	1.363	1.345	1.350	1.99%	0.14%	-0.98%	0.37%
USDPHP	55.665	55.73	57.5	57.467	58.135	4.44%	4.32%	1.10%	1.16%
USDCNY	7.143	7.056	7.245	7.221	7.243	1.40%	2.65%	-0.03%	0.30%
USDJPY	141.650	138.510	154.800	154.670	156.710	10.63%	13.14%	1.23%	1.32%
USD									
EURUSD	1.101	1.078	1.066	1.087	1.085	-1.48%	0.62%	1.78%	-0.25%
GBPUSD	1.270	1.239	1.235	1.267	1.273	0.24%	2.75%	3.03%	0.44%
AUDUSD	0.682	0.662	0.645	0.668	0.664	-2.60%	0.32%	2.93%	-0.52%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
28/05/2024	MY	PPI (APR)	1.6% YoY	N/A
28/05/2024	US	S&P/Case-Shiller Home Price (MAR)	0.9% MoM	N/A
30/05/2024	US	GDP Growth Rate 2 nd Estimate (Q1)	3.4% QoQ	1.5% QoQ
30/05/2024	US	Initial Jobless Claims (MAY/25)	215.0k	N/A
31/05/2024	CN	NBS Manufacturing PMI (MAY)	50.4	N/A
31/05/2024	MY	M3 Money Supply (APR)	6.2% YoY	N/A
31/05/2024	US	Core PCE Price Index (APR)	0.3% MoM	0.3% MoM
31/05/2024	US	Personal Spending (APR)	0.8% MoM	0.3% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

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

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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