

Ringgit Weekly Outlook

Fed's dovish stance likely to boost risk-on assets

Fundamental Overview

- The ringgit strengthened against the USD, trading below the 4.70 threshold as anticipated, driven by a decline in the USD Index (DXY) near the 104.0 mark and a drop in the 10-year US Treasury yield below 4.30%. The DXY's weakness is primarily due to rising expectations of a September rate cut by the Fed, following an on-target PCE inflation report, weak spending figures last Friday, and softer US job data this week. Despite support from the Bank of Canada rate cut, the European Central Bank's hawkish stance had little to no effect on the DXY. In addition to USD weakness, the ringgit was bolstered by the improvement in Malaysia's manufacturing PMI (50.2; May: 49.0).
- The outlook for the ringgit remains highly fluid, pending the release of nonfarm payroll figures tonight, as well as inflation numbers and the Fed's decision next week. A potentially sub-200.0k payrolls report, combined with below-consensus CPI figures, could strengthen the case for a dovish tilt from the Fed, benefitting risk assets including the ringgit. Conversely, an upside surprise in US key macroeconomic data may push rate cut expectations back to November/December, thereby strengthening the DXY. The Bank of Japan is expected to maintain its current policy stance next week, with little to no impact on the FX market. Stronger macroeconomic data from Malaysia could further boost demand for the ringgit.

Technical Analysis

- The USDMYR outlook remains neutral for the upcoming week, with the pair likely to trade around its 5-day EMA of 4.698.
- The pair faces immediate support level at (S1) 4.692 and may reverse to (R1) 4.703 if US data surprises on the upside.

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	37.576	4.698	4.703	4.711	4.692	4.688	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

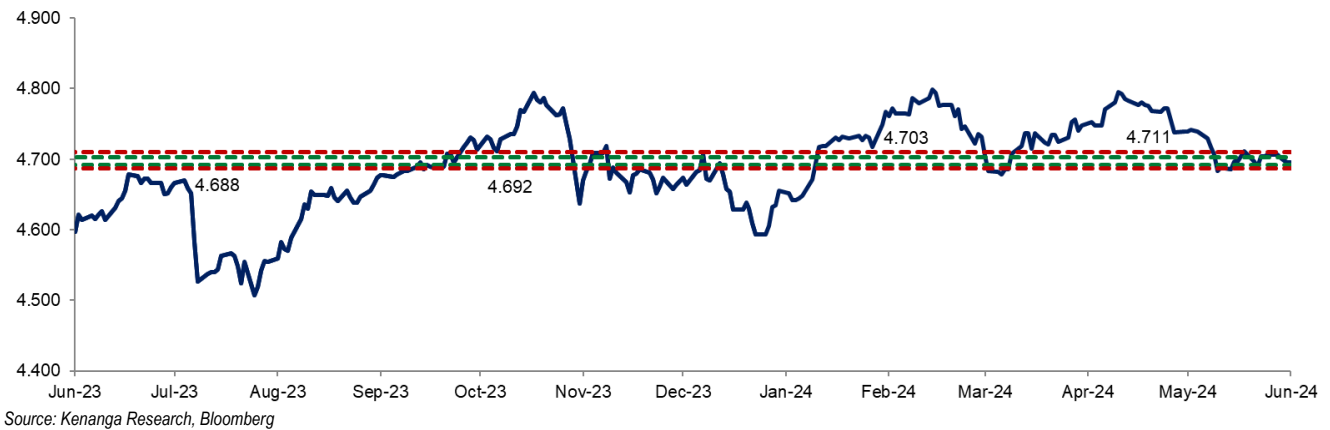
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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.

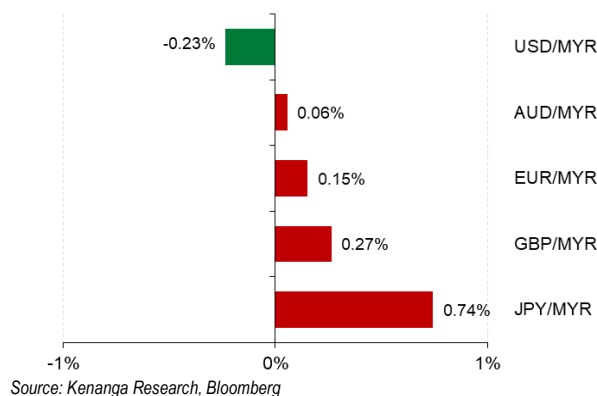
EMA (5): 5-day Exponential Moving Average
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

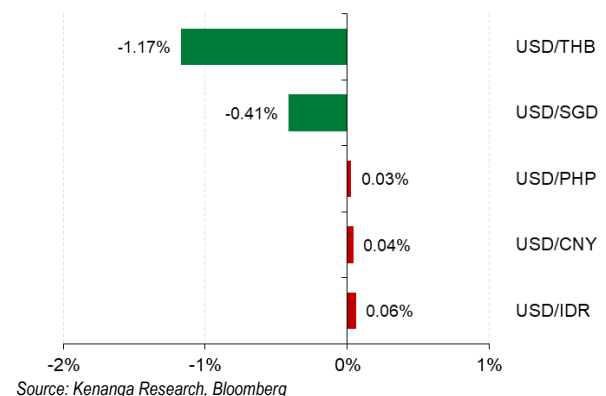
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



07 June 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	07/06/23 Last Year	07/05/24 Last Month	31/05/24 Last Week	07/06/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.598	4.739	4.707	4.696	1.95%	2.13%	-0.91%	-0.23%
AUDMYR	3.142	3.074	3.125	3.128	3.130	-0.37%	1.82%	0.16%	0.06%
GBPMYR	5.857	5.723	5.941	5.989	6.005	2.52%	4.92%	1.07%	0.27%
EURMYR	5.073	4.918	5.099	5.105	5.113	0.79%	3.98%	0.28%	0.15%
JPYMYR	3.251	3.298	3.068	2.993	3.015	-7.26%	-8.60%	-1.71%	0.74%
SGDMYR	3.482	3.411	3.500	3.482	3.489	0.22%	2.29%	-0.31%	0.22%
ASEAN 5 + CNY + JPY									
USDIDR	15470	14878	16046	16253	16263	5.13%	9.31%	1.35%	0.06%
USDTHB	34.151	34.715	36.861	36.828	36.396	6.57%	4.84%	-1.26%	-1.17%
USDSGD	1.323	1.346	1.353	1.351	1.346	1.69%	-0.04%	-0.57%	-0.41%
USDPHP	55.665	56.104	57.24	58.532	58.548	5.18%	4.36%	2.29%	0.03%
USDCNY	7.143	7.135	7.219	7.242	7.245	1.43%	1.54%	0.37%	0.04%
USDJPY	141.650	139.380	154.480	157.310	155.740	9.95%	11.74%	0.82%	-1.00%
USD									
EURUSD	1.101	1.072	1.077	1.085	1.089	-1.08%	1.62%	1.11%	0.38%
GBPUSD	1.270	1.246	1.254	1.274	1.279	0.74%	2.68%	1.97%	0.37%
AUDUSD	0.682	0.670	0.660	0.665	0.667	-2.20%	-0.54%	0.95%	0.21%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
10/06/2024	MY	Industrial Production (APR)	2.4% YoY	9.5% YoY*
10/06/2024	MY	Unemployment Rate (APR)	3.3%	N/A
11/06/2024	MY	Retail Sales (APR)	7.1% YoY	N/A
12/06/2024	US	Core Inflation Rate (MAY)	0.3% MoM	0.3% MoM
13/06/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
13/06/2024	US	PPI (MAY)	0.5% MoM	0.1% MoM
14/06/2024	JP	BoJ Interest Rate Decision	0.00-0.10%	0.00-0.10% (status quo)
14/06/2024	US	Michigan Consumer Sentiment Preliminary (JUN)	69.1	73.0

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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