

# Ringgit Weekly Outlook

US macro weakness and stable domestic prospects may drive move to 4.65/USD

## Fundamental Overview

- As projected in our previous [FX report](#), the ringgit managed to appreciate below the 4.70/USD threshold, driven primarily by emerging signs of weakness in the US job market and Fed Powell's hints at potential rate cuts. However, USD weakness was mitigated by safe-haven demand following the unexpected victory of the left-wing alliance in the French election. Nevertheless, positive domestic factors, such as stable labour market conditions, record-high distributive trade sales values, and the BNM's status quo, bolstered the ringgit, enabling it to overcome the greenback's strength and appreciate by more than 0.4% on a Thursday-to-Thursday basis.
- Our expectations of softer US CPI readings were also realised, leading the USD index to dip below the 104.5 mark. Concurrently, the 10-year US Treasury yield is approaching 4.20% for the first time since March. Consecutive below-consensus inflation readings strengthen our argument for a September rate cut, with the market currently pricing in an 84.6% probability of a cut compared to 46.8% a month ago. Today's solid domestic IPI reading, coupled with strong 2Q24 preliminary GDP reading expected next week, may bolster the case for improving Malaysia's economic prospects. Alongside a potentially weaker US retail sales reading and dovish remarks by the Fed, the ringgit is poised to move towards 4.65/USD, though profit-taking activities may limit gains.

## Technical Analysis

- The outlook for the USDMYR pair is bullish for the coming week, with expectations that it will trade near its 5-day EMA of 4.690.
- Technically, the pair may rise towards (R1) 4.696 due to profit-taking activities, although a decline to (S1) 4.658 remains a possibility.

Table 1: Currency Outlook

Long Term*							
	Q2-24	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Trend
USDMYR	4.718	4.553	4.416	4.376	4.284	4.192	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	12.848	4.690	4.696	4.721	4.658	4.645	▲

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

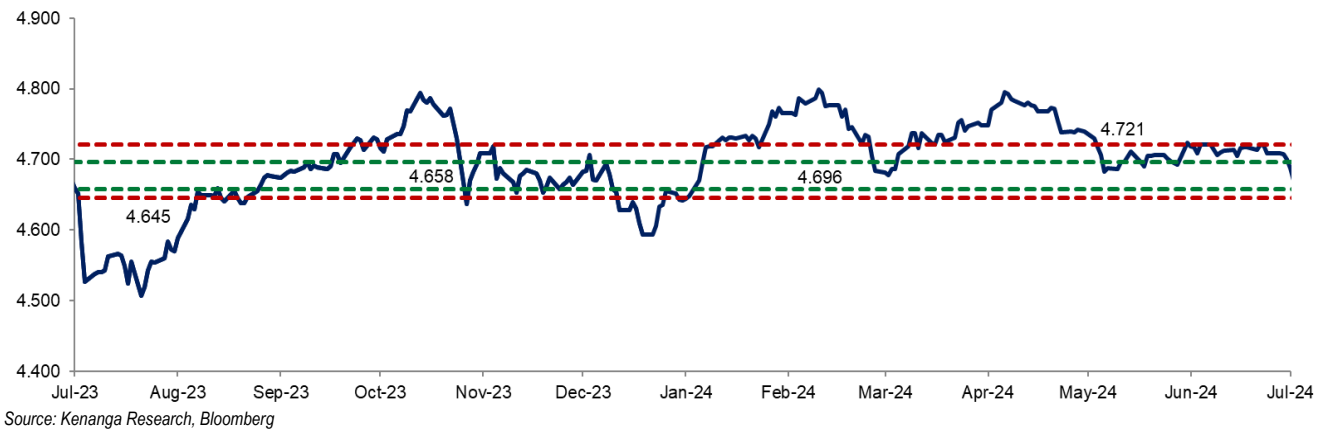
\*F=Forecasts for end of period  
Source: Kenanga Research, Bloomberg

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.

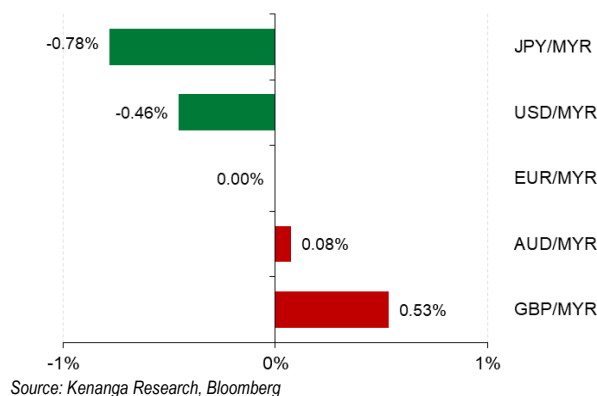
EMA (5): 5-day Exponential Moving Average  
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

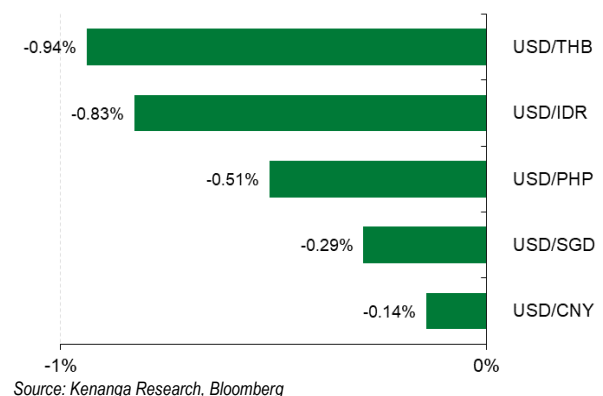
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



12 July 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	11/07/23 Last Year	11/06/24 Last Month	04/07/24 Last Week	11/07/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.659	4.719	4.709	4.688	1.77%	0.61%	-0.67%	-0.46%
AUDMYR	3.142	3.110	3.112	3.166	3.168	0.84%	1.88%	1.79%	0.08%
GBPMYR	5.857	6.016	6.009	6.004	6.036	3.05%	0.32%	0.44%	0.53%
EURMYR	5.073	5.127	5.073	5.085	5.085	0.22%	-0.83%	0.22%	0.00%
JPYMYR	3.251	3.319	3.004	2.924	2.901	-10.75%	-12.59%	-3.41%	-0.78%
SGDMYR	3.482	3.473	3.488	3.484	3.479	-0.08%	0.16%	-0.25%	-0.15%
<b>ASEAN 5 + CNY + JPY</b>									
USDIDR	15470	15153	16291	16330	16195	4.69%	6.88%	-0.59%	-0.83%
USDTHB	34.151	34.763	36.757	36.62	36.276	6.22%	4.35%	-1.31%	-0.94%
USDSGD	1.323	1.342	1.353	1.352	1.348	1.84%	0.45%	-0.40%	-0.29%
USDPHP	55.665	55.279	58.7	58.601	58.302	4.74%	5.47%	-0.68%	-0.51%
USDCNY	7.143	7.210	7.255	7.268	7.258	1.61%	0.67%	0.05%	-0.14%
USDJPY	141.650	140.380	157.100	161.060	161.550	14.05%	15.08%	2.83%	0.30%
<b>USD</b>									
EURUSD	1.101	1.101	1.074	1.080	1.085	-1.44%	-1.43%	1.01%	0.44%
GBPUSD	1.270	1.291	1.274	1.276	1.288	1.43%	-0.28%	1.05%	0.94%
AUDUSD	0.682	0.667	0.660	0.673	0.676	-0.91%	1.34%	2.35%	0.39%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
15/07/2024	CN	GDP Growth Rate (Q2)	5.3% YoY	5.1% YoY
16/07/2024	US	Fed Chair Powell Speech	N/A	N/A
16/07/2024	US	Retail Sales (JUN)	0.1% MoM	-0.2% MoM
17/07/2024	US	Building Permits Preliminary (JUN)	1.399m	1.395m
18/07/2024	MY	Exports (JUN)	7.3% YoY	2.0% YoY
18/07/2024	EU	ECB Interest Rate Decision	4.25%	4.25% (status quo)
18/07/2024	US	Initial Jobless Claims (JUL/13)	222.0k	N/A
19/07/2024	MY	GDP Growth Rate Preliminary (Q2)	4.2% YoY	5.1% YoY*

Source: Kenanga Research, Trading Economics, Bloomberg

\*KIBB

## For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

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**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)