

Ringgit Weekly Outlook

Likely to strengthen well below 4.55/USD on weak US macro

Fundamental Overview

- The ringgit appreciated sharply against the USD, reaching a level not seen in almost a year, with its strongest week-on-week gain (1.9%) since July 2023, primarily due to a weaker greenback. The USD index (DXY) was pressured to trade near the 104.0 level while the 10-year US Treasury (UST) yield trended below 4.00%, narrowing the MGS-UST negative yield differential to 28.1 bps (last week's average: -45.3 bps). Fed Chair Powell's hint at a potential rate cut in September, amid signs of cooling inflation, led to a record RM5.3b in foreign inflows into the Malaysian bond market this week, significantly boosting the ringgit. Additionally, the BoJ's surprise rate hike and hawkish stance further weakened the DXY.
- The limited negative impact on the GBP from the Bank of England's recent rate cut, coupled with continued signs of a US economic slowdown as evidenced by the weak ISM manufacturing index (46.8 vs. Consensus: 48.8), may continue to pressure the DXY downward, potentially strengthening the ringgit to trade well below 4.55/USD. A disappointing non-farm payrolls number and a rise in the unemployment rate could heighten market expectations of multiple Fed rate cuts, reinforcing our soft-USD narrative. With no major catalysts next week, the market may focus on Fed speakers' tone, geopolitical developments in the Middle East, and domestic macroeconomic readings.

Technical Analysis

- With the USDMYR's RSI in oversold territory, a bullish move toward its 5-day EMA of 4.590 is expected.
- A technical correction may see the pair trade lower against the USD next week, facing immediate resistance at (R1) 4.609.

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	5.917	4.590	4.609	4.663	4.529	4.502	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

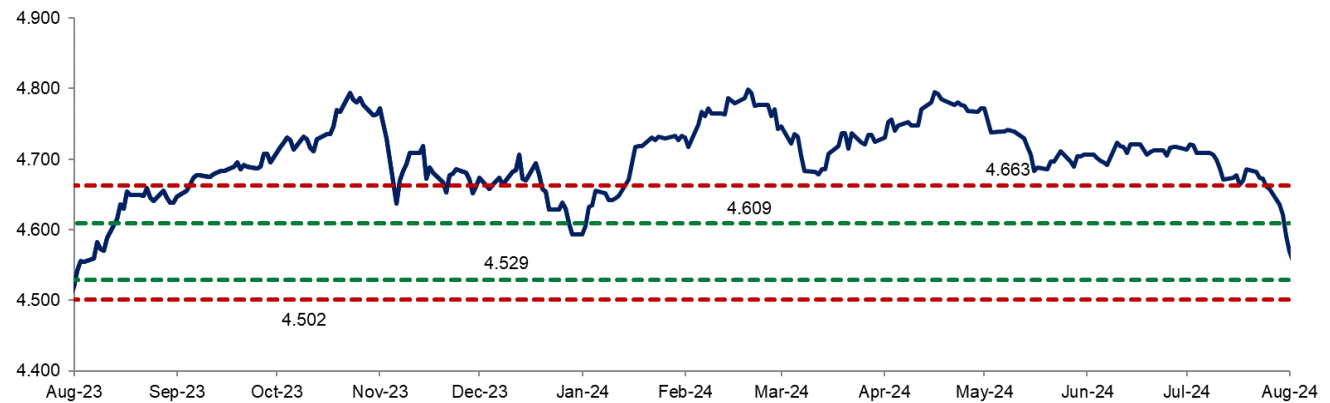
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

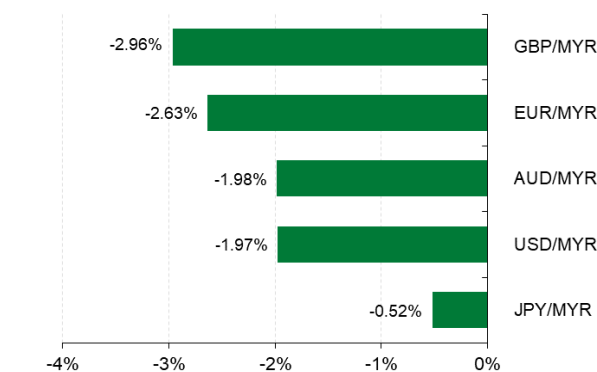
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



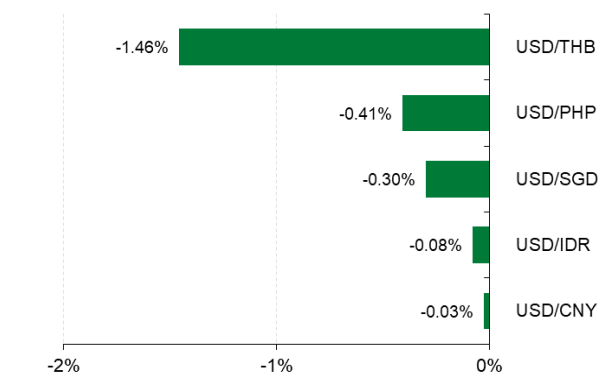
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

02 August 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	01/08/23 Last Year	01/07/24 Last Month	25/07/24 Last Week	01/08/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.519	4.714	4.661	4.569	-0.79%	1.12%	-3.06%	-1.97%
AUDMYR	3.142	2.997	3.149	3.042	2.981	-5.11%	-0.53%	-5.32%	-1.98%
GBPMYR	5.857	5.792	5.973	6.006	5.828	-0.50%	0.63%	-2.42%	-2.96%
EURMYR	5.073	4.960	5.071	5.058	4.925	-2.92%	-0.70%	-2.88%	-2.63%
JPYMYR	3.251	3.166	2.926	3.062	3.046	-6.29%	-3.77%	4.13%	-0.52%
SGDMYR	3.482	3.389	3.479	3.473	3.414	-1.94%	0.76%	-1.86%	-1.68%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15116	16321	16250	16237	4.96%	7.42%	-0.51%	-0.08%
USDTHB	34.151	34.219	36.716	36.142	35.615	4.29%	4.08%	-3.00%	-1.46%
USDSGD	1.323	1.333	1.356	1.342	1.338	1.12%	0.34%	-1.30%	-0.30%
USDPHP	55.665	54.781	58.645	58.591	58.352	4.83%	6.52%	-0.50%	-0.41%
USDCNY	7.143	7.178	7.268	7.247	7.245	1.43%	0.94%	-0.32%	-0.03%
USDJPY	141.650	142.740	161.130	152.210	150.030	5.92%	5.11%	-6.89%	-1.43%
USD									
EURUSD	1.101	1.098	1.075	1.085	1.078	-2.03%	-1.80%	0.33%	-0.62%
GBPUSD	1.270	1.280	1.267	1.288	1.278	0.66%	-0.17%	0.84%	-0.75%
AUDUSD	0.682	0.663	0.668	0.652	0.653	-4.22%	-1.55%	-2.19%	0.09%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
05/08/2024	US	ISM Services PMI (JUL)	48.8	51.3
06/08/2024	US	Balance of Trade (JUN)	-USD75.1b	-USD72.6b
08/08/2024	CN	Balance of Trade (JUL)	USD99.05b	USD101.20b
08/08/2024	MY	Retail Sales (JUN)	8.7% YoY	N/A
08/08/2024	US	Initial Jobless Claims (AUG/03)	249.0k	N/A
09/08/2024	CN	Inflation Rate (JUL)	0.2% YoY	0.3% YoY
09/08/2024	MY	Industrial Production (JUN)	2.4% YoY	N/A
09/08/2024	MY	Unemployment Rate (JUN)	3.3%	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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