

Ringgit Weekly Outlook

Caution trading amid overblown US recession fears and rate cut expectations

Fundamental Overview

- As projected in our previous [FX report](#), last Friday's weaker-than-expected US jobs report has substantially influenced expectations for the Fed's policy direction, with the market now pricing in a 50 bps rate cut in September. This shift has dragged the USD Index (DXY) down to 102.7 and pulled the 10-year US Treasury yield below 3.8% on Monday, driving the ringgit to a stronger-than-expected level of 4.43/USD. Subsequently, the ringgit corrected to around 4.70-4.50 as the DXY rebounded above 103.0, spurred by a recovery in US services sector activity, which eased recession fears. Additionally, a tech-driven sell-off and the unwinding of yen carry trades have exerted further downward pressure on the DXY.
- While we remain bullish on the ringgit in the months, we believe that current US recession fears are overstated, and that the market is pricing in more Fed rate cuts than necessary. The lower-than-expected US weekly initial jobless claims yesterday, combined with a potential 0.2% MoM increase in US core inflation next week, could temper expectations for aggressive rate cuts, allowing the USD to regain some of its safe-haven appeal. Our projection remains for two rate cuts by the Fed, particularly given the political and geopolitical risks on the horizon. This environment may cause the ringgit to fluctuate between 4.45-4.55/USD in the coming weeks, with the MYR continuing to benefit from favourable domestic macro.

Technical Analysis

- The USDMYR outlook is neutral-to-bullish for next week, with the pair likely to gravitate towards its 5-day EMA of 4.486.
- Technically, the MYR is expected to exhibit mixed trading against the USD, with immediate resistance at (R1) 4.503.

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	27.415	4.486	4.503	4.536	4.432	4.394	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

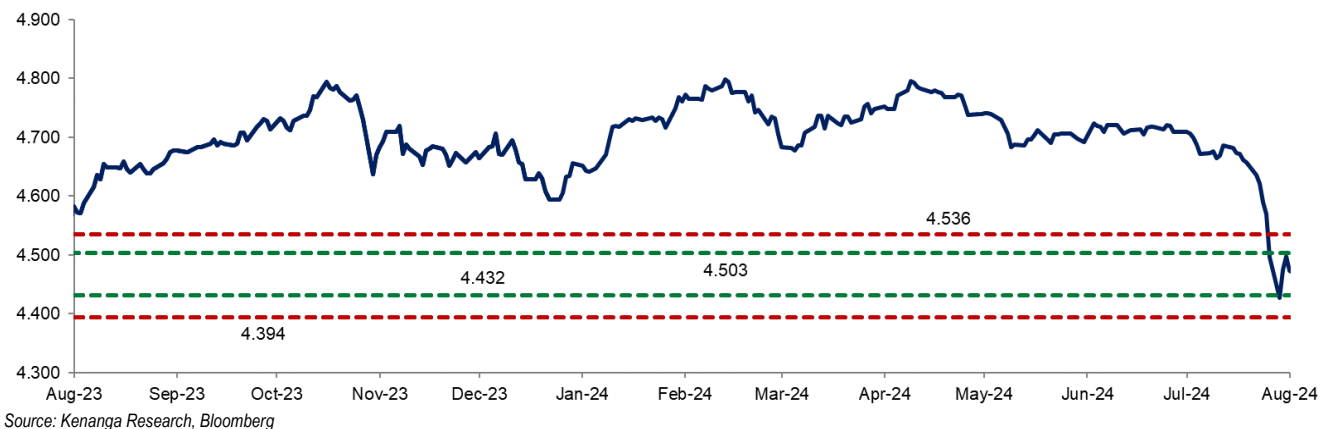
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

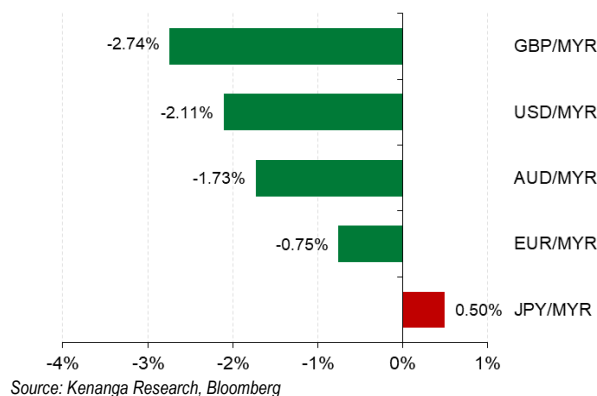
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

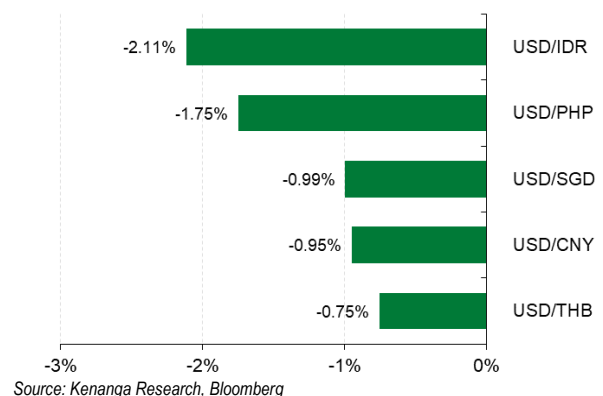
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



09 August 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	08/08/23 Last Year	08/07/24 Last Month	01/08/24 Last Week	08/08/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.583	4.709	4.569	4.473	-2.88%	-2.40%	-5.01%	-2.11%
AUDMYR	3.142	2.986	3.172	2.981	2.930	-6.75%	-1.88%	-7.64%	-1.73%
GBPMYR	5.857	5.834	6.022	5.828	5.668	-3.23%	-2.85%	-5.87%	-2.74%
EURMYR	5.073	5.028	5.098	4.925	4.888	-3.65%	-2.78%	-4.12%	-0.75%
JPYMYR	3.251	3.199	2.926	3.046	3.061	-5.83%	-4.31%	4.63%	0.50%
SGDMYR	3.482	3.404	3.490	3.414	3.376	-3.04%	-0.83%	-3.26%	-1.12%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15218	16258	16237	15894	2.74%	4.44%	-2.24%	-2.11%
USDTHB	34.151	35.007	36.433	35.615	35.347	3.50%	0.97%	-2.98%	-0.75%
USDSGD	1.323	1.348	1.350	1.338	1.325	0.11%	-1.74%	-1.84%	-0.99%
USDPHP	55.665	56.272	58.509	58.352	57.333	3.00%	1.89%	-2.01%	-1.75%
USDCNY	7.143	7.219	7.268	7.245	7.176	0.46%	-0.59%	-1.26%	-0.95%
USDJPY	141.650	143.230	160.940	150.030	146.110	3.15%	2.01%	-9.21%	-2.61%
USD									
EURUSD	1.101	1.095	1.083	1.078	1.093	-0.75%	-0.26%	0.88%	1.31%
GBPUSD	1.270	1.272	1.282	1.278	1.269	-0.04%	-0.24%	-0.99%	-0.70%
AUDUSD	0.682	0.651	0.674	0.653	0.655	-3.89%	0.72%	-2.75%	0.35%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
13/08/2024	US	PPI (JUL)	0.2% MoM	0.2% MoM
14/08/2024	US	Core Inflation Rate (JUL)	0.1% MoM	0.2% MoM
15/08/2024	JP	GDP Growth Rate Preliminary (Q2)	-0.5% QoQ	0.6% QoQ
15/08/2024	CN	Retail Sales (JUL)	2.0% YoY	2.6% YoY
15/08/2024	US	Retail Sales (JUL)	0.0% MoM	0.3% MoM
16/08/2024	MY	GDP Growth Rate Final (Q2)	4.2% YoY	5.1% YoY*
16/08/2024	US	Building Permits Preliminary (JUL)	1.454m	1.436m
16/08/2024	US	Michigan Consumer Sentiment Preliminary (AUG)	66.4	67.2

Source: Kenanga Research, Trading Economics, Bloomberg

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