

Ringgit Weekly Outlook

Poised for marginal correction as stable US job report may temper dovish expectations

Fundamental Overview

- Fed Chair Powell, as anticipated, struck a dovish tone last Friday, effectively signalling the onset of the Fed's easing cycle in September. This provided a stronger-than-expected boost to the ringgit, which appreciated sharply to around 4.31/USD. Although Powell emphasised that the timing and pace of rate cuts will depend on incoming economic data, markets have already fully priced in a 25 bps reduction, with an additional 25 bps cut about 30.0% priced in for September. The ringgit mainly found support from the narrowing of the negative yield differential between MGS and UST, which is now close to turning positive.
- Looking ahead, tonight's core PCE data is expected to align with the consensus estimate (0.2% MoM), with limited upside risk. This suggests that the USD index (DXY) may hover around the 101.0 level, exerting minimal influence on the ringgit. However, next week's job report will be pivotal in determining the Fed's pace of rate cuts. If the unemployment rate ticks down to 4.2% and nonfarm payrolls rise by over 160.0k, as currently anticipated, it could cement market expectations for a 25 bps cut rather than 50 bps, potentially prompting a rebound in the DXY and pushing the ringgit back to the 4.35 level. In the interim, resilience in the US JOLTS, ADP, and PMI data could sustain the DXY at its current levels, while BNM's status quo is likely to lend some support to the ringgit.

Technical Analysis

- The USDMYR outlook leans moderately bullish for next week, with the pair likely to gravitate towards its 5-day EMA at 4.335.
- Technically, the MYR is expected to weaken against the USD, with immediate resistance at (R1) 4.342, followed by (R2) 4.364.

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	18.706	4.335	4.342	4.364	4.304	4.288	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

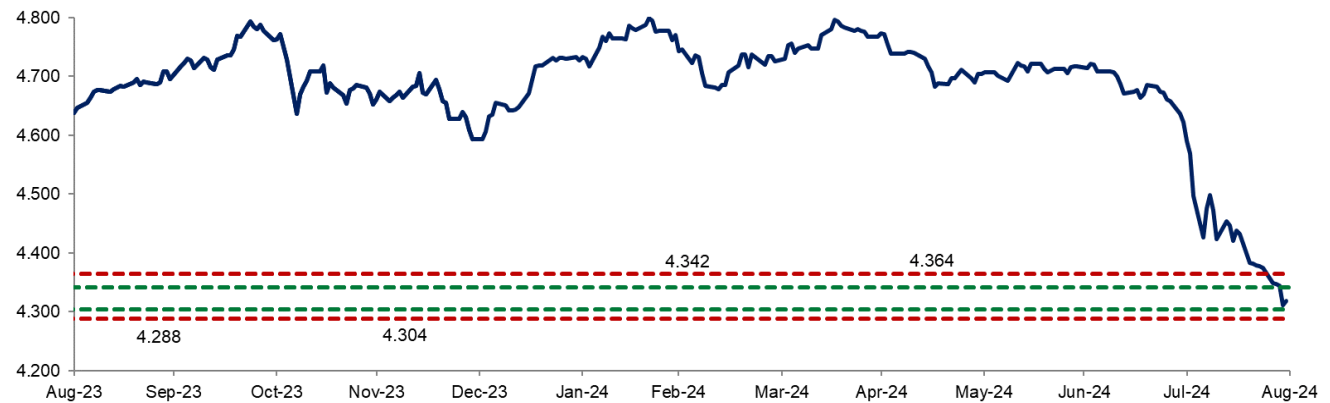
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

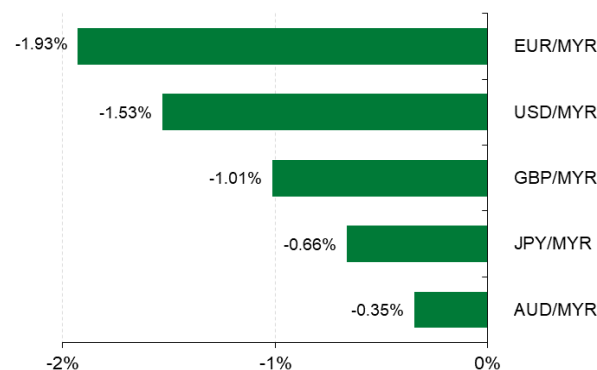
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



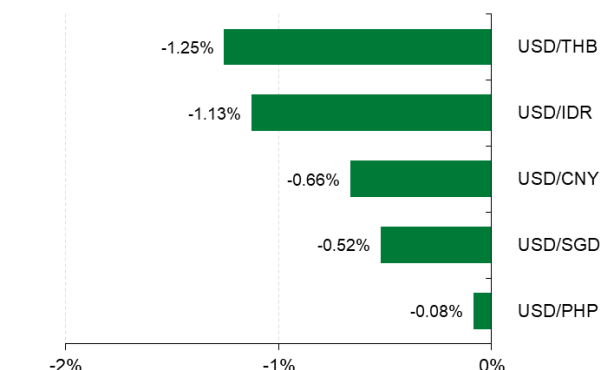
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

30 August 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	29/08/23 Last Year	29/07/24 Last Month	22/08/24 Last Week	29/08/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.646	4.636	4.378	4.311	-6.40%	-7.21%	-7.02%	-1.53%
AUDMYR	3.142	2.998	3.037	2.951	2.941	-6.40%	-1.90%	-3.15%	-0.35%
GBPMYR	5.857	5.861	5.950	5.746	5.688	-2.90%	-2.96%	-4.41%	-1.01%
EURMYR	5.073	5.024	5.024	4.877	4.783	-5.73%	-4.81%	-4.81%	-1.93%
JPYMYR	3.251	3.166	3.017	3.003	2.984	-8.22%	-5.76%	-1.10%	-0.66%
SGDMYR	3.482	3.431	3.451	3.349	3.315	-4.80%	-3.38%	-3.96%	-1.03%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15260	16281	15600	15424	-0.30%	1.07%	-5.26%	-1.13%
USDTHB	34.151	35.175	35.943	34.352	33.921	-0.67%	-3.57%	-5.63%	-1.25%
USDSGD	1.323	1.355	1.344	1.307	1.301	-1.71%	-4.04%	-3.19%	-0.52%
USDPHP	55.665	56.757	58.51	56.335	56.288	1.12%	-0.83%	-3.80%	-0.08%
USDCNY	7.143	7.281	7.260	7.144	7.097	-0.65%	-2.52%	-2.25%	-0.66%
USDJPY	141.650	146.780	153.680	145.760	144.490	2.00%	-1.56%	-5.98%	-0.87%
USD									
EURUSD	1.101	1.081	1.084	1.115	1.110	0.81%	2.68%	2.41%	-0.43%
GBPUSD	1.270	1.259	1.285	1.312	1.319	3.93%	4.80%	2.72%	0.56%
AUDUSD	0.682	0.643	0.655	0.674	0.682	0.06%	6.05%	4.12%	1.25%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
02/09/2024	MY	S&P Global Manufacturing PMI (AUG)	49.7	N/A
02/09/2024	CN	Caixin Manufacturing PMI (AUG)	49.8	50.0
03/09/2024	US	ISM Manufacturing PMI (AUG)	46.8	47.5
04/09/2024	US	JOLTs Job Openings (JUL)	8.184m	N/A
05/09/2024	MY	BNM Interest Rate Decision	3.00%	3.00% (status quo)
05/09/2024	MY	ADP Employment Change (AUG)	122.0k	148.0k
05/09/2024	US	ISM Services PMI (AUG)	51.4	51.0
06/09/2024	US	Non Farm Payrolls (AUG)	114.0k	165.0k

Source: Kenanga Research, Trading Economics, Bloomberg

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