

# Ringgit Weekly Outlook

En route to break above 4.35/USD if Fed signals fall short of market expectations

## Fundamental Overview

- The ringgit initially depreciated to around 4.37/USD on Monday, following Friday's US jobs report, which failed to convince markets of a 50 bps rate cut, prompting a USD rebound. It then stabilised at around 4.33–4.34, buoyed by a favourable result from the US Presidential debate, which reduced the perceived chances of a Trump victory, limiting USD gains. Although core inflation surged to 0.3% MoM (Consensus: 0.2%), markets continue to price in a total of 100 bps in Fed cuts for the year, while the yield curve remains dis-inverted, signalling slower growth ahead. Domestically, strong retail sales and IPI readings helped support the ringgit.
- Despite mixed signals from the US economy, we maintain our forecast for a 25 bps cut by the Fed next week, as it is key to securing a soft landing. A 50 bps cut is now off the table due to persistent inflation, strong credit demand, and a falling unemployment rate. Market attention will turn to the Fed's dot plot and updated economic projections to guide the future rate path. We anticipate signals of an additional 50-75 bps cut later this year, slightly less than market expectations of 75-100 bps, which could strengthen the USD and push the ringgit above 4.35. Additionally, China's expected rate cuts on over 5.0t in outstanding mortgages could further shape market sentiment and influence ringgit's path.

## Technical Analysis

- The USDMYR outlook remains neutral, with the pair likely to consolidate near its 5-day EMA of 4.334.
- The pair may fluctuate within a broad range, between (S2) 4.290 and (R2) 4.389, contingent on the Fed's tone and forward guidance.

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	37.589	4.334	4.356	4.389	4.306	4.290	▲

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

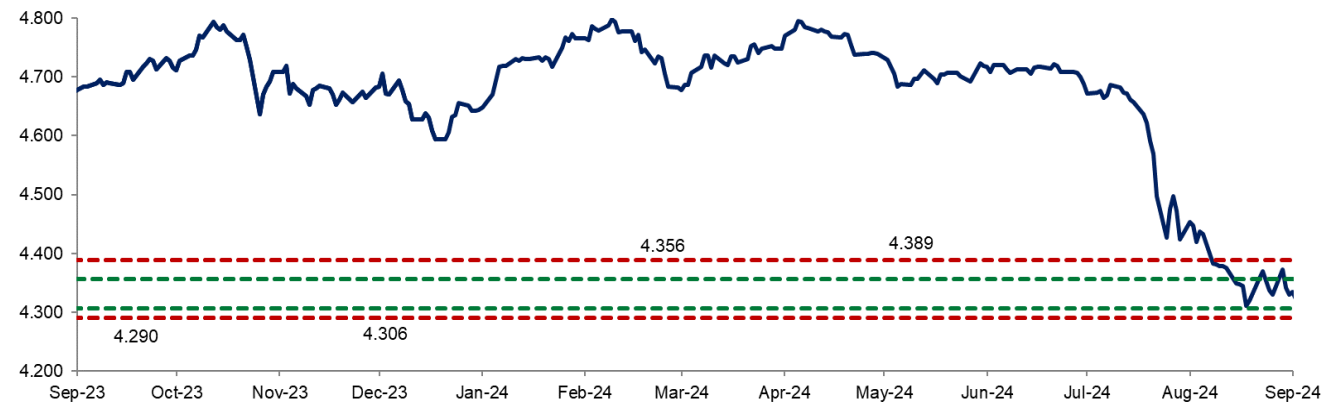
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

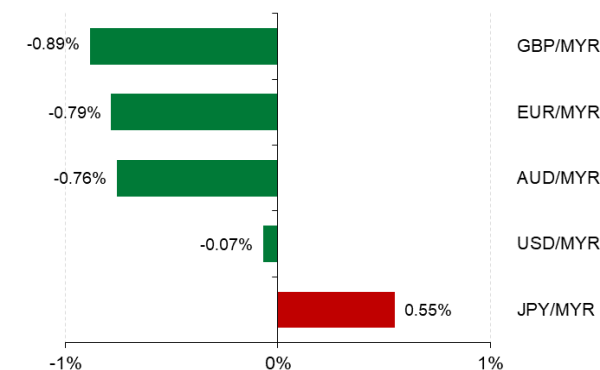
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



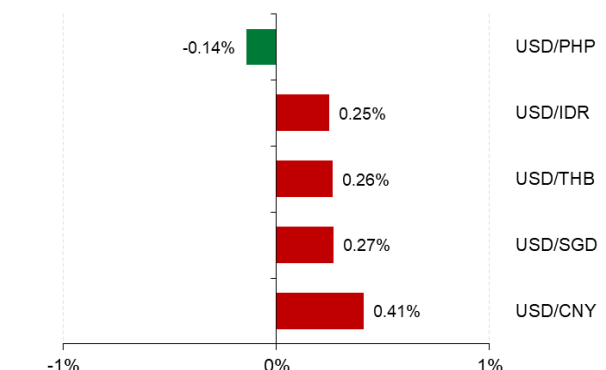
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

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Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	12/09/23 Last Year	12/08/24 Last Month	05/09/24 Last Week	12/09/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.678	4.454	4.338	4.335	-5.88%	-7.33%	-2.67%	-0.07%
AUDMYR	3.142	3.007	2.939	2.915	2.893	-7.91%	-3.78%	-1.56%	-0.76%
GBPMYR	5.857	5.835	5.684	5.709	5.658	-3.41%	-3.03%	-0.45%	-0.89%
EURMYR	5.073	5.016	4.867	4.813	4.775	-5.88%	-4.80%	-1.88%	-0.79%
JPYMYR	3.251	3.184	3.021	3.023	3.040	-6.49%	-4.54%	0.62%	0.55%
SGDMYR	3.482	3.437	3.363	3.332	3.321	-4.62%	-3.37%	-1.25%	-0.34%
<b>ASEAN 5 + CNY + JPY</b>									
USDIDR	15470	15342	15955	15401	15439	-0.20%	0.63%	-3.23%	0.25%
USDTHB	34.151	35.665	35.275	33.656	33.745	-1.19%	-5.38%	-4.34%	0.26%
USDSGD	1.323	1.362	1.325	1.302	1.305	-1.36%	-4.18%	-1.46%	0.27%
USDPHP	55.665	56.653	57.333	56.233	56.153	0.88%	-0.88%	-2.06%	-0.14%
USDCNY	7.143	7.292	7.175	7.089	7.118	-0.36%	-2.39%	-0.79%	0.41%
USDJPY	141.650	146.910	147.420	143.490	142.620	0.68%	-2.92%	-3.26%	-0.61%
<b>USD</b>									
EURUSD	1.101	1.072	1.093	1.110	1.102	0.13%	2.86%	0.87%	-0.69%
GBPUSD	1.270	1.247	1.276	1.317	1.305	2.80%	4.67%	2.28%	-0.88%
AUDUSD	0.682	0.642	0.660	0.673	0.668	-1.97%	4.11%	1.26%	-0.65%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
17/09/2024	US	Retail Sales (AUG)	1.0% MoM	-0.2% MoM
17/09/2024	US	Industrial Production (AUG)	-0.6% MoM	0.1% MoM
18/09/2024	US	Building Permits Preliminary (AUG)	1.406m	1.410m
19/09/2024	US	Fed Interest Rate Decision	5.50%	5.25% (25 bps cut)*
19/09/2024	MY	Exports (AUG)	12.3% YoY	4.1% YoY*
19/09/2024	US	Initial Jobless Claims (SEP/14)	230.0k	N/A
19/09/2024	US	Existing Home Sales (AUG)	3.95m	3.90m
20/09/2024	CN	Loan Prime Rate 1Y	3.35%	3.35% (status quo)

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)