

Ringgit Weekly Outlook

To be anchored near 4.20/USD as domestic strength offsets external risks

Fundamental Overview

- The ringgit surged to its highest level since March 2022, becoming the world's top-performing currency this week. This follows the Fed's oversized 50 bps rate cut on Sep 18, surpassing the expected 25 bps. The ringgit rally occurred despite the USD index remaining fairly anchored around the 100.6 mark and the 10-year MGS-UST yield differential turning negative again due to a rebound in long-term UST yields. Additionally, domestic factors, including robust trade growth, government initiatives to boost FDI, and expectations that BNM will keep the OPR at 3.00% for at least the next 12 months during the global rate-cutting cycle, have supported the ringgit strong uptrend.
- After the Fed's larger-than-expected rate cut, we have revised our end-2024 USDMYR forecast back to our initial target of 4.25/USD. The ringgit could trade stronger in the 4.15–4.20/USD range over the coming weeks, supported by Malaysia's favourable yield differential, especially compared to developed economies. However, it may ease toward our target as the Fed may not cut rate as much as the market currently expects. Next week, focus will shift to US manufacturing PMI, durable goods orders, and core PCE data to assess the US economic health. We expect mixed result, which should help the ringgit hold around the 4.20/USD level. Fed Chair Powell's speech will also be closely watched for further policy clues.

Technical Analysis

- The pair is expected to remain bullish in the short term, trading near its 5-day EMA of 4.237, as the RSI indicates an oversold condition.
- The ringgit may retrace slightly if US data surprises to the upside, but price action is likely to remain within (S1) 4.165 to (R1) 4.267.

Table 1: Currency Outlook

Long Term*							
	Q2-24	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Trend
USDMYR	4.718	4.234	4.248	4.210	4.172	4.135	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	14.451	4.237	4.267	4.335	4.165	4.131	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

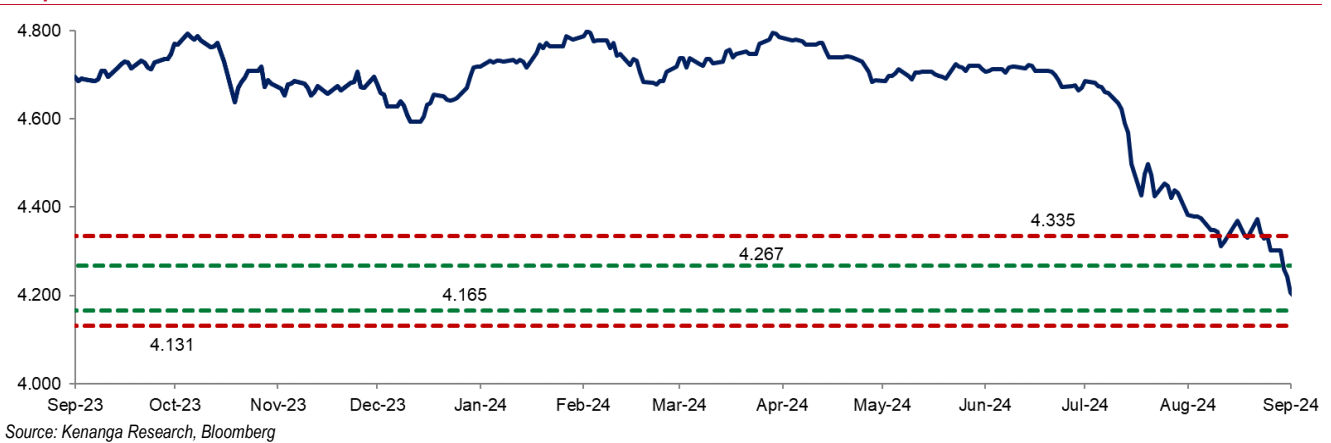
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

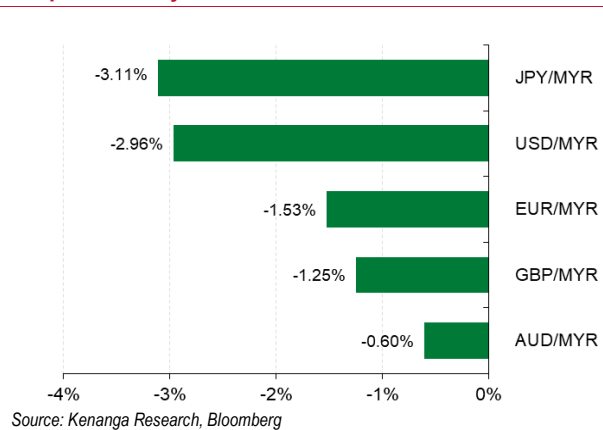
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

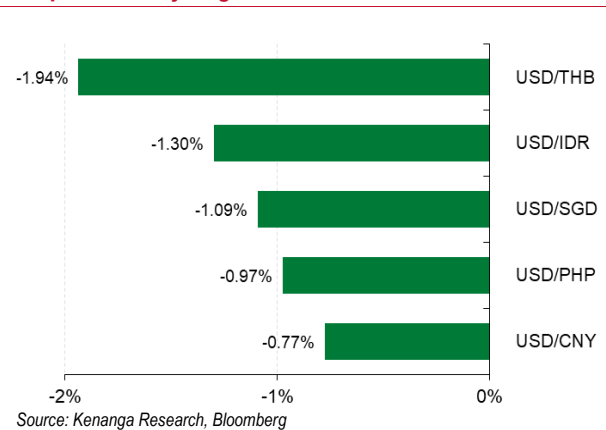
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



20 September 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	19/09/23 Last Year	19/08/24 Last Month	12/09/24 Last Week	19/09/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.696	4.383	4.335	4.207	-8.67%	-10.42%	-4.02%	-2.96%
AUDMYR	3.142	3.032	2.931	2.893	2.876	-8.47%	-5.16%	-1.87%	-0.60%
GBPMYR	5.857	5.818	5.682	5.658	5.587	-4.61%	-3.97%	-1.66%	-1.25%
EURMYR	5.073	5.020	4.836	4.775	4.702	-7.31%	-6.32%	-2.78%	-1.53%
JPYMYR	3.251	3.180	2.995	3.040	2.946	-9.39%	-7.38%	-1.66%	-3.11%
SGDMYR	3.482	3.446	3.344	3.321	3.260	-6.37%	-5.39%	-2.52%	-1.83%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15380	15550	15439	15239	-1.49%	-0.92%	-2.00%	-1.30%
USDTHB	34.151	35.959	34.495	33.745	33.092	-3.10%	-7.97%	-4.07%	-1.94%
USDSGD	1.323	1.363	1.311	1.305	1.291	-2.43%	-5.30%	-1.50%	-1.09%
USDPHP	55.665	56.765	56.66	56.153	55.607	-0.10%	-2.04%	-1.86%	-0.97%
USDCNY	7.143	7.297	7.140	7.118	7.063	-1.13%	-3.21%	-1.08%	-0.77%
USDJPY	141.650	147.670	146.350	142.620	142.830	0.83%	-3.28%	-2.41%	0.15%
USD									
EURUSD	1.101	1.070	1.104	1.102	1.117	1.47%	4.39%	1.21%	1.34%
GBPUSD	1.270	1.240	1.295	1.305	1.327	4.49%	7.02%	2.43%	1.64%
AUDUSD	0.682	0.646	0.669	0.668	0.684	0.26%	5.84%	2.17%	2.27%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
23/09/2024	MY	Inflation Rate (AUG)	2.0% YoY	2.0% YoY*
23/09/2024	US	S&P Global Manufacturing PMI Flash (SEP)	47.9	48.5
25/09/2024	US	New Home Sales (AUG)	0.739m	0.690m
26/09/2024	MY	PPI (AUG)	1.3% YoY	N/A
26/09/2024	US	Durable Goods Orders (AUG)	9.9% MoM	-2.8% MoM
26/09/2024	US	Fed Chair Powell Speech	N/A	N/A
27/09/2024	US	Core PCE Price Index (AUG)	0.2% MoM	0.2% MoM
27/09/2024	US	Personal Spending (AUG)	0.5% MoM	0.3% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

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