

Ringgit Weekly Outlook

Under pressure as Fed pare down dovish signal and Middle East crisis

Fundamental Overview

- The ringgit initially strengthened to its highest level in over 39 months, reaching 4.12/USD on Monday, before sharply retreating to 4.22/USD yesterday. A pro-ringgit boost, driven by a weaker-than-expected US PCE inflation report and China's sweeping stimulus measures last week, proved short-lived as the USD rebounded. This came after Fed Chair Powell pushed back against expectations of another 50 bps rate cut by year-end, further supported by an unexpected rise in August job openings. The dollar also found safe-haven demand amid escalating tensions in the Israel-Hezbollah-Hamas-Iran conflict.
- Despite slightly higher-than-expected jobless claims yesterday, the acceleration in the US service sector suggests the economy remains resilient. With markets still pricing in two rate cuts this year, including at least one 50 bps cut, a potential less dovish shift in the Fed's outlook could further bolster the USD, barring major downside surprises in US data. Attention now turns to tonight's payroll, expected to meet market consensus, while next week's focus will turn to core inflation and FOMC minutes. The USD may also benefit from the risk-off sentiment linked to Middle East tensions. While domestic factors may still offer some support to the ringgit, the stronger dollar could keep it pressured, likely trading between 4.23 and 4.25 in the near term.

Technical Analysis

- The pair is set to turn neutral-to-bearish, likely consolidating around its 5-day EMA of 4.198 as the RSI approaches overbought levels.
- The ringgit is expected to remain pressured next week, with immediate resistance for the USDMYR pair at (R1) 4.272.

Table 1: Currency Outlook

Long Term*							
	Q3-24	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Q4-25F	Trend
USDMYR	4.124	4.248	4.210	4.172	4.135	4.098	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	62.657	4.198	4.272	4.309	4.161	4.086	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

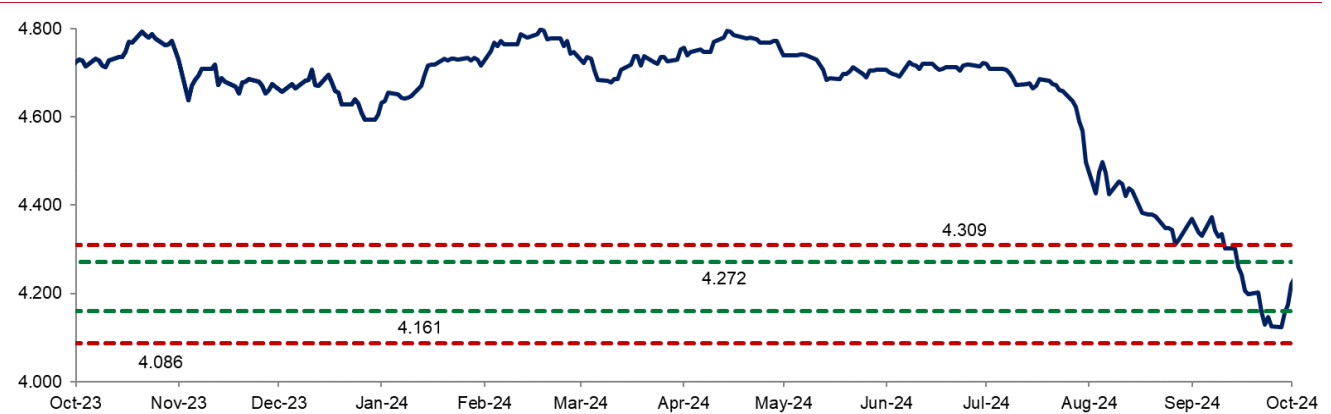
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

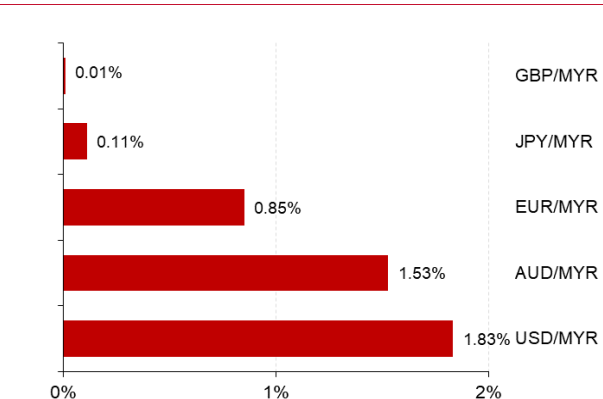
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



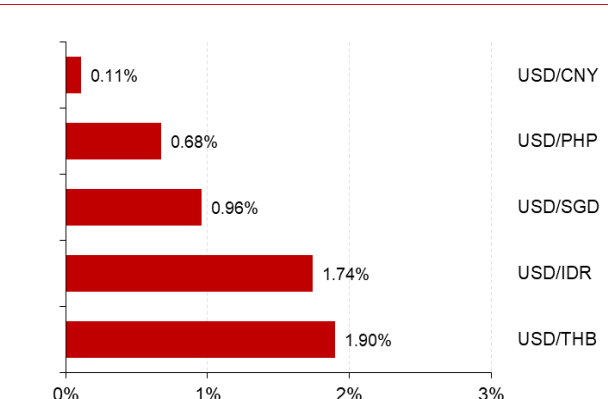
Source: Kenanga Research, Bloomberg

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	03/10/23 Last Year	03/09/24 Last Month	26/09/24 Last Week	03/10/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.724	4.369	4.146	4.222	-8.34%	-10.62%	-3.37%	1.83%
AUDMYR	3.142	2.982	2.942	2.847	2.891	-8.00%	-3.05%	-1.76%	1.53%
GBPMYR	5.857	5.707	5.730	5.537	5.538	-5.45%	-2.96%	-3.35%	0.01%
EURMYR	5.073	4.952	4.823	4.620	4.659	-8.16%	-5.92%	-3.40%	0.85%
JPYMYR	3.251	3.152	2.992	2.872	2.875	-11.55%	-8.77%	-3.90%	0.11%
SGDMYR	3.482	3.438	3.338	3.222	3.255	-6.52%	-5.34%	-2.48%	1.00%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15580	15526	15165	15429	-0.27%	-0.97%	-0.62%	1.74%
USDTHB	34.151	37.079	34.261	32.501	33.118	-3.02%	-10.68%	-3.34%	1.90%
USDSGD	1.323	1.375	1.309	1.285	1.297	-1.96%	-5.64%	-0.93%	0.96%
USDPHP	55.665	56.799	56.613	55.969	56.347	1.23%	-0.80%	-0.47%	0.68%
USDCNY	7.143	7.298	7.121	7.011	7.019	-1.74%	-3.83%	-1.44%	0.11%
USDJPY	141.650	149.880	146.030	144.360	146.830	3.66%	-2.03%	0.55%	1.71%
USD									
EURUSD	1.101	1.048	1.104	1.115	1.104	0.32%	5.41%	0.06%	-1.00%
GBPUSD	1.270	1.206	1.312	1.338	1.312	3.33%	8.80%	0.02%	-1.95%
AUDUSD	0.682	0.630	0.673	0.689	0.685	0.43%	8.60%	1.71%	-0.58%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
10/10/2024	US	FOMC Minutes	N/A	N/A
10/10/2024	MY	Unemployment Rate (AUG)	3.3%	N/A
10/10/2024	US	Core Inflation Rate (SEP)	0.3% MoM	0.2% MoM
10/10/2024	US	Initial Jobless Claims (OCT/05)	225.0k	330.0k
11/10/2024	MY	Industrial Production (AUG)	5.3% YoY	N/A
11/10/2024	MY	Retail Sales (AUG)	6.4% YoY	N/A
11/10/2024	US	PPI (SEP)	0.2% MoM	0.2% MoM
11/10/2024	US	Michigan Consumer Sentiment Preliminary (OCT)	70.1	70.0

Source: Kenanga Research, Trading Economics, Bloomberg

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