

Ringgit Weekly Outlook

Heightened US election uncertainty and geopolitical tensions signal further downside

Fundamental Overview

- The ringgit continued to depreciate, trading within a narrow range of 4.30-4.31 against the USD this week, driven by growing expectations of a potential pause in the Fed's November meeting (~9.0%), amid an upbeat outlook for the US economy. This aligns with our projections, particularly after Fed Governor Waller urged caution regarding future rate cuts. The USD also benefited from safe haven flows due to the ongoing Middle East crisis. Additionally, China's stimulus efforts fell short of expectations, disappointing markets and triggering another wave of capital outflows, which weighed on sentiment and pressured Asian currencies. The 10-year MGS-UST spread has now widened to -30.0 bps.
- As noted in our previous [FX report](#), the highly uncertain US election outcome and the risk of further escalation in the Middle East could push the ringgit towards 4.35 in the coming weeks. The USD may strengthen further if markets begin to price in the possibility of a Trump victory, particularly given his recent protectionist rhetoric. Yesterday's stronger-than-expected US retail sales data, coupled with the ECB's 25 bps rate cut, could also bolster the USD. While the ringgit may find some support from today's anticipated expansionary budget, pro-ringgit measures and China's improving macro readings, the market may continue to focus on US economic data and maintain long USD positions ahead of the election.

Technical Analysis

- The pair is likely to remain neutral-to-bearish, consolidating around its 5-day EMA of 4.302 as the RSI nears overbought levels.
- The ringgit is expected to face further pressure next week, testing resistance at (R1) 4.313 and (R2) 4.318 amid rising uncertainty.

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	69.218	4.302	4.313	4.318	4.300	4.292	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

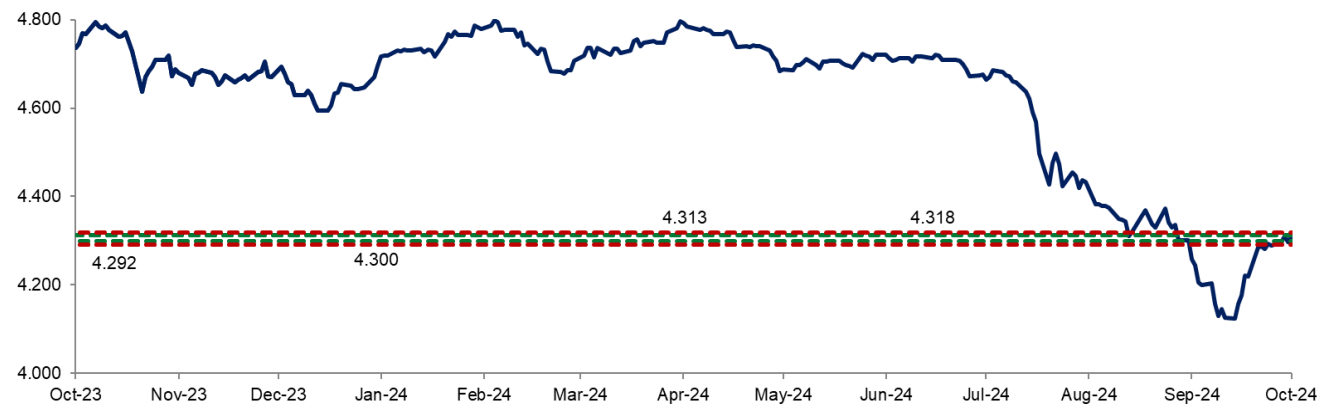
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

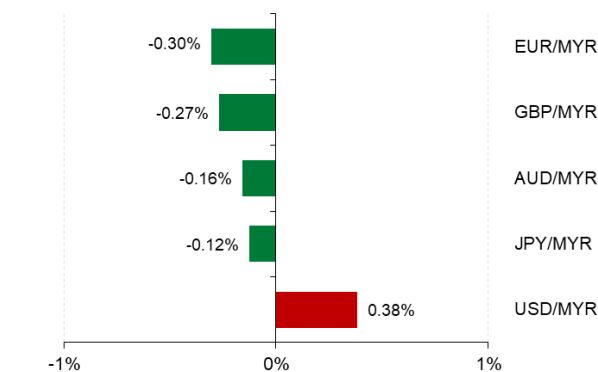
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



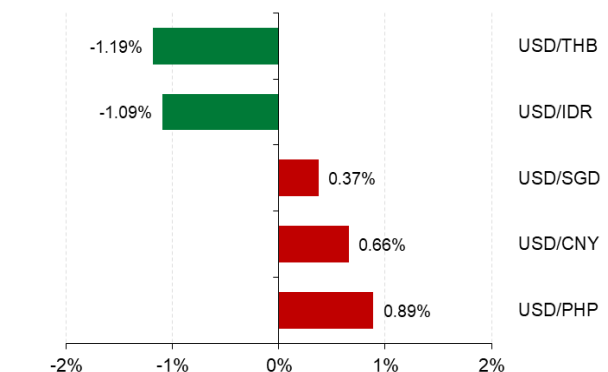
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

18 October 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	17/10/23 Last Year	17/09/24 Last Month	10/10/24 Last Week	17/10/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.736	4.259	4.293	4.309	-6.44%	-9.02%	1.17%	0.38%
AUDMYR	3.142	3.009	2.880	2.887	2.882	-8.27%	-4.22%	0.07%	-0.16%
GBPMYR	5.857	5.762	5.631	5.614	5.599	-4.42%	-2.83%	-0.57%	-0.27%
EURMYR	5.073	4.998	4.744	4.693	4.679	-7.77%	-6.39%	-1.36%	-0.30%
JPYMYR	3.251	3.167	3.028	2.884	2.880	-11.40%	-9.05%	-4.88%	-0.12%
SGDMYR	3.482	3.458	3.293	3.282	3.279	-5.81%	-5.16%	-0.42%	-0.09%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15716	15335	15678	15507	0.24%	-1.33%	1.12%	-1.09%
USDTHB	34.151	36.382	33.309	33.572	33.174	-2.86%	-8.82%	-0.41%	-1.19%
USDSGD	1.323	1.370	1.294	1.308	1.313	-0.79%	-4.15%	1.48%	0.37%
USDPHP	55.665	56.741	55.683	57.32	57.830	3.89%	1.92%	3.86%	0.89%
USDCNY	7.143	7.316	7.097	7.077	7.123	-0.28%	-2.63%	0.36%	0.66%
USDJPY	141.650	149.550	140.670	148.850	149.620	5.63%	0.05%	6.36%	0.52%
USD									
EURUSD	1.101	1.055	1.113	1.094	1.086	-1.31%	2.95%	-2.43%	-0.69%
GBPUSD	1.270	1.216	1.321	1.309	1.301	2.46%	6.98%	-1.55%	-0.65%
AUDUSD	0.682	0.635	0.676	0.672	0.670	-1.77%	5.45%	-0.90%	-0.42%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
21/10/2024	CN	Loan Prime Rate 1Y	3.35%	3.15% (20 bps cut)
21/10/2024	MY	GDP Growth Rate Preliminary (Q3)	5.9% YoY	5.3% YoY*
23/10/2024	US	Existing Home Sales (SEP)	3.86m	3.90m
24/10/2024	MY	Inflation Rate (SEP)	1.9% YoY	1.9% YoY*
24/10/2024	US	Initial Jobless Claims (OCT/19)	241.0k	N/A
24/10/2024	US	New Home Sales (SEP)	0.716m	0.713m
25/10/2024	JP	Tokyo Core CPI (OCT)	2.0% YoY	1.7% YoY
25/10/2024	US	Durable Goods Orders (SEP)	0.0% MoM	-1.0% MoM

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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