

Ringgit Weekly Outlook

To extend losses ahead of key central banks' decisions next week

Fundamental Overview

- The ringgit extended its weakening streak from last Friday through yesterday, depreciating to 4.44/USD despite a soft US jobs report. Geopolitical uncertainty, stemming from Syria's regime change and political turmoil in South Korea, has bolstered demand for the safe-haven USD. This trend is further amplified by expectations of monetary policy divergence between the Fed and most G10 central banks. The USD also found support from surging optimism in the NFIB Small Business Index, reflecting US companies' enthusiasm for potential tax cuts and deregulation in 2025.
- US inflation, though elevated at 0.3% MoM, aligned with market expectations, leading traders to fully price in (~96.0%) a Fed rate cut next week. A strong retail sales report ahead of the meeting could reinforce this outlook. However, the rate cut itself is unlikely to cause significant market reactions. Instead, focus will turn to the updated Fed dot plot, which is expected to indicate a shallower path for rate cuts in 2025 (KIBB projects three cuts), alongside risks linked to Trump's presidency. Elsewhere, a likely status quo decision by the BoJ could further support the USD. In contrast, the BoE's anticipated pause in its rate-cut cycle may slightly limit the dollar's gains. Overall, the ringgit is expected to remain under pressure around the 4.50/USD level next week amid strong USD demand.

Technical Analysis

- The USDMYR's RSI reflects a mid-range position, suggesting a neutral bias and potential consolidation near the 4.439 level.
- That being said, with USD demand expected to stay robust, the pair is likely to test the (R1) 4.458 and (R2) 4.466 in the coming week.

Table 1: Currency Outlook

Long Term*							
	Q3-24	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Q4-25F	Trend
USDMYR	4.124	4.567	4.571	4.530	4.490	4.449	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	59.011	4.439	4.458	4.466	4.434	4.417	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

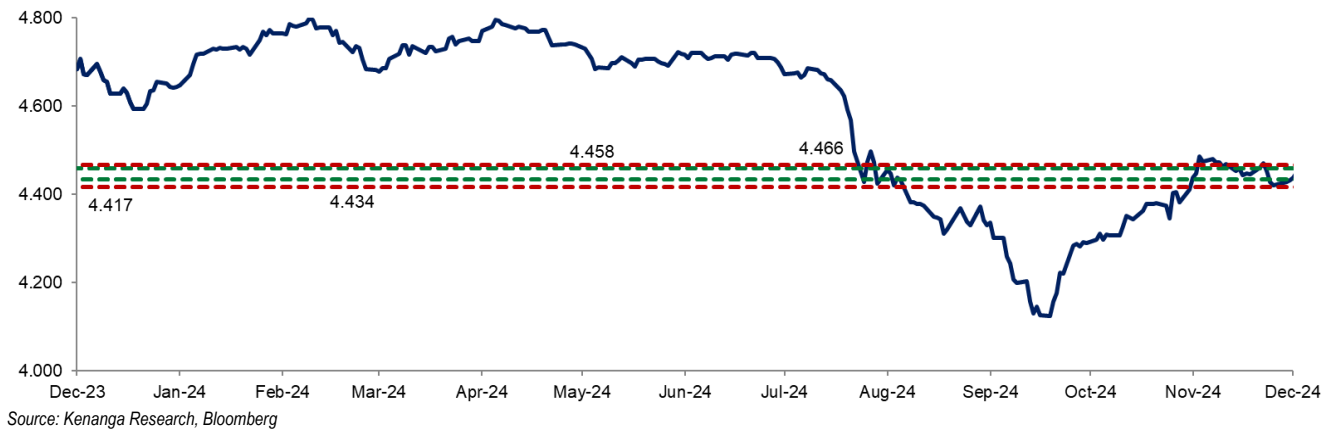
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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.

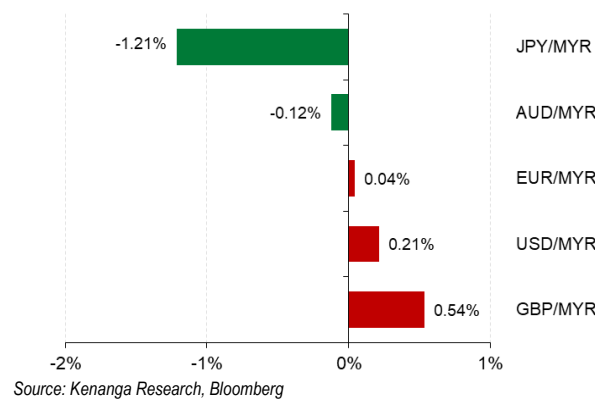
EMA (5): 5-day Exponential Moving Average
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

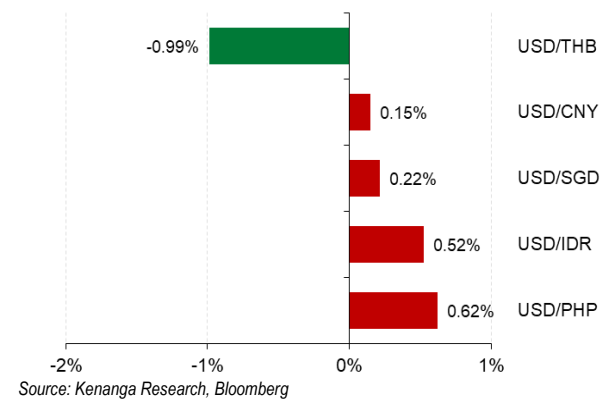
Graph 1: USDMYR Trend



Graph 2: Weekly Core Pairs' Performance



Graph 3: Weekly Regional Peers' Performance



13 December 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	12/12/23 Last Year	12/11/24 Last Month	05/12/24 Last Week	12/12/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.684	4.438	4.428	4.437	-3.66%	-5.27%	-0.02%	0.21%
AUDMYR	3.142	3.088	2.904	2.851	2.847	-9.38%	-7.80%	-1.96%	-0.12%
GBPMYR	5.857	5.886	5.692	5.632	5.663	-3.33%	-3.80%	-0.51%	0.54%
EURMYR	5.073	5.056	4.716	4.662	4.664	-8.07%	-7.77%	-1.11%	0.04%
JPYMYR	3.251	3.224	2.881	2.950	2.914	-10.36%	-9.61%	1.15%	-1.21%
SGDMYR	3.482	3.491	3.316	3.301	3.303	-5.12%	-5.36%	-0.39%	0.08%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15621	15782	15862	15945	3.07%	2.07%	1.03%	0.52%
USDTHB	34.151	35.662	34.853	34.16	33.823	-0.96%	-5.16%	-2.96%	-0.99%
USDSGD	1.323	1.341	1.339	1.342	1.344	1.60%	0.24%	0.41%	0.22%
USDPHP	55.665	55.61	58.83	57.885	58.246	4.64%	4.74%	-0.99%	0.62%
USDCNY	7.143	7.177	7.235	7.258	7.269	1.76%	1.28%	0.48%	0.15%
USDJPY	141.650	145.290	154.050	150.120	152.320	7.53%	4.84%	-1.12%	1.47%
USD									
EURUSD	1.101	1.080	1.062	1.053	1.050	-4.64%	-2.81%	-1.14%	-0.28%
GBPUSD	1.270	1.258	1.282	1.272	1.274	0.39%	1.34%	-0.59%	0.19%
AUDUSD	0.682	0.659	0.654	0.644	0.641	-6.04%	-2.79%	-2.06%	-0.51%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
16/12/2024	CN	Industrial Production (NOV)	5.3% YoY	5.3% YoY
16/12/2024	CN	Retail Sales (NOV)	4.8% YoY	5.0% YoY
17/12/2024	US	Retail Sales (NOV)	0.4% MoM	0.5% MoM
18/12/2024	MY	Exports (NOV)	1.6% YoY	N/A
18/12/2024	US	Building Permits Preliminary (NOV)	1.419m	1.430m
19/12/2024	US	Fed Interest Rate Decision	4.75%	4.50% (25 bps cut)
19/12/2024	JP	BoJ Interest Rate Decision	0.25%	0.25% (status quo)
19/12/2024	UK	BoE Interest Rate Decision	4.75%	4.75% (status quo)

Source: Kenanga Research, Trading Economics, Bloomberg

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