

Ringgit Weekly Outlook

Eyes stability amid USD resilience and domestic optimism

Fundamental Overview

- The ringgit outperformed expectations, reversing course to strengthen below the 4.50 threshold as the USD index (DXY) softened last Friday after a lower-than-expected core PCE reading. On Monday, the DXY rebounded, stabilising above 108.0 after the US averted a government shutdown. USD strength was further supported by the EUR's continued weakness, driven by weak eurozone's economic prospects and the ECB's dovish stance. Despite these pressures, the ringgit held steady within the 4.47–4.49/USD range, bolstered by Bursa Malaysia's uptrend from year-end window-dressing and domestic economy optimism.
- Market sentiment wavers between expectations of two Fed rate cuts and a single cut next year, with a small faction now considering the prospect of a hike. Persistent inflation concerns under Trump 2.0 could dominate 2025 monetary policy uncertainty, keeping the USD strong and pressuring the ringgit through 1Q25. While the ringgit may close 2024 slightly stronger than anticipated, it is projected to trade around 4.50–4.60/USD in early 2025, contingent on Trump's policy decisions. Although domestic factors might lend support for the ringgit, robust USD demand is expected to outweigh these influences.

Technical Analysis

- The USDMYR outlook is neutral, with the pair likely consolidating near its 5-day EMA of 4.480, as the RSI hovers in the mid-range.
- The pair is expected to trade within a range of (S2) 4.459 to (R2) 4.500, with sustained investor interest in long-USD positions exerting downward pressure on the MYR.

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	54.635	4.480	4.489	4.500	4.469	4.459	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

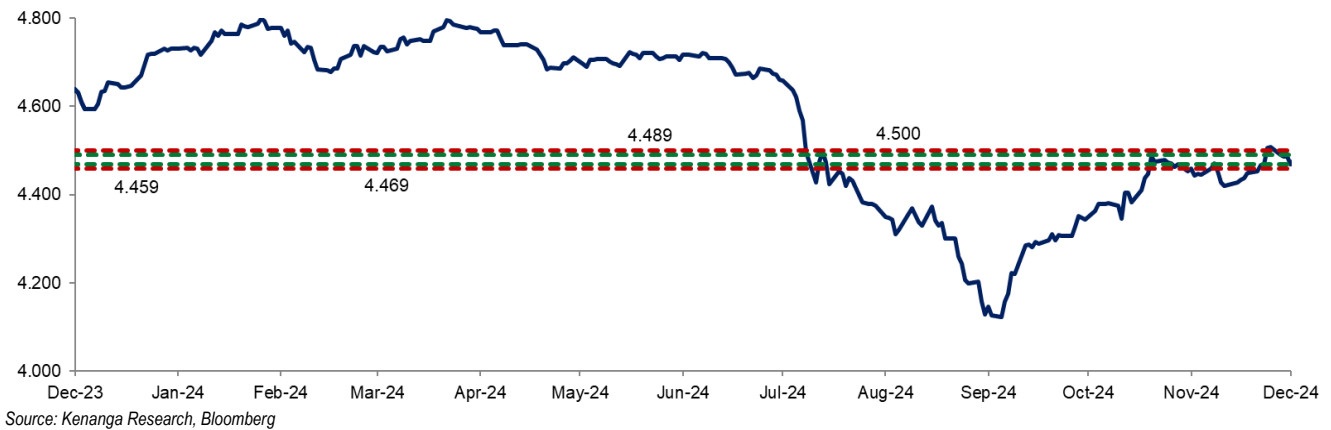
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

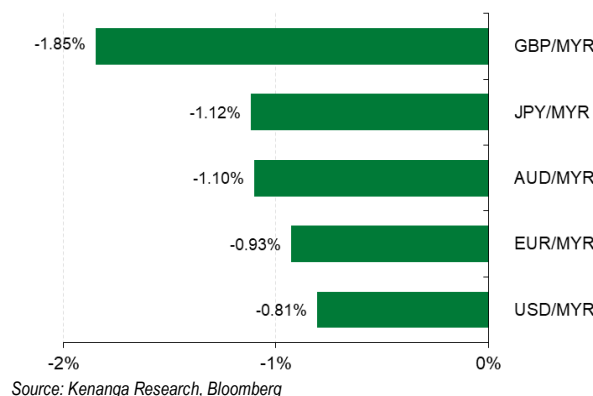
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

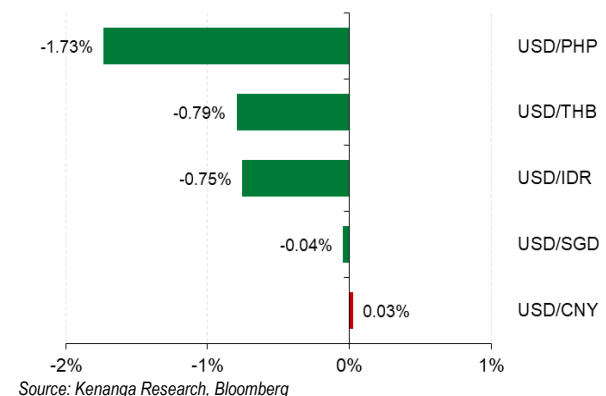
Graph 1: USDMYR Trend



Graph 2: Weekly Core Pairs' Performance



Graph 3: Weekly Regional Peers' Performance



27 December 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	26/12/23 Last Year	26/11/24 Last Month	19/12/24 Last Week	26/12/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.639	4.458	4.506	4.469	-2.97%	-3.66%	0.25%	-0.81%
AUDMYR	3.142	3.154	2.891	2.813	2.782	-11.45%	-11.78%	-3.76%	-1.10%
GBPMYR	5.857	5.887	5.604	5.705	5.600	-4.40%	-4.88%	-0.08%	-1.85%
EURMYR	5.073	5.109	4.684	4.691	4.648	-8.39%	-9.03%	-0.78%	-0.93%
JPYMYR	3.251	3.259	2.899	2.871	2.839	-12.68%	-12.90%	-2.09%	-1.12%
SGDMYR	3.482	3.504	3.308	3.315	3.289	-5.53%	-6.14%	-0.57%	-0.79%
ASEAN 5 + CNY + JPY									
USDIDR	15470	15484	15935	16313	16190	4.65%	4.56%	1.60%	-0.75%
USDTHB	34.151	34.571	34.663	34.481	34.207	0.16%	-1.05%	-1.32%	-0.79%
USDSGD	1.323	1.324	1.347	1.359	1.358	2.65%	2.61%	0.87%	-0.04%
USDPHP	55.665	55.342	59.004	58.999	57.978	4.16%	4.76%	-1.74%	-1.73%
USDCNY	7.143	7.143	7.250	7.296	7.298	2.17%	2.17%	0.66%	0.03%
USDJPY	141.650	142.340	153.770	156.950	157.440	11.15%	10.61%	2.39%	0.31%
USD									
EURUSD	1.101	1.102	1.052	1.041	1.040	-5.51%	-5.58%	-1.09%	-0.03%
GBPUSD	1.270	1.270	1.259	1.264	1.253	-1.28%	-1.31%	-0.44%	-0.83%
AUDUSD	0.682	0.681	0.649	0.625	0.623	-8.58%	-8.43%	-4.03%	-0.22%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
30/12/2024	US	Pending Home Sales (NOV)	2.0% MoM	0.9% MoM
31/12/2024	CN	NBS Manufacturing PMI (DEC)	50.3	50.3
31/12/2024	MY	M3 Money Supply (NOV)	4.2%	N/A
31/12/2024	US	S&P/Case-Shiller Home Price (OCT)	4.6% YoY	4.1% YoY
2/1/2025	MY	S&P Global Manufacturing PMI (DEC)	49.2	N/A
2/1/2025	CN	Caixin Manufacturing PMI (DEC)	51.5	51.6
2/1/2025	US	Initial Jobless Claims (DEC/28)	220.0k	N/A
3/1/2025	US	ISM Manufacturing PMI (DEC)	48.4	48.3

Source: Kenanga Research, Trading Economics, Bloomberg

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