

Ringgit Weekly Outlook

To hold steady with downside bias amid US policy uncertainty

Overview

- Performance:** The ringgit strengthened to around 4.49/USD on Monday, supported by robust external trade data. The USD Index (DXY) came under pressure as Trump's Day 1 failed to deliver immediate universal tariffs, triggering a positioning squeeze. However, threats of tariffs on Mexico and Canada stabilise the USD's decline. The combination of USD weakness, Malaysia's stable CPI, and BNM's unchanged policy boosted the ringgit to 4.44/USD.
- Market Dynamics:** The delay in tariff announcements has injected cautious optimism, though investors remain wary of Trump's next move. Despite the market's strong directional bias, uncertainty over tariff timing has kept USD holdings intact, limiting additional downside pressure.
- Data Impact:** Market attention now shifts to the US 4Q24 advance GDP release for signs of economic strength. A potential 25 bps ECB rate cut could offer support to the DXY, while a possible rate hike by the BoJ today may cap gains. With the Fed is widely expected to maintain its policy stance, near-term DXY stability is likely.
- Outlook:** We expect the DXY to hold around current levels next week, with key risks tied to Trump's tariff policies and central bank decisions. A more aggressive stance from the administration could drive USD strength, while a more measured approach may support continued gains for the ringgit.
- Technical:** USDMYR is turning bearish, likely to test its five-day EMA at 4.451 as the RSI nears oversold territory. Immediate resistance stands at (R1) 4.471, with a potential move towards (R2) 4.516 if Trump's policy rhetoric unsettles investors.

Table 1: Currency Outlook

Long Term*							
	Q4-24	Q1-25F	Q2-25F	Q3-25F	Q4-25F	Q1-26F	Trend
USDMYR	4.472	4.571	4.530	4.490	4.449	4.383	▲
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	21.533	4.451	4.471	4.516	4.402	4.379	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

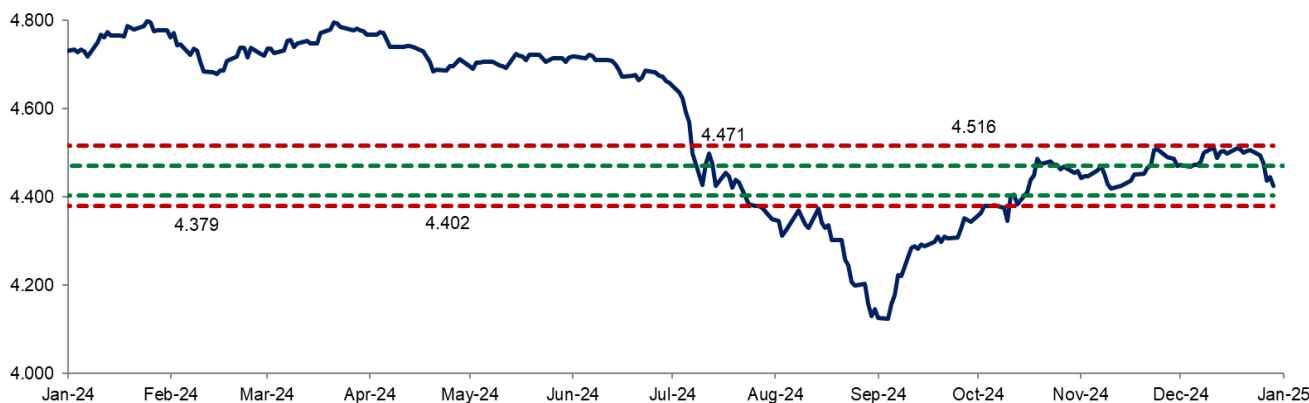
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

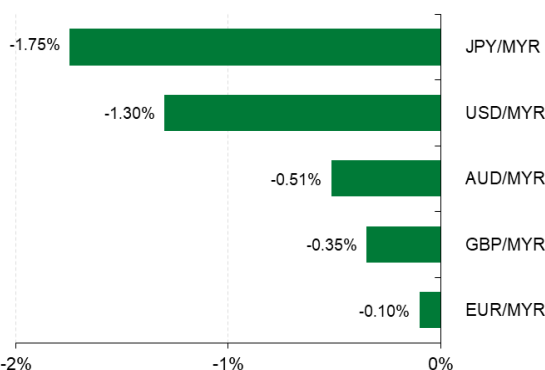
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



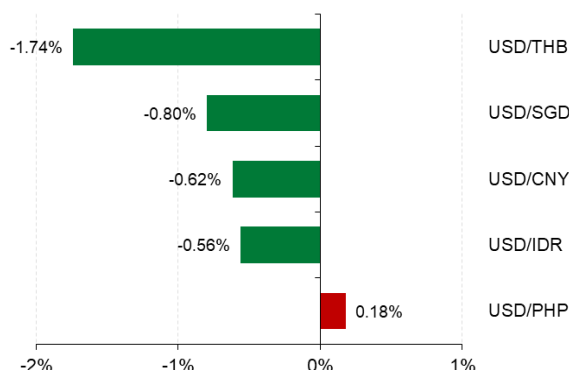
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Core Pairs' Performance



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

24 January 2025

Table 2: Performance of Core Pairs

Currencies	02/01/25 YTD	23/01/24 Last Year	23/12/24 Last Month	16/01/25 Last Week	23/01/25 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.479	4.728	4.490	4.503	4.444	-0.76%	-5.99%	-1.01%	-1.30%
AUDMYR	2.785	3.114	2.810	2.798	2.784	-0.04%	-10.62%	-0.95%	-0.51%
GBPMYR	5.590	6.018	5.644	5.493	5.474	-2.08%	-9.04%	-3.02%	-0.35%
EURMYR	4.636	5.148	4.673	4.632	4.627	-0.19%	-10.11%	-0.97%	-0.10%
JPYMYR	2.850	3.198	2.863	2.892	2.842	-0.28%	-11.14%	-0.73%	-1.75%
SGDMYR	3.288	3.529	3.312	3.293	3.276	-0.37%	-7.19%	-1.11%	-0.53%
ASEAN 5 + CNY + JPY									
USDIDR	16198	15637	16197	16376	16284	0.53%	4.14%	0.54%	-0.56%
USDTHB	34.276	35.725	34.225	34.603	34.000	-0.81%	-4.83%	-0.66%	-1.74%
USDSGD	1.365	1.341	1.357	1.368	1.357	-0.59%	1.19%	-0.04%	-0.80%
USDPHP	57.884	56.158	58.492	58.593	58.697	1.40%	4.52%	0.35%	0.18%
USDCNY	7.299	7.172	7.296	7.332	7.286	-0.18%	1.60%	-0.13%	-0.62%
USDJPY	157.140	147.840	156.820	155.670	156.400	-0.47%	5.79%	-0.27%	0.47%
USD									
EURUSD	1.032	1.087	1.039	1.029	1.041	0.91%	-4.21%	0.20%	1.23%
GBPUSD	1.245	1.271	1.255	1.220	1.232	-1.01%	-3.08%	-1.79%	0.98%
AUDUSD	0.621	0.659	0.625	0.621	0.627	0.92%	-4.84%	0.27%	0.87%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
27/1/2025	CN	NBS Manufacturing PMI (JAN)	50.1	50.1
27/1/2025	US	New Home Sales (DEC)	0.664m	0.670m
28/1/2025	MY	PPI (DEC)	-0.4% YoY	N/A
28/1/2025	US	Durable Goods Orders (DEC)	-1.1% MoM	0.8% MoM
30/1/2025	US	Fed Interest Rate Decision	4.50%	4.50% (status quo)
30/1/2025	EA	ECB Interest Rate Decision	3.15%	2.90% (25 bps cut)
30/1/2025	US	GDP Growth Rate Advance (Q4)	3.1% QoQ	2.6% QoQ
31/1/2025	US	Core PCE Price Index (DEC)	0.1% MoM	0.2% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my