

Ringgit Weekly Outlook

Likely range-bound with upside potential on expected weak US jobs report

Fundamental Overview

- The MYR strengthened slightly against the USD due to faltering greenback demand as the US economy fell into a technical recession after its 2Q22 GDP recorded a weaker-than-expected reading of -0.9% QoQ (Consensus: 0.5% QoQ; 1Q22: -1.6%). On top of that, the USD index (DXY) was also pressured by Fed's Powell less hawkish comments. However, the ringgit still failed to trade below the 4.45-level due to lack of domestic catalysts.
- Despite falling DXY and 10-year US Treasury yield, the ringgit may continue to trade range-bound around the 4.45-level due to the ongoing global market instability. However, there may be some room for upside for the ringgit amid expectation that US job growth may be slowing. That being said, the local note's upside could be limited as yuan's volatility due to China's property crisis and COVID-19 uncertainty, coupled with Europe's fragile economic growth may continue to fuel safe-haven demand.

Technical Analysis

- EMA technical indicator signals a reversal in the USDMYR trend, with the local note expected to depreciate marginally against the greenback by 0.06% to 4.453 this week.
- Technical-wise, the bias for the USDMYR pair remained neutral for this week, with the pair projected to hover around the (S2) 4.446 – (R2) 4.460 zone. However, a potential ringgit's upside may tilt the pair below the 4.450 level.

Table 1: Currency Outlook

Long Term*						
	Q2-22	Q3-22F	Q4-22F	Q1-23F	Q2-23F	OUTLOOK
USDMYR	4.408	4.374	4.347	4.320	4.293	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.453	4.456	4.460	4.448	4.446	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

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.

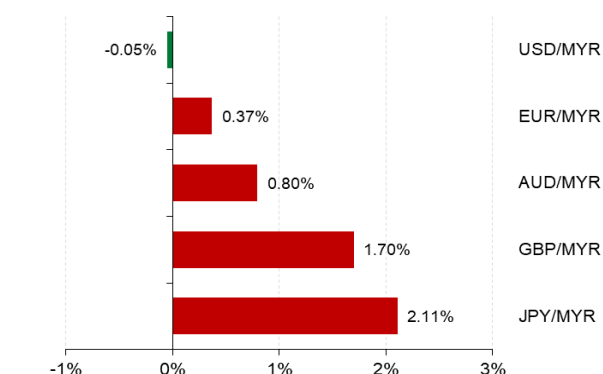
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



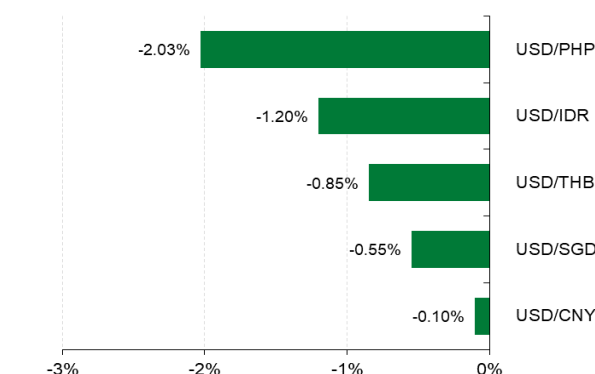
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

01 August 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	29/07/21 Last Year	29/06/22 Last Month	22/07/22 Last Fortnight	29/07/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.239	4.400	4.453	4.451	6.66%	5.01%	1.17%	-0.05%
AUDMYR	3.028	3.134	3.021	3.082	3.107	2.62%	-0.87%	2.83%	0.80%
GBPMYR	5.642	5.910	5.358	5.326	5.417	-4.00%	-8.34%	1.09%	1.70%
EURMYR	4.738	5.028	4.624	4.525	4.541	-4.15%	-9.68%	-1.79%	0.37%
JPYMYR	3.626	3.858	3.223	3.272	3.341	-7.86%	-13.39%	3.66%	2.11%
SGDMYR	3.092	3.127	3.167	3.203	3.227	4.35%	3.19%	1.88%	0.74%
ASEAN 5 + CN + JP									
USDIDR	14266	14483	14853	15014	14834	3.98%	2.42%	-0.13%	-1.20%
USDTHB	33.163	32.876	35.135	36.634	36.323	9.53%	10.48%	3.38%	-0.85%
USDSGD	1.350	1.354	1.389	1.388	1.381	2.24%	1.95%	-0.61%	-0.55%
USDPHP	50.998	50.318	55.067	56.295	55.151	8.14%	9.60%	0.15%	-2.03%
USDCNY	6.356	6.456	6.701	6.752	6.745	6.11%	4.46%	0.65%	-0.10%
USDJPY	115.080	109.860	136.510	136.120	133.270	15.81%	21.31%	-2.37%	-2.09%
USD									
EURUSD	1.136	1.188	1.052	1.021	1.022	-10.00%	-13.94%	-2.86%	0.07%
GBPUSD	1.351	1.396	1.216	1.200	1.217	-9.92%	-12.81%	0.09%	1.43%
AUDUSD	0.725	0.739	0.688	0.693	0.699	-3.66%	-5.48%	1.48%	0.81%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
1/8/2022	MY	S&P Global Manufacturing PMI (JUL)	N/A
1/8/2022	CN	Caixin Manufacturing PMI (JUL)	51.5
1/8/2022	US	ISM Manufacturing PMI (JUL)	52.0
2/8/2022	US	JOLTs Job Openings (JUN)	11.0m
3/8/2022	US	Factory Orders (JUN)	1.2% MoM
4/8/2022	US	Balance of Trade (JUN)	-USD80.1b
4/8/2022	US	Initial Jobless Claims (30/JUL)	255.0k
5/8/2022	US	Non Farm Payrolls (JUL)	250.0k
5/8/2022	US	Unemployment Rate (JUL)	3.6%

Source: Kenanga Research, Trading Economics

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