Ringgit Weekly Outlook

Remains vulnerable on weak global economic outlook and ahead of US CPI reading

Fundamental Overview

- MYR extended its gains, albeit slightly against the USD as the USD index (DXY) retraced below the 106.0 level on August 4, ahead of US employment report. However, the local note still struggled to trade below the 4.45 threshold due to a turnaround in risk sentiment amid renewed US-China tensions. To add, ringgit's upside has also been limited by yuan's WoW depreciation due to China's weak manufacturing data.
- The ringgit is expected to weaken after a brief turnaround against the USD last week due to a sharp rebound in the DXY following a huge upside surprise in US non-farm payroll growth in July (528.0k; consensus: 250.0k). On top of that, rising geopolitical tensions and growing signs of a global economic slowdown may continue to keep investors away from risky assets. However, a potential moderation in US CPI reading (consensus: 8.7% YoY; June: 9.1%) may keep the USDMYR pair below the 4.46-level.

Technical Analysis

- EMA technical indicator signals a reversal in the USDMYR trend, with the ringgit expected to depreciate marginally against the greenback by 0.08% to 4.454 this week.
- The USDMYR pair may trade with a neutral-to-bullish tone this week and break either above the (R1) 4.455 level or dip below the (S1) 4.448 level. Whichever way, the price movement would be mainly influenced by the US July CPI reading.

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	▼

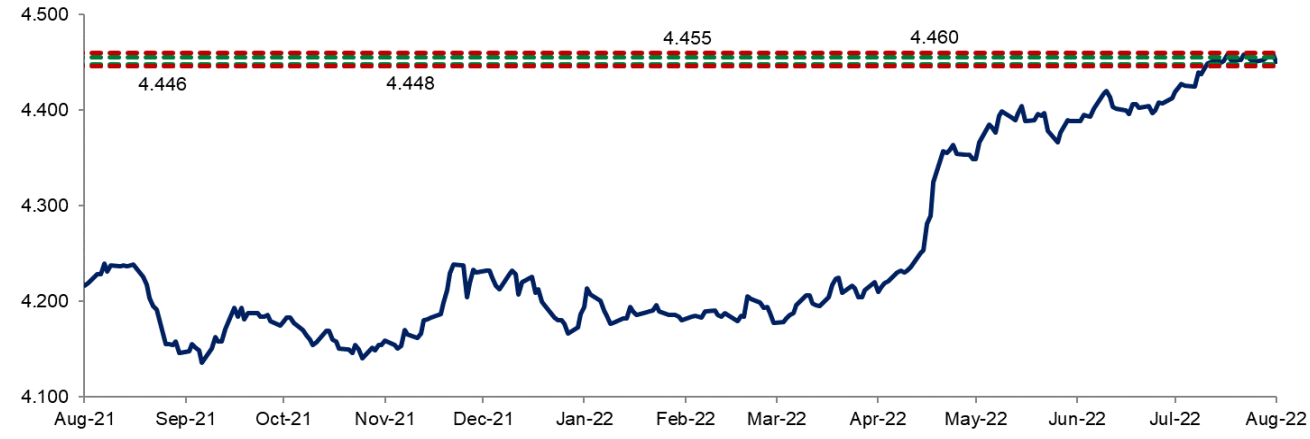
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.454	4.455	4.460	4.448	4.446	▲

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.

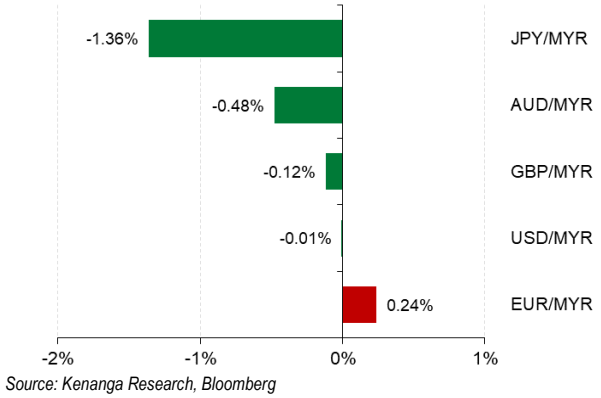
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



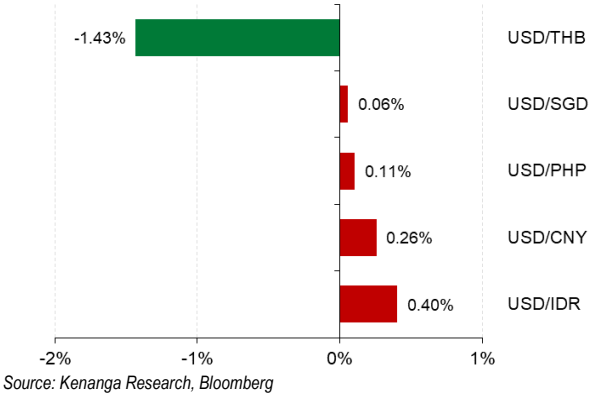
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	05/08/21 Last Year	05/07/22 Last Month	29/07/22 Last Fortnight	05/08/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.217	4.419	4.451	4.451	6.66%	5.55%	0.71%	-0.01%
AUDMYR	3.028	3.122	3.003	3.107	3.092	2.13%	-0.95%	2.96%	-0.48%
GBPMYR	5.642	5.867	5.322	5.417	5.410	-4.12%	-7.79%	1.65%	-0.12%
EURMYR	4.738	4.990	4.550	4.541	4.552	-3.92%	-8.78%	0.05%	0.24%
JPYMYR	3.626	3.854	3.250	3.341	3.295	-9.11%	-14.48%	1.41%	-1.36%
SGDMYR	3.092	3.121	3.149	3.227	3.237	4.68%	3.70%	2.78%	0.31%
ASEAN 5 + CN + JP									
USDIDR	14266	14343	14994	14834	14894	4.40%	3.84%	-0.67%	0.40%
USDTHB	33.163	33.233	35.805	36.323	35.802	7.96%	7.73%	-0.01%	-1.43%
USDSGD	1.350	1.350	1.402	1.381	1.381	2.30%	2.30%	-1.50%	0.06%
USDPHP	50.998	50.245	55.244	55.151	55.210	8.26%	9.88%	-0.06%	0.11%
USDCNY	6.356	6.462	6.720	6.745	6.762	6.38%	4.65%	0.63%	0.26%
USDJPY	115.080	109.460	135.990	133.270	135.010	17.32%	23.34%	-0.72%	1.31%
USD									
EURUSD	1.136	1.185	1.030	1.022	1.018	-10.32%	-14.04%	-1.14%	-0.36%
GBPUSD	1.351	1.392	1.203	1.217	1.207	-10.65%	-13.29%	0.40%	-0.81%
AUDUSD	0.725	0.741	0.680	0.699	0.691	-4.68%	-6.68%	1.66%	-1.06%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Consensus/Forecast
9/8/2022	MY	Unemployment Rate (JUN)	N/A
9/8/2022	MY	Industrial Production (JUN)	7.5% YoY
10/8/2022	CN	Inflation Rate (JUL)	2.9% YoY
10/8/2022	US	Inflation Rate (JUL)	8.7% YoY
10/8/2022	US	Wholesale Inventories (JUL)	1.9% MoM
11/8/2022	MY	Retail Sales (JUN)	N/A
11/8/2022	US	PPI (JUL)	0.3% MoM
12/8/2022	MY	GDP Growth Rate (Q2)	7.7% YoY
12/8/2022	US	Michigan Consumer Sentiment Prel (AUG)	52.2

Source: Kenanga Research, Trading Economics

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