

# Ringgit Weekly Outlook

Sell-off may continue as investors continue to seek safe-haven, but technical suggests otherwise

## Fundamental Overview

- After hovering around the 4.55-4.57 zone, the ringgit closed last week near the 4.58 level against the USD, mainly due to the Fed's back-to-back 75 basis points hike and hawkish set of economic projections. To note, the USD index (DXY) soared to above the 113.0 level, its highest since May 2002, while the 10-year US Treasury yield surged to as high as 3.7%. The ringgit was also dragged by a rapid depreciation of the yuan (-2.0% WoW) due to rising capital outflow from China.
- The ringgit is expected to weaken further and trade around the 4.57-4.59 level against the USD as the DXY may continue to remain elevated around the 113.0 level due to potential hawkish remarks by a slew of Fed speakers throughout the week. However, a more hawkish tone by ECB's Lagarde and another strong yuan fixing by the People's Bank of China may help to limit ringgit's losses.

## Technical Analysis

- Despite lack of pro-ringgit catalysts, our 5-day EMA indicator suggests that MYR may reverse its weakness and appreciate slightly against the USD by 0.37%.
- Technical-wise, the DXY could reverse its current uptrend if there is any risk appetite reversal, with an immediate support observed at (S1) 4.560. Conversely, a sustained rise above the (R1) 4.588 level may suggest an extension of the bullish USD trend.

Table 1: Currency Outlook

Long Term*						
	Q2-22	Q3-22F	Q4-22F	Q1-23F	Q2-23F	OUTLOOK
USDMYR	4.408	4.588	4.435	4.465	4.425	▲

Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.562	4.588	4.598	4.560	4.541	▼

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.

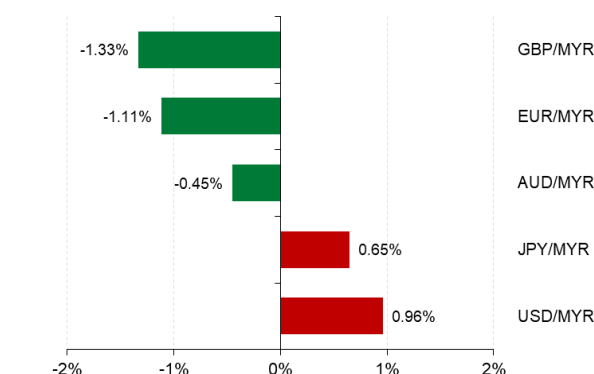
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



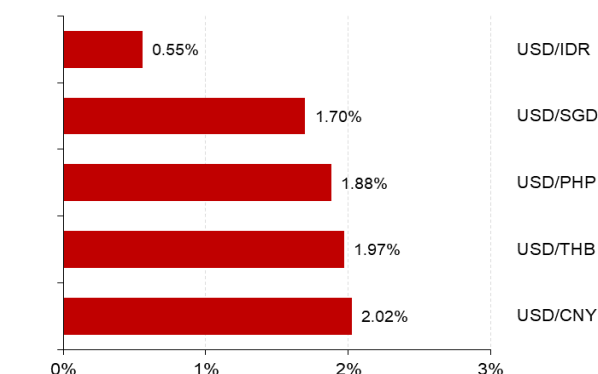
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

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Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	23/09/21 Last Year	23/08/22 Last Month	16/09/22 Last Fortnight	23/09/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.173	4.181	4.488	4.535	4.579	9.73%	9.51%	2.02%	0.96%
AUDMYR	3.028	3.045	3.088	3.028	3.014	-0.45%	-1.01%	-2.39%	-0.45%
GBPMYR	5.642	5.710	5.285	5.184	5.115	-9.35%	-10.42%	-3.23%	-1.33%
EURMYR	4.738	4.901	4.457	4.520	4.470	-5.65%	-8.79%	0.29%	-1.11%
JPYMYR	3.626	3.807	3.265	3.174	3.194	-11.90%	-16.09%	-2.17%	0.65%
SGDMYR	3.092	3.101	3.215	3.218	3.214	3.93%	3.65%	-0.03%	-0.12%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	14266	14243	14838	14955	15038	5.41%	5.58%	1.35%	0.55%
USDTHB	33.163	33.227	36.115	36.838	37.565	13.27%	13.06%	4.01%	1.97%
USDSGD	1.350	1.349	1.396	1.407	1.431	5.97%	6.11%	2.49%	1.70%
USDPHP	50.998	50.345	56.083	57.415	58.495	14.70%	16.19%	4.30%	1.88%
USDCNY	6.356	6.459	6.835	6.987	7.128	12.15%	10.37%	4.29%	2.02%
USDJPY	115.080	109.840	137.450	142.920	143.310	24.53%	30.47%	4.26%	0.27%
<b>USD</b>									
EURUSD	1.136	1.172	0.992	1.002	0.969	-14.69%	-17.32%	-2.39%	-3.28%
GBPUSD	1.351	1.369	1.176	1.142	1.086	-19.63%	-20.65%	-7.69%	-4.91%
AUDUSD	0.725	0.727	0.688	0.672	0.653	-9.96%	-10.24%	-5.06%	-2.80%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
27/9/2022	US	New Home Sales (AUG)	0.511m	0.500m
28/9/2022	US	Goods Trade Balance Adv (AUG)	-USD89.06b	-USD89.00b
28/9/2022	US	Wholesale Inventories Adv (AUG)	0.6% MoM	0.5% MoM
29/9/2022	MY	PPI (AUG)	7.6%	N/A
29/9/2022	US	Initial Jobless Claims (24/SEP)	213.0k	215.0k
29/9/2022	US	GDP Growth Rate Final (Q2)	-1.6% QoQ	-0.6% QoQ
30/9/2022	CN	NBS Manufacturing PMI (SEP)	49.4	49.6
30/9/2022	US	Personal Spending (AUG)	0.1% MoM	0.2% MoM
30/9/2022	US	Core PCE Price Index (AUG)	4.6% YoY	4.7% YoY

Source: Kenanga Research, Trading Economics, Bloomberg

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