

Ringgit Weekly Outlook

To trade range-bound and prone to the downside as demand for USD persists

Fundamental Overview

- MYR depreciated at its fastest pace in 23 weeks against the USD due to rising safe-haven demand amid hawkish Fed's sentiment and global market uncertainties. On top of that, the UK's sterling crisis and a looming recession in Europe have boosted demand for USD, further pressuring emerging currencies, including the ringgit. Despite a slight WoW gain in the yuan due to the People's Bank of China's (PBoC) actions, the local note still closed the week above the 4.60 level against the strengthening USD.
- The continued hawkishness of the Fed (another round of Fed members' comments), coupled with the US red-hot labour market, may spark another cycle of risk asset selling off and USD's haven rallying. The ringgit may continue to trade above the 4.60 threshold level against the greenback as the USD index is expected to trade above the 112.0 level. Nevertheless, PBoC's yuan interventions and the tabling of budget 2023 may help to limit ringgit's downside.

Technical Analysis

- According to our 5-day EMA, MYR is projected to reverse its downtrend and strengthen marginally against the USD by 0.33%.
- The safe-haven dollar may face some downward pressure this week, especially if the US labour market shows signs of weakening, with an immediate support observed at (S1) 4.614 level. Conversely, a break above the (R1) 4.651 resistance level is needed to confirm the continuation of USD uptrend.

Table 1: Currency Outlook

Long Term*						
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	OUTLOOK
USDMYR	4.638	4.435	4.465	4.425	4.338	▼

Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.622	4.651	4.664	4.614	4.591	▼

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.

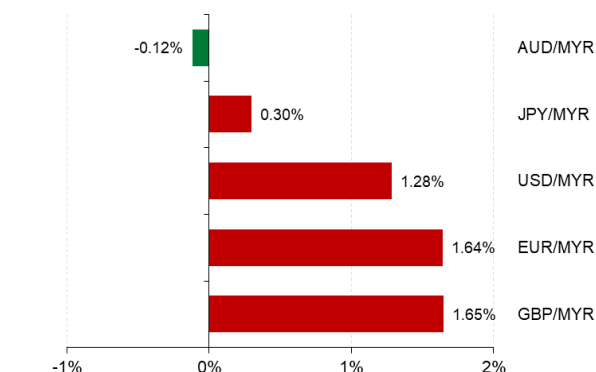
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



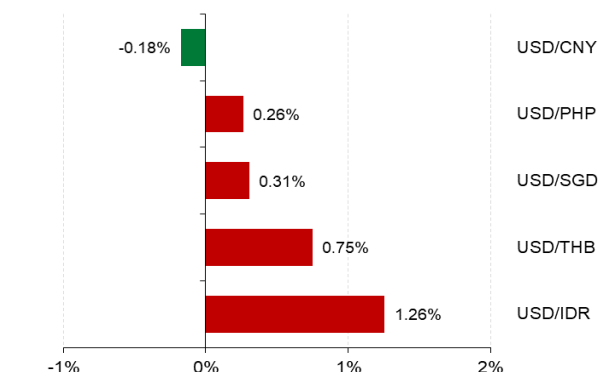
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

03 October 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	30/09/21 Last Year	30/08/22 Last Month	23/09/22 Last Fortnight	30/09/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.186	4.476	4.579	4.638	11.14%	10.78%	3.60%	1.28%
AUDMYR	3.028	3.015	3.110	3.014	3.011	-0.56%	-0.14%	-3.20%	-0.12%
GBPMYR	5.642	5.626	5.258	5.115	5.199	-7.85%	-7.59%	-1.12%	1.65%
EURMYR	4.738	4.855	4.491	4.470	4.543	-4.11%	-6.42%	1.16%	1.64%
JPYMYR	3.626	3.737	3.238	3.194	3.204	-11.64%	-14.26%	-1.07%	0.30%
SGDMYR	3.092	3.077	3.210	3.214	3.239	4.74%	5.27%	0.91%	0.78%
ASEAN 5 + CN + JP									
USIDR	14266	14313	14843	15038	15227	6.74%	6.39%	2.59%	1.26%
USDTHB	33.163	33.897	36.383	37.565	37.847	14.12%	11.65%	4.02%	0.75%
USDSGD	1.350	1.362	1.395	1.431	1.435	6.29%	5.42%	2.86%	0.31%
USDPHP	50.998	51.014	56.215	58.495	58.650	15.00%	14.97%	4.33%	0.26%
USDCNY	6.356	6.445	6.911	7.128	7.116	11.95%	10.41%	2.96%	-0.18%
USDJPY	115.080	112.040	138.260	143.310	144.740	25.77%	29.19%	4.69%	1.00%
USD									
EURUSD	1.136	1.157	1.003	0.969	0.980	-13.68%	-15.29%	-2.29%	1.19%
GBPUSD	1.351	1.343	1.172	1.086	1.117	-17.33%	-16.85%	-4.67%	2.86%
AUDUSD	0.725	0.719	0.694	0.653	0.640	-11.72%	-10.96%	-7.75%	-1.96%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
3/10/2022	MY	S&P Global Manufacturing PMI (SEP)	50.3	N/A
3/10/2022	US	ISM Manufacturing PMI (SEP)	52.8	52.2
4/10/2022	US	JOLTs Job Openings (AUG)	11.239m	10.65m
5/10/2022	US	ADP Employment Change (SEP)	132.0k	205.0k
5/10/2022	US	Balance of Trade (AUG)	-USD70.7b	-USD68.0b
6/10/2022	US	Initial Jobless Claims (01/OCT)	193.0k	203.0k
7/10/2022	US	Unemployment Rate (SEP)	3.7%	3.7%
7/10/2022	US	Non Farm Payrolls (SEP)	315.0k	250.0k
7/10/2022	US	Wholesale Inventories (AUG)	0.6% MoM	1.3% MoM

Source: Kenanga Research, Trading Economics, Bloomberg

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