

Ringgit Weekly Outlook

Continued bearish bets due to domestic political uncertainty and strong USD's demand

Fundamental Overview

- Despite Malaysia's better-than-expected external trade reading, the ringgit depreciated by more than 0.7% WoW against the USD, primarily due to a sharp spike in the 10-year US Treasury yield (above 4.2%, a 14-year high) amid hawkish US Fed narrative. The narrowing of MY-US yield premium, coupled with domestic political uncertainty and weakening of the yuan has further pressured the ringgit to trade near its all-time low of 4.77/USD.
- Negative sentiment surrounding the domestic political situation and persistent USD strength may continue to pressure the ringgit to trade around the 4.73-4.75 zone against the greenback. The USD index is expected to hold ground and continue to trade around the 112.0-114.0 level due to the expectation that the US 3Q22 GDP may record a decent growth (consensus: 2.3% QoQ; 2Q22: -0.6%). However, a more hawkish European Central Bank and a surprise move by the Bank of Japan may provide a temporary reprieve for the ringgit.

Technical Analysis

- MYR may appreciate marginally by 0.23% against the USD, trading near its 5-day EMA of 4.728.
- Technically, MYR may see a short-term rebound due to its oversold position and trade around the (S2) 4.708 – (S1) 4.723 level. However, a breach above the (R2) 4.754 resistance level may invalidate the local note's upside potential.

Table 1: Currency Outlook

Long Term*						
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	OUTLOOK
USDMYR	4.638	4.566	4.644	4.602	4.468	▼
Short Term (Technical)						
	EMA (5)	R1	R2	S1	S2	OUTLOOK
USDMYR	4.728	4.746	4.754	4.723	4.708	▼

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.

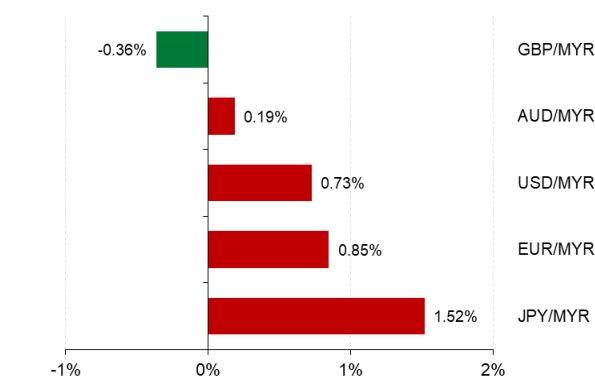
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



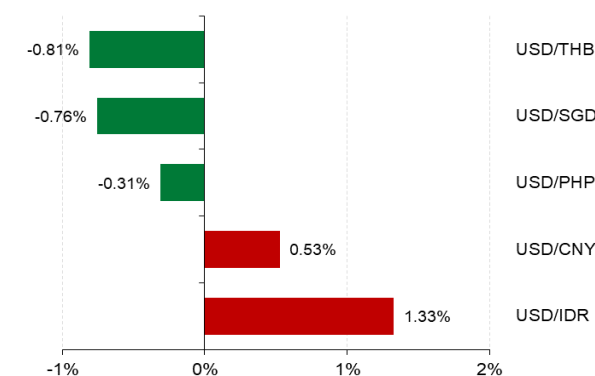
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

25 October 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	21/10/21 Last Year	21/09/22 Last Month	14/10/22 Last Fortnight	21/10/22 Last Week	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.158	4.554	4.705	4.739	13.56%	13.97%	4.07%	0.73%
AUDMYR	3.028	3.114	3.041	2.958	2.963	-2.13%	-4.85%	-2.57%	0.19%
GBPMYR	5.642	5.734	5.161	5.289	5.270	-6.60%	-8.09%	2.12%	-0.36%
EURMYR	4.738	4.841	4.522	4.577	4.616	-2.57%	-4.64%	2.08%	0.85%
JPYMYR	3.626	3.647	3.164	3.163	3.211	-11.45%	-11.96%	1.49%	1.52%
SGDMYR	3.092	3.088	3.222	3.303	3.315	7.21%	7.35%	2.89%	0.38%
ASEAN 5 + CN + JP									
USDIDR	14266	14123	14997	15427	15632	9.58%	10.68%	4.23%	1.33%
USDTHB	33.163	33.391	37.144	38.334	38.024	14.66%	13.87%	2.37%	-0.81%
USDSGD	1.350	1.346	1.413	1.426	1.415	4.81%	5.17%	0.15%	-0.76%
USDPHP	50.998	50.811	57.997	58.943	58.758	15.22%	15.64%	1.31%	-0.31%
USDCNY	6.356	6.393	7.050	7.193	7.231	13.76%	13.10%	2.56%	0.53%
USDJPY	115.080	114.010	143.910	148.670	147.650	28.30%	29.51%	2.60%	-0.69%
USD									
EURUSD	1.136	1.164	0.992	0.972	0.986	-13.15%	-15.27%	-0.60%	1.44%
GBPUSD	1.351	1.380	1.134	1.117	1.130	-16.35%	-18.12%	-0.34%	1.17%
AUDUSD	0.725	0.749	0.667	0.620	0.638	-12.01%	-14.83%	-4.42%	2.90%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
25/10/2022	US	S&P/Case-Shiller Home Price (AUG)	16.1%	14.4%
26/10/2022	US	New Home Sales (SEP)	0.685m	0.580m
27/10/2022	EA	ECB Interest Rate Decision	1.25%	2.00% (75 bps hike)
27/10/2022	US	Durable Goods Orders (SEP)	-0.2% MoM	0.6% MoM
27/10/2022	US	GDP Growth Rate Advance (Q3)	-0.6% QoQ	2.3% QoQ
27/10/2022	US	Initial Jobless Claims (22/OCT)	214.0k	220.0k
27/10/2022	EA	ECB President Lagarde Speech	N/A	N/A
28/10/2022	US	Personal Income (SEP)	0.3% MoM	0.4% MoM
28/10/2022	US	Core PCE Price Index (SEP)	4.9% YoY	5.2% YoY

Source: Kenanga Research, Trading Economics, Bloomberg

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