

Ringgit Weekly Outlook

Cautious trading with a downside bias ahead of an uncertain GE15 outcome

Fundamental Overview

- Notably, the ringgit appreciated by more than 3.0% WoW against the USD, mainly due to a sharp fall of the USD index (DXY) amid Fed's less hawkish narrative following the lower-than-expected US consumer and producer price index readings. The local note was also supported by solid domestic 3Q22 GDP reading of 14.2% (2Q22: 8.9%) and a marginally stronger yuan due to an improvement in US-China relations. However, the ringgit may shed some gains today due to US' better-than-expected retail sales reading and ahead of Malaysia's 15th general election.
- Despite dwindling demand for USD, the DXY may continue to be supported around the 106.0 – 107.0 level due to rising geopolitical uncertainty, capping the ringgit to trade above the psychological 4.50 level. The direction of the local note for next week will be mainly influenced by the outcome of the general election. Any surprise result could prompt a knee-jerk sell-off and push the ringgit back to a weakening path above 4.60 against the USD.

Technical Analysis

- The USDMYR pair's outlook is bullish next week, with the pair expected to trade near its 5-day EMA of 4.566 as the pair's RSI is deeply oversold at below 10.0 (See ST Technical table).
- From a technical standpoint, the ringgit could be at the cusp of reversing its gains and trade around the (R1) 4.579 level. Conversely, if the (S1) 4.526 level is broken, then the pair might attempt to move closer to the (S2) 4.508 level.

Table 1: Currency Outlook

Long Term*							
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Trend
USDMYR	4.638	4.566	4.644	4.602	4.468	4.388	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	9.319	4.566	4.579	4.613	4.526	4.508	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

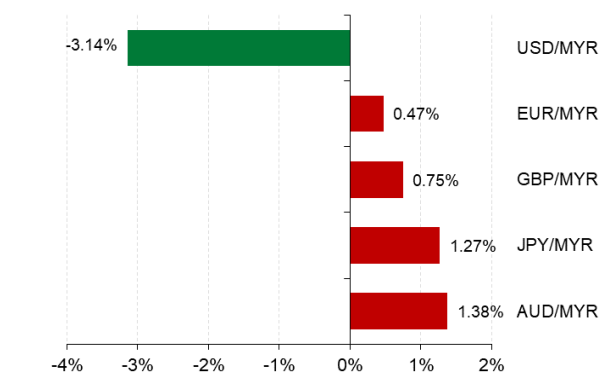
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



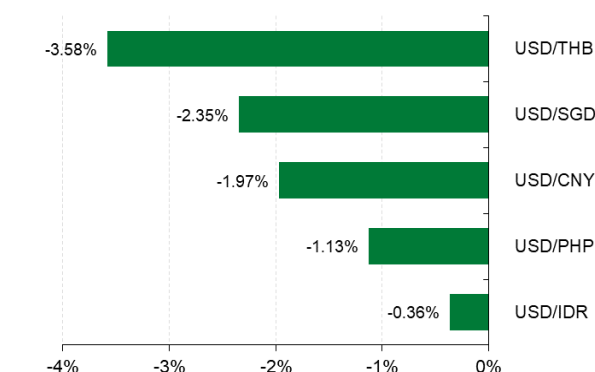
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

17 November 2022

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	16/11/21 Last Year	17/10/22 Last Month	09/11/22 Last Week	16/11/22 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.166	4.717	4.692	4.544	8.91%	9.07%	-3.66%	-3.14%
AUDMYR	3.028	3.058	2.947	3.040	3.082	1.78%	0.78%	4.57%	1.38%
GBPMYR	5.642	5.611	5.324	5.367	5.407	-4.17%	-3.64%	1.56%	0.75%
EURMYR	4.738	4.734	4.601	4.714	4.736	-0.04%	0.03%	2.94%	0.47%
JPYMYR	3.626	3.647	3.169	3.221	3.262	-10.05%	-10.57%	2.92%	1.27%
SGDMYR	3.092	3.078	3.307	3.354	3.322	7.42%	7.91%	0.45%	-0.96%
ASEAN 5 + CN + JP									
USDIDR	14266	14220	15488	15657	15600	9.35%	9.70%	0.72%	-0.36%
USDTHB	33.163	32.703	38.225	36.884	35.563	7.24%	8.75%	-6.96%	-3.58%
USDSGD	1.350	1.354	1.426	1.400	1.367	1.27%	0.96%	-4.11%	-2.35%
USDPHP	50.998	50.32	58.998	58.005	57.350	12.46%	13.97%	-2.79%	-1.13%
USDCNY	6.356	6.393	7.197	7.241	7.098	11.68%	11.03%	-1.37%	-1.97%
USDJPY	115.080	114.240	148.840	145.690	139.370	21.11%	22.00%	-6.36%	-4.34%
USD									
EURUSD	1.136	1.136	0.975	1.005	1.043	-8.16%	-8.22%	6.96%	3.80%
GBPUSD	1.351	1.344	1.128	1.144	1.193	-11.75%	-11.30%	5.76%	4.27%
AUDUSD	0.725	0.734	0.625	0.647	0.678	-6.46%	-7.54%	8.53%	4.85%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
21/11/2022	CN	Loan Prime Rate (1Y)	3.65%	3.65% (status quo)
21/11/2022	US	Chicago Fed National Activity Index (OCT)	0.1	N/A
23/11/2022	EA	S&P Global Manufacturing PMI Flash (NOV)	46.4	N/A
23/11/2022	UK	S&P Global/CIPS Manufacturing PMI Flash (NOV)	46.2	N/A
23/11/2022	US	Durable Goods Orders (OCT)	0.4% MoM	0.3% MoM
23/11/2022	US	New Home Sales (OCT)	0.603m	0.573m
23/11/2022	US	Michigan Consumer Sentiment Final (NOV)	59.9	55.3
24/11/2022	US	FOMC Minutes	N/A	N/A
25/11/2022	MY	Inflation Rate (OCT)	4.5% YoY	3.9% YoY*

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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