

Ringgit Weekly Outlook

To benefit from USD's correction and China's optimism, but upside remains limited

Fundamental Overview

- The ringgit continued its weekly gains for the fourth consecutive time, appreciating by almost 2.0% against the USD, primarily driven by the sharp depreciation of the USD index (DXY) on dovish Fed's Powell speech. To note, the DXY fell to as low as 104.7 (Dec 1), while the 10-year US Treasury yield retreated to around the 3.50% level. The local note was also supported by a stronger yuan (below 7.10 per USD) amid China's reopening optimism.
- The lower-than-expected reading in core PCE prices of 0.2% MoM (consensus: 0.3%; Sep: 0.5%) solidified the prospect of a slower Fed rate hike in December, weakening the USD. This, coupled with China's relaxation of its stringent COVID-19 measures may provide a fillip for the ringgit. However, ringgit's upside remains limited and the local note may hover around the 4.38 – 4.44 level due to continued uncertainties.

Technical Analysis

- The USDMYR pair's outlook is partially bullish for next week, with the pair expected to hover around its 5-day EMA of 4.443 as the pair's RSI continues to be in an oversold position (See ST Technical table).
- Technically, MYR is expected to trade lower against the USD this week, with the pair's immediate resistance level at (R1) 4.475, followed by (R2) 4.544. Nonetheless, a move towards (S1) 4.372 will reaffirm the ringgit's strength.

Table 1: Currency Outlook

Long Term*							
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Trend
USDMYR	4.638	4.542	4.643	4.510	4.357	4.257	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	17.027	4.443	4.475	4.544	4.372	4.338	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

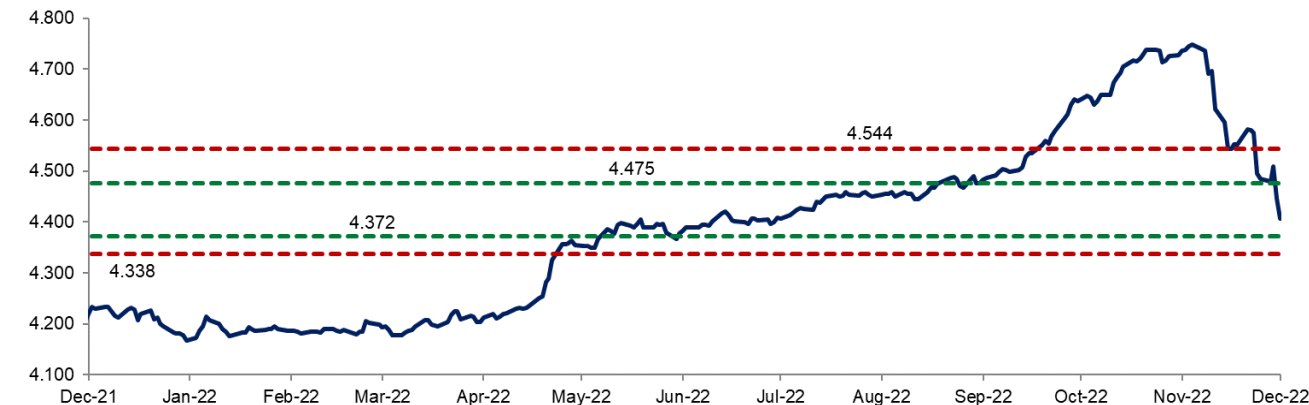
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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.

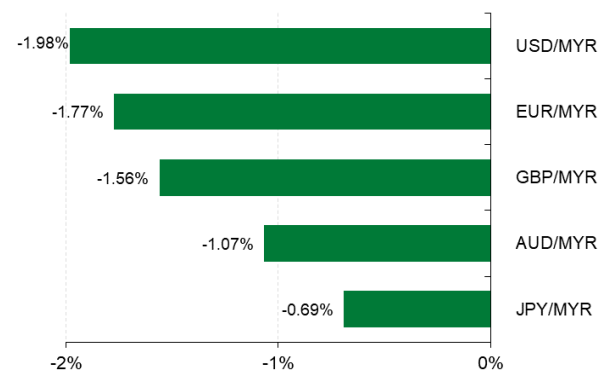
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



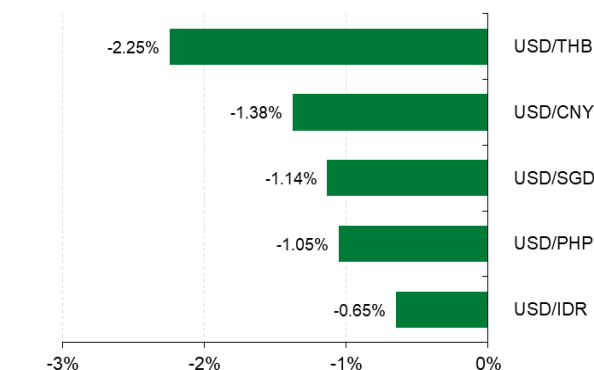
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	01/12/21 Last Year	01/11/22 Last Month	24/11/22 Last Week	01/12/22 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.220	4.736	4.496	4.407	5.60%	4.43%	-6.96%	-1.98%
AUDMYR	3.028	3.018	3.051	3.031	2.999	-0.95%	-0.65%	-1.69%	-1.07%
GBPMYR	5.642	5.601	5.463	5.438	5.353	-5.13%	-4.44%	-2.02%	-1.56%
EURMYR	4.738	4.779	4.704	4.684	4.601	-2.89%	-3.72%	-2.19%	-1.77%
JPYMYR	3.626	3.720	3.217	3.252	3.230	-10.92%	-13.18%	0.39%	-0.69%
SGDMYR	3.092	3.089	3.358	3.272	3.244	4.92%	5.04%	-3.39%	-0.83%
ASEAN 5 + CN + JP									
USDIDR	14266	14347	15628	15665	15563	9.09%	8.48%	-0.42%	-0.65%
USDTHB	33.163	33.7	37.736	35.781	34.977	5.47%	3.79%	-7.31%	-2.25%
USDSGD	1.350	1.363	1.410	1.374	1.359	0.63%	-0.33%	-3.66%	-1.14%
USDPHP	50.998	50.365	58.111	56.792	56.195	10.19%	11.58%	-3.30%	-1.05%
USDCNY	6.356	6.368	7.278	7.152	7.053	10.97%	10.76%	-3.08%	-1.38%
USDJPY	115.080	113.430	147.240	138.200	136.440	18.56%	20.29%	-7.33%	-1.27%
USD									
EURUSD	1.136	1.133	0.994	1.041	1.042	-8.23%	-8.00%	4.87%	0.14%
GBPUSD	1.351	1.332	1.154	1.211	1.214	-10.13%	-8.82%	5.22%	0.27%
AUDUSD	0.725	0.716	0.645	0.675	0.680	-6.22%	-5.00%	5.43%	0.80%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
5/12/2022	CN	Caixin Services PMI (NOV)	48.4	48.0
5/12/2022	EA	Retail Sales (OCT)	0.4% MoM	-1.7% MoM
5/12/2022	US	ISM Non-Manufacturing PMI (NOV)	54.4	53.5
6/12/2022	US	Balance of Trade (OCT)	-USD73.3b	-USD77.0b
7/12/2022	CN	Balance of Trade (NOV)	USD85.15b	USD78.10b
9/12/2022	CN	Inflation Rate (NOV)	2.1% YoY	1.6% YoY
9/12/2022	MY	Retail Sales (OCT)	30.0% YoY	N/A
9/12/2022	US	Michigan Consumer Sentiment Preliminary (DEC)	56.8	56.8
9/12/2022	US	Wholesale Inventories (OCT)	0.6% MoM	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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