

# Ringgit Weekly Outlook

Downside bias ahead of FOMC meeting but likely to be limited

## Fundamental Overview

- Since Friday last week, the ringgit has been trading below the 4.40 threshold against the USD, mainly due to the downward correction in the USD index (DXY) below the 105.0 level amid Fed's less hawkish expectation and the continued strengthening of the yuan below the 7.00/USD level amid China's reopening optimism. On top of that, the local note was also buoyed by the increasing MY-US 10-year government bond yield premium.
- Even though the Fed is widely expected to reduce its pace of tightening (from 75 basis point (bps) to 50 bps) during its FOMC meeting next week, the ringgit may face depreciation pressure against the USD, mainly due to the increasing divergence between BNM-Fed policy rates. Looking beyond the FOMC meeting on deck, the ringgit's direction will also be mainly influenced by the ECB and BoE monetary policy decisions, in which, a bigger-than-expected rate hike may likely drag the DXY downward and benefit the local note.

## Technical Analysis

- The USDMYR pair's outlook is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.401 as the pair's RSI has pushed above 20.0 (See ST Technical table).
- Technically, should there be any USD buying interest, the ringgit is expected to reverse its bearish position and trade around the (R1) 4.408 – (R2) 4.417 level. Conversely, a breach below the (S1) 4.379 level is needed to confirm MYR extended bullish bias.

Table 1: Currency Outlook

Long Term*							
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Trend
USDMYR	4.638	4.382	4.480	4.351	4.204	4.107	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	27.458	4.401	4.408	4.417	4.379	4.359	—

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

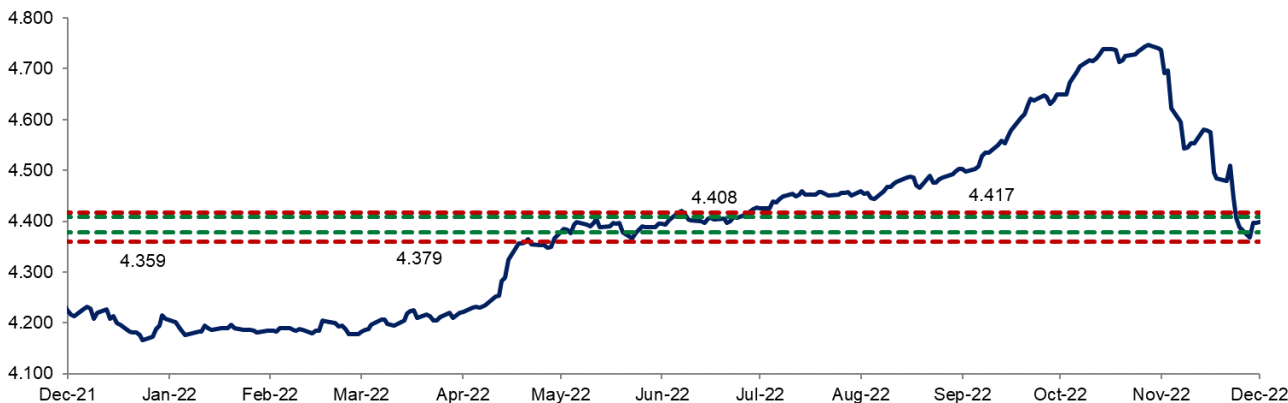
\*F=Forecasts for end of period  
Source: Kenanga Research, Bloomberg

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.

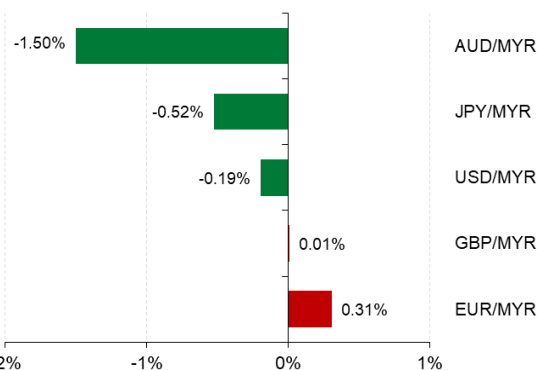
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



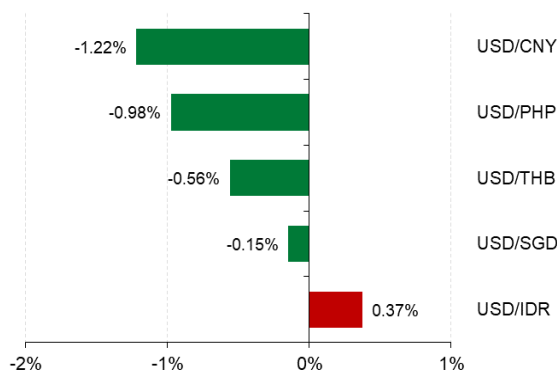
Source: Kenanga Research, Bloomberg

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	08/12/21 Last Year	08/11/22 Last Month	01/12/22 Last Week	08/12/22 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.173	4.225	4.736	4.407	4.398	5.40%	4.09%	-7.14%	-0.19%
AUDMYR	3.028	3.014	3.069	2.999	2.954	-2.43%	-1.99%	-3.76%	-1.50%
GBPMYR	5.642	5.600	5.442	5.353	5.354	-5.12%	-4.40%	-1.62%	0.01%
EURMYR	4.738	4.769	4.737	4.601	4.616	-2.59%	-3.21%	-2.57%	0.31%
JPYMYR	3.626	3.726	3.237	3.230	3.213	-11.39%	-13.77%	-0.74%	-0.52%
SGDMYR	3.092	3.097	3.376	3.244	3.240	4.77%	4.60%	-4.05%	-0.14%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	14266	14357	15698	15563	15621	9.50%	8.80%	-0.49%	0.37%
USDTHB	33.163	33.491	37.277	34.977	34.782	4.88%	3.85%	-6.69%	-0.56%
USDSGD	1.350	1.365	1.403	1.359	1.357	0.48%	-0.56%	-3.27%	-0.15%
USDPHP	50.998	50.317	58.28	56.195	55.647	9.12%	10.59%	-4.52%	-0.98%
USDCNY	6.356	6.344	7.231	7.053	6.967	9.62%	9.82%	-3.65%	-1.22%
USDJPY	115.080	113.390	146.330	136.440	136.880	18.94%	20.72%	-6.46%	0.32%
<b>USD</b>									
EURUSD	1.136	1.129	1.000	1.042	1.051	-7.42%	-6.90%	5.18%	0.89%
GBPUSD	1.351	1.321	1.146	1.214	1.217	-9.94%	-7.91%	6.22%	0.21%
AUDUSD	0.725	0.712	0.647	0.680	0.673	-7.16%	-5.52%	4.00%	-1.00%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
12/12/2022	MY	Unemployment Rate (OCT)	3.6%	N/A
12/12/2022	MY	Industrial Production (OCT)	10.8% YoY	6.1% YoY*
13/12/2022	US	Core Inflation Rate (NOV)	6.3% YoY	6.1% YoY
14/12/2022	EA	Industrial Production (OCT)	0.9% MoM	-1.2% MoM
15/12/2022	US	Fed Interest Rate Decision	4.0%	4.5% (50 bps hike)
15/12/2022	CN	Industrial Production (NOV)	5.0% YoY	3.6% YoY
15/12/2022	UK	BoE Interest Rate Decision	3.0%	3.5% (50 bps hike)
15/12/2022	EA	ECB Interest rate Decision	2.0%	2.5% (50 bps hike)
15/12/2022	US	Retail Sales (NOV)	1.3% MoM	-0.1% MoM

Source: Kenanga Research, Trading Economics, Bloomberg  
\*KIBB

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