

Ringgit Weekly Outlook

Strengthening bias to hold on expectations of a less hawkish Fed, but technical correction likely

Fundamental Overview

- Despite lack of domestic catalysts and the narrowing of the 10-year MGS-UST yield differential (below 30 basis points (bps), the ringgit surprisingly strengthened by more than 1.0% against the USD. This was mainly due to the weakening of the USD index below the 102.0 threshold amid expectation of a less hawkish Fed due to souring US economic data. The MYR was also supported by investors' growing confidence in Malaysia's political stability and an influx of tourists amid the reopening of China.
- Even though the ringgit is expected to benefit from a potentially less hawkish Fed rate hike next week (consensus: 25 bps hike) and signs of a weakening US labour market, the shrinking MGS-UST yield premium may continue to pressure the local note. The direction of the local note will also be influenced by the outcome of the ECB and BoE monetary policy meetings, coupled with the performance of China PMI. That being said, the ringgit is seen to trade around the 4.22 – 4.27 level with an upside bias.

Technical Analysis

- The USDMYR pair's outlook is bullish for the week ahead, with the pair likely to hover around its 5-day EMA of 4.263 as the pair's RSI is in an extremely oversold position (See ST Technical table).
- Technical-wise, the pair may move towards the (R1) 4.272 level and potentially test the (R2) 4.298, which indicates an upside pattern for the USD. Nonetheless, a rally towards the (S1) 4.233 level will reaffirm ringgit's strength.

Table 1: Currency Outlook

Long Term*							
	Q4-22	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Trend
USDMYR	4.405	4.425	4.351	4.204	4.107	4.046	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	7.171	4.263	4.272	4.298	4.233	4.219	▲

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

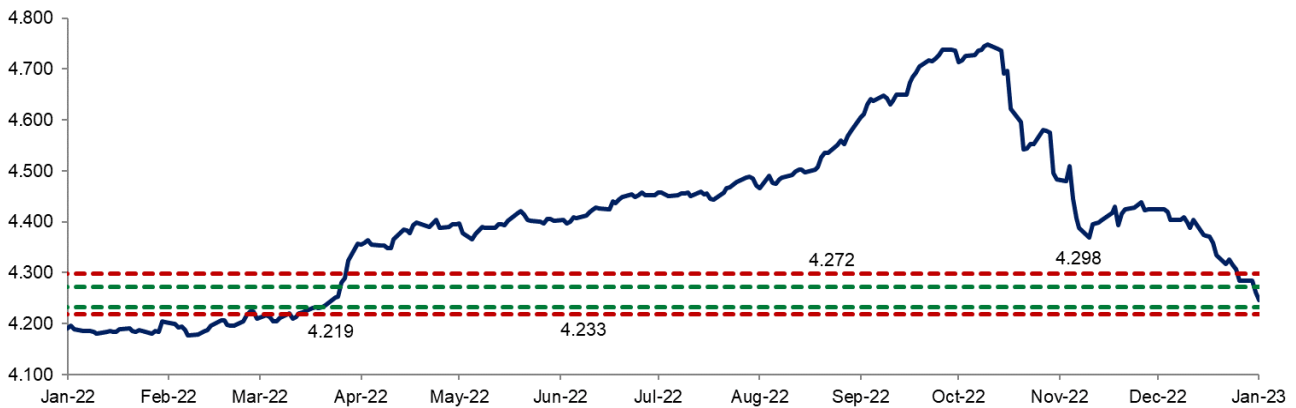
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

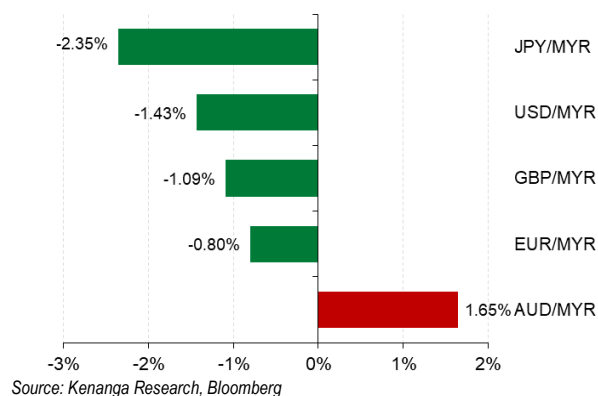
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



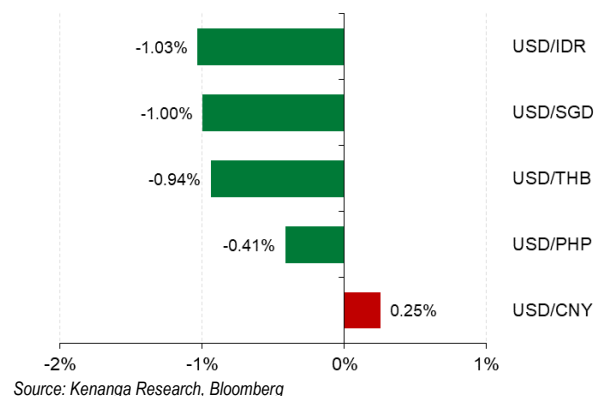
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

27 January 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	26/01/22 Last Year	26/12/22 Last Month	19/01/23 Last Week	26/01/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.190	4.424	4.308	4.246	-3.69%	1.32%	-4.04%	-1.43%
AUDMYR	2.962	3.004	2.974	2.966	3.015	1.77%	0.35%	1.36%	1.65%
GBPMYR	5.255	5.659	5.338	5.316	5.258	0.07%	-7.09%	-1.48%	-1.09%
EURMYR	4.649	4.730	4.694	4.663	4.626	-0.51%	-2.19%	-1.45%	-0.80%
JPYMYR	3.373	3.671	3.329	3.353	3.274	-2.93%	-10.80%	-1.64%	-2.35%
SGDMYR	3.280	3.117	3.277	3.250	3.235	-1.38%	3.78%	-1.28%	-0.47%
ASEAN 5 + CN + JP									
USDIDR	15601	14353	15633	15104	14948	-4.19%	4.15%	-4.38%	-1.03%
USDTHB	34.444	32.965	34.777	33.042	32.732	-4.97%	-0.71%	-5.88%	-0.94%
USDSGD	1.346	1.345	1.348	1.325	1.312	-2.58%	-2.44%	-2.68%	-1.00%
USDPHP	55.799	51.303	55.253	54.644	54.418	-2.47%	6.07%	-1.51%	-0.41%
USDCNY	6.915	6.321	6.963	6.776	6.793	-1.77%	7.46%	-2.44%	0.25%
USDJPY	130.690	114.160	133.160	128.510	129.680	-0.77%	13.59%	-2.61%	0.91%
USD									
EURUSD	1.053	1.128	1.063	1.083	1.091	3.57%	-3.32%	2.65%	0.72%
GBPUSD	1.191	1.351	1.208	1.234	1.240	4.08%	-8.27%	2.65%	0.47%
AUDUSD	0.670	0.718	0.672	0.689	0.712	6.16%	-0.82%	5.88%	3.32%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
1/2/2023	MY	S&P Global Manufacturing PMI (JAN)	47.8	N/A
1/2/2023	CN	Caixin Manufacturing PMI (JAN)	49.0	49.5
1/2/2023	US	ADP Employment Change (JAN)	235.0k	160.0k
1/2/2023	US	ISM Manufacturing PMI (JAN)	48.4	48.1
2/2/2023	US	Fed Interest Rate Decision	4.50%	4.75% (25 bps hike)
2/2/2023	UK	BoE Interest Rate Decision	3.50%	4.00% (50 bps hike)
2/2/2023	EA	ECB Interest Rate Decision	2.50%	3.00% (50 bps hike)
3/2/2023	US	Unemployment Rate (JAN)	3.5%	3.6%
3/2/2023	US	Non Farm Payrolls (JAN)	223.0k	175.0k

Source: Kenanga Research, Trading Economics, Bloomberg

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