

Ringgit Weekly Outlook

All eyes on US jobs and inflation data, a surprise upside may solidify hawkish Fed bets

Fundamental Overview

- The ringgit weakened above the 4.50 threshold against the greenback for the first time since November 2022, mainly due to stronger USD demand following Fed Powell's hawkish testimony that brings back the possibility of a 50 basis point (bps) rate hike. Additionally, the local note was also pressured by the depreciation of the yuan (near 7.00 per USD) due to weak Chinese data and increasing US-China tensions. Domestically, BNM's policy rate pause has also weighed on the ringgit.
- The USD index may consolidate around the 105.0 - 105.5 level ahead of the US nonfarm payrolls reading, in which any positive surprise to the current consensus of 225.0k (Jan: 517.0k) may solidify the possibility of a 50 bps rate hike at the March 22 meeting, weakening the ringgit. However, the market will continue to monitor the US core inflation trajectory which is expected to be lower at 5.5% YoY (Jan: 5.6%). If the inflation readings come in lower than expected, the ringgit may recover some of its losses.

Technical Analysis

- The technical outlook for the USDMYR pair is neutral-to-bearish, with the pair expected to hover around its 5-day EMA as its RSI is approaching an overbought level (See ST Technical table).
- MYR is expected to reverse its downtrend and trade marginally stronger against the USD if US CPI trend lower, with the pair's support level at (S1) 4.485. Conversely, a breach above (R1) 4.538 level may signal an extension of the bullish USD trend.

Table 1: Currency Outlook

Long Term*							
	Q4-22	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Trend
USDMYR	4.405	4.480	4.351	4.204	4.107	4.046	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	79.042	4.506	4.538	4.558	4.485	4.452	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

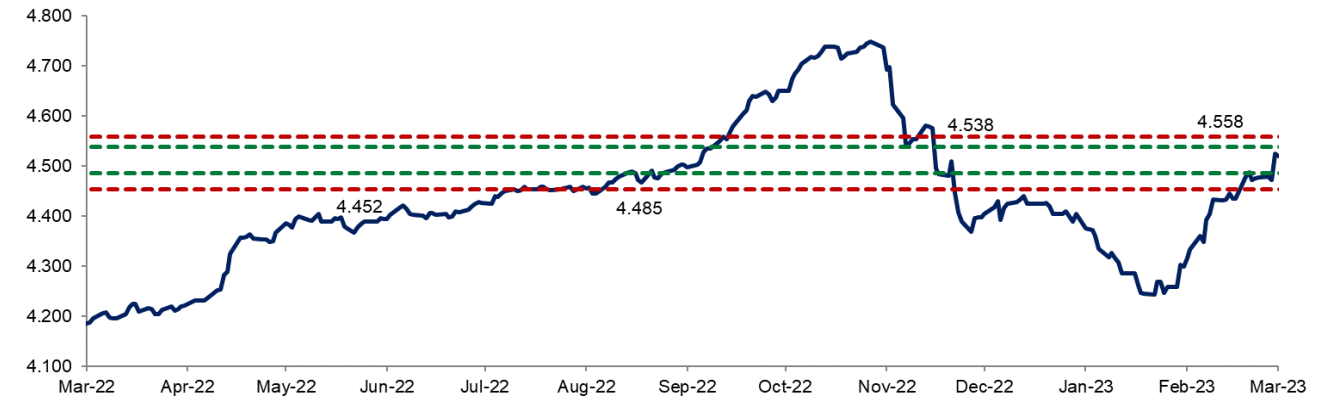
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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.

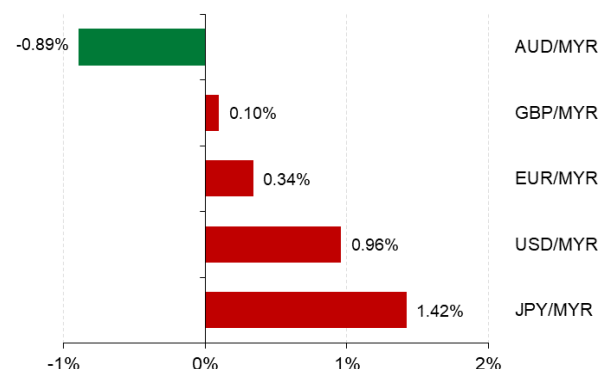
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



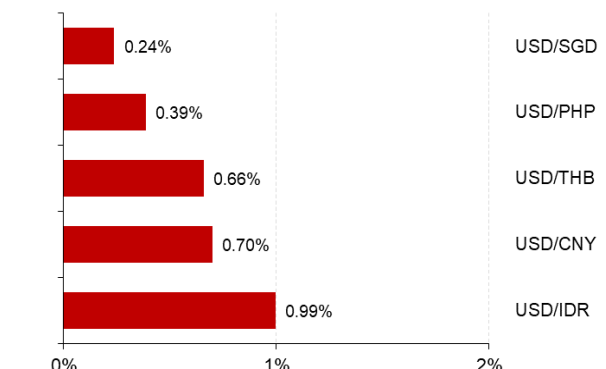
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

10 March 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	09/03/22 Last Year	09/02/23 Last Month	02/03/23 Last Week	09/03/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.186	4.316	4.476	4.519	2.50%	7.94%	4.69%	0.96%
AUDMYR	2.962	3.066	3.012	3.013	2.987	0.82%	-2.58%	-0.84%	-0.89%
GBPMYR	5.255	5.500	5.241	5.358	5.363	2.06%	-2.50%	2.34%	0.10%
EURMYR	4.649	4.592	4.646	4.755	4.771	2.61%	3.89%	2.69%	0.34%
JPYMYR	3.373	3.613	3.298	3.273	3.319	-1.59%	-8.12%	0.64%	1.42%
SGDMYR	3.280	3.073	3.265	3.323	3.342	1.87%	8.76%	2.36%	0.57%
ASEAN 5 + CN + JP									
USDIDR	15601	14342	15097	15281	15433	-1.08%	7.61%	2.23%	0.99%
USDTHB	34.444	33.048	33.453	34.834	35.063	1.80%	6.10%	4.81%	0.66%
USDSGD	1.346	1.362	1.322	1.348	1.352	0.38%	-0.76%	2.25%	0.24%
USDPHP	55.799	52.228	54.465	55.028	55.240	-1.00%	5.77%	1.42%	0.39%
USDCNY	6.915	6.318	6.786	6.917	6.965	0.72%	10.25%	2.63%	0.70%
USDJPY	130.690	115.870	130.850	136.740	136.120	4.15%	17.48%	4.03%	-0.45%
USD									
EURUSD	1.053	1.097	1.078	1.061	1.057	0.33%	-3.66%	-1.96%	-0.45%
GBPUSD	1.191	1.316	1.215	1.196	1.189	-0.18%	-9.68%	-2.16%	-0.60%
AUDUSD	0.670	0.733	0.698	0.672	0.661	-1.34%	-9.76%	-5.28%	-1.59%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
13/3/2023	MY	Industrial Production (JAN)	3.0% YoY	1.5% YoY*
13/3/2023	MY	Retail Sales (JAN)	22.7% YoY	N/A
14/3/2023	US	Core Inflation (FEB)	5.6% YoY	5.5% YoY
15/3/2023	CN	Industrial Production (JAN-FEB)	1.3% YoY	2.6% YoY
15/3/2023	CN	Retail Sales (JAN-FEB)	-1.8% YoY	3.5% YoY
15/3/2023	US	PPI (FEB)	0.7% MoM	0.3% MoM
15/3/2023	US	Retail Sales (FEB)	3.0% MoM	0.2% MoM
17/3/2023	US	Industrial Production (FEB)	0.0% MoM	0.5% MoM
17/3/2023	US	Michigan Consumer Sentiment Preliminary (MAR)	67.0	67.0

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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