

# Ringgit Weekly Outlook

Any signs of the Fed pivoting away from tightening may shift bearish narrative

## Fundamental Overview

- The ringgit strengthened marginally against the greenback due to weaker USD demand following the sudden collapse of Silicon Valley Bank. This has caused the recalibration of Fed policy expectations to which the Fed is now expected to cut by at least 100 basis points (bps) by end-2023. However, the local note's upside was capped by the prevailing risk-off sentiment among investors. This sentiment is caused by rising market uncertainty amid growing concerns over the global banking crisis.
- Increasing market expectations that the Fed may only hike by 25 bps and potentially signal that it may pivot sooner rather than later may change the ongoing bearish ringgit narrative and strengthen the local note. However, recent decision by the European Central Bank to hike by another 50 bps and hotter-than-expected US core inflation on a MoM basis have complicated the outlook. Despite these uncertainties, the ringgit may still appreciate below the 4.50 to the USD threshold due to favourable domestic factors.

## Technical Analysis

- The USDMYR pair outlook is neutral-to-bearish and it is expected to trade near its 5-day EMA of 4.498 as its RSI reading is approaching an overbought position (See ST Technical table).
- Technical-wise, the pair may move towards (S1) 4.490 and test (S2) 4.478, which indicates an upside pattern for the local note. Conversely, if the Fed remains relatively hawkish, the pair may test (R1) 4.509 and attempt to move higher to test (R2) 4.516.

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	62.877	4.498	4.509	4.516	4.490	4.478	▼

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

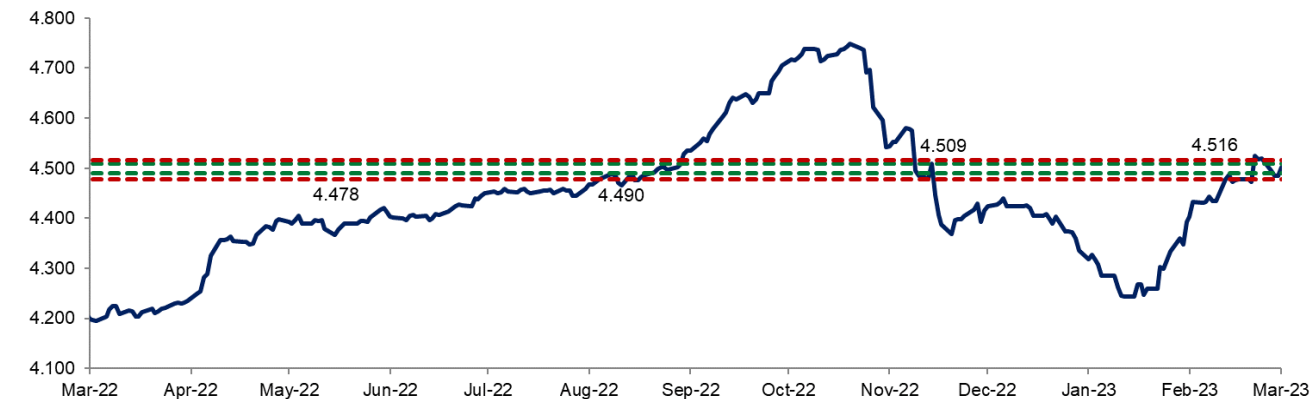
\*F=Forecasts for end of period  
Source: Kenanga Research, Bloomberg

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.

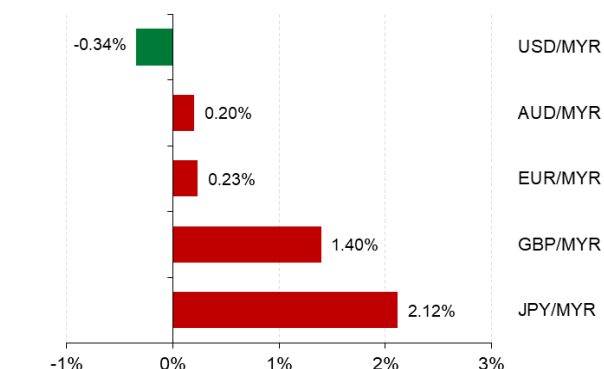
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



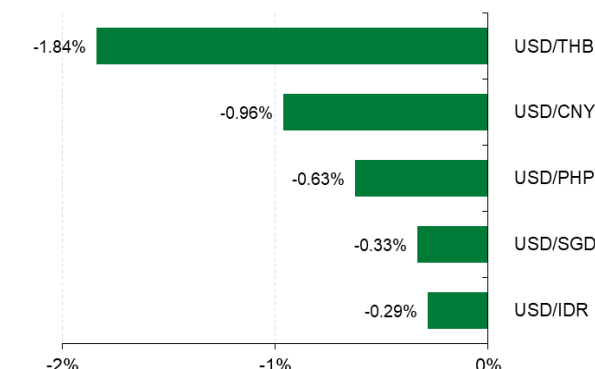
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

17 March 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	16/03/22 Last Year	16/02/23 Last Month	09/03/23 Last Week	16/03/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.409	4.198	4.404	4.519	4.503	2.14%	7.27%	2.25%	-0.34%
AUDMYR	2.962	3.035	3.047	2.987	2.993	1.02%	-1.40%	-1.79%	0.20%
GBPMYR	5.255	5.482	5.309	5.363	5.438	3.49%	-0.80%	2.43%	1.40%
EURMYR	4.649	4.612	4.713	4.771	4.782	2.85%	3.68%	1.47%	0.23%
JPYMYR	3.373	3.549	3.288	3.319	3.390	0.49%	-4.49%	3.09%	2.12%
SGDMYR	3.280	3.084	3.301	3.342	3.342	1.89%	8.40%	1.26%	0.02%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15601	14312	15159	15433	15389	-1.36%	7.53%	1.52%	-0.29%
USDTHB	34.444	33.347	34.341	35.063	34.417	-0.08%	3.21%	0.22%	-1.84%
USDSGD	1.346	1.360	1.334	1.352	1.347	0.04%	-0.98%	0.99%	-0.33%
USDPHP	55.799	52.321	55.097	55.24	54.894	-1.62%	4.92%	-0.37%	-0.63%
USDCNY	6.915	6.353	6.858	6.965	6.898	-0.25%	8.58%	0.59%	-0.96%
USDJPY	130.690	118.310	133.940	136.120	132.850	1.65%	12.29%	-0.81%	-2.40%
<b>USD</b>									
EURUSD	1.053	1.100	1.071	1.057	1.062	0.81%	-3.48%	-0.84%	0.47%
GBPUSD	1.191	1.306	1.206	1.189	1.205	1.18%	-7.72%	-0.04%	1.36%
AUDUSD	0.670	0.724	0.692	0.661	0.665	-0.84%	-8.21%	-3.89%	0.51%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
20/3/2023	CN	Loan Prime Rate 1Y	3.65%	3.65% (status quo)
20/3/2023	MY	Exports (FEB)	1.6% YoY	14.3% YoY*
23/3/2023	US	Fed Interest Rate Decision	4.75%	5.00% (25 bps hike)
23/3/2023	UK	BoE Interest Rate Decision	4.00%	4.25% (25 bps hike)
23/3/2023	US	Initial Jobless Claims (MAR/18)	192.0k	N/A
23/3/2023	US	New Home Sales (FEB)	0.670m	0.638m
24/3/2023	MY	Inflation Rate (FEB)	3.7% YoY	3.7% YoY*
24/3/2023	US	Durable Goods Orders (FEB)	-4.5% MoM	N/A
24/3/2023	US	S&P Global Manufacturing PMI Flash (MAR)	47.3	N/A

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

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