Ringgit Weekly Outlook

A cautionary trade sentiment to dominate due to lack of catalysts

Fundamental Overview

- The ringgit has continued to weaken above the 4.44 level against the USD due to the market solid expectation of another 25 basis points (bps) rate hike by the Fed in May, following hawkish remarks made by Fed's Waller last Friday. Additionally, the local note was also pressured by the narrowing of the 10-year MY-US bond yield premium, which fell below 30 bps. However, the losses were partially offset by China's stronger-than-expected 1Q23 GDP reading of 4.5% YoY (consensus: 4.0%).
- Due to the lack of domestic catalysts, the ringgit is expected to be influenced by the trajectory of the USD index (DXY) and trade between 4.42 - 4.45 next week. The DXY may consolidate around the 102.0 level as investors digest more US corporate earnings reports. On the macro front, the market to closely monitor the US 1Q23 GDP growth rate. A weaker-than-expected reading may raise recessionary concerns and impact risk sentiment. No reaction is expected from Malaysia's March CPI reading today (KIBB & consensus: 3.6% YoY; Feb: 3.7%).

Technical Analysis

- The USDMYR is expected to turn neutral-to-bearish next week, with the pair likely to hover around its 5-day EMA of 4.434 as its RSI reading is nearing overbought level (See ST Technical table).
- Technical-wise, MYR is expected to reverse its losses, with the pair's immediate support awaits at (S1) 4.429, followed by (S2) 4.416. Conversely, a break above the (R1) 4.447 level is needed to confirm USD extended bullish bias.

Table 1: Currency Outlook

Long Term*							
	Q1-23	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Q2-24F	Trend
USDMYR	4.415	4.351	4.204	4.107	4.046	4.022	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	68.682	4.434	4.447	4.453	4.429	4.416	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

**F=Forecasts for end of period*

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

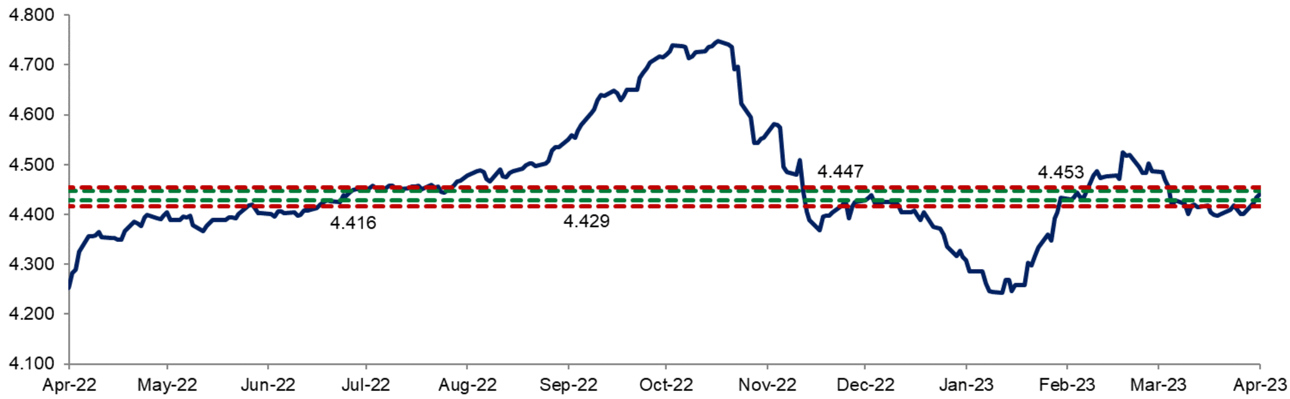
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

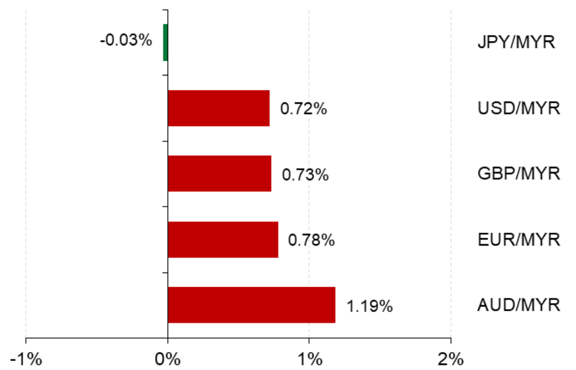
$$EMA = (P \times \alpha) + [Previous\ EMA\ \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



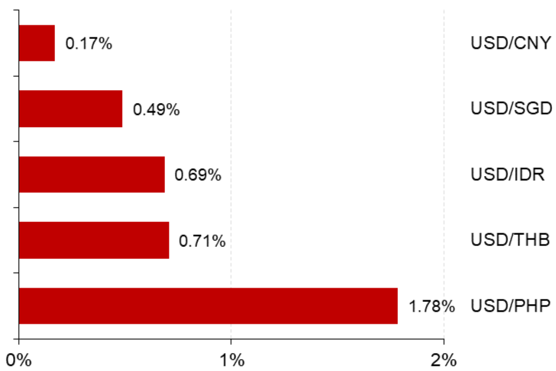
Source: Kenanga Research, Bloomberg

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	03/01/23 YTD	19/04/22 Last Year	17/03/23 Last Month	12/04/23 Last Week	19/04/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.254	4.487	4.409	4.441	0.74%	4.40%	-1.01%	0.72%
AUDMYR	2.962	3.137	3.009	2.940	2.975	0.42%	-5.16%	-1.13%	1.19%
GBPMYR	5.255	5.531	5.442	5.474	5.514	4.93%	-0.31%	1.32%	0.73%
EURMYR	4.649	4.593	4.777	4.818	4.855	4.42%	5.70%	1.64%	0.78%
JPYMYR	3.373	3.314	3.402	3.297	3.296	-2.29%	-0.54%	-3.13%	-0.03%
SGDMYR	3.280	3.119	3.341	3.312	3.322	1.26%	6.49%	-0.57%	0.28%
ASEAN 5 + CN + JP									
USDIDR	15601	14340	15345	14880	14982	-3.97%	4.48%	-2.37%	0.69%
USDTHB	34.444	33.748	34.069	34.249	34.491	0.14%	2.20%	1.24%	0.71%
USDSGD	1.346	1.367	1.342	1.331	1.337	-0.69%	-2.17%	-0.39%	0.49%
USDPHP	55.799	52.461	54.726	55.235	56.220	0.75%	7.17%	2.73%	1.78%
USDCNY	6.915	6.394	6.887	6.873	6.885	-0.44%	7.68%	-0.03%	0.17%
USDJPY	130.690	128.340	131.850	133.730	134.830	3.17%	5.06%	2.26%	0.82%
USD									
EURUSD	1.053	1.079	1.067	1.093	1.093	3.83%	1.30%	2.47%	0.08%
GBPUSD	1.191	1.303	1.217	1.241	1.242	4.25%	-4.72%	1.99%	0.06%
AUDUSD	0.670	0.737	0.670	0.667	0.670	-0.04%	-9.03%	0.06%	0.45%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
25/4/2023	US	CB Consumer Confidence (APR)	104.2	104.1
25/4/2023	US	New Home Sales (MAR)	0.640m	0.630m
26/4/2023	US	Durable Goods Orders (MAR)	-1.0% MoM	1.0% MoM
27/4/2023	US	GDP Growth Rate Advance (Q1)	2.6% QoQ	2.0% QoQ
27/4/2023	US	Pending Home Sales (MAR)	0.8% MoM	1.0% MoM
28/4/2023	JP	BoJ Interest Rate Decision	-0.1%	-0.1% (status quo)
28/4/2023	US	Core PCE Price Index (MAR)	0.3% MoM	0.4% MoM
28/4/2023	US	Personal Income (MAR)	0.3% MoM	0.3% MoM
28/4/2023	US	Personal Spending (MAR)	0.2% MoM	-0.1% MoM

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

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