

Ringgit Weekly Outlook

May extend bullish momentum, but gains likely to be limited amid US banking concerns

Fundamental Overview

- Despite the stronger-than-expected ADP employment reading in the US and the Fed's 25 basis points (bps) rate hike, all risk-on currencies, including the ringgit, strengthened against the USD. This was mainly due to the decline in US pay growth to 13.2% YoY (Mar: 14.2%) and the Fed's subtle hint of a possible pause in its May meeting. Additionally, the local note received a boost from the Bank Negara Malaysia's surprise 25 bps rate hike.
- The ringgit is expected to strengthen further against the USD as the market anticipates a deceleration in today's US Non-Farm Payrolls reading (consensus: 185.0k; Mar: 236.0k). Furthermore, an expected slowdown in the US core inflation reading, coupled with a potentially better-than-expected Malaysia's 1Q23 GDP reading next week, may provide additional support for the local note. However, rising concerns over the US banking sector, as indicated by falling US Treasury rates, could lead to a potential return of a risk-off environment, which may support the USD index to trade above the 101.0 level and limit the ringgit's gains.

Technical Analysis

- The USDMYR pair's outlook is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.446 as the pair's RSI is in the middle of the range (See ST Technical table).
- Technically, a sustained move below (S1) 4.427 will signal the presence of sellers for the greenback and potentially set in motion a move towards (S2) 4.417, while a sustained move above the (R1) 4.455 level may suggest a return of risk-off in the FX market.

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	37.923	4.446	4.455	4.473	4.427	4.417	▼

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.

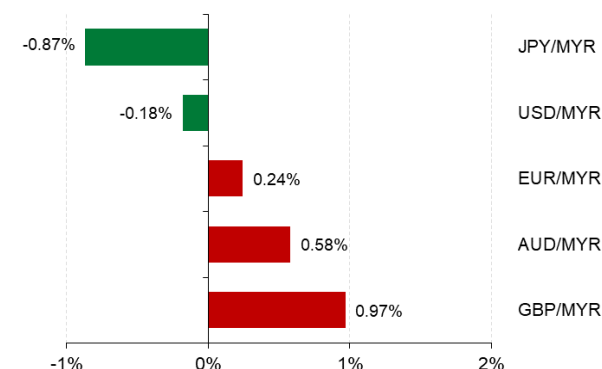
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



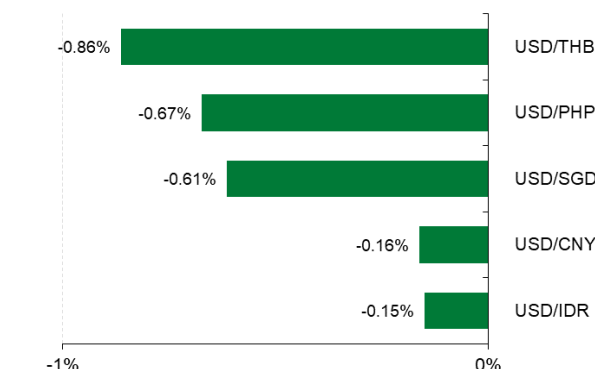
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

05 May 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	04/05/22 Last Year	04/04/23 Last Month	27/04/23 Last Week	04/05/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.349	4.404	4.463	4.455	1.06%	2.45%	1.16%	-0.18%
AUDMYR	2.962	3.096	2.976	2.950	2.967	0.16%	-4.16%	-0.29%	0.58%
GBPMYR	5.255	5.440	5.511	5.554	5.608	6.73%	3.10%	1.76%	0.97%
EURMYR	4.649	4.585	4.815	4.927	4.939	6.22%	7.71%	2.56%	0.24%
JPYMYR	3.373	3.348	3.314	3.342	3.313	-1.79%	-1.05%	-0.03%	-0.87%
SGDMYR	3.280	3.144	3.322	3.340	3.357	2.32%	6.77%	1.05%	0.49%
ASEAN 5 + CN + JP									
USDIDR	15601	14457	14899	14707	14685	-5.87%	1.58%	-1.44%	-0.15%
USDTHB	34.444	34.337	34.223	34.11	33.816	-1.82%	-1.52%	-1.19%	-0.86%
USDSGD	1.346	1.383	1.326	1.336	1.327	-1.41%	-3.99%	0.11%	-0.61%
USDPHP	55.799	52.495	54.499	55.735	55.360	-0.79%	5.46%	1.58%	-0.67%
USDCNY	6.915	6.609	6.879	6.923	6.911	-0.05%	4.58%	0.47%	-0.16%
USDJPY	130.690	129.970	132.920	133.590	134.490	2.91%	3.48%	1.18%	0.67%
USD									
EURUSD	1.053	1.053	1.092	1.105	1.106	5.03%	5.04%	1.28%	0.14%
GBPUSD	1.191	1.252	1.250	1.247	1.257	5.55%	0.40%	0.53%	0.83%
AUDUSD	0.670	0.713	0.676	0.662	0.667	-0.46%	-6.38%	-1.24%	0.82%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
9/5/2023	CN	Balance of Trade (APR)	USD88.19b	USD74.30b
9/5/2023	MY	Industrial Production (MAR)	3.6% YoY	N/A
10/5/2023	MY	Retail Sales (MAR)	19.2% YoY	N/A
10/5/2023	US	Core Inflation Rate (APR)	0.4% MoM	0.3% MoM
11/5/2023	CN	Inflation Rate (APR)	0.7% YoY	0.3% YoY
11/5/2023	MY	Unemployment Rate (MAR)	3.5%	N/A
11/5/2023	US	PPI (APR)	-0.5% MoM	0.3% MoM
12/5/2023	MY	GDP Growth Rate (Q1)	7.0% YoY	5.1% YoY*
12/5/2023	US	Michigan Consumer Sentiment Preliminary (MAY)	63.5	63.0

Source: Kenanga Research, Trading Economics, Bloomberg

*KIBB

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