

Ringgit Weekly Outlook

All eyes on US debt ceiling talks, Fed Chair's Powell speech and US-China relations

Fundamental Overview

- The ringgit extended its losses against the greenback as the USD index (DXY) soared above the 103.0 level amid US debt ceiling impasse. The DXY was also supported by upbeat US economic data and hawkish comments from a slew of Fed officials. Looking beyond the strong USD trend, the local note was also pressured by the depreciation of the yuan, which was mainly due to China's floundering post-pandemic recovery. This was evidenced by China's weaker-than-expected industrial production and retail sales data.
- Despite some optimism regarding the progress of the US debt ceiling talks, the ringgit is expected to trade in the range of 4.50 - 4.60 as investors continue to steer clear of risk-sensitive assets. Moreover, a potentially hawkish statement by Fed Chair Powell today, could solidify the Fed's higher-for-longer narrative, boosting demand for the USD. Additionally, a potential escalation of US-China tensions, triggered by the recent US-Taiwan "21st Century" trade deal, may also contribute to the strengthening of the safe-haven USD, consequently weakening the ringgit.

Technical Analysis

- The USDMYR outlook is bearish for next week, with the pair likely to trade near its 5-day EMA of 4.520 as its RSI is in an extremely overbought position above 90.0 (See ST Technical table).
- Despite unfavourable fundamentals, the ringgit may experience some technical correction due to USD overbought position, with the pair projected to test (S1) 4.511 level. Inversely, a sustained break above the (R1) 4.552 level may signal USD's bullish continuation.

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	90.495	4.520	4.552	4.565	4.511	4.484	▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

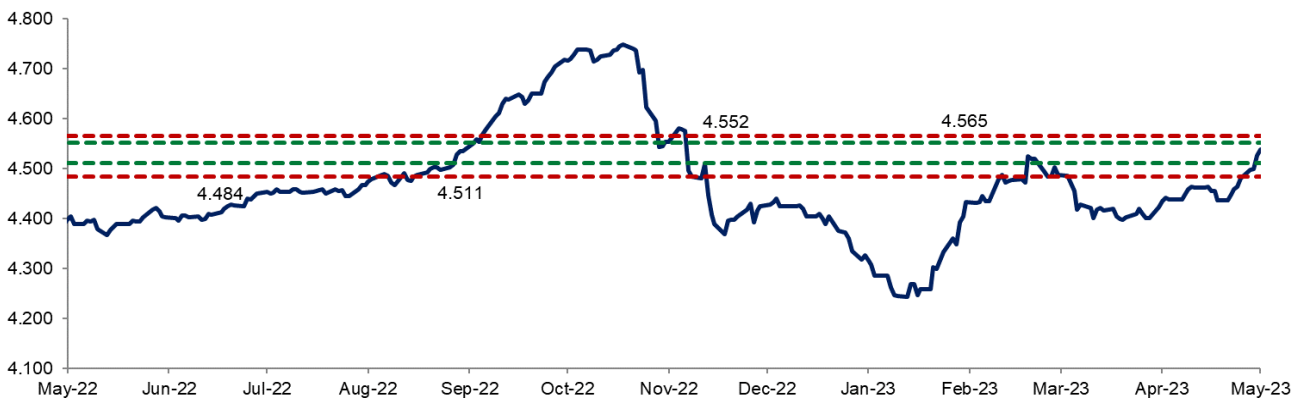
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

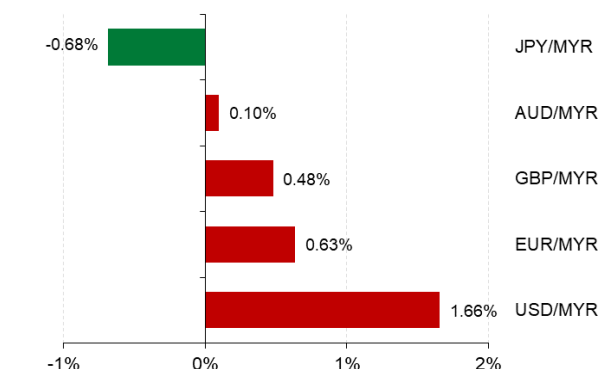
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



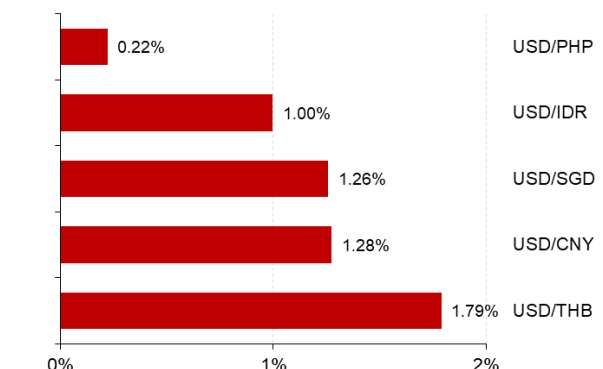
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

19 May 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	18/05/22 Last Year	18/04/23 Last Month	11/05/23 Last Week	18/05/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.397	4.434	4.464	4.538	2.94%	3.21%	2.35%	1.66%
AUDMYR	2.962	3.088	2.988	3.008	3.011	1.65%	-2.50%	0.79%	0.10%
GBPMYR	5.255	5.441	5.513	5.620	5.646	7.45%	3.78%	2.42%	0.48%
EURMYR	4.649	4.627	4.866	4.878	4.909	5.58%	6.09%	0.88%	0.63%
JPYMYR	3.373	3.404	3.307	3.318	3.295	-2.31%	-3.20%	-0.35%	-0.68%
SGDMYR	3.280	3.170	3.328	3.361	3.373	2.84%	6.43%	1.36%	0.37%
ASEAN 5 + CN + JP									
USDIDR	15601	14689	14843	14722	14869	-4.69%	1.23%	0.18%	1.00%
USDTHB	34.444	34.61	34.292	33.732	34.336	-0.31%	-0.79%	0.13%	1.79%
USDSGD	1.346	1.387	1.332	1.328	1.345	-0.10%	-3.03%	0.98%	1.26%
USDPHP	55.799	52.455	56.14	55.762	55.886	0.16%	6.54%	-0.45%	0.22%
USDCNY	6.915	6.754	6.876	6.949	7.038	1.77%	4.19%	2.35%	1.28%
USDJPY	130.690	129.160	134.090	134.540	137.740	5.39%	6.64%	2.72%	2.38%
USD									
EURUSD	1.053	1.052	1.098	1.092	1.082	2.70%	2.81%	-1.48%	-0.99%
GBPUSD	1.191	1.240	1.244	1.257	1.243	4.40%	0.28%	-0.04%	-1.12%
AUDUSD	0.670	0.702	0.674	0.674	0.664	-0.89%	-5.32%	-1.44%	-1.38%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
22/5/2023	CN	Loan Prime Rate (1Y)	3.65%	3.65% (status quo)
23/5/2023	US	New Home Sales (APR)	0.683m	0.660m
25/5/2023	US	FOMC Minutes	N/A	N/A
25/5/2023	US	GDP Growth Rate 2 nd Estimate (Q1)	2.6% QoQ	1.1% QoQ
25/5/2023	US	Initial Jobless Claims (MAY/20)	242.0k	N/A
26/5/2023	MY	Inflation Rate (APR)	3.4% YoY	3.3% YoY*
26/5/2023	US	Personal Spending (APR)	0.0% MoM	0.4% MoM
26/5/2023	US	Core PCE Price Index (APR)	0.3% MoM	0.3% MoM
26/5/2023	US	Durable Goods Orders (APR)	3.2% MoM	-1.0% MoM

Source: Kenanga Research, Trading Economics, Bloomberg
*K/BB

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