

Ringgit Weekly Outlook

To trade on a cautious note amid US debt ceiling crisis and Fed rate expectations

Fundamental Overview

- For the first time since November 2022, the ringgit depreciated above the 4.60 psychological threshold against the USD, primarily due to a sharp increase in the USD index above the 104.0 level amid the ongoing US debt limit stalemate. Furthermore, the local note has come under pressure as the differential between MY-US 10-year government bond yields turned negative for the first time since the US banking crisis in March, partly as a result of Fitch putting the US sovereign credit on a negative watch.
- There are a lot of uncertainties that may influence the trajectory of the ringgit next week. The ringgit stands to gain significantly if President Biden and House Speaker McCarthy reached some kind of agreement on the debt ceiling issue. That being said, the market may also keep an eye on US job reports, in which a better-than-expected reading may prompt an upward readjustment of the Fed's monetary policy outlook, benefiting the USD. Additionally, the ringgit could face pressure from the ongoing weakness of the yuan due to waning optimism over China's economic recovery.

Technical Analysis

- The USDMYR outlook remained bearish for next week, with the pair likely to trade near its 5-day EMA of 4.597 as its RSI is in an extremely overbought position above 95.0 (See ST Technical table).
- Hence, the pair may trade below the 4.600-level, hovering around the (S1) 4.575 level, contingent on whether a debt deal is reached. However, the USD may extend gains and trade between (R1) 4.652 – (R2) 4.678 if UST yields continue to tick higher.

Table 1: Currency Outlook

Long Term*						
	Q1-23	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Q2-24F
USDMYR	4.415	4.416	4.246	4.107	4.046	4.022
						▲
Short Term (Technical)						
	RSI (7)	EMA (5)	R1	R2	S1	S2
USDMYR	96.823	4.597	4.652	4.678	4.575	4.523
						▼

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

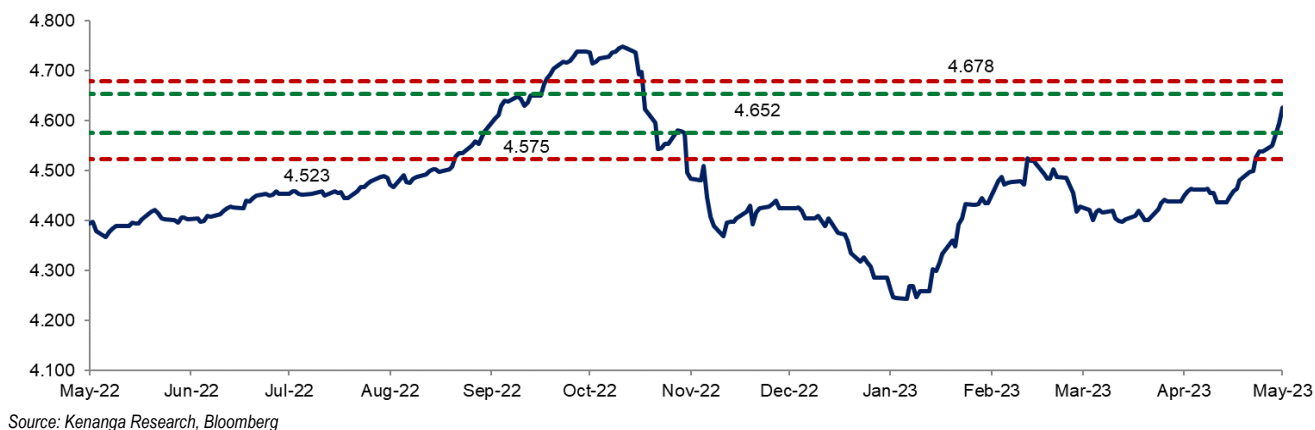
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

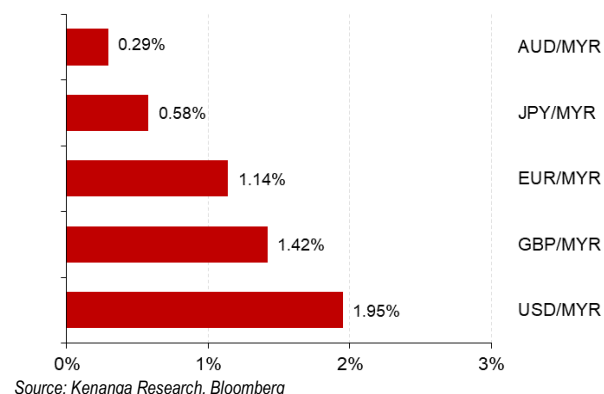
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

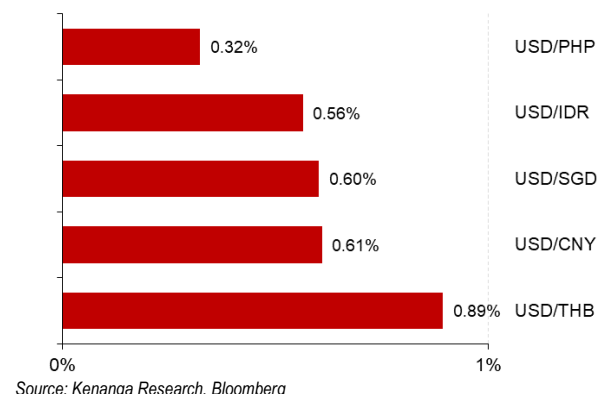
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



26 May 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	25/05/22 Last Year	25/04/23 Last Month	18/05/23 Last Week	25/05/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.395	4.450	4.538	4.627	4.94%	5.28%	3.97%	1.95%
AUDMYR	2.962	3.111	2.967	3.011	3.020	1.95%	-2.91%	1.80%	0.29%
GBPMYR	5.255	5.502	5.549	5.646	5.727	8.98%	4.09%	3.19%	1.42%
EURMYR	4.649	4.691	4.909	4.909	4.965	6.79%	5.83%	1.15%	1.14%
JPYMYR	3.373	3.456	3.319	3.295	3.314	-1.75%	-4.10%	-0.14%	0.58%
SGDMYR	3.280	3.194	3.331	3.373	3.422	4.30%	7.13%	2.71%	1.43%
ASEAN 5 + CN + JP									
USDIDR	15601	14618	14939	14869	14953	-4.15%	2.29%	0.09%	0.56%
USDTHB	34.444	34.276	34.43	34.336	34.643	0.58%	1.07%	0.62%	0.89%
USDSGD	1.346	1.376	1.336	1.345	1.353	0.51%	-1.67%	1.26%	0.60%
USDPHP	55.799	52.356	55.536	55.886	56.067	0.48%	7.09%	0.96%	0.32%
USDCNY	6.915	6.693	6.933	7.038	7.080	2.39%	5.79%	2.13%	0.61%
USDJPY	130.690	127.150	134.100	137.740	139.590	6.81%	9.78%	4.09%	1.34%
USD									
EURUSD	1.053	1.067	1.102	1.082	1.072	1.82%	0.53%	-2.70%	-0.85%
GBPUSD	1.191	1.249	1.246	1.243	1.236	3.76%	-1.05%	-0.79%	-0.61%
AUDUSD	0.670	0.706	0.666	0.664	0.653	-2.64%	-7.58%	-2.01%	-1.76%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
30/5/2023	US	S&P/Case-Shiller Home Price (MAR)	0.2% MoM	N/A
31/5/2023	US	JOLTs Job Openings (APR)	9.59m	N/A
1/6/2023	MY	S&P Global Manufacturing PMI (MAY)	48.8	N/A
1/6/2023	CN	Caixin Manufacturing PMI (MAY)	49.5	N/A
1/6/2023	EA	Inflation Rate Flash (MAY)	7.0% YoY	6.4% YoY
1/6/2023	US	ADP Employment Change (MAY)	296.0k	N/A
1/6/2023	US	ISM Manufacturing PMI (MAY)	47.1	47.0
2/6/2023	US	Unemployment Rate (MAY)	3.4%	3.5%
2/6/2023	US	Non Farm Payrolls (MAY)	253.0k	180.0k

Source: Kenanga Research, Trading Economics, Bloomberg

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