

Ringgit Weekly Outlook

May strengthen toward 4.70 if US jobs report falls below expectations

Fundamental Overview

- The USD index (DXY) fell marginally, nearing the 106.0 level, despite the Fed's hawkish hold. This can be attributed to a rally in the US bond market driven by issuance pressure, pushing the 10-year US Treasury yield lower. Additionally, the market appears to focus more on the pause and the weaker-than-expected US ISM Manufacturing PMI reading rather than on the Fed's tone. BNM's decision to maintain the status quo on the policy rate also supported the local note. However, the unexpected contraction in China's PMI has limited the ringgit's appreciation.
- Since the market interpreted the Fed's pause yesterday as somewhat dovish, we will require a strong confirmation from the nonfarm payrolls reading today to indicate that the US economy is faltering for the DXY to decline toward the 105.0 level. A reading below the consensus (180.0k; Sep: 336.0k) is expected to support the appreciation of the ringgit, bringing it closer to the 4.70 mark. The ringgit's will also be influenced by domestic macroeconomic readings (i.e. IPI and retail sales) and China's economic conditions. Notably, increasing geopolitical tensions are still dampening risk-on sentiment, which is favourable for safe-haven assets.

Technical Analysis

- The USDMYR outlook turned neutral for the week ahead, with the pair likely to hover around its 5-day EMA of 4.759 as its RSI is in the middle of the range (See ST Technical table).
- The pair faces an immediate support level at (S1) 4.744, followed by (S2) 4.737. Conversely, a breach above the (R1) 4.765 level may signal a reversal of ringgit's appreciation.

Table 1: Currency Outlook

Long Term*							
	Q3-23	Q4-23F	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Trend
USDMYR	4.695	4.440	4.331	4.306	4.280	4.254	▼

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	41.404	4.759	4.765	4.779	4.744	4.737	—

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.

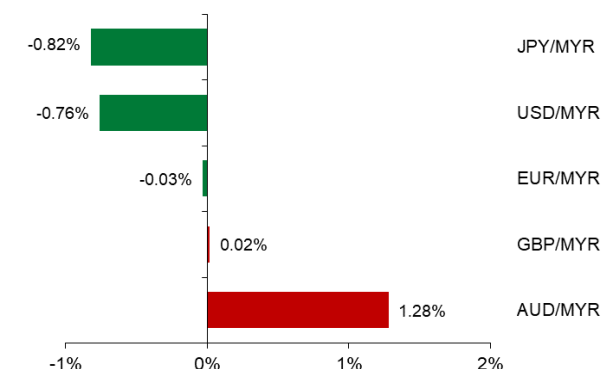
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



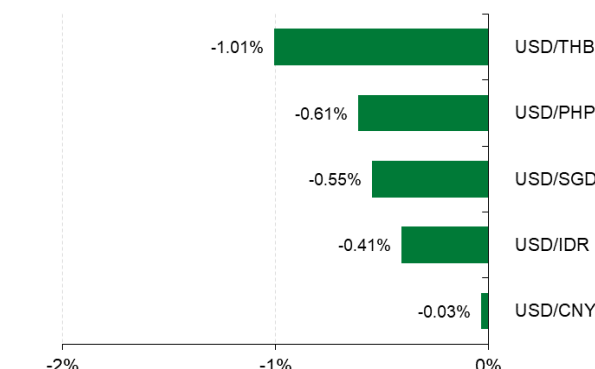
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

03 November 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	02/11/22 Last Year	02/10/23 Last Month	26/10/23 Last Week	02/11/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.738	4.717	4.787	4.751	7.76%	0.26%	0.71%	-0.76%
AUDMYR	2.962	3.045	3.018	3.022	3.060	3.31%	0.49%	1.41%	1.28%
GBPMYR	5.255	5.448	5.738	5.787	5.788	10.16%	6.25%	0.88%	0.02%
EURMYR	4.649	4.693	4.972	5.049	5.047	8.55%	7.54%	1.52%	-0.03%
JPYMYR	3.373	3.226	3.150	3.185	3.159	-6.35%	-2.07%	0.27%	-0.82%
SGDMYR	3.280	3.357	3.439	3.491	3.481	6.12%	3.71%	1.23%	-0.29%
ASEAN 5 + CN + JP									
USDIDR	15601	15647	15530	15920	15855	1.63%	1.33%	2.09%	-0.41%
USDTHB	34.444	37.568	36.959	36.271	35.906	4.24%	-4.42%	-2.85%	-1.01%
USDSGD	1.346	1.412	1.372	1.371	1.364	1.30%	-3.38%	-0.57%	-0.55%
USDPHP	55.799	58.465	56.785	56.964	56.616	1.46%	-3.16%	-0.30%	-0.61%
USDCNY	6.915	7.290	7.298	7.317	7.314	5.77%	0.33%	0.22%	-0.03%
USDJPY	130.690	146.860	149.730	150.270	150.360	15.05%	2.38%	0.42%	0.06%
USD									
EURUSD	1.053	0.990	1.054	1.054	1.064	0.99%	7.41%	0.90%	0.93%
GBPUSD	1.191	1.151	1.216	1.208	1.219	2.37%	5.94%	0.29%	0.95%
AUDUSD	0.670	0.642	0.640	0.630	0.644	-3.88%	0.33%	0.73%	2.24%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
07/11/2023	CN	Exports (OCT)	-6.2% YoY	-2.9% YoY
07/11/2023	MY	Industrial Production (SEP)	-0.3% YoY	N/A
07/11/2023	US	Balance of Trade (SEP)	-USD58.3b	-USD60.5b
08/11/2023	MY	Unemployment Rate (SEP)	3.4%	N/A
09/11/2023	CN	Inflation Rate (OCT)	0.0% YoY	-0.2% YoY
09/11/2023	MY	Retail Sales (OCT)	6.3% YoY	N/A
09/11/2023	US	Initial Jobless Claims (NOV/04)	217.0k	N/A
10/11/2023	US	Michigan Consumer Sentiment Preliminary (NOV)	63.8	63.5

Source: Kenanga Research, Trading Economics, Bloomberg

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