

# Ringgit Weekly Outlook

US potentially benign inflation and weak labour data to boost local note below 4.70/USD

## Fundamental Overview

- As anticipated, the ringgit remained relatively stable around the 4.70/USD mark this week, reflecting a mild risk-on sentiment amid low market volatility. This stability is partly due to market consensus expecting a modest 0.2% MoM increase in the core PCE reading tonight (Apr: 0.3% MoM). If this expectation is met, it may bolster prospects for a September Fed rate cut, thereby weakening the USD. The ringgit faced pressure from rising 10-year US Treasury yields, driven by strong US consumer confidence, weak debt auctions and hawkish Fed speak. Additionally, the yuan's decline to its lowest level in six months (7.25/USD), due to a lack of domestic catalysts, further weakened the ringgit.
- Despite the recent downbeat reading from China's NBS Manufacturing PMI, which is expected to weigh on the ringgit, tonight's potentially soft US core PCE release may support the ringgit trading below the 4.70/USD mark into next week. The US May job market report will be closely monitored, as further signs of weakness could prompt another dovish adjustment in the Fed fund futures market, benefiting risk assets. However, a widely anticipated 25 basis point rate cut by the European Central Bank may lend support to the USD. Nonetheless, a lack of guidance from the ECB on future moves could limit the USD's gains. Domestically, a solid PMI reading may also help the ringgit appreciate against the USD.

## Technical Analysis

- The USDMYR outlook remained neutral, with the pair expected to hover around its 5-day EMA of 4.702.
- The pair is expected to trade within the range of (S1) 4.694 – (R1) 4.708, with potential upside driven by possible weak US macro.

Table 1: Currency Outlook

Long Term*							
	Q1-24	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Trend
USDMYR	4.725	4.666	4.553	4.416	4.324	4.232	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	46.129	4.702	4.708	4.714	4.694	4.685	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

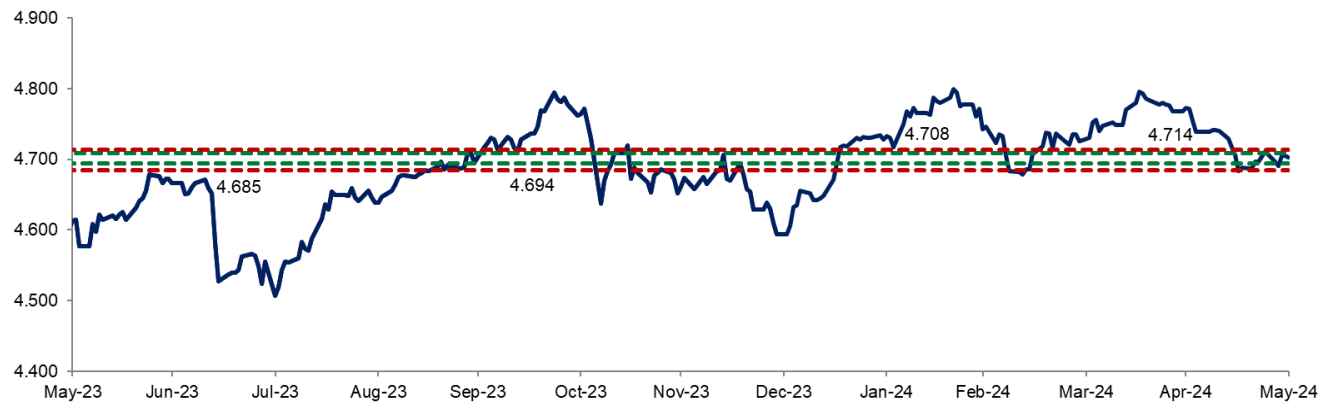
RSI (7): 7-day Relative Strength Index  
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

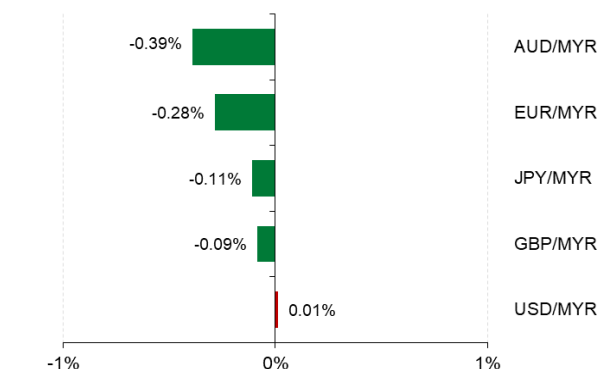
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



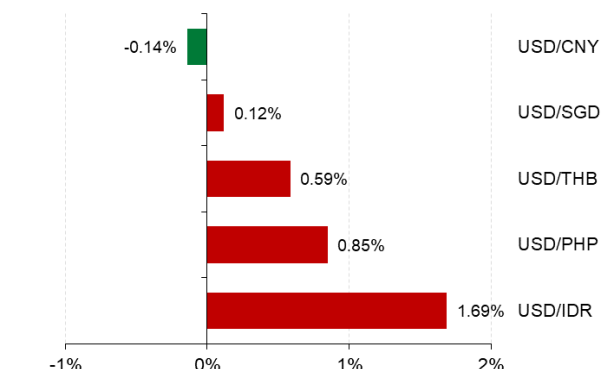
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

31 May 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	30/05/23 Last Year	30/04/24 Last Month	23/05/24 Last Week	30/05/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
<b>MYR</b>									
USDMYR	4.606	4.603	4.773	4.704	4.705	2.14%	2.22%	-1.42%	0.01%
AUDMYR	3.142	3.012	3.117	3.123	3.111	-0.98%	3.28%	-0.21%	-0.39%
GBPMYR	5.857	5.713	5.987	5.985	5.980	2.10%	4.67%	-0.11%	-0.09%
EURMYR	5.073	4.934	5.120	5.102	5.087	0.28%	3.12%	-0.63%	-0.28%
JPYMYR	3.251	3.285	3.043	3.002	2.998	-7.77%	-8.72%	-1.48%	-0.11%
SGDMYR	3.482	3.404	3.507	3.486	3.482	-0.01%	2.27%	-0.72%	-0.13%
<b>ASEAN 5 + CN + JP</b>									
USDIDR	15470	14985	16259	15995	16265	5.14%	8.54%	0.04%	1.69%
USDTHB	34.151	34.756	37.05	36.536	36.750	7.61%	5.74%	-0.81%	0.59%
USDSGD	1.323	1.352	1.361	1.350	1.351	2.11%	-0.03%	-0.72%	0.12%
USDPHP	55.665	56.382	57.774	58.135	58.629	5.32%	3.99%	1.48%	0.85%
USDCNY	7.143	7.080	7.241	7.243	7.233	1.25%	2.16%	-0.11%	-0.14%
USDJPY	141.650	140.130	156.920	156.710	156.920	10.78%	11.98%	0.00%	0.13%
<b>USD</b>									
EURUSD	1.101	1.073	1.073	1.085	1.082	-1.73%	0.80%	0.84%	-0.25%
GBPUSD	1.270	1.243	1.254	1.273	1.271	0.14%	2.30%	1.36%	-0.09%
AUDUSD	0.682	0.654	0.653	0.664	0.662	-2.92%	1.16%	1.32%	-0.33%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
03/06/2024	CN	Caixin Manufacturing PMI (MAY)	51.4	51.6
03/06/2024	US	ISM Manufacturing PMI (MAY)	49.2	49.7
04/06/2024	MY	S&P Global Manufacturing PMI (MAY)	49.0	N/A
04/06/2024	US	JOLTs Job Openings (APR)	8.488m	8.300m
05/06/2024	US	ADP Employment Change (MAY)	192.0k	175.0k
06/06/2024	EA	ECB Interest Rate Decision	4.50%	4.25% (25 bps cut)
07/06/2024	CN	Balance of Trade (MAY)	USD72.35b	N/A
07/06/2024	US	Non Farm Payrolls (MAY)	175.0k	180.0k

Source: Kenanga Research, Trading Economics, Bloomberg

## For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)