

Ringgit Weekly Outlook

Tepid US economic data and stable China's macro may support gains

Fundamental Overview

- The ringgit weakened to above the 4.72/USD level on Monday before recovering back to below 4.71/USD on Thursday. The ringgit was initially pressured by last Friday's stronger-than-expected nonfarm payrolls reading. However, the softer-than-anticipated May CPI print (0.0% MoM; Consensus: 0.1%) helped the ringgit regain some ground. Subsequently, the USD index (DXY) rebounded to above the 105.0 level as the Fed, during the FOMC meeting, revised its inflation forecasts upward and signalled the possibility of only one rate cut this year, down from the previously expected three.
- The unexpected decline in US PPI reading (-0.2% MoM; Consensus: 0.1% MoM), combined with a sharp rise in US weekly jobless claims (242.0k; Consensus: 225.0k), further bolsters the case for the Fed to start to ease its monetary policy tightness. Next week, key economic data from China may influence the direction of the ringgit, with signs of recovery potentially benefiting the local note. Both the BoE and PBoC are expected to maintain their current policy rates. However, any dovish signals from the BoE could bolster the DXY. Additionally, further signs of weakness in the US economy and a neutral-to-dovish tone from Fed officials could help the ringgit strengthen to below the 4.70/USD level.

Technical Analysis

- The USDMYR outlook continued to remain neutral and may trade near its 5-day EMA of 4.713 as its RSI is in the middle of the range.
- Technically, a sustained move over (R1) 4.723 should signal the return of sellers for the ringgit, while a sustained dip below the (S1) 4.709 level may suggest a return of risk-on mood in the FX market.

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	58.133	4.713	4.723	4.730	4.709	4.702	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

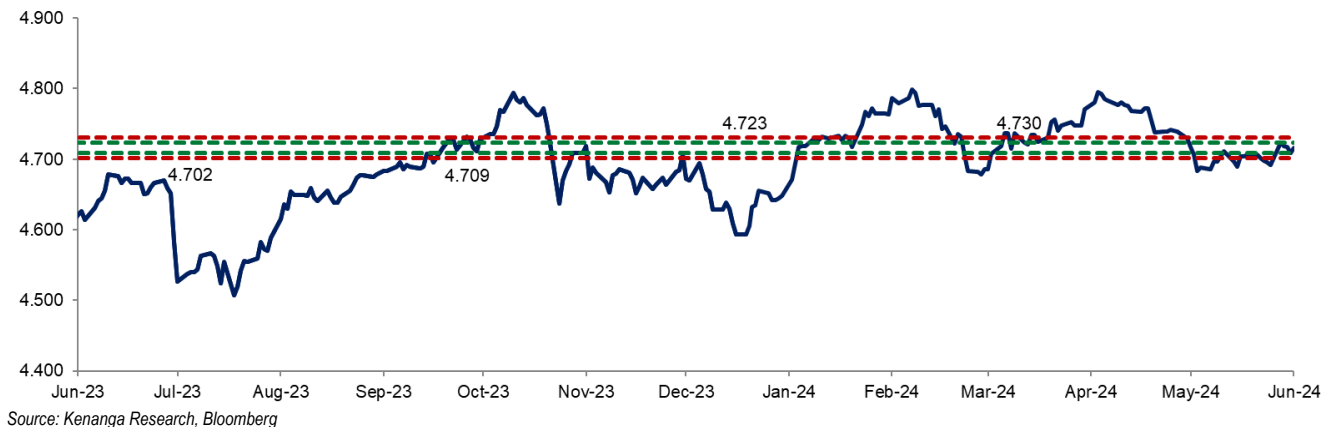
*F=Forecasts for end of period
Source: Kenanga Research, Bloomberg

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.

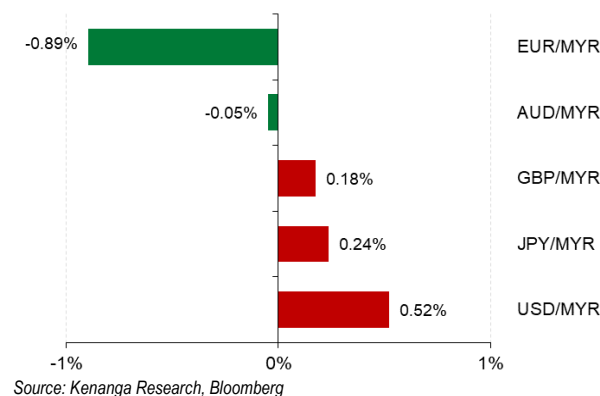
EMA (5): 5-day Exponential Moving Average
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

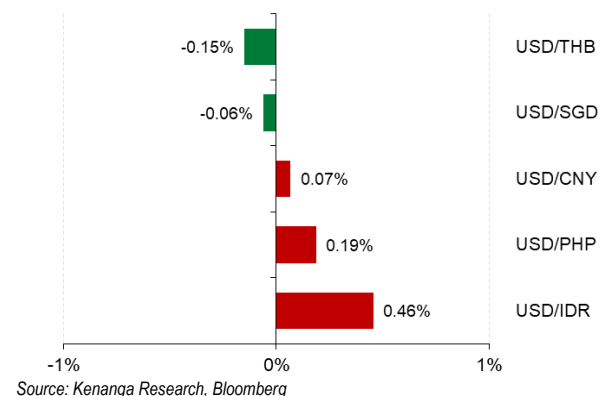
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



14 June 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	14/06/23 Last Year	14/05/24 Last Month	07/06/24 Last Week	14/06/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.622	4.718	4.692	4.717	2.40%	2.06%	-0.02%	0.52%
AUDMYR	3.142	3.138	3.119	3.126	3.124	-0.55%	-0.44%	0.18%	-0.05%
GBPMYR	5.857	5.845	5.917	6.004	6.014	2.68%	2.90%	1.64%	0.18%
EURMYR	5.073	4.993	5.091	5.110	5.065	-0.17%	1.43%	-0.53%	-0.89%
JPYMYR	3.251	3.301	3.016	2.993	3.000	-7.71%	-9.11%	-0.51%	0.24%
SGDMYR	3.482	3.445	3.486	3.489	3.490	0.24%	1.31%	0.11%	0.03%
ASEAN 5 + CNY + JPY									
USDIDR	15470	14907	16100	16196	16270	5.17%	9.14%	1.06%	0.46%
USDTHB	34.151	34.694	36.664	36.82	36.765	7.65%	5.97%	0.28%	-0.15%
USDSGD	1.323	1.342	1.353	1.352	1.351	2.13%	0.73%	-0.13%	-0.06%
USDPHP	55.665	55.946	57.84	58.52	58.630	5.33%	4.80%	1.37%	0.19%
USDCNY	7.143	7.162	7.234	7.248	7.253	1.53%	1.26%	0.26%	0.07%
USDJPY	141.650	140.010	156.430	156.750	157.260	11.02%	12.32%	0.53%	0.33%
USD									
EURUSD	1.101	1.081	1.080	1.080	1.074	-2.46%	-0.65%	-0.55%	-0.59%
GBPUSD	1.270	1.264	1.255	1.272	1.275	0.44%	0.89%	1.57%	0.25%
AUDUSD	0.682	0.679	0.661	0.658	0.662	-2.83%	-2.47%	0.18%	0.64%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
17/06/2024	CN	Industrial Production (MAY)	6.7% YoY	6.0% YoY
17/06/2024	CN	Retail Sales (MAY)	2.3% YoY	3.0% YoY
18/06/2024	US	Retail Sales (MAY)	0.0% MoM	0.3% MoM
20/06/2024	CN	Loan Prime Rate (1Y)	3.45%	3.45% (status quo)
20/06/2024	MY	Exports (MAY)	9.1% YoY	N/A
20/06/2024	UK	BoE Interest Rate Decision	5.25%	5.25% (status quo)
20/06/2024	US	Building Permits Preliminary (MAY)	1.44m	1.46m
20/06/2024	US	Initial Jobless Claims (JUN/15)	242.0k	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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