

Ringgit Weekly Outlook

Poised to test 4.65/USD amid expectations of a dovish Fed

Fundamental Overview

- As expected, the ringgit stabilised below the 4.68/USD and strengthened towards 4.66/USD level, partly due to Malaysia's robust 2Q24 advance GDP reading and as the USD index (DXY) holding steady around 104.4. The DXY's muted movement was due to a lack of pro-USD catalysts and ongoing market pricing in a September Fed rate cut. Additionally, lacklustre Big Tech earnings pressured the DXY. China's surprise 20 bps cut in the medium-term lending facility helped restore confidence in its economy, benefitting the ringgit. Domestically, stable inflation and solid growth outlook helped attract RM1.1b portfolio funds into the bond market.
- The US' better-than-expected 2Q24 GDP reading of 2.8% QoQ (Consensus: 2.0%) did little to alter market expectations of upcoming rate cuts, given the uncertain economic outlook for 2H24. Even a potentially higher-than-expected core PCE reading tonight is also unlikely to shift rate cut expectations, as key surveys continue to indicate a weakening economy and cooling inflation. Attention will now turn to next week's US job openings data ahead of the FOMC meeting. Signs of further cooling in the job market may prompt the Fed to adopt a more dovish tone, reinforcing market expectations of rate cuts and potentially boosting the ringgit to trade below 4.65/USD. However, a potential 25 bps rate cut by the Bank of England may limit USD losses.

Technical Analysis

- The USDMYR outlook remained neutral, with the pair likely to hover near the 5-day EMA of 4.668 as its RSI sits in the middle of the range.
- As the short-term bias for the pair has remained neutral, the pair is projected to trade in the range of (S2) 4.648 – (R2) 4.690 next week.

Table 1: Currency Outlook

Long Term*							
	Q2-24	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Trend
USDMYR	4.718	4.553	4.416	4.376	4.284	4.192	▼
Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	32.486	4.668	4.677	4.690	4.656	4.648	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

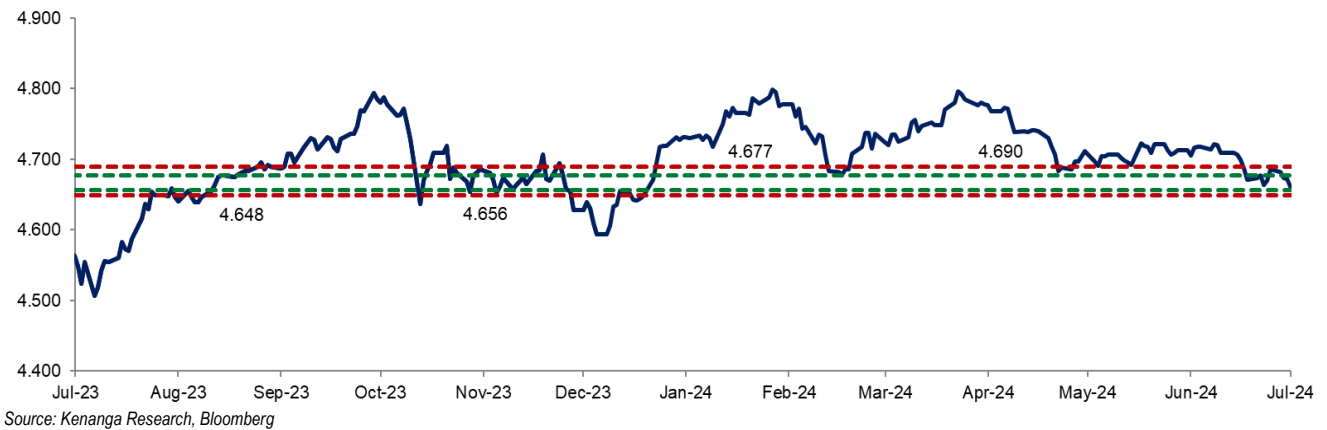
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

EMA (5): 5-day Exponential Moving Average

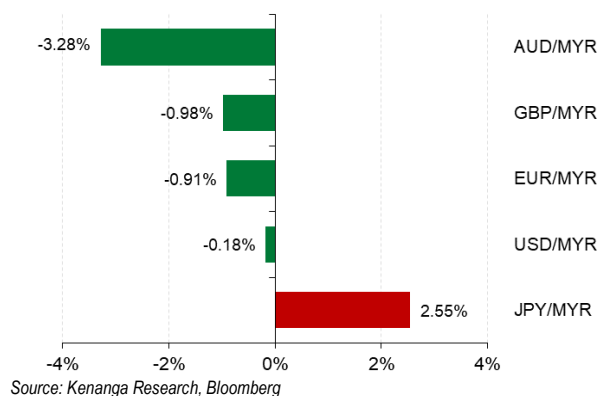
EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

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

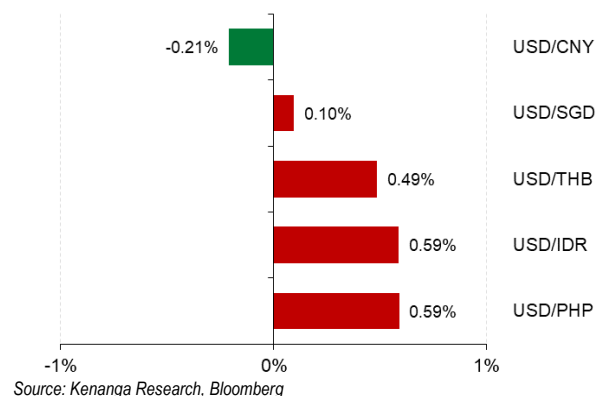
Graph 1: USDMYR Trend



Graph 2: Weekly Performance of Core Pairs



Graph 3: Weekly Regional Peers' Performance



26 July 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	25/07/23 Last Year	25/06/24 Last Month	18/07/24 Last Week	25/07/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.563	4.705	4.670	4.661	1.21%	2.15%	-0.93%	-0.18%
AUDMYR	3.142	3.087	3.134	3.145	3.042	-3.19%	-1.48%	-2.94%	-3.28%
GBPMYR	5.857	5.857	5.971	6.066	6.006	2.54%	2.55%	0.59%	-0.98%
EURMYR	5.073	5.039	5.046	5.105	5.058	-0.30%	0.38%	0.24%	-0.91%
JPYMYR	3.251	3.226	2.951	2.986	3.062	-5.81%	-5.10%	3.75%	2.55%
SGDMYR	3.482	3.434	3.478	3.482	3.473	-0.26%	1.12%	-0.15%	-0.28%
ASEAN 5 + CNY + JPY									
USDIDR	15470	14998	16375	16155	16250	5.04%	8.35%	-0.76%	0.59%
USDTHB	34.151	34.528	36.646	35.967	36.142	5.83%	4.67%	-1.38%	0.49%
USDSGD	1.323	1.329	1.353	1.341	1.342	1.42%	0.99%	-0.82%	0.10%
USDPHP	55.665	54.544	58.77	58.247	58.591	5.26%	7.42%	-0.30%	0.59%
USDCNY	7.143	7.136	7.263	7.262	7.247	1.45%	1.55%	-0.22%	-0.21%
USDJPY	141.650	141.450	159.430	156.400	152.210	7.45%	7.61%	-4.53%	-2.68%
USD									
EURUSD	1.101	1.105	1.072	1.093	1.085	-1.43%	-1.76%	1.19%	-0.75%
GBPUSD	1.270	1.284	1.269	1.299	1.288	1.42%	0.29%	1.47%	-0.89%
AUDUSD	0.682	0.676	0.666	0.674	0.652	-4.31%	-3.55%	-2.04%	-3.19%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
29/07/2024	MY	PPI (JUN)	1.4% YoY	N/A
30/07/2024	US	JOLTs Job Openings (JUN)	8.14m	N/A
30/07/2024	CN	NBS Manufacturing PMI (JUL)	49.5	N/A
31/07/2024	JP	BoJ Interest Rate Decision	0.0-0.1%	0.0-0.1% (status quo)
01/08/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
01/08/2024	UK	BoE Interest Rate Decision	5.25%	5.00% (25 bps cut)
01/08/2024	US	ISM Manufacturing PMI (JUL)	48.5	48.8
02/08/2024	US	Non Farm Payrolls (JUL)	206.0k	175.0k

Source: Kenanga Research, Trading Economics, Bloomberg

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
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 E-mail: research@kenanga.com.my