

Ringgit Weekly Outlook

US core PCE reading and job reports to influence price action

Fundamental Overview

- Even though the ongoing banking sector's uncertainty has diminished USD demand as a safe-haven currency, the ringgit has not appreciated and has been trading within a tight range of between 4.40 - 4.42 (Monday to Thursday) against the USD, partly as the market has once again recalibrated its expectations on the Fed monetary policy direction (unwinding of dovish bets). Domestically, the release of Bank Negara Malaysia's annual report did not provide any significant impetus.
- The market may focus on US core PCE figure for today and a hotter-than-expected reading (consensus: 0.4% MoM; Jan: 0.6%) may prompt another round of reassessment of Fed rate expectations, strengthening the USD. However, for next week, focus will shift to the US jobs report, and any indication that tightening credit conditions are affecting the US labour market should strengthen the case of a Fed pivot. As the outlook is still highly uncertain, the ringgit is expected to continue trading above the 4.40 threshold.

Technical Analysis

- The USDMYR pair's outlook is neutral for next week, with the pair expected to trade near its 5-day EMA of 4.422 as the pair's RSI is in the middle of the range (See ST Technical table).
- As the short-term bias for the pair has remained neutral, the pair is projected to hover in the range of (S1) 4.407 – (R1) 4.428 next week. However, should there be any safe-haven buying interest, the pair may trade higher around the (R2) 4.435 level.

Table 1: Currency Outlook

Long Term*							
	Q4-22	Q1-23F	Q2-23F	Q3-23F	Q4-23F	Q1-24F	Trend
USDMYR	4.405	4.480	4.351	4.204	4.107	4.046	▲

Short Term (Technical)							
	RSI (7)	EMA (5)	R1	R2	S1	S2	Trend
USDMYR	36.888	4.422	4.428	4.435	4.407	4.394	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

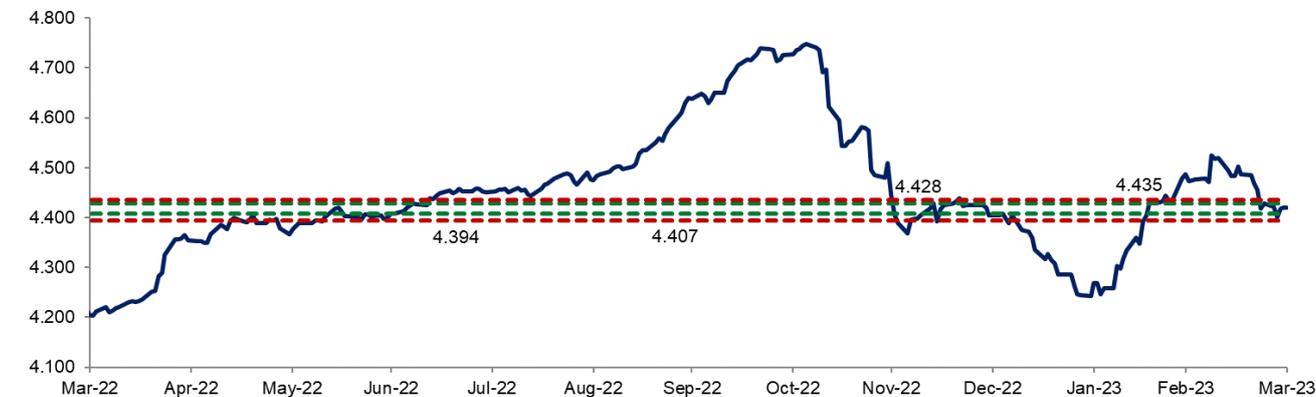
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

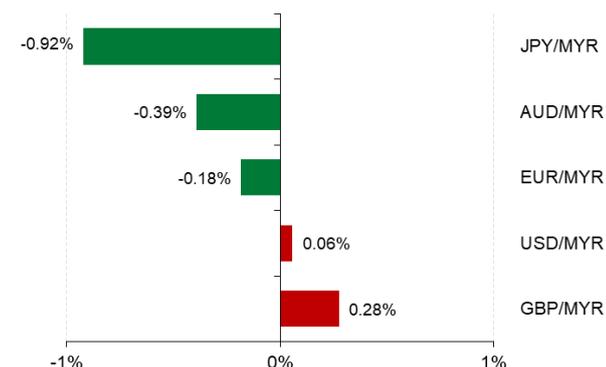
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



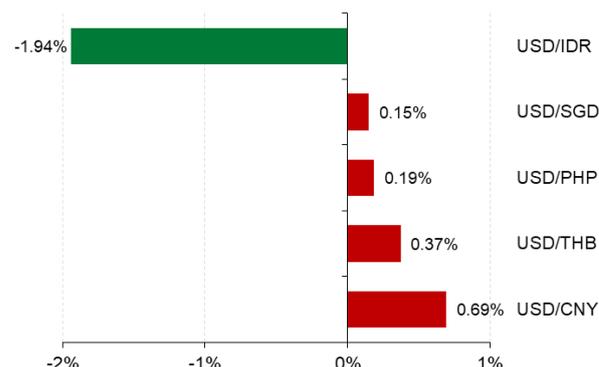
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

31 March 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	30/03/22 Last Year	02/03/23 Last Month	23/03/23 Last Week	30/03/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.204	4.476	4.418	4.421	0.27%	5.14%	-1.23%	0.06%
AUDMYR	2.962	3.158	3.013	2.972	2.960	-0.06%	-6.26%	-1.76%	-0.39%
GBPMYR	5.255	5.525	5.358	5.441	5.456	3.84%	-1.25%	1.84%	0.28%
EURMYR	4.649	4.686	4.755	4.809	4.800	3.25%	2.44%	0.96%	-0.18%
JPYMYR	3.373	3.449	3.273	3.365	3.334	-1.15%	-3.32%	1.88%	-0.92%
SGDMYR	3.280	3.108	3.323	3.330	3.327	1.41%	7.05%	0.11%	-0.11%
ASEAN 5 + CN + JP									
USDIDR	15601	14344	15281	15345	15047	-3.55%	4.90%	-1.53%	-1.94%
USDTHB	34.444	33.344	34.834	34.101	34.228	-0.63%	2.65%	-1.74%	0.37%
USDSGD	1.346	1.354	1.348	1.327	1.329	-1.31%	-1.88%	-1.45%	0.15%
USDPHP	55.799	52.021	55.028	54.314	54.415	-2.48%	4.60%	-1.11%	0.19%
USDCNY	6.915	6.348	6.917	6.823	6.871	-0.64%	8.24%	-0.67%	0.69%
USDJPY	130.690	121.930	136.740	131.280	132.580	1.45%	8.73%	-3.04%	0.99%
USD									
EURUSD	1.053	1.113	1.061	1.088	1.088	3.30%	-2.25%	2.50%	0.02%
GBPUSD	1.191	1.314	1.196	1.229	1.234	3.61%	-6.10%	3.17%	0.41%
AUDUSD	0.670	0.752	0.672	0.672	0.670	-0.10%	-10.98%	-0.36%	-0.30%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
3/4/2023	MY	S&P Global Manufacturing PMI (MAR)	48.4	N/A
3/4/2023	CN	Caixin Manufacturing PMI (MAR)	51.6	51.7
3/4/2023	US	ISM Manufacturing PMI (MAR)	47.7	47.5
4/4/2023	US	JOLTs Job Openings (FEB)	10.824m	N/A
5/4/2023	US	ADP Employment Change (MAR)	242.0k	205.0k
5/4/2023	US	Balance of Trade (FEB)	-USD68.3b	-USD68.5b
6/4/2023	US	Initial Jobless Claims (APR/01)	198.0k	N/A
7/4/2023	US	Unemployment Rate (MAR)	3.6%	3.6%
7/4/2023	US	Non Farm Payrolls (MAR)	311.0k	240.0k

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

Zalman Basree
Economist
zalman@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

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