

Ringgit Weekly Outlook

May test 4.80/USD amid persistent Fed's higher-for-longer narrative

Fundamental Overview

- Amid signs of easing tensions in the Middle East, the ringgit followed the expected trajectory, strengthening and stabilising within a narrow range of 4.776 to 4.780 against the USD this week. This uptick can largely be attributed to the improved risk sentiment among investors, leading to a softening in USD demand. Coupled with sluggish US PMI and lower-than-expected 1Q24 US GDP reading, the USD index (DXY) depreciated to below the 106.0 level, further contributed to the strengthening of the ringgit. Domestically, a stable inflation rate and ongoing support from authorities have significantly contributed to stabilising the ringgit.
- It is noteworthy that yesterday's release of weak US GDP growth (1.6% QoQ; Consensus: 2.5%), was accompanied by the 1Q24 core PCE, which rose to 3.7% QoQ (Consensus: 3.4%). This explains why the DXY did not weaken significantly and why the 10-year US Treasury rose above 4.70%. There is potential for a higher March core PCE reading tonight, which could keep the DXY close to the 106.0 level, leading to a weakening of the ringgit. The possibility of a higher inflation figure and still robust job report next week may prompt the Fed to maintain their higher-for-longer guidance, potentially pushing the ringgit to test the 4.80/USD level again. However, a hawkish hold and potential FX intervention by the Bank of Japan may help to limit the appreciation of the DXY.

Technical Analysis

- The technical outlook for USDMYR next week is neutral, with expectations for the pair to stay close to its 5-day EMA of 4.778.
- A hawkish recalibration in the Fed's monetary policy outlook may push the MYR above (R2) 4.782 and potentially test 4.800.

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	57.646	4.778	4.780	4.782	4.776	4.774	—

Signal for USD Trend = ▲ Bullish — Neutral ▼ Bearish

*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (7): 7-day Relative Strength Index

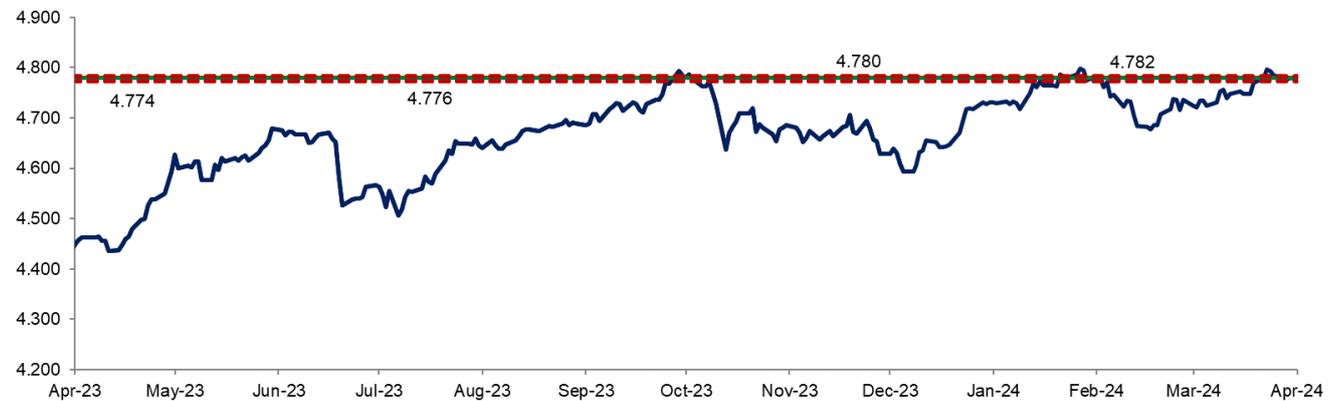
Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 80 or above indicates an overbought situation while a reading of 20 or below indicates an oversold condition.

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.

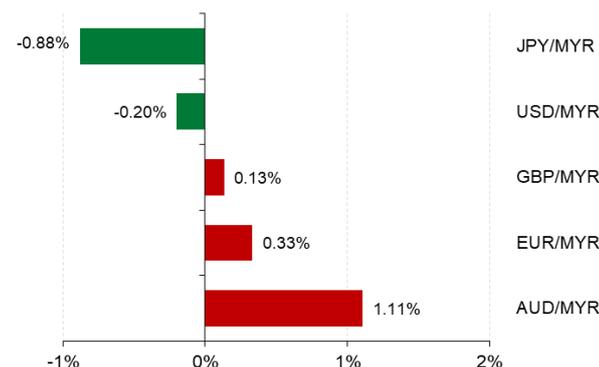
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



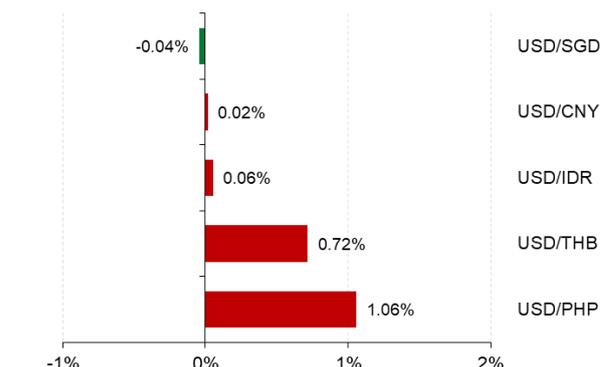
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

26 April 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	25/04/23 Last Year	25/03/24 Last Month	18/04/24 Last Week	25/04/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.450	4.724	4.786	4.776	3.70%	7.33%	1.11%	-0.20%
AUDMYR	3.142	2.967	3.084	3.084	3.118	-0.77%	5.09%	1.11%	1.11%
GBPMYR	5.857	5.549	5.959	5.969	5.977	2.04%	7.70%	0.30%	0.13%
EURMYR	5.073	4.909	5.110	5.106	5.123	0.98%	4.37%	0.25%	0.33%
JPYMYR	3.251	3.319	3.123	3.098	3.071	-5.53%	-7.46%	-1.65%	-0.88%
SGDMYR	3.482	3.331	3.508	3.519	3.513	0.90%	5.46%	0.14%	-0.16%
ASEAN 5 + CN + JP									
USDIDR	15470	14939	15800	16179	16188	4.64%	8.36%	2.46%	0.06%
USDTHB	34.151	34.43	36.374	36.761	37.025	8.42%	7.54%	1.79%	0.72%
USDSGD	1.323	1.336	1.346	1.360	1.360	2.74%	1.73%	1.03%	-0.04%
USDPHP	55.665	55.536	56.378	57.189	57.794	3.82%	4.07%	2.51%	1.06%
USDCNY	7.143	6.933	7.211	7.239	7.240	1.35%	4.43%	0.40%	0.02%
USDJPY	141.650	134.100	151.290	154.450	155.540	9.81%	15.99%	2.81%	0.71%
USD									
EURUSD	1.101	1.102	1.082	1.068	1.073	-2.57%	-2.69%	-0.86%	0.46%
GBPUSD	1.270	1.246	1.263	1.248	1.251	-1.47%	0.42%	-0.93%	0.24%
AUDUSD	0.682	0.666	0.653	0.644	0.653	-4.25%	-2.01%	-0.08%	1.30%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
30/04/2024	CN	Caixin Manufacturing PMI (APR)	51.1	N/A
30/04/2024	MY	M3 Money Supply (MAR)	5.7% YoY	N/A
01/05/2024	US	ADP Employment Change (APR)	184.0k	185.0k
01/05/2024	US	ISM Manufacturing PMI (APR)	50.3	N/A
01/05/2024	US	JOLTs Job Openings (MAR)	8.756m	8.725m
02/05/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
02/05/2024	MY	S&P Global Manufacturing PMI (APR)	48.4	N/A
03/05/2024	US	Non Farm Payrolls (APR)	303.0k	250.0k

Source: Kenanga Research, Trading Economics, Bloomberg

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