

Ringgit Weekly Outlook

May continue to benefit from further dovish pricing of the Fed

Fundamental Overview

- Despite Fed's decision to raise rate by another 25 basis points (bps), the ringgit appreciated by more than 1.8% WoW (as of Thursday) against the USD. This was mainly due to the weakening of the USD index near the 102.0 level following the Fed's recent shift in language from hawkish to moderately dovish, partly due to the ongoing banking crisis. The local note was also supported by Malaysia's better-than-expected exports reading of 9.8% YoY (consensus: 4.7%) and the strengthening of the yuan.
- The ongoing US regional banking crisis may result in the market further pricing in a more dovish stance from the Fed, leading to the strengthening of risk-on currencies including the ringgit against the greenback. It is worth noting that the money market is currently factoring in four 25 bps cuts starting in July, which will bring the Fed fund rate down to 4.0% by end-2023. However, if the commodities market continues to be affected by the crisis, the ringgit may have to give up some gains.

Technical Analysis

- The USDMYR pair's outlook is neutral-to-bullish, with the pair expected to trade around its 5-day EMA of 4.443 as the pair's RSI is nearing its oversold position (See ST Technical table).
- Technically, the USD may see some upward momentum if the market turns risk-averse, with an immediate resistance observed at (R1) 4.463 level. Inversely, a sustained move below the (S1) 4.395 level may suggest an extension of the bearish USD trend.

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	23.351	4.443	4.463	4.508	4.395	4.373	▼

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.

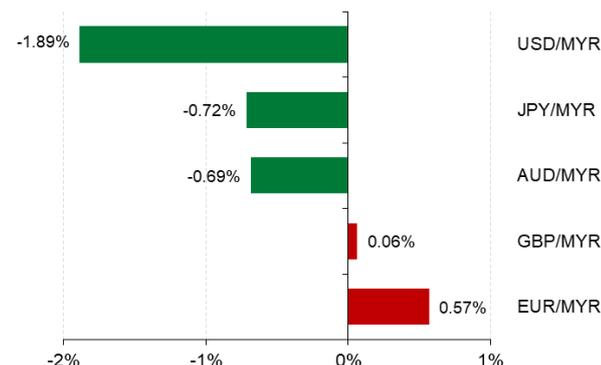
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



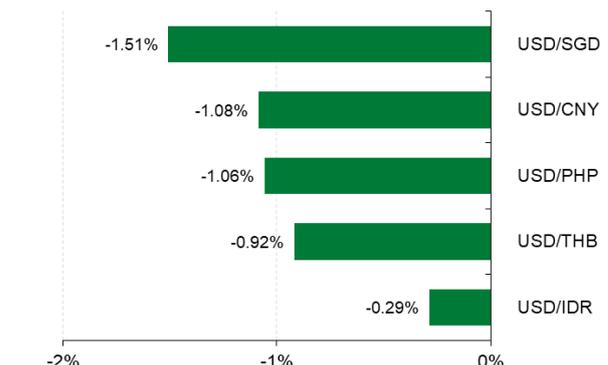
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

24 March 2023

Table 2: Performance of Core Pairs

Currencies	03/01/23 YTD	23/03/22 Last Year	23/02/23 Last Month	16/03/23 Last Week	23/03/23 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.409	4.224	4.434	4.503	4.418	0.22%	4.60%	-0.36%	-1.89%
AUDMYR	2.962	3.158	3.023	2.993	2.972	0.33%	-5.89%	-1.68%	-0.69%
GBPMYR	5.255	5.584	5.335	5.438	5.441	3.55%	-2.56%	2.00%	0.06%
EURMYR	4.649	4.646	4.696	4.782	4.809	3.44%	3.52%	2.40%	0.57%
JPYMYR	3.373	3.491	3.287	3.390	3.365	-0.23%	-3.60%	2.40%	-0.72%
SGDMYR	3.280	3.110	3.301	3.342	3.330	1.52%	7.07%	0.89%	-0.37%
ASEAN 5 + CN + JP									
USDIDR	15601	14347	15192	15389	15345	-1.64%	6.96%	1.01%	-0.29%
USDTHB	34.444	33.599	34.712	34.417	34.101	-1.00%	1.49%	-1.76%	-0.92%
USDSGD	1.346	1.358	1.343	1.347	1.327	-1.46%	-2.27%	-1.20%	-1.51%
USDPHP	55.799	52.398	54.9	54.894	54.314	-2.66%	3.66%	-1.07%	-1.06%
USDCNY	6.915	6.372	6.908	6.898	6.823	-1.33%	7.07%	-1.23%	-1.08%
USDJPY	130.690	120.990	134.910	132.850	131.280	0.45%	8.50%	-2.69%	-1.18%
USD									
EURUSD	1.053	1.100	1.060	1.062	1.088	3.29%	-1.14%	2.63%	2.46%
GBPUSD	1.191	1.322	1.203	1.205	1.229	3.19%	-7.03%	2.12%	1.98%
AUDUSD	0.670	0.747	0.682	0.665	0.672	0.19%	-10.12%	-1.52%	1.04%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
28/3/2023	US	Wholesale Inventories Advance (FEB)	-0.4% MoM	N/A
29/3/2023	US	Pending Home Sales (FEB)	8.1% MoM	-2.3% MoM
30/3/2023	US	Initial Jobless Claims (MAR/25)	191.0k	N/A
30/3/2023	US	GDP Growth Rate Final (Q4)	3.2% QoQ	N/A
31/3/2023	CN	NBS Manufacturing PMI (MAR)	52.6	52.0
31/3/2023	US	Personal Income (FEB)	0.6% MoM	0.3% MoM
31/3/2023	US	Personal Spending (FEB)	1.8% MoM	0.3% MoM
31/3/2023	US	Core PCE Price Index (FEB)	0.6% MoM	0.4% MoM
31/3/2023	US	Michigan Consumer Sentiment Final (MAR)	67.0	63.4

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