

25 November 2022

Ringgit Weekly Outlook

To be lifted by renewed optimism following political breakthrough and Anwar as PM

Fundamental Overview

- The ringgit appreciated around 1.3% WoW (as of 24th November) against the USD as the USD index (DXY) slipped below the 106 level buoyed by signals from the FOMC minutes that the US Fed may slow the pace of interest rate hike. In addition, the ringgit was also boosted by hopes of China's stimulus and optimism from the breakthrough of post GE15 deadlock following the appointment of Datuk Seri Anwar Ibrahim as the 10th Prime Minister of Malaysia.
- The direction of the local note for next week would continue to be influenced by the optimism of the new unity government and its soon-to-be announced cabinet lineup. This will also be supported by the optimism of China's new stimulus measures and less hawkish Fed minutes. Nevertheless, the DXY may continue to hover around the 106 level due to diminishing dovish pivot expectations as well as fears of the global recession.

Technical Analysis

- The USDMYR outlook is expected to be bullish next week, trading near its 5-day EMA of 4.531 as the pair's RSI oversold at below 20.0 (See ST Technical table).
- From a technical view, the ringgit is expected to reverse its gains and trade around the (R1) 4.553 level. Conversely, if the ringgit continues to appreciate and break the (S1) 4.467 level, the pair might rally further to the (S2) 4.439.

Table 1: Currency Outlook

Long Term*						
	Q3-22	Q4-22F	Q1-23F	Q2-23F	Q3-23F	Q4-23F
USDMYR	4.638	4.566	4.644	4.602	4.468	4.388
						▼
Short Term (Technical)						
	RSI (7)	EMA (5)	R1	R2	S1	S2
USDMYR	16.381	4.531	4.553	4.610	4.467	4.439
						▲

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.

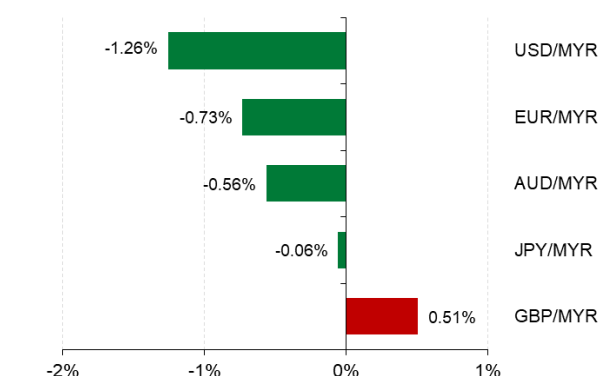
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



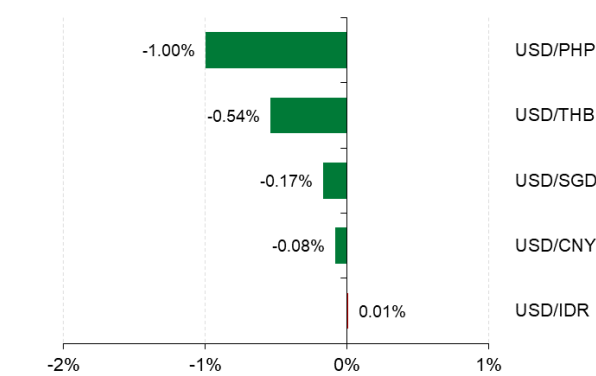
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

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Table 2: Performance of Core Pairs

Currencies	03/01/22 YTD	24/11/21 Last Year	24/10/22 Last Month	17/11/22 Last Week	24/11/22 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.173	4.212	4.738	4.553	4.496	7.74%	6.74%	-5.12%	-1.26%
AUDMYR	3.028	3.040	2.982	3.048	3.031	0.12%	-0.28%	1.65%	-0.56%
GBPMYR	5.642	5.628	5.370	5.410	5.438	-3.63%	-3.39%	1.26%	0.51%
EURMYR	4.738	4.719	4.659	4.719	4.684	-1.14%	-0.74%	0.54%	-0.73%
JPYMYR	3.626	3.660	3.172	3.254	3.252	-10.30%	-11.15%	2.54%	-0.06%
SGDMYR	3.092	3.082	3.331	3.312	3.272	5.80%	6.16%	-1.79%	-1.21%
ASEAN 5 + CN + JP									
USIDR	14266	14265	15586	15663	15665	9.81%	9.81%	0.51%	0.01%
USDTHB	33.163	33.341	38.137	35.975	35.781	7.89%	7.32%	-6.18%	-0.54%
USDSGD	1.350	1.368	1.423	1.377	1.374	1.78%	0.50%	-3.39%	-0.17%
USDPHP	50.998	50.34	58.88	57.363	56.792	11.36%	12.82%	-3.55%	-1.00%
USDCNY	6.356	6.392	7.263	7.158	7.152	12.52%	11.88%	-1.53%	-0.08%
USDJPY	115.080	115.050	149.380	139.930	138.200	20.09%	20.12%	-7.48%	-1.24%
USD									
EURUSD	1.136	1.121	0.982	1.034	1.041	-8.37%	-7.17%	5.92%	0.65%
GBPUSD	1.351	1.336	1.130	1.187	1.211	-10.38%	-9.32%	7.13%	2.05%
AUDUSD	0.725	0.721	0.630	0.667	0.675	-6.97%	-6.46%	7.10%	1.09%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
28/11/2022	EA	M3 Money Supply YoY (OCT)	6.3%	6.1%
30/11/2022	MY	PPI YoY (OCT)	4.9%	N/A
1/12/2022	MY	S&P Global Manufacturing PMI (NOV)	48.7	N/A
1/12/2022	CN	Caixin Manufacturing PMI (NOV)	49.2	N/A
1/12/2022	EA	S&P Global Manufacturing PMI Final (NOV)	46.4	47.3
1/12/2022	US	Core PCE Price Index MoM (OCT)	0.5%	0.3%
1/12/2022	US	S&P Global Manufacturing PMI Final (NOV)	50.4	47.6
2/12/2022	US	Unemployment Rate (NOV)	3.7%	3.8%
2/12/2022	US	Non Farm Payrolls (NOV)	261.0K	200.0K

Source: Kenanga Research, Trading Economics, Bloomberg
*KIBB

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