

Ringgit Weekly Outlook

To test 4.70/USD if US data weakens, outlook hinges on French election outcome

Fundamental Overview

- As expected, the ringgit was range-bound between 4.705 and 4.718 against the USD despite weak US housing data. The USD index (DXY) surged above the 106.0 level on June 26, driven by the weakening of the EUR and GBP amid French political uncertainty and heightened expectations of a BoE rate cut in August. The DXY also received support from the JPY falling to its lowest level since December 1986. Additionally, weak yuan fixing, and a lack of domestic catalysts contributed to the downside pressure.
- A potentially soft US core PCE data, expected at 0.1% MoM (Apr: 0.2%) tonight, may reinforce a dovish Fed narrative, bolstering the case for a rate cut in September. While this may weaken the DXY and benefit the ringgit, increasing Euro risk premiums ahead of the French parliamentary election this Sunday may buoy the safe-haven dollar around its current level. Markets will be closely monitoring potential BoJ interventions and developments in the US presidential debates. On the US macro front, manufacturing PMI, June jobs report, Fed Chair Powell's speech, and the FOMC minutes will be scrutinised. We expect emerging signs of US economic weakness, which may help the ringgit trade closer to the 4.70/USD level. However, as the USD is currently being used as a hedge for political uncertainty, market may continue to adopt a wait-and-see approach.

Technical Analysis

- The USDMYR is expected to turn neutral-to-bearish next week, with the pair likely to hover around its 5-day EMA of 4.716.
- Technical-wise, the pair's immediate support awaits at (S1) 4.711. Inversely, the pair may test (R1) 4.727 if DXY trend higher.

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	62.525	4.716	4.727	4.732	4.711	4.700	▼

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.

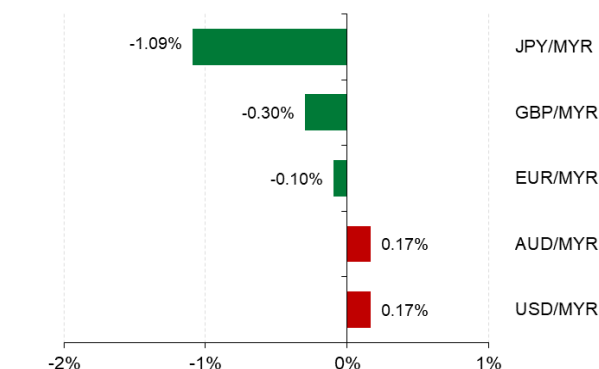
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Graph 1: USDMYR Trend



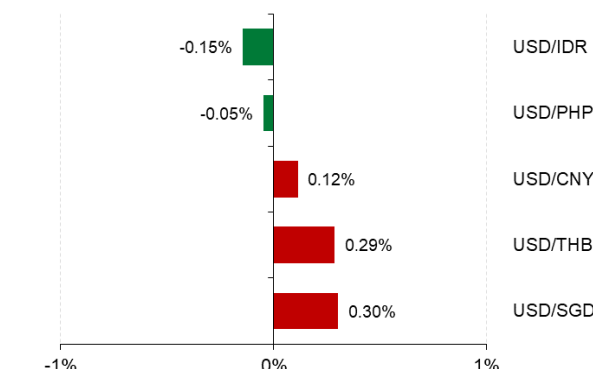
Source: Kenanga Research, Bloomberg

Graph 2: Weekly Performance of Core Pairs



Source: Kenanga Research, Bloomberg

Graph 3: Weekly Regional Peers' Performance



Source: Kenanga Research, Bloomberg

28 June 2024

Table 2: Performance of Core Pairs

Currencies	02/01/24 YTD	27/06/23 Last Year	27/05/24 Last Month	20/06/24 Last Week	27/06/24 Yesterday	ytd (%)	yoy (%)	mom (%)	wow (%)
MYR									
USDMYR	4.606	4.666	4.697	4.710	4.718	2.43%	1.10%	0.45%	0.17%
AUDMYR	3.142	3.122	3.121	3.141	3.146	0.13%	0.77%	0.79%	0.17%
GBPMYR	5.857	5.935	5.990	5.984	5.967	1.86%	0.53%	-0.39%	-0.30%
EURMYR	5.073	5.106	5.104	5.051	5.046	-0.53%	-1.16%	-1.12%	-0.10%
JPYMYR	3.251	3.247	2.994	2.973	2.940	-9.55%	-9.44%	-1.79%	-1.09%
SGDMYR	3.482	3.457	3.482	3.482	3.478	-0.12%	0.60%	-0.11%	-0.13%
ASEAN 5 + CNY + JPY									
USDIDR	15470	14993	16072	16430	16406	6.05%	9.42%	2.08%	-0.15%
USDTHB	34.151	35.262	36.614	36.741	36.847	7.89%	4.49%	0.64%	0.29%
USDSGD	1.323	1.349	1.349	1.353	1.357	2.52%	0.56%	0.57%	0.30%
USDPHP	55.665	55.33	58.12	58.769	58.742	5.53%	6.17%	1.07%	-0.05%
USDCNY	7.143	7.224	7.245	7.260	7.269	1.76%	0.62%	0.34%	0.12%
USDJPY	141.650	143.740	156.860	158.420	160.440	13.27%	11.62%	2.28%	1.28%
USD									
EURUSD	1.101	1.095	1.086	1.073	1.070	-2.76%	-2.26%	-1.46%	-0.23%
GBPUSD	1.270	1.273	1.276	1.270	1.265	-0.34%	-0.64%	-0.82%	-0.41%
AUDUSD	0.682	0.669	0.665	0.667	0.666	-2.29%	-0.48%	0.20%	-0.18%

Source: Kenanga Research, Bloomberg

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

Date	Country	Indicator	Previous	Consensus/Forecast
1/07/2024	MY	S&P Global Manufacturing PMI (JUN)	50.2	N/A
1/07/2024	US	ISM Manufacturing PMI (JUN)	48.7	49.2
2/07/2024	US	Fed Chair Powell Speech	N/A	N/A
2/07/2024	US	JOLTs Job Openings (MAY)	8.059m	N/A
3/07/2024	US	ADP Employment Change (JUN)	152.0k	163.0k
4/07/2024	US	FOMC Minutes	N/A	N/A
5/07/2024	US	Non Farm Payrolls (JUN)	272.0k	188.0k
5/07/2024	US	Unemployment Rate (JUN)	4.0%	4.0%

Source: Kenanga Research, Trading Economics, Bloomberg

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