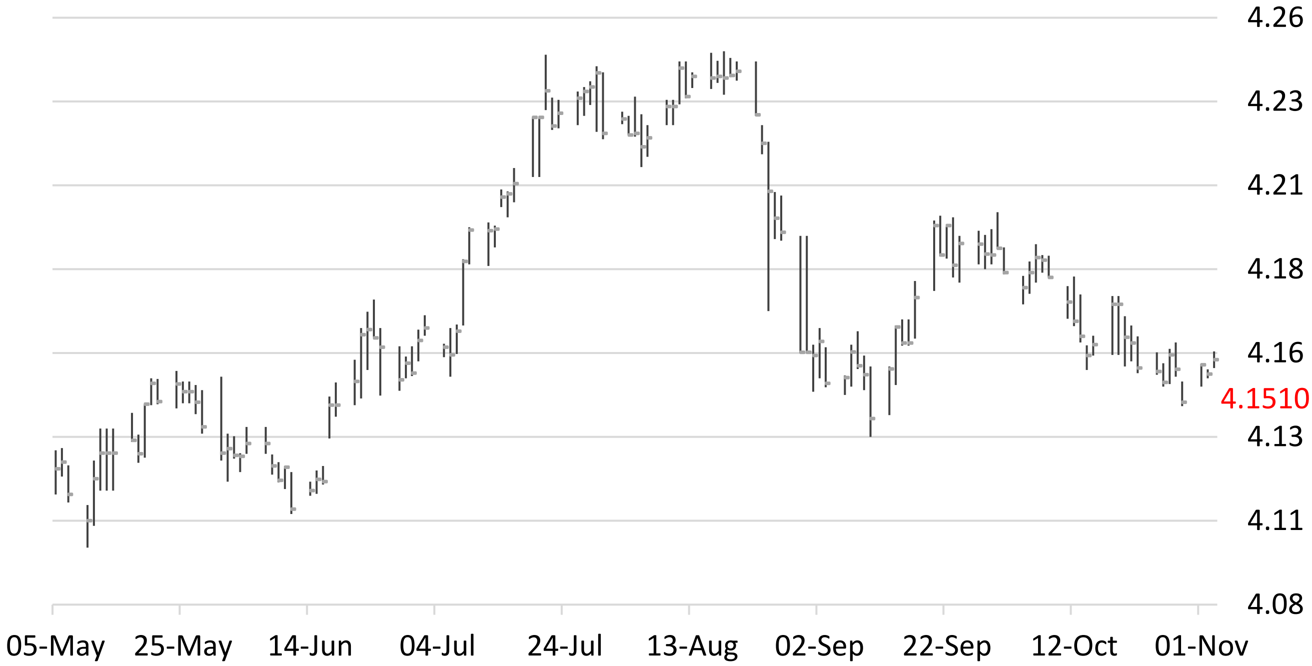
3 November 2021

Global Markets Research

Mid-day Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral

USD/MYR opened 0.2% higher at 4.1555. We expect the pair to remain neutral today ahead of today's BNM policy decision. The weekly range of 4.13-4.17 is supported by expectations of a sustained recovery story of the Malaysian economy that will likely result in a neutral BNM rhetoric.

1-Month Outlook – MYR Bullish

We expect the MYR to be relatively resilient in the medium term, taking into account further economic recovery after the government relaxed more Covid-19 related restrictions. This is also supported by our view that the broader USD is also expected to strengthen modestly as the Federal Reserve's policy normalization pace is conducted less aggressively compared to other global central banks.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1200	4.1350	4.1510	4.1600	4.1715

MYR Crosses

EUR/MYR

EUR/MYR Neutral

EUR/MYR opened 0.2% lower at 4.8043. EUR/USD broke below 1.1600 amid the resumption of USD strength. The anticipation for a Fed tapering announcement coupled with an overall cautious sentiment may limit further downside of the euro in our view. We maintain our neutral outlook for EUR/MYR for now, with support at 4.8000.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.7850	4.8000	4.8075	4.8167	4.8413

GBP/MYR

GBP/MYR Neutral

GBP/MYR opened 0.1% lower at 5.6491. GBP weakened alongside other major currencies amid USD strength. In the day ahead, markets are torn between the FOMC and the BOE's Thursday's decision. Money market has priced in an aggressive BOE move, expecting at least two hikes by 1Q next year. A less optimistic growth outlook or a push-back on more tightenings by the BOE (a dovish hike) may pull back this view, thus GBP, while rising Brexit tension continues to pose downside risks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.6400	5.6400	5.6556	5.6707	5.6850

AUD/MYR

AUD/MYR Neutral

AUD/MYR opened 0.4% lower at 3.0851. AUD/USD had tanked in the previous session after the RBA scrapped its yield curve control measures but offered a dovish rate guidance, as opposed to expectations that it might make some hawkish adjustment. We are neutral on AUD/MYR today, expecting the pair to stabilise after the sharp downmoves yesterday.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0500	3.0700	3.0878	3.0930	3.1072

Source: Bloomberg, HLBB Global Markets Research

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my