1 November 2022

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.08% higher at 4.7305, and has since inched higher to 4.7347 at time of writing. Despite recent consolidation, the pair looks impatient to resume its uptrend again, as the USD were seen regaining lost ground, swiftly back to the 111 handle. That said, key event risks surrounding various central bank meets this week are expected to instill a cautious note overall, hence limiting upside in the pair for now. Markets will be scrutinizing the Fed's rhetoric on future policy guidance, specifically if the future rate hike path will be slower and/ or smaller. While the Fed looks set to deliver another 75bps hike, our house view calls for a measured 25bps increase in the OPR come Thursday.

1-Month Outlook – MYR Neutral-to-Bearish

MYR is tilted to the bearish side given prospects of sustained USD strength. Slower than expected moderation in US CPI, coupled with resiliency seen in recent data releases, are expected to support the Fed's case for continued aggressive policy normalization going forward. The Fed has guided for another 125bps hike for the remaining of the year, hence likelihood of a 75bps hike in November followed by a 50bps hike in December, bringing the Fed funds rate to 4.25-4.50% by end-2022. In addition, the Fed also projected a higher terminal rate of 4.6% by next year, substantially higher than the prior 3.8%. Recent Fed speaks further highlighted that it would remain appropriate for rates to reach as higher as 5.0%. This shall keep the USD biddish, suppressing emerging currencies as the yield gap with the US widens. That said, we caution against an earlier than expected Fed policy pivot which could dampen USD outlook.

	S2	S1	Indicative	R1	R2
USD/MYR	4.7020	4.7145	4.7347	4.7350	4.7500

MYR Crosses

SGD/MYR

SGD/MYR Slightly Bullish

SGD/MYR opened 0.04% marginally lower at 3.3410, but has since edged slightly up to 3.3474 at time of writing. The pair is expected to trade on a slightly bullish bias today on the back of a firmer SGD and softer MYR outlook. That said, anxiety and market cautiousness ahead of FOMC and BNM policy decisions are expected to limit any big swings in our view.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.3244	3.3340	3.3474	3.3586	3.3620

GBP/MYR

GBP/MYR Bearish

GBP/MYR opened 0.84% lower at 5.4204 on the back of overnight GBP weakness. The boost from easing UK political tension to the sterling appeared shortlived, with the sterling trading back to a one-month low, wiping out all recent gains. GBP/ MYR outlook is bearish following the lower opening and bearish GBP outlook today although losses may narrow going into European and US sessions. FOMC, BOE and BNM policy meets will be the next catalysts.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3637	5.3975	5.4409	5.4686	5.4907

AUD/MYR

AUD/MYR Neutral to Slightly Bullish

AUD/MYR opened 0.09% higher at 3.0296 and gyrated up to 3.0384. AUD/ USD was seen holding well above the 0.64 levels ahead of RBA policy announcement where a 25bps hike is expected. Any further clues on policy pivot could be detrimental to the Aussie outlook but we believe still elevated inflation down under would help mitigate such risk.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9969	3.0210	3.0384	3.0500	3.0638

Source: Bloomberg, HLBB Global Markets Research

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