3 August 2022

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Slightly Bearish

USD/MYR opened unchanged at 4.4550. The pair is expected to shift higher on the back of broad-based USD and risk aversion related to US-China tension. Several Fed officials assured the market that the central bank is still on the path to further tighten policy, crushing expectations that the Fed may take a policy pivot in view of weaker US data.

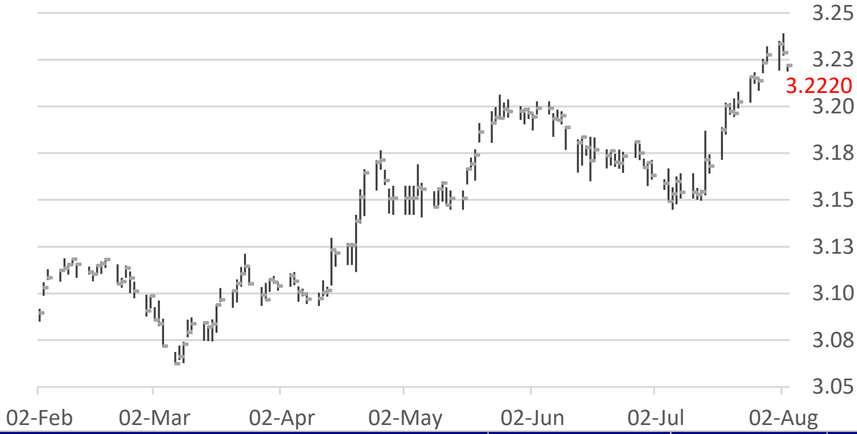
1-Month Outlook – MYR Neutral

We expect the MYR to recover some lost ground in the medium term; supported by the further economic recovery after the government reopened the Malaysian border on 1st April. Still high global commodity prices coupled with increase in minimum wage to RM1,500 effective 1st May should provide an added impetus. Firmer growth outlook has resulted in sequential 25bp increases in the OPR at the May and July MPC meetings and we expect another 25-50bp increase for the remainder of this year. Dial-back in Fed rate hike expectations following added signs of an economic hard landing in the US as the US economy contracted for the second consecutive quarter in 2Q is expected to help reverse the selling pressure on EM currencies including the MYR.

	S2	S1	Indicative	R1	R2
USD/MYR	4.4265	4.4400	4.4585	4.4600	4.4700

MYR Crosses

SGD/MYR

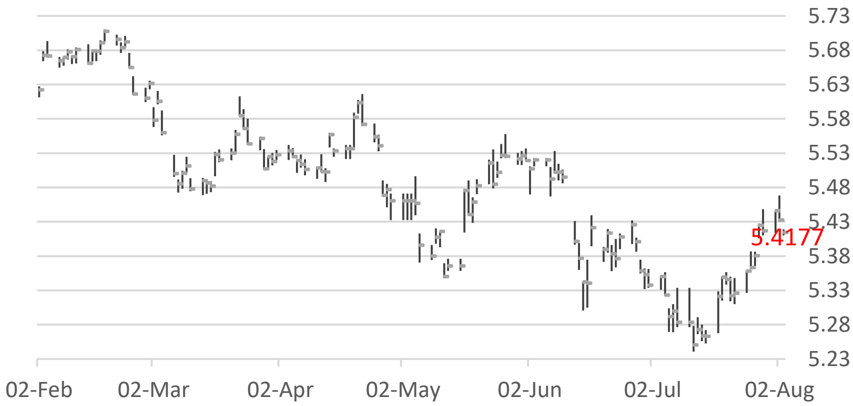


SGD/MYR Neutral

SGD/MYR opened 0.31% lower at 3.2189. A rebound in the dollar pushed back the recent SGD strength, dragging SGD/MYR lower. The cross is expected to stabilise at 3.22 handle on cautious sentiment. Singapore's official PMI weakened in July, with new orders falling to a 22-month low. The expectations for another off-cycle MAS tightening seems remote now.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.2050	3.2150	3.2220	3.2400	3.2500

GBP/MYR



GBP/MYR Neutral to Slightly Bearish

GBP/MYR opened 0.41% lower at 5.4104, tracking the weaker sterling overnight. We expect GBP/MYR to be more resilient versus the other G10 currencies ahead of the Bank of England's MPC meeting even though a 50bp rate hike has been priced in by the market. We expect the larger-than-usual adjustment to be a one-off event to bring down inflation as the UK growth outlook weakens.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3880	5.4000	5.4177	5.4700	5.5000

AUD/MYR

AUD/MYR Bearish

AUD/MYR opened 0.47% lower at 3.0702. AUD/USD was the worst performing currency overnight amid the USD strength despite the RBA having delivered its third 50bp rate hike earlier. We expect AUD/MYR to be weighed by the rising US-China tension and a broad retreat in risk aversion.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0500	3.0630	3.0773	3.1000	3.1300

Source: Bloomberg, HLBB Global Markets Research

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