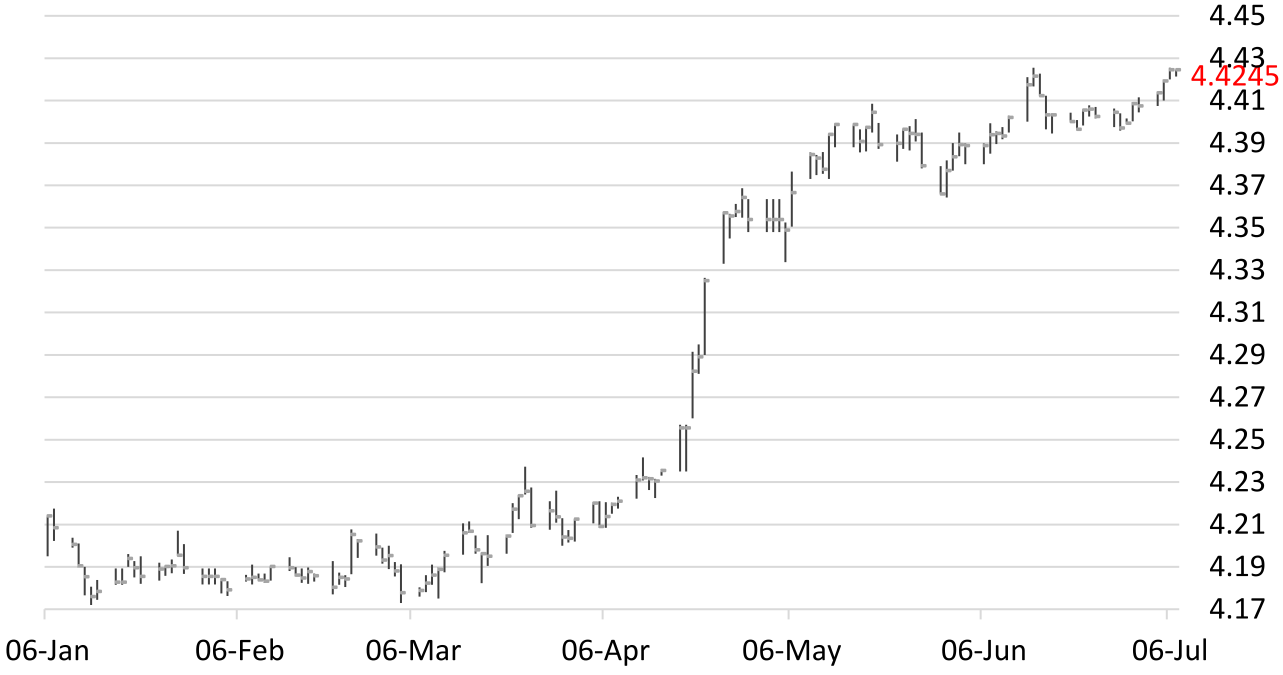
7 July 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral to Slighly Bearish

USD/MYR opened 0.07% lower at 4.4215. The market generally shrugged off the BNM's 25bp OPR hike which was already priced in much earlier. BNM's more cautious tightening stance also suggests that the central bank will adopt a more gradual pace of rate hike moving forward, thus limiting the upsides for the ringgit. The sustained USD strength in the wake of hawkish Fed minutes and the solid appetites for haven assets are expected to continue supporting the USD/MYR pair at 4.4150-4.4250, with next resistance at 4.4300.

1-Month Outlook – MYR Neutral

We expect the MYR to recover some lost ground in the medium term; supported by the further economic recovery as the government reopened the Malaysian border on 1st April. Recent rally in 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. We have taken into account the broader USD which is supported by the larger than previously expected rate hikes by the Fed. That said, rising concern over a potential US recession following rapid Fed policy normalization could dampen demand for emerging market currencies including the MYR.

	S2	S1	Indicative	R1	R2
USD/MYR	3.3950	4.4090	4.4245	4.4250	4.4300

MYR Crosses

SGD/MYR

SGD/MYR Neutral

SGD/MYR opened 0.11% lower at 3.1495. SGD remains biased towards the downside in the short term in the bullish USD sentiment which tends to weigh on emerging market currencies. However, we are neutral on the pair today, expecting SGD/MYR to retain the muted trading mode amid a lack of fresh drivers. Singapore's advance GDP growth for 2Q22 is the major release to watch out for next week.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1300	3.1400	3.1484	3.1600	3.1750

GBP/MYR

GBP/MYR Slightly Bearish

GBP/MYR opened 0.32% lower at 5.2750, tracking the modestly lower sterling overnight. The renewed affirmation of a more hawkish Fed relative to the BOE continues to limit the upsides for the sterling. Locally, the political conundrum stemming from a slew of cabinet resignations may also be a bane for the currency if it remains unresolved.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.2580	5.2657	5.2701	5.3300	5.3561

AUD/MYR

AUD/MYR Slightly Bearish

AUD/MYR opened 0.18% lower at 3.0007, in line with the weaker AUD overnight. The oil market rout, sustained USD strength and a general retreat in risk appetites may continue to drag on AUD/MYR. Australia's trade data released later today should offer some clues over overseas and Chinese demand for Australian goods.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9820	2.9900	2.9959	3.0290	3.0500

Source: Bloomberg, HLBB Global Markets Research

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