

7 September 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Slightly Bearish

USD/MYR opened flat at 4.4980 this morning but continued to push higher, breaking the 4.50 key resistance again to trade at 4.5017 at time of writing. The pair is turning increasingly bullish in our view on the back of broad USD strength that has driven the Dollar Index past the 110 critical level, spurred by renewed expectations the Fed could still deliver a 75bps rate hike at its September meeting given pleasant surprise in ISM services. Expectation for a 25bps OPR hike at this week's BNM MPC meeting is believed to have been priced in and hence, unlikely to have any significant influence on the MYR.

1-Month Outlook – MYR Neutral

Despite expectation for sustained USD strength, USD/ MYR is expected to continue trading at current ranges, supported by further domestic economic recovery and ongoing BNM policy normalization. Growth is expected to pick up further in 3Q supprred by continuous robust domestic consumption and a low base effect in 3Q last year, allowing BNM to continue normalizing monetary policy, by a further 50bps to 2.75% by year end in our view. This should help alleviate some pressure on the MYR given widening negative yield differentials with US rates as the Fed looks committed to further policy tightening to combat inflation despite an engineered slowdown in growth.

	S2	S1	Indicative	R1	R2
USD/MYR	4.4760	4.4880	4.5017	4.5100	4.5200

MYR Crosses

SGD/MYR



SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.17% lower at 3.1970, below the 3.20 key level as the MYR showed greater resiliency vs the SGD with markets largely in risk-off mode, digesting the implications of continued aggressive policy tightening on growth. Growing signs of a slowing Singapore economy amid external headwinds are expected to keep a lid on SGD, although odds of a policy tightening by MAS could still likely offer some support.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1830	3.1900	3.1982	3.2033	3.2087

GBP/MYR



GBP/MYR Bearish

GBP/MYR opened 0.56% lower at 5.1774, as prospects of a weakening UK economy dampened the appeal of the sterling, overshadowing the purported £130bn energy plan by new PM Liz Truss to contain inflation. This will continue to exert further downward pressure on GBP/ USD, leading GBP/ MYR towards 5.10-5.15. Caveat to our view lies in a more hawkish BOE. BOE's Bailey's speech will be in focus next.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.1470	5.1650	5.1798	5.1898	5.2049

AUD/MYR



AUD/MYR Bearish

AUD/MYR opened 0.75% lower at 3.0264 amid weaknesses in the Aussie following RBA's signal on likelihood of slower pace of rate hike going forward, not forgetting ongoing concerns over China especially given the latest round of Covid lockdown in Chengdu. Mixed Australian GDP data that showed a pick-up, albeit less than expected (+0.9% q/q and +3.6% y/y) in 2Q could limit downside in the Aussie. China trade numbers will be in focus next.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0000	3.0110	3.0229	3.0315	3.0450

Source: Bloomberg, HLBB Global Markets Research

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