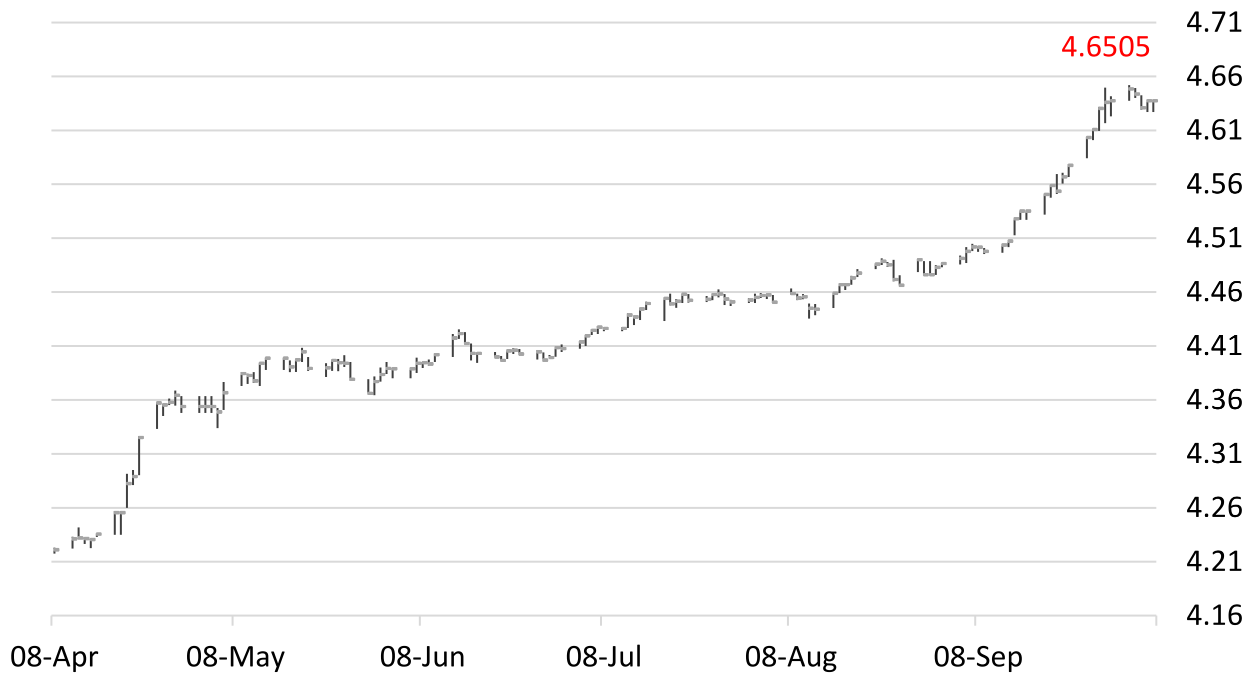
7 October 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened little changed at 4.6372, from prior day's close of 4.6375. The pair has since traded up two big figures to 4.6505 at time of writing. Risk-off sentiments and sustained USD strength coupled with cautiousness ahead of the tabling of Malaysia's national budget today suggests upside in USD/ MYR today. While an expansionary and people-friendly budget is expected to be positive for market sentiments, upcoming uncertainties surrounding GE15 may cap any rally in the MYR, more so in a USD bull environment.

1-Month Outlook – MYR Neutral-to-Bearish

We are turning bearish on MYR 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%. This shall keep the USD biddish, suppressing emerging currencies as the yield gap with the US widens. That said, the MYR will remain supported by favourable domestic growth outlook amid continuous robust domestic consumption and a low base effect last year.

	S2	S1	Indicative	R1	R2
USD/MYR	4.6082	4.6238	4.6505	4.6600	4.7000

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.37% lower at 3.2436 and rallied higher to 3.2550 at time of writing. A weaker MYR outlook today vis-à-vis a relatively steady SGD holding firm in the 1.4280-1.4300 region this morning, suggests a slightly bullish outlook in SGD/ MYR today. Continuous trading above the 3.25 handle also points to bullishness in the pair. Upcoming MAS policy tightening is expected to be supportive of the SGD, hence further upside in SGD/ MYR.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.2162	3.2346	3.2550	3.2626	3.2800

GBP/MYR

GBP/MYR Bearish

GBP/MYR opened sharply lower by 1.15% at 5.1762. While we expect losses to narrow in the wake of MYR weakness, daily outlook remains bearish given the sharply lower opening and firmer trading in the sterling this morning. GBP/ USD remains bearish despite the occasional bounds, dampened by policy uncertainties and a less hawkish BOE. This shall cap upside in GBP/MYR at 5.40 in the medium term.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.1050	5.1363	5.1752	5.2243	5.3584

AUD/MYR

AUD/MYR Neutral-to-Slightly Bullish

AUD/MYR opened 0.79% lower at 2.9746, and was seen edging higher, trading at 2.9884 at time of writing. The pair could pare losses to end the day sideways to slightly higher, on prospects of a softer MYR. The Aussie seems well supported above the 0.65 handle, despite indication from RBA on likelihood of a slower pace of rate hike.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9500	2.9692	2.9884	3.0000	3.0124

Source: Bloomberg, HLBB Global Markets Research

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