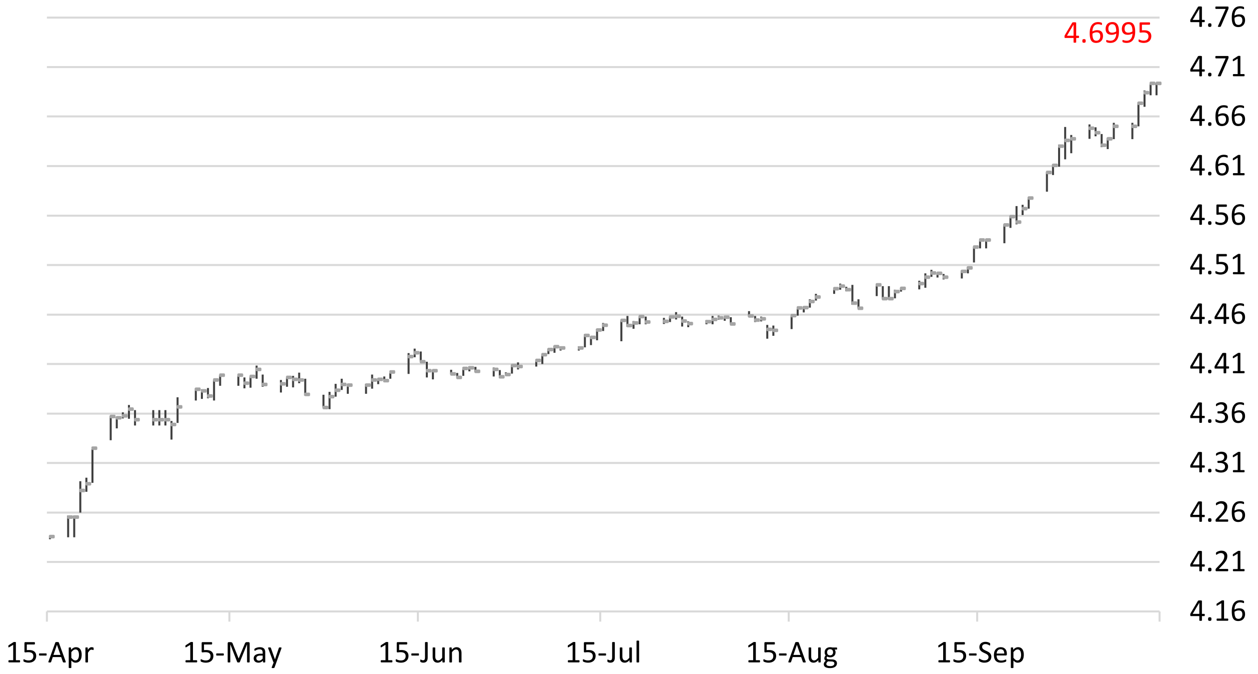
14 October 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.04% lower at 4.6915 this morning but has since edged up to 4.6995 at time of writing. Despite being in an overbought position, the pair remains bullish on the back of sustained USD strength. Ongoing domestic political uncertainties in the wake of the upcoming general election is also exerting downward pressure on the MYR. Upward trajectory in the pair looks unstoppable and looks well poised to break 4.70 soon, which would pave the way towards 4.72 next in our view.

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%. 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	4.6373	4.6500	4.6995	4.7000	4.7200

MYR Crosses

SGD/MYR

SGD/MYR Bullish

SGD/MYR opened 0.16% higher at 3.2789 and traded higher to a fresh record high of 3.3055 at time of writing. Daily outlook is bullish amid a softer MYR outlook while USD/ SGD is seen trading stronger at the 1,42 levels following MAS's tightening as expected and upside surprises to 3Q GDP preliminary print. Divergence between the SGD and MYR outlook could potentially push the pair towards 3.32-3.35 next.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.2688	3.2788	3.3055	3.3200	3.3500

GBP/MYR

GBP/MYR Bullish

GBP/MYR opened 1.35% higher at 5.3024 and continued to trade higher tracking overnight rebound in the sterling and further weakness in the MYR. The pair was seen trading at 5.3259 at time of writing. While the sterling looks set to recoup some lost ground, we expect the sterling to remain under pressure over the medium term, taking the hit from policy uncertainties and weakening growth prospects in the UK.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.2195	5.2695	5.3259	5.3600	5.4091

AUD/MYR

AUD/MYR Bullish

AUD/MYR opened flat at 2.9534 and rallied to 2.9735 at time of writing, amid advance in the Aussie and retreat in the MYR. Aussie reclaimed the 0.63 handle while the MYR was seen pushing near the 4,70 levels, leading to a bullish outlook for AUD/ MYR today.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9320	2.9581	2.9735	2.9897	3.0000

Source: Bloomberg, HLBB Global Markets Research

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
Email: HLMarkets@hlbb.hongleong.com.my