

15 July 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.02% lower at 4.4435. The FX market remains dominated by the strong USD narrative, as traders firmed up expectations on a 75bp rate hike by the Fed later this month and mulled the possibility of a 100bp move. MYR is expected to be pressured by the bullish USD and risk aversion, with the USD/MYR pair targeting 4.4500 next before aiming for 4.5000 next.

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	3.4200	4.4285	4.4435	4.4500	4.4700

MYR Crosses

SGD/MYR



SGD/MYR Neutral

SGD/MYR opened 0.10% lower at 3.1678. The MAS recentered upwards the midpoint of its S\$NEER policy band at an off-cycle meeting. The SGD rallied immediately but pared intraday gain, closing little changed versus the USD overnight, on the back of renewed USD strength. This results in a reversal in SGD/MYR to back below 3.1700 and stabilise within 3.1650-3.1750.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1500	3.1600	3.1681	3.1900	3.2000

GBP/MYR



GBP/MYR Neutral

GBP/MYR opened 0.02% lower at 5.2625. The sterling remains dollar driven amid a lack of domestic driver. The strong UK data had failed to give any boost to the GBP, reflecting the expected gap in policy tightening cycle between the Fed and BOE. We maintain the view that the BOE's more measured pace of rate hike will continue to limit the sterling's upsidess.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.2400	5.2500	5.2592	5.3125	5.3550

AUD/MYR



AUD/MYR Slightly Bearish

AUD/MYR opened 0.09% higher at 3.0027. AUD was relatively resilient against the USD resurgence thanks to the robust job report. The sharp fall in unemployment rate to 3.5% helped firm up expectations for another 50bp RBA rate hike in early August. Focus shifts to China's 2Q GDP scheduled for release at 10am today. The accompanying June indicators (retail sales, IPI) are key to assess the economy.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9500	2.9700	2.9989	3.0115	3.0300

Source: Bloomberg, HLBB Global Markets Research

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