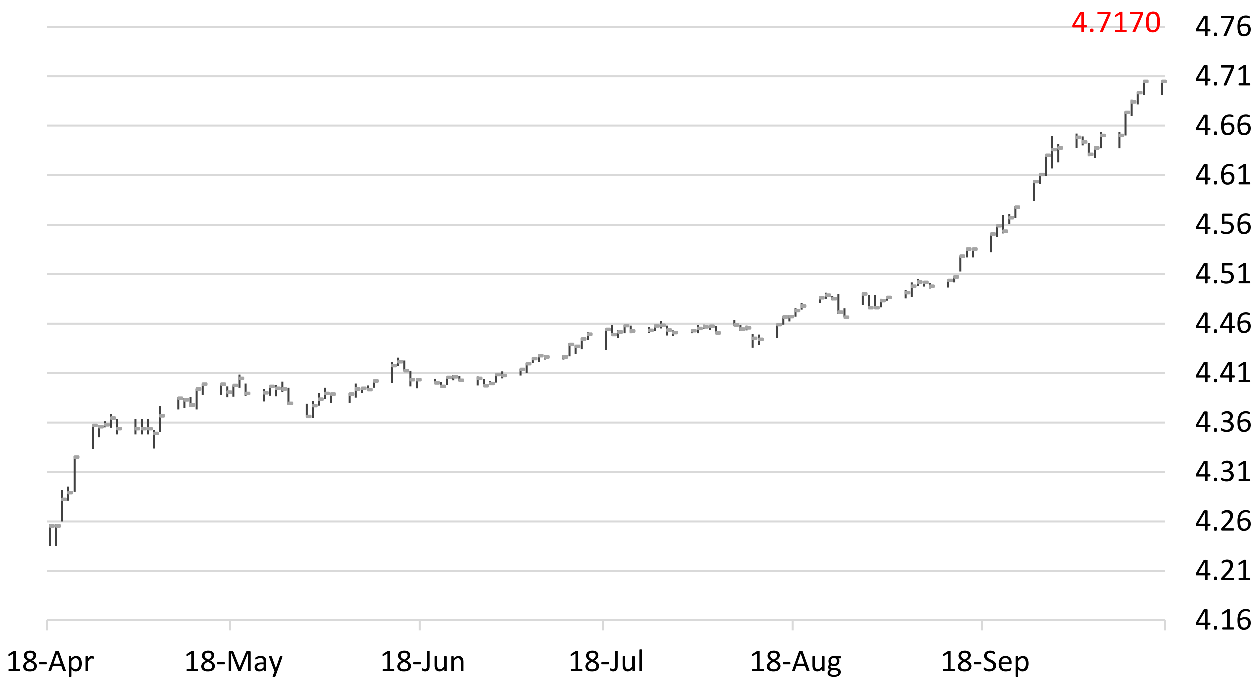
18 October 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.03% higher at 4.7180 and briefly touched a low of 4.7130, but has since trended back up again to trade at 4.7170 at time of writing. Overall outlook of the pair remains bullish given the overpowering USD strength and as the MYR remains under pressure in lieu of uncertainties surrounding the upcoming GE15. Multiple and consecutive breaks of key levels reinforced bullishness in the pair, with 4.75 within reach soon should 4.72-4.73 be broken.

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%. Recent Fed speaks further highlighted that it would remain appropriate for rates to reach as higher as 5.0%. 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	4.7170	4.7200	4.7500

MYR Crosses

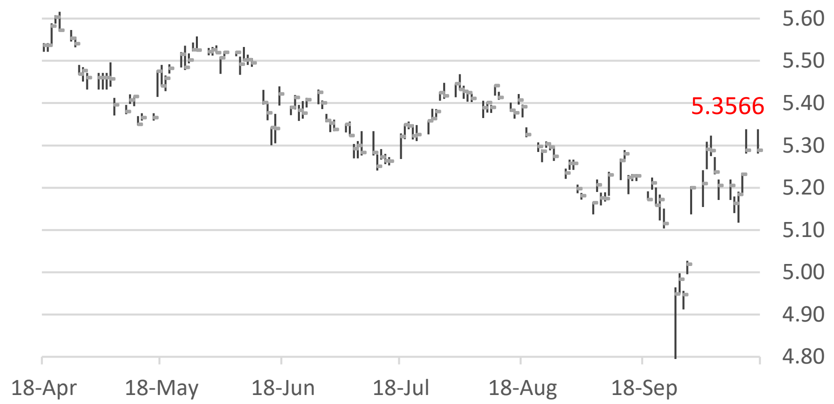
SGD/MYR

SGD/MYR Bullish

SGD/MYR opened 0.36% higher at 3.3186 and rangetraded, printing 3.3199 at time of writing. Daily outlook is bullish amid a softer MYR outlook vis-à-vis a firm USD/ SGD, still holding on at the 1.42 handle. 3.32s appears to be a strong resistance for now but divergence between the SGD and MYR outlook would eventually lead the pair towards 3.35 in our view.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.2688	3.2788	3.3199	3.3200	3.3500

GBP/MYR



GBP/MYR Bullish

GBP/MYR opened 0.58% higher at 5.3554 and traded sideways within the 5.35-5.36 handles. Daily outlook for the pair remains bullish but gains may narrow as the sterling may pull back somewhat after yesterday's massive rally, thanks to a reversal in UK tax plan by newly appointed Chancellor Hunt. Prevailing policy uncertainties with rising odds of a leadership change is expected to dampen sterling outlook, hence limiting the upside in GBP/ MYR.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.2695	5.3098	5.3566	5.4000	5.4454

AUD/MYR

AUD/MYR Bullish

AUD/MYR opened 0.80% higher at 2.9704 and has been trading in a choppy manner, but within 100pips (2.9666-2.9768) nonetheless. Aussie was seen edging up post somewhat hawkish RBA minutes suggesting a pivot to smaller pace of rate hike does not mean the RBA will stop raising rates. Indeed, it expects to continue hiking well into next year to restore price stability, hence offering some support to the Aussie.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9250	2.9500	2.9708	2.9925	3.0000

Source: Bloomberg, HLBB Global Markets Research

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