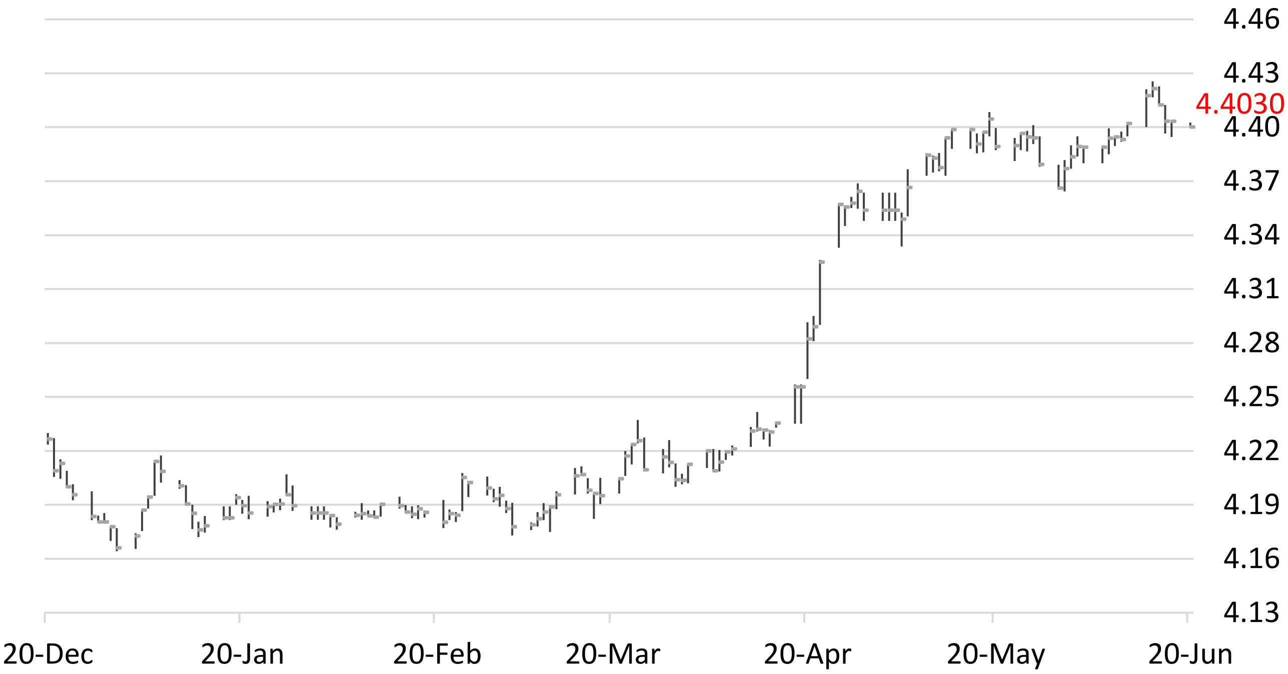
20 June 2022

Global Markets Research

Mid-day Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral

USD/MYR opened 0.02% lower at 4.4025 and is likely staying near this level given the lack of immediate driver today. In the week ahead, USD/MYR outlook is expected to maintain a neutral-to-bullish bias, keeping within the familiar range of 4.38-4.43 amid the expectations of a firmer USD outlook. Higher May CPI print out of Malaysia next week would likely reinforce expectations for an OPR hike in July.

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 along with the advantage of elevated oil prices. Firmer growth outlook has resulted in a 25bps increase in the OPR by BNM at the May MPC meeting and we expect another 50bps 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. On the flipside, the Russia-Ukraine crisis and China's strict Covid policy could potentially derail recovery and policy normalization path.

	S2	S1	Indicative	R1	R2
USD/MYR	4.3800	4.3900	4.4030	4.4075	4.4200

MYR Crosses

SGD/MYR

SGD/MYR Neutral

SGD/MYR opened 0.20% lower at 3.1704. The cross is still expected to maintain its recent level, trading at circa 3.1700 as both emerging market currencies are likely weighed down by the resurging USD strength after last week's FOMC.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1450	3.1600	3.1695	3.1800	3.1900

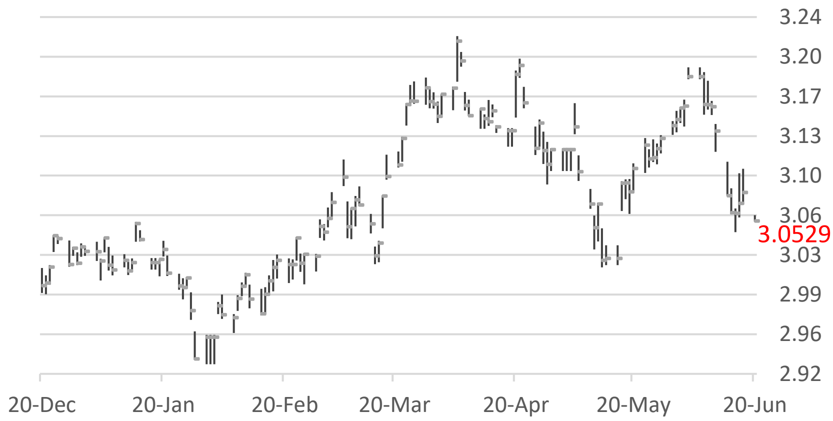
GBP/MYR

GBP/MYR Neutral to Slightly Bearish

GBP/MYR opened 0.73% lower at 5.3816, in response to the weaker GBP last Friday as the dollar refreshed strength. While the change in forward guidance to a hawkish stance removes some uncertainty over the previously expected gap between the Fed-BOE rate hike cycles, the weaker showings of recent UK data suggested that the UK may be in a more difficult position to take rates higher further.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3045	5.3500	5.3800	5.4290	5.5000

AUD/MYR



AUD/MYR Bearish

AUD/MYR opened 0.67% lower at 3.0591. The daily outlook is biased towards the downside as the Australian dollar is expected to track the continuous downtrend in iron ore prices which may soon breach below the critical $100/tonne level amid concerns over weaker Chinese demand.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0135	3.0450	3.0529	3.0900	3.1350

Source: Bloomberg, HLBB Global Markets Research

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