22 July 2022

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral

USD/MYR opened 0.12% lower at 4.4525 but retraced the steps back to 4.4565. The dollar's most recent retreat was premised on the weaker US data that may spur growth concerns and slower Fed rate hikes in future meetings on the part of the Fed as the 75bp rate hike next week has been very much priced in the markets. We expect little change in MYR trajectory despite the likely higher Malaysia's CPI inflation due noon today as BNM has played down any prospects of a 50bp rate hike in September. Key US data tonight are the preliminary S&P Global PMI readings.

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	4.4265	4.4400	4.4565	4.4600	4.4700

MYR Crosses

SGD/MYR

SGD/MYR Neutral

SGD/MYR opened 0.35% lower at 3.2078 but weakened to 3.2044 of writing. The cross is expected to trade within 3.2000-3.2050 on the back of weaker SGD momentum while MYR is expected to remain relatively flat. Cautious sentiment is expected to dominate the market ahead of the weekend.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1850	3.1950	3.2042	3.2100	3.2150

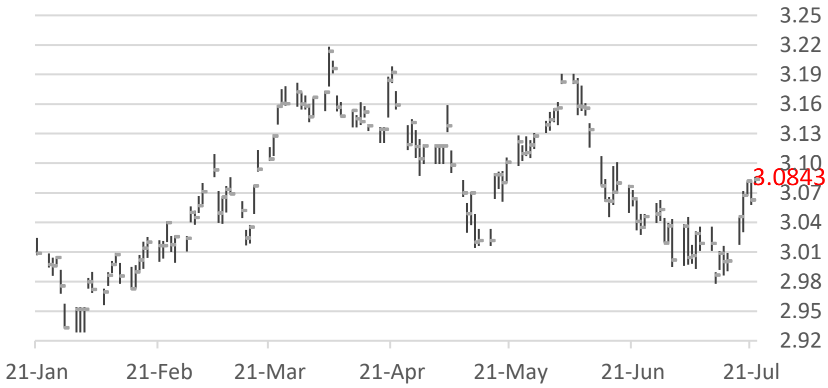
GBP/MYR

GBP/MYR Neutral

GBP/MYR opened 0.48% lower at 5.3476 and slumped further below 5.3400. This came on the back of a weaker sterling as major currencies erased gains against the dollar. Risk aversion amid heightened recession fear continues to limit upside for the GBP even though the record high CPI inflation bolstered the case for a half-percentage-point BOE rate hike. The UK PMI readings will offer the latest picture of the UK economy.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.2500	5.3000	5.3368	5.3600	5.4000

AUD/MYR



AUD/MYR Neutral

AUD/MYR opened 0.76% higher at 3.0861 and is likely to see a muted session amid a lack of major drivers and renewed risk aversion. The market is headed into the pre-FOMC blackout period but do watch out for Australia's quarterly CPI reading for clues on the RBA's August move.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0500	3.0634	3.0843	3.0850	3.1000

Source: Bloomberg, HLBB Global Markets Research

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