26 July 2022

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral to Slightly Bearish

USD/MYR opened unchanged at 4.4530. We maintain the view that little movement is expected ahead of the all-important FOMC meeting of which a 75bp rate hike has been priced in. Malaysia's CPI inflation shot to 3.4% according to last Friday's release but did not boost expectations for a step-up in BNM rate hike. Risk aversion continues to pose some downside risks to the local unit but expect an otherwise quiet session today.

1-Month Outlook – MYR Neutral

We expect the MYR to recover some lost ground in the medium term; supported by the further economic recovery after 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	4.4560	4.4600	4.4700

MYR Crosses

SGD/MYR

SGD/MYR Slightly Bullish

SGD/MYR opened 0.10% lower at 3.2122 after having hit 3.2100 in the previous session. Singapore's CPI rate surged further in June, spurring renewed speculations that the MAS may tighten policy again ahead of the scheduled October meeting. Bullish MAS related sentiment may continue to spur the cross higher, targeting 3.2200, but pre-FOMC sentiment may hold things back.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1950	3.2000	3.2157	3.2200	3.2300

GBP/MYR

GBP/MYR Neutral

GBP/MYR opened 0.18% higher at 5.3680. GBP managed to strengthen modestly last night, as the USD traded mixed against a basket of major currencies. Pre-FOMC anxiety is expected to cap on the sterling's upsides, despite slightly weaker USD, before focus shifts to the BOE's next meeting. The domestic political uncertainties (Conservative Party leadership race) may also stifle the pound.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3000	5.3370	5.3698	5.4000	5.4500

AUD/MYR

AUD/MYR Slightly Bullish

AUD/MYR opened 0.05% lower at 3.0950 but picked up to above 3.1000 as of writing. AUD appears to be riding on slightly weaker USD and partially supported by the firmer oil prices. Australia's quarterly CPI reading (released before the FOMC decision) is expected to offer further guidance on the RBA's rate trajectory.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0500	3.0650	3.1043	3.1150	3.1400

Source: Bloomberg, HLBB Global Markets Research

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