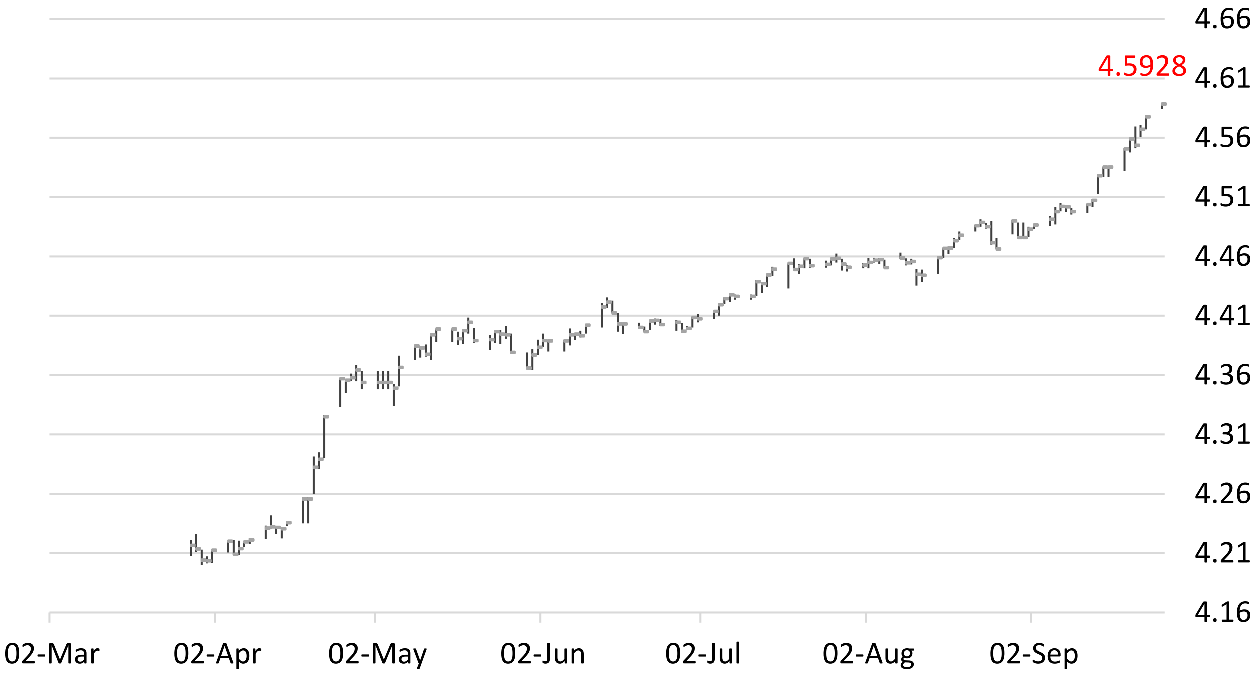
26 September 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.14% higher at 4.5840 and was seen pushing higher relentlessly, trading at 4.5928 at time of writing. A break of the 4.57 levels has opened the door for increased bullishness in the pair, with 4.60 within reach soon as the USD bulls seem unstoppable spurred by growing policy divergence. Should the pair break 4.60, it will likely eye 4.65-4.70 next.

1-Month Outlook – MYR Neutral-to-Bearish

We are turning bearish on MYR 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%. 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	4.5520	4.5680	4.5928	4.6000	4.6500

MYR Crosses

SGD/MYR

SGD/MYR Neutral

SGD/MYR opened 0.38% lower at 3.2017, and was seen trading around this level at time of writing even though it touched a low of 3.1947 earlier. Daily outlook is neutral amid weaknesses in both the MYR and SGD. The pair looks to be well-supported at the 3.20 handle but over the medium term, the pair remains susceptible to slight upside risk as the SGD has demonstrated reasonably good resiliency, supported by expectations of MAS' policy tightening in October.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1869	3.1924	3.2017	3.2088	3.2137

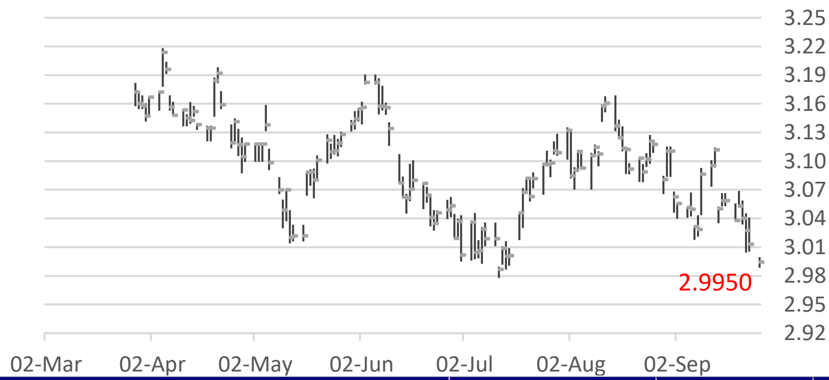
GBP/MYR

GBP/MYR Bearish

GBP/MYR nosedived 3.41% to 4.9405 in this morning's opening and plunged close to 1000pips further to 4.8567 at time of writing following the sharp fall in the sterling by seven big figures from Friday's 1.12 to 1.05 currently, hitting a low of 1.0350 in the process. New UK PM Truss's "mini budget" triggered big selloffs in the GBP and gilts, overshadowing contractions in PMIs. The stern bearishness in the sterling heading towards parity with the greenback suggests more downside for GBP/ MYR, with 4.80 levels as the next target.

	S2	S1	Indicative	R1	R2
GBP/MYR	4.7630	4.8000	4.8567	4.9500	5.1100

AUD/MYR



AUD/MYR Bearish

AUD/MYR opened 0.77% lower at 2.9898 but managed to regain some lost ground to around the 3.00 handle. AUD/USD was resilient above 0.65 despite overall market risk aversion, hence pointing to limited downside to AUD/ MYR. We see 2.98 as a key support for now, a break of which would lead the pair towards 2.95.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9500	2.9800	2.9950	3.0000	3.0137

Source: Bloomberg, HLBB Global Markets Research

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