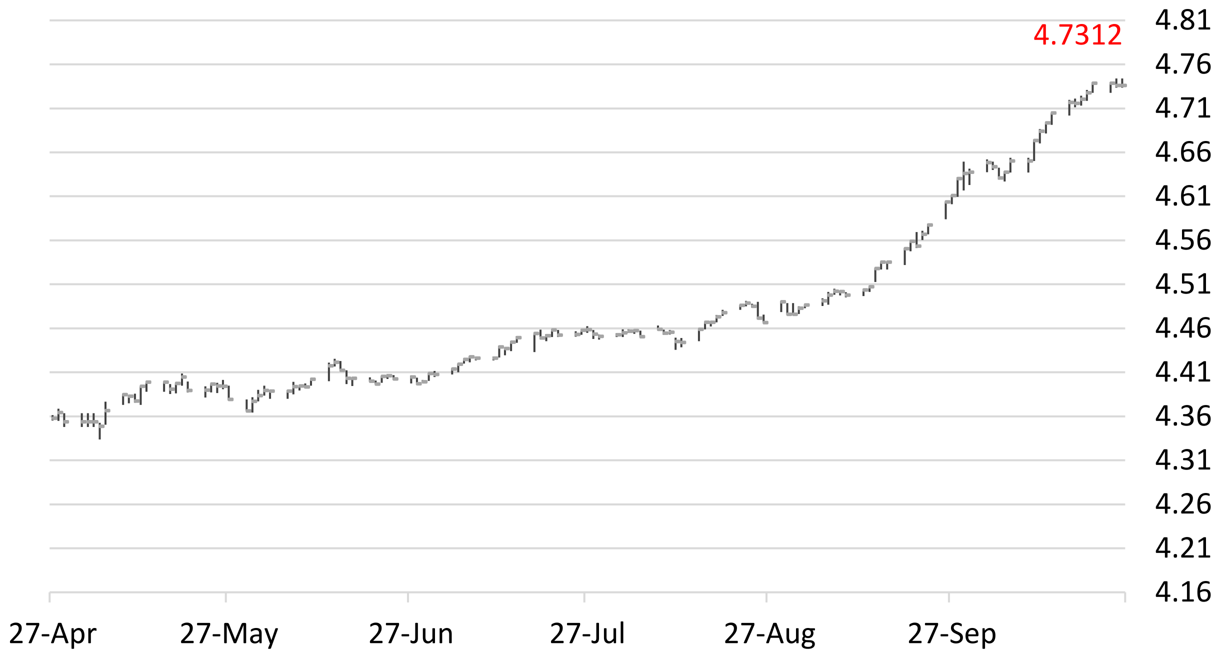
26 October 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USD/MYR opened 0.11% lower at 4.7308, and has been trading around the 4.73 handle at time of writing, believed to be supported by some sense of calm as markets digested key takeaways from China's annual Party Congress. Any pullback currently is viewed positively as some correction in the pair is long overdue. The pair remains bullish nonetheless given prevailing USD strength and event risk surrounding the MYR as the nation is slated to enter the poll on 19-November. There are no signs the pair is reversing its uptrend anytime soon despite the hugely overbought condition, with 4.75 within reach soon.

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	4.6520	4.7000	4.7312	4.7450	4.7500

MYR Crosses

SGD/MYR

SGD/MYR Slightly Bullish

SGD/MYR opened 0.54% higher at 3.3425, and was seen hovering around the 3.34 levels. The pair is expected to stay slightly bullish today on the back of a relatively resilient USD/ SGD, trading below the 1.42 handle. The pair is currently toying with 3.34 and looks set to breach 3.35 soon as we expect divergence in the MYR and SGD to spur further advances in SGD/ MYR.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.3179	3.3269	3.3400	3.3500	3.3600

GBP/MYR

GBP/MYR Bullish

GBP/MYR opened 1.20% higher at 5.4273 following the overnight sharp gains in the sterling but some retreat in the sterling this morning and a firmer MYR has led the pair lower to 5.4123 at time of writing. The pair has room to move higher should GBP bulls return on expectations of easing concerns on the UK political front. Sustained trade above 5.40 is expected to lead the pair towards 5.45-5.50 eventually.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3260	5.3739	5.4123	5.4388	5.4627

AUD/MYR

AUD/MYR Bullish

AUD/MYR opened 1.15% higher at 3.0238 following a overnight advance in the Aussie further away from the 0.63 handle. Daily outlook is bullish following the sharply higher opening, although gains may narrow should the MYR continues to consolidate and Aussie failed to hold on to its gains.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9820	3.0064	3.0205	3.0410	3.0520

Source: Bloomberg, HLBB Global Markets Research

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