27 May 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% higher at 4.3950. In the previous session, the pair briefly hit 4.4000 before paring gains to close the day unchanged. Despite the generally lower USD spurred by risk-on flow, the cautious sentiment ahead of the weekend and major US data release today and next week are likely to keep the pair supported above 4.3900.

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 expected to stay firm supported by safe haven demand, Fed rate hike expectations and economic outperformance in the US vis-à-vis other majors. On the flipside, the Russia-Ukraine crisis could potentially derail recovery and policy normalization path.

	S2	S1	Indicative	R1	R2
USD/MYR	4.3700	4.3850	4.3925	4.4000	4.4200

MYR Crosses

SGD/MYR

SGD/MYR Neutral to Slightly Bullish

SGD/MYR opened 0.16% higher at 3.2036, as SGD closed firmer in overnight trade amid dollar weakness. The breach of 3.2000 puts the SGD/MYR cross at an even stretched position, and some retreat to a more neutral level should be imminent, in view of renewed Singapore's growth concerns and expectations of BNM policy catchup.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.1820	3.1900	3.1995	3.2050	3.2100

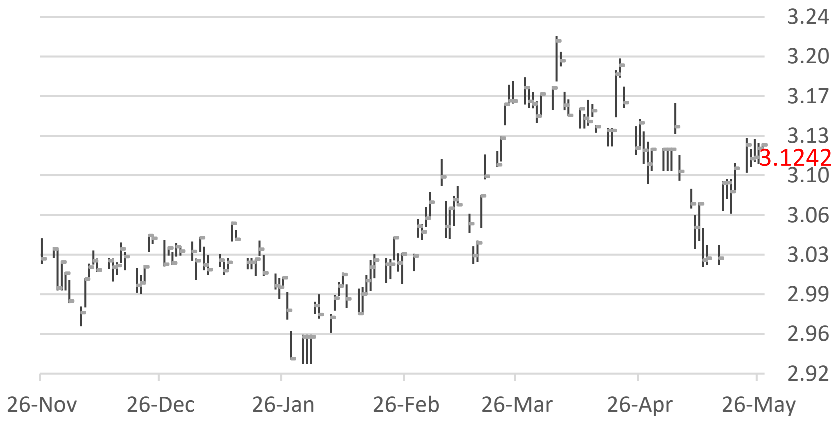
GBP/MYR

GBP/MYR Neutral to Slightly Bullish

GBP/MYR opened 0.32% higher at 5.5439 after the sterling hit 1.2600 overnight. Upsides are still capped at 5.5500 in anticipation of more US data release and a quiet UK calendar next week. We maintain the view of a limited GBP strength as the UK inflation is showing signs of peaking and the narrative of a sharp slowdown is gathering speed while the BOE is nearing the end of its tightening cycle.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4820	5.5000	5.5422	5.5500	5.5700

AUD/MYR



AUD/MYR Neutral to Slightly Bullish

AUD/MYR opened 0.02% higher at 3.1191. AUD/USD remains anchored at the edge of 0.7100 but could see some up moves related to the solid Australian retail sales data. In the absence of a major push factor, AUD may remain dollar driven as the markets continue to mull China's outlook as well as Fed and RBA policy paths.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0840	3.1059	3.1242	3.1285	3.1500

Source: Bloomberg, HLBB Global Markets Research

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