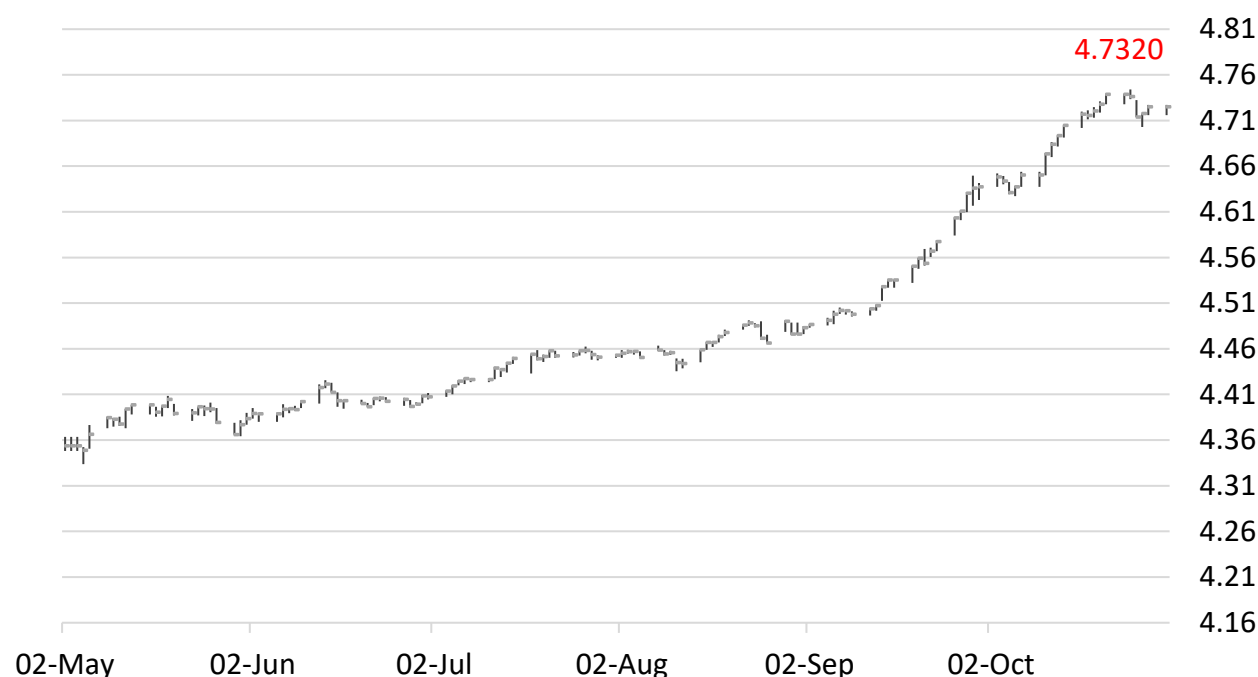


31 October 2022

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral to Slightly Bearish

USD/MYR opened slightly lower by 0.05% at 4.7225, and inched higher to 4.7320 at time of writing. We expect the pair to trade on a more muted and side-ranging mode this week in the run-up to FOMC and BNM MPC meetings, both about 12 hours apart on 3-November. Although a 75bps increase in the Fed funds rate is still widely expected, markets would be scrutinizing the Fed's rhetoric if future rate hike pace will be dialled back. We believe this forward guidance from the Fed may have some bearing on BNM MPC which closely follows suit on the same day. Our house view is calling for another 25bps OPR hike given further widening in rate differentials between the US and Malaysia.

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, we caution against an earlier than expected Fed policy pivot which could dampen USD outlook.

	S2	S1	Indicative	R1	R2
USD/MYR	4.7020	4.7145	4.7320	4.7350	4.7500

MYR Crosses

SGD/MYR



SGD/MYR Neutral to Slightly Bullish

SGD/MYR opened 0.05% marginally higher at 3.3465, and was seen hovering at this level at time of writing given flattish trading in both the MYR and SGD. The pair is expected to range trade today and probably the next few days amid anxiety and market cautiousness ahead of FOMC and BNM policy decisions on 3-Nov. Meanwhile, Singapore PMI and retail sales due this week will likely take a backseat.

To	S2	S1	Indicative	R1	R2
SGD/MYR	3.3244	3.3340	3.3485	3.3586	3.3620

GBP/MYR



GBP/MYR Bullish

GBP/MYR opened 0.59% higher at 5.4796 taking cue from renewed advances in the sterling on Friday. The sterling was seen trading slightly in the red this morning as the greenback remains firmly supported by Fed rate hike expectations. GBP/ MYR outlook is bullish following the higher opening but event risks from both the BOE and BNM this week will likely lead to more muted moves in the pair unless there are any surprises in the policy decisions.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4084	5.4356	5.4866	5.4884	5.5091

AUD/MYR



AUD/MYR Neutral

AUD/MYR opened 0.21% lower at 3.0250 tracking a weaker Aussie at the 0.64 handle. Daily outlook is however expected to be largely neutral on prospects of a soft AUD as well as MYR. AUD/USD is expected to come under some pressure ahead of RBA and FOMC meetings this week, as the RBA pivoted to a slower pace of rate hike (25bps expected vs the Fed's 75bps).

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9969	3.0210	3.0350	3.0500	3.0638

Source: Bloomberg, HLBB Global Markets Research

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.