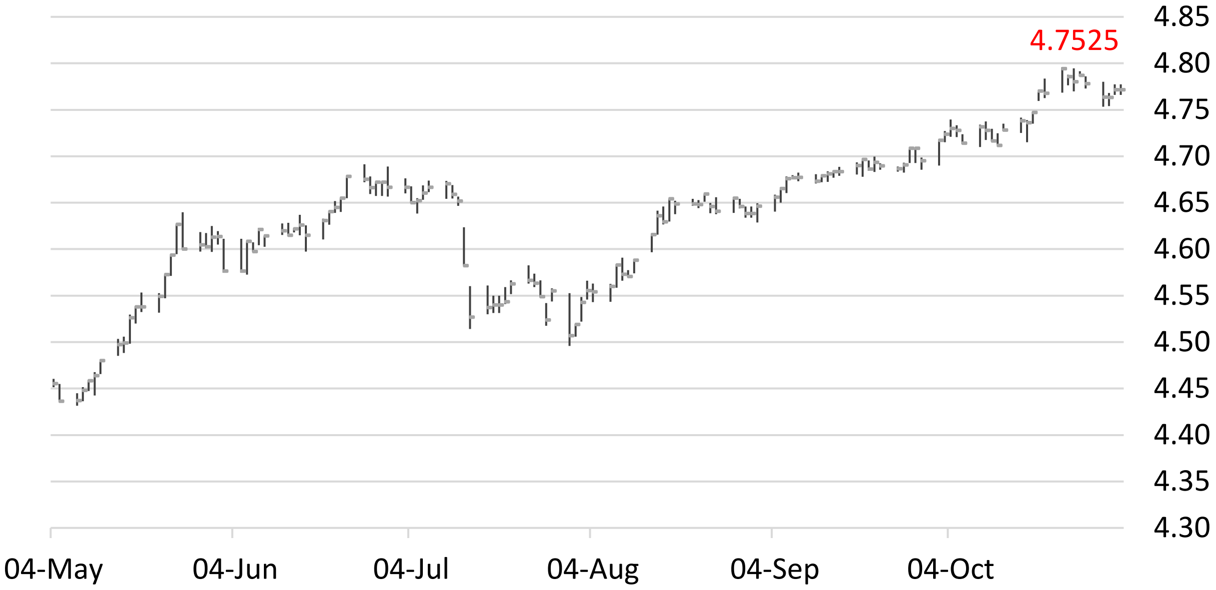
2 November 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Neutral-to-Slightly Bearish

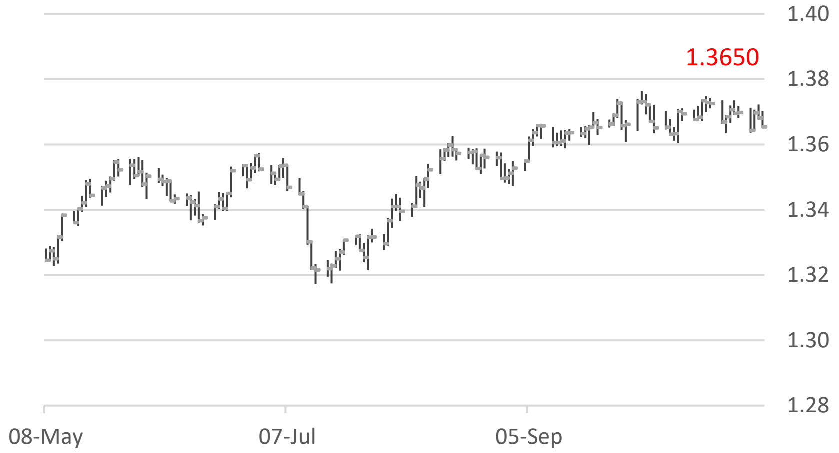
USD/MYR opened 0.25% lower at 4.7597 and slid to 4.7525 at the point of writing. Daily outlook is neutral-to-slightly bearish on USD weakness following Treasuries lead and dovish interpretations of the Fed funds trajectory. Overnight, Fed Chairman Jerome Powell said that the FOMC is attentive to the increase in longer-term term yields and a persistent change in tightening of broader financial conditions can have implications for the path of monetary policy. Key risk today will be BNM's monetary policy decision and its tone at the statement. We expect no change in OPR today.

1-Month Outlook – USD/MYR Neutral-to-Slightly Bullish

The USD/MYR 1-month outlook is neutral-to-slightly bullish as the Fed dot plot points to one more 25bps Fed hike this year, while expectations for any rate cut are being pushed back to 2H2024. In fact, the latest Fed dot plot showed the median forecast for end-2023, 2024 and 2025 fed funds rate at 5.6%, 5.1% and 3.9% respectively (June: 5.6%, 4.6% and 3.4%). The 50bps upward revision for 2024 and 2025 was attributable to expectations for a more solid expansion in economic activities and continuous improvement in the labour market. However, we noted Chair Jerome Powell has also said that the FOMC is attentive to the increase in longer-term term yields and a persistent change in tightening of broader financial conditions can have implications for the path of monetary policy, scaling down Fed rate hike bets. On the domestic front, BNM dropped the "slightly accommodative" phrase in its latest MPC statement, highlighting that the prevailing OPR level is consistent with the current assessment of the inflation and growth outlook. This reaffirmed our view for an extended pause in the OPR at 3.00% for the rest of the year and will cap MYR strength.

	S2	S1	Indicative	R1	R2
USD/MYR	4.7399	4.7487	4.7525	4.7775	4.7832

USD/SGD



USD/SGD Neutral-to-Slightly Bearish

USD/SGD opened flat at 1.3681 and slid to 1.3650 at the point of writing. Daily outlook is neutral-to-slightly bearish with both currencies exhibiting weakness. As such, we expect losses to be capped at 1.3636 (S1) and 1.3617 (S2) respectively.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3617	1.3636	1.3650	1.3689	1.3723

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bearish

SGD/MYR opened 0.34% higher at 3.4923 but quickly pared its gain to trade close to it's previous close at 3.4816 at the point of writing. Daily outlook is neutral-to-slightly bearish on MYR strength but investors will largely stay cautions ahead of BNM's decision at 3pm today. We expect this pair to be supported at 3.4758 (S1) and 3.4710 (S2) respectively.

5	S2	S1	Indicative	R1	R2
SGD/MYR	3.4710	3.4758	3.4816	3.4936	3.5049

GBP/MYR

GBP/MYR Neutral-to-Slightly Bearish

GBP/MYR opened 0.35% higher at 5.8132 but quickly lost its lustre to trade at 5.7929 at the point of writing. This is just above the flatline. While GBP delivered a recovery to 1.2191 against USD on improved risk appetite, both currencies remained on tender hooks given BOE's and BNM's decision today. Coupled with its downward trajectory post-opening, we have a neutral-to-slightly bearish view.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.7765	5.7846	5.7929	5.8556	5.8820

AUD/MYR

AUD/MYR Bullish

AUD/MYR opened 1.40% higher at 3.0652 but pared some of its gains to trade at 3.0576 at the point of writing, Because of this and AUD/USD firmly holding above the 0.6400 mark in early Asian trading hours, we have a bullish outlook for this pair, with gains seen capped 3.0939 (R1) and 3.1544 (R2) respectively. Data from the Australian front disappointed this morning, thus could potentially weigh on AUD.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0080	3.0155	3.0576	3.0939	3.1544

Source: Bloomberg, HLBB Global Markets Research

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