7 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Neutral-to-Slightly Bearish

USD/MYR opened 0.18% lower at 4.5460 but pared some of its losses to trade at 4.5522 at the point of writing. Daily outlook is neutral-to-slightly bearish given the lower opening but Fed Governor Michelle Bowman's signal over the weekend that more rate hikes may be needed should keep any significant loss in check. As it is, this pair is supported at 4.5437 and July's US inflation data due this week will lend more support (or otherwise) for Fed's next move in September, and alongside, the direction of the pair.

1-Month Outlook – USD/MYR Slightly Bearish

The USD/MYR 1-month outlook is slightly bearish in our view as we maintain our expectations that the 25bps rate hike to 5.25%-5.50% could be the last hike in the current tightening cycle in anticipation of further moderation in inflation outlook. DXY pulled back sharply given the lack of clear direction following Fed Chair Jerome Powell's press conference despite reiterating that policy makers have a long way to go in returning inflation to their 2.0% goal and that it is certainly possible that the Fed would raise interest rates again at the September meeting, if the data warranted. As it is, Fed-dated OIS pricing showed a marginal increase in the probability of a September hike from 18% prior to the FOMC meeting to 23% after that, but this has since retreated to low teens. On the domestic front, a more neutral tone in BNM's latest monetary policy statement and slightly accommodative policy stance implied that the current OPR rate is near neutral level. Moderating growth and inflation prospects, coupled with little risks to financial imbalances, will support our view for OPR to stay unchanged at 3.00% for the remaining of 2023, capping excessive gains in the MYR.

	S2	S1	Indicative	R1	R2
USD/MYR	4.5333	4.5437	4.5522	4.5637	4.5733

USD/SGD

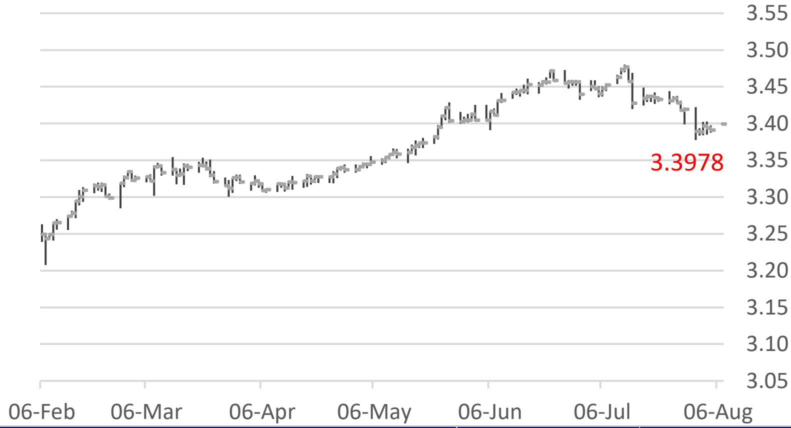
USD/SGD Neutral

USD/SGD opened 0.04% lower at 1.3390 but erased its losses to trade at 1.3397 at the point of writing. It has largely traded within this level, and as such, daily outlook is neutral. We also expect investors to generally stay cautious ahead of the highly watched US CPI and on the Singapore front, the final 2Q GDP due to be released on 11-August.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3327	1.3361	1.3397	1.3433	1.3471

MYR Crosse

SGD/MYR

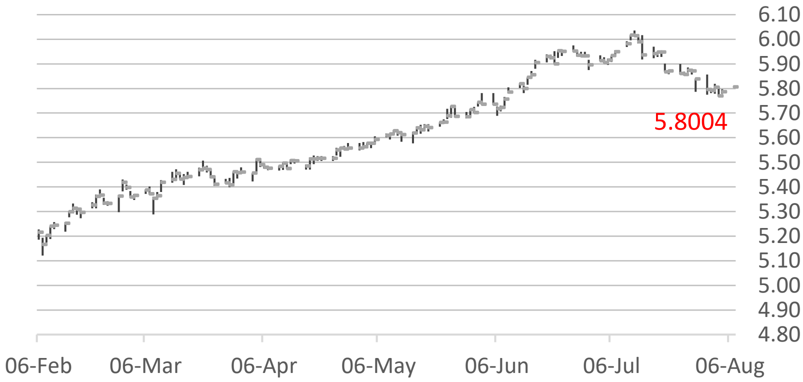


SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.26% higher at 3.3998 but lost some of its lustre to trade at 3.3978 at the point of writing. Daily outlook is neutral-to-slightly bullish given the higher opening but further upside will be kept in check at the 3.4022 level and on the back of higher oil prices which is supportive of MYR. Besides Singapore's 2Q GDP, we will also be watching out for the Malaysia's IPI and wholesale & retail trade data for clues on its 2Q GDP performance.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.3820	3.3864	3.3978	3.4022	3.4123

GBP/MYR



GBP/MYR Neutral-to-Slightly Bullish

GBP/MYR opened 0.33% higher at 5.8056 but retreated to 5.8004 at the point of writing. We have a neutral-to-slightly bullish call on this pair given the higher opening but noted that GBP/USD retreated to 1.2744 at the point of writing in sluggish Asian session, following a three-week downtrend.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.7694	5.7780	5.8004	5.8400	5.8936

AUD/MYR

AUD/MYR Slightly Bullish

AUD opened 0.23% higher at 2.9935 and strengthened further to 2.9978 at the point of writing. Daily outlook is slightly bullish supported by the latest statement of monetary policy where RBA's forecasts are based on the assumption that the cash rate peaks at around 4.25% before declining to around 3.75% by the end of 2025. This suggests that there is limited room, but still a potential 25bps rate hike on the cards this year.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9763	2.9814	2.9978	2.9995	3.0111

Source: Bloomberg, HLBB Global Markets Research

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