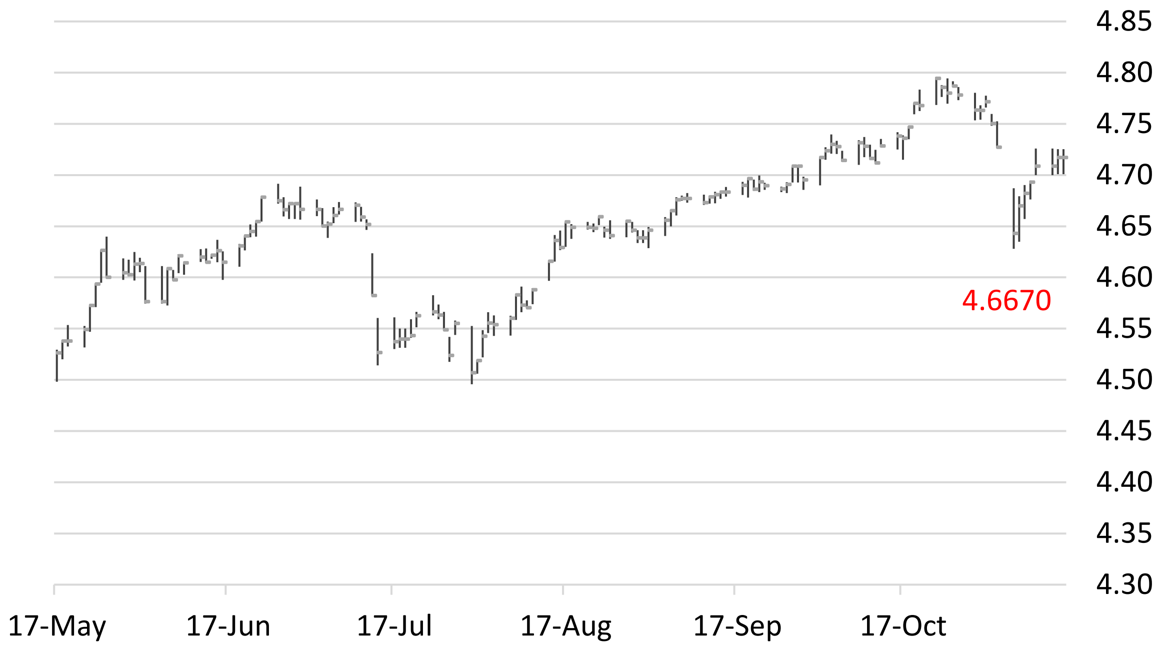
15 November 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bearish

USD/MYR opened 1.16% lower at 4.6625 and rebounded slightly to 4.6670 at the point of writing. Daily outlook is slightly bearish, hit by a double whammy of MYR strength and USD weakness this morning, the latter weighed down by softer than expected CPI prints that raised hopes that the Federal Reserve is wrapping up its rate-hiking campaign. In fact, the Fed funds futures is pricing no chance of rate hike in December. On deck tonight will be the crucial US retail sales data, which could reaffirm the Fed pause or otherwise, on top of PPI and Fed speaks.

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 maintained a neutral stance 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	4.6537	4.6588	4.6670	4.6703	4.6767

USD/SGD

USD/SGD Neutral-to-Slightly Bearish

USD/SGD opened flat at 1.3489, largely traded within 1.3482-1.3514 range before settling at 1.3491 at the point of writing. Daily outlook is neutral-to-slightly bearish given USD weakness this morning, with S1 and S2 seen at 1.3465 and 1.3432 respectively.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3432	1.3465	1.3491	1.3512	1.3529

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bearish

SGD/MYR opened 0.83% higher at 3.4972 before quickly erasing its gains to trade at 3.4591 at the point of writing. Given MYR strength and SGD weakness versus regionals as investors largely turned risk tolerant, we have a neutral-to-slightly bearish call for this pair, eyeing S1 and S2 at 3.4428 and 3.4283 respectively.

5	S2	S1	Indicative	R1	R2
SGD/MYR	3.4283	3.4428	3.4591	3.4831	3.5113

GBP/MYR

GBP/MYR Slightly Bullish

GBP/MYR opened 1.54% higher at 5.8928 before quickly losing its lustre to trade at 5.8264 at the point of writing. Daily outlook is slightly bullish, with a likely trading range of 5.8013-5.8700 for the day. Overnight, BOE chief economist Pill warned that US pay growth stubbornly high and tonight, we will be watching out for UK CPI numbers.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.7782	5.8013	5.8264	5.8700	5.9159

AUD/MYR

AUD/MYR Slightly Bullish

AUD/MYR opened 1.89% higher at 3.0655 before paring some of its gains to trade at 3.0233 at the point of writing. Daily outlook is slightly bullish given the higher opening and data this morning showing that Australia's wage growth accelerated to +1.3% q/q in 3Q (2Q: +0.9% q/q), raising concerns of wage-spiral inflation. Meanwhile in China, the PBoC maintained its 1Y MLF rate unchanged at 2.50%, as expected, while economic indicators released this morning were mixed.

	S2	S1	Indicative	R1	R2
AUD/MYR	3.0032	3.0159	3.0304	3.0532	3.0784

Source: Bloomberg, HLBB Global Markets Research

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
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.