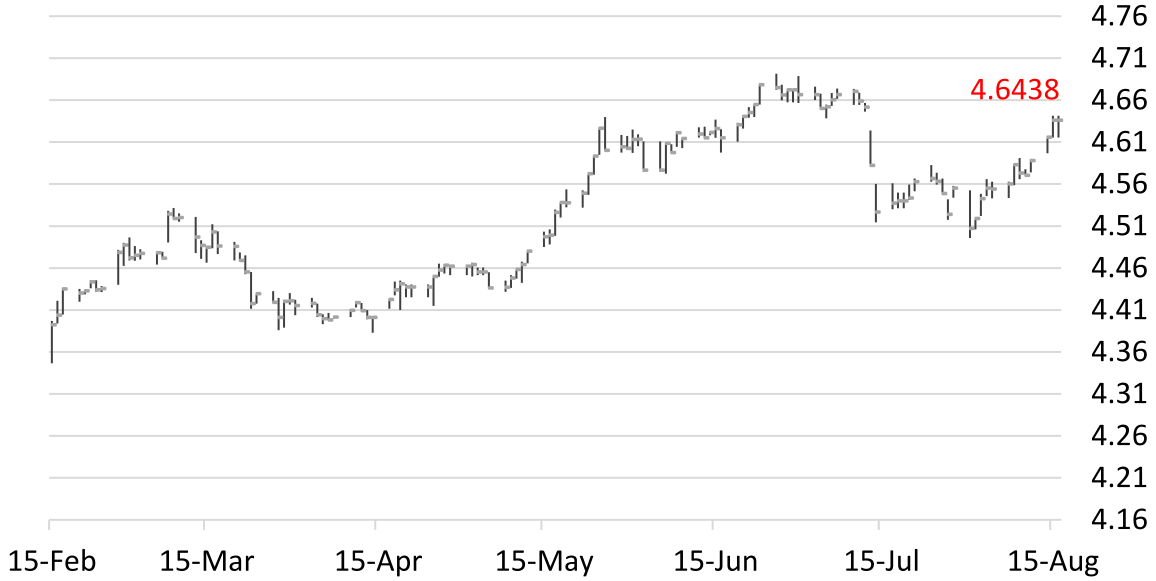
16 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bullish

USD/MYR opened 0.01% lower at 4.6357 but quickly rebounded to 4.6438 at the point of writing. Daily outlook is slightly bullish as concerns over China's faltering economic growth dampened investor appetite, with safe haven flows seen benefitting the USD. The strong US retail sales data overnight also supported the case for a Fed rate hike as reflected by the 2Y UST briefly flirting with the 5.00% handle, lending further support to the Dollar today.

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	4.6050	4.6205	4.6438	4.6465	4.6570

USD/SGD

USD/SGD Slightly Bullish

USD/SGD opened flat at 1.3583, slid as low as 1.3571 before quickly rebounding to 1.3594 at the point of writing. Daily outlook is slightly bullish as investors turned risk adverse on China's deteriorating economic outlook, thus weighing on regional currencies.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3535	1.3559	1.3594	1.3613	1.3652

MYR Crosses

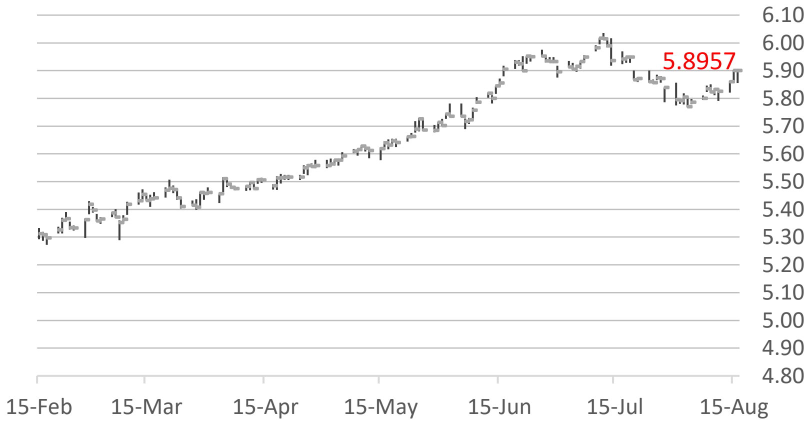
SGD/MYR

SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.14% lower at 3.4131 but pared some of its losses to trade at 3.4162 at the point of writing. While this is still below previous close, we have a neutral-to-slightly bullish call on this pair given that THB and MYR are the main laggards today.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.3986	3.4083	3.4162	3.4239	3.4298

GBP/MYR



GBP/MYR Neutral-to-Slightly Bullish

GBP/MYR opened 0.22% lower at 5.8877 but pared some of its losses to trade at 5.8957 at the point of writing. We have a neutral-to-slightly bullish call on this pair as the overnight pop in UK wages could keep inflationary pressures elevated, increasing the pressure to raise rates further and supporting the GBP today. Overnight, GBP/USD broke above the 1.27 handle reaching as high as 1.2707 before retreating to 1.2698 at the point of writing.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8400	5.8702	5.8957	5.9159	5.9314

AUD/MYR

AUD/MYR Bearish

AUD opened 0.30% lower at 2.9935 and slid to 2.9887 at the point of writing. Daily outlook is bearish as the slew of weak Chinese economic data recently, which includes weaker new home prices this morning, does not bode well for the AUD. Appetite for AUD will also be dampened by the retreat in Westpac Leading Index this morning as well as the dovish RBA's minutes yesterday where officials see a "credible path" that inflation will return to its target level of 2-3% at the current cash rate level.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9547	2.9801	2.9887	3.0167	3.0309

Source: Bloomberg, HLBB Global Markets Research

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