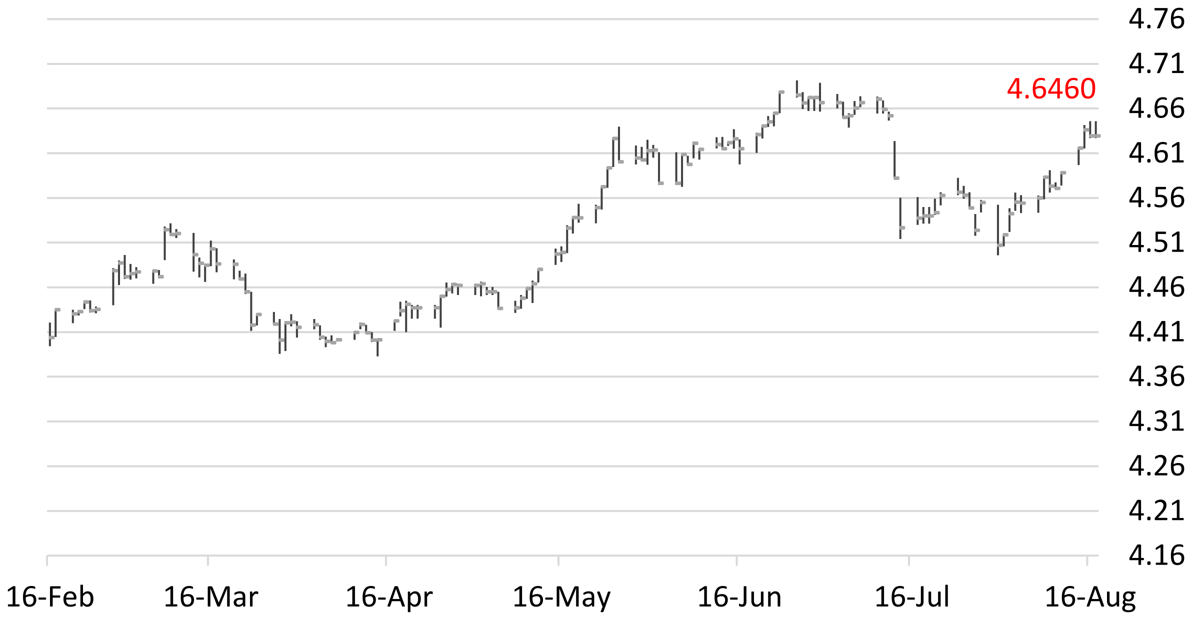
17 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bullish

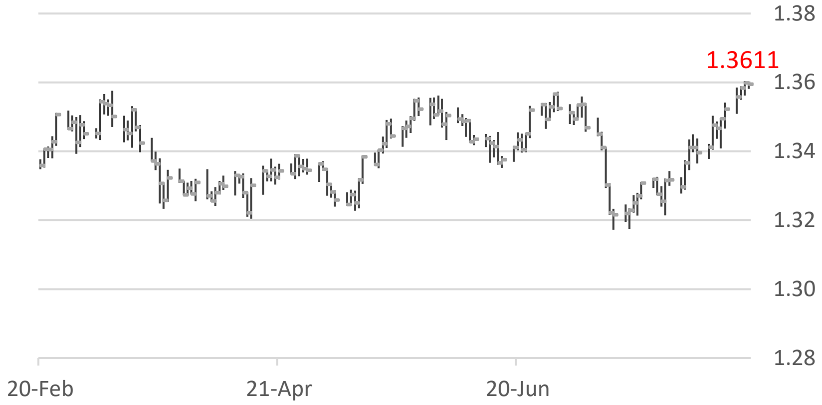
USD/MYR opened 0.01% higher at 4.6298 and strengthened to 4.6460 at the point of writing. Daily outlook is slightly bullish given USD strength backed by firmer UST yields as well as sour sentiment dented by pessimism over China's economic outlook and FOMC's latest minutes. Officials reiterated upside risks to inflation, thus reviving chatter that the Fed is not done with its tightening cycle yet. Economic data was also supportive of this, with manufacturing output registering its first m/m growth in three months in July.

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	4.6148	4.6221	4.6460	4.6530	4.6721

USD/SGD



USD/SGD Slightly Bullish

USD/SGD opened flat at 1.3598 and strengthened to 1.3611 at the point of writing. Daily outlook is slightly bullish, hit by a double whammy of USD strength as well as weak non-oil domestic exports (NODX) data from Singapore. NODX unexpectedly worsened to 20.2% y/y in August from 15.6% y/y previously, thus potentially weighing down on SGD today.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3546	1.3572	1.3611	1.3630	1.3672

MYR Crosses

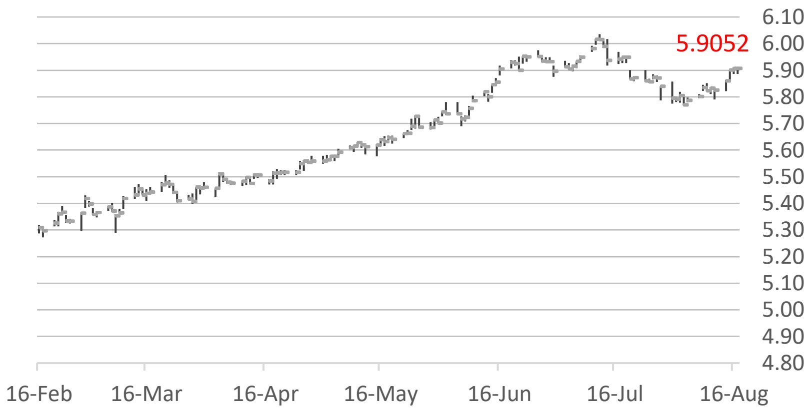
SGD/MYR

SGD/MYR Neutral

SGD/MYR opened 0.24% lower at 3.4029 and trading has been volatile since then. The pair trended to as high as 3.4137 before quickly losing its momentum again to 3.4106 minutes after the NODX data was released. Nonetheless, SGD appeared to remain resilient against MYR to settle at 3.4118 at the point of writing. As such, we have a neutral call for this pair, with S1 and R1 at 3.4078 and 3.4162 respectively.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4046	3.4078	3.4118	3.4162	3.4214

GBP/MYR



GBP/MYR Neutral

GBP/MYR opened 0.25% lower at 5.8918 but pared most of its losses to trade near to its previous close of 5.9052 at the point of writing. Daily outlook is neutral as we expect the lower opening to be offset by GBP strength. GBP will be supported by expectations of another 25bps rate hike when BOE next meet in September given that UK inflation eased less than expected.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8757	5.8912	5.9052	5.9169	5.9271

AUD/MYR

AUD/MYR Bearish

AUD opened 0.77% lower at 2.9690 and plunged further to 2.9628 at the point of writing. We have a bearish call for this pair on AUD weakness, dampened by weak employment number this morning. Employment change unexpectedly turned contractionary at -14.6k in July and with this, unemployment rate inched up more than expected to 3.7%.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9309	2.9609	2.9628	3.0005	3.0090

Source: Bloomberg, HLBB Global Markets Research

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