

20 September 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Neutral

USD/MYR opened 0.09% lower at 4.6922 but quickly erased some of its losses to trade at 4.6947 at the point of writing. Despite the lower opening and MYR strength, we have a neutral call for this pair with gains capped at 4.7033 (R1). We expect investors to largely remain cautious ahead of the FOMC announcement but the greenback is expected to be supported by the spike in UST yields overnight to its highest levels since 2007 and on expectations that the Fed will deliver a hawkish hold.

1-Month Outlook – USD/MYR Neutral

The USD/MYR 1-month outlook is neutral 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 has held steady at the 104-105 handle with Jerome Powell's latest remarks at Jackson Hole 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, if the data warranted. As it is, Fed-dated OIS pricing showed less than 10% probability of a September hike but pricing for a November rate hike has been slowly inching up to 55% now. 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	4.6712	4.6838	4.6947	4.7033	4.7102

USD/SGD

USD/SGD Neutral

USD/SGD opened flat at 1.3648 and has largely remain stable to trade at 1.3647 at the point of writing. Similar to the previous pair, we have a neutral call awaiting Fed decision and dot plot, with a tug of war between SGD strength and expectations of a hawkish hold. As it is, trading in DXY has been mild in early morning trade.



	S2	S1	Indicative	R1	R2
USD/SGD	1.3604	1.3636	1.3647	1.3663	1.3678

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bearish

SGD/MYR opened 0.11% lower at 3.4418 and slid further to 3.4398 at the point of writing. Daily outlook is neutral-to-slightly bearish on account of the lower opening, with MYR largely supported by steady oil prices and mild demand for the currency this morning.



	S2	S1	Indicative	R1	R2
SGD/MYR	3.4252	3.4340	3.4398	3.4486	3.4516

GBP/MYR

GBP/MYR Neutral

GBP/MYR opened 0.03% higher at 5.8203 but trading was choppy between 5.8130 and 5.8211 in early trade. The pair is currently trading at 5.8167 because of GBP weakness, but expectations that BOE will deliver its final rate hike for this cycle should keep GBP supported. We will nonetheless, be watching out for the CPI and PPI data this afternoon on the British front, with headline for the latter anticipated to accelerate to +7.0% y/y but core softened to +6.8% y/y.



	S2	S1	Indicative	R1	R2
GBP/MYR	5.8009	5.8096	5.8167	5.8234	5.8285

AUD/MYR



AUD/MYR Neutral

AUD/MYR opened 0.11% higher at 3.0356 but erased all its gains to trade at 3.0307 at the point of writing. Daily outlook is neutral, with consensus largely torn on Australia's rate hike prospects post RBA minutes. This morning, the Westpac Leading Index fell 0.4% n/n but improved slightly on a 6-month annualised basis. As widely expected, PBoC also maintained status quo on its 1Y and 5Y loan prime rates.

A	S2	S1	Indicative	R1	R2
AUD/MYR	3.0112	3.0217	3.0307	3.0380	3.0438

Source: Bloomberg, HLBB Global Markets Research

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