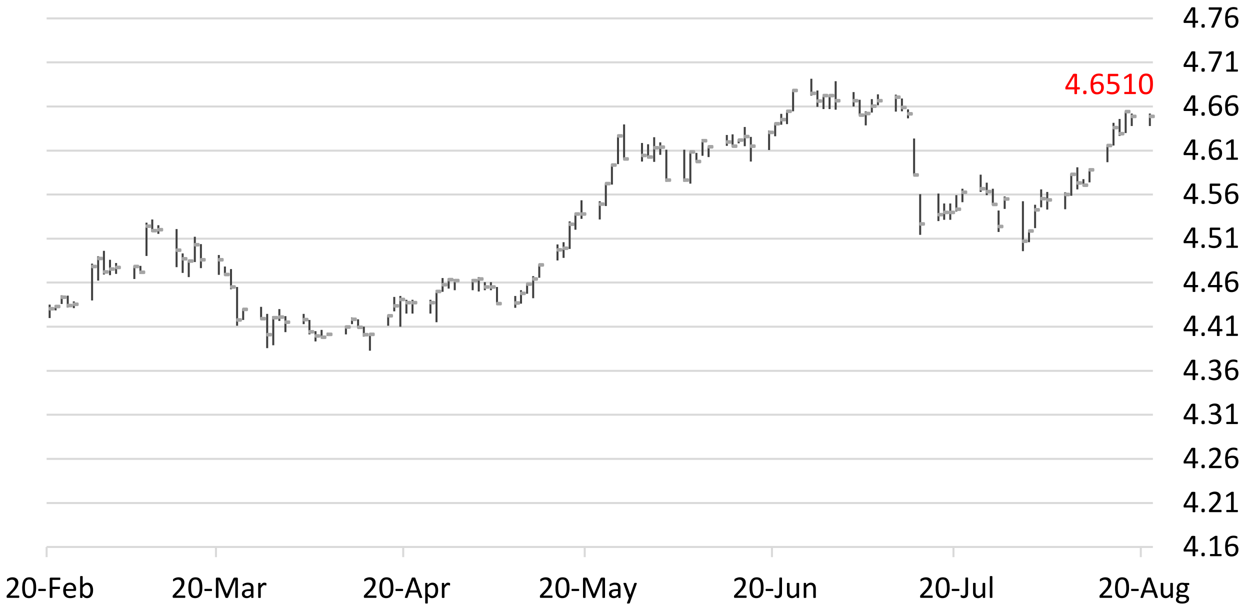
21 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bullish

USD/MYR opened 0.09% higher at 4.6528, quickly retreated to as low as 4.6467 before making a U-turn again to 4.6510 minutes after the People's Bank of China (PBoC) cut its 1Y loan prime rate by less than expected to 3.45% while maintaining its 5Y unchanged at 4.20%. We are slightly bullish on this pair as we expect investors to prefer safe haven USD in light of heightened economic uncertainties in China as well as disappointment over the less-than-expected monetary stimulus support from PBoC to pressure CNH, and thus MYR. On the domestic front, the weaker than expected 2Q GDP also kept a lid on the MYR.

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. 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	4.6319	4.6403	4.6510	4.6546	4.6605

USD/SGD

USD/SGD Slightly Bullish

USD/SGD opened 0.03% higher at 1.3576 and similar to the behavior of USD/ MYR, slid to as low as 1.3562 before PBoC's decision but rebounded to 1.3577 subsequent to that. Daily outlook is slightly bullish given the upper trajectory post-PBoC's decision with key sways this week largely driven by China, Jerome Powell's speech at the Jackson Hole meeting and on the Singapore front, its CPI.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3496	1.3533	1.3578	1.3590	1.3607

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.05% higher at 3.4262, retreated to as low as 3.4234 before paring its loss back to trade at 3.4249 at the point of writing. This is just above previous close and as such, we have a neutral call for this pair with an upward bias given that SGD has fared better vis-à-vis its regional peers in times of uncertainties and cautiousness.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4115	3.4180	3.4249	3.4339	3.4451

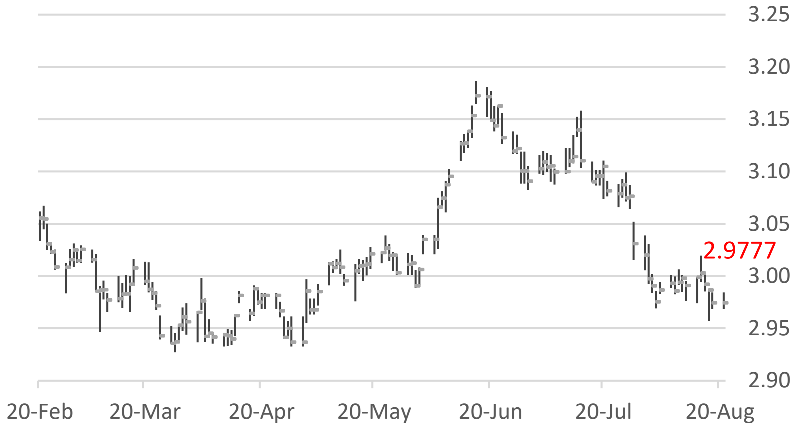
GBP/MYR

GBP/MYR Neutral-to-Slightly Bullish

GBP/MYR opened 0.12% higher at 5.9228 and has largely traded range bound between 5.9213 and 5.9270. The pair settled at 5.9264 at the point of writing and we have a neutral-to-slightly bullish call on this pair on expectations that GBP will fare better than emerging currencies like MYR today, and as mirrored in GBP's performance against regional peers.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8869	5.9013	5.9264	5.9317	5.9477

AUD/MYR



AUD/MYR Neutral

AUD opened 0.25% higher at 2.9815 but pared its gains to trade at 2.9777 at the point of writing. Daily outlook is neutral as the higher opening will be offset by weaker AUD this morning. As it is, AUD appeared to be on a lower trajectory post opening against MYR and struggled against USD, breaking below the 0.6400 level. This pair, will nevertheless, be supported at 2.9671.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9599	2.9671	2.9777	2.9915	3.0073

Source: Bloomberg, HLBB Global Markets Research

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