

22 June 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Neutral-to-Slightly Bullish

USD/MYR opened 0.11% lower at 4.6400 but reversed course post-opening, with the pair being taken back up to 4.6440 at the time of writing. We remain neutral-to-slightly bullish on the pair here ahead of Fed Chairman Powell's second day of the semi-annual testimony to Congress tonight, where he could expand on the hawkish message delivered yesterday which hinted at two more possible rate hikes, which should help maintain a bid tone on the currency. Domestically, just mid-June BNM reserves due later this afternoon, ahead of tomorrow's anticipated May CPI report, which will reaffirm that inflation is in continued moderation trend.

1-Month Outlook – USD/MYR Neutral-to-Slightly Bullish

The USD/MYR 1-month outlook is neutral-to-slightly bullish in our view as the latest dot plot guided for a higher terminal rate at 5.75% for the fed funds rate as well as on the back of its safe haven status. Despite tentative signs of softening, growth in the US economy and labour market have largely stayed resilient. While inflation is in the midst of moderating, core and inflationary expectations have remained elevated. In view of this, the Fed has revised its GDP growth and core-PCE prices upwards for 2023, spurring odds of a stronger USD. On the domestic front, a less hawkish tone in BNM's latest monetary policy statement and slightly accommodative policy stance implied that the current OPR rate is near neutral level. While there could still be room for a 25bps hike, moderating growth and inflation prospects 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	4.6328	4.6389	4.6440	4.6514	4.6578

USD/SGD

USD/SGD Neutral-to-Slightly Bullish

USD/SGD opened flat at 1.3404, and was slightly offered this morning to stand at 1.3401 at the point of writing. Daily outlook for the pair is neutral-to-slightly bullish as regional currencies are expected to continue to be weighed down by concerns about growth prospects in China. The USD is also expected to remain bid as the market continues to digest the hawkish message from Fed Chairman Powell yesterday.



	S2	S1	Indicative	R1	R2
USD/SGD	1.3307	1.3362	1.3401	1.3438	1.3472

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bearish

SGD/MYR opened 0.31% higher at 3.4670, setting another historical high, but pulled back slightly to 3.4655 at the point of writing. Daily outlook for the pair from here is neutral-to-slightly bearish as the cross is veering into overbought territory and should correct slightly we feel, ahead of the release of May inflation reports for both countries tomorrow.



	S2	S1	Indicative	R1	R2
SGD/MYR	3.4477	3.4519	3.4655	3.4673	3.4771

GBP/MYR

GBP/MYR Neutral-to-Slightly Bullish

GBP/MYR opened 0.55% higher at 5.9319, correcting a touch to 5.9304 at the point of writing. Daily outlook is expected to be neutral-to-slightly bullish today as the Bank of England meets tonight to decide on rates where they are widely expected to hike by 25 bps. Given the strength of prices and wages data recently, a larger move today cannot be ruled out.



	S2	S1	Indicative	R1	R2
GBP/MYR	5.8819	5.9169	5.9304	5.9343	5.9693

AUD/MYR



AUD/MYR Neutral-to-Slightly Bearish

AUD opened 0.46% higher versus the MYR at 3.1579, and continued its ascent to 3.1593 at the point of writing. We are neutral-to-slightly bearish on this pair today from here, as the market could continue to scale back rate hike expectations from the RBA, which should weigh on the AUD.

a	S2	S1	Indicative	R1	R2
AUD/MYR	3.1241	3.1338	3.1593	3.1721	3.1961

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.