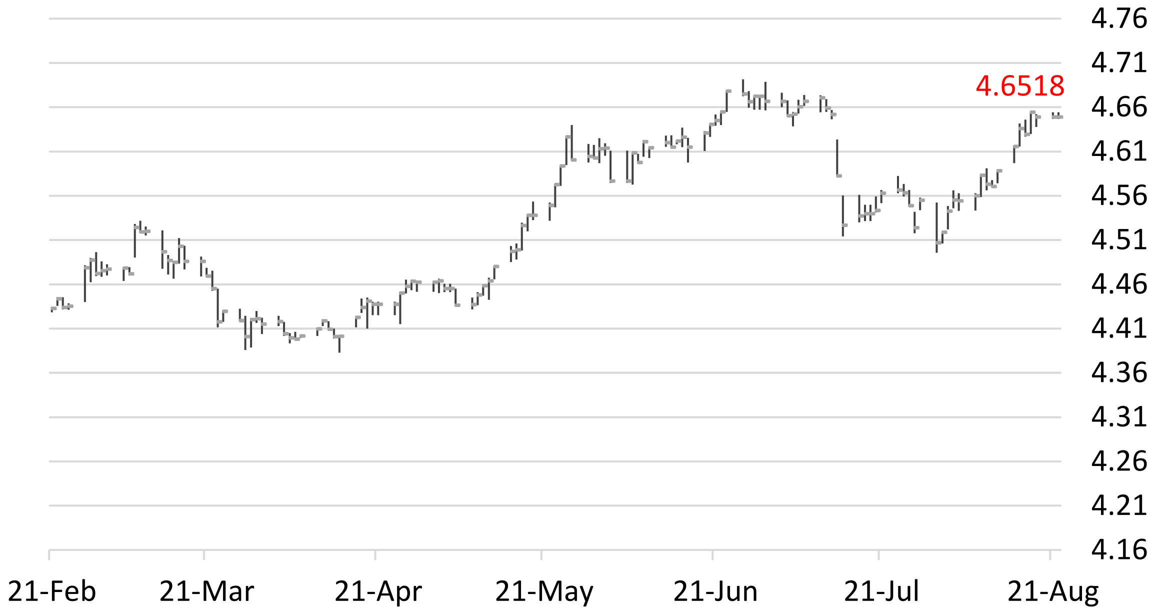
22 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Neutral-to-Slightly Bullish

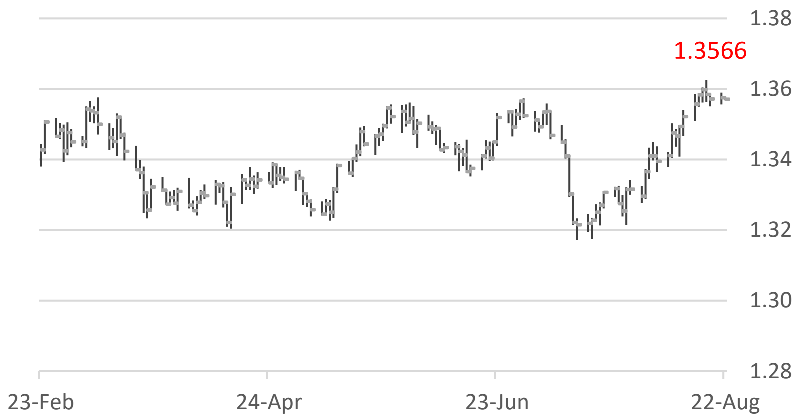
USD/MYR opened 0.06% lower at 4.6462 but quickly rebounded to 4.6518 at the point of writing. Higher UST yields and growing concerns over China's economy have dampened risk appetite, supporting flight to safety USD but we note that investors also remained cautious ahead of Fed's Jackson Hole symposium. This is seen by the Dollar depreciating against its G10 peers overnight, as investors continue to grapple with the uncertainties surrounding how high and how long the Fed will keep its elevated rates. As such, we have a neutral-to-slightly bullish call for this pair 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. 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	4.6347	4.6423	4.6518	4.6532	4.6575

USD/SGD



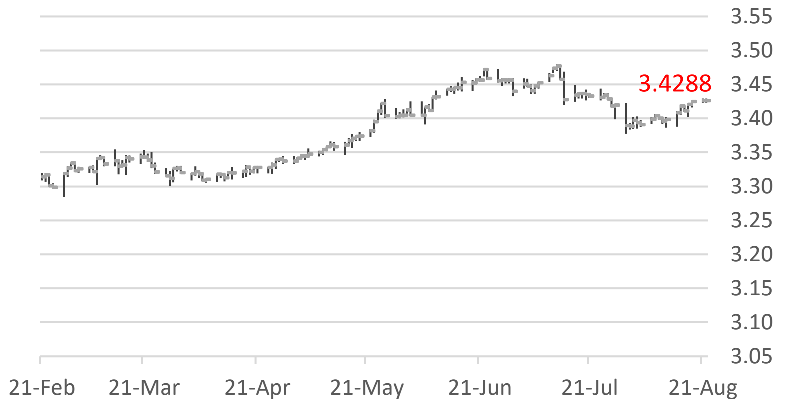
USD/SGD Neutral-to-Slightly Bearish

USD/SGD opened flat at 1.3575 and slid to 1.3566 at the point of writing. Daily outlook is neutral-to-slightly bearish with S1 at 1.3557 given SGD strength today. As it is, we expect SGD is a haven from both China and Fed risks. Key risk for this pair will be Singapore's CPI due tomorrow where consensus is expecting inflation to ease to 4.2% y/y in July from +4.5% y/y previously.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3540	1.3557	1.3566	1.3591	1.3608

MYR Crosses

SGD/MYR

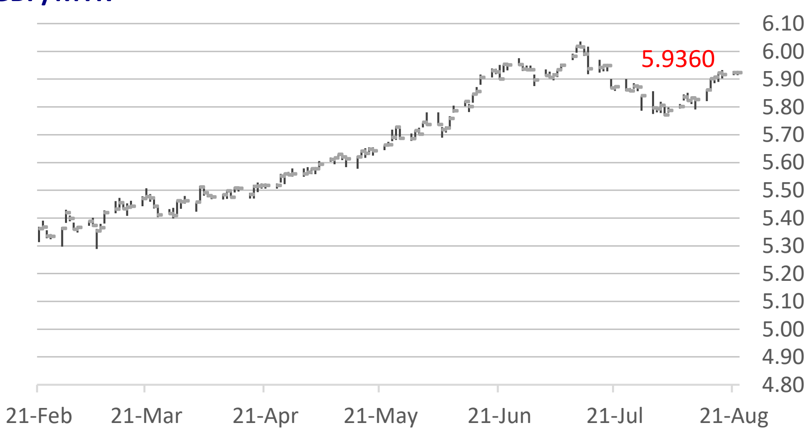


SGD/MYR Slightly Bullish

SGD/MYR opened 0.03% lower at 3.4250 but quickly made a U-turn to 3.4288 at the point of writing. This pair will be hit by a double-whammy SGD strength with reasons mentioned above and lower oil prices, which will dampen sentiment for MYR. As such, we have a slightly bullish call for this pair.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4148	3.4205	3.4288	3.4319	3.4376

GBP/MYR

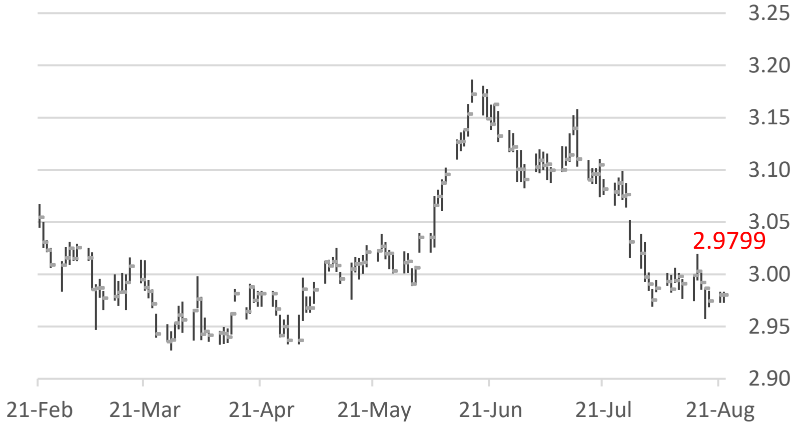


GBP/MYR Slightly Bullish

GBP/MYR opened 0.16% higher at 5.9323, rose to as high as 5.9403 before paring some of its gains to trade at 5.9360 at the point of writing. Daily outlook is slightly bullish on GBP strength with key indicators to watch out for being the S&P PMIs due to be released on the British front tomorrow.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.9064	5.9145	5.9360	5.9380	5.9538

AUD/MYR



AUD/MYR Neutral-to-Slightly Bearish

AUD opened 0.06% higher at 2.9819, spiked to as high as 2.9877 before retreating to 2.9799 at the point of writing. As it is, AUD/USD struggled to find a clear direction, flitting north and south around the 0.6400 level post PBoC's decision. We have a neutral-to-slightly bearish call for this pair given AUD weakness, as the currency will feel the pain from a weaker Chinese economy.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9682	2.9742	2.9799	2.9847	2.9892

Source: Bloomberg, HLBB Global Markets Research

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