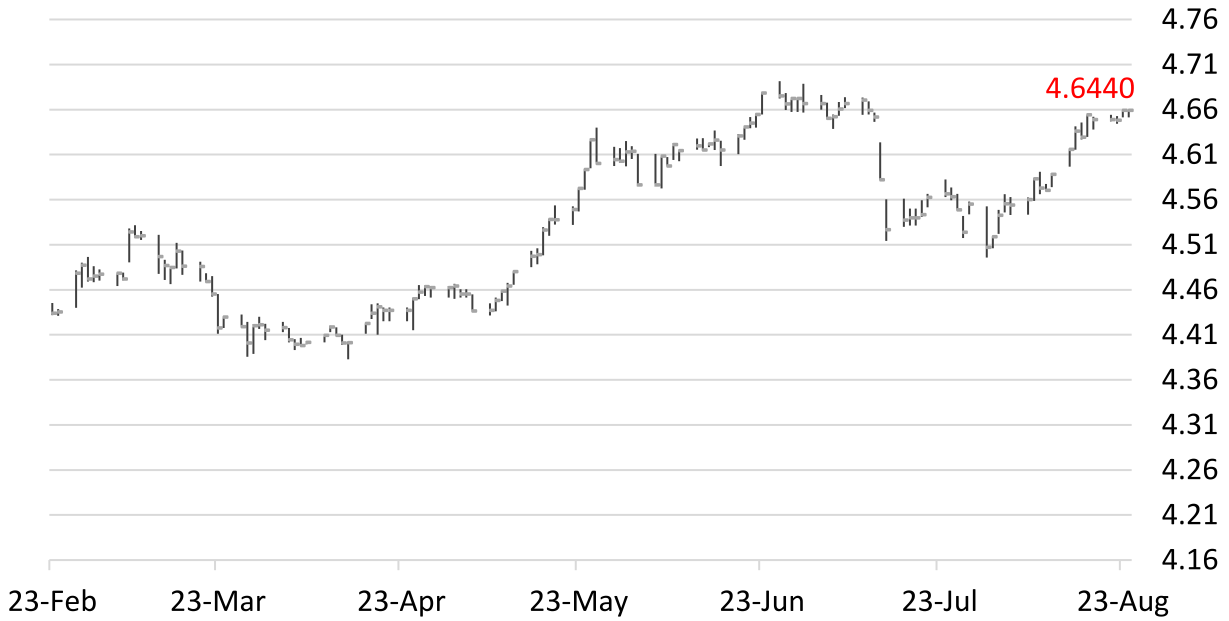
24 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bearish

USD/MYR opened 0.20% lower at 4.6497 and slid further to 4.6440 at the point of writing. We have a slightly bearish call for this pair as weak PMIs for the majors and consequently lower bond yields, will weigh down on their currencies. With the dismal PMI data, the durable goods orders and regional indices from Chicago and Kansas City will be highly watched. This pair will nonetheless be supported at S1 and S2 levels of 4.6123 and 4.5758.

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	4.5758	4.6123	4.6440	4.6619	4.6645

USD/SGD

USD/SGD Neutral-to-Slightly Bearish

USD/SGD opened flat at 1.3526, slid to as low as 1.3512 before paring some of its losses to trade at 1.3524 at the point of writing. We have a neutral-to-slightly bearish call for this pair, given the same reasons above, and on the back of SGD strength. Capping loss will nevertheless be Singapore's lower than expected CPI data overnight at +4.1% y/y as well as concerns over IPI growth data due to be released tomorrow. Expectations is that the contraction will narrow to 3.4% y/y from 4.9% y/y previously.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3479	1.3503	1.3524	1.3569	1.3611

MYR Crosses

SGD/MYR

SGD/MYR Slightly Bullish

SGD/MYR opened 0.41% higher at 3.4457 but pared some of its gains to trade at 3.4341 at the point of writing. Daily outlook is slightly bullish on account of the higher opening, SGD strength as well weak oil prices which could weigh on MYR. The pair will, however, meet resistance at 3.4405.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4193	3.4255	3.4341	3.4405	3.4511

GBP/MYR

GBP/MYR Slightly Bullish

GBP/MYR opened 0.62% higher at 5.9264 but lost some of its momentum to trade at 5.9024 at the point of writing. We have a slightly bullish call because of the higher opening but note that GBP/USD has also turned south to trade at 1.2709 currently, capping gains for GBP. This pair will be supported at 5.8699 will upside capped at 5.9266.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8497	5.8699	5.9024	5.9266	5.9631

AUD/MYR

AUD/MYR Slightly Bullish

AUD opened 0.93% higher at 3.0199 before paring some of its gains to trade at 3.0056 at the point of writing. Daily outlook is slightly bullish given the higher opening and as AUD/USD bulls flirting with the 0.6500 level. However, it should be noted that Aussie's PMI did not fare much better than the majors, with the services sector shrinking at the fastest pace in 19 months, capping any rally for this pair.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9766	2.9843	3.0056	3.0462	3.1087

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