25 May 2023

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts –Slightly Bullish

USD/MYR opened 0.03% higher at 4.5947 and strengthened to 4.6118 at the point of writing. Daily outlook is slightly bullish on USD strength, supported by increasingly hawkish Fed views and expectations that the Fed will maintain the fed funds rate at 5.00%-5.25% through the January 2024 FOMC meeting, dampening odds of a cut this year. Meanwhile, MYR remained weak on the back of still soft commodity prices, namely crude and palm oil, as well as still wobblish global economy, especially China.

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

USD/MYR outlook is neutral to slightly bearish amid expectations of USD weakness torn between timing of the end-of Fed tightening cycle/ beginning of Fed rate cut and haven demand given the greenback's dominant position as the world reserves currency. There are tentative signs growth in the US economy and labour market are losing their resiliency, although the latter is still healthy. Recent price reports also continued to reaffirm that inflation is tapering off, although slower than what the Fed had expected. Coupled with concerns over the recent banking rout and the consequential tightening financial conditions and liquidity concerns, this will exert pressure on sentiment and USD. Nevertheless, the spill over appears manageable at this juncture. 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 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	4.5633	4.5784	4.6118	4.6140	4.6323

USD/SGD

USD/SGD Neutral-to-Slightly Bullish

USD/SGD opened flat at 1.3495 but trended up to 1.3509 at the point of writing. Daily outlook is neutral-to-slightly bullish on USD strength. While SGD has weakened against most G10 currencies in the past day, we expect any losses to be limited given Singapore's better-than-expected upward revision in 1Q GDP this morning. Just a recap, 1Q GDP was revised upwards to +0.4% y/y and -0.4% q/q (initial estimate: +0.1% y/y and -0.7% q/q).

	S2	S1	Indicative	R1	R2
USD/SGD	1.3434	1.3465	1.3509	1.3514	1.3532

MYR Crosses

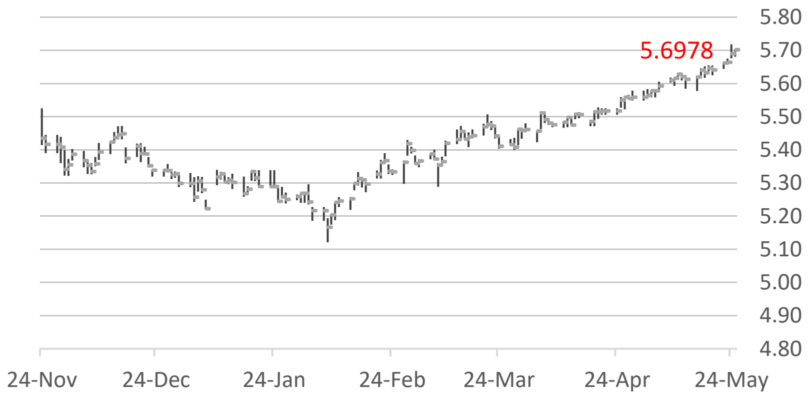
SGD/MYR

SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.17% lower at 3.4046 but rebounded above its previous close at 3.4141 at the point of writing. Daily outlook is neutral-to-slightly bullish as the better-than-expected upward revision in Singapore's 1Q GDP this morning has supported and will continue to support SGD today. Moreover, the 2% uptick in oil prices overnight has failed to sustain strength for the MYR, suggesting inherent weakness for the currency.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.3682	3.3866	3.4141	3.4169	3.4234

GBP/MYR



GBP/MYR Neutral-to-Slightly Bullish

GBP/MYR opened 0.13% lower at 5.6819 but pared its losses to trade at 5.6978 at the point of writing. Daily outlook is neutral-to-slightly bullish on MYR weakness. While the GBP/USD looked vulnerable above the immediate support of 1.2360, expectations of more rate hikes after the inflation rate decelerated less than expected is supportive of GBP.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.6528	5.6710	5.6978	5.7129	5.7366

AUD/MYR

AUD/MYR Neutral-to-Slightly Bearish

AUD opened 0.47% lower at 3.0053 but rebounded slightly to 3.0140 at the point of writing. Daily outlook is neutral-to-slightly bearish on the back of the significantly lower opening. AUD has also lost traction against USD as investors now bet that the RBA will leave its policy rate unchanged in the June meeting amid a slew of weak economic data down under recently.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.9882	3.0049	3.0140	3.0269	3.0383

Source: Bloomberg, HLBB Global Markets Research

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