25 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 0.03% lower at 4.6448 but quickly rebounded to 4.6550 at the point of writing. We have a neutral-to-slightly bullish call for this pair, mirroring DXY's strength overnight ahead of Jackson Hole symposium. Economic data was mixed, with business equipment orders starting 3Q on a weak note, but jobless claims eased and district activities turned up better-than-expected. As such, we expect investors to largely remain sideline ahead of Powell's speech at the symposium. Fed chatters, meanwhile, saw officials seeing rates close to its peak, but differed on how close.

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	4.6339	4.6400	4.6550	4.6557	4.6666

USD/SGD

USD/SGD Neutral-to-Slightly Bullish

USD/SGD opened flat at 1.3566, took a quick dip to 1.3543 before rebounding above previous close to 1.3573 at the point of writing. We have a neutral-to-bullish call for this pair. Investors will largely await Fed chatters at the symposium, but we will also be watching out for knee jerk reaction post Singapore's IPI data this afternoon.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3489	1.3528	1.3573	1.3587	1.3607

MYR Crosses

SGD/MYR

SGD/MYR Neutral-to-Slightly Bearish

SGD/MYR opened 0.23% lower at 3.4232 but pared some of its losses to trade at 3.4294 at the point of writing. With the lower opening, we have a neutral-to-slightly bearish call for this pair, supported at S1 and S2 of 3.4252 and 3.3193 respectively. We note SGD strength this morning, but remained cautious given that Singapore's IPI expected to remain in contraction at 3.4% in July. We will also be watching out for a surprise in Malaysia's CPI, where consensus is expecting it to ease to 2.1%.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4193	3.4252	3.4294	3.4416	3.4521

GBP/MYR

GBP/MYR Slightly Bearish

GBP/MYR opened 0.63% lower at 5.8496 but rebounded slightly to 5.8577 at the point of writing. We have a slightly bearish call for this pair given the significant lower opening and after GBP dropped sharply to 1.2581 at the point of writing after shedding 1.0% d/d overnight, weighed down by the dismal UK PMI data.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8153	5.8573	5.8577	5.9141	5.9413

AUD/MYR

AUD/MYR Slightly Bearish

AUD opened 0.53% lower at 2.9792 but rebounded to 2.9874 at the point of writing. Daily outlook is slightly bearish given the lower opening and that AUD/USD pair is facing selling pressure after failing to recapture the psychological resistance of 0.6500. The pair is currently trading at 0.6415, in line with risk-sensitive currencies which have weakened ahead of the Jackson Hole symposium.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9494	2.9762	2.9874	3.0124	3.0298

Source: Bloomberg, HLBB Global Markets Research

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