

29 May 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts –Slightly Bullish

USD/MYR opened 0.24% higher at 4.6112 and nudged up to 4.6180 at the point of writing. Daily outlook is slightly bullish on MYR weakness, while USD will be supported by expectations that the Fed will keep interest rates higher for longer to combat sticky inflation. Last Friday, data showed US headline PCE prices accelerated more than forecast to +4.4% y/y in April, while core unexpectedly picked up to +4.7% y/y. This contrasted with the continued moderation in Malaysia CPI. Combined with a strong wage growth and robust consumer spending numbers, this suggests that demand-pull inflation may stay sticky in the near term. Next up will be a string of home prices data due tomorrow, as well as the Conference Board's Consumer Confidence and Dallas Fed Manufacturing Activity indices.

1-Month Outlook – USD/MYR Neutral

The USD/MYR 1-month outlook is neutral in our view, amid expectations for eventual USD consolidation torn between the end-of Fed tightening cycle, expectations for Fed rate cut, and haven demand given the greenback's dominant position as the world reserve currency. There are tentative signs growth in the US economy and labour market are losing their resiliency, although the latter is still healthy. In addition, concerns over the recent banking rout and the consequential tightening financial conditions and liquidity concerns, will exert pressure on sentiment and USD. Nevertheless, we do expect some support for the USD as the impasse on the debt ceiling edges closer to a resolution, and as the latest PCE print registered a surprised uptick. 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	4.5736	4.5869	4.6180	4.6267	4.6532

USD/SGD



USD/SGD Neutral

USD/SGD opened 0.08% lower at 1.3511 before paring its loss to trade at 1.3524 at the point of writing. Daily outlook is neutral given the lack of drivers today. The US will be closed for Memorial Day while there will be no economic numbers scheduled on Singapore's front this week.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3473	1.3497	1.3524	1.3551	1.3635

MYR Crosses

SGD/MYR



SGD/MYR Slightly Bullish

SGD/MYR opened 0.11% lower at 3.4001 but rebounded above its previous close at 3.4143 at the point of writing. Daily outlook is slightly bullish on account of a soft MYR. BNM's comments that the ringgit's performance "should improve as uncertainties from global market developments subside," meanwhile, seemed to fail to alleviate concerns over MYR weakness this morning.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.3836	3.3936	3.4143	3.4214	3.4390

GBP/MYR



GBP/MYR Slightly Bullish

GBP/MYR opened 0.12% lower at 5.6793 but quickly rebounded and broke the 5.70 level to trade at 5.7033 at the point of writing. Daily outlook slightly bullish not only on MYR weakness but also on GBP strength, the latter will be supported by better-than expected consumer spending data released last Friday. Key risk for this pair this week will be the mortgage approvals as well as final PMIs data.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.6581	5.6722	5.7033	5.7109	5.7355

AUD/MYR
AUD/MYR Slightly Bullish

AUD opened 0.05% lower at 3.0015, made a U-turn to increase to 3.0184 at the point of writing. Daily outlook is slightly bullish on AUD strength, supported by expectations that the Aussie's inflation print, due to be released later in the week, will accelerate to 6.4% y/y in April. This will keep optimism that the RBA, like the Fed, will keep rates higher for longer.



	S2	S1	Indicative	R1	R2
AUD/MYR	2.9880	2.9954	3.0184	3.0286	3.0489

Source: Bloomberg, HLBB Global Markets Research

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