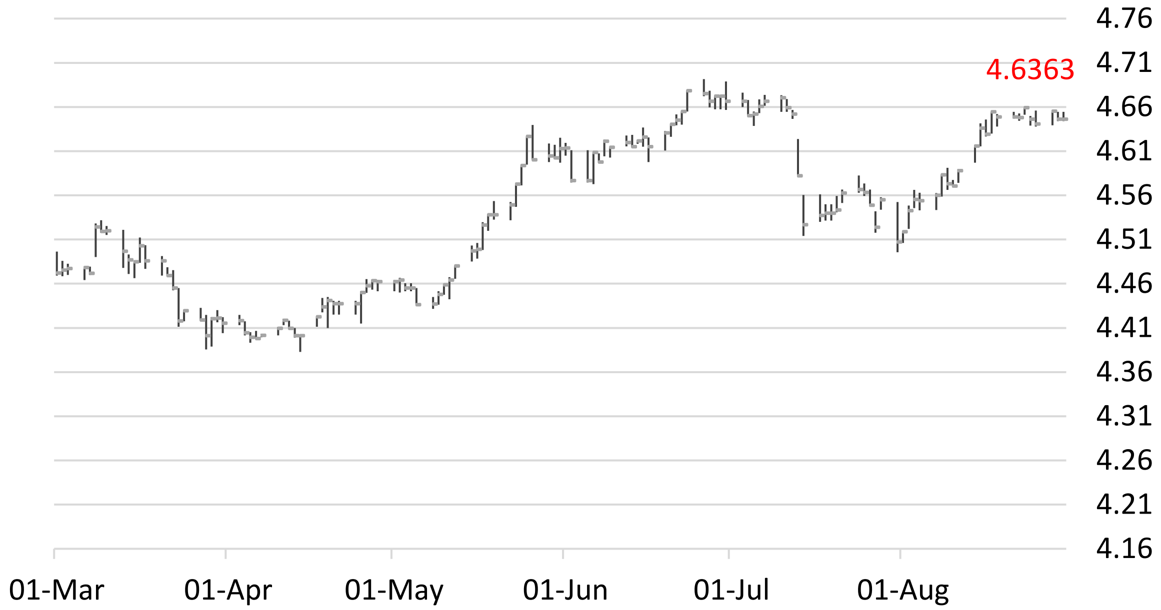
30 August 2023

Global Markets Research

Daily Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bearish

USD/MYR opened 0.24% lower at 4.6350 before shaving its losses slightly to trade at 4.6363 at the point of writing. Daily outlook is slightly bearish as we note that emerging currencies have generally outperformed the majors on the back of a risk-on mode. Weaker than expected consumer confidence and JOLTS job openings data overnight have also pared down Fed rate hike risks, not supportive of the USD while the rally in oil prices lends support for the Ringgit. Looking ahead, we will be watching out for the final 2Q GDP as well as core-PCE prices and non-farm payroll out of the US. Second tier data will be the ISM-Services as well as ADP Employment Change.

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	4.6245	4.6326	4.6363	4.6522	4.6584

USD/SGD

USD/SGD Neutral

USD/SGD opened flat at 1.3496 but strengthened slightly to 1.3506 at the point of writing. We have a neutral call for this pair given weakness in both currencies as investors flock to risk-taking currencies, with S1 and R1 at 1.3467 and 1.3550 respectively. This pair will be largely driven by direction of the USD, while Singapore markets will be closed for trading on Friday in lieu of the Presidential Elections.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3438	1.3467	1.3506	1.3550	1.3604

MYR Crosses

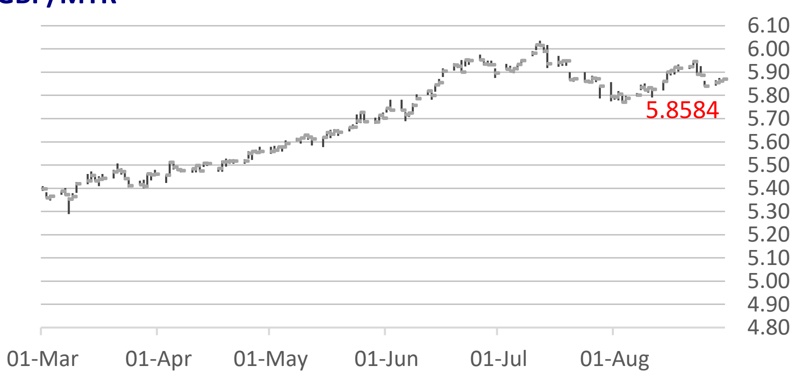
SGD/MYR

SGD/MYR Neutral-to-Slightly Bullish

SGD/MYR opened 0.33% higher at 3.4418 but pared some of its gains to trade at 3.4329 at the point of writing. We have a neutral-to-slightly bullish call for this pair, with the higher opening potentially offset by the risk-on mood and higher oil prices which bodes well for MYR. Nonetheless, we expect trading to be largely thin given the shorter work week for both sides of the border.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.4220	3.4263	3.4329	3.4361	3.4418

GBP/MYR



GBP/MYR Neutral-to-Slightly Bearish

GBP/MYR opened 0.16% higher at 5.8706 but quickly retreated to 5.8584 at the point of writing. Tracking GBP weakness against regionals, we have a neutral-to-slightly bearish call for this pair. UK data overnight showed a 28% slump in loans to first time home buyers, while the focus will be on the consumer credit data as well as the final revision to S&P Manufacturing PMI later in the week.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.8428	5.8520	5.8584	5.8725	5.8838

AUD/MYR

AUD/MYR Slightly Bearish

AUD opened 0.40% higher at 3.0096, took a deep plunge to 2.9897 before rebounding 2.9976 at the point of writing. Daily outlook is slightly bearish given AUD weakness after both the inflation and building approvals data coming in below expectations this morning. CPI softened more than expected to 4.9% y/y in July, while building approvals plunged 8.1% m/m for the same month.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9817	2.9897	2.9976	3.0093	3.0231

Source: Bloomberg, HLBB Global Markets Research

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