31 July 2023

Global Markets Research

Daily Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – Slightly Bearish

USD/MYR opened 0.07% lower at 4.5518 and slid to 4.5493 at the point of writing. Daily outlook is slightly bearish given the lower trajectory post-opening, hit by a double whammy of USD weakness and MYR strength. USD will be weighed down by a moderation in PCE prices on Friday, reaffirming expectations the policy rate has peaked at the current rate of 5.25%-5.50%. Investors will turn to the US ISM data tonight and NFP at the end of the week.

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. 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	4.5381	4.5465	4.5493	4.5606	4.5663

USD/SGD

USD/SGD Slightly Bearish

USD/SGD opened 0.06% higher at 1.3324 but pared its gains to trade at 1.3312 at the point of writing. Daily outlook is slightly bearish given anticipation of USD weakness, but this should be supported by S1 level of 1.3296. On top of US economic indicators, key risk for this pair will be Singapore's PMI for July later in the week.

	S2	S1	Indicative	R1	R2
USD/SGD	1.3277	1.3297	1.3312	1.3361	1.3403

MYR Crosse

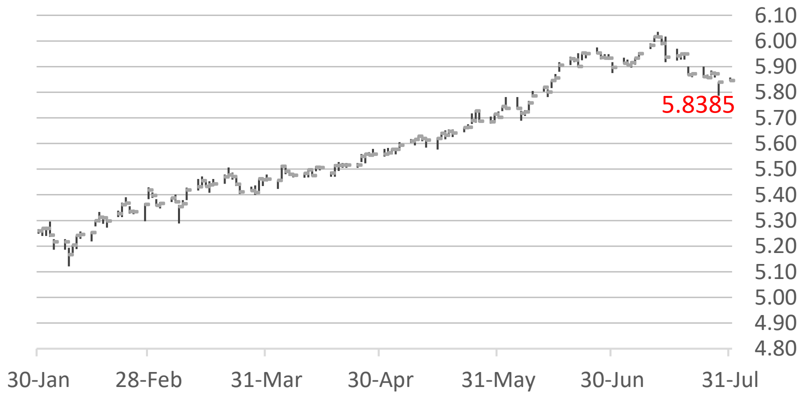
SGD/MYR

SGD/MYR Slightly Bearish

SGD/MYR opened 0.04% higher at 3.4209 but quickly retreated to below its previous close 3.4134 at the point of writing. Daily outlook is slightly bearish as MYR traded firmer as compared to SGD against their regional peers, with support at the 3.4049 level. MYR will also benefit from stronger crude oil prices amidst indications of tighter supply.

	S2	S1	Indicative	R1	R2
SGD/MYR	3.3904	3.4049	3.4134	3.4279	3.4364

GBP/MYR

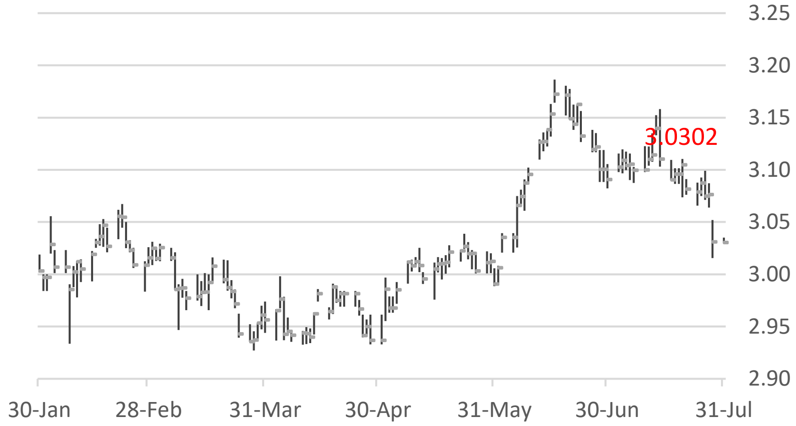


GBP/MYR Neutral

GBP/MYR opened 0.27% higher at 5.8547 but pared its gains to trade at 5.8385 at the point of writing. This is just a shade below previous close and as such, we have a neutral call for this pair. Key risk for this pair this week will be the Bank of England's monetary policy meeting where expectations is the central bank will lift is policy rate by another 25bps.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.7684	5.8036	5.8385	5.8750	5.9283

AUD/MYR



AUD/MYR Neutral

AUD opened 0.08% higher at 3.0334 and has whipsawed post a slew of mixed economic indicators from Australia to China. The pair is currently trading at 3.0302 at the point of writing, just below previous close after trading within the range of 3.0271 and 3.0387 in early morning Asian trade. With RBA set to meet, we have a neutral call for this pair, with S1 of 3.0136 and R1 at 3.0500.

a	S2	S1	Indicative	R1	R2
AUD/MYR	2.9964	3.0136	3.0302	3.0500	3.0692

Source: Bloomberg, HLBB Global Markets Research

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