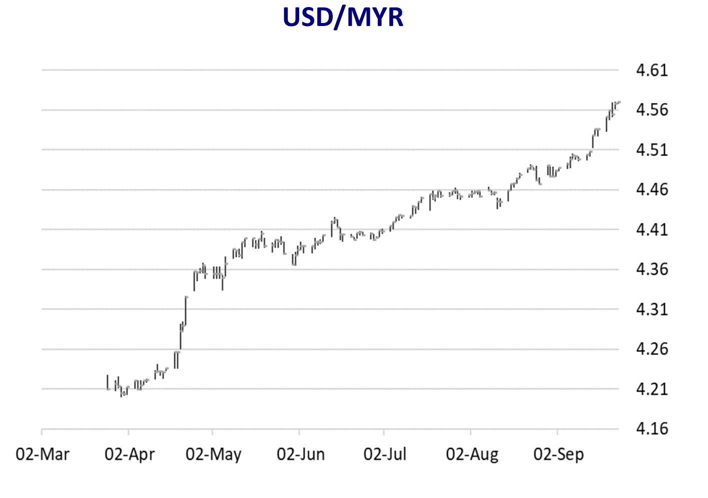
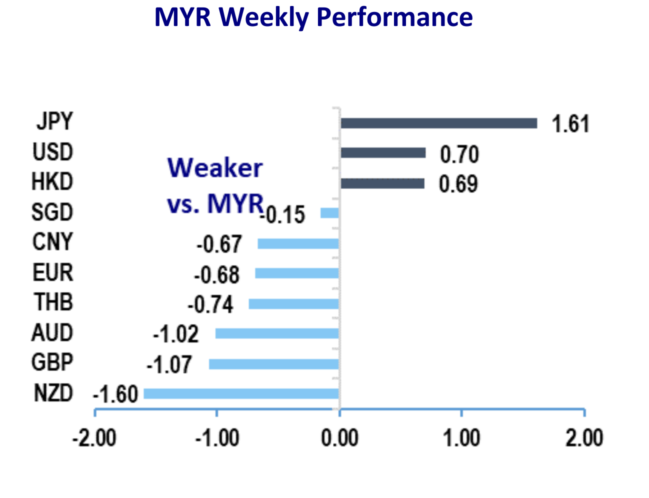
# Global Markets Research

## Weekly Market Highlights - FX



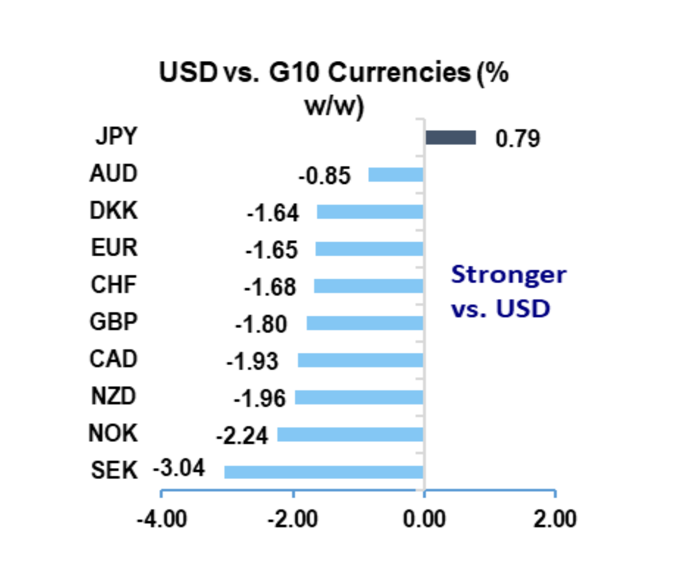

*Source: Bloomberg*

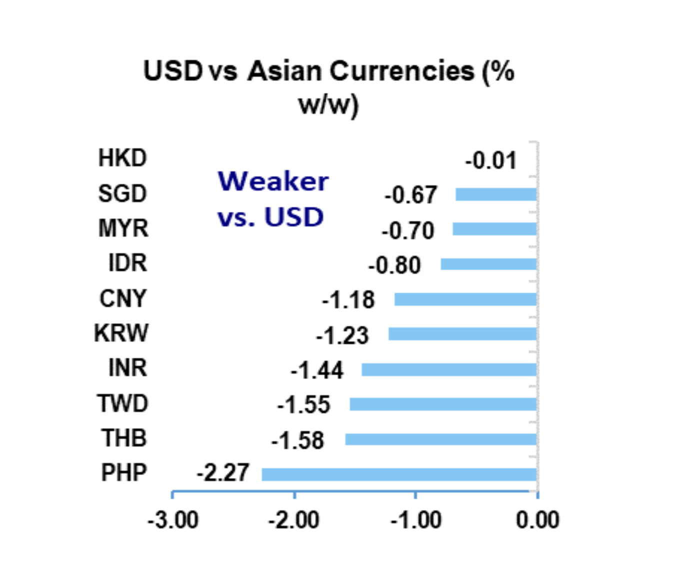
## Weekly Look Ahead

**MYR:** MYR weakened for the 4th consecutive week, traded from the 4.53 levels to 4.57s currently (last closed at 4.5677 on Thursday). The MYR weakened 0.7% w/w vs the greenback, one of the more resilient major Asian currencies. CNY, KRW, TWD, THB and PHP all lost more than 1.0% on the week against the USD. Weekly USD/ MYR outlook remains slightly bullish in our view, potentially in a range of 4.55-4.58 on the back of a strong USD.

**USD**: The USD continued to rally for a 6th consecutive week, with the Dollar Index gaining a further 1.4% w/w to a close of 111.26 on Thursday. The DXY rose two big figures from 109 to 111, and is currently trading near its week-high (also two-decade high) of 111.81. Widening yield differentials in favour of the USD vis-à-vis other majors will continue to drive USD strength. The Fed has guided for a higher terminal rate of 4.6%, up from the 3.8% projected in June and the dot plot suggests there will be another 125bps hikes for the remaining two meetings of the year, likely in the sequence of 75bps in November and 50bps in December. We are ***bullish*** on USD outlook in the week ahead although slight overbought suggests gains could be more muted, potentially in a range of 110-112. Final reading of US 3Q GDP, core PCE, coupled with personal income and spending data will be key watch.

**EUR**: EUR traded below parity for the most part of the week, leading to a 1.7% w/w loss vs the greenback, at 0.9836 as at Thursday's close. Bears continued to rear its ugly head this morning, pushing lower to 0.9824 at time of writing and may attempt to break the 0.98 handle today. Comparatively weaker Eurozone outlook vs the US as well as the still wide yield gap will exert further pressure on the EUR in the near term. Technicals still point to a ***bearish*** EUR/ USD but momentum appears neutral, potentially limiting downside at 0.97 for the time being with upside capped at 1.00 in our view. PMIs, economic confidence, and CPI are key data in the pipeline.




*Source: Bloomberg, HL Bank*

**GBP**: The sterling weakened for a 6th straight week succumbing to USD strength. GBP/ USD retreated by two big figures from 1.14 to 1.12, last settled at 1.1261 as at yesterday's close, marking a 1.8% w/w decline. Weaker than expected UK retail sales as well as further deterioration in consumer confidence reaffirmed the grim outlook in the UK economy, which could be further exacerbated by the energy crunch and higher inflation. A relatively less hawkish BOE compared to the Fed and even ECB, will also work against the sterling. We remain ***bearish*** on GBP/ USD in the week ahead potentially breaking the 1.12 handle, hence our weekly range of 1.11-1.3. With most central bank event risks out of the way, focus will turn to flash PMI readings and final 2Q GDP for more insights.

**JPY**: USD/ JPY trade in the 143-144 ranges for the earlier part of the week before the rally on 22-September following the stark divergence between the Fed and the BOJ rhetoric. The USD/ JPY traded as high as 145.90 which eventually prompted the BOJ to intervene to defend the JPY for the first time since 1998. The pair gapped down by five big figure from an intraday high of 145.90 to 140.70 in late Asian trading yesterday. The JPY turned out to the only gainer vs the USD this week, strengthening by 0.8% w/w to 142.39. JPY outlook remains bearish but the pair may trade in a more neutral note around current ranges. We therefore expect a range of 141-144 for now.

**AUD**: AUD finally failed to defend the 0.67 key level, traded down to 0.6645 as at Thursday's close, down 0.9% on the week. Broad USD strength aside, a less hawkish RBA minutes saying interest rates are getting closer to more normal settings further exerted downward pressure on the Aussie. AUD/ USD outlook remains ***bearish*** amid sustained USD strength, and looks likely to test 0.65 soon with immediate resistance at 0.67. The Australian data calendar is light, limited to only retail sales and private sector credit next week.

**SGD:** SGD bears maintained a tight grip for the 6th straight week, weakening 0.7% w/w to 1.4186 as at Thursday's close. The pair continued to trade on a bullish bias, hitting a high of 1.4223 this morning and is toying with the 1.42 handle at time of writing. USD/ SGD remains bullish but the SGD appeared to be showing greater resiliency against its regional peers and may consolidate after recent selloffs before the next leg up. Will go with a range of 1.41-1.43 for next week. Singapore industrial production will be the key watch on the local front.

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