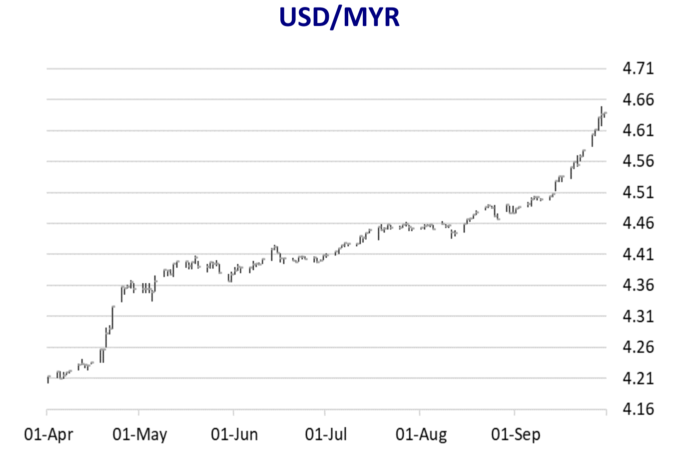
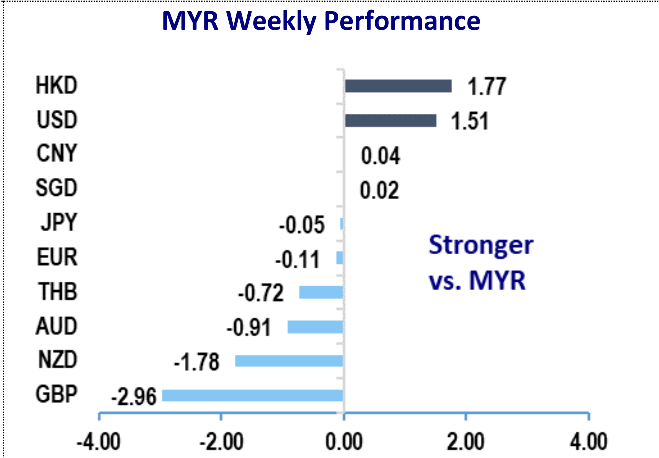
30 September 2022

Global Markets Research

Weekly Market Highlights - FX





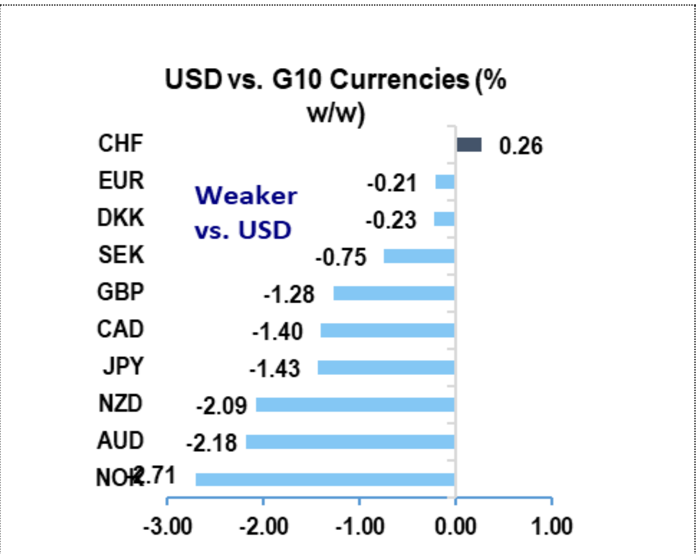
Source: Bloomberg

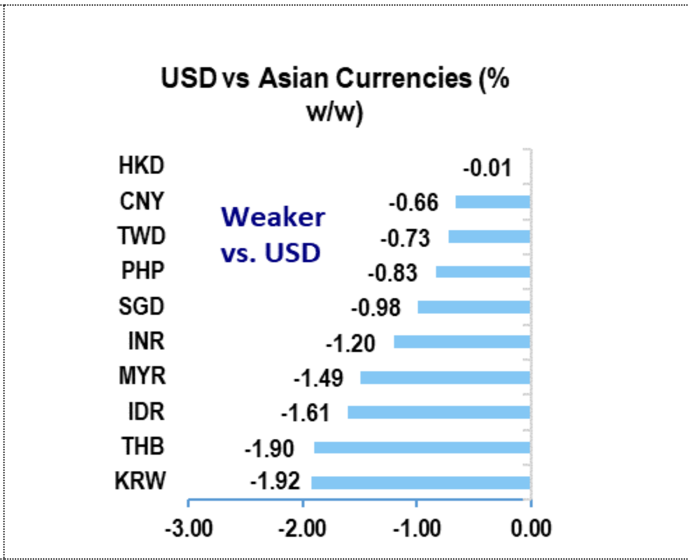
Weekly Look Ahead

MYR: MYR weakness stayed extended in tandem with other regional currencies as the greenback gained grounds on Fed rate hike expectations, and perhaps to a larger extent, haven appeals. USD/ MYR marched higher for the 5th consecutive week and broke the 4.60 key resistance in the process. The pair traded up from 4.57s last Friday to 4.64s currently, weakening 1.5% w/w to 4.6405 as at Thursday's close. Overall outlook for USD/ MYR remains ***bullish*** as policy divergence will remain the key driver in favour of the USD. Ongoing market rout and concerns over policy implications, as well as geopolitical tensions, will also dampen the appeal of EM currencies including the MYR. We maintain our view that USD/ MYR will unlikely defy broad market direction, hence potentially heading towards 4.70 if 4.65 is broken.

USD: The USD continued to rally for a 7th consecutive week, with the DXY hitting a fresh 20-year high at 114.78 in mid-week. The DXY gapped down two big figures to 112s after the BOE's surprised intervention plan encompassing bond buying of long tenured UK gilts, which momentarily offered a relief rally in global markets that have come under increasing tremendous pressure since last Friday, triggered by the UK's mini budget. The greenback has since weakened further but managed to settle the week with a 0.5% w/w gain to last close at 111.80 on Thursday. The USD strengthened against all G10s save for the CHF, and is expected to remain ***bullish***, in a range of 110-115 in the week ahead supported by its haven status. Any upside surprises in core PCE print will likely reinforce aggressive Fed rate hike path, hence giving added boost to the greenback. ADP and nonfarm job report, ISM readings and a long line-up of Fed speaks will add more noises too.

EUR: EUR traded below parity for the entire week, in a range of 0.9536 – 0.9852 before ending at 0.9815 as at Thursday's close, down 0.2% w/w. A mid-week rebound post BOE announcement helped narrow losses in EUR/ USD. Latest economic data continued pointing to a weakening Eurozone economy, and could complicate the situation as ECB has pledged to do whatever it takes should inflation stay high. September CPI is due later today and is expected to edge higher, hence supporting the case for a hawkish ECB. We therefore expect more neutral trading in the EUR/ USD next week, likely keeping to a range of 0.95-1.00. Technicals still point to a ***bearish*** EUR/ USD but the negative momentum appears to be reducing, likely keeping the pair above the 0.95 support now.





Source: Bloomberg, HLBB

GBP: Tracking other G10s, the sterling also went through a choppy week, no thanks to Liz Truss's mini budget involving tax cuts and energy bills, as well as the BOE intervention via long tenured bond buying plans. The sterling were initially sold off badly after the fiscal announcement, hitting a low of 1.0350, its lowest in 37 years, but managed to regain some lost ground to close the week only 1.3% w/w lower at 1.1117. The pair traded in a range of 1.0350 – 1.1274 during the week. We remain ***bearish*** on GBP/ USD in the week ahead potentially in a range of 1.10-1.13. As the economic calendar will be light next week, we expect attention to the turn to the Fed, BOE and possibly Liz Truss for clues on further policy guidance.

JPY: In another sign of short-lived impact from central bank intervention, the USD/ JPY rallied back to the 144 handles this week, weakening 1.4% w/w to 144.46 as at Thursday's close. Recall the pair plunged five big figures from an intraday high of 145.90 to 140.70 on 22-September after the BOJ stepped in for the first time since 1998 to boost the weaker JPY. Looking forward, the JPY outlook remains ***bearish*** in anticipation of a firm USD. We therefore expect a range of 141-145 in the week ahead.

AUD: AUD depreciated for a 2nd straight week, by 2.2% w/w to 0.6500 against the USD, making it the second worst performing G10s after NOK (-2.7%). Over policy tightening and recession fear dampened commodity outlook hence spilling over to commodity currencies. The kiwi also lost 2.1% while the CAD weakened 1.4% w/w. Negative momentum in the pair has picked up and the pair looks set to break the 0.65 key support level real soon. This should instil further ***bearish***ness in AUD/ USD, heading towards 0.6280. Will go with a range of 0.64-0.68 in the week ahead. RBA meeting will be the main event risk and it will likely maintain its pace of a 50bps hike.

SGD: SGD bears continued to rule for the 7th straight week, weakening close to 1.0% w/w to 1.4327 as at Thursday's close, tracking the movement in the USD. The pair continued to trade on a bullish bias, hitting a high of 1.4492 on 28-September but consolidation in the FX market has helped the pair reclaim some losses. August CPI increased more than expected and shall reaffirm the case for a October tightening by MAS. Technically, ***bullishness*** in the USD/SDG has picked up, paving the way for 1.45 key level. The SGD has been showing greater resiliency against its regional peers and may consolidate after recent selloffs before the next leg up. Will go with a range of 1.42-1.45 for next week. Singapore PMI and retail sales will be the key watch on the local front.

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