

1 June 2020

Global Markets Research

Mid-day Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts - MYR Bullish

USDMYR opened little changed at 4.3455 and has since then lost ground to around 4.3200 as of writing. MYR is trending stronger today but despite weakness in the USD, the uncertainty surrounding US-China tension poses a downside risk to MYR which tends to underperform alongside its emerging market peers whenever there is a potential US-China fallout. We stick to our view of a short term recovery in USD as risk appetites broadly retreated.

1-Month Outlook - MYR Bullish

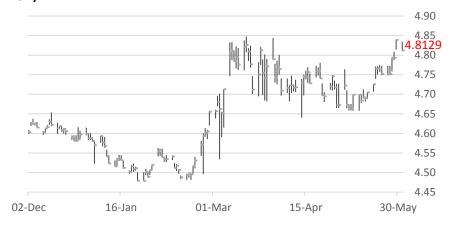
We turned bearish on medium term USDMYR outlook as a current risk-on mood is supportive of a weaker USD and mainly because commodity-related currencies are likely to fare better compared to more pessimistic view a month ago. This is in line with a long held view of a slightly weaker USD throughout 2020, even as there may be some near-term USD strength. Having said that, growing US-China hostility may give rise to stronger USD and thus pose a downside risk to the local unit.

	S2	S1	Indicative	R1	R2
USD/MYR	4.3147	4.3182	4.3225	4.3242	4.3266



MYR Crosses

EUR/MYR



EUR/MYR Bearish

EURMYR opened 0.15% lower at 4.8314 and has weakened further to the low side of 4.8100 as of writing. MYR outperformed EUR even as both currencies saw solid gains against the USD this morning. The strength in MYR might not last in our view, same goes to the EUR (we do not see much sustainability above 1.1100 for EURUSD). The ECB meeting on Thursday is a key driver for EUR this week.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.7972	4.8002	4.8129	4.8219	4.8245

GBP/MYR



GBP/MYR Bullish

GBPMYR opened 0.43% higher at 5.3662 and is still trending up for the moment. In the short term we still see some near-term potential for GBP to catch up after prior underperformance. Still, we remain comparatively pessimistic regarding GBP on Covid-19 and Brexit related issues.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3306	5.3334	5.3534	5.3562	5.3608

AUD/MYR



AUD/MYR Bullish

AUDMYR opened 0.17% higher at 2.8941 and continued to rally in response to upbeat China Markit PMI. Having said that, both AUD and MYR stand to weaken if US-China tension escalates. AUD continues to stay at elevated level, supporting the case for a correction from stretched level. Upside to the pair is the continuous recovery in the commodity market.

OL DCC	10 3011	OI WIGH	13 / tp:	30 IVIU				
			S2	S1	Indicative	R1	R2	
	AUD/MYR		2.8895	2.8920	2.9052	2.9093	2.9125	

Source: Bloomberg, HLBB Global Markets Research



Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets Level 8, Hong Leong Tower 6, Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur

Tel: 603-2081 1221 Fax: 603-2081 8936

Email: <u>HLMarkets@hlbb.hongleong.com.my</u>

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.