2 March 2020

Global Markets Research

Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bullish

USDMYR finished little changed last Friday at 4.2150 and is seen trading around 4.2120 as market opened this morning.

We are bearish on USDMYR, expecting some relief rally for the local unit as the appointment of a new PM somewhat reduces political uncertainty thus making a move towards 4.2000 likely in the short term. Nonetheless, we expect the MYR market to remain cautious ahead of BNM meeting tomorrow. Our house view is for the central bank to cut OPR by 25bps to 2.50% in a bid to counter Covid-19 related economic fallout, marking its second cut of the year following the 25bps surprise pre-emptive cut in January.

1-Month Outlook – MYR Bearish

Medium term USDMYR outlook remains bullish as EM currencies are vulnerable amid growing risk aversion, not to mention weaker domestic growth outlook compared to stronger US fundamentals, even though the Fed has signaled preparedness to act as appropriate as Covid-19 related economic fallout continues to manifest.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1900	4.2000	4.2055	4.2200	4.2300

MYR Crosses

EUR/MYR

EUR/MYR Slightly Bearish

Pair is slightly bearish as EUR/MYR is expected to partially reverse Friday's gain with MYR experiencing some relief rally. Daily range is likely within 4.6375-4.6608. Medium term outlook is still neutral as weak growth outlook in both the EU and Malaysia is likely to prompt easier ECB and BNM policies.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6300	4.6400	4.6481	4.6652	4.6723

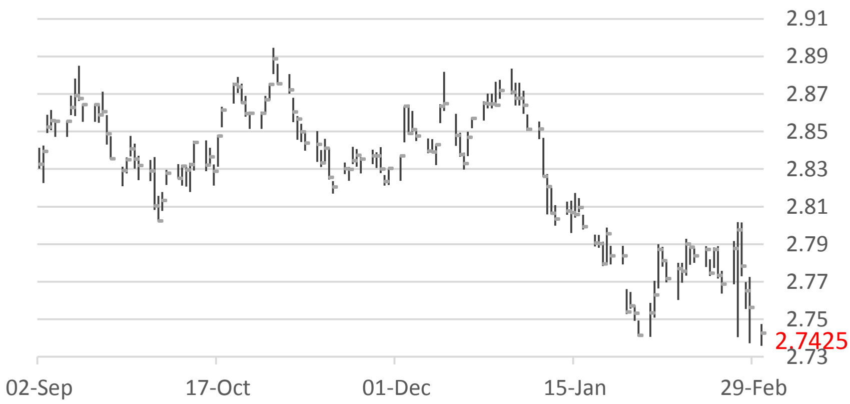
GBP/MYR

GBP/MYR Bearish

GBP/MYR is bearish as the sterling continues to lose momentum despite generally weaker dollar while MYR enjoys a short-term relief rally. Pair should be settling within 5.3762-5.4022 after a sharply lower opening this morning. Medium term outlook is slightly bullish on easier BNM policy outlook but we are mindful of the huge shift in expectations (~50% vs. 8% within a week) for the BOE to cut rate in late March that could weigh down on sterling over the next couple of weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3600	5.3800	5.3903	5.4128	5.4393

AUD/MYR



AUD/MYR Bearish

AUD/MYR is bearish on lower opening as the correction in AUD is insufficient to push the pair back to 2.7600 amid firmer MYR. Pair likely trades within 2.7359-2.7510 today. Medium term outlook is slightly bearish on weaker Aussie growth outlook relative to that of Malaysia's and we look towards tomorrow's RBA and BNM rate decisions to gauge the pair's outlook.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7320	2.7360	2.7425	2.7530	2.7600

Source: Bloomberg, HLBB Global Markets Research

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