3 March 2020

Global Markets Research

Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bullish

USDMYR closed 0.28% lower at 4.2030 on Monday after briefly retreating below 4.20 as USD weakness persisted while the appointment of a new PM offered immediate relief. Pair opened slightly above 4.20 this morning and is seen trading at 4.2067 as of writing.

We are still bearish on USDMYR mainly on the back of a weaker dollar and expect the pair to range trade below 4.2100 as market shifts focus to today's 3pm BNM OPR decision. Our house view is for the central bank to cut the benchmark rate by 25bps to 2.50%, similar to consensus survey.

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	4.1850	4.1950	4.2070	4.2100	4.2200

MYR Crosses

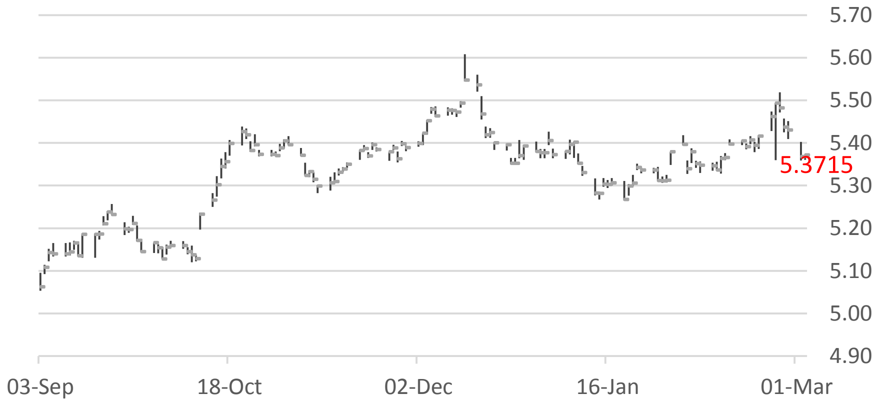
EUR/MYR

EUR/MYR Bullish

Pair is bullish on sharp opening as EUR continued its advance overnight amid weak USD, but movement is nonetheless limited to 4.6718 -4.6900 ahead of today's BNM decision. 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. President Lagarde had signalled that the ECB stands ready to act to fight Covid-19 economic impact.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6500	4.6608	4.6824	4.6840	4.6900

GBP/MYR

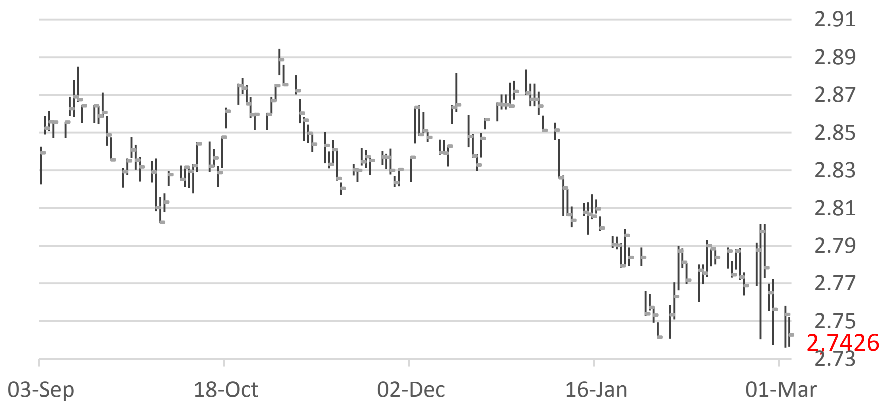


GBP/MYR Neutral

GBP/MYR is neutral after Monday's sharp fall and foresee pair to reside above 5.3500 with little movement ahead of 3pm's BNM decision. Medium term outlook is slightly bullish on easier BNM policy outlook. We are mindful of the huge shift in expectations for the BOE to cut rate in late March (65% now vs 16% earlier last week) which will pose downside risk to the sterling in the coming weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3100	5.3400	5.3715	5.3860	5.4098

AUD/MYR



AUD/MYR Neutral

AUD/MYR is neutral ahead of RBA (11.30am) and BNM's (3pm) decisions. Economists are split over RBA's likely outcome. Foresee immediate but limited downside risk to the pair should the cash rate was cut by 25bps. Medium term outlook is slightly bearish on weaker Aussie growth outlook relative to that of Malaysia's and we look towards RBA and BNM rate decisions to gauge the pair's outlook.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7360	2.7420	2.7426	2.7580	2.7688

Source: Bloomberg, HLBB Global Markets Research

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