

4 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bullish

USDMYR closed little changed at 4.2065 on Tuesday as markets have priced in BNM's OPR cut. Daily outlook is bearish as the pair opened much lower this morning at 4.1900 amid persistent dollar weakness while the widening USD and MYR interest rate differentials following Fed's surprise 50bps cut should keep the MYR supported in the short term. Nonetheless, downside to the pair is limited as global markets remain risk-off on the back of growing Covid-19 uncertainties. After breaching below 4.2000, we reckon the pair would settle around 4.1800-4.1900 as investors monitor situation of the virus outbreak.

1-Month Outlook – MYR Bearish

Medium term USD/MYR outlook remains bullish as EM currencies are vulnerable amid growing risk aversion but we are mindful of the possibility of further Fed's rate cut should the Covid-19 spread go out of hand in the US. While we expect more BNM OPR cut on the local front, the move is likely not imminent after a total of 50bps cut in January and March.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1700	4.1800	4.1890	4.2000	4.2100

MYR Crosses

EUR/MYR



EUR/MYR Neutral

EUR/MYR is still neutral as both EUR and MYR are stronger versus the greenback. In fact, the pair came off intraday high this morning and looks set to settle within 4.6700-4.6800 today. Medium term outlook is slightly bearish as low inflation and weak outlook reaffirm stronger case for easier ECB policy (cut deposit rate) next Friday especially after the Fed's move.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6600	4.6700	4.6781	4.6900	4.7016

GBP/MYR



GBP/MYR Neutral

GBP/MYR is neutral is likely trading around its recent ranges of 5.3500-5.4028, with little possibility to hit 5.4128 resistance on the back of weak USD. The odds in favour of a BOE rate cut has improved tremendously within a week. With the possibility of Covid-19 spread spinning out of control and its recent impact on global PMIs, the BOE might cut Bank Rate indeed on 26 Mar to support business sentiment in our view, thus posing downside risk to the sterling in the coming weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3100	5.3400	5.3694	5.3860	5.4098

AUD/MYR



AUD/MYR Bullish

AUD/MYR is bullish amid AUSUD recovery and was further boosted by better-than-expected 3Q (revised) and 4Q GDP growth this morning. Pair is targeting 2.7750 before heading to 2.7800. After RBA's 25bps cut yesterday, we see an additional 25bps cut down the road as soon as April especially when things do not get better in China. Medium term outlook is thus slightly bearish taking into account the Australian economy's high exposure to China.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7508	2.7570	2.7657	2.7750	2.7800

Source: Bloomberg, HLBB Global Markets Research

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