

5 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral to Slightly Bullish

USD/MYR weakened 0.65% to 4.1790 on Wednesday to mark its largest DOD drop in two years, as market reacted to the Fed's unforeseen 50 basis points emergency cut.

USD/MYR looks neutral to slightly bearish on USD's short-term loss in momentum while the widening USD and MYR interest rate differentials should keep MYR supported in the short term. Pair opened at 4.1795 today and has breached 4.1700 support as of writing. Despite some recovery in risk sentiment, we maintain earlier view that downside to the pair is limited as global markets is still expected to be largely risk-off on the back of growing Covid-19 uncertainties, thus a breach below 4.1700 is only temporary, and the pair is likely bounce back to up above 4.1700, settling near 4.1750-4.1800 towards the end of the week.

1-Month Outlook – MYR Bearish

Medium term USD/MYR outlook remains bullish as EM currencies are still vulnerable amid growing risk aversion but we are mindful of the possibility of further Fed's rate cut to combat Covid-19 related economic fallout. While we still expect more BNM OPR cuts, the move is likely not imminent after a total of 50b basis points cut in January and March.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1600	4.1650	4.1675	4.1900	4.2000

MYR Crosses

EUR/MYR

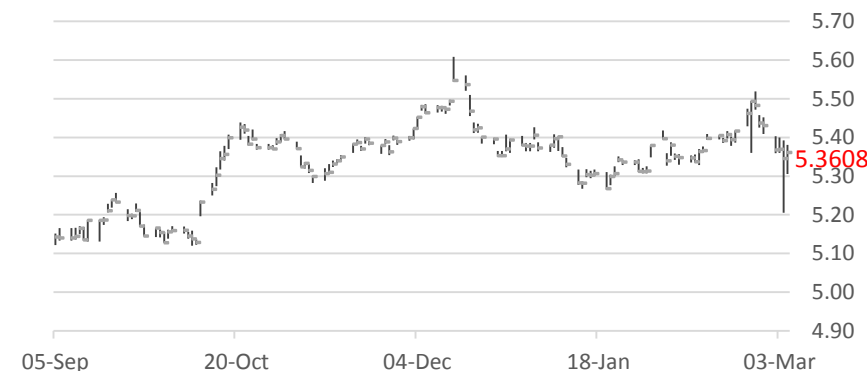


EUR/MYR Slightly Bearish

EUR/MYR is slightly bearish on EUR's partial reversal against the USD overnight. Pair should be residing above 4.6300 as EUR is in consolidative mode while MYR continues to strengthen. Medium term outlook is slightly bearish as low inflation and weak outlook are likely to lead the ECB to follow in Fed's footsteps to ease policy by cutting its deposit rate next Friday, part of the move to counter Covid-19 impact.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6300	4.6384	4.6416	4.6625	4.6806

GBP/MYR

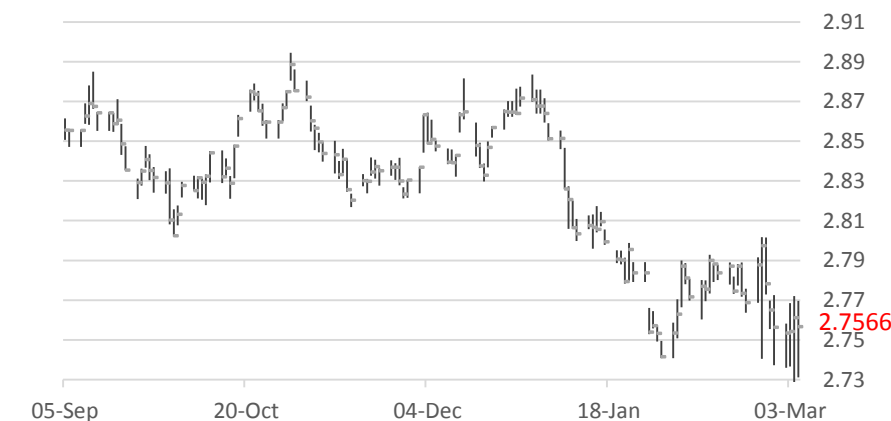


GBP/MYR Neutral

GBP/MYR remains neutral in our view following a slight drop in last session and continue to foresee range trading of 5.3500-5.4028 as GBP is also consolidating recent gains. Following Fed's and BOC's 50bps cuts, the BOE is likely to follow suit later this month, with OIS pointing to near 100% chance of a 25bps reduction. This poses downside risk to the sterling in the coming weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3100	5.3400	5.3608	5.4000	5.4268

AUD/MYR



AUD/MYR Neutral

AUD/MYR is neutral with AUD temporarily taking a step back amid ongoing recovery against the USD as markets digest Australia's smaller trade surplus that reflects falling exports and imports. Pair seems to be neutral and comfortable above 2.7500 for now on the back of dollar weakness and recovery in global risk sentiment. We still see an additional 25bps cut down the road by the RBA as soon as April, taking into account Aussie high exposure to China.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7407	2.7500	2.7566	2.7750	2.7800

Source: Bloomberg, HLBB Global Markets Research

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