

6 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Neutral

USD/MYR extended further losing streak on Thursday (-0.38% to 4.1630) mainly on extended dollar weakness stemming from Wednesday's Fed emergency rate cut. USD/MYR bounced off initial low and settle back into 4.17-4.1900 region as downside was likely capped by risk-aversion with markets now turning attention to tonight's US job report to assess the US labour market. Consensus is looking at a gain of 175k (Jan: +225k), a relatively moderate reading. A better-than-expected reading (possible judging from strong initial jobless claims and ISM non-manufacturing employment index) could give USD a much needed boost in the short term.

1-Month Outlook – MYR Bearish

No change to our medium term bullish outlook, 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	4.1700	4.1875	4.1900	4.2000

MYR Crosses

EUR/MYR

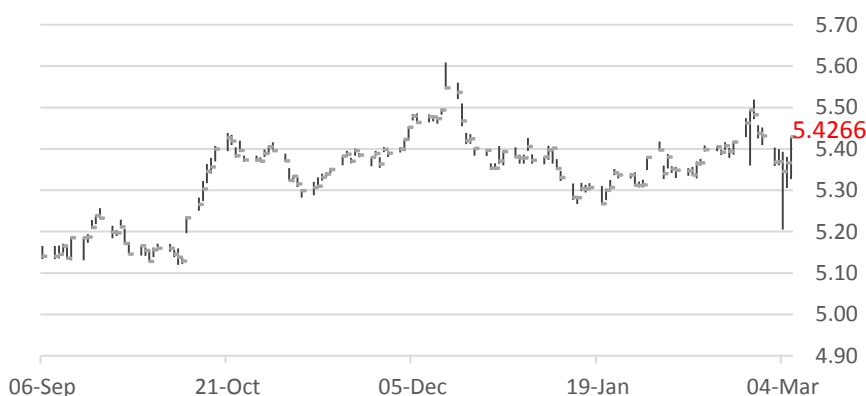


EUR/MYR Bearish

EUR/MYR bullish on sharply higher opening after EUR/USD surged past 1.12 (first break since early Jan) overnight. This came as MYR reversed some gains and turned weaker against USD amid risk aversion. Pair looks to be targeting 4.7100 but upside is limited as EUR/USD is consolidating at stretched level. Medium term outlook is slightly bearish as the ECB is likely to ease its policy further as part of global central banks' coordinated move to fight Covid-19 impact.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6625	4.6806	4.7082	4.7100	4.7200

GBP/MYR



GBP/MYR Bullish

GBP/MYR is bullish today on overnight's GBP strength and renewed MYR weakness amid risk aversion pushing the pair substantially above 5.4000. We think that the BOE is likely to cut rate later this month as the rapid spread of Covid-19 (now exceeding 100) serves as a material risk to the post-Brexit recovery. OIS is now pointing to 100% chance of a 25bps cut in bank rate on 26 Mar, posing downside risk to the sterling in the coming weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3619	5.4000	5.4266	5.4368	5.4550

AUD/MYR



AUD/MYR Neutral

AUD/MYR is neutral as AUD/USD slipped a little in response to weaker than expected retail sales data. This, alongside weaker MYR today is restricting the pair within 2.7500 and yesterday high of 2.7696. Maintain slightly bearish outlook as we still see an additional 25bps cut down the road by the RBA as soon as April, taking into account Australia's high exposure to China.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7407	2.7500	2.7622	2.7696	2.7800

Source: Bloomberg, HLBB Global Markets Research

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