

9 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish.

USD/MYR opened at 4.1745 this morning and broke 4.2000 within an hour as MYR weakened tremendously in tandem with the collapse of crude oil prices (Brent crude now at \$34/barrel) in addition to broader risk aversion. Daily USD/MYR outlook is bullish on weaker MYR as there is potentials for oil to hit \$30/barrel; bulls are targeting 4.2100 resistance at which a break would send the pair towards 4.2000 as we reckon there is room for further upside in a highly risk-off market.

1-Month Outlook – MYR Bearish

No change to our medium term bullish outlook, as EM currencies are still vulnerable amid growing risk aversion not to mention the renewed volatilities of oil prices. That said, downside risk to the pair remains as the Fed's emergency rate cut last week is paving way for a further 25bps cut next week. Fed funds futures show that markets are pricing in at least a 25bps cut.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1700	4.1800	4.2075	4.2100	4.2200

MYR Crosses

EUR/MYR



EUR/MYR Bullish

EUR/MYR is bullish on sharply higher opening with EUR/USD overbought at 1.1375 as of writing, concurrent with the sell-off in MYR in response to falling oil prices. The ECB's policy announcement is due this Thursday and the magnitude of its easing program would be a key market driver - a disappointment by the ECB (less easier policy/less dovish statement) could potentially boost EUR further in our view.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.6500	4.7500	4.7925	4.8000	4.8313

GBP/MYR



GBP/MYR Bullish

GBP/MYR is bullish today on higher opening, boosted by stronger sterling and the dramatic drop in MYR in tandem with oil prices' sharp fall. We still think that the BOE is likely to cut rate later this month to combat Covid-19 fallout. This is in line with markets' view - OIS is now pointing to 92% 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	5.4000	5.4400	5.4959	5.5177	5.5440

AUD/MYR



AUD/MYR Neutral

AUD/MYR is neutral due to concurrent weakness in both AUD and MYR amid broad-based risk aversion. No change to our slightly bearish outlook on the pair over the potential 25bps cut 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	2.7545	2.7703	2.7880

Source: Bloomberg, HLBB Global Markets Research

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