

10 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish.

USDMYR strengthened by the most since 2016 as the crashing oil prices triggered a renewed selloff in MYR amid broad-based risk aversion. We are bullish on the pair, expecting MYR to continue taking the hit alongside oil-related and emerging market currencies, not to mention that USD is on its way towards consolidation. Pair has effortlessly breached 4.2300 this morning and is targeting 4.2400 next before retesting 4.2500 this week.

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	4.1800	4.1900	4.2345	4.2400	4.2500

MYR Crosses

EUR/MYR



EUR/MYR Bullish

EUR/MYR is bullish today as overnight EUR strength rolled into market this morning while the MYR remains vulnerable in tandem with weak oil prices. Overbought RSI condition indicates a reversal in the near term as we are anticipating some form of consolidation of EUR/USD. That said, 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	4.7462	4.7800	4.8257	4.8327	4.8500

GBP/MYR



GBP/MYR Neutral

GBP/MYR is neutral today as the sterling looks to be retreating and consolidating recent gains against the dollar. 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 roughly 98% chance of a 25bps cut in BOE's bank rate on 26 Mar, posing downside risk to the sterling in the coming weeks.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4650	5.5000	5.5326	5.5600	5.6000

AUD/MYR



AUD/MYR Neutral

AUD/MYR is still largely neutral given the concurrent weakness in both AUD and MYR amid broad-based risk aversion and falling oil prices. 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 and falling commodity prices.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7550	2.7703	2.7752	2.8000	2.8060

Source: Bloomberg, HLBB Global Markets Research

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