

13 March 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USDMYR breached 4.2900 as of writing as MYR weakened severely alongside tumbling Asian equities as heightening risk aversion grips global markets after US stocks slumped into bear market overnight. We are bullish on the pair as USD momentum is unstoppable in the short term given its safe haven currency status and as negative Covid-19 headlines continue to fuel widespread fear. On a 1-week basis, pair is subject to volatilities ahead of the Fed's scheduled meeting next Wednesday, economists and markets alike have priced in a 50 basis points cut in the Fed Funds Rate; a smaller-than-expected reduction i.e. a disappointment could send market into a panic mode, triggering a sell-off in MYR.

1-Month Outlook – MYR Bearish

Pair's medium term outlook remains bullish on the back of oil prices volatilities and renewed global recession concern that is exposing EM currencies to higher downside risk.

| | S2 | S1 | Indicative | R1 | R2 |
|---------|--------|--------|------------|--------|--------|
| USD/MYR | 4.2265 | 4.2500 | 4.2925 | 4.3000 | 4.3128 |

MYR Crosses

EUR/MYR

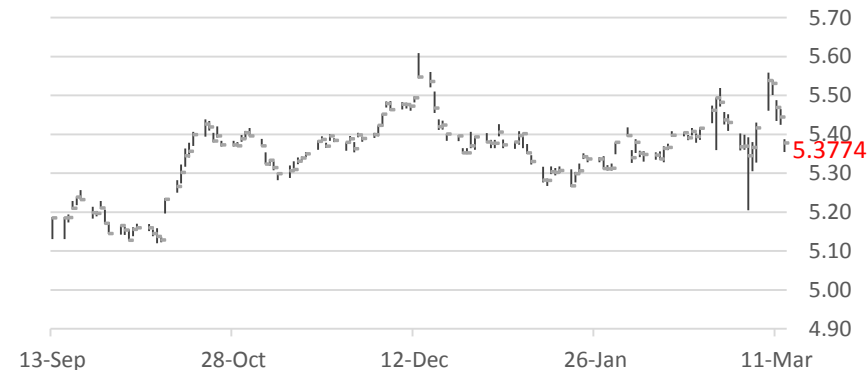


EUR/MYR Neutral

EUR/MYR has been trading around recent ranges for the past few sessions and looks likely to be neutral today thanks to post-ECB EUR weakness and MYR's further losses amid deepening risk aversion. Oversold RSI condition indicates a potential reversal next week given the stretched positioning in EUR/USD.

| | S2 | S1 | Indicative | R1 | R2 |
|---------|--------|--------|------------|--------|--------|
| EUR/MYR | 4.7132 | 4.7500 | 4.7947 | 4.8100 | 4.8327 |

GBP/MYR



GBP/MYR Bearish

GBP/MYR is bearish after opening much lower today as the sterling fell alongside majors amid strong dollar. Pair now trading below 5.4000 and limited downside (thanks to weak MYR) suggests a tight range of 5.3450- 5.4000. We think that BOE's recent rate cut was a one-off move to support sentiment and to complement the government's enormous stimulus package, meaning that it could hold rate in its next scheduled meeting two weeks from now.

| | S2 | S1 | Indicative | R1 | R2 |
|---------|--------|--------|------------|--------|--------|
| GBP/MYR | 5.3270 | 5.3450 | 5.3774 | 5.4000 | 5.4650 |

AUD/MYR



AUD/MYR Bearish

Pair is bearish on sharply lower opening after AUD suffered nearly 4% drop overnight. It managed to reverse some losses this morning but is insufficient to pick up steam to advance back above 2.7200. YTD, the AUD was among the worst performers, trailing behind the Norwegian Krone and a few EMs on the recent commodity prices crash and its large exposure to virus-stricken China. We maintain view that the RBA would cut rate as soon as April despite just having reduced cash rate by 25bps this month.

| | S2 | S1 | Indicative | R1 | R2 |
|---------|--------|--------|------------|--------|--------|
| AUD/MYR | 2.6570 | 2.6700 | 2.7056 | 2.7255 | 2.7500 |

Source: Bloomberg, HLBB Global Markets Research

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.