24 February 2020

Global Markets Research

Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

MYR closed 0.23% weaker on Friday to finish the week 1.29% lower. In fact last week marked the local unit's third weekly decline within a month's time as USD strength continued to dominate the market ever since the Covid-19 outbreak escalated in China.

We are bearish on MYR today. USDMYR opened at 4.20 this morning and broke 4.21 in no time in response to local political jittery and broadly because Covid-19-induced global risk-aversion is expected to work in favour of the USD. Indicative level is at 4.2172 at time of writing where immediate resistance is seen at 4.2200 as market now awaits further development on the political front. News that infection cases are creeping up in South Korea and in Italy and Iran had also led markets to turn even more risk-averse. Daily outlook is volatile with technical range likely at 4.2000 - 4.2200.

1-Month Outlook – MYR Bearish

No change to medium term outlook- MYR is bearish partly because the uncertainties surrounding the Covid-19 outbreak is weighing on riskier emerging markets currencies. Apart from that, recent data continued to point to a firmer USD outlook versus increasing downside risks to domestic growth outlook, likely prompting BNM to ease.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1900	4.2000	4.2172	4.2200	4.2300

MYR Crosses

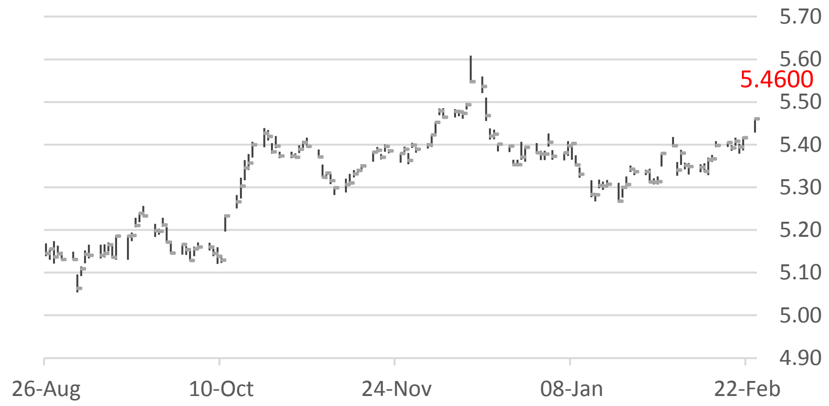
EUR/MYR

EUR/MYR Bullish

EUR/MYR is bullish today as MYR was dragged down by USD strength and current political uncertainty. MYR weakness outpaced a supposedly soft EUR, leading the pair to surge back to near early Jan's level of 4.5700. Daily outlook is volatile and trading range widens to 4.5427- 4.5700 in anticipation of local political development. Medium term outlook is neutral as weak growth outlook in both the EU and Malaysia seems likely to prompt easing by ECB and BNM.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.5253	4.5427	4.5658	4.5760	4.5940

GBP/MYR



GBP/MYR Bullish

GBP/MYR turned bullish today after being lacklustre last week thanks to lingering weakness in MYR due to sustained USD strength and current political uncertainty. Similarly, daily movement is expected to be volatile, widening the range to 5.4284 – 5.4800 (UK pre-Dec election level). Medium term outlook for the pair is slightly bullish on potential BNM easing versus expectation that the BOE would pause in 2020.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.3939	5.4182	5.4600	5.4690	5.4800

AUD/MYR

AUD/MYR Bullish

AUD/USD is trading higher on the back of a weaker MYR in response to USD strength and current political uncertainty. Pair recovered from last week's low to around 2.7880 as of writing, where daily range is at 2.7687 – 2.7900. Medium term outlook is slightly bearish on weaker Aussie outlook given Australia's larger exposure to China. The Covid-19 outbreak presents a more material risk to the country's growth outlook compared to that of Malaysia's.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7687	2.7783	2.7880	2.7900	2.7950

Source: Bloomberg, HLBB Global Markets Research

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