

25 February 2020

Global Markets Research

Currency Outlook

USD/MYR



Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

MYR closed 0.83% weaker on Monday to 4.2265, its largest single-day drop in more than three years as political uncertainty on the local front triggered heavy selling in the local unit and stock market, and amid the broader pandemic fear that engulfed global markets.

We are still bullish on USDMYR partly on persistent dollar strength as virus fear weighs heavily on general sentiment and is keeping global market risk-off. The MYR market meanwhile is on standby for any political development following the PM's resignation and the subsequent revoking of the Cabinet. Pair to target Sep's high of 4.2297 before breaking 4.2300 but we foresee it hovering around recent ranges of 4.2150-4.2270; investors and general public alike are awaiting key announcements, returning some semblance of calm to the market.

1-Month Outlook – MYR Bearish

No change to medium term outlook- MYR is bearish partly because the dollar looks set to be supported amid heightening uncertainties over Covid-19 outbreak. The multifold increases in infection cases in South Korea, Italy and random countries like Iran and Afghanistan are only setting the stage for a global pandemic sooner or later though WHO had refrained from labeling as such for now. Expect MYR and emerging market currencies to continue taking the hit in the short to medium term (MYR was among the worst Asian performers YTD, behind THB, KRW and SGD). The delay in the stimulus package announcement (now that cabinet is revoked) means that the case for BNM easing turns even stronger, posing downside risk for the MYR.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1900	4.2000	4.2172	4.2297	4.2300

MYR Crosses

EUR/MYR

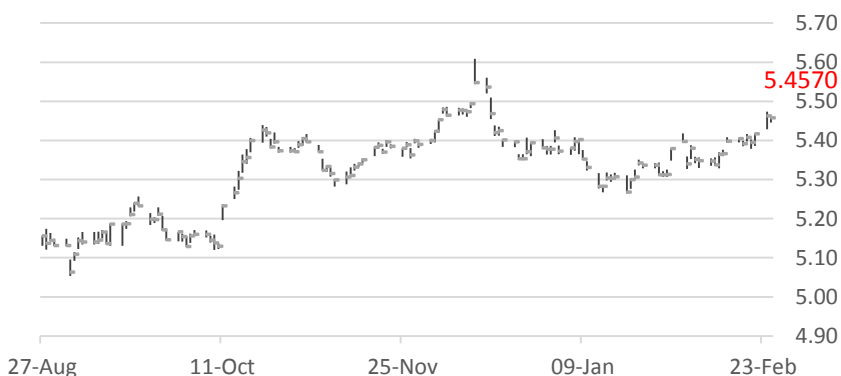


EUR/MYR Bullish

EUR/MYR is slightly bullish today as MYR weakness outweighed that of EUR's thus keeping the cross above 4.5700 in the short term. EUR staved off a fall yesterday, supported by better German IFO readings. Daily range likely at 4.5700-4.5853 after retreating from intraday high this morning in anticipation of local political development. Medium term outlook is neutral as weak growth outlook in both the EU and Malaysia is likely to prompt easier ECB and BNM policies.

	S2	S1	Indicative	R1	R2
EUR/MYR	4.5253	4.5427	4.5802	4.5900	4.5950

GBP/MYR



GBP/MYR Neutral

GBP/MYR move looks likely to be muted as yesterday's gain dissipated in part because GBP was equally battered by the strong USD. Pair to confine itself within Monday's range of 5.4284 – 5.4740 awaiting key announcement on the local front. Medium term outlook for the pair is slightly bullish on firmer chance of BNM easing versus expectation that the BOE would pause in 2020.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4169	5.4368	5.4570	5.4740	5.4950

AUD/MYR



AUD/MYR Neutral

AUD/USD looks neutral in our view thanks to concurrent weakness in both currencies on the back of pandemic fear. Expect the pair to stay within 2.7840-2.7950 after a near 190pips jump yesterday. Medium term outlook is slightly bearish on weaker Aussie outlook given Australia's larger exposure to China. The Covid-19 outbreak still presents a more material risk to the country's growth outlook compared to that of Malaysia's.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7790	2.7876	2.7903	2.7988	2.8030

Source: Bloomberg, HLBB Global Markets Research

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