27 February 2020

Global Markets Research

Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USDMYR snapped winning streak, retreating from multi-year high of 4.2435 to close 0.2% lower at 4.2255 on Wednesday as interim PM Tun Mahathir delivered a televised speech late afternoon and assured (in a tweet) that the stimulus package to combat Covid-19-related slowdown would be announced today.

We are neutral to slightly bullish on USDMYR for now, as some semblance of calm returned to the market amid political clarity. Pair likely consolidates around 4.2135-4.2300 in anticipation of today's 4pm stimulus package announcement but deepening virus concerns worldwide still poses an immediate downside risk to MYR. The 4.25 resistance, last broken in Q317 remains strong in our view and the severely oversold MYR would send the pair back to around 4.2000 in the short term should favourable headlines emerge to offer markets political certainty.

1-Month Outlook – MYR Bearish

MYR outlook is still bearish on one-month basis as we expect EM currencies to continue taking the hit in an increasingly risk-averse market now that Covid-19 outbreak is developing into a global pandemic. We await details of the stimulus package to gauge domestic growth outlook; the case for BNM easing remains strong.

	S2	S1	Indicative	R1	R2
USD/MYR	4.2000	4.2100	4.2203	4.2300	4.2400

MYR Crosses

EUR/MYR

EUR/MYR Neutral

EUR/MYR is neutral amid cautious sentiment and is likely range trading within 4.5980- 4.6137, avoiding short term target of 4.6200. Medium term outlook is still 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	4.5760	4.5917	4.6017	4.6150	4.6230

GBP/MYR

GBP/MYR Bearish

GBP/MYR is bearish on lower opening as the sterling came under huge selling pressure to become the 2nd worst performer among the G10s, right behind AUD. Pair looks to be trading within 5.4393 and yesterday's low of 5.4716 on cautious sentiment. Brexit negotiations and MY politics remain key drivers in the short term; Medium term outlook is slightly bullish on easier BNM policy outlook.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4092	5.4393	5.4507	5.4716	5.5000

AUD/MYR

AUD/MYR Bearish

AUD/MYR is bearish on sharply lower opening as AUD was worst performing G10 currency overnight, weighed down by risk aversion. For now both currencies are in consolidation mode ahead of key events; (RBA meeting next week and today's stimulus announcement in Malaysia, keeping the pair within 2.7636-2.7710 after bouncing off daily low of 2.7605. Medium term outlook is slightly bearish on weaker Aussie growth outlook relative to that of Malaysia's.

	S2	S1	Indicative	R1	R2
AUD/MYR	2.7500	2.7600	2.7661	2.7710	2.7785

Source: Bloomberg, HLBB Global Markets Research

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