28 February 2020

Global Markets Research
Currency Outlook

USD/MYR

Source: Bloomberg, HLBB Global Markets Research

Intraday Thoughts – MYR Bearish

USDMYR retreated from the severely overbought RSI level, closing 0.34% lower at 4.2110 on Thursday. The ringgit had strengthened ahead of interim PM Tun Mahathir's stimulus announcement to combat covid-19 related slowdown.

USDMYR outlook turned neutral to slightly bullish as the pair defied overnight dollar weakness and picked up some steam to around 4.2150 as of writing. Prevailing risk-off mode means that USD remains more attractive compared to MYR and pair looks to be trading within 4.2050- 4.2200 ahead of the weekend. Ongoing political uncertainty remains key market influence in our view, overshadowing development on the economic front. We continue to expect EM currencies to take the hit in the short term on growing risk that Covid-19 outbreak is developing into a global pandemic. Nonetheless we are optimistic that the emergence of favourable headlines on the domestic political front could offer market some certainty and keep MYR supported.

1-Month Outlook – MYR Bearish

MYR outlook is still bearish on one-month basis, expecting investors to dump EM currencies in favour of safer assets on the back of growing risk aversion. The stimulus package is set to offer much needed reliefs to affected local businesses and measures targetting the household sector could help support consumer spending; Sentiments are still fragile in our view thus the case for BNM easing remains strong.

	S2	S1	Indicative	R1	R2
USD/MYR	4.1900	4.2000	4.2155	4.2200	4.2300

MYR Crosses

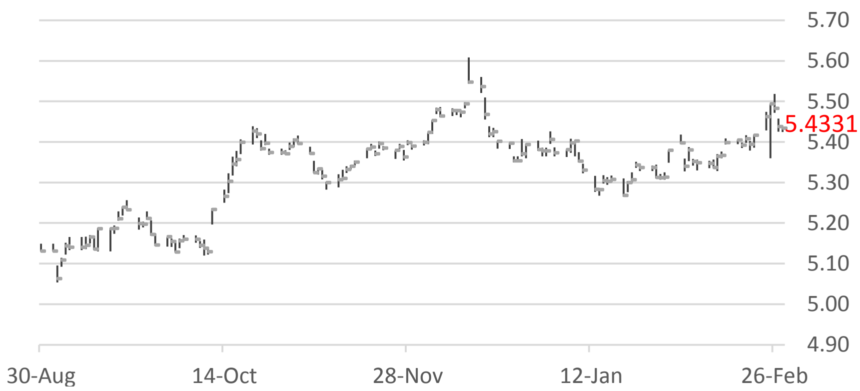
EUR/MYR

EUR/MYR Neutral

EUR/MYR is bullish on sharply higher opening (+0.56%) after the jump in EUR overnight, but is likely spending the day moving within a tight range of 4.6240-4.6400 amid cautious sentiment. 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	4.6000	4.6137	4.6320	4.6400	4.6500

GBP/MYR



GBP/MYR Neutral

GBP/MYR is neutral as the sterling did not benefit from renewed USD weakness overnight. Given the lack of immediate driver, pair looks to be trading within 5.4128-5.4500 with next week's EU-UK negotiations and MY politics remaining as key drivers in the short term. Medium term outlook is slightly bullish on easier BNM policy outlook.

	S2	S1	Indicative	R1	R2
GBP/MYR	5.4000	5.4128	5.4331	5.4500	5.4650

AUD/MYR

AUD/MYR Neutral

AUD/MYR is neutral as both currencies remain relatively unattractive despite renewed USD weakness in an increasingly risk-off market. AUD market is also turning cautious ahead of next week's RBA meeting while the absence of key MY politic headline for now likely restrict the pair within 2.7600-2.7750. 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	2.7649	2.7785	2.7880

Source: Bloomberg, HLBB Global Markets Research

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