

FX Asia Fortnightly

Eyeing Global Growth

Global Growth Concerns Could Keep USD/ASEANs Buoyant

Global growth concerns as well as expectations of a rebalancing in equity portfolio towards China from regional bourses following the increase in China's weighting in the MSCI are supportive of the USD/ASEANs this week. China economic data for Feb due sometime in the next two weeks as well as the ongoing Sino-US trade negotiations will be keenly eyed for directional cues for regional FX. Softer China data could exacerbate global growth concerns and could see the firmer USDCNH drag the USD/ASEANs higher. A failure to achieve a trade accord will be taken badly by the market with the more trade-reliant USD/ASEANs taking a hit. A Sino-US trade deal though could provide impetus for the USD/ASEAN to move lower. Meanwhile, concerns over central bank independence and policy direction in the Philippines could keep the USDPHP buoyant ahead. A move by the USDPHP beyond the 52.640-levels cannot be ruled out. Economic data aside, key focus in the next two weeks is the Thai general elections on 24 Mar. As we had previously highlighted, the THB tends to depreciate ahead of general elections as political tensions mount but appreciates post-elections as political uncertainty abates. We could see the USDTHB revisit the 32-handle ahead of the elections before fading.

There are a slew of central bank meetings in the next two weeks. BOJ is the only central bank to meet next week (on 15 Mar) and the status quo is expected. In the week after, BoT (20 Mar), BI and BSP (both on 21 Mar) are likely to see no change in monetary policy stance. Nevertheless, comments by new BSP governor Benjamin Diokno will be closed watched for clues on his policy biases, while BI decision will be similarly watched for a further dovish pivot in policy. A slant towards dovishness by either central bank should buoy the USDPHP and USDIDR.

Our in-house model implies that SGD NEER is trading 1.04% above the implied midpoint of 1.3741, suggesting it remains on the stronger side of the SGD vs. other trading partner currencies.

Dovish New BSP Governor Could Unhinge Inflation Expectations

President Duterte surprised the market by appointing former Budget Secretary Benjamin Diokno as the new BSP governor. Foreign investors did not take too highly to the news, unwinding long-PHP positions vs. the USD that had been established after the peaking of inflation in the Sep-Oct period. There was some market disappointment as expectation had been for the top job to be filled by one of the three deputy governors at least. In addition, there were some concerns that the new BSP governor is an advocate of robust state spending to spur growth and could use monetary policy to complement fiscal policy. Despite clarification by Diokno over his earlier dovish comments, doubts remains with regards to the future of central bank independence and policy direction. This supports our view that his appointment signals the start of a more accommodative monetary policy stance at the BSP. This in turn is likely to keep the USDPHP under upside pressure in the near term. Meanwhile, technical chart also suggests THBPHP has potential to climb higher in the near term. We are bias to accumulate the THB vs. the PHP.

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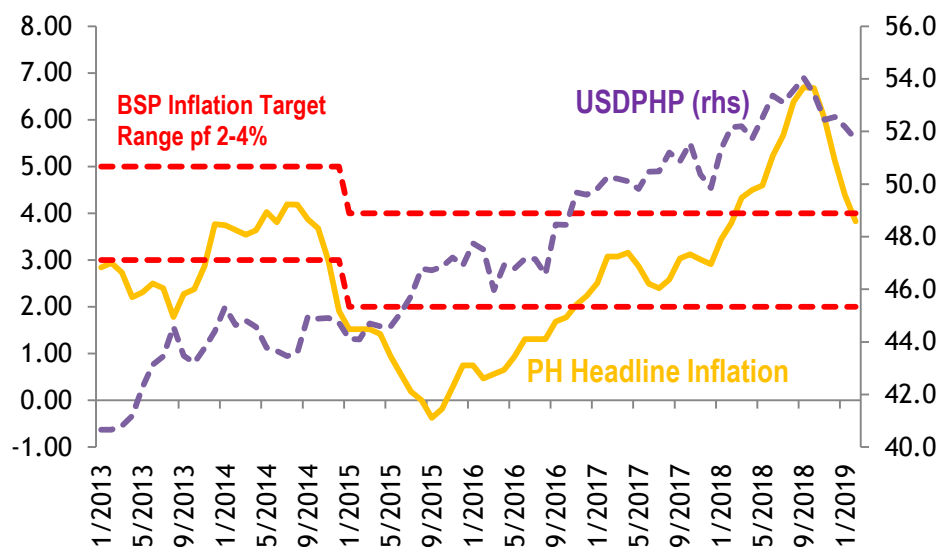
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Flavour of the Week: Dovish New BSP Governor Could Unhinge Inflation Expectations

- President Duterte surprised the market by appointing former Budget Secretary Benjamin Diokno as the new BSP governor to serve out the remaining term of the late Nestor Espenilla, whose term ends mid-2023. Foreign investors did not take too highly to the news, unwinding long-PHP positions vs. the USD that had been established after the peaking of inflation in the Sep-Oct period (see chart 1).

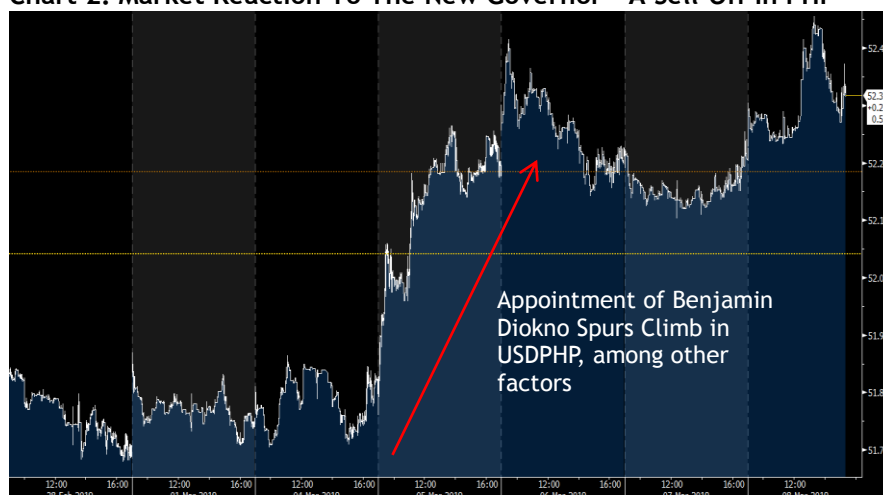
Chart 1: Moves To Stem Inflation Has Buoyed The PHP



Source: Bloomberg, CEIC, Maybank FX Research & Strategy Estimates

- Diokno appears well-qualified to run the central bank given his background as a former economics professor and held economic positions in various administrations. There was some market disappointment as expectation had been for the top job to be filled by one of the three deputy governors at least. In addition, there were some concerns that the new BSP governor is an advocate of robust state spending to spur growth and could use monetary policy to complement fiscal policy. This raised concerns of central bank independence.

Chart 2: Market Reaction To The New Governor - A Sell-Off In PHP



Source: Bloomberg, Maybank FX Research & Strategy Estimates

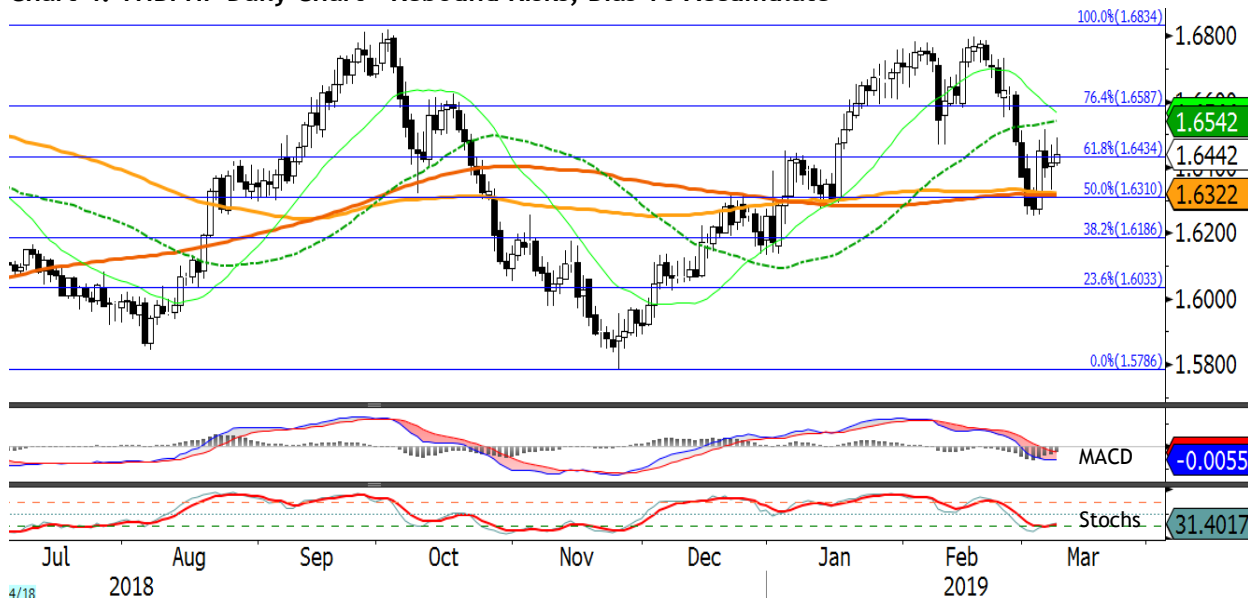
- Diokno had to clarify some of his comments on monetary policy made in the days after his appointment. He said that his comments signaling his intent to cut the RRR as soon as possible were made as the Budget Secretary and not BSP governor. He also tempered his comments on reducing the policy rate given softer inflation, instead reiterating the central bank's view that any policy adjustment will be data-dependent. Despite these clarifications, doubts remain with regard to the future of central bank independence and policy direction. This supports our view that his appointment signals the start of a more accommodative monetary policy stance at the BSP. This in turn is likely to keep the USDPHP under upside pressure in the near term.

Chart 3: 1-Month USDPHP NDF Daily Chart - Near Term Rebound Risks



- Last seen around 52.47-levels. Bullish bias on the daily chart remains intact, and stochastics climbs higher. Weekly chart shows bearish bias waning and stochastics turning higher from near oversold conditions. Further upside risks cannot be ruled out. We seek opportunities to buy accumulate. Resistance is around 52.75-levels (100DMA). A clean break of this level could see further upmoves toward 53.20-levels (200DMA). Support at 52.20-levels (21DMA).

Chart 4: THBPHP Daily Chart - Rebound Risks; Bias To Accumulate



Source: Bloomberg, Maybank FX Research & Strategy Estimates

- Last seen around 1.6447-levels. Bearish momentum on the daily chart is waning, and stochastics shows tentative sign of turning higher. There are potential risks of moves higher for this cross. We are bias to accumulate this cross in the near term. Resistance is around 1.6590-levels (76.4% fibo retracement of the 2018 high to low), 1.67-level. Failure to climb higher could see this cross revisit key support around 1.63-levels (50% fibo, 100, 200DMAs).

Key Data and Events Ahead

11-17 Mar		18-24 Mar	
USDJPY	• Mon: Machine Tool Orders (Feb)	• Mon: Trade (Feb), Industrial Production (Jan)	
	• Tue: BSI Large All Industry & Mfg (1Q)	• Tue: - Nil -	
	• Wed: PPI (Feb), Core Machine Orders, Tertiary Industrial Index (Jan)	• Wed: BOJ Minutes of January Policy Meeting, Machine Tool Orders (Feb F)	
	• Thu: - Nil -	• Thu: Public Holiday	
	• Fri: BOJ Policy Balance Rate	• Fri: CPI (Feb), Nikkei PMI Mfg (Mar P)	
USDCNY	• Mon: Aggregate Financing, Money Supply, New Yuan Loans (Feb - due 11-15 Mar), FDI (Feb - due 11-18 Mar)	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: FAI Urban, Industrial Production, Retail Sales (Feb)	• Thu: - Nil -	
	• Fri: - Nil -	• Fri: - Nil -	
USDKRW	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: Unemployment Rate (Feb)	• Wed: PPI (Feb)	
	• Thu: - Nil -	• Thu: - Nil -	
	• Fri: - Nil -	• Fri: - Nil -	
USDSGD	• Mon: - Nil -	• Mon: NODX (Feb)	
	• Tue: Retail Sales (Jan)	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: - Nil -	• Thu: - Nil -	
	• Fri: - Nil -	• Fri: - Nil -	
USDMYR	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: CPI (Feb)	
	• Thu: Industrial Production (Jan)	• Thu: - Nil -	
	• Fri: - Nil -	• Fri: Foreign Reserves (15 Mar)	
USDIDR	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: - Nil -	• Thu: BI 7-Day Reverse Repo Rate	
	• Fri: Trade (Feb)	• Fri: - Nil -	
USDPHP	• Mon: - Nil -	• Mon: Budget Balance (Jan)	
	• Tue: Trade (Jan)	• Tue: BoP Overall (Feb)	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: - Nil -	• Thu: BSP Overnight Borrowing Rate	
	• Fri: Overseas Remittances (Jan)	• Fri: - Nil -	
USDTHB	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: BoT Benchmark Interest Rate	
	• Thu: - Nil -	• Thu: Customs Trade (Feb)	
	• Fri: Foreign Reserves (8 Mar)	• Fri: Foreign Reserves (15 Mar)	
USDINR	• Sun: - Nil -	• Sun: General Elections	
	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: CPI (Feb)	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: Wholesale Prices (Feb)	• Thu: Public Holiday	
USDVND	• Fri: Trade (Feb)	• Fri: - Nil -	
	• Mon: - Nil -	• Mon: - Nil -	
	• Tue: - Nil -	• Tue: - Nil -	
	• Wed: - Nil -	• Wed: - Nil -	
	• Thu: - Nil -	• Thu: - Nil -	
	• Fri: - Nil -	• Fri: - Nil -	

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