

FX Asia Fortnightly

Asian FX Weakness Ahead?

Asian FX Weakness Could Persist Into Year-End

USD/Asians were broadly higher this week amid higher UST yields and USD on optimism of US tax reforms. USD/Asians could take its cue next week from FOMC meeting on 14 Dec (on its forward guidance) and from the US Congress moves on a reconciled tax bill. Positive upside surprises and a more hawkish forward guidance could spur further outflows from Asian assets and weigh on Asian FX. The four Asian central bank meetings are likely to see the status quo maintain with no significant impact on their currencies are expected. PHP could be a possible outlier in the next two weeks where the completion of a reconciled tax reform bill there before the end of the year would be positive for the PHP. In addition, strong seasonal remittances inflows from Philippines overseas workers should keep the PHP supported. Oil prices could remain supported should protests in the Middle East intensify over US recognition of Jerusalem as Israel's capital and disrupts oil production. This should bode well for oil producing economies like MYR but weigh on oil-importing economies like Philippines and India.

Differing ASEAN FX Moves In Periods Of Synchronous FX Moves

Our analysis of instances of synchronous daily movements in ASEAN-5 FX (namely IDR, MYR, PHP, SGD and THB) over the 2010 to 2017 period the ASEAN-5 currencies rising by 0.36% on average during the period. Similarly, in periods of synchronous depreciation, the ASEAN-5 currencies fell by 0.34%. This appears to suggest that changes in the ASEAN-5 currencies during period of synchronized moves are not significantly large. However, the synchronous ASEAN-5 movements do not suggest that the individual currencies changes are at an identical pace. A breakdown of the individual currencies movements during these instance of synchronous moves suggests that there is a tendency for outsize MYR currency moves (either appreciation or depreciation). In periods of appreciation (depreciation), the MYR tend to see the largest moves of +0.49% (-0.47%) on average during the past eight years. On the flipside, the THB does not appear to be as affected during periods of synchronous moves as compared to its regional peers. The THB has on average only appreciated (depreciated) by 0.29% (0.29%) during periods of synchronous ASEAN FX moves.

BI, BSP, BOJ & BoT Policy Meetings In Focus

Central bank meetings on tap in the next two weeks are BI, BSP, BOJ and BoT. The three central banks are expecting to maintain their current policy stance. Key data/ events that we are watching in the week of 11 Dec include JP machine tool orders on 11 Dec; JP PPI, tertiary industry index; PH trade; IN CPI, IP on 12 Dec. For 13 Dec, JP core machine orders; SK unemployment rate. For 14 Dec, JP Nikkei PMI mfg, IP, capacity utilization; BI & BSP meetings, IN wholesale prices. For 15 Dec, we have JP Tankan survey result; ID trade; PH overseas remittances. In the week of 18 Dec, we eye JP trade, CN property prices, SG NODX on 18 Dec; JP machine tool orders; PH BoP on 19 Dec. We have JP all industry activity index; MY CPI; BOT meeting on 20 Dec. For 21 Dec, there is BOJ meeting; and for 23 Dec, VN CPI. TH is out for a public holiday on 11 Dec.

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg

Leslie Tang
(65) 6320 1378
leslietang@maybank.com.sg

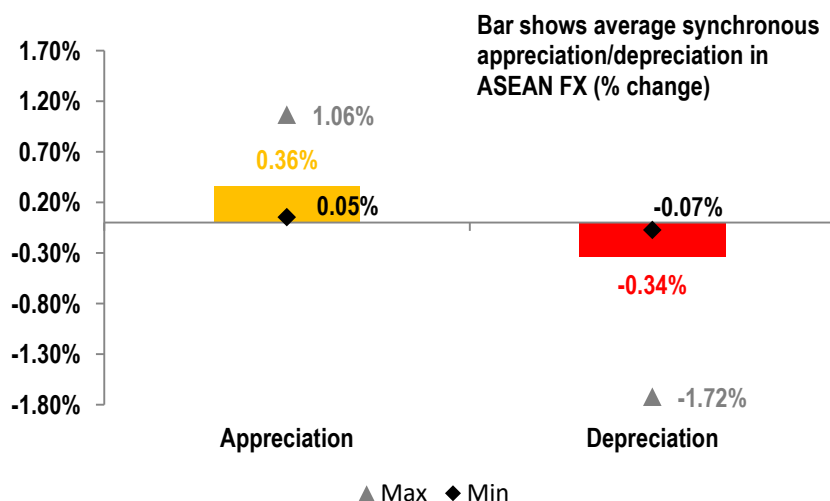
Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Christopher Wong
(65) 6320 1347
wongkl@maybank.com.sg

Flavour of the Week: Pace Of Change Differs For ASEAN FX In Periods Of Synchronous FX Moves

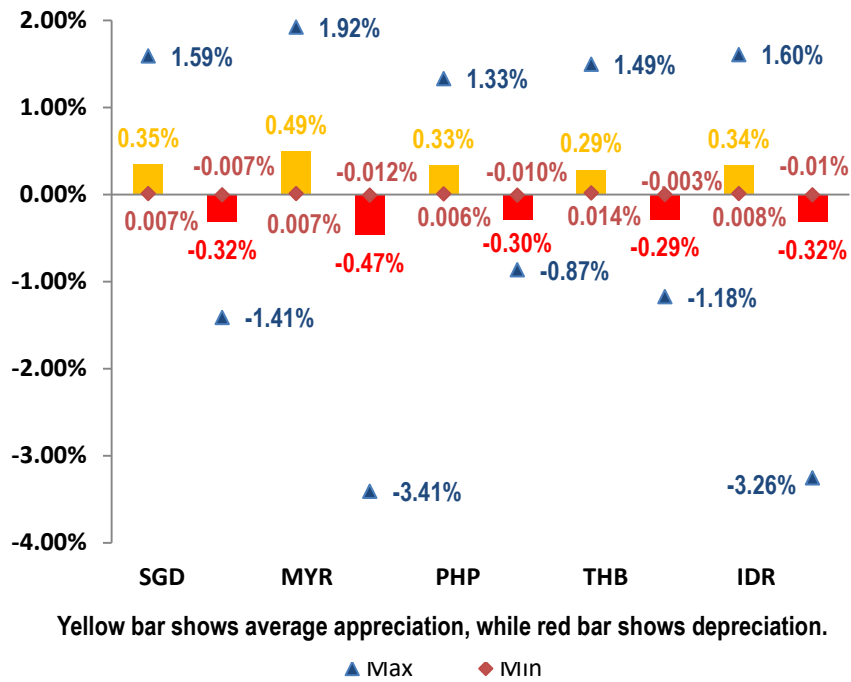
- We examine instances of synchronous movements in ASEAN-5 FX (namely IDR, MYR, PHP, SGD and THB) to glean inferences on how much the currencies will appreciate/depreciate on average when such they appreciate/depreciate at the same time. We look at daily currency data from 2010 to 2017 and identified periods where the currencies moved together in tandem (day-on-day % change) and averaged the moves on that day. We separated the appreciation and depreciation moves and averaged these changes for the ASEAN-5 currencies as a group and by individual currencies.
- Our results (Chart 1) showed that during periods of synchronous appreciation, the ASEAN-5 currencies rose by 0.36% on average during the eight-year period. Similarly, in periods of synchronous depreciation, the ASEAN-5 currencies fell by 0.34%. This appears to suggest that changes in the ASEAN-5 currencies during period of synchronized moves are not significantly large.
- However, the synchronous ASEAN-5 movements do not suggest that the individual currencies changes are at an identical pace. Looking at the breakdown of the individual currencies (Chart 2), we can see that in periods of synchronous moves in ASEAN FX, there is a tendency for outsize MYR currency moves (either appreciation or depreciation). In periods of appreciation (depreciation), the MYR tend to see the largest moves of +0.49% (-0.47%) on average during the past eight years. On the flipside, the THB does not appear to be as affected during periods of synchronous moves as compared to its regional peers. The THB has on average only appreciated (depreciated) by 0.29% (0.29%) during periods of synchronous ASEAN FX moves.

Chart 1: When ASEAN FX Appreciate/Depreciate In Tandem



Source: Bloomberg, Maybank FX Research & Strategy

Chart 2: Individual Currency Moves Though Could Be Significant



Source: Bloomberg, Maybank FX Research & Strategy

2017/2018 Asia FX Forecasts

	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
USDJPY	115	117	115	116
USDSGD	1.3500	1.3600	1.3400	1.3350
USDMYR	4.10	4.05	4.12	4.05
USDIDR	13600	13700	13600	13600
USDTHB	32.80	33.00	33.00	33.50
USDPHP	50.50	51.00	50.50	50.50
USDCNY	6.60	6.65	6.60	6.60
USDKRW	1098	1118	1100	1090
USDINR	65.00	66.00	64.50	65.00
USDVND	22760	22780	22730	22700
SGD Crosses	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
SGDMYR	3.037	2.978	3.075	3.034
MYR Crosses	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
MYRCNY	1.61	1.64	1.60	1.63
MYRIDR	3317	3383	3301	3358
MYRINR	15.85	16.30	15.66	16.05

Source: Maybank FX Research as at 8 Dec 2017.

*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

Asian FX Directional Bias

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDMYR	USDMYR's decline reversed into end week, in line with our caution for the pair to head higher into year-end (our FX forecast for 4Q 2017 at 4.10). We also flagged out the risk of USD funding demand into year-end. We believe MYR gains could slow into year-end as focus turns to next week's FOMC meeting (14 Dec) and reconciled version of tax reforms. These could provide the excuses for reducing USD short positions (basically profit-taking, lightening of positioning into end-year). Also there are talks of market participants looking for BNM rate hike in Jan. This could be a bit premature and disappointment may unwind some optimism. Our house view expects sometime in May-2018. Pair was last seen at 4.0890 levels. Bearish momentum continued to show signs of waning while stochastics is rising from oversold conditions. Rebound risks ahead. Resistance at 4.0950, 4.10, 4.1280 (21 DMA) levels. Support at 4.05 before 3.9990 (76.4% fibo retracement of mar-2016 low to Jan 2017 high).	O/N Policy Rate	Neutral
USDSGD	USDSGD traded higher this week amid higher UST yields and USD due to optimism over US tax reforms, upcoming Fed rate hike and rising demand for USD funding. Market focus ahead will be on USD NFP later tonight (where positive data puts further upside pressure on the USDSGD) and on FOMC meeting on 21 Dec A 25bp rate hike has been priced in but market will be looking at the dots plot projections for rates guidance in 2018. Daily momentum indicators now show bullish bias, while stochastics continues to climb higher towards overbought conditions. We watch for a break of the 1.3530 (50% fibo retracement of Sep low to Oct high) resistance level for bullish extension towards 1.3570 (38.2% fibo, 50DMA), 1.3630 (23.6% fibo). Support now at 1.3490 (61.8% fibo) before key at 1.3430 (76.4% fibo).	Exchange Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USIDR	1m USIDR NDF has been on the slow grind higher for the past week amid higher UST yields and USD after trading range-bound the previous week. 1m NDF is currently trading at the upper bound of its current 13500-13600 range. Further sell-off in Indonesian assets in the next two weeks could push the 1m NDF above the 13600 range. Already, foreign investors have sold off USD18.1mn and USD424.56mn in equities and debt in the past two weeks. Other potential drivers of higher include US NFP on 8 Dec night and FOMC meeting on 14 Dec. Positive US data and/or more aggressive Fed dots plot projection could lift the 1m NDF higher. Daily chart shows bullish momentum, while stochastics is fast approaching overbought conditions. BI meeting on 14 Dec is unlikely to spring any surprises. BI speaks so far suggested that the central bank's easing cycle has come to an end and that the BI is on hold for the remainder of the year. Weekly chart shows bullish momentum intact but is waning, while stochastics is turning lower. This suggests that further upside to the 1m NDF could remain a slow grind. We look for a break of the 13600 levels to expose next resistance at 13630 (76.4% fibo retracement of the 2016 high to 2017 low), 13690 levels. Support remains at 1.3540 (61.8% fibo) before 13460 levels (50% fibo, 100DMA).	7-Day Reverse Repo Rate	Easing
USDPHP	1m USDPHP NDF traded to a six-month low of 50.23 (on 29 Nov) before rebounding higher this week amid an uptick in UST yields and USD. Supportive of higher 1m NDF was the outflow from Philippine equities in the past two weeks with foreign funds selling USD13.7mn of equities. Further foreign portfolio outflows should put upside pressure on the 1m NDF. Market positioning ahead of BSP meeting on 14 Dec and overseas remittances on 15 Dec. BSP is expected to maintain the status quo as inflation remains in the central bank's comfort zone of 2-4%. A strong remittances print though would be positive for the PHP and weigh on the 1m NDF. US NFP on 8 Dec night and FOMC meeting on 14 Dec will be eyed for directional cues. Bullish momentum on the daily chart remains intact, while stochastics continues to climb higher towards overbought conditions. Weekly momentum indicators remain bearish bias, while stochastics is fast approaching oversold conditions. This suggests near-term upside bias to the 1m NDF ahead. Resistance remains at 51.15 (38.2% fibo retracement of the 2017 low to high, 100DMA). Support 50.45 levels (61.8% fibo), 50.23.	O/N Reverse Repo Rate	Neutral
USDTHB	USDTHB has been on the slow grind higher even as it continues to trade well-within its 32.495-32.720 range. Weighing on the THB was the net foreign outflow from Thai assets the past two weeks. Foreign funds had sold USD318.95mn in equities while purchasing USD23.59mn in debt. Further net foreign portfolio outflows should keep the pair supported ahead. Key data/events in the next two weeks include US NFP on 8 Dec night, FOMC meeting on 14 Dec and BoT meeting on 20 Dec. No change in monetary policy stance is expected as inflation remains benign and no significant impact on the pair is expected. Daily chart now shows very mild bullish momentum, while stochastics is climbing higher from oversold conditions. Pair has lost most of its bullish momentum on the weekly chart, while stochastics remains in oversold conditions. This suggests near-term bullish bias ahead. Resistance remains at 32.750 (21DMA). Support at 32.495 (2017 low). We continue to look for the pair to remain in sideways trades within 32.495-32.720 to hold in the next two weeks. Onshore markets are close on 11 Dec for a public holiday.	1-Day Repo Rate	Neutral

Key Data and Events Ahead

Currency	11-17 Dec	18-24 Dec
Japan	- Mon: Machine Tool Orders (Nov P) - Tue: PPI (Nov), Tertiary Industry Index (Oct) - Wed: Core Machine Orders (Oct) - Thu: Nikkei PMI Mfg (Dec P), Industrial Production (Oct) - Fri: Tankan Survey Results (4Q)	- Mon: Trade (Nov) - Tue: Machine Tool Orders (Nov F) - Wed: All Industry Activity Index (Oct) - Thu: BOJ Policy Balance Rate - Fri: - Nil -
China	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: Retail Sales, Urban FAI, Industrial Production (Nov) - Fri: - Nil -	- Mon: Property Prices (Nov) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
South Korea	- Mon: - Nil - - Tue: - Nil - - Wed: Unemployment Rate (Nov) - Thu: - Nil - - Fri: - Nil -	- Mon: - Nil - - Tue: PPI (Nov) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Singapore	- Mon: - Nil - - Tue: Retail Sales (Oct) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: NODX (Nov) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Malaysia	- Mon: - Nil - - Tue: Industrial Production (Oct) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: CPI (Nov) - Thu: - Nil - - Fri: Foreign Reserves (15 Dec)
Indonesia	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: BI 7D Reverse Repo - Fri: Trade (Nov)	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Philippines	- Mon: - Nil - - Tue: Trade (Oct) - Wed: - Nil - - Thu: BSP Overnight Borrowing Rate - Fri: Overseas Remittances (Oct)	- Mon: - Nil - - Tue: BoP (Nov), Budget Balance (Nov) (due 19-29 Dec) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Thailand	- Mon: Public Holiday - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Foreign Reserves (8 Dec)	- Mon: - Nil - - Tue: - Nil - - Wed: BoT Benchmark Interest Rate - Thu: - Nil - - Fri: Foreign reserves (15 Dec), Customs Trade (Nov) (due 22-25 Dec)
India	- Mon: Current Account (3Q) (due 11-29 Dec) - Tue: CPI (Nov), Industrial Production (Oct) - Wed: - Nil - - Thu: Wholesale Prices (Nov) - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Vietnam	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil - - Sun: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil - - Sun: CPI (Dec)

DISCLAIMER

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy the securities or financial instruments referred to herein, or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy. Investors should note that income from such securities or financial instruments, if any, may fluctuate and that each security's or financial instrument's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities and/or financial instruments or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Malayan Banking Berhad and/or its affiliates and related corporations (collectively, "Maybank") and consequently no representation is made as to the accuracy or completeness of this report by Maybank and it should not be relied upon as such. Accordingly, no liability can be accepted for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Maybank and its officers, directors, associates, connected parties and/or employees may from time to time have positions or be materially interested in the securities and/or financial instruments referred to herein and may further act as market maker or have assumed an underwriting commitment or deal with such securities and/or financial instruments and may also perform or seek to perform investment banking, advisory and other services for or relating to those companies whose securities are mentioned in this report. Any information or opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. Maybank expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is prepared for the use of Maybank's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank. Maybank accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

Published by:



Malayan Banking Berhad
(Incorporated in Malaysia)

Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 63201379

Christopher Wong
Senior FX Strategist
wongkl@maybank.com.sg
(+65) 63201347

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 63201374

Leslie Tang
Senior FX Strategist
leslietang@maybank.com.sg
(+65) 63201378