

FX Asia Fortnightly

ASEAN FX Awaiting Directional Cues

Eyeing Directional Cues For ASEAN FX

ASEAN FXs have been in consolidative mode this week as they await fresh directional cues. US tax reform plans as well as regional GDP releases could provide the impetus for ASEAN FX moves in the two weeks ahead. As well, further gains in oil/commodity prices could see the IDR and MYR remain supported ahead. In Malaysia, the hawkish shift in the MPC statement with the MPC stating explicitly that it could consider normalising policy, makes it the first ASEAN economy to do so. This shift has lifted the MYR slipping to a session low of 4.2060 and could keep the MYR supported ahead. In the near term, bearish momentum suggests some downside pressure on the SGDIDR towards 9825 levels. Bearish momentum is waning, while stochastics is at oversold conditions, suggesting potential rebound risk for the JPYSGD ahead. Bias to buy on dips for a rebound towards 1.21, 1.2260 levels. There is also potential for a rebound in the SGDTHB as technicals are nearing oversold conditions, suggesting room for this cross to climb back towards the 24.50, 24.65 levels.

Is The IDR & PHP Rally Over?

Both the IDR and PHP had slipped to new 2017 lows of 13651 and 51.899 (also multi-year lows) respectively on 27 Oct before rebounding thereafter. The rebound was due to the slippage in UST yields that had sparked a search for higher returns in emerging markets, including Indonesia and the Philippines. The reignited interest in IDR and PHP carry trades helped support the IDR and PHP higher. Idiosyncratic factors like expectations that BI is done with rate cuts for now and the undervalued equity market in the Philippines PHP were also factors driving both currencies higher against the USD. The rally in both the IDR and PHP appeared to have stalled on the rebound in UST yields and USD as well the disappointing 3Q GDP print for Indonesia, which weighed on the IDR. However this does not necessarily suggest that any moves in the IDR and PHP will be a straight line. Intermittent upticks are possible as the search for higher returns and commodity price recovery could drive carry trades back into favour. This in turn could lift both currencies higher against the USD. Technically, underlying momentum in both currencies against the USD are still bullish but there are near-term downside risks. For the IDR, we are bias to buy the 1m USDIDR NDF on dips towards 13460 for a move back towards the 13670 levels. For the PHP, we favour buying the 1m NDF on dips towards 51.10 for a rebound towards 51.70, 51.90.

Focus On BI Meeting; Regional GDPs

Only central bank meeting in the two weeks ahead is BI, where we expect the pause in policy adjustment to continue as the central bank focuses on macroeconomic and IDR stability. There is also a slew of GDP releases - JP, MY, PH, SG and TH - that will show whether the synchronous regional recovery remains intact. Key data/ events that we are watching in the week of 13 Nov include JP PPI; IN CPI on 13 Nov; BOJ Kuroda speaks (in Zurich & Frankfurt); CN retail sales, urban FAI, IP, IN wholesale prices on 14 Nov; JP GDP, IP; ID trade; PH overseas remittances on 15 Nov; JP machine tool orders; PH GDP on 16 Nov; SG NODX; MY GDP, current account on 17 Nov. In the week of 20 Nov, JP trade; KR PPI; SG (due 20-24 Nov); TH GDP on 20 Nov; JP all industry activity index on 21 Nov; MY CPI on 22 Nov; JP Nikkei PMI mfg; SG IP on 24 Nov. JP is out for public holidays on 23 Nov.

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: Is The IDR & PHP Rally Over?

- Both the IDR and PHP had slipped to new 2017 lows of 13651 and 51.899 (also multi-year lows) respectively on 27 Oct before rebounding thereafter. Not surprisingly, the PHP and IDR were the best performing currencies in the period 27 Oct-8 Nov. The PHP and IDR had gained 88% and 0.48% respectively against the USD.
- A factor common that drove both currencies higher was the slippage in UST yields. 10Y UST yields had slipped below the 2.46%-levels back to the 2.33%-levels, dragged down by market expectations of a dovish Fed should Jerome Powell be named the new Fed Chair as well as intermittent weak US data (e.g. ISM Manufacturing, US payrolls etc.). This had sparked a search for higher returns in emerging markets, including Indonesia and the Philippines. The reignited interest in IDR and PHP carry trades helped support the IDR and PHP higher. This was reflected in the rise in IDR and PHP carry returns from 27 Oct, though this has since fallen slightly recently.
- Carry trades aside, idiosyncratic factors also drove the IDR and PHP higher. In the case of Indonesia, the expectations that BI is done with rate cuts for now and is on a long pause as it assess the impact of its previous two rate cuts on the economy, provided incentive for market to long IDR. There was less concern of a BI adjustment that could exaggerate moves in the IDR.
- A positive driver of the PHP is the undervalued equity market. As we had written earlier in the year, we had cautioned that the equity market in the Philippines could be attractive to foreign investors towards the end of 2017 into 2018 given that it's low cyclical-adjusted P/E (CAPE - defined as price divided by the average of 10 year earnings, both adjusted for inflation). The Philippine CAPE had been easing in 2016 from 2015, suggesting that the average long term annual returns are likely to be higher in the future. This could be panning out now. The attractiveness of the equity market to foreign investors amid the search for higher returns could have triggered inflows into the Philippines. This could be seen in the Philippines Stock Exchange (PSEi) Index hitting a new multi-year high of 8523 on 6 Nov.
- The rally in both the IDR and PHP appeared to have stalled. The rebound in UST yields and USD since Fri has weighed on both currencies. As well, the disappointing 3Q GDP print for Indonesia also weighed on the IDR. The Indonesian economy had expanded by just 5.06% y/y in 3Q (2Q: 5.01%) coming below consensus estimates of 5.19%. However this does not necessarily suggest that any moves in the IDR and PHP will be a straight line. Intermittent upticks are possible as the search for higher returns and commodity price recovery could drive carry trades back into favour. This in turn could lift both currencies higher against the USD.
- 1m USDIDR NDF was last seen around 13554 levels. Daily chart now shows increasing bearish momentum, while stochastics is fast approaching oversold conditions. Weekly momentum and stochastics remains bullish bias. This suggests that underlying momentum is still bullish but we caution for downside risks in the near term with room for some downside to the 1m NDF towards 13460 (50DMA). Any rebound should meet resistance around 13670. We are bias to buy the 1m NDF on dips towards 13460 for a move back towards the 13670 levels.

Chart 1: 1m USDIDR NDF Daily Chart - Near-Term Downside Risk



Source: Bloomberg, Maybank FX Research & Strategy

- 1m USDPHP NDF was last seen around 51.37 levels. Bearish momentum on the daily chart remains intact while stochastics is fast approaching oversold conditions. This suggests the potential for some short-term downside for the pair. Support is around the 51.10 levels (38.2% fibo retracement of the Aug high to Sep low, 100DMA). Resistance is at 51.70 (21DMA). We favour buying the 1m NDF on dips towards 51.10 for a rebound towards 51.70, 51.90.

Chart 2: 1m USDPHP NDF Daily Chart - Potential Short-Term Downside Risk



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	1.3700	1.3750	1.3650	1.3700
USDMYR	4.2500	4.2750	4.2000	4.1500
USDIDR	13600	13700	13600	13600
USDTHB	33.50	34.00	33.70	34.00
USDPHP	52.00	52.00	51.80	51.50
USDCNY	6.60	6.65	6.60	6.60
USDKRW	1142	1140	1130	1120
USDINR	65.00	66.00	64.50	65.00
USDVND	22760	22730	22780	22700
SGD Crosses	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
SGDMYR	3.1022	3.1091	3.0769	3.0292
MYR Crosses	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
MYRCNY	1.55	1.56	1.57	1.59
MYRIDR	3200	3205	3238	3277
MYRINR	15.29	15.44	15.36	15.66

Source: Maybank FX Research as at 8 November 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	Current environment of monetary policy continuity in US, still subdued inflationary pressures in US, synchronised global economic recovery should continue to bode well for robust Asian exports recovery and benefit countries that are trade-dependent including the MYR. Domestic resilience, supported investor sentiment (elections next year and positive development to deepen financial markets) and room for commodity prices to pick up should also further support the Ringgit. We do however caution that USDMYR could be poised for short term upside risks in the event US tax reforms gained further traction (passed by end-2017) or Fed takes a hawkish turn. USDMYR was last seen at 4.2270 levels. Daily momentum has turned bearish and stochastics is falling. Next support at 4.20, 4.18 levels. Key area of resistance at 4.25-4.26 levels.	O/N Policy Rate	Neutral
USDSGD	USDSGD has trading sideways for the past week or so on whippy UST yields. SGD continues to find support from the ongoing synchronised export recovery in the region. Further upside from data in the two-weeks that reinforces the export recovery, namely NODX (17 Nov), final 3Q17 GDP (due sometime 20-24 Nov) and IP (24 Nov) should keep the SGD supported and weigh on the pair. Last seen around 1.3615 levels. Pair has lost most of its bullish momentum on the daily chart and stochastics is falling. Weekly chart though continues to show bullish bias. Note that pair has broken out of the bearish trend channel that has formed since the start of 2017 - a bullish signal. In the absence of fresh catalyst, we look for the pair to remain in consolidative trades within 1.3560-1.3690. A break above the 1.3690 levels on a weekly close exposes next resistance at 1.3740 levels (76.4% fibo retracement of the Jul high to Sep low) ahead of 1.3830 (200DMA). Next support at 1.3500 (100DMA) before 1.3400-levels.	Exchange Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDIDR	1m USDIDR NDF is in consolidation mode after slipping from its 2017 high of 13740 (on 27 Oct), tracking the dip in UST yields (from a recent high of around 2.46% on 27 Oct to around the 2.30%-levels currently). IDR carry trades remain in play though expectations of progress on US tax reforms could mitigate. Focus ahead will be on BI policy meeting on 16 Nov where speculation will be rife on whether BI will cut its policy rate for the third time this week following weaker-than-expected 3Q17 GDP print. A cut would be support the pair higher. Our house view though is for the BI to maintain the status quo as it pauses to assess the impact of the two previous cuts on the economy. In the past two weeks, we have seen foreign investors sell USD390mn in equities and purchased US\$366mn in debt. An improvement in the net foreign portfolio inflow would weigh on the 1m NDF. Last seen around 13554 levels. Daily chart now shows increasing bearish momentum, while stochastics is fast approaching oversold conditions. Weekly momentum and stochastics remains bullish bias. This suggests that underlying momentum is still bullish but we caution for downside risks in the near term with room for some downside to the 1m NDF towards 13460 (50DMA). Any rebound should meet resistance around 13670. We are bias to buy the 1m NDF on dips towards 13460 for a move back towards the 13670 levels.	7-Day Reverse Repo Rate	Easing
USDPHP	After sliding lower from its multi-year high of 52.29 (on 27 Oct), 1m USDPHP NDF is now consolidating within 51.20-51.70 range for the past week. The stabilization of UST yields around the 2.30% levels has mitigated partially the cheap valuation in the Philippine stock market (according to our CAPE analysis). Foreign equity inflows have moderated to USD8.3mn in 6-8 Nov period compared to the gains of USD23.96mn in the week of 30 Oct. This has weighed on the 1m NDF and stalled its move lower. Data eyed in the two weeks ahead are overseas remittances (15 Nov) and 3Q17 GDP (16 Nov). Upside surprises here would be weigh on the 1m NDF. 1m NDF was last seen around 51.37 levels. Bearish momentum on the daily chart remains intact while stochastics is fast approaching oversold conditions. This suggests the potential for some short-term downside for the pair. Support is around the 51.10 levels (38.2% fibo retracement of the Aug high to Sep low, 100DMA). Resistance is at 51.70 (21DMA). We favour buying the 1m NDF on dips towards 51.10 for a rebound towards 51.70, 51.90.	O/N Reverse Repo Rate	Neutral
USDTHB	USDTHB has been trading in a tight range within 33.080-33.310 for the past two weeks. Attempts to bring above the upper bound of the range have not succeeded. The pair had come under upside pressure from the sell-off in Thai assets by the foreign investors in the past two weeks. Foreign investors had sold USD241.75 and USD456.49mn in equities and debt. This sell-off though was mitigated by its persistent current account surplus that is providing the backstop to further slippages in the THB. The slow grind higher in gold prices is also pressuring the pair lower (given the negative correlation between the two). Key event in the two weeks ahead is 3Q17 GDP on 20 Nov, where upside surprises could put downside pressure on the pair. Last seen around 33.115 levels. Daily chart shows mild bearish momentum. Stochastics is fast approaching oversold conditions, and this suggests potential for rebound risks. We look for sideways trades with the 33.080-33.310 to hold in the two weeks ahead.	1-Day Repo Rate	Neutral

Key Data and Events Ahead

13-19 Nov		20-26 Nov	
Japan	- Mon: PPI (Oct) - Tue: BOJ Kuroda Speaks (Zurich & Frankfurt) - Wed: GDP (3Q P), Industrial Production, Capacity Utilization (Sep) - Thu: Machine Tool Orders (Oct F) - Fri: - Nil -		- Mon: Trade (Oct) - Tue: All Industry Activity Index (Sep) - Wed: - Nil - - Thu: Public Holiday - Fri: Nikkei PMI Mfg (Nov P), Leading Index (Sep F)
China	- Mon: - Nil - - Tue: Retail Sales, Urban FAI, Industrial Production (Oct) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -		- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
South Korea	- Mon: - Nil - - Tue: - Nil - - Wed: Unemployment Rate (Oct) - Thu: - Nil - - Fri: - Nil -		- Mon: PPI (Oct) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Consumer Confidence (Nov) - Sun: - Nil -
Singapore	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: NODX (Oct)		- Mon: GDP (3Q F - due 20-24 Nov) - Tue: - Nil - - Wed: - Nil - - Thu: CPI (Oct) - Fri: Industrial Production (Oct)
Malaysia	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: GDP, Current Account (3Q)		- Mon: - Nil - - Tue: - Nil - - Wed: CPI (Oct), Foreign Reserves (15 Nov) - Thu: - Nil - - Fri: - Nil -
Indonesia	- Mon: - Nil - - Tue: - Nil - - Wed: Trade (Oct) - Thu: BI 7D Reverse Repo - Fri: - Nil -		- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Philippines	- Mon: - Nil - - Tue: - Nil - - Wed: Overseas Remittances (Sep) - Thu: GDP (3Q) - Fri: - Nil -		- Mon: BoP (Oct) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Thailand	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Foreign Reserves (10 Nov)		- Mon: GDP (3Q) - Tue: - Nil - - Wed: Customs Trade (Oct - due 22-27 Nov) - Thu: - Nil - - Fri: Foreign Reserves (17 Nov)
India	- Mon: CPI (Oct), Trade (Oct - due 13-15 Nov) - Tue: Wholesale Prices (Oct) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -		- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Vietnam	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil - - Sat: CPI (Sep)		- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: CPI (Nov) - Sat: Trade, Retail Sales, Industrial Production (Oct - 25-30 Nov)

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