

FX Asia Fortnightly

Selected Asian FX Gains Ahead, But Retracement Risk Remains

Near-Term Risk Of Pullback

Our call two weeks ago for USDAsians to trade with a bullish tilt appeared to have worked well. The resurgent USD lifted USDSGD, 1m USDIDR NDF and USDTHB to near their two-month highs at 1.4129, 13425 and 34.830 respectively. The USDJPY also traded higher to 114.37 underpinned by widening yield differentials between the UST and JGB before slipping back below the 114-handle. It also helped that geopolitical risks continues to fade resulting in unwinding of safe-haven bets particularly long-JPY positions. In the week ahead, continued pullback in the USD seems likely with the potential for selected USDAsians to slip lower. But we caution that rebound risks remain. We look for the USDSGD to trade lower towards 1.3950 levels in the week ahead with rebound risks towards 1.4150, while USDTHB could revisit 34.530, 34.315 support levels with rebound risks towards 34.830 levels. Similarly, 1m USDIDR NDF and 1m USDPHP faces retracement risks toward 13325 and 49.60. Rebounds for both NDFs should meet resistance around 13460 and 50-figure respectively. As for the USDJPY, further downside pressures could see the pair revisit 113 levels with rebound risks towards 114.65. Our bias is to buy these selected USDAsians on dips.

Which ASEAN FX Is Impacted The Most By RMB CFETS Changes

We regressed the RMB CFETS index against the USD/ASEANs over two time periods (2015-2016 and 2016-2017) to see if the impact of the CFETS has changed over time. Our results show that the impact of a change in the RMB CFETS Index has changed. The results showed that a 1% rise/drop in the RMB CFETS index results in both the THB and the IDR falling/rising. As for the MYR and PHP, our results suggests a 1% rise in appreciation in the RMB should result in the MYR and the PHP tracking RMB moves and rise as well. The SGD, which used to be positively impacted by moves in the RMB in the 2015-2016 period, is now only impacted slightly. Our house view is for the CNY to depreciate against the USD towards the end of 2017 and this suggests that there could be some upside pressure on both the THB and IDR against the USD, and the potential for a softer MYR and PHP against the USD ahead.

BI, BoT & BoK Meetings, Slew Of Regional GDP Due ...

BI, BoT and BoK meetings are on tap on 18, 24 and 25 May. All three are expected to keep their benchmark policy rates unchanged at 4.75%, 1.50% and 1.25% respectively. We also have a slew of 1Q17 GDP on tap ahead with Thailand on 15 May, Japan and Philippines on 18 May and Malaysia on 19 May. Singapore's final 1Q17 GDP print is due sometime 19-26 May. Other key data/events we are watching this week include Japan tertiary industry index (Mar), BOJ Kuroda speaks at WSJ's meeting on Tue; machine orders (Mar), industrial production (Mar), capacity utilization (Mar) on Wed; China property prices (Apr) on Thu; Malaysia current account (1Q); Philippines BoP overall (Apr) on Fri. For the following week, Japan trade (Apr), Korea PPI (Apr) on 22 May; Japan all industry activity index (Mar), machine tool order (Apr F) on 23 May; Japan Nikkei Mfg (Apr), BOJ Kuroda speaks on Wed; Japan CPI (Apr), Korea consumer confidence (May), Singapore industrial production (Apr) on 26 May). Indonesia is out for a public holiday on 25 May.

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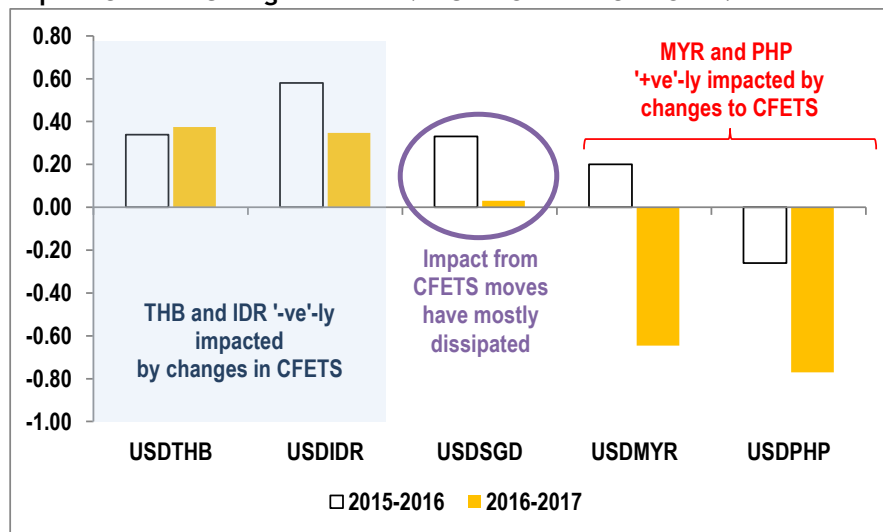
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Flavour of the Week: Which ASEAN FX Is Impacted The Most By Moves In The RMB CFETS Index

Impact Of A 1% Change In The RMB CFETS Index On ASEAN FX



Note: (1) A rise in the RMB CFETS (China Foreign Exchange Trade System) represents an appreciation in the CNY against a basket of currencies
 (2) The bar chart shows how a 1% rise in the RMB CFETS impacts the ASEAN currencies

Source: Bloomberg, Maybank FX Research

- We regressed the RMB CFETS index (a trade-weighted exchange rate index) against the USD/ASEANs over two time periods (2015-2016 and 2016-2017) to see if the impact of the CFETS has changed over time. Our results show that the impact of a change in the RMB CFETS has changed.
- The results showed that a 1% rise/drop in the RMB CFETS results in both the THB and the IDR falling/rising. From the chart, the impact of a change in the CFETS on the THB has become stronger, while that for the IDR has lessened. This could be potentially be in part because of portfolio inflows to Thai assets on concerns about further CNY weakness against the USD.
- As for the MYR and PHP, our results suggests a 1% rise in appreciation in the RMB should result in the MYR and the PHP tracking RMB moves and rise as well. The PHP is expected though to be impacted more by changes in the RMB than the MYR. In the case of the MYR, this possibly could be because a stronger CNY could lead to stronger demand for crude oil, which would be supportive of the MYR.
- The SGD, which used to be positively impacted by moves in the RMB in the 2015-2016 period, is now only impacted slightly. This suggests that SGD moves are likely impacted by other currencies, possibly by the JPY and USD, then the RMB.
- Our house view is for the CNY to depreciate against the USD towards the end of 2017 and this suggests that there could be some upside pressure on both the THB and IDR against the USD. In addition, weakness in the CNY also suggests a potential for a softer MYR and PHP against the USD ahead.

2017/2018 Asia FX Forecasts

	End 2Q -17	End 3Q -17	End 4Q-17	End 1Q-18
USDJPY	116	118	120	120
USDSGD	1.4100	1.4200	1.3950	1.3950
USDMYR	4.30	4.25	4.30	4.35
USDIDR	13300	13400	13450	13500
USDTHB	34.80	35.30	36.00	36.20
USDPHP	50.30	50.50	50.70	50.70
USDCNY	6.95	7.01	7.04	7.04
USDKRW	1140	1150	1160	1170
USDINR	65.00	65.70	66.20	66.00
USDVND	22900	23100	23300	23400
SGD Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
SGDMYR	3.050	2.993	3.082	3.118
MYR Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
MYRCNY	1.62	1.65	1.64	1.62
MYRIDR	3093	3153	3128	3103
MYRINR	15.12	15.46	15.40	15.17

Source: Maybank FX Research as at 15 May 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 fell this morning, after 3 consecutive sessions of gains last week. Pair was last seen at 4.3330 levels. Bearish momentum on weekly chart remains intact but daily momentum is not indicating a clear bias and stochastics shows signs of moderating gains. These suggest limited upside in the near term. May see the pair consolidate in 4.30 - 4.38 range for the coming 2 weeks. The next 2 weeks bring Apr CPI (17 May); 1Q GDP and current account (19 May); FX Reserves (22 May). At the last BNM meeting (12 May), BNM kept the Overnight Policy Rate (OPR) unchanged at 3.00%. The tone of the accompanying Monetary Policy Statement (MPS) remained "neutral". Our Economists maintained their view of OPR staying at 3.00% this year. Next meeting is scheduled for 12-13 Jul.	Base Rate	Easing Bias
USDSGD	USDSGD traded to a high of 1.4129 not seen since 15 Mar last week, helped by the jump in the 10Y UST. Since then, the slippage in the UST yields has weighed on the pair with the pair slipping below the 1.41-handle. We have final 1Q17 GDP on tap sometime 19-26 May but we expect the impact to be limited. Pair was last seen around 1.4016 levels. Daily momentum indicator shows bullish bias intact but is waning and stochastics is tentatively turning lower from overbought conditions. Momentum indicators on the weekly chart show bearish bias dissipating and stochastics climbing higher from oversold conditions - indicating upside risks. Pace of gains may moderate in the short-term. Break of support at 1.4020 (50DMA) should see the pair headed towards 1.4000 (21, 100DMAs), 1.3950. Resistance remains at 1.4150 (100DMA, 38.2% fibo retracement of the 2017 high to low).	Exchange Rate	Neutral

USDIDR	1m USDIDR NDF climbed to a two-month high of 13425 last week before easing back below the 13400-levels amid a pullback in the USD. Inflow of foreign funds into Indonesian assets has been supportive of the IDR. Foreign investors had purchased USD319.47mn in equities in the week of 8 May. BI meets on 18 May and no rate adjustment is expected with the benchmark policy rate maintained at 4.75% and this is likely to have a limited impact on the IDR. Last seen around the 13360 levels, 1m NDF has lost most of its bullish momentum on the daily chart. Stochastics continues to fall from overbought conditions. Bearish momentum on the weekly chart is fading and stochastics is fast approaching overbought conditions - signalling potential upside pressure on the 1m NDF. While there could be short-term risk of a pullback, longer term upside pressures remain. Pullbacks could find support around 13325 (200DMA), 13250. Resistance remains at 13460.	O/N Policy Rate	Easing Bias
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Key Data and Events Ahead

Currency	15-21 May	22-28 May
USDJPY	- Mon: PPI (Apr), Machine Tool Orders (Apr P) - Tue: Tertiary Industry Index (Mar); BOJ Kuroda Speaks (WSJ's meeting) - Wed: Machine Orders (Mar), industrial production (Mar F), Capacity Utilization (Mar) - Thu: GDP (1Q P) - Fri: - Nil -	- Mon: Trade (Apr) - Tue: All Industry Activity Index (Mar), Machine Tool Orders (Apr F) - Wed: Nikkei PMI Mfg; BOJ Kuroda Speaks (Tokyo) - Thu: - Nil - - Fri: CPI (Apr) - Sat: BOJ Kuroda Speaks (Waseda University)
USDCNY	- Mon: Retail Sales, Urban Fixed Assets, Industrial Production (Apr), FDI (due 15-18 May) - Tue: - Nil - - Wed: - Nil - - Thu: Property Prices (Apr) - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil - - Sat: Industrial Profit (Apr)
USDKRW	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: PPI (Apr) - Tue: - Nil - - Wed: - Nil - - Thu: BoK 7-Day Repo Rate - Fri: Consumer Confidence (May)
USDSGD	- Mon: NODX - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: GDP (1Q F) (due 19-26 May)	- Mon: - Nil - - Tue: CPI (Apr) - Wed: - Nil - - Thu: - Nil - - Fri: Industrial Production (Apr)
USDMYR	- Mon: - Nil - - Tue: - Nil - - Wed: CPI (Apr) - Thu: - Nil - - Fri: GDP, Current Account (1Q)	- Mon: Foreign Reserves (15 May) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
USDIDR	- Mon: Trade (Apr) - Tue: - Nil - - Wed: - Nil - - Thu: BI 7D Reverse Repo - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: Public Holiday - Fri: - Nil -
USDPHP	- Mon: Overseas Remittances (Mar) - Tue: - Nil - - Wed: - Nil - - Thu: GDP (1Q) - Fri: BoP Overall (Apr), Budget Balance (Apr) (due 19-31 May)	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
USDTHB	- Mon: GDP (1Q) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Foreign Reserves (12 May)	- Mon: - Nil - - Tue: - Nil - - Wed: BoT Benchmark Interest Rate - Thu: - Nil - - Fri: Foreign Reserves (19 May)
USDINR	- Mon: Trade (Apr) (due 15-17 May) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
USDVND	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -

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