

FX Asia Fortnightly

Asian FX Going Nowhere

USD/Asians Trading Sideways For Now

USD/Asians move lower the past two weeks appeared to have stalled as they await fresh external directional cues in the absence of domestic ones. The lack of directional conviction is reflected in the sell-off in Asian assets on Mon. Thailand, whose debt has been among those favored by foreign investors, was sold off today. A similar sell-off was seen in Korea. We look for the Asian currencies to trade sideways in the two weeks ahead until there is directional clarity. Nevertheless, commodity prices including oil continue to remain elevated, boding well for commodity-linked currencies like the IDR and MYR. In Indonesia, comments by the senior deputy governor suggested that policy rate is likely to be on hold for at least the foreseeable future as BI focuses on macroeconomic stability rather than to support growth. This should backstop slippages in the IDR and is positive for the IDR.

Boost To ASEAN FX From Export & Expected Investment Recovery

The recovery in the G3 and China has led to an improvement in demand for ASEAN exports. ASEAN have benefited from this synchronous cyclical global recovery via the trade channel as reflected in the healthy export growth so far in 2017, underpinned by the pick-up in electronics. This export-led recovery has not only supported domestic growth in the region but ASEAN FX as well. This export-led recovery has benefited the more trade-dependent economies in ASEAN, particularly Malaysia and Singapore, whose currencies have been relatively resilient in 2017. For domestic growth and ASEAN FX to be sustained in 2018, a step-up in investment is needed. The export-led and investment-driven recovery in turn should bolster consumption and kick-start a virtuous growth cycle in the region. Meanwhile, the synchronised global recovery is also boosting demand for commodities. The recovery in key commodity export should prove to be a boon for the commodity exporters in the region, which in turn, and reigniting investment in the commodity space.

BoK, RBI Meets; JP, KR, IN GDPs & Asian PMIs On Tap

BoK and RBI meets in the next two weeks and consensus is expecting both central banks to take divergent paths. The BoK is expected to hike its 7-day repo rate by 25bp to 1.50% on robust export-driven economic growth, stable inflation and Fed tightening (though this is not our base case), while the RBI is expected to hold policy steady. KR, IN & JP will release GDP prints for 3Q. There are also a slew of PMIs on tap the next two weeks. Other key data/ events that we are watching in the week of 27 Nov include CN industrial profits on 27 Nov; JP Cabinet Office monthly economic report on 28 Nov; JP retail sales, BOJ Nakaso speaks on 29 Nov; JP IP, BOJ Iwata & Harada speaks; KR BoK meets, IP, TH trade, current account, IN GDP on 30 Nov; JP jobless rate, CPI; KR GDP, CPI, trade; TH CPI on 1 Dec. For the week of 4 Dec, we have ID CPI on 4 Dec; KR current account on 5 Dec; JP BOJ Masai speaks; MY trade, IN RBI meets on 6 Dec; JP GDP, labor cash earnings; CN trade, FDI on 8 Dec; CN CPI, PPI on 9 Dec. PH, MY & TH are out for public holidays on 30 Nov, 1 Dec & 5 Dec.

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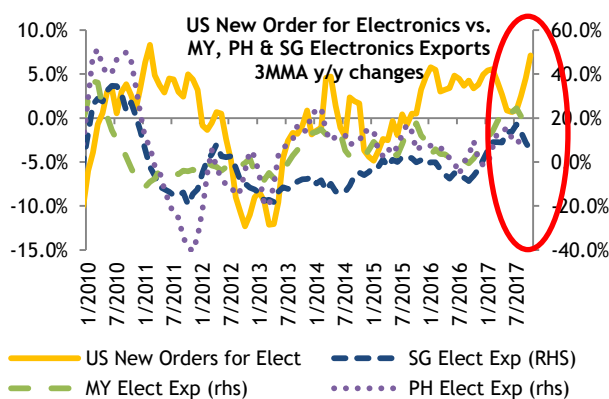
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Flavour of the Week: Export & Expected Investment Recovery A Boon To ASEAN FX

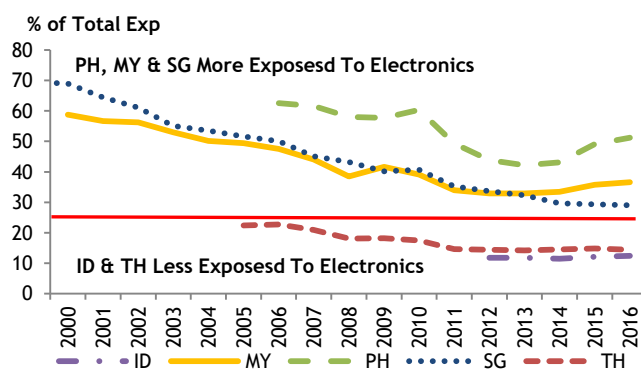
- The recovery in the G3 and China has led to an improvement in demand for ASEAN exports. ASEAN have benefited from this synchronous cyclical global recovery via the trade channel as reflected in the healthy export growth so far in 2017, underpinned by the pick-up in electronics (Chart 1). This export-led recovery has not only supported domestic growth in the region but ASEAN FX as well. This export-led recovery has benefited the more trade-dependent economies in ASEAN, particularly Malaysia and Singapore, whose currencies have been relatively resilient in 2017 (Chart 2).
- For domestic growth and ASEAN FX to be sustained in 2018, a step-up in investment is needed. The export-led and investment-driven recovery in turn should bolster consumption and kick-start a virtuous growth cycle in the region (Chart 3). We need to see the export recovery translate into an investment recovery - both private investment and infrastructure investment - which has slumped in the 2012-13 period, to drive the next phase of growth and ASEAN FX higher.
- The strong external demand so far has not kick-started a pick-up in private investment but is expected to pick up in 2018 as capacity utilization, the term of trade and corporate profitability improves. This move beyond trade bodes well for these economies embarking on infrastructure spending in 2018. These spending should reinforce domestic demand and spur consumer spending, lifting growth even higher. This in turn could be a boon for currencies like the MYR, PHP and THB in 2018.
- Meanwhile, the synchronised global recovery is also boosting demand for commodities, allowing prices in commodities key to region (including oil, CPO, coal) to recover and reigniting investment in commodities (Chart 4). The improvement in commodity prices should be beneficial to economies that are most reliant on commodity exports, including Indonesia and Malaysia. Consequently we are bias to long these commodity-linked currencies, namely IDR and MYR.

Chart 1: Extension to Electronics Demand Possible

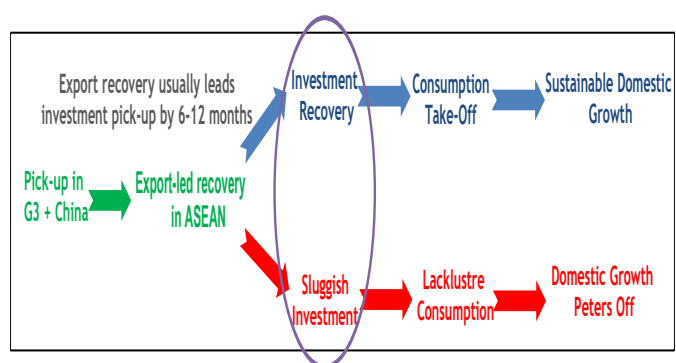


Source: Bloomberg, Maybank FX Research & Strategy

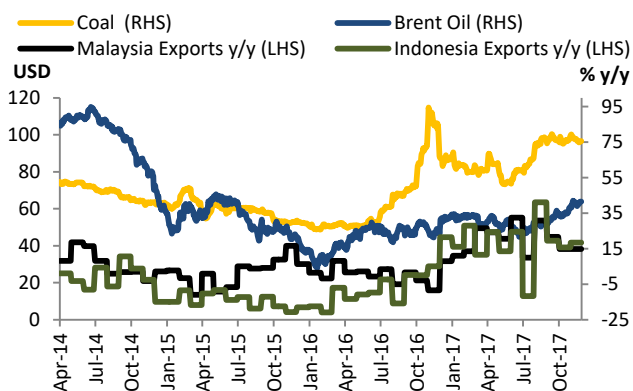
Chart 2: Electronics Plays A Big Role In PH, MY & SG Exports



Source: Bloomberg, Maybank FX Research & Strategy

Chart 3: Investment Recovery Should Lift Growth & ASEAN FX


Source: Maybank FX Research & Strategy

Chart 4: Commodity Price Bounce Could Bolster Exports


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	1.3600
USDMYR	4.17	4.15	4.18	4.14
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	3.044	3.018	3.062	3.044
MYR Crosses	End 4Q-17	End 1Q-18	End 2Q-18	End 3Q-18
MYRCNY	1.58	1.60	1.58	1.59
MYRIDR	3261	3301	3254	3285
MYRINR	15.59	15.90	15.43	15.70

Source: Maybank FX Research as at 24 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	USDMYR has fallen about 3.5% since early-Nov to touch a 2017 low of 4.0965 on 23 Nov - one of the sharpest in more than a year. We believe there are valid reasons for MYR to appreciate including robust 3Q GDP growth, BNM's recent hawkish tilt and DPM mention of general elections within the next 180 days. Current external environment should continue to bode well for robust exports recovery and benefit countries that are trade-dependent including the MYR. Domestic resilience, widening current account surplus, 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 MYR. USDMYR was last seen at 4.1147 levels. Bearish momentum remains intact but is waning, while stochastics shows signs of turning higher from oversold conditions. Rebound may target 4.13, 4.1520 levels. But bias to fade. Key support remains at 4.0950 (61.8% fibo retracement of 2016 low to 2017 high).	O/N Policy Rate	Neutral
USDSGD	USDSGD traded to a near two month low of 1.3448 on 24 Nov amid softer UST yields, but has bounced higher since as UST yields stages a mild rebound. Pair though appears to be in consolidation mode ahead of key events in the US including Fed Chair Yellen's testimony to a congressional panel, 3Q GDP, PCE Core, ADP and NFP. Pair was last seen at 1.3470-levels. Bearish momentum on daily chart remains intact while stochastics remains at oversold conditions. Weekly chart shows bullish momentum dissipation and stochastics falling. This suggests risks remains to the downside. Support is at 1.3435 (76.4% fibo retracement of Sep low to Oct high), 1.3346 (2017 low). Resistance at 1.3490 (61.8% fibo), 1.3530 (50% fibo), 1.3570 (38.2% fibo). No tier 1 data is on tap this week.	Exchange Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDIDR	1m USDIDR NDF has been trading softer for the past two weeks weighed by softer UST yields that encouraged the return of IDR carry trade plays. This was reflected in the strong net portfolio inflows into Indonesian assets in the past two weeks. Foreign funds had purchased USD1020.6mn in debt but sold USD114.9mn in equities. Further net portfolio inflows should weigh on the 1m NDF. Further downside though appears to have stalled for now amid a rebound in UST yields on expectations of US tax reforms prospects. Some support for the IDR though is likely to come from keeping the policy rate steady for the time being as reflected in the recent comments by Senior Deputy Governor Mirza Adityaswara that BI's focus is on macroeconomic stability, especially amid modest domestic growth and US tightening monetary policy. Focus in the next two weeks aside from US events/data is CPI on 4 Dec. We could see possibly see further downward price action if CPI picks up. 1m NDF was last seen at 13537-levels. Bearish bias on the daily chart remains intact, while stochastics is fast approaching oversold conditions. Weekly chart though shows bullish momentum. Resistance is around 13570 (21DMA), 13630 (76.4% fibo retracement of the 2016 high to 2017 low). Support at 13460 levels (50% fibo).	7-Day Reverse Repo Rate	Easing
USDPHP	1m USDPHP NDF continues to trade heavy after touching a multi-year and 2017 high of 52.29 on 27 Oct as market continues to unwind stale PHP shorts. The continuing economic outperformance is prompting a revaluation of Philippines assets especially equities. The relatively cheap valuation in the Philippine stock market (according to our CAPE analysis) suggests greater interest in equities could be in the works. This is even as foreign investors continue their sell-off of equities in the past two weeks with nearly USD77mn in equities sold. Foreign portfolio inflows into equities should weigh on the 1m NDF. For the next two weeks, there could be headwinds to the PHP as US data week looms, while domestically CPI data will be eyed. Upside surprises from CPI could weigh on the 1m NDF as it could suggest tighter monetary policy ahead. 1m USDPHP NDF was last seen at 50.60 levels. Bearish bias on the daily chart remains intact, while stochastics remains at oversold conditions. Weekly chart shows bearish bias. Support is at 50.45 levels (61.8% fibo retracement of the 2017 low to high). Area of resistance is around the 51.15-20 levels (38.2% fibo, 21&100DMA).	O/N Reverse Repo Rate	Neutral
USDTHB	USDTHB traded to a new 2017 and two-year low of 32.580 on 22 Nov but has since remained supported above that level. Strong economic fundamentals including a persistent current account surplus is supportive of the THB. Foreign investors have purchased USD1800.75mn in debt (though they sold USD197.71mn in equities) in the past two weeks, keeping the THB supported. Further foreign portfolio inflows into Thai assets should continue to put downside pressure on the pair. The slow grind higher in gold prices is also pressuring the pair lower (given the negative correlation between the two). Key risks events in the week ahead are mainly US-centric with US GDP, PCE core, ADP, NFP on tap in addition to Fed Chair Yellen's testimony to a congressional panel and US Senate debate on tax reforms. Last seen around 32.665. Bearish bias on the daily chart remains intact but is waning, while stochastics is still at oversold conditions. Weekly chart shows no strong bias, while stochastics is at oversold conditions. Support at 32.580 (2017 low). Resistance is at 32.960 levels (23.6% fibo retracement of the Jul high to Nov low, 21DMA).	1-Day Repo Rate	Neutral

Key Data and Events Ahead

	27 Nov-3 Dec	4-10 Dec
Japan	- Mon: - Nil - - Tue: Cabinet Office Monthly Economic Report (Nov) - Wed: Retail Sales (Oct), BOJ Nakaso speaks (Tokyo) - Thu: Industrial Production, Housing Starts (Oct), BOJ Iwata, Harada speaks (Tokyo, Fukushima) - Fri: Jobless Rate, Overall Household Spending, CPI (Oct), Capital Spending (3Q), Nikkei PMI Mfg (Nov F)	- Mon: - Nil - - Tue: Nikkei PMI Services & Composite (Nov) - Wed: BOJ Masai speaks - Thu: - Nil - - Fri: GDP (3Q F), Labor Cash Earnigs (Oct)
China	- Mon: Industrial Profits (Oct) - Tue: - Nil - - Wed: - Nil - - Thu: Mfg & Non-Mfg PMI (Nov) - Fri: Caixin PMI Mfg (Nov)	- Mon: - Nil - - Tue: Caixin PMI Services & Composite (Sep) - Wed: - Nil - - Thu: Foreign Reserves (Nov) - Fri: Trade, FDI (Nov) - Sat: CPI, PPI (Nov)
South Korea	- Mon: - Nil - - Tue: Business Survey Mfg & Non-Mfg (Dec) - Wed: - Nil - - Thu: BOK 7-Day Repo Rate, Industrial Production (Oct) - Fri: GDP (3Q), CPI, Trade, Nikkei PMI Mfg (Nov)	- Mon: - Nil - - Tue: Foreign Reserves (Nov), Current Account (Oct) - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -
Singapore	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -	- Mon: PMI (Nov) - Tue: Nikkei PMI (Nov) - Wed: - Nil - - Thu: Foreign Reserves (Nov) - Fri: - Nil -
Malaysia	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Nikkei PMI (Nov), Public Holiday	- Mon: - Nil - - Tue: - Nil - - Wed: Trade (Oct) - Thu: Foreign Reserves (30 Nov) - Fri: - Nil -
Indonesia	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: Nikkei PMI Mfg (Nov) - Fri: - Nil -	- Mon: CPI (Nov) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Foreign Reserves (Nov)
Philippines	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: Public Holiday - Fri: Nikkei PMI Mfg (Nov)	- Mon: - Nil - - Tue: CPI (Nov) - Wed: - Nil - - Thu: Foreign Reserves (Nov) - Fri: - Nil -
Thailand	- Mon: - Nil - - Tue: - Nil - - Wed: Mfg Production Index (Oct, due 29-30 Nov) - Thu: Trade, Current Account (Oct) - Fri: Nikkei PMI Mfg, CPI (Nov), Foreign Reserves (24 Nov)	- Mon: - Nil - - Tue: Public Holiday - Wed: - Nil - - Thu: - Nil - - Fri: Foreign Reserves (1 Dec)
India	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: GDP (3Q), Fiscal Deficit (Oct) - Fri: Nikkei PMI Mfg (Nov)	- Mon: - Nil - - Tue: Nikkei PMI Services & Composite (Sep) - Wed: RBI Repo Rate - Thu: - Nil - - Fri: Trade (Nov, due 8-15 Dec)
Vietnam	- Mon: CPI, Trade, Retail Sales, Industrial Production (Nov, due 25-30 Nov) - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: Nikkei PMI Mfg (Nov)	- Mon: - Nil - - Tue: - Nil - - Wed: - Nil - - Thu: - Nil - - Fri: - Nil -

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