

FX Weekly

Goldilocks to Rumble into the Year of the Boar

The Week Ahead

- **Dollar Index - Vulnerable.** Support at 94.00; Resistance at 96.40
- **USD/SGD - Fade.** Support at 1.3340; Resistance at 1.3540
- **USD/MYR - Sell Rallies.** Support at 4.0800; Resistance at 4.1200
- **AUD/SGD - Consolidate.** Support at 0.9650; Resistance at 0.9850
- **SGD/MYR - Range.** Support at 3.0250; Resistance at 3.0450

Tactical Long Higher-Yielder AXJs vs. Short Trade-War AXJs

USD weakness post-FoMC was partially reversed as US-China trade negotiations ended with no breakthrough. Nonetheless the US and China claimed “important” progress was made. Hopes of trade deal remain but markets may need to wait for another few weeks for an outcome. In the meantime, excessive trade optimism could be unwound as markets shift its focus to global growth/activity data to look out for signs of deeper economic slowdown. For US today, focus on NFP, unemployment rate, hourly earnings (Jan); Mfg PMI, ISM Mfg, Uni. Of Michigan sentiment (Jan) data. Much stronger than expected data could support the USD (growth outperformance). A case of much weaker than expected US data could also support the USD owing to fear of deeper slowdown (risk-off). What could keep the softer USD trend going would be an outcome of data coming in line with expectations. The week ahead sees plenty of market closures in Asia due to Lunar New Year holidays; expect market liquidity to thin. We believe the goldilocks play highlighted remains intact even as excessive trade optimism unwinds partially. Policy support (Fed pause; China stimulus, etc.) amid growth neither ‘hot nor cold’ should continue to favor higher-yielder FX including IDR, MYR over KRW, SGD, CNH and TWD (AXJs more sensitive to US-China trade).

RBA, BoE, BoT and BSP to Hold; RBI 25bps Rate Cut Possible

RBI meets Thu - we expect Governor Das to start with a 25bps rate cut as activity momentum slows and as inflation environment remains benign. Elsewhere BoE’s QIR on Thu and RBA’s SoMP on Fri will be closely scrutinised for their assessment on global and domestic growth outlook. A sombre assessment could derail sentiment and pose further downside risks to AUD, KRW.

US, EU, SG PMIs; German IP; ID GDP; Fed Speaks Next Week

Key highlights next week on US durable goods; AU building approvals; NZ building permits; SG and MY PMIs on Mon. For Tue, US ISM non-Mfg; EU services PMI; AU retail sales, trade and RBA meeting; PH CPI. For Wed, US trade; German factory orders; NZ GDT auction; ID GDP. For Thu, Fed’s Powell, Clarida, Quarles speak; German IP; BoE MPC meeting; BSP meeting. For Fri, JP trade; ID current account on tap. On market closures, China and TW markets are closed for the week; Singapore and Malaysia are closed on Tue, Wed while HK is out from Tue to Thu. Thinner market liquidity could risk exaggerated moves on FX.

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Our in-house model implies that S\$NEER is trading 1.02% above the implied midpoint of 1.3630, suggesting that it is on the stronger side vs. other trading partner currencies.

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 94.00; R: 96.40	<ul style="list-style-type: none"> Mon: Factory Orders, Durable Goods (Nov); Tue: Services PMI, ISM non-Mfg (Jan); Fed's Mester speaks; Wed: Trade (Nov); Thu: Fed's Powell, Clarida, Quarles speak; Fri: Fed's Bullard speaks
EURUSD		S: 1.1360; R: 1.1510	<ul style="list-style-type: none"> Mon: PPI (Dec); Tue: Retail sales (Dec); Services PMI (Jan); Wed: German Factory Orders (Dec); Thu: German Industrial Production (Dec); Fri: German Current Account, Trade (Dec)
AUDUSD		S: 0.7180; R: 0.7450	<ul style="list-style-type: none"> Mon: Building Approvals (Jan); Tues: RBA Meeting; Retail Sales, Trade (Dec); PMI (Jan); Wed: RBA Governor Lowe speaks; Thu: Business Confidence (4Q); Fri: RBA Statement on Monetary Policy
NZDUSD		S: 0.6800; R: 0.6950	<ul style="list-style-type: none"> Mon: Building Permits (Dec); Tue: Commodity Prices (Jan); Wed: GDT Auction; Thu: Employment Change, Wage growth (4Q) Fri: - Nil -
GBPUSD		S: 1.3000; R: 1.3210	<ul style="list-style-type: none"> Mon: Construction PMI (Jan); Tue: Services PMI (Jan); Wed: - Nil - Thu: BOE MPC Meeting; Quarterly Inflation Report; House Prices (Jan) Fri: - Nil -
USDJPY		S: 106.90; R: 110.50	<ul style="list-style-type: none"> Mon: Monetary Base (Jan); Tue: PMI Services (Jan); Wed: - Nil - Thu: - Nil - Fri: Trade, Current Account, Labor cash earnings (Dec)
USDCNH		S: 6.7000; R: 6.7800	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3340; R: 1.3540	<ul style="list-style-type: none"> Mon: PMI (Jan); Tue: - Nil - Wed: - Nil - Thu: FX Reserves (Jan) Fri: - Nil -
USDMYR		S: 4.0800; R: 4.1200	<ul style="list-style-type: none"> Mon: PMI (Jan) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 52.00; R: 52.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: CPI (Jan); Wed: - Nil - Thu: BSP Meeting Decision; FX Reserves (Jan) Fri: - Nil -
USDIDR		S: 13,850; R: 14,150	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: GDP (4Q); Thu: - Nil - Fri: Current Account (4Q)

Sources: Bloomberg, Maybank FX Research

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Vulnerable on Break Below 200 DMA. Our call in the last FX weekly looking for <i>USD strength to Fade</i> materialised this week. The move was catalysed by Fed's tweak to its forward guidance - Gradual rate hikes" was omitted from the statement and Fed said it will be 'patient' with future rate adjustments. In a separate update on its policy framework, the Fed said that details on the size and composition of Fed's balance sheet are still under discussion and it retains flexibility to "adjust any of the details for completing balance sheet normalization in light of economic and financial developments." But we do note that some of this USD softness was partially reversed after US-China trade negotiations ended with no breakthrough while softer China PMIs added to worries of deeper economic slowdown.</p> <p>Nonetheless US and China claimed "important' progress was made; China has agreed to buy substantial amount of American soy beans. Mnuchin and Lighthizer will travel to Beijing in mid-Feb to hold next round of talks while Trump could meet President Xi after planned summit with North Korea later this month. Note that the 90-day trade truce between US and China ends on 1 Mar and market chatters for possible Trump-Xi meeting 1 - 2 Mar. Hopes of trade deal remain but markets may need to wait for another few weeks for an outcome. In the meantime, excessive trade optimism could partially be unwound as markets shift its focus to global growth/activity data to look out for signs of deeper economic slowdown.</p> <p>For US today, focus on NFP, unemployment rate, hourly earnings (Jan); Mfg PMI, ISM Mfg, Uni. Of Michigan sentiment (Jan) data. Much stronger than expected data could support the USD (growth outperformance). A case of much weaker than expected US data could also support the USD owing to fear of deeper slowdown (risk-off). What could keep the softer USD trend going would be an outcome of data coming in line with expectations.</p> <p>We believe the <u>goldilocks play</u> highlighted remains intact even as excessive trade optimism unwinds partially. Policy support (Fed pause; China stimulus, etc.) amid growth neither 'hot nor cold' should continue to favor higher-yielder FX including IDR, MYR, INR over KRW, SGD, CNH and TWD (AXJs more sensitive to US-China trade). Our bias for USD to trade lower remains intact but look for strength to fade into.</p> <p>DXY was last seen at 95.58 levels. Mild bearish momentum on daily chart remains intact while stochastics is near oversold conditions. Immediate support at 95.3 (200 DMA). A decisive break below key support could open way for further downside towards 94 (38.2% fibo retracement of 2018 low to high). Resistance at 95.80/90 (21, 100 DMAs), 96.40 (50 DMA). We look for better levels on DXY rally to fade into.</p> <p><i>Focus next week on Factory Orders, Durable Goods (Nov) on Mon; Services PMI, ISM non-Mfg (Jan); Fed's Mester speaks on Tue; Trade (Nov) on Wed; Fed's Powell, Clarida, Quarles speak on Thu; Fed's Bullard speaks on Fri.</i></p>
EUR/USD	<p>Range-Play. EUR rebound this week eased after Bundesbank President Weidmann warned about German slowdown persisting into 2019. Earlier Italy's 4Q GDP print confirmed that the country has slipped into a technical recession. Elsewhere there are also speculation of deputy Premier Salvini triggering an early election in Italy this year amid rising support for his Lega Nord Party and ongoing conflict between the coalition party 5SM.</p> <p>EUR was last seen at 1.1440 levels. Mild bullish bias intact but stochastics suggests momentum is slowing. In terms of price action, the rise in EUR failed to take out 1.1510 (50% fibo retracement of Sep high to Nov low). We reiterate that the rise in EUR would only gain further traction if resistance at 1.1510, 1.156 (200 DMA) are taken out. Failing which the pair could ease to trade 1.1360 - 1.1510 range next week.</p> <p><i>Focus next week on PPI (Dec) on Mon; Retail sales (Dec); Services PMI (Jan) on Tue; German Factory Orders (Dec) on Wed; German Industrial Production (Dec) on Thu; German Current Account, Trade (Dec) on Fri.</i></p>

GBP/USD Optimism to Unwind; Buy Dips Preferred. Our call in the last FX Weekly cautioning for a reality check on GBP's rally materialised. We **continue to call for gains to moderate and possibly even retrace towards 1.30 in the interim** as brexit plan (initially agreed with EU) goes back to the drawing board. The risk of an EU-UK deadlock on withdrawal agreement as well as "to-and-fro" to reach a compromise on Irish backstop in the House of Commons could bring back fears of no-deal, hard brexit as deadline of 29th Mar looms.

While we caution for downside risks and 2-way volatility on the GBP in the near term, we retain our cautious optimism on GBP outlook beyond the near term nuances as we see a case of no-deal brexit being avoided and expect both EU and UK to come to terms on a compromised deal, at the eleventh hour. **The amendments passed on 29th Jan were not binding on the government (though they do have the implicit political influence on PM May to accommodate them).** We argue that the distribution of risks have shifted away from a no-deal brexit (given that the House of Commons also voted in favor of Dame Caroline Spelman's amendment) to a delayed and softer brexit with the likelihood of second referendum rising.

GBP was last seen at 1.3085 levels. Bullish momentum on daily chart is waning while stochastics shows signs of turning from near-overbought conditions. Pullback risks from recent run-up highly likely. Immediate support at 1.3040-50 (200 DMA, 23.6% fibo retracement of Dec low to Jan high), 1.30 and 1.2930 (38.2% fibo). Resistance at 1.3160, 1.3210 (2019 high).

Focus next week on Construction PMI (Jan) on Mon; Services PMI (Jan) on Tue; BOE MPC Meeting; Quarterly Inflation Report; House Prices (Jan) on Thu.

USD/JPY Sell Rallies Preferred. USDJPY drifted lower this week, in line with our bias (as mentioned in the last FX weekly). Pair was last seen at 108.90 levels. Mild bullish momentum on daily chart is waning while stochastics is falling. A death-cross (50 DMA cut 200 DMA to the downside) has been formed in mid-Jan. Bias remains bearish; sell rallies preferred. Resistance at 109.50, 110. Support at 108.40 (61.8% fibo retracement of 2018 low to high), 106.90 (76.4% fibo).

Focus next week on Monetary Base (Jan) on Mon; PMI Services (Jan) on Tue; Trade, Current Account, Labor cash earnings (Dec) on Fri.

AUD/USD Near Term Pullback buy Bias to Buy Dips. We see current dips in the AUD as opportunities to buy as we look for this pair to head higher towards the 0.74-figure. In fact for AUD, RBA makes its rate decision next week and whilst the central bank is widely expected to sit on its hand, its language is most important. The Statement on Monetary Policy will be released on the Fri right after the decision. We anticipate some acknowledgement that the downside risks that they have cautioned for in private consumption had materialized to some extent and there could even be a revision in the growth and inflation forecasts stated in the last policy statement (4 Dec 2018).





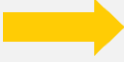
AUD was last seen at 0.7250 levels. Daily momentum turned mild bullish while stochastics is rising. 21 DMA cuts 50 and 100 DMAs to the upside. A decisive push above 0.7290 (200 DMA) could see bulls gain traction towards 0.7390, 0.7440 (50% fibo retracement of 2018 high to 2019 low). We do not rule out near term retracement towards 0.7180/90 levels (21, 50, 100 DMAs). Bias to buy dips.

Focus next week on Building Approvals (Jan) on Mon; RBA Meeting; Retail Sales, Trade (Dec); PMI (Jan) on Tue; RBA Governor Lowe speaks on Wed; Business Confidence (4Q) on Thu; RBA Statement on Monetary Policy on Fri.

NZD/USD Labor Report Could Drive Sentiment. NZD rose this week. Pair was last seen at 0.6915 levels. Bullish momentum on daily chart remains intact while stochastics is rising into overbought conditions. A close above area of resistance at 0.6890 (downward sloping trend-line resistance for high in Apr and Dec) - 0.6910 (50% fibo retracement of Apr high to 2018 low) is needed for further upside towards 0.6970 and 0.7020 to gain traction. Failing which, the pair could ease back to trade range of 0.6830 - 0.6940.

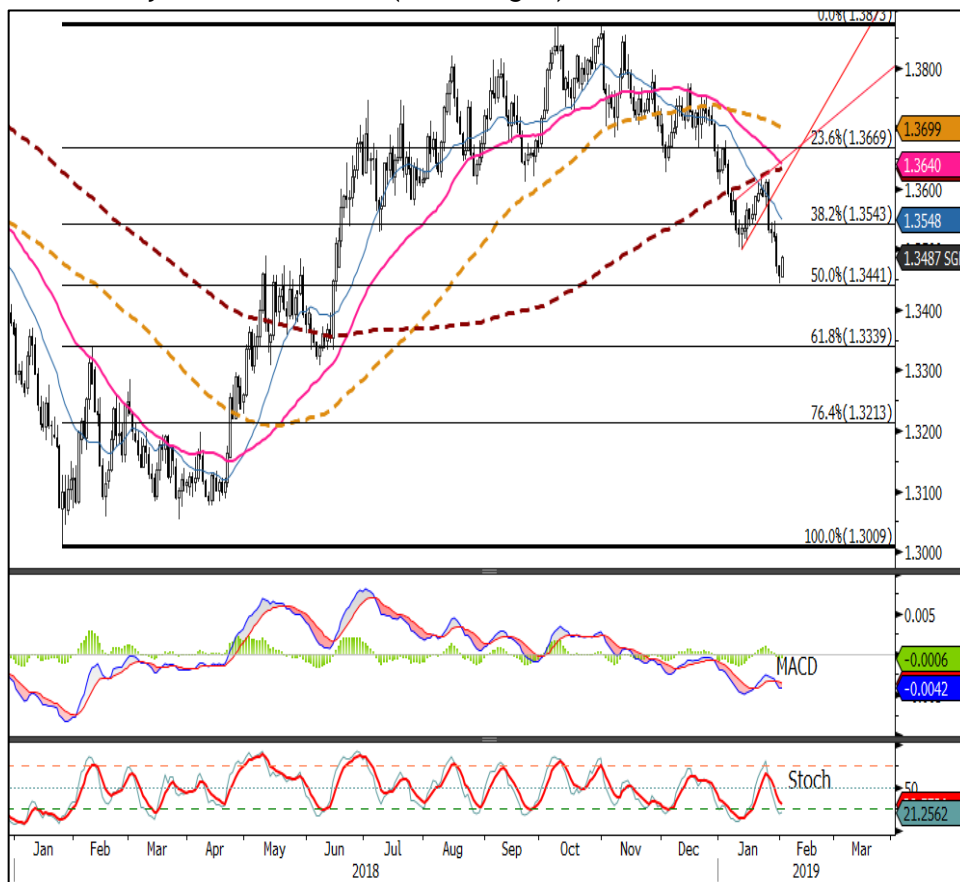
Focus next week on Building Permits (Dec) on Mon; Commodity Prices (Jan) on Tue; GDT Auction on Wed; Employment Change, Wage growth (4Q) on Thu.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0250; R: 3.0450	Range. SGDMYR consolidated this week. Cross was last seen at 3.0360 levels. Price action remains confined in the downward-sloping trend channel (the handle of the cup pattern). No break-out is seen yet from the potential cup-and-handle pattern (typically bullish setup) we highlighted last week. We shared that a confirmation of the pattern can only be made if the move higher breaks out of the upper bound of the range or “handle” (3.05 levels). Successful breakout could see the cross test higher towards 3.08 levels. Support seen at 3.0240 (38.2% fibo retracement of 2017 high to 2018 low) Look to play 3.0250 - 3.0450 range next week.
AUD/MYR		S: 2.9400 R: 2.9800	Range. AUDMYR reversed early week's softness to trade modestly higher. Cross was last seen at 2.9640 levels. Mild bullish momentum seen on daily chart but stochastics suggests wavering strength. Failure to clear above a confluence of 50, 100, 200 DMAs at 2.98/99 levels could see the cross ease lower to trade 2.94 - 2.98 range.
EUR/MYR		S: 4.6400; R: 4.7300	Near Term Downside Risks. EURMYR did see a mild rebound towards 4.71 levels this week (as highlighted in our last FX Weekly) but gains were erased into the week's close. Cross was last seen at 4.6840 levels. Mild bullish momentum is waning. Risks skewed to the downside in the near term but we look for opportunity on dips to buy into. Support at 4.66, 4.64 levels. Break below these support levels could open way for a move lower towards 4.60. Resistance at 4.70, 4.7350.
GBP/MYR		S: 5.3200; R: 5.4500	Buy Dips. GBPMYR turn lower this week, in line with our caution in the last FX Weekly for retracement risks towards 5.36. Cross was last seen at 5.3650 levels. Bullish momentum is waning while stochastics is turning lower from overbought conditions. Immediate support at 5.3560 (50% fibo retracement from Aug low to Oct high) before 5.3210 (61.8% fibo). Risks skewed to the downside in the interim but bias to buy dips. Resistance at 5.45 levels.
JPY/MYR		S: 3.7400 R: 3.7900	Consolidative Play. JPYMYR traded in subdued range this week, in line with our call for <i>consolidative play</i> . Cross was last seen at 3.7620 levels. Still expect consolidative play in the range of 3.74 - 3.79.

Technical Chart Picks:

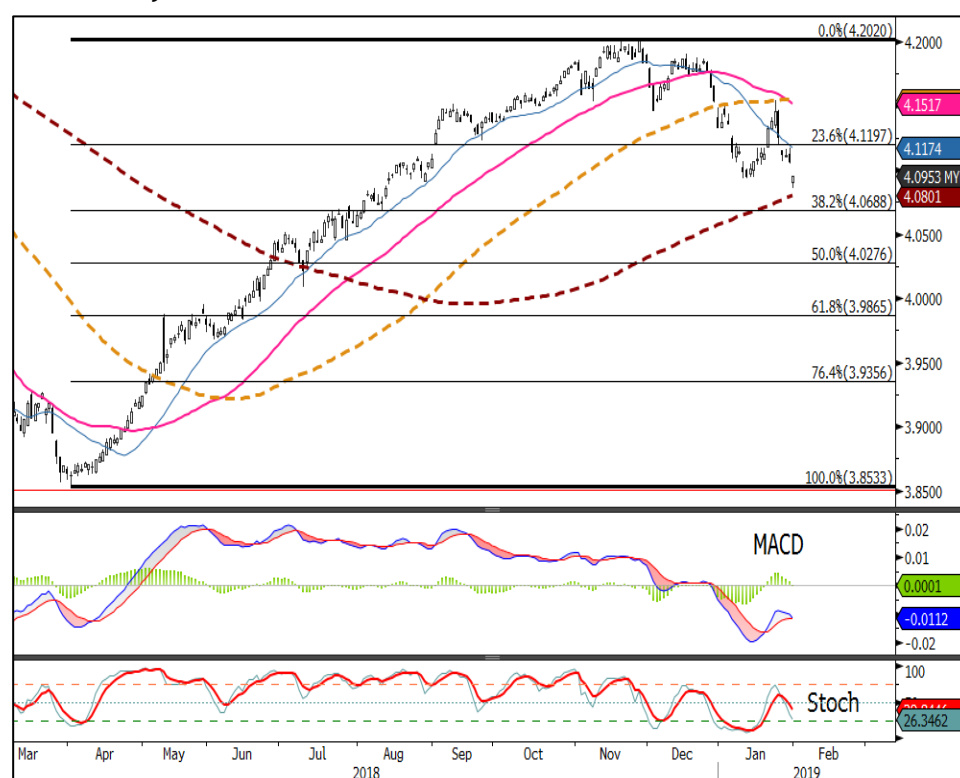
USDUSD Daily Chart - Death Cross (Bearish Signal)



Our call in last FX Weekly for USDUSD to trade lower met both our objectives at 1.3540 and 1.35. Pair traded a 7-month low of 1.3443 levels (31 Jan); last seen at 1.3485 levels. 50 DMA is about to cut 200 DMA to the downside (otherwise known as the death cross). This is typically a significant bearish signal.

A break below 1.3440 (50% fibo retracement of 2018 low to high) could see the pair trade towards 1.3340 (61.8% fibo) and even 1.3210 (76.4% fibo). Resistance at 1.3540 (38.2% fibo, 21 DMA), 1.3630 (50, 200 DMAs). Bias to lean against strength.

USDMYR Daily Chart - Sell Rallies Preferred



Our caution in the last FX Weekly for “bearish signal re-emerging” came into play this week. Pair traded as low as 4.0855 (31 Jan) and closed at 4.0950 levels. 50 DMA cut 100 DMA to the downside - typically a bearish signal. Bullish momentum on daily chart is fading fast while stochastics is falling.

Bias for further downside play. Key support at 4.08 (200 DMA) before 4.0690 (38.2% fibo retracement of 2018 low to high) and 4.05 levels. Area of resistance at 4.1170 (21 DMA) - 4.12 (23.6% fibo) before 4.15 (50, 100 DMAs). Sell rallies preferred.

AUDSGD Weekly Chart: Consolidation Phase



AUDSGD reversed early week's softness to trade higher into end-week. Last seen at 0.9760 levels.

Momentum indicators on the daily chart are mild bullish bias. Immediate resistance at 0.9780 (50 DMA), 0.9830 (100 DMA). Support at 0.9720 (21 DMA) before 0.9640 (23.6% fibo retracement of 2017 high to 2019 low).

We look for a phase of consolidation in the range of 0.9650 - 0.9850, in the absence of fresh catalyst and multiple market closures in Asia next week.

SGDMYR Weekly Chart: Range of 3.0250 - 3.0450



SGDMYR consolidated this week. Cross was last seen at 3.0360 levels. Price action remains confined in the downward-sloping trend channel (the handle of the cup pattern). No break-out is seen yet from the potential cup-and-handle pattern (typically bullish setup) we highlighted last week.

We shared that a confirmation of the pattern can only be made if the move higher breaks out of the upper bound of the range or "handle" (3.05 levels). Successful breakout could see the cross test higher towards 3.08 levels.

Support seen at 3.0240 (38.2% fibo retracement of 2017 high to 2018 low) Look to play 3.0250 - 3.0450 range next week.

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