

FX Weekly

USD Bounce

The Week Ahead

- **Dollar Index - Rebound.** Support at 95.50; Resistance at 97.50
- **USD/SGD - Upside Risk.** Support at 1.3470; Resistance at 1.3580
- **USD/MYR - Sell Rallies.** Support at 4.0650; Resistance at 4.0850
- **AUD/SGD - Downside.** Support at 0.9460; Resistance at 0.9660
- **SGD/MYR - Fade.** Support at 2.9900; Resistance at 3.0240

RBA, BNM, ECB Policy Meetings; China's 两会 in Focus

For next week, **top focus on China's 两会 (CPPCC on Sun and NPC on Tue); RBA and BNM policy meetings on Tue, ECB meeting on Thu and US payrolls data on Fri.** On markets, we caution for the risks of USD rebound in the 1-2weeks. While optimism on US-China trade deal is supportive of risk assets and risk-proxy FX, caution remains warranted. Markets pricing-in more good news than bad news for now suggest there is room for disappointment if US-China trade negotiations did not progress smoothly. Eyes still on the Trump-Xi meet in Florida, expected in coming weeks. In addition we are cautious of technology-protectionism (US and its allies' including Australia imposing ban on Huawei's 5G network and other Chinese tech including solar panels, etc.) that could complicate trade talks, strain international relations and weigh on global risk sentiment. USDIDR, USDSGD could rebound towards 14280 and 1.3580, respectively while; USDMYR to consolidate in 4.0650 - 4.0850.

TLTRO Discussion at ECB Meeting This Thu of Keen Interest

ECB is expected to discuss TLTRO at the 7th Mar ECB Governing Council meeting. The use of TLTRO is a sign that the deceleration in Euro-area economic growth is faster than expected and that slower growth was not just due to one-off event. And if TLTRO is used, the timeline of ECB policy normalisation could be delayed as TLTRO is typically used in accommodative monetary policy stance. This poses delay risks to ECB policy normalisation plans and could add to the list of factors weighing on EUR. However we do not expect an imminent decision to re-introduce TLTRO at the March meeting as policymakers continue to assess the slowdown (if it was due to one-off events) and monitor external development (trade war, global growth, etc.).

Data Focus on JP, AU, EU GDPs; China Inflation; US Payrolls

Key data highlights next week include EU PPI; UK Construction PMI; AU building approval; SG PMI on Mon. For Tue, US ISM non-mfg; EU retail sales; China, US, EU, AU, UK, JP services PMI; PH CPI. For Wed, US ADP employment; AU GDP; RBA Governor Lowe speaks. For Thu, EU GDP; AU retails sales; FX reserves data from CH, SG and MY. For Fri, US payrolls; German factory orders; China trade; JP GDP. China releases CPI, PPI data next Sat (9 Mar). On market closures, IN closed on Mon, ID on Thu.

Analysts












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

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

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

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

Our in-house model implies that S\$NEER is trading 1.1% above the implied midpoint of 1.3667, 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: 95.50; R: 97.50	<ul style="list-style-type: none"> Mon: Construction Spending (Dec); Tue: Services PMI, ISM Non-Mfg (Feb); New home sales (Dec); Fed's Barkin speaks; Wed: ADP Employment (Feb); Trade (Dec); Fed's Williams, Mester speak; Thu: Fed's Brainard speaks; Fri: NFP, Hourly Earnings, Unemployment rate (Feb); Building permits, housing starts (Jan) Sat: Fed Chair Powell speaks
EURUSD		S: 1.1200; R: 1.1500	<ul style="list-style-type: none"> Mon: PPI (Jan); Tue: Retail Sales (Jan); Services PMI (Feb); Wed: - Nil - Thu: ECB Meeting; ECB's Draghi speaks; GDP (4Q); Fri: German Factory Orders (Jan)
AUDUSD		S: 0.7060; R: 0.7200	<ul style="list-style-type: none"> Mon: Building Approvals (Jan); Tues: Current Account (4Q); Services PMI (Feb); RBA Meeting; Wed: RBA Governor Lowe to speak; GDP (4Q); Thu: Retail Sales, Trade (Jan) Fri: - Nil -
NZDUSD		S: 0.6700; R: 0.6900	<ul style="list-style-type: none"> Mon: - Nil - Tue: ANZ Commodity Price (Feb); GDT Dairy auction; Wed: QV House Prices (Feb); Thu: - Nil - Fri: Mfg activity (4Q)
GBPUSD		S: 1.2800; R: 1.3200	<ul style="list-style-type: none"> Mon: Construction PMI (Feb); Tue: BoE's Carney testifies to House of Lords; Services PMI (Feb); Wed: BoE's Cunliffe speaks; Thu: BoE's Saunders, Tenreyro speak; House Prices (Feb) Fri: - Nil -
USDJPY		S: 109.50; R: 112.20	<ul style="list-style-type: none"> Mon: Monetary base (Feb); Tue: Services PMI (Feb); Wed: BoJ Harada speaks; Thu: Leading Index (Jan); Fri: GDP (4Q); Trade, Current Account (Jan)
USDCNH		S: 6.6800; R: 6.7800	<ul style="list-style-type: none"> Mon: - Nil - Tue: Caixin Services PMI (Feb); NPC Meeting; Wed: - Nil - Thu: FX Reserves (Feb); Fri: Trade (Feb) Sat: CPI, PPI (Feb)
USDSGD		S: 1.3450; R: 1.3650	<ul style="list-style-type: none"> Mon: PMI (Feb); Tue: - Nil - Wed: - Nil - Thu: FX Reserves (Feb) Fri: - Nil -
USDMYR		S: 4.0500; R: 4.1000	<ul style="list-style-type: none"> Mon: Trade (Jan); Tue: BNM Meeting; Wed: - Nil - Thu: FX Reserves (Feb) Fri: - Nil -
USDPHP		S: 51.50; R: 52.40	<ul style="list-style-type: none"> Mon: - Nil - Tue: CPI (Feb); Wed: - Nil - Thu: Unemployment (Dec); FX Reserves (Feb) Fri: - Nil -
USDIDR		S: 13,900; R: 14,200	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Consumer Confidence (Feb); Thu: - Nil Fri: FX Reserves (Feb)

Sources: Bloomberg, Maybank FX Research

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Rebound Pressure Near Term. USD Index partially retraced early week's decline into Asia week's close on better than expected US 4Q GDP, unexpected escalation of geopolitical tension between India and Pakistan (contributing to risk off sentiment) and rebound in UST yields.</p> <p>Looking ahead, we do see some risks of USD rebound in the near term. While optimism on US-China trade deal is supportive of risk assets and risk-proxy FX, caution remains warranted. Markets pricing in more good news than bad news for the moment suggest there is room for disappointment if US-China trade negotiations did not progress smoothly. In addition we are cautious of technology-protectionism (US and its allies' including Australia imposing ban on Huawei's 5G network and other Chinese tech including solar panels) that could complicate trade talks, strain international relations and weigh on global risk sentiment.</p> <p>DXY was last seen at 96.30 levels. Broader term technical view: A potential head & shoulders pattern on the monthly chart (with Shoulder 1 formed in 2015, Head formed in 2017 and Shoulder 2 formed in 2018) suggests that a broader bearish move appears intact. This supports our bias to lean against strength but in the near term, we caution for the risks of a mild rebound. A potential mini falling wedge pattern is observed. This is typically associated with a bullish reversal and in this case, the rebound could be mild given that the magnitude of the decline in DXI from above-97 levels to 96 was rather mild. Daily stochastics is showing signs of turning higher from oversold conditions. This adds to risks of rebound. Resistance at 96.45 (21, 100 DMAs), 96.8 before 97.40. Immediate support at 95.65 (200 DMA), 95 levels.</p> <p><i>Focus next week on Construction Spending (Dec) on Mon; services PMI, ISM Non-Mfg (Feb); New home sales (Dec); Fed's Barkin speaks on Tue; ADP Employment (Feb); Trade (Dec); Fed's Williams, Mester speak on Wed; Fed's Brainard speaks on Thu; NFP, Hourly Earnings, Unemployment rate (Feb); Building permits, housing starts (Jan) on Fri; Fed Chair Powell speaks on Sat.</i></p>
EUR/USD	<p>All About ECB, TLTRO and Draghi Next Week. EUR gains in the past week are showing signs of reversal lower. Pair was last seen at 1.1370 levels. There are some signs of fatigue in the recent run-up. Though bullish momentum on daily chart remains intact, stochastics shows tentative signs of turning from overbought conditions. Downside play could take over in the near term. Short term support at 1.1360, 1.13, 1.1230 (2019 low). Stepping away from short term perspective, the monthly chart shows waning bearish momentum and tentative signs of turn-around in stochastics from oversold conditions - a sign that room for further downside could be limited. A potential falling wedge pattern (began wide at the top in early 2018 and contracts as prices move lower towards the end-2018/early 2019) also appears to be in the making. This is typically associated with a bullish reversal. Immediate resistance at 1.1390 (50, 100 DMAs), 1.1430. Break above these levels could see further upside pressure towards 1.1510, 1.1690. Bigger support at 1.1190, 1.10. Underlying bias remains to buy on dips.</p> <p>ECB Governing Council meeting and ECB President Draghi's speech on 7th Mar will be of top interest. Policy rates are expected to remain status quo. Markets are expected to scrutinize on the topic of TLTROs (targeted long-term refinancing operations first introduced by the ECB during the GFC as a form of financing to banks). Governing Council members Nowotny, Praet and Coeure indicated that TLTRO tool could be discussed at the 7th March ECB GC meeting but we think it does not automatically lead to a decision for the use of TLTRO. The use of TLTRO is a sign that the deceleration in Euro-area economic growth is faster than expected and that slower growth was not just due to one-off event. And if TLTRO is used, the timeline of ECB policy normalisation could be delayed as TLTRO is typically used in accommodative monetary policy stance. This poses risks to our expectation on ECB normalisation and could add to the list of factors weighing on EUR. We do not expect an imminent decision to re-introduce TLTRO at the March meeting as policymakers continue to assess the slowdown and monitor external development (trade war, global growth, etc.). Our baseline remains for ECB to normalize policy later this year with modest increase of deposit rate from -0.4% to -0.3% should (1) inflation data, in particular core CPI continues to surprise to the upside while (2) recent decline in growth and activity data proved to be one-off.</p>

Focus next week on PPI (Jan) on Mon; Retail Sales (Jan); Services PMI (Feb) on Tue; ECB Meeting; ECB's Draghi speaks; GDP (4Q) on Thu; German Factory Orders (Jan) on Fri.

GBP/USD 2 -Way Trades in Range of 1.30 - 1.34. Receding fears of hard brexit and rising hopes of a delayed brexit has seen GBP move higher by 2% this week. Pair traded as high as 1.3350 (27 Feb) before easing off. Last seen at 1.3240 levels. Bullish momentum on daily, weekly and monthly chart remains intact however **near term risks skewed to the downside** as stochastics on the daily chart shows signs of turning from overbought conditions. Retracement could re-visit 1.3180 (38.2% fibo retracement of 2018 high to 2019 low), 1.30 (21 DMA) and 1.29 levels (23.6% fibo). Resistance at 1.3360 before 1.3410 (50% fibo). We continue to call for 2-way trades in the range of 1.30 - 1.34, with risk of overshooting the upper bound should disorderly exit be averted. Distribution of risks has shifted away from fears of a no-deal brexit and towards a delayed and softer brexit. This should continue to support GBP gains.

Focus next week on Construction PMI (Feb) on Mon; BoE's Carney testifies to House of Lords; Services PMI (Feb) on Tue; BoE's Cunliffe speaks on Wed; BoE's Saunders, Tenreyro speak; House Prices (Feb) on Thu. Please see report (see here) for more details on what to expect on mid-Mar re 2nd Meaningful Vote.

USD/JPY Near Term Rebound Risks. USDJPY traded higher this week, in line with our caution (in last week's FX Weekly) for near term rebound risks. Pair was last seen at 111.90 levels. Bullish momentum on daily chart remains intact while stochastic is rising into near-overbought conditions. Further upside risks not ruled out in the near term. Resistance at 112.20, 112.40. We look for better opportunities of the move higher to fade into. Support at 110.70, 109.50. We reiterate that the window of opportunity for goldilocks (carry play) and risk-on play (owing to hopes of US-China trade deal) could favor **USDJPY move temporarily higher**. But up-move should be capped at 112.50 in the short term as bigger macro factors weigh. A move above 113.55 would nullify our bearish bias.

Focus next week on Monetary base (Feb) on Mon; Services PMI (Feb) on Tue; BoJ Harada speaks on Wed; Leading Index (Jan) on Thu; GDP (4Q); Trade, Current Account (Jan) on Fri.






AUD/USD Compression of Moving Averages; Awaiting Break-Out Play. AUD traded a week of 2 halves; with up-move in early week driven by hopes of US-China trade talk progress and the down-move driven by geopolitical tensions in India-Pakistan. Pair was last seen at 0.7090 levels. Daily momentum and stochastics indicators are still not showing a clear and convicted bias while compression of moving averages are observed around 0.7130 - 60 levels. This typically precedes a break-out trade which can take place either direction. Area of resistance at 0.7140-60 (21, 50, 100 DMAs) remains key. Break above that could see upside pressure build towards 0.7240. Area of support at 0.7040 - 70 before 0.6990. We expect range-bound trade in range of 0.7040 - 0.7200.

Focus next week on Building Approvals (Jan) on Mon; Current Account (4Q); Services PMI (Feb); RBA Meeting on Tue; RBA Governor Lowe to speak; GDP (4Q) on Wed; Retail Sales, Trade (Jan) on Fri.

NZD/USD Downside Risk. NZD fell slipped this week on softer than expected activity outlook, business confidence while risk sentiment soured amid geopolitical tension between India and Pakistan. Pair was last seen at 0.6840 levels. Mild bullish momentum on weekly, daily chart is waning while stochastics is turning lower from overbought conditions. Near term downside pressure not ruled out. Support at 0.68 (38.2% fibo), 0.6750 (200 DMA) - 60 (100 DMA) levels. Immediate resistance at 0.6910, 0.6940.

Focus next week on ANZ Commodity Price (Feb); GDT Dairy auction on Tue; QV House Prices (Feb) on Wed; Mfg activity (4Q) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:2.9900; R:3.0240	Sell Rallies. SGDMYR rebounded this week, in line with our caution from our last FX Weekly for the risk of near term rebound. Pair was last seen at 3.0120 levels. Mild bullish momentum shows signs of waning while stochastics shows signs of turning lower. Rising wedge pattern appears to be forming - this is typically a bearish reversal. We remain bias to lean against strength. Resistance at 3.02, 3.0240 levels. Support at 3.0100 (200 DMA), 2.9920 (2019 low).
AUD/MYR		S: 2.8600 R:2.9000	Downside Risk. AUDMYR more than retraced early week's gains into the close. Cross was last seen at 2.89 levels. Short term indicators turning mild bearish. Support at 2.8615 levels (previous low). Break below this could usher in further downside towards 2.80. Resistance at 2.9280, 2.9360 levels.
EUR/MYR		S: 4.5900; R:4.6900	Range with Slight Bias to the Upside. EURMYR drifted modestly higher, in line with our bias for rebound play. Cross was last seen at 4.63 levels. Bullish momentum on daily chart remains intact while stochastics is rising from oversold conditions. Immediate resistance at 4.63 (21 DMA), 4.66 levels. Decisive move above these levels could open way for further upside towards 4.68 (50 DMA). Support at 4.59/60.
GBP/MYR		S: 5.3000; R: 5.5000	Buy the Dip. In the last FX Tech Flash and FX Weekly (sent 22 Feb), we shared that GBPMYR could see further upside play towards 5.38, 5.43 on clean break above 5.34-5.35 (then key resistance). The cross has subsequently traded higher and close to our final objective of 5.43. High was seen at 5.4247 (28 Feb); last seen at 5.3990 levels. Bullish momentum on daily chart shows tentative signs of fading while stochastics shows signs of turning from overbought conditions. We caution that the recent up-move could moderate and retrace towards 5.33 - 5.34 levels (100, 200 DMAs). A move towards 5.3030 (38.2% fibo retracement of Oct high to Jan low, 21 and 50 DMAs) is not ruled out. Resistance at 5.43 (76.4% fibo) before 5.5050 (Oct high). Buy dips preferred.
JPY/MYR		S: 3.6000 R: 3.6900	Further Downside Not Ruled Out. Our caution (in last week's FX Weekly) for bullish trend channel to break down materialised. Cross traded lower and was last seen at 3.6430 levels. Mild bearish momentum on daily chart remains intact. 21 DMA looks on track to cut 200 DMA to the downside. Further move lower towards 3.62, 3.60 not ruled out. Resistance at 3.68/3.69 (21, 200 DMAs)

Technical Chart Picks:

USDSGD Daily Chart - Near Term Rebound Risk but Bias to Fade



USDSGD partially reversed early week's decline. Last seen at 1.3520 levels. Momentum on daily chart is not indicating a clear bias for now but stochastics shows early signs of turning from near oversold conditions. We continue to caution for the risk of near term rebound.

Resistance at 1.3540 (21 DMA, 38.2% fibo retracement of 2018 low to high), 1.3570 (50 DMA) before 1.3650/60 (100, 200 DMAs). Support at 1.3440/50 levels (50% fibo). Favor playing the range of 1.3470 - 1.3580, with risks skewed to the upside in the interim. Bias to sell rallies.

USDMYR Daily Chart - Consolidate; Bias to Fade



USDMYR further consolidated this week. Pair was last seen at 4.0720 levels. Daily momentum and stochastics are not indicating a clear bias.

Support at 4.0690 (38.2% fibo retracement of 2018 low to high) before 4.06. Resistance at 4.0830 (21 DMA), 4.0950 (200 DMA). We look for the pair to consolidate in 4.0620 - 4.08 range this week.

AUDSGD Weekly Chart: At Risk of Further Downside



AUDSGD continue to trade with a heavy bias this week. Cross was last seen at 0.9590 levels. Bearish bias on weekly chart remains intact. A weekly close below 0.9640 could see the cross trade lower towards 0.9460 (lower bound of the bearish trend channel).

Resistance at 0.9640 (23.6% fibo retracement of 2017 high to 2018 low), 0.9660/70 (21, 50 DMAs), 0.9780 levels.

SGDMYR Daily Chart: Rising Wedge - Bearish Reversal



SGDMYR rebounded this week, in line with our caution from our last FX Weekly for the risk of near term rebound. Pair was last seen at 3.0120 levels. Mild bullish momentum shows signs of waning while stochastics shows signs of turning lower.

Rising wedge pattern appears to be forming - this is typically a bearish reversal. We remain bias to lean against strength. Resistance at 3.02, 3.0240 levels. Support at 3.0100 (200 DMA), 2.9920 (2019 low).

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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