April 1, 2019

Macro | FX Research & Strategy

Global

FX Weekly

Looking for USD to Trade Lower

The Week Ahead

- **Dollar Index** – **Fade.** Support at 95.50; Resistance at 97.70
- **USD/SGD - Range.** Support at 1.3450; Resistance at 1.3620
- **USD/MYR - Range.** Support at 4.0550; Resistance at 4.0900
- **AUD/SGD - Buy Dips.** Support at 0.9520; Resistance at 0.9820
- **SGD/MYR - Death Cross.** Support at 3.0020; Resistance at 3.0240

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

Concerns of Deep Global Slowdown Overblown

Risk assets started the quarter on a firmer footing thanks to encouraging Mfg PMIs from China, Japan, UK, Korea, Indonesia, etc. While global growth momentum maybe easing, we argue that this does not equate to no growth or recession. Early signs of stabilisation are starting to show up in China activity indicators and Europe IPs. Swift responses from policymakers and central banks around the world with stimulus measures and easy policies may well be timely to cushion against growth slowdown. In addition, sentiment could further be boosted if US-China trade talks continue to see progress. We see room for KRW, AUD to outperform while USDSGD remains stuck in 1.3450 – 1.3620 range.

AUD Could Shine if RBA Does Not Sound More Dovish

RBA meeting decision in focus tomorrow (1130am SG/KL time on 2 Apr). Cash rate is widely expected to be kept on hold at 1.5%. OIS-implied shows a 60% chance of a cut in Aug meeting. Markets are expected to look for signs indicating a shift in RBA stance. And we caution that absence of a dovish tilt could see AUD shorts (at 3-month record levels) unwind. This is not impossible especially when regional PMIs (including China, Japan, Korea) this week surprised to the upside. Furthermore we anticipate that the stabilization in the domestic housing market should stem further deterioration in business and consumer confidence and a pick-up in China's demand, moderate as it may be, may improve its external balance, terms of trade and strengthen the AUD. Decisive break above 0.7150/60 resistance could see AUD trade higher towards 0.72 (200 DMA), 0.7240 levels.

Our in-house model implies that S$NEER is trading 1.2% above the implied midpoint of 1.3720, suggesting that it is on the stronger side vs. other trading partner currencies.

US Payrolls; Services PMIs from US, EU, China; RBI Meeting

Key highlights this week include US retail sales, ISM Mfg; EU Mfg PMI and CPI on Mon. For Tue, US durable goods orders; EU PPI, ECB's Praet speaks; UK construction PMI; RBA meeting; AU Federal Budget; NZ GDT Dairy auction. For Wed, US ISM non-mfg, ADP employment; EU services PMI and retail sales; AU trade and retail sales; SG PMI; EU and China services PMI. For Thu, German factory orders; Malaysia trade; RBI meeting (chance of 25bps cut). For Fri, US NFP. Average hourly earnings, unemployment rate; German IP; FX reserves data from MY and PH. In terms of market closures, ID is closed on Wed; TW on Thu and China, HK and TW on Fri due to Qing Ming Festival.

SEE PAGE 8 FOR IMPORTANT DISCLOSURES.

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index	→	S: 95.50; R: 97.10	• **Mon:** Retail Sales (Feb); ISM Mfg (Mar) ; • **Tue:** Durable Goods Orders (Feb) • **Wed:** Ism Non-Mfg, ADP Employment (Mar); Fed's Kashkari speaks; • **Thu:** Jobless claims (Mar); Fed's Mester, Harker speaks; • **Fri:** NFP, Average hourly earnings, Unemployment rate (Mar); Fed's Bostic speaks
EURUSD	→	S: 1.1190; R: 1.1450	• **Mon:** CPI, Mfg PMI (Mar); Unemployment rate (Feb); ECB 's Guindos speaks; • **Tue:** PPI (Feb); ECB's Praet speaks; • **Wed:** Services PMI (Mar); Retail Sales (Feb) • **Thu:** German Factory Orders (Feb); • **Fri:** German IP (Feb)
AUDUSD	→	S: 0.7030; R: 0.7200	• **Mon:** NAB Business Confidence, Commodity Index (Mar) • **Tues:** RBA Meeting; Building Approvals (Feb); Federal Budget; • **Wed:** Retail Sales, Trade (Feb); PMI Services (Mar); • **Thu:** - Nil - • **Fri:** FX Reserves (Mar)
NZDUSD	→	S: 0.6750; R: 0.6910	• **Mon:** - Nil - • **Tue:** GDT Dairy Auction; • **Wed:** House Prices, Commodity Price (Mar) • **Thu:** - Nil - • **Fri:** - Nil -
GBPUSD	→	S: 1.2920; R: 1.3280	• **Mon:** PMI Mfg (Mar); • **Tue:** Construction PMI (Mar); • **Wed:** Services PMI (Mar); • **Thu:** - Nil - • **Fri:** House Prices (Mar); Unit Labor Cost (4Q)
USDJPY	→	S: 109.50; R: 112.20	• **Mon:** Tankan Index (1Q); • **Tue:** Monetary Base (Mar); • **Wed:** Services PMI (Mar); • **Thu:** - Nil - • **Fri:** Cash Earnings (Feb)
USDCNH	→	S: 6.6700; R: 6.7500	• **Mon**: Caixin PMI Mfg (Mar); • **Tue:** - Nil - • **Wed:** Caixin PMI Services (Mar) • **Thu:** - Nil - • Fri: - Nil -
USDSGD	→	S: 1.3450; R: 1.3620	• **Mon:** URA Home Prices (1Q); • **Tue:** - Nil - • **Wed:** PMI (Mar); • **Thu:** - Nil - • **Fri:** - Nil -
USDMYR	→	S: 4.0550; R: 4.0900	• **Mon:** PMI (Mar); • **Tue:** - Nil - • **Wed:** - Nil - • **Thu:** Trade (Feb); • **Fri:** FX Reserves (Mar)
USDPHP	↓	S: 52.00; R: 52.90	• **Mon:** PMI Mfg (Mar) • **Tue:** - Nil - • **Wed:** - Nil - • **Thu:** -- Nil - • **Fri:** CPI, FX Reserves (Mar)
USDIDR	→	S: 14,100; R: 14,350	• **Mon:** CPI, PMI Mfg (Mar) • **Tue:** - Nil - • **Wed:** - Nil - • **Thu:** - Nil - • **Fri:** Consumer Confidence (Mar)

Sources: Bloomberg, Maybank FX Research

Selected G7 FX View

Currency	Stories of the Week
DXY Index	**ISM, Retail Sales and Employment Data This Week.** Dollar index started the new quarter on a softer footing as non-USD FX found relief from PMI data releases from Asia region while US data released last week (including personal income, spending, core PCE, Chicago PMI and 4Q GDP) missed expectations. This remains consistent with our call that US data momentum is easing and data softness could weigh on USD. A combination of prolonged Fed pause amid benign inflation environment, moderation in US activity/growth momentum while global growth remains in neither 'hot nor cold', more central banks shifting to patience and accommodative stance (PBoC easing, ECB LTRO, etc.) and policymakers responding with fiscal support (China VAT tax cut, income tax cut; S. Korea considering supplementary budget, etc.) could be timely to support growth momentum and sentiment. This could provide the opportunity for selected Asian (including KRW) and DM FX to strengthen while USD weakens. Unwinding of stale USD longs could accelerate USD sell-off. DXY was last seen at 97 levels. Bullish momentum on daily chart remains intact but stochastics is rising into overbought conditions. We do not rule our USD bulls running into exhaustion again. The rise in DXY early March stalled at 97.70 (7 Mar). This is also the same level that had kept DXY from breaking higher in 2018. We continue to watch this 97.70 (triple top resistance). Another failed attempt to break above should see USD strength fade and trade lower. On chart pattern, a large rising wedge is in the making from Mar 2018. This is typically associated with a bearish reversal. Our bias to sell rallies remains intact. Area of support at 96.4 – 96.7 (21, 50, 100 DMAs), 95.9 (200 DMA) before 95.50 levels (23.6% fibo retracement of 2018 low to high). *Focus this week on Retail Sales (Feb); ISM Mfg (Mar) on Mon; Durable Goods Orders (Feb) on Tue; ISM Non-Mfg, ADP Employment (Mar); Fed's Kashkari speaks on Wed; Jobless claims (Mar); Fed's Mester, Harker speaks on Thu; NFP, Average hourly earnings, Unemployment rate (Mar); Fed's Bostic speaks on Fri.*
EUR/USD	**Forming a Base.** EUR drifted modestly higher from a low base as PMI data (released so far) suggests that concerns of deep global growth slowdown are overblown. Already we are seeing rebound in some European Industrial production while signs of stabilisation are also observed in China. We believe further stabilisation in EU data would provide the confidence for potential portfolio re-allocation to underweight European equities (flow story is supportive of EUR). CFTC net short position of EUR at 2-year high would also suggest that there are many negatives being priced in. Unwinding of EUR short could catalyse the EUR move higher. In addition, Fed's signal for a longer pause should continue to see negative EU-UST spread narrow further and provide the support for EUR recovery. EUR was last seen at 1.1240 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. We do not rule out chance of rebound from 1.1220, 1.1190 levels. Immediate resistance at 1.1280, 1.1340 (50 DMA). Beyond short term perspective, we remain convicted to our call to buy EUR on dip. Monthly chart shows tentative signs of turn-around in stochastics from oversold conditions – hint 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. We continue to look for moves towards 1.15, 1.17 beyond short term. Bigger support at 1.1050 – 1.11 levels. *Focus next week CPI, Mfg PMI (Mar); Unemployment rate (Feb); ECB 's Guindos speaks on Mon; PPI (Feb); ECB's Praet speaks on Tue; Services PMI (Mar); Retail Sales (Feb) on Wed; German Factory Orders (Feb) on Thu; German IP (Feb) on Fri.*
GBP/USD	**Looking to Compromise as Brexit Time Decay Bites.** GBP fell below 1.30-handle at one point last Fri after PM May's deal for defeated in parliament for a third time. Though the defeat this time was by a slightly smaller margin of 344 to 286, relative to 391 to 242 votes in the second vote and 432 to 202 votes in the first vote, a defeat still leave UK with no clear plans over what they want out of Brexit. A series of indicative votes on brexit proposals could take place tonight (1 Apr) as MPs seek a compromise to take brexit forward. The last time they held a series of indicative votes was last Wed

and there was no clear plan. Clearly expectations of a compromise are low and in the event of a positive surprise, GBP could trade higher.

Elsewhere European Council President Tusk has now called for Emergency EU summit on Brexit on 10th Apr ahead of Brexit day on 12th Apr. UK will have up till 12th Apr to decide whether to leave without a withdrawal agreement or request for a longer extension beyond 22nd May. If this option is used, then potentially UK will have to participate in the EU parliament elections. Kicking the can down the road may well be supportive of GBP gains as hard brexit is averted.

Pair was last seen at 1.3070 levels. Daily momentum is bearish while stochastics is falling into near-oversold conditions. Immediate support at 1.3020 (lower bound of the bullish trend channel), 1.2975 (200 DMA) and 1.2920 (100 DMA). Resistance at 1.3090 (50 DMA), 1.3165 (21 DMA) and 1.3280. Bias remains to buy dips. Though there is a lack of clear majority for any alternative brexit plans to PM May's plan, the clearest result from the series of non-binding votes (held on 27th Mar) saw MPs voted 400 votes to 160 to oppose a no-deal brexit. This reinforced our bias to buy GBP on dips as the distribution of risks and preferences of UK lawmakers have shifted from no deal, hard brexit to delayed and softer brexit.

Focus this week on PMI Mfg (Mar) on Mon; Construction PMI (Mar) on Tue; Services PMI (Mar) on Wed; House Prices (Mar); Unit Labor Cost (4Q) on Fri.

USD/JPY

Lean against Strength. USDJPY traded higher after decline last week failed to break below 109.50. Pair was last seen at 111 levels. Daily momentum and stochastics suggest upside risks. Resistance at 111.50 (200 DMA) before 112.20. Bias remains to lean against strength, looking for a move towards 110.80 (50 DMA), 109.50 levels.

Focus this week on Tankan Index (1Q) on Mon; Monetary Base (Mar) on Tue; Services PMI (Mar) on Wed; Cash Earnings (Feb) on Fri.

AUD/USD

Chance to Outperform. RBA meeting decision in focus tomorrow (1130am SG/KL time on 2 Apr). Cash rate is widely expected to be kept on hold at 1.5%. OIS-implied shows a 60% chance of a cut in Aug meeting. Markets are expected to look for signs indicating a shift in RBA stance. And we caution that absence of a dovish tilt could see AUD shorts (at 3-month record levels) unwind. This is not impossible especially when regional PMIs (including China, Japan, Korea, etc.) this week surprised to the upside. Furthermore we anticipate that the stabilization in the domestic housing market should stem further deterioration in business and consumer confidence and a pick-up in China's demand, moderate as it may be, may improve its external balance, terms of trade and strengthen the AUD. Decisive break above 0.7150/60 resistance could see AUD trade higher towards 0.72 (200 DMA), 0.7240 levels. Support at 0.7080 (21 DMA), 0.7050 levels.

Focus this week on NAB Business Confidence, Commodity Index (Mar) on Mon; RBA Meeting; Building Approvals (Feb) on Tue; Retail Sales, Trade (Feb); PMI Services (Mar) on Wed; FX Reserves (Mar) on Fri.

NZD/USD

Global PMIs to Drive the Pair This Week. NZD extended its rebound this week owing to upside surprise to regional PMIs including China. Pair was last seen at 0.6820 levels. Mild bearish bias on daily chart remains intact but stochastics shows signs of fading bearish momentum. Break above 0.6840 levels (21, 50 DMA) may see NZD drift higher again. Failing which, NZD could continue to trade 0.6750 – 0.6910 range this week.

Focus this week on GDT Dairy Auction on Tue; House Prices, Commodity Price (Mar) on Wed.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0020; R:3.0240	**Death Cross About to Form.** SGDMYR was last seen at 3.0120 levels. Daily momentum and stochastics are not indicating a clear bias for now. Side-way trades expected. Elsewhere on chart pattern, a death cross appears on track to be formed with 50 cutting 200 DMA to the downside. This is typically associated with a bearish signal. Support at 3.0020. Resistance at 3.0170 (50 DMA), 3.0240 levels. Look to sell rallies.
AUD/MYR		S: 2.8900 R:2.9500	**Looking for a Break to the Upside.** AUDMYR was last seen at 2.9050 levels. Mild bullish momentum on daily chart remains intact. A break above resistance at 2.9170 (23.6% fibo retracement of Dec high to 2019 low) could see upside pressure continue, possibly towards 2.95 (100 DMA, 38.2% fibo). Failing which, the cross could ease back to trade 2.86 – 2.91 levels.
EUR/MYR		S: 4.5800; R:4.6900	**Chance of Reboundgbpmyr.** EURMYR traded lower last week, in line with our caution for downside risks. Cross was last seen at 4.5820 levels. Daily momentum turned mild bearish while stochastics is falling into oversold conditions. We see chance of rebound. Support at 4.57 – 4.58 levels. Resistance at 4.61 (21 DMA), 4.63 (50 DMA).
GBP/MYR		S: 5.3000; R: 5.39	**Further Downside Possible; Buy Dips Preferred.** GBPMYR was last seen at 5.3290 levels. Bearish momentum on daily chart remains intact while stochastic is falling into near-oversold conditions. Further downside pressure towards 5.32, 5.30 levels not ruled out. Buy dips preferred. Resistance at 5.3560, 5.3920.
JPY/MYR		S: 3.6200 R: 3.7000	**Death Cross.** JPYMYR was last seen at 3.6720 levels. Mild bullish momentum on daily chart is showing signs of waning while stochastics Is showing signs of turning lower. 50 DMA looks on track to cut 200 DMA to the downside – death cross - bearish signal. Look to sell rallies. Upside pressure could ease as we stand by our view to sell rallies. Resistance at 3.6950 (200 DMA) before 3.7140 (100 DMA). Support at 3.67 (21 DMA), 3.62 levels.

Technical Chart Picks:

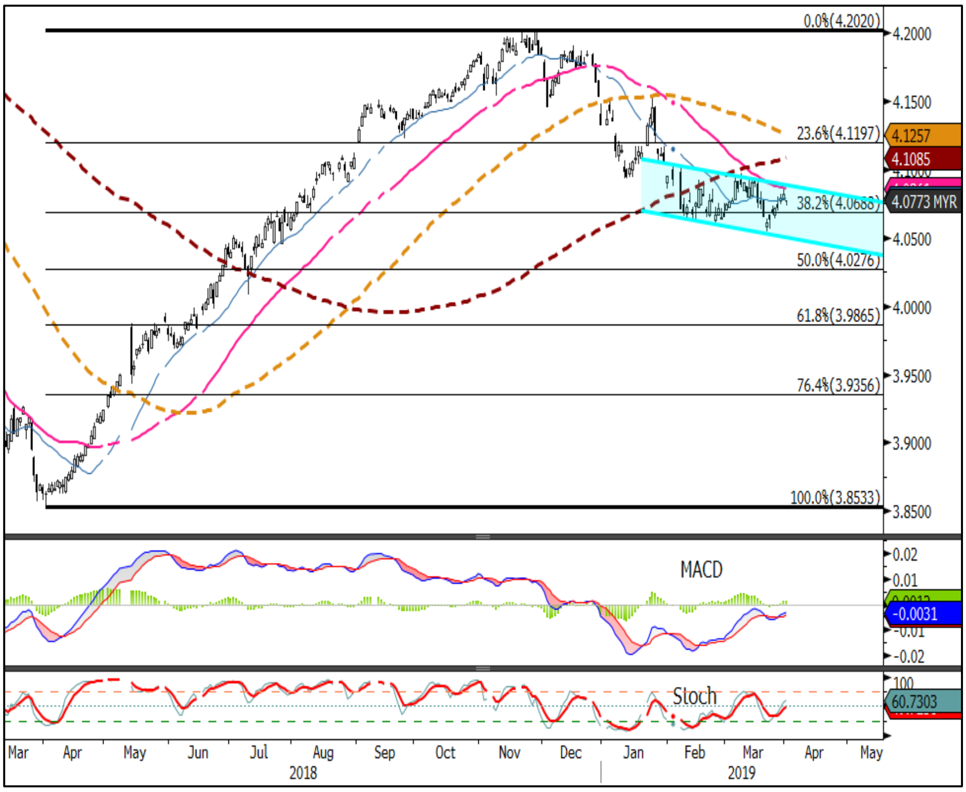
USDSGD Daily Chart – Same Old Range

USDSGD gapped lower in the open this week after last week's attempt to rally failed at the upper bound of the bearish trend channel.

Pair was last seen at 1.3535 levels. Mild bullish momentum on daily chart shows tentative signs of fading while stochastics is showing signs of turning from near overbought conditions. Sustained close below 1.3540 (21, 50 DMAs could see further downward pressure in play towards 1.3470, 1.3450 levels. Resistance at 1.3580 (bearish trend channel resistance) and 1.3610 (sideway channel resistance, 100 DMA).

We continue to look for range of 1.3450 – 1.3620 this week.

USDMYR Daily Chart – Range



USDMYR was last seen at 4.0770 levels.

Spot movement remains well-behaved within the mild bearish trend channel formed since early this year. Range-trade within 4.0550 – 4.09 likely to persist.

AUDSGD Weekly Chart: Bullish Reversal in Play

AUDSGD traded higher. Cross was last seen at 0.9640 levels. Bullish divergence on weekly chart and falling wedge pattern continue to build the case for a bullish reversal - something we shared in the last FX Weekly.

Daily momentum turned mild bullish. We still look for a move higher towards 0.9730 (100 DMA), 0.9820 (50% fibo retracement of Dec high to Mar low). Support at 0.9520 (Mar low)

SGDMYR Daily Chart: Death Cross About to Form

SGDMYR was last seen at 3.0120 levels. Daily momentum and stochastics are not indicating a clear bias for now. Side-way trades expected.

Elsewhere on chart pattern, a death cross appears on track to be formed with 50 cutting 200 DMA to the downside. This is typically associated with a bearish signal. Support at 3.0020. Resistance at 3.0170 (50 DMA), 3.0240 levels. Look to sell rallies.

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Malayan Banking Berhad
(Incorporated in Malaysia)

Saktiandi Supaat	Christopher Wong	Fiona Lim	Leslie Tang
Head, FX Research	Senior FX Strategist	Senior FX Strategist	Senior FX Strategist
saktiandi@maybank.com.sg	wongkl@maybank.com.sg	Fionalim@maybank.com.sg	leslietang@maybank.com.sg
(+65) 63201379	(+65) 63201347	(+65) 63201374	(+65) 63201378