

FX Weekly

Mixed Start to the Week

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 98.00; Resistance at 99.90
- **USD/SGD - Supported.** Support at 1.3830; Resistance at 1.3960
- **USD/MYR - Shooting Star?** Support at 4.18; Resistance at 4.25
- **AUD/SGD - Sideways.** Support at 0.9320; Resistance at 0.9420
- **SGD/MYR - Sell Rallies.** Support at 3.0240; Resistance at 3.0430

USD Directional Risk Higher; But Signs of Turn Around Emerging

Mixed start to the week for USD as strength was very much felt vs. EUR and GBP due to idiosyncratic reasons (Brexit, Italy government formation, soft EU-area core CPI, expectations for ECB bazooka stimulus, etc.) but USD was rather muted vs. AXJs. This could partially be due to hopes of de-escalation of trade tensions between US and China. Trump maintained that there were phone calls between the 2 countries while China's Ministry of Commerce said that both sides have maintained "effective" communication. Looking ahead for this week, USD directional risk could still be skewed to the upside but watch US data coming on stream this week after a quiet start (due to US labor day holidays/ market closure) - US ISM mfg (Tue), ISM non-mfg, durable goods, ADP employment (Thu) and payrolls (Fri) and Fed Chair Powell to speak on Sat. A combination of softer US data and dovish Fed speak could limit USD upside. For USDSGD, sideways trade in range of 1.3830 - 1.3960, with risks to the upside could still continue this week.

RBA to Hold but Keep Doors to Rate Cut Open

After 2 pre-emptive cuts in Jun, July, we expect RBA to adopt wait and hold stance, keeping cash rate at 1% at the upcoming meeting on Tue (3 Sep). Insofar, we saw nascent signs of stabilization in housing prices, better Mfg data, firmer than expected CPI for 2Q, wage growth as well as an upside surprise in the Jul labour report. However, we also note that business confidence remains weak in manufacturing, recreation according to the NAB business survey. Construction output has been weak and that could eventually affect hiring in that sector. With trade negotiations unlikely to end anytime soon, we see a real risk that these signs of stabilization could be threatened and RBA to be forced to cut rates by another 25bps in Oct.

Global Growth Check; Powell Speaks This Week

Key data we are watching this week include US ISM mfg; AU current account, retail sales; NZ GDT auction; UK construction PMI; SG PMI on Tue. For Wed, EU, UK, China services PMI; Largarde attends hearing; AU GDP; MY trade. For Thu, US ADP, ISM non-mfg; US and German factory orders; PH CPI. For Fri, US payrolls; Powell speaks; EU GDP; German IP. China releases FX reserves data on Sat and trade data on Sun.

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Our in-house model implies that S\$NEER is trading around 0.70% above the implied midpoint of 1.4003, suggesting that it is on the stronger side vs. other trading partner currencies.

Please see page 3 for a summary of our trade ideas

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 98.00; R: 99.90	<ul style="list-style-type: none"> Mon: - Nil - Tue: ISM Mfg, PMI Mfg (Aug); Wed: Fed's Williams, Bowman, Bullard, Evans, Kashkari speak; Beige Book; Thu: Services PMI, ISM non-mfg, ADP employment (Aug); Factory orders, Durable Goods (Jul F) Fri: NFP, unemployment rate, avg hourly earnings (Aug); Powell speaks
EURUSD		S: 1.0860; R: 1.1110	<ul style="list-style-type: none"> Mon: Mfg PMI (Aug); ECB's Mersch speaks; Tue: PPI (Jul); Wed: Services PMI (Aug); ECB's Lane speaks; ECB Presidential Nominee Lagarde attends hearing in Brussels; Retail sales (Jul); Thu: ECB's Guindos speaks; German Factory Orders (Jul); Fri: GDP (2Q); German IP (Jul); German labor cost (2Q)
AUDUSD		S: 0.6680; R: 0.6820	<ul style="list-style-type: none"> Mon: PMI Mfg, Commodity index (Aug); Tues: RBA meeting; current account (2Q); Retail sales (Jul); Wed: GDP (2Q); Services PMI (Aug); Thu: Trade (Jul); Fri: FX Reserves (Aug)
NZDUSD		S: 0.6250; R: 0.6360	<ul style="list-style-type: none"> Mon: Terms of Trade (2Q); Tue: Finance Minister speaks; GDT Auction; Wed: - Nil - Thu: ANZ Commodity Prices (Aug); Fri: - Nil -
GBPUSD		S: 1.1800; R: 1.2340	<ul style="list-style-type: none"> Mon: PMI Mfg (Aug); Tue: Construction PMI (Aug); Wed: Services PMI (Aug); BoE's Carney, Haldane, Haskel, Vlieghe speak; Thu: - Nil - Fri: Halifax House Price (Aug)
USDJPY		S: 105.50; R: 107.20	<ul style="list-style-type: none"> Mon: Capex (2Q); Tue: Monetary base (Aug); Wed: PMI Services (Aug); BoJ Kataoka speaks; Thu: - Nil - Fri: Leading index, Coincident index (Jul)
USDCNH		S: 7.1000; R: 7.2000	<ul style="list-style-type: none"> Mon: Caixin PMI Mfg (Aug); Tue: - Nil - Wed: Caixin PMI Services (Aug); Thu: - Nil - Fri: - Nil - Sat: FX Reserves (Aug) Sun: Trade (Aug)
USDSGD		S: 1.3830; R: 1.3960	<ul style="list-style-type: none"> Mon: - Nil - Tue: PMI (Aug) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.1800; R: 4.2500	<ul style="list-style-type: none"> Mon: - Nil - Tue: PMI Mfg (Aug); Wed: Trade (Jul); Thu: - Nil - Fri: FX Reserves (Aug)
USDPHP		S: 51.70; R: 52.50	<ul style="list-style-type: none"> Mon: PMI Mfg (Aug); Tue: - Nil - Wed: - Nil - Thu: CPI (Aug); Unemployment (Jul) Fri: FX Reserves (Aug)
USDIDR		S: 14,000; R: 14,250	<ul style="list-style-type: none"> Mon: PMI Mfg, CPI (Aug); Tue: - Nil - Wed: - Nil - Thu: Consumer Confidence (Aug); Fri: FX Reserves (Aug)

Sources: Bloomberg, Maybank FX Research & Strategy

Tactical FX Trade Ideas - Open

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
26 Jul	Long IDRS GD	0.9702 [0.9615]	0.9940		Open	RV trade on growth and carry [Link]
3 Jul	Short S\$NEER (vs. long USD, CNH, MYR, IDR, PHP)	+1.7% above implied-mid	To-par		Open	Position for MAS easing [Link]

Tactical FX Trade Ideas - Closed

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
11 Jan	Short CNYSGD	0.2000 [trailing SL at 0.1970]	0.1900	+1.5%	Trailing SL at 0.1970 hit (14 Aug)	Triple-top bearish setup [Link]
5 Aug	Long AUDNZD	1.0380 [1.0350]	1.0550	-0.28%	Stopped at 1.0350 (6 Aug)	Position for RBA-RBNZ policy divergence [Link]
30 Jul	Short USDJPY	108.90 [109.70]	107	+1.7%	Closed at 107 {2 Aug}	Technical bearish reversal [Link]
26 Jul	Long AUDCAD	0.9146 [0.9050]	0.9350	-1.04%	Stopped at 0.9050 (31 Jul)	Expectations for BoC to cut rate vs. RBA on hold [Link]
8-Mar	Short USDJPY	111.70 [114.50]	108, 105	+1.97%	Closed at 109.50 (14 May)	Narrowing yield differentials and slowing growth concerns [Link]
8 Mar	Long USDKRW (3m call)	1129 spot ref	Strike at 1140; B/E at 1148.2	+3.10%	Closed at 1186 (14 May)	Cheap hedge against equity sell-off [Link]
8 Mar	Long IDRKRW	0.0800 [0.0780]	0.0860	+2.80% (excl. carry returns)	Closed at 0.0826 [14 May]	RV trade on monetary policy space, growth divergence [Link]
16 Nov	Long THB, IDR vs. Short PHP (basket)	99.5 [98.60]	101.34	+1.85% (excl. carry returns)	Closed at 101.34 (4 Jan)	RV trade in monetary policy space to tighten [Link]
Cumulative P/L				+11.6%		

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Plenty of Tier-1 Data, Fed Speaks This Way. Mixed start to the week for USD as strength was very much felt vs. EUR and GBP due to idiosyncratic reasons (Brexit, Italy government formation, soft EU-area core CPI, expectations for ECB bazooka stimulus, etc.) but USD was rather muted vs. AXJs. This could partially be due to hopes of de-escalation of trade tensions between US and China. Trump maintained that there were phone calls between the 2 countries while China's Ministry of Commerce said that both sides have maintained "effective" communication and will not immediately retaliate the recent round of tariff increases. China Foreign Ministry spokesman Geng said that priority for China and US should be creating favourable conditions for continuing trade talks. In addition a lower than expected USDCNH daily fix and unexpected rise in China Caixin Mfg PMI into expansionary territories somewhat helped to anchor USD/AXJs.</p> <p>There are a handful of US data and Fed speaks this week that would be of interest. Key focus on US ISM mfg (Tue), ISM non-mfg, durable goods, ADP employment (Thu) and payrolls (Fri) and Fed Chair Powell to speak. Softer US data could limit USD upside but directional risks remain skewed to the upside.</p> <p>DXY was last seen at 99 levels. Bullish momentum on daily chart remains intact while stochastics is rising into overbought conditions. Potential rising wedge pattern in the making - typically associated with a bearish reversal. Taken together, directional risk skewed to the upside but tentative signs of turn-around are emerging. Resistance at 99.10, 99.40 and 99.90 levels. Support at 98.40, 98 levels (21 DMA). We look to lean against strength.</p> <p><i>Data/Events this week on ISM Mfg, PMI Mfg (Aug) on Tue; Fed's Williams, Bowman, Bullard, Evans, Kashkari speak; Beige Book on Wed; Services PMI, ISM non-mfg, ADP employment (Aug); Factory orders, Durable Goods (Jul F) on Thu; NFP, unemployment rate, avg hourly earnings (Aug); Powell speaks on Fri.</i></p>
EUR/USD	<p>Downward Bias. EUR remains under pressure amid growing expectations of significant ECB easing next Thu (12 Sep) as softer than expected core CPI reinforces, concerns of deeper slowdown in Euro-area (PMIs in contractionary territory) for longer, and political uncertainties in Italy, UK Brexit.</p> <p>On Italy, question remains if fresh elections will be held and this is dependent on whether the alternative coalition government (formed between Five Star Movement and Democratic Party and led by Conte) can manage to sort out its cabinet appointments. PM Conte is expected to unveil his cabinet line-up by Wed. The new coalition is perceived to be fragile with total seats at 339 (vs. previous coalition government (between 5SM and Northern League at 352 seats) and both parties had a history of differences in political bias.</p> <p>We expect limited degree of precautionary easing from ECB which include 10bps cut to current deposit rate of -0.40% and re-introduction of TLTRO-III as planned with rate at par to MRO (as opposed to +10bps above the average rate applied to MRO) over the life of the respective TLTRO and as low as the average deposit facility rate +10bps for banks exceeding a certain lending benchmark (tiered system). We stopped short of calling an all-out easing (i.e. deeper cut to deposit rates and QE) in part to avoid expending its monetary policy tools too soon and in part due to limitations on how effective further rate cuts may be on the economy when key policy rates are already negative. Fiscal stimulus measures should do the heavy-lifting and help to partially mitigate EUR weakness.</p> <p>Pair was last seen at 1.0970 levels. Bearish momentum on weekly, daily chart remains intact while stochastics is falling into oversold conditions. Technical bias points to downside pressure. Support at 1.0950, 1.0860 (76.4% fibo retracement of 2016 low to 2018 high. Resistance at 1.1060, 1.1110 (21 DMA).</p> <p><i>Focus this week on Mfg PMI (Aug); ECB's Mersch speaks on Mon; PPI (Jul) on Tue; Services PMI (Aug); ECB's Lane speaks; ECB Presidential Nominee Lagarde attends hearing in Brussels; Retail sales (Jul) on Wed; ECB's Guindos speaks; German Factory Orders (Jul) on Thu; GDP (2Q); German IP (Jul); German labor cost (2Q) on Fri.</i></p>

GBP/USD Risks Tilted to the Downside Ahead of Commons Return from Recess. GBP fell on renewed brexit uncertainties. Earlier Scottish judge refused to block BoJo's plan to suspend parliament but lawmakers are now planning to table legislation to try and block a no-deal brexit and this could end up with a General Elections. Elsewhere UK mfg PMI slumped deeper into contractionary territories. Focus remains on 3 Sep when House of Commons returns from recess and if the MPs can scramble to block BoJo ahead of the planned suspension that takes effect no earlier than 9th Sep and no later than 12th Sep.

Pair was last seen at 1.2080 levels. Bullish momentum on daily chart is waning while stochastics is falling. Further decline possible. Support at 1.2020 before 1.18 levels. On the weekly chart, we observed a potential bullish divergence in the making. Resistance at 1.2340 (50 DMA), 1.2440 levels. Bias to accumulate GBP on dips.

Focus this week on PMI Mfg (Aug) on Mon; Construction PMI (Aug) on Tue; Services PMI (Aug); BoE's Carney, Haldane, Haskel, Vlieghe speak on Wed; Halifax House Price (Aug) on Fri.

USD/JPY Still Looking for Technical Rebound. USDJPY was last seen at 106.30 levels. Mild bullish momentum remains intact while stochastics is rising. Bullish divergence on MACD observed on weekly chart. In addition, a corrective rebound in UST yield is also supportive of USDJPY upside. Immediate resistance at 106.90, 107.20 (50 DMA). Support at 106, 105.50.

Focus this week on Capex (2Q) on Mon; Monetary base (Aug) on Tue; PMI Services (Aug); BoJ Kataoka speaks on Wed; Leading index, Coincident index (Jul) on Fri.

AUD/USD At Risk of Further Downside; Look to Trade 0.67 - 0.68. AUD was last seen at 0.6730 levels. Mild bullish momentum on daily chart shows signs of fading while stochastics is falling. Pennant flag pattern suggests continuation of bearish bias. Risks remain skewed to the downside. Support at 0.67 (pennant flag bottom), 0.6680 (2019 low). Resistance at 0.6760 (21 DMA), 0.6820. We look for opportunities on AUUDNZD rally towards 1.0690 - 1.0730 to fade into. Target objective at 1.05. SL above 1.0750.






Focus this week on PMI Mfg, Commodity index (Aug) on Mon; RBA meeting; current account (2Q); Retail sales (Jul) on Tue; GDP (2Q); Services PMI (Aug) on Wed; Trade (Jul) on Thu; FX Reserves (Aug) on Fri.

NZD/USD Is the Bottom Near? The relentless journey down south since mid-Jul from 0.68-handle to 0.63-lows may seem a bit one-sided and stretched technically. To be sure the move was driven lower by RBNZ's surprise 50bps cut and re-escalation of US-China trade dispute. Lack of material progress on the latter though could still keep NZD on the back foot.

Pair was last seen at 0.6310 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. Potential falling wedge appears to be in the making - typically associated with bullish reversal could play out. Next support at 0.6250 levels. Resistance at 0.6340/60.

Focus next week on Terms of Trade (2Q) on Mon; Finance Minister speaks; GDT Auction on Tue; ANZ Commodity Prices (Aug) on Thu.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0240; R: 3.0430	Bias to Sell Rallies. SGDMYR drifted higher last week. As of Fri close, cross was at 3.0390 levels. Bullish momentum on daily chart shows tentative signs of fading while stochastics is turning lower. Bias to sell rallies. Resistance at 3.0430 (61.8% fibo retracement of Jun high to Aug low). Support at 3.0350 (50% fibo), 3.0270 (38.2% fibo), 3.0240 (21 DMA). Bias to sell rallies.
AUD/MYR		S: 2.8100 R: 2.8600	Range. AUDMYR consolidated near recent lows last week. Last seen at 2.8305 levels. Mild bullish momentum on daily chart is fading while stochastics shows signs of falling. Risks skewed to the downside. Support at 2.80, 2.81 levels. Immediate resistance at 2.8350 (21 DMA), 2.8610 (50 DMA). Look for consolidative trade in 2.81 - 2.86 this week.
EUR/MYR		S: 4.6000; R: 4.6800	Bearish Momentum. EURMYR was last seen at 4.6540 levels, as of Fri close. Bearish momentum on daily chart remains intact while stochastics is falling. Risks remain skewed to the downside. Support at 4.6230 (61.8% fibo retracement of Aug low to high), 4.6020 (76.4% fibo). Resistance at 4.6650 (200 DMA), 4.6770 (23.6% fibo).
GBP/MYR		S: 5.0700; R: 5.1700	Bullish Momentum Shows Signs of Fading. GBPMYR was last seen at 5.13 levels, as of Fri close. Bullish momentum on daily chart intact but shows signs of waning while stochastics is showing signs of turning lower. Support at 5.10, 5.0930 (21 DMA), 5.05 levels. Resistance at 5.1750 (38.2% fibo retracement of May high to Jul low), 5.2280 (50% fibo).
JPY/MYR		S: 3.9150 R: 4.0000	Tentative Signs of Turning Mild Bearish. JPYMYR was last seen at 3.9570 levels. Daily momentum is showing tentative signs of turning mild bearish. Support at 3.9490 (21 DMA), 3.9150 levels. Resistance at 4 levels.

Technical Chart Picks:

USDUSD Daily Chart - Range



USDUSD continues to trade near fresh 2019-highs; last seen at 1.3890 levels.

Underlying momentum remains bullish, as shown on the weekly chart (not shown here) but near term momentum appears to contradict, implying that there may be fatigue from the recent run-up.

Immediate support at 1.3880 (21 DMA) before 1.3840, 1.3780 (50% fibo retracement of 2017 high to 2018 low).

Resistance at 1.3910 before 1.3960 (61.8% fibo). Break above could see more room for further upside towards 1.40-handle. Meantime this week we look for range-bound trade between 1.3830 - 1.3960.

USDMYR Weekly Chart - Shooting Star?



USDMYR's early week gains were partially retraced into last week close ahead of market closure today.

As of Fri close, pair was last seen at 4.2055 levels. Last week's session created a shooting star pattern - a potential bearish reversal.

Support at 4.20 before 4.1890 levels (21 DMA), 4.1780.

Resistance at 4.22, 4.25 levels. Technically we look for the pair to ease off this week but decline should still find support around 4.18 levels.

AUDSGD Weekly Chart: Sideways



AUDSGD continues to trade near recent lows. Cross was last seen at 0.9350 levels.

Daily momentum is not indicating a clear bias for now. Expect sideways trades in the range of 0.9320 - 0.9420.

SGDMYR Daily Chart: Bias to Sell Rallies



SGDMYR drifted higher last week. As of Fri close, cross was at 3.0390 levels.

Bullish momentum on daily chart shows tentative signs of fading while stochastics is turning lower. Bias to sell rallies. Resistance at 3.0430 (61.8% fibo retracement of Jun high to Aug low).

Support at 3.0350 (50% fibo), 3.0270 (38.2% fibo), 3.0240 (21 DMA). Bias to sell rallies.

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