

## FX Weekly

# All to Cut? We Doubt...

### The Week Ahead

- **Dollar Index - Supported.** Support at 96.70; Resistance at 98.40
- **USD/SGD - Fade.** Support at 1.3550; Resistance at 1.3670
- **USD/MYR - Upside Risk.** Support at 4.1200; Resistance at 4.1550
- **AUD/SGD - At Risk.** Support at 0.9350; Resistance at 0.9650
- **SGD/MYR - Range.** Support at 3.0300; Resistance at 3.0500

### US Payrolls, Fed Speaks, S&P 500 to Dictate Sentiment

USD remains better bid following Powell's recent comments and ahead of NFP tonight (830pm SG/KL time). Expectations are building up for a bigger than expected print after ADP employment massively surprised to the upside (+275k vs. +180k expected) last Wed. For payrolls tonight, Consensus expects NFP to come in at +190k and hourly earnings to pick up to 0.3% m/m. A strong print would add to US outperformance and support USD strength while a much weaker than expected print could spook market sentiment and result in flight to safety favouring risk-off proxy FX including USD and JPY. A sweet spot for USD strength to fade would be NFP and hourly earnings coming in close to expectations. Elsewhere markets are also likely to pay close attention to S&P500's double top resistance at 2,940 levels, which had somewhat capped the index from extending its recent gains overnight. A follow-through decline amid sell-in-May adage could see USD and JPY better bid. Plenty of Fed speaks lined up tonight should also provide some clarity on Powell's recent comments.

### Consensus Expects BNM, RBA, RBNZ and BSP to Cut 25bps

We expect BNM to cut OPR by 25bps to 3%, given benign inflation outlook and to support domestic demand growth as well as shoring up consumer and business sentiment/confidence. We also see risks of RBA cutting cash rate to 1.5% as RBA may want to err on the side of caution to insure against further deterioration in growth momentum. For RBNZ, we maintain an out-of-consensus call for OCR to remain on hold at 1.75% as there is no urgency to given strong labor market, risk of upward pressure on inflation. Our Economists expect BSP to cut policy rate by 50bps but only in 2H 2019.

### China, US Inflation; China Services PMI; German IP Next Week

Key highlights next week include EU services PMI, retail sales; China Caixin services PMI; Indonesia GDP on Mon. For Tue, AU retails sales, trade, RBA meeting; German factory orders; BNM meeting; China, FX reserves from SG, MY, PH. For Wed, German IP; RBNZ MPC; China trade; PH exports. For Thu, US PPI, trade; UK GDP, IP, trade; China CPI, PPI; PH GDP, BSP meeting. For Fri, US CPI; RBA's SOMP; SG retail sales; Malaysia IP and Indonesia current account. Handful of Fed speaks next week including Chair Powell.

### 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 1.05% above the implied midpoint of 1.3787, 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: 96.70; R: 98.40	<ul style="list-style-type: none"> <li>• Mon: Fed's Harker speaks;</li> <li>• Tue: Fed's Kaplan, Quarles speak; JOLTS Job Openings (Mar);</li> <li>• Wed: Fed's Brainard speaks;</li> <li>• Thu: Fed's Powell, Bostic, Evans speak; PPI (Apr); Trade (Mar);</li> <li>• Fri: CPI, Real average Hourly Earnings (Apr); Fed's Brainard, Bostic, Williams speak</li> </ul>
EURUSD		S: 1.1050; R: 1.1330	<ul style="list-style-type: none"> <li>• Mon: Services PMI (Apr); Retail Sales (Mar); Sentix Investor Confidence (May);</li> <li>• Tue: German Factory Orders (Mar);</li> <li>• Wed: German IP (Mar);</li> <li>• Thu: - Nil -</li> <li>• Fri: ECB's Coeure, Villeroy, Visco, Lautenschlaeger speak; German Trade (Mar)</li> </ul>
AUDUSD		S: 0.6840; R: 0.7100	<ul style="list-style-type: none"> <li>• Mon: - Nil -</li> <li>• Tues: RBA Meeting; Retail Sales, Trade (Mar); FX Reserves (Apr);</li> <li>• Wed: - Nil -</li> <li>• Thu: - Nil -</li> <li>• Fri: RBA's SoMP</li> </ul>
NZDUSD		S: 0.6490; R: 0.6750	<ul style="list-style-type: none"> <li>• Mon: ANZ Commodity Index (Apr);</li> <li>• Tue: 2-Year Inflation Expectations; GDT Dairy Auction;</li> <li>• Wed: RBNZ MPC; RBNZ's Orr speaks;</li> <li>• Thu: RBNZ's Orr at Parliament Select Committee;</li> <li>• Fri: Card Spending (Apr)</li> </ul>
GBPUSD		S: 1.2800; R: 1.3100	<ul style="list-style-type: none"> <li>• Mon: Halifax House Prices (Apr); BoE's Cunliffe, Haldane speak;</li> <li>• Tue: BoE's Ramsden speaks;</li> <li>• Wed: - Nil -</li> <li>• Thu: GDP (1Q); Industrial Production, Construction Output, Trade (Mar)</li> <li>• Fri: - Nil -</li> </ul>
USDJPY		S: 110.70; R: 112.40	<ul style="list-style-type: none"> <li>• Mon: - Nil -</li> <li>• Tue: PMI Mfg (Apr);</li> <li>• Wed: PMI Services (Apr);</li> <li>• Thu: - Nil -</li> <li>• Fri: Cash Earnings (Mar)</li> </ul>
USDCNH		S: 6.6700; R: 6.7700	<ul style="list-style-type: none"> <li>• Mon: Caixin PMI Services (Apr);</li> <li>• Tue: FX Reserves (Apr)</li> <li>• Wed: Trade (Apr);</li> <li>• Thu: CPI, PPI (Apr)</li> <li>• Fri: Current Account (1Q)</li> </ul>
USDSGD		S: 1.3550; R: 1.3670	<ul style="list-style-type: none"> <li>• Mon: PMI (Apr);</li> <li>• Tue: FX Reserves (Apr)</li> <li>• Wed: - Nil -</li> <li>• Thu: - Nil -</li> <li>• Fri: Retail Sales (Mar)</li> </ul>
USDMYR		S: 4.1200; R: 4.1550	<ul style="list-style-type: none"> <li>• Mon: - Nil -</li> <li>• Tue: BNM Meeting; FX Reserves (Apr);</li> <li>• Wed: - Nil -</li> <li>• Thu: - Nil -</li> <li>• Fri: IP (Mar)</li> </ul>
USDPHP		S: 51.50; R: 52.10	<ul style="list-style-type: none"> <li>• Mon: - Nil -</li> <li>• Tue: CPI, FX Reserves (Apr);</li> <li>• Wed: Exports (Mar);</li> <li>• Thu: GDP (1Q); BSP Meeting</li> <li>• Fri: - Nil -</li> </ul>
USDIDR		S: 14,150; R: 14,420	<ul style="list-style-type: none"> <li>• Mon: GDP (1Q); Consumer Confidence (Apr);</li> <li>• Tue: - Nil -</li> <li>• Wed: FX Reserves (Apr);</li> <li>• Thu: - Nil -</li> <li>• Fri: Current Account (1Q)</li> </ul>

Sources: Bloomberg, Maybank FX Research & Strategy

## Selected G7 FX View

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>Of NFP Today and Fed Speaks Next Week.</b> DXY's early week decline reversed after Fed Chair Powell's comments at a supposedly non-event FoMC (1-2 May) surprised markets. In particular he characterised those pressures that drove inflation lower as "transient". He noted that inflation will return to 2% target over time amid a strong labor market and continued growth. He reiterated that current stance of policy is appropriate and he does not see a strong case for moving rates in either direction. Markets were earlier pricing in 53% chance of rate cut as early as Oct-2019 meeting but bets for a rate cut has shifted to Nov-2019 meeting post-FoMC. While Fed fund target rate was kept on hold at 2.25 - 2.5%, the interest on Excess Reserves (IOER) was cut by 5bps to 2.35% as a technical adjustment rather than policy guidance on monetary policy. This was in line with our call. Accompanying statement reiterated Fed's patience stance and data-dependence approach in light of global economic and financial developments and muted inflation pressures. Our house view continues to look for fed fund rate to remain at current levels till end-2020.</p> <p>Going forward <b>NFP tonight (830pm SG/KL time) will be of top interest.</b> Expectations are building up for a bigger than expected print after ADP employment massively surprised to the upside (+275k vs. +180k expected) last Wed. Consensus expects NFP to come in at +190k and hourly earnings to pick up to 0.3% m/m. A strong print would add to US outperformance and support USD strength while a much weaker than expected print could spook market sentiment and result in flight to safety favouring risk-off proxy FX including USD and JPY. A sweet spot for USD strength to fade would be NFP and hourly earnings coming in close to expectations. Elsewhere markets are also likely to pay close attention to S&amp;P500's double top resistance at 2,940 levels, which had somewhat capped the index from extending its recent gains overnight. A follow-through decline amid sell-in-May adage could see USD and JPY better bid. A handful of Fed officials including Vice-Chair Clarida, Evans, Williams, Bowman, Bullard, Daly, Kaplan and Mester are scheduled to speak later tonight. They may further provide some clarity on Fed Chair Powell's comments (that low inflation is transitory) - if that represents a tilt in Fed's monetary stance.</p> <p>DXY was last seen at 97.8 levels. Mild bullish momentum on daily chart remains intact but is fading. Stochastics shows signs of turning lower from near-overbought conditions. Resistance at 97.87 (61.8% fibo retracement of 2017 high to 2018 low), 98.4 (2019 high). Support at 97.44 (21 DMA), 97.1 levels (50 DMA), 96.7 (100 DMA, upward sloping trend-line support from the lows in Mar and Apr-2019) and 96.20 (200 DMA). Bias remains to lean against strength.</p> <p><i>Focus next week on Fed's Harker speaks on Mon; Fed's Kaplan, Quarles speak; JOLTS Job Openings (Mar) on Tue; Fed's Brainard speaks on Wed; Fed's Powell, Bostic, Evans speak; PPI (Apr); Trade (Mar) on Thu; CPI, Real average Hourly Earnings (Apr); Fed's Brainard, Bostic, Williams speak on Fri.</i></p>
<b>EUR/USD</b>	<p><b>Near Term Downside Risks.</b> EUR's cautious recovery since late last week from 1.11-lows to a high of 1.1265 (mid-week) was dented thanks to Fed Chair Powell's comment at the last FoMC. Subsequent uneven green shoots of recovery in Euro-area proved insufficient to bring EUR back up. Mfg PMIs for France, Spain and Italy came in better than expected while Germany slumped. Recent news of Rhine River (one that flows past important industrial zones before reaching the North Sea at Rotterdam) possibly running low again this Summer for ships to pass dashed hopes of growth stabilisation for Germany. EUR was last seen at 1.1160 levels. Bearish momentum on weekly and daily chart remains intact while stochastics has dipped into oversold conditions. Near term risks remain skewed to the downside. A bullish divergence could potentially be in the making. Resistance at 1.1230 (21 DMA), 1.1270 (50 DMA) and 1.1330 (100 DMA). Support at 1.1120, 1.1050 levels. Bias to buy dips.</p> <p><i>Focus next week on Services PMI (Apr); Retail Sales (Mar); Sentix Investor Confidence (May) on Mon; German Factory Orders (Mar) on Tue; German IP (Mar) on Wed; ECB's Coeure, Villeroy, Visco, Lautenschlaeger speak; German Trade (Mar) on Fri.</i></p>
<b>GBP/USD</b>	<p><b>Cautious Recovery.</b> GBP's recovery from 1.28-handle to above 1.30-handle stalled in the face of USD strength. Pair was last seen at 1.3020 levels. Daily momentum turned bullish while stochastics is rising. Move higher could gather traction only on break above 1.31 (50 DMA). Support at 1.3020 (21 DMA), 1.2980 (100, 200 DMAs). There are some positive developments on Brexit that could support GBP's recovery. PM May signaled readiness to respect rest of MPs' say on Brexit while cross party talks appears to be progressing. There was also reports that PM May is preparing to keep EU customs rules</p>

that PM May hopes that UK will leave well before 31<sup>st</sup> Oct deadline. There seems to be some compromise as PM May attempts strike a fine balance to please both Brexiters and breainers.

On a recap of the last BoE (2 May), MPC and quarterly QIR painted a mixed tone. Inflation outlook for 2019 and 2020 was revised lower while growth was revised higher. BoE Governor Carney said that business investment is likely to fall for a little while longer. "Gradual and limited" rate hike rhetoric was reiterated but Carney also said that investors were underestimating how much interest rates could rise.

*Focus next week on Halifax House Prices (Apr); BoE's Cunliffe, Haldane speak on Mon; BoE's Ramsden speaks on Tue; GDP (1Q); Industrial Production, Construction Output, Trade (Mar) on Thu.*

**USD/JPY Near Term Risk of Rebound Not Ruled Out.** USDJPY traded a subdued range this week as onshore markets are closed for golden week celebrations. Onshore markets will return on Tue and we should see market liquidity coming back next week as China returns. Pair was last seen at 111.50 levels. Bearish momentum on daily chart remains intact but signs of turning around are emerging on the stochastics chart. We do not rule out near term risk of rebound (especially if UST yields continue to trade higher or equities firm). But bias remains to lean against strength. Immediate resistance at 111.70 (21 DMA) before 112.20, 112.40. We continue to look for a move lower towards 111.30, 110.70. Elsewhere markets are also likely to pay close attention to S&P500's double top resistance at 2,940 levels, which had somewhat capped the index from extending its recent gains overnight. A follow-through decline amid sell-in-May adage could see USDJPY lower. But a wave of buying given that the world economy is not tanking but still in stabilisation mode may pose upside risk to the pair.

*Focus next week on PMI Mfg (Apr) on Tue; PMI Services (Apr) on Wed; Cash Earnings (Mar) on Fri. Japan returns on Tue after 10-day holiday.*






**AUD/USD Of RBA and Retail Sales Next Week.** Eyes are on the RBA meeting on the 7th May as the OIS implied probability of a rate cut had jumped to 55% vs. 12% before the release of the 1Q CPI. For this reason, we are of the view that even as we have brought forward our rate cut call to May, we do not think AUD would see a lot more downside from here. We do not see a need for RBA to ease by a lot more as hiring is still solid. The concern here is that weakness in wage growth, fall in housing prices and concomitant declines in household spending could translate at some point to some slowdown in hiring and ticks higher in the unemployment rate. And RBA has historically been rather sensitive to upticks of this measure, reacting within a quarter to signs of weakness in the labour market - namely upticks in unemployment rate. AUD was last seen at 0.70. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Near term risks still skewed to the downside. Failure to reclaim 0.70-handle on a weekly close could see bears take control next week. Support at 0.6840. Resistance at 0.71, 0.7170 levels.

*Focus next week on RBA Meeting; Retail Sales, Trade (Mar); FX Reserves (Apr) on Tue; RBA's Statement on Monetary Policy on Fri.*

**NZD/USD A Bullish Divergence Forming?.** We stand firm on our view that there is no urgency for RBNZ to cut rate at the upcoming MPC meeting (8th May). Though 1Q CPI slipped, the decline was led by tradable inflation while non-tradable component (a proxy for domestic price pressures) continues to show an upward trajectory. Going forward tradable inflation could be poised for rebound as oil prices recovered further and NZD depreciated. Taken together, the potential rise in NZ CPI towards the middle of RBNZ target range of 1% - 3% as capacity builds, higher oil prices and the risk of upward pressure on domestic prices including wage growth owing to tightening of labor market are some of the factors to justify that our call for RBNZ to remain on hold. Furthermore RBNZ Governor Orr admitted (in an interview on 26th Apr) that he is "not particularly worried" by the recent slowdown in NZ growth as the country has a strong labor market, strong fiscal position, strong terms of trade and has room to cut rates if required. NZD was last seen at 0.6620 levels. Bearish momentum on daily chart remains intact while stochastics shows signs of rising from near-oversold conditions. A potential bullish divergence appears to be forming on the daily chart. We look for pullbacks to buy into. Support at 0.6580, 0.6490. Resistance at 0.6660, 0.6750

*Focus next week on ANZ Commodity Index (Apr) on Mon; 2-Year Inflation Expectations, GDT Dairy Auction on Tue; RBNZ MPC; RBNZ's Orr speaks on Wed; RBNZ's Orr at Parliament Select Committee on Thu; Card Spending (Apr) on Fri.*

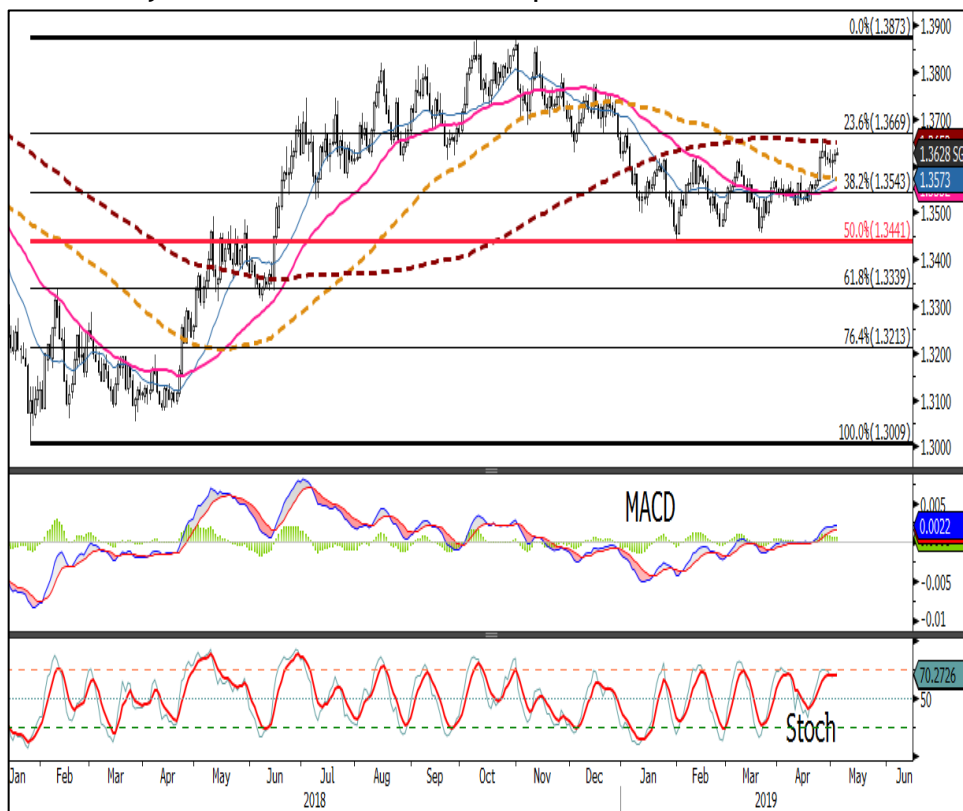
## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0300; R: 3.0500	<b>Range.</b> SGDMYR was last seen at 3.0360 levels. Bearish momentum on daily chart intact while stochastics shows signs of turning from oversold conditions. We see some stabilisation from the recent move lower. Support at 3.0360 (38.2% fibo retracement of 2019 low to high) and 3.0280 (50% fibo). Immediate resistance at 3.0470, 3.0520, 3.0640 (recent high). Look for 3.03 - 3.05 range next week.
AUD/MYR		S: 2.8650 R: 2.9300	<b>Bearish but Entering Oversold Conditions.</b> Early week's gains in AUDMYR faded as the week draws to a close. Cross was last seen at 2.8990 levels. Bearish momentum on daily chart remains intact but stochastics is falling into near-oversold conditions. Support at 2.88, 2.8650 likely to hold. Resistance at 2.9170, 2.93 levels.
EUR/MYR		S: 4.6000; R: 4.6600	<b>Downside Pressure May Ease.</b> EURMYR was last seen at 4.6270 levels. Mild bearish momentum on daily chart remains intact while stochastics is showing signs of turning higher. Downside pressure may ease. Immediate support at 4.6150, 4.5970 levels. Resistance at 4.6420, 4.66.
GBP/MYR		S: 5.3700; R: 5.4500	<b>Risks Skewed to the Upside.</b> GBPMYR turned higher this week amid GBP outperformance. Cross was last seen at 5.40 levels. Daily momentum turned mild bullish while stochastics is rising from near oversold conditions. Near term risks to the upside. Immediate resistance at 5.4150 before 5.4350, 5.45. Support at 5.39, 5.3710 and 5.3560 levels.
JPY/MYR		S: 3.6800 R: 3.7440	<b>Bullish but Rising into near Overbought Conditions.</b> JPYMYR drifted a touch higher this week; last seen at 3.7150 levels. Bullish momentum on daily chart remains intact while stochastics is rising into near-overbought conditions. 21 DMA looks on track to cut 200 DMA to the upside. Immediate resistance at 3.7180 (38.2% fibo retracement of Jan high to Apr low). Break above that puts next resistance at 3.7440 (50% fibo). Support at 3.6860 (23.6% fibo), 3.6780 (50 DMA).  but rally likely to face strong resistance at 3.71 (100 DMA, double top). Support at 3.70, 3.6820.



## Technical Chart Picks:

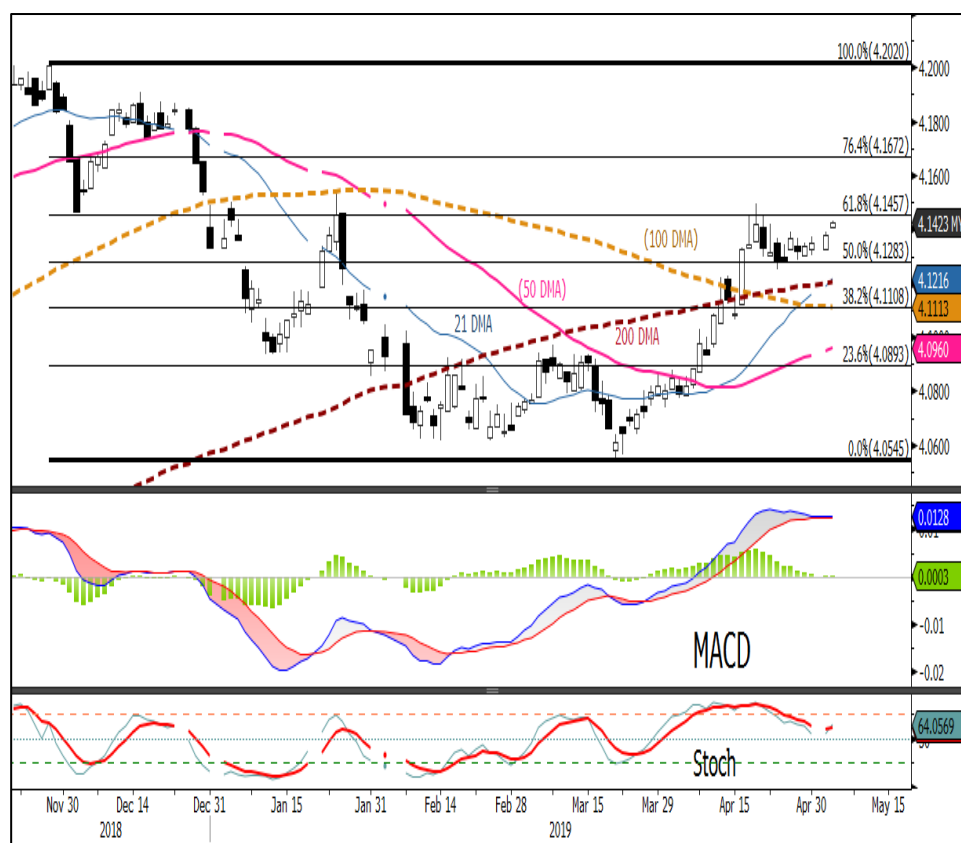
USDSGD Daily Chart - Near Term Risks to the Upside



USDSGD remained well-supported this week. Pair was last seen at 1.3630 levels.

Bullish momentum on daily chart remains intact. 21 DMA looks on track to cut 100 DMA to the upside. Near term risks skewed to the upside. Immediate resistance at 1.3650 (200 DMA), 1.3670 (23.6% fibo retracement of 2018 low to high). Break above could usher in further upside play towards 1.37-1.38 levels. Support at 1.3570 (21, 100 DMAs), 1.3550 (50 DMA).

USDMYR Daily Chart - Upside Risk



USDMYR drifted a touch higher this week; last seen at 4.1420 levels.

Daily momentum is not showing a clear bias but 21 DMA cuts 100 and 200 DMA to the upside. This suggests near term upside risk. Immediate resistance at 4.1460 (61.8% fibo retracement of 2018 high to 2019 low) before 4.1550 (2019 high). Decisive push above these levels puts next resistance at 4.1670 (76.4% fibo).

Support at 4.1280 (50% fibo) before 4.12 levels.

## AUDSGD Daily Chart: Third Time Lucky?

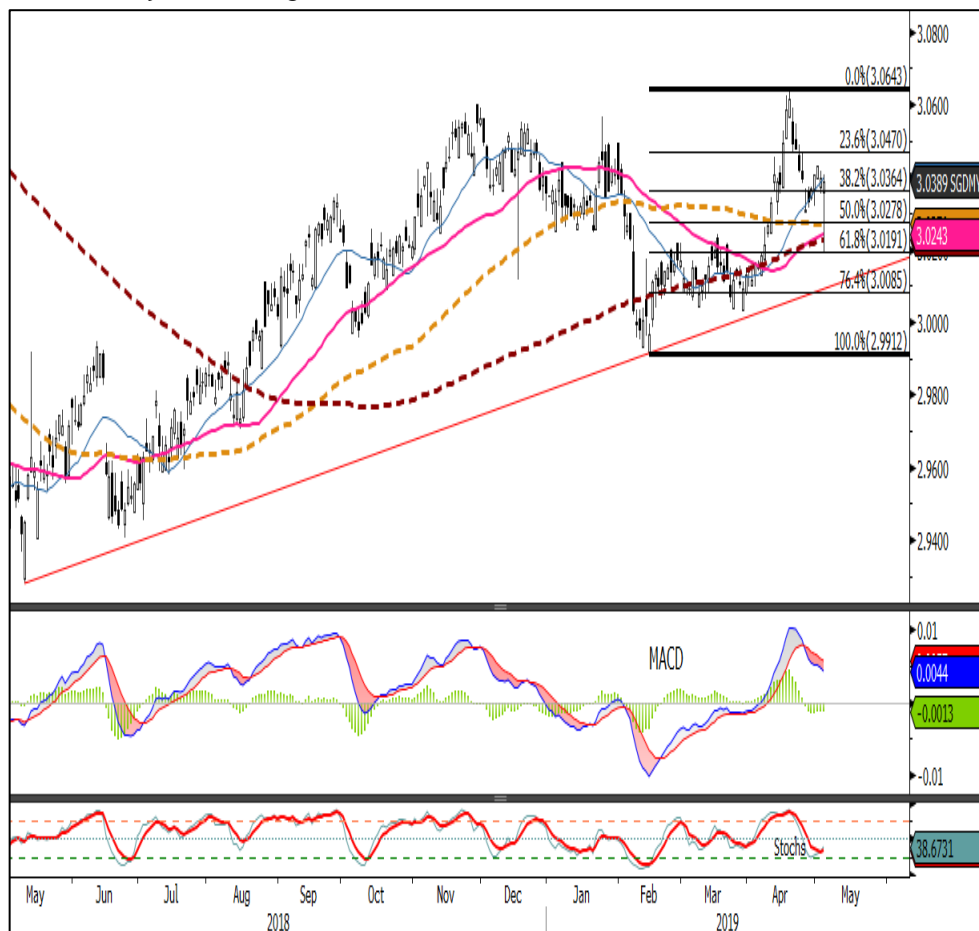


Our caution (in the last FX Weekly) for near term downside risks materialised.

AUDSGD continued to trade near recent lows amid AUD underperformance; last seen around 0.9540. Bearish momentum on daily chart remains intact while stochastics has fallen into oversold conditions.

Key support at 0.9530 (interim triple bottom). Break below this may open room for larger downside towards 0.9350 levels. Resistance at 0.9620 (50 DMA), 0.9650 (100 DMA).

## SGDMYR Daily Chart: Range



SGDMYR was last seen at 3.0360 levels.

Bearish momentum on daily chart intact while stochastics shows signs of turning from oversold conditions. We see some stabilisation from the recent move lower.

Support at 3.0360 (38.2% fibo retracement of 2019 low to high) and 3.0280 (50% fibo). Immediate resistance at 3.0470, 3.0520, 3.0640 (recent high).

Look for 3.03 - 3.05 range next week.

## DISCLAIMER

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy the securities or financial instruments referred to herein, or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy. Investors should note that income from such securities or financial instruments, if any, may fluctuate and that each security's or financial instrument's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation or the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities and/or financial instruments or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Malayan Banking Berhad and/or its affiliates and related corporations (collectively, "Maybank Group") and consequently no representation is made as to the accuracy or completeness of this report by Maybank Group and it should not be relied upon as such. Maybank Group and any individual connected to the Maybank Group accept no liability for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Maybank Group and its officers, directors, associates, connected parties and/or employees may from time to time have positions or be materially interested in the securities and/or financial instruments referred to herein and may further act as market maker or have assumed an underwriting commitment or deal with such securities and/or financial instruments and may also perform or seek to perform investment banking, advisory and other services for or relating to those entities whose securities are mentioned in this report. Any information, estimate, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions and analysis made and information currently available to us as of the date of the publication and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. Maybank Group expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is prepared for the sole use of Maybank Group's clients and may not be altered in any way, published, circulated, reproduced, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of the Maybank Group. Maybank Group accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

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