

FX Weekly

USD-Longs at Risk of a Big Squeeze?

The Week Ahead

- **Dollar Index - Fade.** Support at 97.30; Resistance at 99.60.
- **USD/SGD - Need Catalyst.** Support at 1.369; Resistance at 1.3880
- **USD/MYR - Consolidation.** Support at 4.14; Resistance at 4.20
- **AUD/SGD - Rebound.** Support at 0.9250; Resistance at 0.9430
- **SGD/MYR - Range.** Support at 3.02; Resistance at 3.04

Will Cautious Sell-Off In USD Get Intensive?

US payrolls tonight (830pm SG/ KL time) would be of interest - market expects NFP to pick up slightly to +145k (vs. +130k prior), hourly earnings to decelerate to 0.2% m/m (vs. 0.4% prior) and unemployment rate to hold steady at 3.7%. Next week PPI (Tue) and CPI (Thu) would be important. Another run of downside surprise to US data is likely to fuel expectations for **Fed to turn more dovish (i.e. abandon mid-cycle easing rhetoric and shift to outright easing cycle)**. This would take USD lower, especially when USD long positions are at 30-month high (risk of squeeze on stale USD longs leading to sharp sell-off in DXY). Fed Chair Powell's comments later tonight and next Tue will also have markets looking out for clues in potential change of tone (to more dovish). USD/AXJs will be watching for clues from USDCNY fix when Chinese markets reopen after their golden week holidays on 8th Oct. As such we think downside pressure on USD/AXJs could well be supported till then. A softer USDCNY fix on Tue could potentially be a catalyst to drag USD/AXJs lower. USDSGD, USDMYR could trade towards 1.37, 4.14 levels, respectively.

MAS Policy Decision, 3Q GDP Possibly Due on 11 or 14 Oct

Our Economists expect MAS to ease via a reduction in slope of S\$NEER slightly from +1% appreciation to +0.5% (80% probability) and 3Q prelim GDP to come in at +0.2% y/y (basically narrowly dodged a technical recession). They do not rule out chance of an aggressive easing option via neutral bias (or zero appreciation) of S\$NEER slope if Singapore does slip into a technical recession. They assigned a 20% probability on this scenario. Most, if not all are expecting the MAS to ease in one way or another. But if conditions are not as bad as feared, the unexpected scenario of MAS no-move would see markets caught wrong footed and lead to further USDSGD sell-off.

FoMC, ECB Minutes; Powell Speaks; US, German CPIs; MY IP

Data of interests next week include FX reserves from SG, MY, ID, PH on Mon. For Tue, China Caixin services PMI; US PPI; German IP; AU business confidence; Fed Chair Powell speaks. For Wed, AU consumer confidence. For Thu, FoMC and ECB minutes; US CPI; UK GDP. For Fri, US Uni. Mich sentiment; German CPI; SG retail sales; Malaysia Industrial production; NZ Mfg PMI. AU is out on Mon; China returns on Tue; KR out on Wed; TW out on Thu, Fri.

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Our in-house model implies that S\$NEER is trading around 1% above the implied midpoint of 1.3942, 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: 97.30; R: 99.60	<ul style="list-style-type: none"> Mon: Fed's George, Kashkari speak; Tue: PPI (Sep); Fed's Powell, Evans, Kashkari speak; Wed: JOLTS job openings (Aug); Thu: FoMC minutes; CPI (Sep); Fed's Mester, Bostic, Kashkari speak; Fri: Fed's Kashkari, Kaplan, Rosengren speak; Uni. Of Michigan Sentiment (Oct P)
EURUSD		S: 1.0860; R: 1.1150	<ul style="list-style-type: none"> Mon: Sentix Investor Confidence (Oct); German Factory Orders (Aug); Tue: ECB's Lane, Hernandez speak; German IP (Aug) Wed: - Nil - Thu: ECB meeting Minutes; German trade, current account (Aug); Fri: German CPI (Sep)
AUDUSD		S: 0.6670; R: 0.6830	<ul style="list-style-type: none"> Mon: - Nil - Tues: NAB Business Confidence (Sep); Wed: Westpac Consumer Confidence (Oct); Thu: Home Loans, Investment lending (Aug) Fri: - Nil -
NZDUSD		S: 0.6250; R: 0.6430	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Food Prices (Sep); Fri: Mfg PMI, Card Spending (Sep)
GBPUSD		S: 1.2210; R: 1.2590	<ul style="list-style-type: none"> Mon: - Nil - Tue: Unit Labor cost (2Q); BoE's Carney, Tenreyro speak; Wed: - Nil - Thu: Monthly GDP, IP, Construction output, Trade (Aug); Fri: - Nil -
USDJPY		S: 104.50; R: 108.40	<ul style="list-style-type: none"> Mon: - Nil - Tue: Labor Cash Earnings, Current Account (Aug) Wed: Machine Tool Orders (Sep); Thu: PPI (Sep); Core Machine Orders (Aug); BoJ's Aramiya speaks; Fri: - Nil -
USDCNH		S: 7.0000; R: 7.1600	<ul style="list-style-type: none"> Mon: FX Reserves (Sep); Tue: Caixin PMI Services (Sep); Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3690; R: 1.3880	<ul style="list-style-type: none"> Mon: FX Reserves (Sep); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Retail Sales (Aug); Possibly 3Q GDP and MAS Policy meeting decision
USDMYR		S: 4.1400; R: 4.2000	<ul style="list-style-type: none"> Mon: FX Reserves (Sep); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: IP (Aug)
USDPHP		S: 51.60; R: 52.20	<ul style="list-style-type: none"> Mon: FX Reserves (Sep); Tue: - Nil - Wed: - Nil - Thu: Trade (Aug) Fri: - Nil -
USDIDR		S: 13,980; R: 14,200	<ul style="list-style-type: none"> Mon: FX Reserves (Sep); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

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 IDRSGD	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
6 Sep	Short AUDNZD	1.0700 [1.0800]	1.0500	-0.9%	Closed at 1.08 (16 Sep)	Rising Wedge Bearish Reversal [Link]
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><i>Bearish Divergence Playing Out?</i> USD has fallen this week since we started the new quarter, new month owing to poor run of US data including ISM mfg, non-mfg and ADP employment. US playing catch down in terms of slowing growth momentum reinforced our notion that US will not escape unscathed in an environment of global growth and trade slowdown.</p> <p>Looking ahead US payrolls tonight (830pm SG/ KL time) would be of interest - market expects NFP to pick up slightly to +145k (vs. +130k prior), hourly earnings to decelerate to 0.2% m/m (vs. 0.4% prior) and unemployment rate to hold steady at 3.7%. Next week PPI (Tue) and CPI (Thu) would be key. Another run of downside surprise to US data is likely to fuel expectations for Fed to turn more dovish (i.e. abandon mid-cycle easing rhetoric and shift to outright easing cycle). This would take USD lower especially when USD long positions are at 30-month high (risk of squeeze on stale USD longs leading to sharp sell-off in DXY). Fed Chair Powell's comments later tonight and next Tue will also have markets looking out for clues in potential change of tone (to more dovish).</p> <p>We reiterate our <i>doubts over sustained USD strength as continued USD appreciation and slowing global growth will result in tighter financial conditions and could crimp US growth momentum. Fed will then need to turn more dovish (USD-negative)</i>.</p> <p>DXY was last seen at 98.83 levels. Bullish momentum on daily chart is fading while stochastics is falling from overbought conditions. Support at 98.65 (21 DMA), 98.30 (50 DMA), 97.30 (200 DMA). Resistance at 99.60 (2019 high), 100.15 (76.4% fibo retracement of 2016 high to 2018 low). Our technical observation for a potential bearish divergence on MACD could potentially be playing out.</p> <p><i>Data/Events of focus next week include Fed's George, Kashkari speak; PPI (Sep) on Mon; Fed's Powell, Evans, Kashkari speak on Tue; JOLTS job openings (Aug) on Wed; FoMC minutes; CPI (Sep); Fed's Mester, Bostic, Kashkari speak on Thu; Fed's Kashkari, Kaplan, Rosengren speak; Uni. Of Michigan Sentiment (Oct P) on Fri.</i></p>
EUR/USD	<p><i>German Factory Orders, CPI in Focus Next Week.</i> EUR rebounded this week, owing to Draghi's comments, GBP's rise spill-over to EUR and broad USD softness (owing to weak US data). EUR's rebound came despite WTO ruling in favor of US on Airbus dispute paving the way for US to impose \$7.5bn tariffs on EU goods, including scotch whisky, French wines, cheese and aircraft. This could partially be due to news already in the price for EUR. Elsewhere Draghi said (1 Oct) that "fiscal boost alongside monetary policy would lead to a faster return to price stability... fiscal policy becomes more powerful when monetary policy is close to effective lower bound as multipliers are higher". This underscores our view that fiscal stimulus could take the pressure off unorthodox ECB stimulus and help to mitigate EUR weakness.</p> <p>EUR was last seen at 1.0980 levels. Bearish momentum on daily chart is fading while stochastics is turning higher from oversold conditions. Extension of the rebound is not ruled out but resistance at 1.10 (21 DMA), 1.1060 (50 DMA) needs to be decisively breached. A move towards 1.1150 (100 DMA) should not be ruled out. Immediate support at 1.09, 1.0860 levels (76.4% fibo retracement of 2017 low to 2018 high). Bullish divergence on daily MACD - as previously highlighted - appears to be underway.</p> <p><i>Focus next week on Sentix Investor Confidence (Oct); German Factory Orders (Aug) on Mon; ECB's Lane, Hernandez speak; German IP (Aug) on Tue; ECB meeting Minutes; German trade, current account (Aug) on Thu; German CPI (Sep) on Fri.</i></p>
GBP/USD	<p><i>Still 2-Way Trade and bias Remains to Accumulate Dips.</i> GBP turned higher this week as BoJo's new brexit proposal offered fresh glimpse of soft brexit hopes. BoJo's proposal aims to replace the Irish backstop arrangement former PM May has struck with EU (but rejected thrice in UK parliament). The new proposal calls for Northern Ireland to stay in EU single market for goods but leave the customs union (resulting in the need for new customs checks). Northern Ireland Assembly will get to approve the arrangements and vote every 4 years on keeping them. Domestically BoJo's new plan appears to have received broad support from divided Conservative party members. Externally, European Commission President Juncker welcomed "positive advances" but says the proposal has "problematic points" in the areas of "governance" and custom rules remain a concern while Ireland has "huge issues" with new proposal. Though BoJo's proposal may not be perfect, the stumbling blocks have</p>

been acknowledged and the tone from both EU and UK appeared constructive. This supports our bias to accumulate GBP on dips.

Nonetheless it is **still too soon to say that brexit is behind us, as the next 10 days or so will see intense scrutiny on the details of the proposal**. We still do not expect the EU, Ireland to accept the proposal wholesale and will see to-and-fro discussions intensify in the days ahead before the proposal is finalised (or compromised). In the interim such developments and potentially political noises from UK Opposition (to attempt to thwart developments) will continue to be fluid, driven by headlines - hence 2 way direction risks are still expected in the interim.

GBP was last seen at 1.2340 levels. Bearish momentum on daily chart remains intact but shows signs of fading while stochastics is showing tentative signs of turning from near-oversold conditions. We continue to favor accumulating on dips. Resistance at 1.2380 (21 DMA), 1.2430 (100 DMA) before 1.2590. Immediate support at 1.2250 (50 DMA) before 1.2210 levels.

Focus next week on Unit Labor cost (2Q); BoE's Carney, Tenreyro speak on Tue; Monthly GDP, IP, Construction output, Trade (Aug) on Thu.

USD/JPY *Lean against Strength (If Any)*. USDJPY traded lower this week amid broad USD, UST yield and equity weakness. Last seen at 106.80 levels. Bearish momentum on daily chart remains intact while stochastics is falling. Direction remains skewed to the downside. Immediate support at 106.50/80 levels. Break below could see the pair return to 105.10, 104.60 levels. Bias to lean against strength. Resistance at 107 (50 DMA), 107.60 (21, 100 DMAs), 108.40 (double top).

Focus next week on Labor Cash Earnings, Current Account (Aug) on Mon; Machine Tool Orders (Sep) on Wed; PPI (Sep); Core Machine Orders (Aug); BoJ's Aramiya speaks; on Thu.

AUD/USD *Break Above 0.6770 Could Usher in Further Gains*. AUD rebounded despite RBA lowering rate by 25 bps earlier this week. Soft USD owing to soft US data and rising expectations that Fed could turn more dovish are contributing to the rise in AUD. Last seen at 0.6755 levels. Bearish momentum on daily chart is fading while stochastics is showing signs of turning higher from oversold conditions. Bullish divergence on MACD is also playing out. Interim resistance at 0.6770 (23.6% fibo retracement of Jul high to double-bottom low in Aug-Oct) before 0.6830 (38.2% fibo) and 0.6880 (100 DMA). Support at 0.67, 0.6670 (2019 low). Bias for upside play.






Focus next week on NAB Business Confidence (Sep) on Tue; Westpac Consumer Confidence (Oct) on Wed; Home Loans, Investment lending (Aug) on Thu.

NZD/USD *Relief Rebound Underway*. NZD rebounded this week thanks to broad USD softness. Our tactical trade initiated on 24 Sep to long NZD (spot ref at 0.6290) looking for a move higher towards 0.6390, 0.6470, with SL at 0.62 (risk:reward of 1:2) remains intact.

Pair was last seen at 0.6330 levels. Daily momentum turned mild bullish while stochastics is rising from near oversold conditions. Further upside towards 0.6390 (50 DMA), 0.6430 (38.2% fibo retracement of Jul high to Oct low) not ruled out especially on break above 0.6330/40 (21 DMA). Support at 0.6250, 0.6210 levels. Given the lack of tier-1 data next week, NZD is expected to be driven more by external developments.

Little tier-1 data to focus on with Food Prices (Sep) on Thu; Mfg PMI, Card Spending (Sep) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.020; R:3.0400	Bias to Fade. SGDMYR was last seen at 3.0320 levels. Bearish momentum on daily chart remains intact but shows tentative signs of fading while stochastics is near oversold conditions.
AUD/MYR		S: 2.8020 R:2.8600	Rebound Not Ruled Out. AUDMYR retraced most of its early week losses into the close. Last seen at 2.8270 levels. Bearish momentum on daily chart is fading while stochastics shows signs of turning from near oversold conditions. Further rebound not ruled out. Area of resistance at 2.84 - 2.8440. Break above this puts next resistance at 2.8640 (100 DMA). Support at 2.82, 2.80 levels.
EUR/MYR		S: 4.5700; R:4.6500	Bullish Divergence Underway. EURMYR rebounded this week. Last seen at 4.5920 levels. Bearish momentum shows signs of fading while stochastics is showing signs of turning higher. Bullish divergence on daily MACD as highlighted previously appears to be underway. Look for further gains. Immediate resistance at 4.60 (21 DMA), 4.6270 (50 DMA) and 4.6470 (100, 200 DMAs). Support at 4.57, 4.55 levels.
GBP/MYR		S: 5.12; R: 5.22	Accumulate Dips. GBPMYR was last seen at 4.16 levels. Bearish momentum on daily chart shows signs of fading while stochastics shows signs of turning higher from near-oversold conditions. Bias to accumulate dips. Support at 5.12 (50 DMA). Resistance at 5.1750 (21, 100 DMAs), 5.22 levels.
JPY/MYR		S: 3.8700; R: 3.9340	Bullish but Rising Into Near Overbought Conditions. JPYMYR was last seen at 3.9190 levels. Daily momentum turned bullish but stochastics is rising into near overbought conditions. Near term upside risks but room for further upside may be limited. Resistance at 3.9340. Support at 3.87/88 (21, 100 DMAs).

Technical Chart Picks:

USDSGD Daily Chart - Extension of Decline Requires a Break of Trend Support



USDSGD erased early week gains into the close, as of writing. Move lower was due to broad USD weakness.

Pair was last seen at 1.38 levels. Bullish momentum on daily chart is waning while stochastics is falling. Extension of the decline is possible but a break below upward sloping trend-line support (2H lows) is needed. Immediate support at 1.3790 (21 DMA, trend-line support) before 1.3750 (38.2% fibo retracement of 2019 low to high), 1.3730 (100 DMA) and 1.3690 (50% fibo).

Resistance at 1.3820 (50 DMA), 1.3880 levels. MAS policy meeting decision will be closely watched and could possibly come on 11 or 14 Oct.

USDMYR Daily Chart - Eyeing Neckline Support - Will It Break?



USDMYR was last seen at 4.1850 levels. Daily momentum and stochastics indicators are not showing a clear bias for now.

Potential head & shoulders pattern (bearish reversal) may be in the making but remains early to conclude if the downside could extend as the neckline (around 4.16 levels) is still not breached. Only a decisive break below the neckline can confirm the bearish reversal and if true, USDMYR could extend lower towards 4.10 levels.

However, if the neckline is defended, price action could consolidate in 4.16 - 4.20 next week.

Price action suggests that the cross may be finding an interim bottom around 0.9250 (double bottom). Bearish momentum on daily chart is fading while stochastics is showing signs of turning higher from oversold conditions.

Rebound not ruled out.
Immediate resistance at 0.9380
(21, 50 DMAs) before 0.9430 (100
DMA). Support at 0.93, 0.9250
(double bottom).

Pair can see some upside pressure if trend support of bullish trend channel holds. Resistance at 3.0350 (100 DMA), 3.04 levels. But bias to lean against strength. Key support at 3.0270 (50 DMA), 3.02 levels.

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