

FX Weekly

NFP, Powell Could Set Stage for USD Next Move

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 94.90; Resistance at 97.30
- **USD/SGD - Mixed.** Support at 1.3450; Resistance at 1.3650
- **USD/MYR - Bearish Channel.** Support at 4.11; Resistance at 4.16
- **AUD/SGD - Rebound.** Support at 0.9460; Resistance at 0.9640
- **SGD/MYR - Pullback.** Support at 3.0430; Resistance at 3.0600

US Payrolls Tonight; Fed Chair Testimonies; Trade Talks

All eyes on US payrolls report (830pm tonight) before Fed Chair Powell's testimonies to House and Senate Banking Committees next Tue and Thu. Softer than expected wage growth and NFP could further fuel expectations for Fed easing to support economy. Calls for a larger than 25bps Fed cut at the upcoming FoMC could weigh further on UST yields and limit any USD strength. In addition, if markets continue to perceive monetary policy response as positive, then equity markets can remain supported. And in a market environment of low vol, supported risk appetite (barring black swan event), carry plays such as INR, IDR could stay supported. But we caution if payrolls report surprises to the upside, dovish bets on Fed could be tampered and USD may strengthen especially when markets are pricing in nearly 3 cuts for the next 6 months. Also of interest is US-China trade talks. According to SCMP story, China wants to see if US eases supply restrictions on Huawei before it commit to buying American soybeans. If sentiment turns jittery here, we may well see renewed downside pressure on CNH and other trade/growth-sensitive FX including KRW and SGD. Technically we see some chance for AUD, CNH to strengthen in the near term while PHP and IDR may come under pressure.

BNM Meeting (Tue) - OPR Likely to be Kept on Hold at 3%

Our baseline expectation is for OPR to stay at 3% for the rest of 2019, following the 25bps cut back at the May MPC meeting. However, we do not rule out another 25bps OPR cut if downside risk to growth from the trade tension persist and/or worsens, considering that the recent OPR cut was "event-driven" in reaction to the negative development on US-China trade situation. For now, we do not see BNM making any move until up to Sep 2019, pending announcement by FTSE Russell on Malaysia's status in the World Government Bond Index (WGBI).

SG GDP; Fed, ECB Minutes; US, China CPI in Focus Next Week

Key data of interest next week include German IP, trade; BoJ's Kuroda speaks; Japan trade, current account; SG FX reserves on Mon. For Tue, US JOLTs; Fed's Bullard, Bostic speak; AU business confidence. For Wed; NZ food prices; UK industrial production, construction output, trade; China CPI, PPI; PH trade; JP PPI; BoC monetary policy meeting. For Thu, US CPI; FoMC minutes; ECB minutes; German CPI. For Fri, US PPI; EU IP; NZ Mfg PMI; JP IP; China trade; MY IP; Singapore retail sales and 2Q GDP.

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

Tan Yan Xi
(65) 6320 1378
tanyx@maybank.com.sg

Our in-house model implies that S\$NEER is trading around 1.6% above the implied midpoint of 1.3780, 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: 94.90; R: 97.30	<ul style="list-style-type: none"> Mon: - Nil - Tue: JOLTS job openings (May); Fed's Bullard, Bostic speak; Wed: Fed's Powell testifies before House; Fed's Bullard speaks; Thu: FoMC Minutes; CPI (Jun); Fed's Powell testifies before Senate Banking Committee; Fed's Williams, Bostic, Barkin to speak; Fri: PPI (Jun)
EURUSD		S: 1.1200; R: 1.1400	<ul style="list-style-type: none"> Mon: German IP, Trade (May); Tue: - Nil - Wed: - Nil - Thu: ECB Minutes; German CPI (Jun); Fri: Industrial Production (May)
AUDUSD		S: 0.6960; R: 0.7100	<ul style="list-style-type: none"> Mon: - Nil - Tues: NAB Business Confidence (Jun); Wed: Westpac Consumer Confidence (Jul); Thu: RBA's Debelle speaks Fri: - Nil -
NZDUSD		S: 0.6620; R: 0.6760	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Food prices (Jun); Thu: Card Spending (Jun); RBNZ Governor Orr speaks; Fri: Mfg PMI (Jun)
GBPUSD		S: 1.2480; R: 1.2710	<ul style="list-style-type: none"> Mon: - Nil - Tue: BRC Sales (Jun); Wed: Industrial production, Construction output, Trade (May); Thu: BoE Financial Stability Report; BoE's Tenreiro speaks; Fri: BoE's Vlieghe speaks
USDJPY		S: 106.90; R: 108.50	<ul style="list-style-type: none"> Mon: BoJ's Kuroda speaks; Trade, Current Account (May); Tue: Machine Tool Orders (Jun); Wed: PPI (Jun); Thu: - Nil - Fri: Industrial Production (May)
USDCNH		S: 6.8200; R: 6.9000	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: CPI, PPI (Jun); Thu: - Nil - Fri: Trade (Jun)
USDSGD		S: 1.3450; R: 1.3650	<ul style="list-style-type: none"> Mon: FX Reserves (Jun); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Retail Sales (May); GDP (2Q)
USDMYR		S: 4.1100; R: 4.1600	<ul style="list-style-type: none"> Mon: - Nil - Tue: BNM Meeting; Wed: - Nil - Thu: - Nil - Fri: Industrial Production (May)
USDPHP		S: 51.00; R: 51.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (May) Thu: - Nil - Fri: - Nil -
USDIDR		S: 13,980; R: 14,400	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Bias to Sell Rallies. USD consolidated for most of this week after the sharp move higher on Mon (1 Jul) owing to US ISM mfg outperformance vs. rest of the world including China, Europe and UK (stoking fears of manufacturing recession risks). But since that one-off move, USD consolidated as ADP employment, ISM non-mfg data came in weaker than expected. This renewed calls for a larger than expected Fed easing. Hence this puts even greater focus on today's payroll reports before Fed Chair Powell gives his testimonies before the House and Senate Banking Committees next Tue and Thu, respectively.</p> <p>Consensus expects +160k for NFP (vs. +75k in the last print) and a sequential pick-up in hourly earnings to +0.3% m/m (vs. +0.2% prior). Unemployment rate is expected to hold steady at 3.6%. Softer than expected wage growth and NFP would add to concerns of slowing growth momentum in US and this could further fuel expectations for Fed easing to support economy. On market implications, softer data print is likely to renew market calls for a larger than 25bps Fed cut at the upcoming FoMC meeting. And this could weigh further on UST yields and limit any USD strength. In addition, if markets continue to perceive monetary policy response as positive, then equity markets can remain supported. And in a market environment of low vol, supported risk appetite (barring black swan event), carry plays such as INR, IDR could remain supported. Fed easing environment can also help AUD and NZD extend its gains.</p> <p>But we caution if payrolls report surprises massively to the upside, dovish bets on Fed could be tampered and that could keep USD supported especially when markets are already pricing in nearly 3 cuts for the next 6 months. Good data here might be interpreted as bad news for equities which have been thriving on expectations for global easing. This could see USD better bid.</p> <p>Also of interest is US-China trade talks as both sides look set to restart face to face meetings after repeated phone calls. According to SCMP story, China won't buy US agricultural products if Americans 'flip flop' in trade talks. Report also says that China wants to see if US eases supply restrictions on Huawei before it commit to buying American soybeans. If sentiment turns jittery here, we may well see renewed downside pressure on CNH and other trade/growth-sensitive FX including KRW and SGD.</p> <p>DXY was last seen at 96.75 levels. Momentum is still bullish on the daily chart. Further up-move not ruled out though bearish bias (weekly chart) remains. Area of resistance at 97.1 (21, 100 DMAs, 38.2% fibo) - 97.30 (50 DMA) likely to cap. Immediate support at 96.60/70 (200 DMA, 50% fibo), 95.87 (76.4% fibo retracement of 2019 low to high) before 95.10 levels.</p> <p><i>Focus next week on JOLTS job openings (May); Fed's Bullard, Bostic speak on Tue; Fed's Powell testifies before House; Fed's Bullard speaks on Wed; FoMC Minutes; CPI (Jun); Fed's Powell testifies before Senate Banking Committee; Fed's Williams, Bostic, Barkin to speak on Thu; PPI (Jun) on Fri.</i></p>
EUR/USD	<p>Downside Risks. EUR drifted lower this week after US Trade Representative's Office released a list of additional EU products including Italian cheese, Scotch Whiskey, Olives, worth about \$4bn that could be subjected to tariffs in addition to the \$21bn list previously announced while EU mfg PMIs came in softer than expected. But decline failed to gather traction as services PMI saw a sequential uptick. Nonetheless downside risks remain as markets are expecting that ECB is paving the way for potential fresh stimulus. ECB Governing Council Rehn said that "we should no longer see the recent slowdown in growth as a brief temporary dip or a soft patch" He added that ECB is ready to take further action if necessary to achieve price stability target. He also said that "we have not finished QE" and can resume buying assets anytime. Nonetheless these comments are in line with ECB Draghi's message.</p> <p>EUR was last seen at 1.1280 levels. Daily momentum is mild bearish while stochastics is falling. Risks skewed to the downside in the interim. Support at 1.1260 (100 DMA), 1.1240 (50 DMA) and 1.1190 levels. Resistance at 1.13 (21 DMA), 1.1330 (200 DMA).</p> <p><i>Focus next week on German IP, Trade (May) on Mon; ECB Minutes; German CPI (Jun) on Thu; Industrial Production (May) on Fri.</i></p>
GBP/USD	<p>Weighed by Bad Data and Brexit Uncertainties. GBP traded lower this week. Talks of an FT report that some Tory members are calling for snap election in Oct while PM-hopeful BoJo has said he won't</p>

hold an election until he delivers Brexit and that Brexit is going to come before end-Oct. New leader will be announced on 23 Jul after votes are counted. Meantime this week's softer than expected data including mfg, services and construction suggest an economic stagnation in 2Q growth. Bad data and Brexit uncertainties could continue to add pressure to GBP.

Pair was last seen at 1.2580 levels. Daily momentum is turning mild bearish while stochastics is falling into near-oversold conditions. Immediate support at 1.2560, 1.2510 and 1.2480 levels. Resistance at 1.2650 (21 DMA), 1.2710 levels.

Focus next week on BRC Sales (Jun) on Tue; Industrial production, Construction output, Trade (May) on Wed; BoE Financial Stability Report; BoE's Tenreyro speaks on Thu; BoE's Vlieghe speaks on Fri.

USD/JPY **Range-Bound.** USDJPY did see a gap higher in the open early this week, in response to relief post-G20. But gains eased into the week's close as post G20 relief gave way to concerns of deeper economic slowdown. Pair was last seen at 107.85 levels. Mild bullish momentum remains intact but shows signs of fading while stochastics shows a lack of follow-through on momentum. Immediate resistance at 108 (21 DMA), 108.60 levels. Support at 107.50, 106.90. Look to play range of 106.90 - 108.50.

Focus next week on BoJ's Kuroda speaks; Trade, Current Account (May) on Mon; Machine Tool Orders (Jun) on Tue; PPI (Jun) on Wed; Industrial Production (May) on Fri.






AUD/USD **Chance to Extend Gains.** AUD reversed early week's decline despite RBA rate cut which is probably well priced in by markets. Pair was last seen at 0.7025 levels. Bullish momentum on daily chart remains intact while stochastics is in overbought conditions. Key resistance at 0.7030/40 levels (100 DMA). Decisive close above this could see gains extend towards 0.7060 (61.8% fibo retracement of Apr high to Jun low), 0.71 (200 DMA). Support at 0.7020 (50% fibo), 0.6960/70 levels (21, 50 DMAs, 38.2% fibo).

Focus next week on NAB Business Confidence (Jun) on Tue; Westpac Consumer Confidence (Jul) on Wed; RBA's Debelle speaks on Thu.

NZD/USD **Watching Weekly Close to Confirm Bearish Pressure.** NZD failed to gather momentum to trade above 200 DMA (last seen at 0.6710 levels). Pair was last seen at 0.6690 levels. Bullish momentum on daily chart is fading while stochastics is near overbought conditions. A potential bearish divergence may be developing on the daily chart. Failure to push above 200 DMA on weekly close could see bearish pressure take over next week. Immediate resistance at 0.6710 (200 DMA) before 0.6760. Support at 0.6660 before 0.6620 levels (21 DMA), 0.6590 (50 DMA).

Focus next week on Food prices (Jun) on Wed; Card Spending (Jun); RBNZ Governor Orr speaks on Thu; Mfg PMI (Jun) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0430; R: 3.0600	Pullback Underway but Sticky Price Action from Here. SGDMYR continues to drift lower this week, in line with our call for <i>signs of pullback starting to show up</i> ((last FX Weekly). Cross was last seen at 3.0490 levels. Mild bearish momentum on daily chart remains intact while stochastics is falling. Key support at 3.0470/80 (50 DMA, 23.6% fibo retracement of 2019 low to high) before 3.0430. These support levels need to be broken for further downside towards 3.0360 (38.2% fibo) to come into play. Immediate resistance at 3.0530 (21 DMA), 3.0640/50 levels (double top). Expect range of 3.0430 - 3.0600 next week.
AUD/MYR		S: 2.8700 R: 2.9200	Up-move may Slow. AUDMYR reversed early week's decline into the close. Last seen at 2.9020 levels. Mild bullish momentum remains intact while stochastics is in oversold conditions. Up-move could moderate. Resistance at 2.9170 (23.6% fibo retracement of Dec high to triple bottom in 2019), 2.9390 (200 DMA). Support at 2.89 (21v DMA), 2.8650 (triple bottom).
EUR/MYR		S: 4.6400; R: 4.7000	Pullback to Find Support. EURMYR continued to trade lower. Cross was last seen at 4.6650 levels. Daily momentum and stochastics are bearish bias. Near term risks remain skewed to the downside. Support at 4.66, 4.6480 (100 DMA) and 4.6370 could provide speed bumps to slow its decline. Resistance at 4.6760 (50 DMA), 4.69 (21, 200 DMAs).
GBP/MYR		S: 5.2100; R: 5.2770	Skewed to the Downside. GBPMYR remains under pressure this week amid GBP underperformance while MYR was relatively resilient. Cross was last seen at 5.2020 levels. Daily momentum is bearish bias while stochastics is falling into oversold conditions. Bias is skewed to the downside. Support at 5.20, 5.1780 levels. Resistance at 5.2550, 5.26 (21 DMA).
JPY/MYR		S: 3.8000 R: 3.8800	To Consolidate. JPYMYR pulled back this week, in line with our call in last FX Weekly. Cross was last seen at 3.8370 levels. Mild bearish bias on daily chart remains intact but stochastics suggests momentum may be stalling. Support at 3.8130 (50 DMA), 3.78 levels. Resistance at 3.8450 (21 DMA), 3.8670 levels. We look for consolidative play in the range of 3.30 - 3.85, with bias to sell rallies.

Technical Chart Picks:

USDSGD Daily Chart - Bullish Divergence Meets Spinning Tops (Indecision)



USDSGD was a touch firmer this week but the past few sessions saw spinning top patterns - typically representing indecision about future direction despite a bullish divergence on daily MACD being flagged. This basically suggests tentative upward momentum is still not confirmed. And there are quite a few conflicting signals. For instance, weekly momentum is still bearish while 21 DMA looks on track to cut 100 DMA to the downside - bearish signals. But fading bearish momentum on daily chart also suggests some upside pressure may be building up. Need further price confirmation for directional bias.

Meantime watch support at 1.35, 1.3450. Resistance at 1.36 (21, 100 DMAs), 1.3650 (50, 200 DMAs).

USDMYR Daily Chart - Bearish Trend Channel Playing Out



USDMYR consolidated this week. Pair was last seen at 4.1350 levels. Price action remains confined to the bearish trend channel formed since late-May. Bearish momentum on daily chart remains intact though there may be some signs of fading while stochastics is showing signs of turning from oversold conditions. Pace of decline may moderate or even rebound but bearish bias likely to remain intact.

Key support at 4.1210 (100 DMA), 4.11 (61.8% fibo retracement of 2019 low to high). Resistance at 4.1460 (38.2% fibo), 4.1580 (50 DMA).

AUDSGD Weekly Chart: Rebound Underway



Our out-of-consensus call in since 2 FX Weeklys ago looking for a rebound in AUDSGD remains in play this week. Cross was last seen at 0.9530 levels.

Weekly momentum is turning bullish while stochastics is rising from oversold conditions. Key resistance at 0.9560 (100 DMA). Break above this puts next resistance at 0.9640 (23.6% fibo retracement of 2017 high to 2019 flash crash low). We continue to look for upward play.

Immediate support at 0.95 (50 DMA), 0.9460 (21 DMA).

SGDMYR Daily Chart: Pullback Underway but Sticky Price Action to the Downside



SGDMYR continues to drift lower this week, in line with our call for *signs of pullback starting to show up* (last FX Weekly).

Cross was last seen at 3.0490 levels. Mild bearish momentum on daily chart remains intact while stochastics is falling. Key support at 3.0470/80 (50 DMA, 23.6% fibo retracement of 2019 low to high) before 3.0430. These support levels need to be broken for further downside towards 3.0360 (38.2% fibo) to come into play.

Immediate resistance at 3.0530 (21 DMA), 3.0640/50 levels (double top).

Expect range of 3.0430 - 3.0600 next week.

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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