

FX Weekly

The Stars Are Aligning

The Week Ahead

- **Dollar Index - Fade.** Support at 97.00; Resistance at 99.40
- **USD/SGD - Sell Rallies.** Support at 1.3750; Resistance at 1.3940
- **USD/MYR - Downside Bias.** Support at 4.14; Resistance at 4.2050
- **AUD/SGD - Buy Dips.** Support at 0.9380; Resistance at 0.9580
- **SGD/MYR - Sell Rallies.** Support at 3.0090; Resistance at 3.0320

Watch US Payrolls, Powell Speaks; Weekly Close for DXY, EUR

Recent development including confirmation of US, China resuming trade talks in Washington, China 50bps RRR cut, stable RMB daily fix for consecutive sessions as well as receding political risks in HK, UK and Italy have been supportive of risk-on sentiment. Safe haven proxies including long gold, JPY were unwound while AUD, NZD, KRW benefited the most at the expense of a softer USD. In an environment where there is more bad news priced in than good news, any slightest positive development could expose overcrowded trades to a rude squeeze. We continue to see room for AUD, KRW, CNH to extend gains from historically depressed levels while JPY, gold and DXY corrects lower (see [here](#) for our earlier report - Are the Stars Aligning?). Technically we also pay attention to EUR and DXY's weekly close for as there are potential signs of reversal. On AXJ FX, USDSGD could head lower towards 1.3750 if 1.3820 support breaks. Tonight, US payrolls data (today 830pm SG/KL time) and Powell's speech on Economic outlook in Zurich (Sat 1230am SG/KL time) would be of top interests. Softer NFP may drag USD lower.

EUR Could Extend Gains if ECB Stimulus Disappoints

ECB monetary policy decision and Draghi's post-GC press conference will be closely watched on Thu (12 Sep). We expect limited degree of precautionary easing, with 10bps cut to deposit rate to -0.5% and re-introduction of TLTRO-III as planned but no QE. We believe ECB should avoid expending its monetary policy tools too soon and there are 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 this could partially help to mitigate EUR weakness. Markets are split between 10bps and 20bps cut to deposit rate and some are expecting a restart of QE. EUR could be poised to extend gains if ECB stimulus fails to meet markets' bazooka expectations.

Global CPIs; US, SG Retail Sales ; BNM Meeting Next Week

Key data we are watching this week include German trade; UK IP; JP GDP; NZ mfg activity on Mon. For Tue,; UK labor report; China inflation. For Wed, US PPI; Malaysia IP. For Thu, US CPI; SG retail sales; BNM policy meeting (we expect policy rate unchanged at 3%); ECB meeting. For Fri, US retail sales; NZ Mfg PMI; JP IP; German CPI. Malaysia onshore markets are closed on Mon; IN on Wed; KR on Thu; China, TW, KR on Fri.

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 0.80% above the implied midpoint of 1.3940, 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: 97.00; R: 99.40	<ul style="list-style-type: none"> Mon: - Nil - Tue: JOLTS Job opening (Jul); Wed: PPI (Aug); Thu: CPI (Aug); Fri: Retail sales (Aug); Import, export prices (Aug); Uni. Of Michigan sentiment (Sep)
EURUSD		S: 1.0860; R: 1.1110	<ul style="list-style-type: none"> Mon: Sentix Investor confidence (Sep); German trade, current account (Jul) Tue: - Nil - Wed: - Nil - Thu: ECB meeting; Draghi speaks; Fri: Trade (Jul); German CPI (Aug)
AUDUSD		S: 0.6680; R: 0.6820	<ul style="list-style-type: none"> Mon: - Nil - Tues: NAB Business Confidence (Aug); Wed: Westpac Consumer Confidence (Sep) Thu: - Nil - Fri: - Nil -
NZDUSD		S: 0.6250; R: 0.6360	<ul style="list-style-type: none"> Mon: Mfg activity (2Q); Tue: Card spending (Aug); Wed: Net migration (Jul); Thu: Food prices (Aug); Fri: Mfg PMI (Aug)
GBPUSD		S: 1.1800; R: 1.2340	<ul style="list-style-type: none"> Mon: IP, construction output, Trade (Jul); MPs to vote on early GE; BoE's Vlieghe to speak; Tue: Labor report (Jul) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDJPY		S: 105.50; R: 107.20	<ul style="list-style-type: none"> Mon: GDP (2Q); Current account, trade (Jul); Tue: Machine tool orders (Aug); Wed: BSI All industry (3Q); Thu: PPI (Aug); Fri: Industrial production (Jul)
USDCNH		S: 7.1000; R: 7.2000	<ul style="list-style-type: none"> Mon: - Nil - Tue: CPI, PPI (Aug) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3830; R: 1.3960	<ul style="list-style-type: none"> Mon: FX Reserves (Aug); Tue: - Nil - Wed: - Nil - Thu: Retail Sales (Jul) Fri: - Nil -
USDMYR		S: 4.1800; R: 4.2500	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Industrial production (Jul); Thu: BNM Policy meeting Fri: - Nil -
USDPHP		S: 51.70; R: 52.50	<ul style="list-style-type: none"> Mon: - Nil - Tue: Trade (Jul) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,000; R: 14,250	<ul style="list-style-type: none"> Mon: - Nil - 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
6 Sep	Short AUDNZD	1.0700 [1.0800]	1.0500		Open	Rising Wedge Bearish Reversal
26 Jul	Long IDRSKD	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>Watch Powell and NFP. Our call in the last FX Weekly to lean against DXY strength panned out well this week. DXY eased from high of 99.40 levels on Tue to 98.10 levels on Thu. Economic data convergence with US playing catch-down and China/ ROW stabilising (Slump in US ISM manufacturing into contractionary territories while China PMIs rose), confirmation of US, China resuming trade talks in Washington, stable RMB daily fix for consecutive sessions as well as receding political risks in HK, UK and Italy were some of the factors contributing to the risk-on mood. Safe haven proxies including long gold, JPY were unwound while AUD, NZD, KRW benefited the most at the expense of a softer USD. In an environment where there is more bad news priced in than good news, any slightest positive development could expose overcrowded trades to a rude squeeze. We continue to see room for AUD, KRW, CNH to extend gains from historically depressed levels while JPY, gold and DXY corrects lower.</p> <p>Looking ahead US payrolls data (today 830pm SG/KL time) and Powell's speech on Economic outlook in Zurich (Sat 1230am SG/KL time) would be of top interests. Consensus is looking for +160k for NFP, average hourly earnings to stay steady at +0.3% m/m and unemployment rate to stay unchanged at 3.7%. Downside surprise could lead to increase in bets for Fed to ease more or perhaps Powell may even signal further easing instead of just a mid-cycle adjustment. This could drag USD lower.</p> <p>DXY was last seen at 98.40 levels. Bullish momentum on daily chart is fading while stochastics is falling from overbought conditions. Immediate support at 98 /98.2 (21 DMA) needs to be broken for further downside towards 97.50, 97 levels (200 DMA) to come into play. Resistance at 99, 99.40. External events such as ECB meeting next Thu could affect the DXY direction.</p> <p><i>Data/Events next week include JOLTS Job opening (Jul) on Tue; PPI (Aug) on Wed; CPI (Aug) on Thu; Retail sales (Aug); Import, export prices (Aug); Uni. Of Michigan sentiment (Sep) on Fri.</i></p>
EUR/USD	<p>ECB Meeting the Focus - Could See Sell on Rumours, Buy on Fact. EUR rose this week riding on GBP's recovery as fears of hard brexit faded while expectations for bazooka ECB stimulus have also somewhat start to fade (after EU services PMI came in a touch better) and there was some clarity on Italian politics (as PM Conte's cabinet formation gets underway) as well. ECB President Nominee Lagarde said that she will review the costs and benefits of controversial ECB policy tools of negative interest rates and QE though she also said that she would continue Draghi's "highly accommodative monetary policy".</p> <p>We reiterate our ECB call for 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>EUR was last seen at 1.1030 levels. Bearish momentum on weekly, daily chart remains intact while stochastics is showing signs of turning from oversold conditions. Extension of the rebound towards 1.1150, 1.1210 possible if EUR can decisively break above 1.1085 (21 DMA). Failing which, EUR may trade 1.0980 - 1.1080 range. Watch the close tonight as doji candlestick formed yesterday could be a sign of potential bearish reversal.</p> <p><i>Focus next week on Sentix Investor confidence (Sep); German trade, current account (Jul) on Mon; ECB meeting; Draghi speaks on Thu; Trade (Jul); German CPI (Aug) on Fri.</i></p>
GBP/USD	<p>2-Way Risks; Accumulate Dips; Don't Chase Longs. GBP rose all week as base case scenario of no-deal brexit faded after PM BoJo lost authority in the Lower House, failed to stop MPs from delaying brexit and does not even have the support to call for snap elections. Nonetheless BoJo woes were translated into gains for GBP as fears of hard brexit receded.</p>

Upper House of Lords has agreed to progress the cross-party bill preventing no-deal brexit. The bill is

expected to be returned to the Lower House of Commons later today. This could be voted again by MPs on Monday and presented for royal assent to become law before parliament is suspended till 14th Oct. What happens after this is that PM BoJo will need to request for a brexit delay for 3months come 31st Oct 2019 if he cannot get a deal agreed by 19th Oct or managed to persuade MPs to leave the EU without a deal.

GBP was last seen at 1.2305 levels. Bullish divergence on weekly chart remains intact. Resistance at 1.2350, 1.2440 levels. Support at 1.23 (50 DMA), 1.2170 (21 DMA) levels. We caution against chasing longs as brexit remains fluid (talks of BoJo trying to convince/call for early elections again). Favor accumulating GBP on dips.

Focus next week on IP, construction output, Trade (Jul); MPs to vote on early GE; BoE's Vlieghe to speaks on Mon; Labor report (Jul) on Tue.

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 next week on GDP (2Q); Current account, trade (Jul) on Mon; Machine tool orders (Aug) on Tue; BSI All industry (3Q) on Wed; PPI (Aug) on Thus; Industrial production (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.






Relatively quieter week in terms of data release with focus on NAB Business Confidence (Aug) for Tue and Westpac Consumer Confidence (Sep) on Thu.

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.

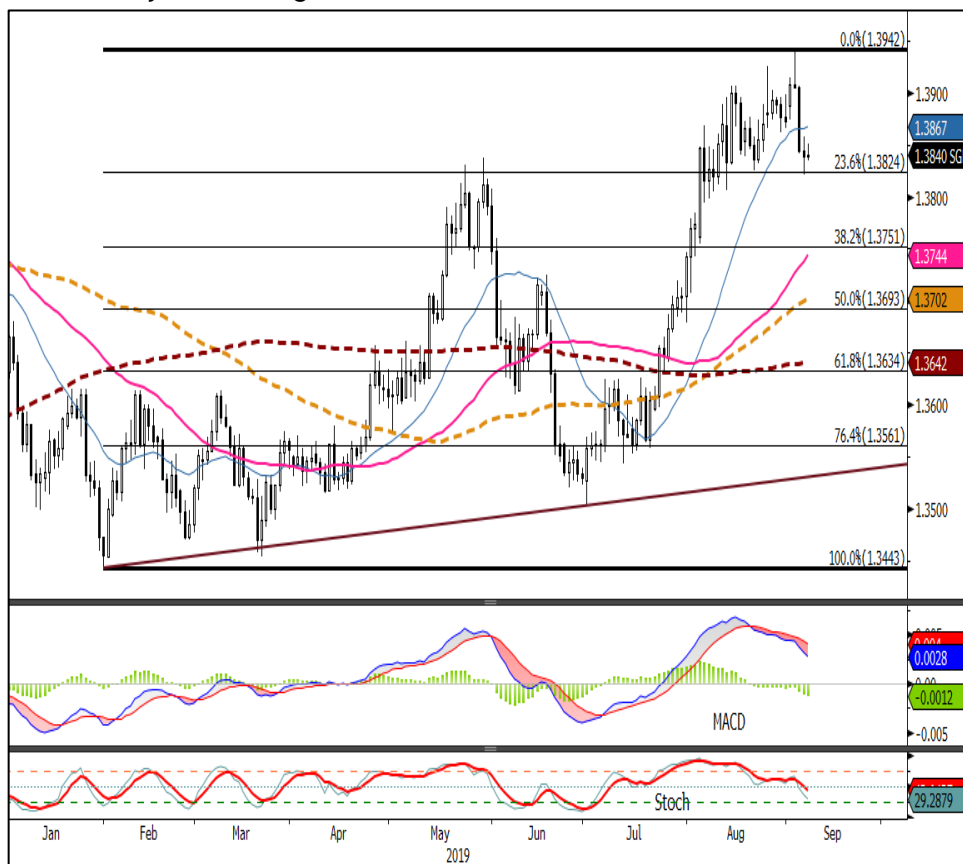
Focus next week on Mfg activity (2Q) on Mon; Card spending (Aug) on Tue; Net migration (Jul) on Wed; food prices (Aug) on Thu; Mfg PMI (Aug) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0090; R:3.0320	Downward Bias. Our bias to sell SGDMYR on rallies worked out well as the cross eased back below 3.02- handle. Bullish momentum on daily chart is fading while stochastics is turning lower. Directional path tilted to the downside. Support at 3.0170, 3.0090 (76.4% fibo retracement of 2019 low to high). Resistance at 3.0240 (21 DMA), 3.0320 (50 DMA), 3.0370 (100 DMA).
AUD/MYR		S: 2.8400 R:2.9000	Upside Risk. AUDMYR drifted higher this week. Last seen at 2.8490 levels. Mild bullish momentum on daily chart remains intact while stochastics is rising. Risks skewed to the upside. Immediate resistance at 2.8570 (50 DMA) needs to be broken for further upside to gather momentum. Next resistance at 2.8770 (100 DMA), 2.9050 (200 DMA). Support at 2.8390 (21 DMA), 2.81 levels.
EUR/MYR		S: 4.5800; R:4.6800	Bearish Momentum Intact. EURMYR slipped this week, in line with our call (in last FX Weekly) for downside risks. Cross was last seen at 4.6090 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Risks remain skewed to the downside. Support at 4.60, 4.58 levels. Resistance at 4.64 (50 DMA), 4.68 levels.
GBP/MYR		S: 5.0900; R: 5.1750	Range. GBPMYR was last seen at 5.1370 levels. Mild bullish momentum on daily chart remains intact. But bias for range-bound play. 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: 3.8000 R: 3.9300	Bearish. JPYMYR traded lower this week, in line with our call (in last FX weekly) that bearish signs were starting to show up. Cross was last seen at 3.9010 levels. Daily momentum turned bearish while stochastics is falling into near-oversold conditions. Support at 3.8810 (50 DMA), 3.8420 (100 DMA), 3.7760 (200 DMA). Resistance at 3.95 (21 DMA).

Technical Chart Picks:

USDSGD Daily Chart - Range



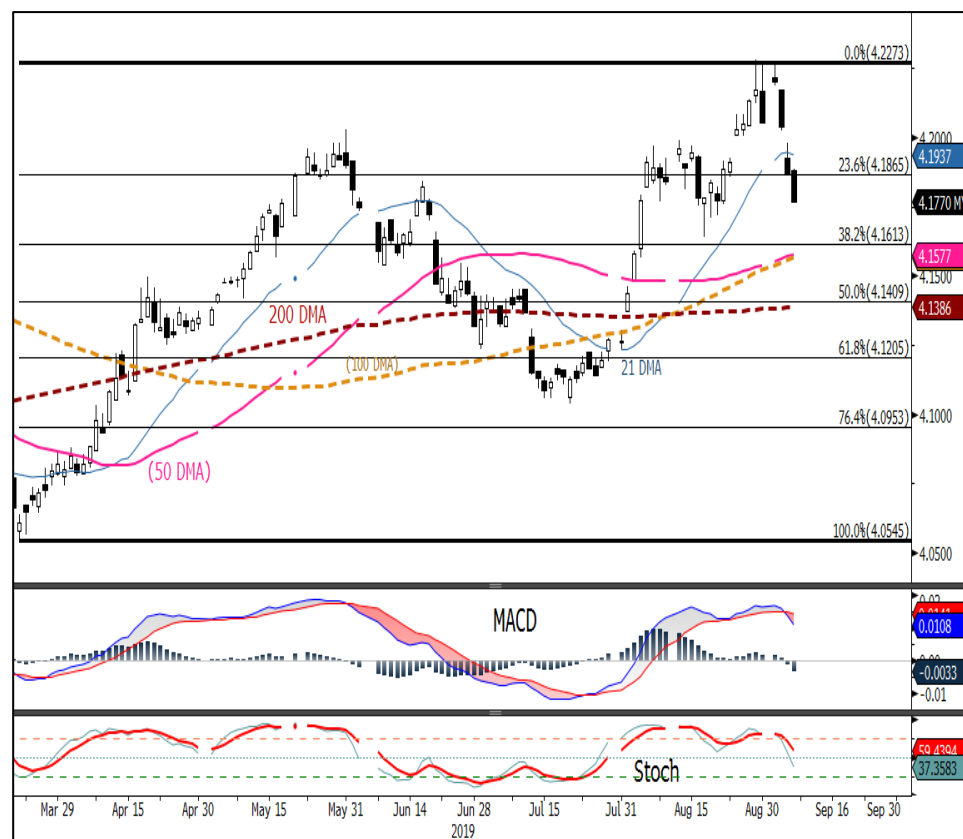
USDSGD traded a high of 1.3940 levels this week before turning lower. Moves were in line with our caution for fatigue run-up (as per last FX Weekly). Pair was last seen at 1.3840 levels.

Daily momentum turned mild bearish while stochastics is falling.

Immediate support at 1.3820 (23.6% fibo retracement) before 1.3750 (38.2% fibo, 50 DMA).

Resistance at 1.3870 (21 DMA), 1.3910, 1.3940 levels. Bias to sell rallies.

USDMYR Daily Chart - Further Downside Possible



USDMYR fell sharply this week, in line with our call (in the last FX Weekly) for a bearish reversal (observation for shooting star candlestick on weekly chart).

Pair was last seen at 4.1770 levels. Daily momentum turned mild bearish while stochastics is falling. Immediate support at 4.1610 levels (38.2% fibo retracement of 2019 low to high), 4.14 levels (50% fibo, 200 DMA).

Resistance at 4.1940 (21 DMA), 4.2050 levels.

AUDSGD Weekly Chart: Accumulate Dips

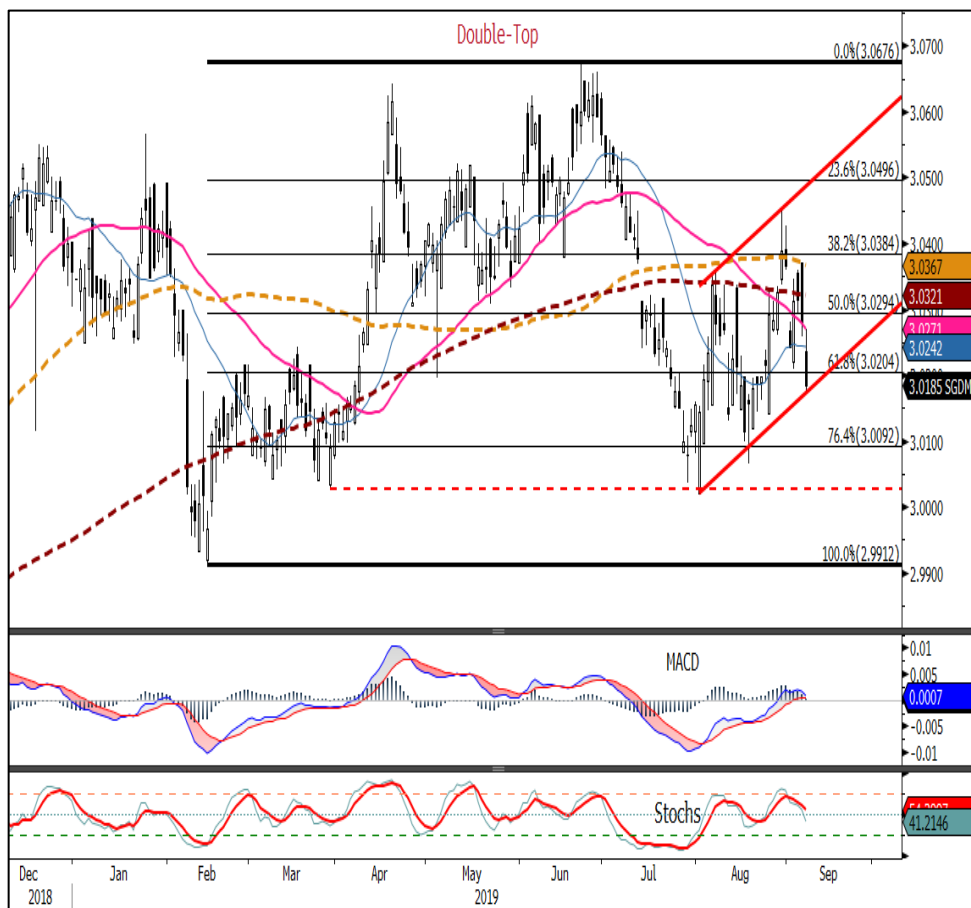


AUDSGD rebounded this week; last seen at 0.9440 levels.

Bullish momentum on daily chart remains intact while a bullish divergence appears to be forming on weekly MACD (not shown here). Bias to accumulate on dips.

Resistance at 0.9470 (100 DMA), 0.9580 (200 DMA). Support at 0.9380 (21 DMA).

SGDMYR Daily Chart: Biased for Downside Play



Our bias to sell SGDMYR on rallies worked out well as the cross eased back below 3.02-handle.

Bullish momentum on daily chart is fading while stochastics is turning lower. Directional path tilted to the downside. Support at 3.0170, 3.0090 (76.4% fibo retracement of 2019 low to high).

Resistance at 3.0240 (21 DMA), 3.0320 (50 DMA), 3.0370 (100 DMA).

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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