

FX Weekly

USD Bears Looking for Confirmation from US Payrolls

The Week Ahead

- **Dollar Index - Ease.** Support at 96.50; Resistance at 98.30
- **USD/SGD - Consolidate.** Support at 1.3590; Resistance at 1.3710
- **USD/MYR - Supported.** Support at 4.1360; Resistance at 4.1780
- **AUD/SGD - Subdued.** Support at 0.9440; Resistance at 0.9640
- **SGD/MYR - Double Top.** Support at 3.0360; Resistance at 3.0520

Eyes on US Payrolls Tonight

DXY looks on track to close near 2-month low amid softer than expected ISM Mfg, ADP employment and a series of dovish Fed speaks from voting members Powell, Clarida and Bullard. Looking ahead US payrolls data tonight (830pm SG/KL time), PPI (Tue) and CPI (Wed) would be of interest. Consensus expects NFP to rise by +175k; average hourly earnings to see a sequential pick up to +0.3% m/m and unemployment rate to remain steady at 3.6%. A softer than expected wage growth print could be the green light to validate market's call for a Fed rate cut soon. On AXJs, recent comments from PBoC Governor Yi Gang that China has lots of policy room if trade war worsens, no RMB level is more important than others has seen CNH weakened significantly today. Markets are speculating that those comments may be a warning that USDRMB could possibly break above 7-levels next week when China returns. Softness in RMB could dampen sentiment and drag AUD and AXJs lower. USDSGD, USDMYR dips could find support at 1.36, 4.14 levels.

UK Conservative/ PM Leadership Contest Starts Next Week

As PM May prepares for her exit today (7th Jun), question remains who her successor is if a fresh GE may be held soon, if Brexit date (of 31 Oct 2019) will be delayed again and how the brexit process (hard brexit or soft brexit bias conditional on who the PM is) could change going forward. Former Foreign secretary Boris Johnson has indicated his intent while MPs Dominic Raab, Andrea Leadsom, etc. could possibly contend as well. Next week starting 10th Jun will see nominations for leadership candidates close and the party's 313 MPs will vote for their preferred candidate and the process will continue until 2 candidates are left remaining before they are being put through questions and then a final decision will be put to another vote by Conservative party members (124,000 of them). A new leader and PM will be announced by end-Jul. We brace for more Brexit headline-related GBP swings next week.

China Data Dump; EU IP; US CPI; SG Retail Sales Next Week

Key data next week include China trade; UK IP; JP GDP; ID CPI on Mon. For Tue, US PPI; UK labor report; MY IP; PH trade. For Wed, US CPI; ECB's Draghi speaks; China CPI, PPI; SG retail sales. For Thu, EU IP, CPI; AU employment change. For Fri, US retail sales, IP, sentiment; NZ Mfg PMI; JP IP; BoE's Carney speaks; China FAI, IP, retail sales. AU markets are closed on Mon and PH is closed on

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Our in-house model implies that S\$NEER is trading around 1.1 % above the implied midpoint of 1.3791, 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: 96.50; R: 98.30 | <ul style="list-style-type: none"> • Mon: JOLTS Job Openings (Apr); • Tue: PPI (May); • Wed: CPI (May); • Thu: Export, Import Prices (May); • Fri: Retail Sales, IP (May); Uni of Michigan Sentiment (Jun) |
| EURUSD |  | S: 1.1120; R: 1.1370 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: ECB's Draghi, Guindos speak • Thu: Industrial production (Apr); CPI (May) • Fri: - Nil - |
| AUDUSD |  | S: 0.6930; R: 0.7030 | <ul style="list-style-type: none"> • Mon: - Nil - • Tues: NAB Business Confidence (May); • Wed: Westpac Consumer Confidence (Jun); RBA's Kent, Ellis speak; • Thu: Employment change (May); • Fri: - Nil - |
| NZDUSD |  | S: 0.6550; R: 0.6640 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: Mfg Activity (2Q); • Wed: Net Migration (Apr); Card Spending (May); • Thu: - Nil - • Fri: Mfg PMI, Food prices (May) |
| GBPUSD |  | S: 1.2590; R: 1.2800 | <ul style="list-style-type: none"> • Mon: GDP, IP, Construction output, Trade (Apr); Conservative Party leadership contest starts; • Tue: Labor Market Report (Apr); • Wed: - Nil - • Thu: - Nil - • Fri: BoE's Carney speaks |
| USDJPY |  | S: 107.50; R: 109.40 | <ul style="list-style-type: none"> • Mon: GDP (1Q); Current Account (Apr); • Tue: Machine Tool Orders (May); • Wed: Core Machine Orders (Apr); • Thu: BSI Large Mfg (@Q); • Fri: IP, Capacity Utilization (Apr) |
| USDCNH |  | S: 6.9000; R: 6.9800 | <ul style="list-style-type: none"> • Mon: Trade (May); • Tue: - Nil - • Wed: CPI, PPI (May); • Thu: - Nil - • Fri: FAI, IP, Retail Sales (May) |
| USDSGD |  | S: 1.3590; R: 1.3710 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: Retail Sales (Apr) • Thu: - Nil - • Fri: - Nil - |
| USDMYR |  | S: 4.1360; R: 4.1780 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: Industrial Production (Apr); FX Reserves (May) • Wed: - Nil - • Thu: - Nil - • Fri: - Nil - |
| USDPHP |  | S: 51.70; R: 52.20 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: Trade (Apr) • Wed: - Nil - • Thu: - Nil - • Fri: - Nil - |
| USDIDR |  | S: 14,200; R: 14,400 | <ul style="list-style-type: none"> • Mon: CPI (May); • Tue: - Nil - • Wed: - Nil - • Thu: FX Reserves (May) • Fri: - Nil - |

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

| Currency | Stories of the Week |
|------------------|--|
| DXY Index | <p>Payrolls and Inflation to Provide Signals for USD Direction. Dollar fell this week, in line with our call (see past 2 FX Weekly) for USD to see a pullback lower. Move lower came amid softer than expected ISM Mfg, ADP employment and a series of dovish Fed speaks from voting members Powell, Clarida and Bullard. Elsewhere on the trade war front, Trump now says he will decide on whether to impose tariff on another \$300 bn worth of Chinese imports after G20 Summit in Osaka (28 - 29 Jun). This, together with the chance for potential delay in US tariffs on Mexico reduces the risk of further escalation in trade tensions; helped to support sentiment and provided a breather for AXJs.</p> <p>Looking ahead US payrolls data would be of interest tonight (830pm SG/KL time). Consensus expects NFP to rise by +175k; average hourly earnings to see a sequential pick up to +0.3% m/m and unemployment rate to remain steady at 3.6%. A softer than expected wage growth print could be the green light to validate market's call a Fed rate cut soon - possibly to signal a cut at the upcoming Jun FOMC (19 Jun) and potentially delivering a 25bps cut as early as at 31 Jul or at 18 Sep FoMC (markets-implied via Fed fund futures are now pricing in 66% chance of Fed rate cut in Jul while the odds for Sep cut rises to 93%).</p> <p>Fed Chair Powell said that that Fed is prepared to respond if it decides that Trump's trade conflicts are threatening the US economy (7 Jun). On Mon (3 Jun), Bullard (voting member) said that a downward policy rate adjustment may be warranted soon to help re-center inflation and inflation expectations at target and also to provide some insurance in case of a sharper than expected slowdown. He added that even if the sharper-than-expected slowdown does not materialise, a rate cut would only mean that inflation and inflation expectations return to target more rapidly while Barkin (non-voting member) said he is "frankly nervous" about the fragility of businesses' mindset on their investment postures due to uncertainty in the air (relating to increased tariffs). Last week, Vice Chair Clarida discussed the possibility of Fed rate cut. he said the Fed was "very attuned to the risks to the outlook and if they crystallised it could be a reason for more accommodative monetary policy". He added that if incoming data were to show a persistent shortfall in inflation below 2% objective or to indicate that global economic and financial developments present a material downside risk to baseline outlook then these are developments that the FoMC would take into account in assessing the appropriate stance". Next week brings PPI (Tue) and CPI (Wed). A softer print could further drag USD lower.</p> <p>DXY was last seen at 97.05 levels. Bearish momentum on daily chart remains intact while stochastics is falling into near-oversold conditions. Key support at 97 (100 DMA, 38.2% fibo retracement of 2019 low to high), 96.70 (50% fibo, trend-line support from the lows of 2018 and 2019) and 96.5 (200 DMA). Resistance at 97.60 (21, 50 DMAs), 98.30. Bias to sell rallies</p> <p><i>Focus next week on JOLTS Job Openings (Apr) on Mon; PPI (May) on Tue; CPI (May) on Wed; Export, Import Prices (May) on Thu; Retail Sales, IP (May); Uni of Michigan Sentiment (Jun) on Fri.</i></p> |
| EUR/USD | <p>Will EUR Bulls Break Bearish Trend Channel? EUR traded higher this week despite EU's decision to begin disciplinary process against Italy over debt issues while ECB was perceived to be less dovish than anticipated by markets.</p> <p>The dovish part was that forward guidance on rates to be on hold at present levels was extended (again) out to at least through the 1H 2020 (from end-2019) and Draghi's caution that "global headwinds continue to weigh on Euro-area outlook... the prolonged presence of uncertainties, related to geopolitical factors, the rising threat of protectionism and vulnerabilities in emerging markets, is leaving its mark on economic sentiment." And the ECB are determined to act if needed. On TLTRO-III, the rate will be 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.</p> <p>And though Draghi sees downside risks to growth, he sees the risk of recession low and there are no threats of de-anchoring inflation expectations. 2019 growth and inflation projections were even revised higher to 1.2% and 1.3%, respectively (vs. 1.1% and 1.2% previously projected). And the ECB said that gains in employment and rising wage growth continue to underpin the resilience of the Euro-area economy and inflation. Relatively less dovish ECB vs. dovish Fed could explain why USD could play</p> |

catch down to the EUR (i.e. EURUSD to see strength on slowing policy divergence).

As of writing, EUR looks on track to challenge the upper-bound of the bearish trend channel (formed since start of the year). But gains have so far failed to break decisively to the upside. Pair was last seen at 1.1180 levels. Bullish momentum on daily chart remains intact while stochastics is rising. Key resistance at 1.1280 (38.2% fibo retracement of 2019 high to low, 100 DMA) needs to be broken on weekly close for further gains towards 1.1340 (50% fibo), 1.1370 (200 DMA) to play out. Support at 1.1210 (21, 50 DMAs), 1.1120 levels.

Focus next week on ECB's Draghi, Guindos speak on Wed; Industrial production (Apr); CPI (May) on Thu.

GBP/USD Expect Whippy Trades. As PM May prepares for her exit today (7th Jun), question remains who her successor is if a fresh GE may be held soon, if Brexit date (of 31 Oct 2019) will be delayed again and how the brexit process (hard brexit or soft brexit bias conditional on who the PM is) could change going forward. Former Foreign secretary Boris Johnson has indicated his intent. He said he does not want a no-deal exit but the country must prepare for a no-deal scenario. He hinted that he will go back to EU to re-negotiate some of the most contentious parts of the deal (likely to be the Irish backstop). Conservative MPs Dominic Raab, Andrea Leadsom, etc. could possibly contend for the Conservative party leadership. Next week starting 10th Jun will see nominations for leadership candidates close and the party's 313 MPs will vote for their preferred candidate and the process will continue until 2 candidates are left remaining before they are being put through questions and then a final decision will be put to another vote by Conservative party members (124,000 of them). A new leader and PM will be announced by end-Jul. We brace for more Brexit headline-related GBP swings.

Pair was last seen at 1.2710 levels. Bullish momentum on daily chart remains intact while stochastics is rising. Immediate resistance at 1.2730 (21 DMA). Break above this is required for gains to extend towards 1.28 levels. Support at 1.2660, 1.2590.

Focus this week on GDP, IP, Construction output, Trade (Apr); Conservative Party leadership contest starts on Mon; Labor Market Report (Apr) on Tue; BoE's Carney speaks on (Fri).

USD/JPY Possible Bullish Divergence? USDJPY continued to drift higher this week; in line with our caution for a short squeeze higher. Last seen at 108.50 levels. Bearish momentum on daily chart is showing tentative signs of fading while stochastics shows signs of turning higher from oversold conditions. A potential bullish divergence could be in the works for USDJPY. We continue to caution for the risk of short squeeze higher. Immediate resistance at 108.7, 109.40 (21 DMA). Support at 107.90, 107.50 levels

Focus next week on GDP (1Q); Current Account (Apr) on Mon; Machine Tool Orders (May) on Tue; Core Machine Orders (Apr) on Wed; BSI Large Mfg (2Q) on Thu; IP, Capacity Utilization (Apr) on Fri.






AUD/USD Gains May Moderate. AUD traded higher this week. Pair was last seen at 0.6970 levels. Bullish momentum on daily chart is intact but shows tentative signs of waning while stochastics is showing early signs of turning lower. Failure to push above 0.7020 (50 DMA) decisively could see AUD drift lower to trade 0.6930 - 0.70 range next week. Recent comments from PBoC Governor Yi Gang that China has lots of policy room if trade war worsens, no RMB level is more important than others has seen CNH weakened significantly today. Markets are speculating that those comments may be a warning that USDRMB could possibly break above 7-levels next week when China returns. Softness in RMB could dampen sentiment and drag AUD and AXJs lower.

Focus next week on NAB Business Confidence (May) on Tue; Westpac Consumer Confidence (Jun); RBA's Kent, Ellis speak on Wed; Employment change (May) on Thu.

NZD/USD Looking for a Retracement. NZD traded higher this week; last seen at 0.6620 levels. Bullish momentum on daily chart remains intact while stochastics is rising into near-overbought conditions. Immediate resistance at 0.6640 (50 DMA), 0.6680 levels. Support at 0.6550 (21 DMA). We look for retracement move lower in a range of 0.6550 - 0.6640 next week.

Focus next week on Mfg Activity (2Q) on Tue; Net Migration (Apr); Card Spending (May) on Wed; Mfg PMI, Food prices (May) on Fri.

Technical View: MYR Crosses

| MYR Crosses | Direction | Support/Resistance | Stories of the Week |
|-------------|---|----------------------|--|
| SGD/MYR |  | S:3.0300; R:3.0520 | Gap Filled; Double Top Formed. The gap higher on Monday was filled as the week goes by. SGDMYR traded 3.0625 intra-week high (on Wed) before easing off; cross was last seen at 3.0430 levels. Mild bullish momentum on daily chart is fading while stochastics shows early signs of turning lower. Risks skewed to the downside. Support at 3.04 (50 DMA), 3.0360 (38.2% fibo retracement of 2019 low to high) before 3.0280/90 levels (50% fibo, 100, 200 DMAs). Resistance at 3.0470 (23.6% fibo), 3.0520, 3.0640 levels (double top). |
| AUD/MYR |  | S: 2.8700 R:2.9200 | Buy Dips Preferred. AUDMYR gains this week looks on course to be partially retraced into Asia close. Last seen at 2.8980 levels. Bullish momentum on daily chart shows signs of waning while stochastics is turning from near-overbought conditions. Near term downside pressure not ruled out. Support at 2.8970 (21 DMA), 2.8650 (triple bottom). Buy dips preferred. Resistance at 2.9120 (50, 100 DMAs), 2.9450 (200 DMA). |
| EUR/MYR |  | S: 4.6400; R:4.7000 | May Pullback Lower Soon. Run-up in EURMYR continued this week but gains hit a wall of resistance at 200 DMA (4.7050). Cross was last seen at 4.6830 levels. Momentum and stochastics indicators are not showing a clear bias. Watch support at 4.6750 levels (23.6% fibo retracement of Apr low to Jun high). Break below could open room for further downside towards 4.6550 (38.2% fibo, 50 DMA), 4.6390 (50% fibo, 100 DMA). Resistance at 4.7050 (200 DMA). |
| GBP/MYR |  | S: 5.2690; R: 5.3210 | May Rebound. GBPMYR was a touch softer this week. Cross was last seen at 5.2770 levels. Bearish momentum on daily chart shows signs of fading while stochastics is in oversold conditions - signs of rebound could come but technical signals are mixed as 21, 50 DMAs cut 100, 200 DMAs to the downside - bearish signal. Support at 5.2770, 5.2690. Resistance at 5.3210. |
| JPY/MYR |  | S: 3.8220 R: 3.8770 | Bearish Divergence. JPYMYR eased off recent highs. Cross was last seen at 3.8340 levels. Bullish momentum on daily chart is waning while stochastics is drifting lower from near overbought conditions. A bearish divergence could be in the works. Downside risks not ruled out. Support at 3.8220 (21 DMA), 3.7770. Resistance at 3.8550. 3.8770. |

Technical Chart Picks:

USDSGD Daily Chart - Consolidative Range

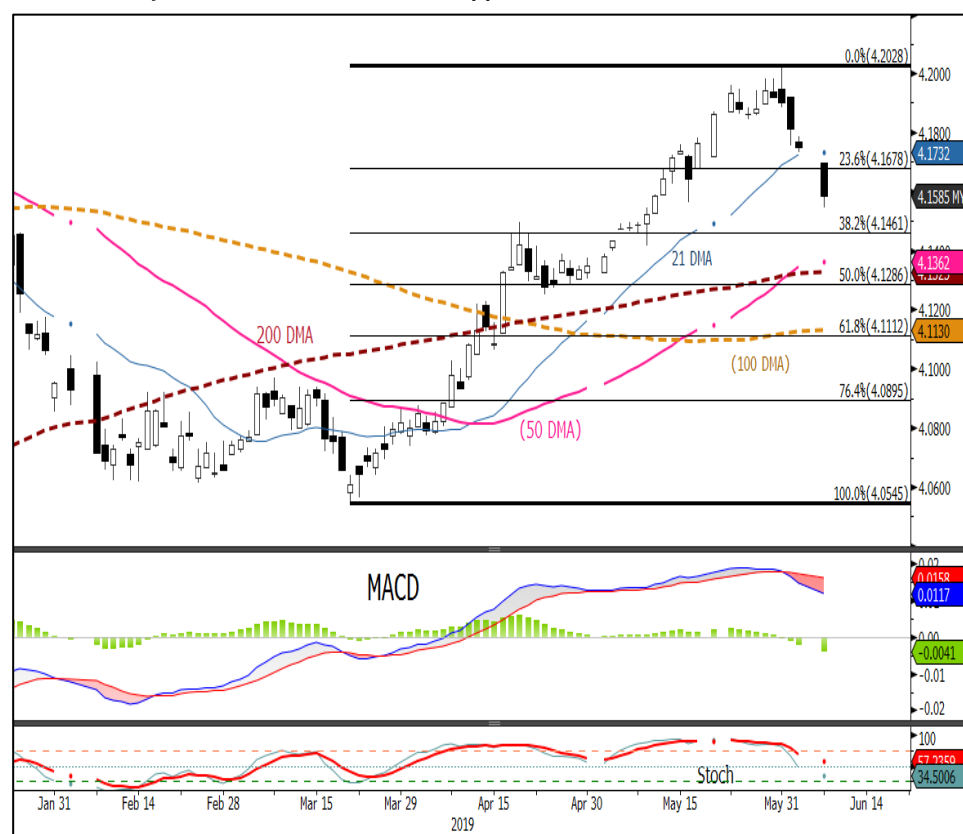


Our caution that *decline could accelerate* panned out well this week. USDSGD traded down to 1.3626 (Wed, Thu) and was last seen at 1.3655 levels.

Mild bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Immediate support at 1.3640 (50 DMA), 1.3610 (38.2% fibo retracement (2018 high to 2019 low) and 1.3590 (100 DMA). Resistance at 1.3710 (61.8% fibo).

Look for consolidative trades in 1.3590 - 1.3710 next week.

USDMYR Daily Chart - Pullback to Find Support



USDMYR looks on track to reverse some of the trade fear exuberance moves into the week's close. Pair was last seen at 4.1590 levels.

Bearish momentum on daily chart remains intact while stochastics is falling. Next support seen at 4.1460 levels (38.2% fibo retracement of 2019 low to high), 4.1360 (50, 200 DMAs). We still expect pullback to find support.

Resistance at 4.1680 (23.6% fibo), 4.1730 (21 DMA).

AUDSGD Weekly Chart: Indecision



Indecision remains the name of the game for AUDSGD as the cross struggled to find a clear direction for the 3rd consecutive week. Cross was last seen at 0.9525 levels.

Weekly momentum and stochastic indicators are not showing a clear bias for now.

Range-bound trade could continue. Support seen at 0.9520 (21 DMA), 0.9440. Resistance at 0.9580 (50 DMA), 0.9640.

SGDMYR Daily Chart: Gap Filled; Double Top



The gap higher on Monday was filled as the week goes by. SGDMYR traded 3.0625 intra-week high (on Wed) before easing off; cross was last seen at 3.0430 levels.

Mild bullish momentum on daily chart is fading while stochastic shows early signs of turning lower. Risks skewed to the downside. Support at 3.04 (50 DMA), 3.0360 (38.2% fibo retracement of 2019 low to high) before 3.0280/90 levels (50% fibo, 100, 200 DMAs).

Resistance at 3.0470 (23.6% fibo), 3.0520, 3.0640 levels (double top).

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