

FX Weekly

Will AXJ Rally Run Into Fatigue?

The Week Ahead

- **Dollar Index - Upside Risk.** Support at 97.4; Resistance at 98.7.
- **USD/SGD - Supported.** Support at 1.3510; Resistance at 1.3650
- **USD/MYR - Range.** Support at 4.10; Resistance at 4.16
- **AUD/SGD - Range.** Support at 0.9330; Resistance at 0.9450
- **SGD/MYR - Consolidate.** Support at 3.0300; Resistance at 3.0500

USDSGD Support at 1.3550 May Prove Hard to Break

Our short term calls (as of last FX Weekly) looking for USDCNH and USDMYR to trade lower towards 6.9930 and 4.14 levels more than met their respective objectives. Looking on, we expect USD's mixed play vs DM and AXJ FX to continue especially in this environment where Fed speaks of late seem to point to appropriate and comfortable policy stance favors long USD against lower/negative yielding FX while growing optimism of US-China progressing towards an agreement favors short USD against trade-linked AXJs. That said sentiment-led rally in AXJs fuelled by trade optimism would still require stronger macro data in order for sustained move lower in USD/AXJs. Failing which, the AXJ rally could run into fatigue and USD dips could find support. Within the USD/ASEAN space, USDSGD's support at 1.3550 may prove hard to break while the pace of USDMYR's decline this week could slow if there is no follow-through in momentum on details of US-China trade discussion.

RBNZ and BSP Expected to Keep Policy Status Quo

We still maintain our out-of-consensus call for RBNZ to keep OCR on hold at 1% at its upcoming MPC meeting on Wed. We believe RBNZ will "watch and monitor" to allow for the transmission effects from the earlier 50bps surprise cut in Aug (cumulative 75bps cut YTD) and currency adjustment (NZ TWI declined by nearly 7% from its 2019-high) to work its way into the economy. We previously noted that the latter is also another form of monetary stimulus and could help to support exports and growth. For BSP on Thu, our economist expect BSP to keep policy rate on hold at 4% as Governor hinted at a pause in current rate cut cycle. Another 25bps cut is likely in 1Q 2020, given the continued "dovish" tones of the monetary policy statement and sustained benign inflation outlook.

China, US Activity Data; Powell Testimony in Focus Next Week

Key data of interests next week include UK GDP; Malaysia industrial production on Mon. For Tue, UK labor report; ZEW survey; SG retail sales. For Wed, US, UK CPIs; JP PPI. For Thu, US PPI; EU, UK GDPs; AU labor report; UK retail sales; China activity data. For Fri, US retail sales, IP, empire mfg; EU CPI; NZ PMI; Malaysia GDP; ID trade. US markets are closed on 11 Nov. Powell will appear before the Joint committee of Congress and House on Wed and Thu.

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Our in-house model implies that S\$NEER is trading around 1.61% above the implied midpoint of 1.3812, suggesting that it is on the stronger side vs. other trading partner currencies.

Please see page 3 for a summary of our open trade ideas

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 96.10; R: 98.70	<ul style="list-style-type: none"> • Mon: Fed's Rosengren speaks; • Tue: NFIB small business optimism (Oct); Fed's Harker, Kashkari speak; • Wed: CPI (Oct); Fed's Powell addresses joint Economic Committee of Congress; Fed's Kashkari speaks; • Thu: PPI (Oct); Fed's Powell appears before House Budget Committee; Fed's Clarida, Evans, Daly, Williams, Bullard speak; • Fri: Empire Mfg (Nov); Retail sales, Industrial Production (Oct)
EURUSD		S: 1.0990; R: 1.1120	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: ZEW Survey (Nov); ECB's Coeure speaks; • Wed: Industrial production (Sep); Germany CPI (Oct); • Thu: EU & Germany GDP (3Q); ECB's Knot speaks; • Fri: CPI (Oct F); Trade (Sep); ECB's Mersche speaks
AUDUSD		S: 0.6850; R: 0.6955	<ul style="list-style-type: none"> • Mon: - Nil - • Tues: NAB Business Confidence (Oct); • Wed: Westpac Consumer confidence (Nov); Wage price index (3Q); • Thu: Employment change (Oct); RBA's Bullock speaks • Fri: RBA's Debelle speaks
NZDUSD		S: 0.6250; R: 0.6500	<ul style="list-style-type: none"> • Mon: Card spending (Oct) • Tue: Net Migration (Sep); • Wed: Food Prices (Oct); RBNZ MPC; RBNZ Governor Orr speaks; • Thu: RBNZ Orr at parliament select Committee on MPS; • Fri: Mfg PMI (Oct)
GBPUSD		S: 1.2710; R: 1.3000	<ul style="list-style-type: none"> • Mon: GDP (3Q P); IP, Trade, Construction output (Sep); • Tue: Labor report (Sep); • Wed: CPI, PPI, RPI (Oct); House Price (Sep) • Thu: Retail Sales (Oct) • Fri: - Nil -
USDJPY		S: 108.50; R: 110.30	<ul style="list-style-type: none"> • Mon: Core Machine Orders, Current Account (Sep); • Tue: Machine Tool Orders (Oct); • Wed: PPI (Oct); • Thu: GDP (3Q); • Fri: Industrial Production (Sep)
USDCNH		S: 6.9500; R: 7.0500	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: FAI, IP, Retail Sales (Oct); • Fri: New Home Prices (Oct)
USDSGD		S: 1.3510; R: 1.3650	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: Retail Sales (Sep) • Wed: - Nil - • Thu: - Nil - • Fri: - Nil -
USDMYR		S: 4.1000; R: 4.1600	<ul style="list-style-type: none"> • Mon: Industrial Production (Sep); • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: GDP, Current Account (3Q)
USDPHP		S: 50.30; R: 51.00	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: BSP Meeting • Fri: Overseas Remittances (Sep)
USDIDR		S: 13,980; R: 14,200	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: Trade (Oct)

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]
25 Sep	Short USDCNH, Short SGDCNH	7.11 [7.19]	7.00, 6.90		Open	Head and Shoulders Formation for USDCNH, See Removal of Sep tariffs for an interim trade deal. [GM Daily] , [RMB Watch]
25 Sep	Short SGDCNH	5.1620 [5.20]	5.0970, 5.0788		Open	Elevated SGDCNH, an interim trade deal to see CNH strengthen against SGD. [GM Daily] , [RMB Watch]

Selected G7 FX Views

Currency	Stories of the Week
DX/USD	<p>Mixed Play Can Persist. USD's mixed play has been especially pronounced this week with USD strength seen vs lower/negative yielding DM FX including EUR, JPY as rise in UST yields (10Y rose above 1.9%) enhanced USD's position as the ultimate carry play in DM FX world. On the other hand USD weakness was seen vs. AXJs, in particular those trade-linked ones such as KRW, TWD, CNH, MYR owing to signs of material progress on US-China trade negotiations - US, China plan to roll back tariffs in phases.</p> <p>Recent Fed speaks including, Daly, Kashkari, Bostic, Evans, Williams all seem to suggest that Fed's current monetary stance is "appropriate", "fairly comfortable" after the mid-cycle adjustment of 3 cuts seen from Jul to Oct and that further easing would require a material change in outlook. This somewhat guides markets to unwind rate cut expectations. At the same time, Fed is also allowing for asymmetric patience on policy response to upward pressure on prices (if any). These basically suggest that rates could stay at current level for longer or till conditions change.</p> <p>Possibly, USD's mixed play vs DM-AXJ FX is likely to continue for now in this environment where Fed speaks of late seem to point to appropriate and comfortable policy stance for now (favors long USD vs. lower/negative yielders) while growing optimism of US-China progressing towards an agreement soon (favors USD short vs. trade-linked AXJs). The risk to mixed play if US-China trade progress stalls. And is not hard to fathom given there is still lack of details on the deal and when/where it will be signed. If this happens, then potentially we could see broad USD strength instead.</p> <p>DX/USD was last seen at 98.1 levels. Bullish momentum on daily chart remains intact while stochastics is rising. Risks remain skewed to the upside in the interim. Immediate resistance at 98.40 (50 DMA, 50% fibo retracement of Sep high to Oct low) and 98.70 (61.8% fibo). Support at 98 (38.2% fibo), 97.70 (23.6% fibo) and 97.4 (200 DMA).</p> <p><i>Data/Events of focus next week include Fed's Rosengren speaks on Mon; NFIB small business optimism (Oct); Fed's Harker, Kashkari speak on Tue; CPI (Oct); Fed's Powell addresses joint Economic Committee of Congress; Fed's Kashkari speaks on Wed; PPI (Oct); Fed's Powell appears before House Budget Committee; Fed's Clarida, Evans, Daly, Williams, Bullard speak on Thu; Empire Mfg (Nov); Retail sales, Industrial Production (Oct) on Fri. US markets are closed on Mon.</i></p>
EUR/USD	<p>Range. Negative yielding DM FX including EUR, JPY eased off this week. This came amid the widening of yield differentials in favor of the USD, as UST yields rose on collective remarks from the Fed. This further enhanced USD's status as the carry of choice in DM FX world. UST-EU 2Y differential widened slightly to +227bps from a low of +217bps in Oct.</p> <p>Pair was weaker this week; last seen at 1.1050 levels. Daily momentum is bearish while stochastics is falling into near oversold conditions. Immediate support at 1.1040 levels (50 DMA), 1.0990 levels. Resistance at 1.1110 (21, 100 DMAs) before 1.1190 (200 DMA). Interim downward pressure on EUR but range of 1.0990 - 1.1120 expected next week.</p> <p><i>Focus next week on ZEW Survey (Nov); ECB's Coeure speaks on Tue; Industrial production (Sep); Germany CPI (Oct) on Wed; EU & Germany GDP (3Q); ECB's Knot speaks on Thu; CPI (Oct F); Trade (Sep); ECB's Mersche speaks on Fri.</i></p>
GBP/USD	<p>Accumulate on Dips. GBP slipped this week amid election uncertainty (as Tory's lead at opinion polls was narrowed) while BoE's MPC decision on Thu saw 2 members voting for rate cuts.</p> <p>GBP was last seen at 1.2820 levels. Daily momentum is bearish while stochastics is falling. Our caution for a pullback in the near term has met our first objective support at 1.2840 (21 DMA). Next support at 1.2710 (200 DMA). Immediate resistance at 1.2880, 1.30. Fluid development and election uncertainty will pose 2-way risks to GBP. Fast-add-furious rally in Oct could face further reality check should poll margin narrows.</p> <p><i>Focus next week on GDP (3Q P); IP, Trade, Construction output (Sep) on Mon; Labor report (Sep) on Tue; CPI, PPI, RPI (Oct); House Price (Sep) on Wed; Retail Sales (Oct).</i></p>

USD/JPY *Range.* USDJPY remains supported above 109-handle this week amid the rise in UST yield. Pair was last seen at 109.30 levels Daily momentum turned mild bullish while stochastics is rising. Sustained price action above 108.70 (21 DMA) could see further gains ahead. Immediate support at 108.70 (21 DMA), 108 (50 DMA). Resistance at 109.70, 110.50 levels. Look for range of 108.50 - 110.30 next week.

Focus next week on Core Machine Orders, Current Account (Sep) on Mon; Machine Tool Orders (Oct) on Tue; PPI (Oct) on Wed; GDP (3Q) on Thu; Industrial Production (Sep) on Fri.

AUD/USD *At Risk of Turning Lower.* AUD was last seen at 0.6880 levels. Bullish momentum on daily chart is waning while stochastics is turning from near-overbought conditions. Risks skewed to the downside. Support at 0.6850 (21, 100 DMAs), 0.6810 (50 DMA). Resistance at 0.6950 (200 DMA). Look for range of 0.6810 - 0.6950.






Focus next week on NAB Business Confidence (Oct) on Tue; Westpac Consumer confidence (Nov); Wage price index (3Q) on Wed; Employment change (Oct); RBA's Bullock speaks on Thu; RBA's Debelle speaks on Fri.

NZD/USD *RBNZ MPC on Wed.* We still maintain our out-of-consensus call for RBNZ to keep OCR on hold at 1% at its upcoming MPC meeting on Wed. We believe RBNZ will "watch and monitor" to allow for the transmission effects from the earlier 50bps surprise cut in Aug (cumulative 75bps cut YTD) and currency adjustment (NZ TWI declined by nearly 7% from its 2019-high) to work its way into the economy. We previously noted that the latter is also another form of monetary stimulus and could help to support exports and growth.

NZD was last seen at 0.6350 levels. Daily momentum turned mild bearish while stochastics is falling. Near term risks skewed to the downside ahead of RBNZ. Support at 0.6340 (21, 50 DMAs) before 0.6250 levels. Resistance at 0.6460 (100 DMA) before 0.65.

Focus next week on Card spending (Oct) on Mon; Net Migration (Sep) on Tue; Food Prices (Oct); RBNZ MPC; RBNZ Governor Orr speaks on Wed; RBNZ Orr at parliament select Committee on MPS on Thu; Mfg PMI (Oct) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0240; R:3.0560	Still Looking for a Turn Lower. Our call (in last week's FX Weekly) looking for a turn lower in SGDMYR came into play this week. Cross was last seen at 3.0420 levels. Bearish momentum on daily chart remains intact but stochastics is falling into oversold conditions. Pace of decline likely to slow. Immediate support at 3.0340 (200 DMA), 3.0237 (61.8% fibo retracement of 2019 low to high). Resistance at 3.0440 (38.2% fibo), 3.0560 (23.6% fibo).
AUD/MYR		S: 2.8200 R:2.8700	Downside Risks. AUDMYR slipped in line with our caution for overbought signals (highlighted in the last FX Weekly). Cross was last seen at 2.8450 levels. Bearish momentum on daily chart remains intact. Downside risks not ruled out in the interim. Support at 2.8371 (61.8% fibo retracement of Oct low to Nov high), 2.8240 (76.4% fibo). Resistance at 2.86 (38.2% fibo), 2.8720 (23.6% fibo).
EUR/MYR		S: 4.5500; R:4.6300	Oversold. EURMYR fell sharply this week driven by diverging forces of MYR outperformance and EUR underperformance. Pair was last seen at 4.5670 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Immediate support at 4.55. Break below this could open room for extension of decline. Resistance at 4.6160 (50 DMA), 4.6330 (21 DMA).
GBP/MYR		S: 5.25000; R: 5.3500	Range Near Term. GBPMYR fell this week amid MYR outperformance while GBP strength waned. Cross was last seen at 5.2970 levels. Bearish momentum on daily chart remains intact but stochastics is falling into overbought conditions. Immediate support at 5.28 before 5.25 levels. Resistance at 5.35 levels (21 DMA). Brexit, GE development will drive GBP. Meantime we look to play the range.
JPY/MYR		S: 3.8500; R: 3.9000	Lean against Strength. JPYMYR fell this week amid US-China trade optimism. Cross was last seen at 3.7830 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. Immediate support at 3.7770, 3.73 before 3.68 levels. Resistance at 3.83, 3.87 levels. Bias to lean against strength

Technical Chart Picks:

USDSGD Daily Chart - Still Supported on Dips



USDSGD consolidated near recent lows this week.

Last seen at 1.3585 levels Bearish momentum on daily chart is fading while stochastics is rising slowly from oversold conditions. This continues to suggest that downside moves from here may be a grind.

Immediate support remains at 1.3560 (76.4% fibo retracement of 2019 low to high, trend line support of lows in Jan, Mar and Jul) before 1.3510. A decisive break below these levels will open way towards 1.3440 levels.

Resistance at 1.3630 (61.8% fibo, 21 DMA), 1.3690 (50% fibo).

We look for 1.3550 - 1.3650 range next week.

USDMYR Daily Chart - Bearish but Pace of Decline May Slow



Our call in the last FX Weekly to turn technical bearish on USDMYR panned out well this week as USDMYR fell sharply (by -5sen). Move lower has met 2 of our objectives at 4.16, 4.14. Pair traded as low as 4.1280s and was last seen at 4.1340 levels.

Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Pace of decline may slow. Immediate support at 4.12 before 4.10 (ultimate objective/support of H&S pattern bearish reversal previously identified).

Resistance at 4.1410 (200 DMA), 4.16 levels.

AUDSGD Weekly Chart: Still Lacking Momentum



AUDSGD drifted modestly lower this week; last seen at 0.9350 levels. Bullish momentum on daily chart is fading while stochastics is turning lower. Immediate and a key resistance remains at 0.94 (100 DMA) - this DMA has been capping advances in AUDSGD this year on multiple occasions.

A sustained close above this can possibly reverse its fate. Next resistance at 0.9490 (200 DMA).

Failing which, the cross could revert back to 0.9330 - 0.9450 range.

Support at 0.9350 (50 DMA), 0.9330 (21 DMA) levels. 21 DMA looks on track to cut 50 DMA to the upside. We watch for follow-through in momentum.

SGDMYR Daily Chart: Pace of Decline to Slow



Our call (in last week's FX Weekly) looking for a turn lower in SGDMYR came into play this week. Cross was last seen at 3.0420 levels.

Bearish momentum on daily chart remains intact but stochastics is falling into oversold conditions. Pace of decline likely to slow.

Immediate support at 3.0340 (200 DMA), 3.0237 (61.8% fibo retracement of 2019 low to high).

Resistance at 3.0440 (38.2% fibo), 3.0560 (23.6% fibo).

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%		

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