

FX Weekly

Caution Remains Warranted

The Week Ahead

- **Dollar Index - Fade.** Support at 96.20; Resistance at 98.40
- **USD/SGD - Range.** Support at 1.3560; Resistance at 1.3670
- **USD/MYR - Supported.** Support at 4.1350; Resistance at 4.1670
- **AUD/SGD - At Risk.** Support at 0.9350; Resistance at 0.9680
- **SGD/MYR - Range.** Support at 3.0360; Resistance at 3.0560

Concerns of Full-Blown Trade War Easing for Now

Re-escalation of US-China trade war tensions gripped markets this week. As of writing, the 10% tariff on Chinese goods was raised to 25% effective today. But what was hard to reconcile was that markets appear upbeat with Chinese equities up nearly 4% while the rest of Asia including STI, KOSPI and HSI were modestly firmer today. The outperformance of Chinese equities may be due to state fund purchases to support markets, but looking at Europe, French, German, Italy bourses were all up +1%. Even the USD is modestly softer vs. most currencies including CNH, KRW. We think expectations for some sort of continued dialogue remains despite raised tariffs and risk of retaliation coming from China. And this is helping to ease concerns on full-blown trade war. There is also market chatters that goods already en-route to US will be grandfathered at 10% tariff while only those Chinese shipment leaving today (after 12:01am Fri US time) will be subjected to 25% tariff. This unofficial window of 2 to 3 weeks (of shipping time) allows for both US and China to further negotiate and come to a deal.

Retaliatory Response from China Over Weekend Not Ruled Out

We look at various scenarios how US-China trade development could impact FX markets. Our (1) base case scenario looks for **retaliatory response from China possibly coming as soon as over weekend while US-China trade talks continue** with some sort of deal possible at the G20 Summit in Japan (28-29 Jun). This could still see JPY and USD supported vs. trade-linked FX including CNH, KRW. USDCNH may see knee-jerk spike but likely to be capped at 6.86 (vs. USD) with chance of pullback towards 6.78, 6.75 (as the concerns are expected). We see some (2) risk to scenario 2 of another 25% tariff on \$325 bn of Chinese goods. This could see USDCNH rise beyond 6.86 to 6.90 as tensions escalate. (3) The worst case scenario will be a case of no-deal; full-blown trade war and a breakdown on issues of trust and impasse on non-tariff factors (IP, tech transfer). USDCNH could attempt to break above 7.00 in this scenario.

China Activity; EU & MY GDP; SG NODX Next Week

Key highlights next week include, German CPI; Euro-area IP, ZEW expectations; UK labor report on Tue. For Wed, US retail sales; EU 1Q GDP; China retail sales, IP, FAI and ID trade. For Thu, US housing data; EU trade; MY GDP; BI meeting (status quo expected). For Fri, EU CPI, NZ Mfg PMI, PPI; SG NODX.

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Our in-house model implies that S\$NEER is trading 1.2% above the implied midpoint of 1.3785, 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: 96.20; R: 98.40	<ul style="list-style-type: none"> Mon: Fed's Clarida, Rosengren speak; Tue: Fed's Williams, George speak; Import, Export prices (Apr); Wed: Retail Sales (Apr); Empire Mfg (May); Fed's Barkin speaks; Thu: Housing Starts, Building permits (Apr); Fed's Kashkari speaks; Fri: Uni. of Michigan Sentiment (May P); Fed's Williams speaks
EURUSD		S: 1.1120; R: 1.1330	<ul style="list-style-type: none"> Mon: - Nil - Tue: Industrial Production (Mar); ZEW Survey (May); German CPI (Apr); Wed: GDP, Employment (1Q); Thu: Trade (Mar); Fri: CPI (Apr); Construction Output (Mar)
AUDUSD		S: 0.6900; R: 0.7100	<ul style="list-style-type: none"> Mon: RBA's Debelle speaks; Home loans, Investment lending (Mar); Tues: NAB Business Confidence (Apr); Wed: Westpac Consumer Confidence (May); Wage price index (1Q) Thu: Employment change, Unemployment rate (Apr); RBA's Bullock speaks Fri: - Nil -
NZDUSD		S: 0.6490; R: 0.6720	<ul style="list-style-type: none"> Mon: Food Prices (Apr); Tue: Net Migration (Mar); Finance Minister speaks; Wed: - Nil - Thu: - Nil - Fri: Mfg PMI (Apr); PPI (1Q)
GBPUSD		S: 1.2900; R: 1.3160	<ul style="list-style-type: none"> Mon: - Nil - Tue: Labor Market Report (Mar); Wed: - Nil - Thu: - Nil - Fri: BoE's Haskel, Brazier speak
USDJPY		S: 108.70; R: 111.30	<ul style="list-style-type: none"> Mon: Leading Index (Mar P); Tue: Trade, Current Account (Mar P); Wed: Machine Tool Orders (Apr P); Thu: PPI (Apr); Fri: - Nil -
USDCNH		S: 6.7580; R: 6.8620	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: FAI, Retail Sales, IP (Apr); Thu: New Home Prices (Apr) Fri: - Nil -
USDSGD		S: 1.3560; R: 1.3670	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: NODX (Apr)
USDMYR		S: 4.1350; R: 4.1670	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: GDP (1Q) Fri: - Nil -
USDPHP		S: 51.80; R: 52.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Overseas Remittances (Mar); Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,200; R: 14,480	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (Apr) Thu: BI Meeting Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Lean against Strength. Re-escalation of US-China trade war tensions gripped markets this week. As of writing, the 10% tariff on Chinese goods was raised to 25% effective today. Potentially another 25% tariff on \$325bn of Chinese imports is not ruled out and China has warned that it could be forced to retaliate. Caution on further re-escalation of tensions remains warranted for the risk-averse. In that light, USD and JPY could see better support vs. selected Asian FX including CNH, KRW and TWD.</p> <p>But we noted that risk sentiment has been upbeat (Chinese equities are up over 3%) today despite trade tariffs being raised and retaliatory response possibly coming from China over the weekend. One would also have expected the USD to trade much firmer given recent re-escalation of trade tensions, solid NFP (last Fri) and US unemployment rate falling to near 50-year low but that is not entirely true. WTD, USD traded mixed with weakness seen vs. EUR and JPY while USD rose sharply vs. CNH, KRW. Some of this USD strength vs. AXJs has since eased and this could be attributed to renewed hopes of trade progress. Day 2 of trade talks is scheduled to resume in a few hours' time and focus is on the tele-conversation between Trump and President Xi later.</p> <p>One risk factor we want to raise is US-Iran geopolitical tensions. New sanctions on Iranian industrial metals were imposed by US on Wed after Iranian President Rouhani announced Tehran's intention to violate two provisions of the 2015 nuclear agreement. Earlier US National Security Advisor John Bolton announced that a carrier group and bombers will be deployed to Middle East. Provocative actions from US could result in an escalation of geopolitical tensions that this could expose high-beta FX proxies including KRW to vulnerabilities. JPY, gold and Oil could also rise in response.</p> <p>DXY was last seen at 97.4 levels. Daily momentum is bearish while stochastics is falling. Sustained close below key support at 97.44 (21 DMA) puts next support at 97.1 levels (50 DMA) before 96.7 (100 DMA, upward sloping trend-line support from the lows in Mar and Apr-2019) and 96.20 (200 DMA). Resistance at 97.87 (61.8% fibo retracement of 2017 high to 2018 low), 98.4 (2019 high). Bias remains to lean against strength.</p> <p><i>Focus next week on Fed's Clarida, Rosengren speak on Mon; Fed's Williams, George speak; Import, Export prices (Apr) on Tue; Retail Sales (Apr); Empire Mfg (May); Fed's Barkin speaks on Wed; Housing Starts, Building permits (Apr); Fed's Kashkari speaks on Thu; Uni. of Michigan Sentiment (May P); Fed's Williams speaks on Fri.</i></p>
EUR/USD	<p>Cautious Recovery. EUR continues to hold up well as green shoots of recovery in the region remain supported by upside surprise in German IP, following better than expected services PMI, retail sales and investor confidence in Euro-area. Next week's IP, ZEW survey and GDP will offer further insights on how sustainable the recovery story is. Our call for potential bullish divergence panned out well. Pair was last seen at 1.1230 levels. Daily momentum is mild bullish while stochastics is rising. Gains could extend towards 1.1260 (50 DMA), 1.1330 (100 DMA) if resistance at 1.1230 (21 DMA) clears. Immediate support at 1.1190, 1.1160, 1.1120.</p> <p><i>Focus next week on Industrial Production (Mar); ZEW Survey (May); German CPI (Apr) on Tue; GDP, Employment (1Q) on Wed; Trade (Mar) on Thu; CPI (Apr); Construction Output (Mar) on Fri.</i></p>
GBP/USD	<p>Fatigue Setting in for GBP Bulls. GBP was last seen at 1.3020 levels. Bullish momentum is waning while stochastics is turning lower from overbought conditions. Near term risks still skewed to the downside. Support at 1.30 (100 DMA), 1.2960 (200 DMA) and 1.2910 levels. Resistance at 1.3090 (50 DMA), 1.3160. Better than expected IP and a sequential pick-up in 1Q GDP did not seem to support the GBP. Brexit uncertainties remain a bigger driver of GBP. Cabinet Minister Liddington noted earlier in the week that while cross-party talks were 'difficult', they were constructive and he expects politicians to get on with Brexit deal.</p> <p><i>Focus next week on Labor Market Report (Mar) on Tue; BoE's Haskel, Brazier speak on Fri.</i></p>

USD/JPY Signs of Rebound; Sell Rallies Preferred. USDJPY gapped lower in the open this week following renewed trade tensions between US and China. Trump surprised markets by tweeting last Sunday that the 10% tariff will rise to 25%. Pair broke below 110; traded low of 109.47 (Thu) and was last seen at 109.80 levels. Move lower more than met our objectives at 111.30, 110.70. Bearish momentum on daily chart remains intact while stochastics is showing signs of turning from oversold conditions. A potential falling wedge appears to be in the making. This could suggest that a bullish reversal could be on the cards. We do not rule out a rebound towards 110.50/60 levels (23.6% fibo, 100 DMA). But rally should remain cap under 111.30 (21, 50, 200 DMAs). Immediate support at 109.50 (38.2% fibo retracement of 2019 low to high) before 108.70 (50% fibo). We remain in favor of selling rallies.

Focus next week on Leading Index (Mar P) on Mon; Trade, Current Account (Mar P) on Tue; Machine Tool Orders (Apr P) on Wed; PPI (Apr) on Thu.

AUD/USD Bullish Divergence? AUD continues to trade near recent lows amid renewed US-China trade tensions and RBA's growth revision lower. Recent release of SoMP saw a downgrade in near-term growth outlook for Australia to 1.75% in the year through Jun vs. 2.5% seen in Feb but growth is expected to rise to 2.75% for the rest of the forecast period. Trade talk uncertainties should continue to drive sentiment. Caution on that front could limit AUD's rise but AUD price action seems to show reluctance to test much lower. Pair was last seen at 0.70 levels. Bearish momentum on daily chart shows signs of fading while stochastics shows signs of turning higher from near-oversold conditions. A potential bullish divergence could also be in the making. Rebound risks not ruled out. Resistance at 0.7050/70 levels (38.2% fibo retracement of Apr high to May low, 21 DMA) before 0.7110 (100 DMA). Support at 0.6960, 0.69 levels.






Focus next week on RBA's Debelle speaks; Home loans, Investment lending (Mar) on Mon; NAB Business Confidence (Apr) on Tue; Westpac Consumer Confidence (May); Wage price index (1Q) on Wed; Employment change, Unemployment rate (Apr); RBA's Bullock speaks on Thu.

NZD/USD Signs of Bullish Divergence. NZD fell sharply this week after RBNZ surprised with a 25bps rate cut while risk sentiment was softer due to re-escalation of trade tensions between US and China. RBNZ delivered a 25bps rate cut to take OCR down to 1.5%. MPC judged that a lower OCR is necessary to support the outlook for employment and inflation with its policy target. RBNZ noted that while employment is near its maximum sustainable level, the outlook for employment growth is more subdued and capacity pressure is expected to ease slightly this year. As such inflationary pressures are projected to rise slowly. Governor Orr stopped short of guiding expectations for another cut as he said that it is too early to tell if another cut is needed.

NZD was last seen at 0.66 levels. Bearish momentum on daily chart remains intact but is fading while stochastics is rising. Bullish divergence appears to be in the making. Resistance at 0.6660 (21 DMA), 0.6720 (200 DMA). Immediate support at 0.6570, 0.6520 and 0.6490 levels.

Focus next week on Food Prices (Apr) on Mon; Net Migration (Mar); Finance Minister speaks on Tue; Mfg PMI (Apr); PPI (1Q) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0360; R: 3.0560	Range. SGDMYR traded higher this week. Move was well within the range of 3.03 - 3.05 we called for in the last FX Weekly. Cross was last seen at 3.0470 levels. Bearish momentum on daily chart shows signs of fading while stochastics is rising into overbought conditions. Immediate resistance at 3.05, 3.0560. Break above these levels could risk a move towards 2019 high of 3.0640. Support at 3.0440 (21 DMA), 3.0360 (38.2% fibo retracement of 2019 low to high). Look for 3.0360 - 3.0560 range next week..
AUD/MYR		S: 2.8650 R: 2.9300	Bearish Momentum Fading. AUDSGD consolidated near recent lows this week. Cross was last seen at 2.9030 levels. Bearish momentum on daily chart remains intact but stochastics is showing signs of rising from near-oversold conditions. Support at 2.88, 2.8650 likely to hold. Resistance at 2.9170, 2.93 levels.
EUR/MYR		S: 4.6400; R: 4.7000	Gains Could Extend Further. EURMYR traded higher this week, in line with our call <i>that downside pressure may ease</i> . Cross was last seen at 4.6650 levels. Daily momentum turned bullish while stochastics is rising. 21 DMA looks on track to cut 100 DMA to the upside. Resistance at 4.6870 before 4.7090 (200 DMA). Support at 4.66, 4.64 levels.
GBP/MYR		S: 5.3560; R: 5.4350	Buy Dips. GBPMYR was last seen at 5.4020 levels. Mild bullish momentum is fading while stochastics is turning lower. Upward pressure could temporarily ease. Buy dips preferred. Immediate support at 5.39, 5.3710 and 5.3560 levels. Resistance at 5.4150 before 5.4350, 5.45.
JPY/MYR		S: 3.7400 R: 3.80	Bullish Bias. JPYMYR surged this week; cross was last seen at 3.7870 levels. Bullish momentum on daily chart remains intact while stochastics is in overbought conditions. 21 DMA now looks on track to cut 100 DMA to the upside after cutting 200 DMA earlier this week. Near term risks skewed to the upside. Resistance at 3.80 (76.4% fibo retracement of Jan high to Apr low). Support at 3.7690 (61.8% fibo), 3.7440 (50% fibo).

Technical Chart Picks:

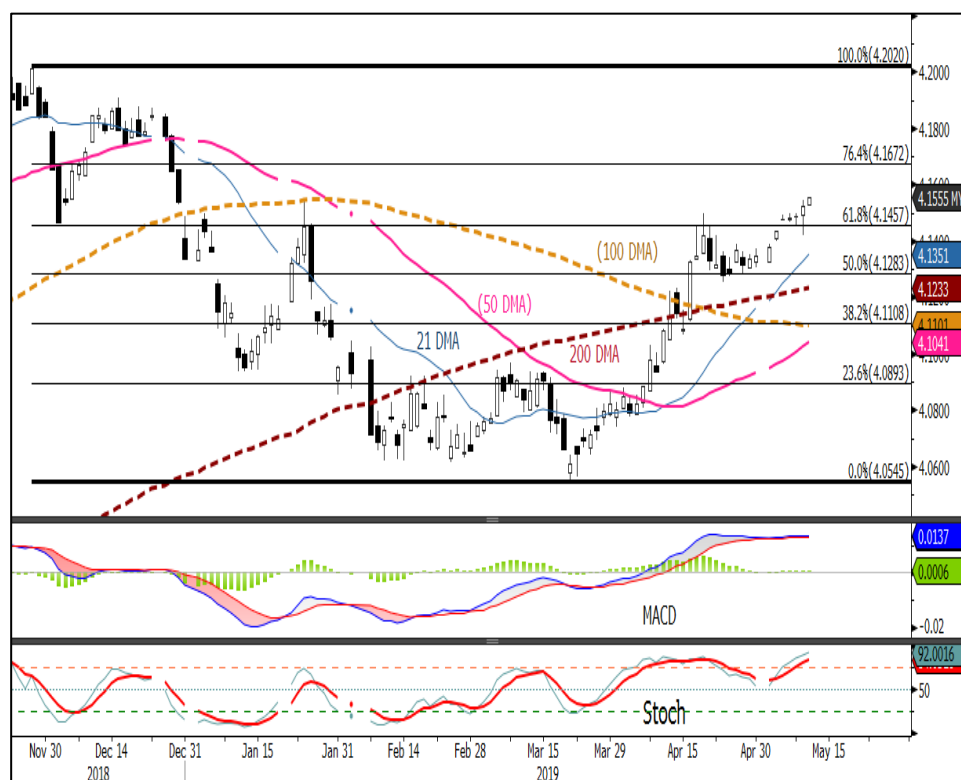
USDUSD Weekly Chart - Bulls Running Into Resistance



USDUSD consolidated near the upper bound of its YTD range. Pair was last seen at 1.3630 levels.

Bullish momentum on weekly chart remains intact though stochastics is rising into near-overbought conditions. 50DMA looks on track to cut 100 DMA to the upside. Near term risks remain skewed to the upside but momentum maybe fading (on the daily chart - not shown here). Area of resistance at 1.3650 (200 DMA) - 1.3670 (23.6% fibo retracement of 2018 low to high). Break above could usher in further upside play towards 1.37-1.38 levels. Support at 1.3590 (21 DMA), 1.3560 (50. 100 DMAs).

USDMYR Daily Chart - Gains Could Extend



USDMYR continues to trade higher this week, in line with our caution for upside risk. Pair was last seen at 4.1550 levels.

Daily momentum is mild bullish bias though stochastics is rising into overbought conditions. 50 DMA looks on track to cut 100 DMA to the upside. Weekly close above 4.1550 (2019 high) could see a move higher towards next resistance at 4.1670 (76.4% fibo retracement of 2018 high to 2019 low).

Support at 4.1460 (61.8% fibo) before 4.1350 levels (21 DMA).

AUDSGD Weekly Chart: Bearish but Oversold

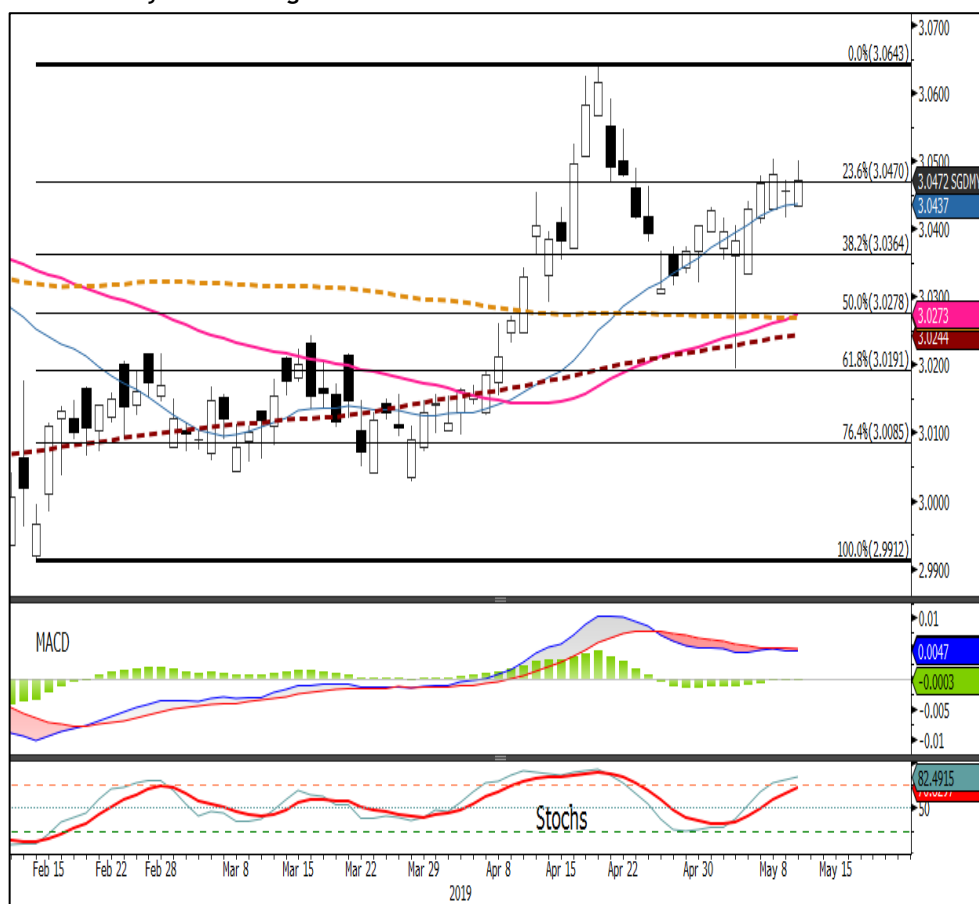


AUDSGD continued to trade near recent lows amid AUD underperformance. Cross was last seen at 0.9530.

Underlying momentum remains bearish but shorter term technical (via daily chart; not shown here) indicates some chance of mild rebound. Resistance at 0.96 (21, 50 DMAs), 0.9680.

Key support at 0.9530 (interim triple bottom) before 0.9480. Break below these levels may open room for larger downside towards 0.9350 levels.

SGDMYR Daily Chart: Range



SGDMYR traded higher this week. Move was well within the range of 3.03 - 3.05 we called for in the last FX Weekly. Cross was last seen at 3.0470 levels.

Bearish momentum on daily chart shows signs of fading while stochastics is rising into overbought conditions. Immediate resistance at 3.05, 3.0560. Break above these levels could risk a move towards 2019 high of 3.0640.

Support at 3.0440 (21 DMA), 3.0360 (38.2% fibo retracement of 2019 low to high).

Look for 3.0360 - 3.0560 range next week.

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