

FX Weekly

The USD Supports Could Wane

The Week Ahead

- **Dollar Index - Bulls Slow.** Support at 96.00; Resistance at 97.50
- **USD/SGD - Fade.** Support at 1.3340; Resistance at 1.3620
- **USD/MYR - Sell Rallies.** Support at 4.0800; Resistance at 4.1200
- **AUD/SGD - Consolidate.** Support at 0.9480; Resistance at 0.9850
- **SGD/MYR - Two-Way.** Support at 2.97; Resistance at 3.02

Both China and US Should Want A Deal

USD has gained considerably in the past sessions, underpinned by strong jobs data which stands in contrast with weaker activity prints out of Germany and political concerns within the EU. In addition, the week before saw plenty of hardened rhetoric out of the White House on the US-China trade talks (14-15 Feb) which spurred some risk of trade-war re-escalation being repriced and drove demand for USTs. It is of no coincidence that China's trade numbers would be out in the morning of 14 Feb and the US government could also shut down on the 15th. That serves to remind that both sides should be motivated enough to avert a re-escalation of the trade war that could further crimp on both the US and China's economies.

How To Trade A Trade War

The trade war trade is typically manifested in USD strength and in the backdrop of a slower US economy and more dovish Fed, lower UST yields is also expected. However, these could be unwound should our base scenario come to fruit. Our base case scenario is for the US and China to come to a partial agreement on some requests by the US (improving the trade balance and better enforcement on intellectual property protection) that could provide for an extension of the trade truce beyond 1 Mar. More details could be ironed out later this year. In this scenario, we could see USDCNH come off come off towards 6.70-figure, bringing the USDSGD, USDTWD and USDKRW lower with it. We like to sell this pair on rally into the event this Thu. In addition, from a growth perspective, should the US government shut down again on 15 Feb, that is negative for the USD as well. On the converse, should trade talks end with negative comments, USD can strengthen against those north Asian currencies.

RBNZ Decides; Plenty of Fed Speaks; Brexit Debate on V-day

This V-day is getting rather crowded with events such as the 2-day US-China talks to commence that day in Beijing, Brexit parliamentary debate likely watched that day as well and a possible US government shutdown (again?) on Fri. Other data of note is China's trade numbers on Thu, Fed and ECB speaks littered throughout the week, UK growth and activity print due today, inflation on Wed and RBNZ on Wed morning.

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Our in-house model implies that S\$NEER is trading 0.83% above the implied midpoint of 1.3688, 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: 96.00; R: 97.50	<ul style="list-style-type: none"> Mon: Fed's Bowman speaks Tue: NFIB Small Business Optimism (Jan); JOLTS Job Openings (Dec); Fed Powell speaks Wed: Fed's Mester, George Speaks; MBA Mortgage Applications (Feb-08); CPI (Jan); Real Avg Weekly Earnings (Jan); Fed's Mester, Bostic, Harker Speaks Thu: PPI Final Demand (Jan); Jobless Claims; Retail sales (Dec); Fed Harker Speaks Fri: Empire Mfg (Feb); Ex-Im Price Index (Jan); Industrial Production, Capacity Utilization (Jan); Capacity Utilization (Jan); I Mfg Prod (Jan), Fed Bostic
EURUSD		S: 1.12; R: 1.14	<ul style="list-style-type: none"> Mon: ECB Vice President Guindos and Knot to speak Tue: ECB Lane and Weidmann to speak Wed: Lautenschlaeger and Philip Lane to speak; IP (Dec) Thu: Labour report and GDP (4Q) Fri: Trade (Dec); ECB Coeure and Angeloni will speak
AUDUSD		S: 0.70; R: 0.7280	<ul style="list-style-type: none"> Mon: - Nil - Tues: Confidence index; home loans(Dec), NAB Business Survey (Jan) Wed: Westpac Consumer Conf (Feb) Thu: - Nil - Fri: - Nil -
NZDUSD		S: 0.6665; R: 0.6930	<ul style="list-style-type: none"> Mon: - Nil - Tue: REINZ House Sales (Jan, 12-15 Feb) Wed: RBNZ Meeting; 2Yr inflation expectation (1Q); Thu: Food prices (Jan) Fri: Mfg PMI (Jan)
GBPUSD		S: 1.2845; R: 1.3030	<ul style="list-style-type: none"> Mon: GDP (4Q), trade data, IP, Mfg production, construction output (Dec); Tue: BoE Carney speaks; Wed: CPI (Jan) Thu: BoE Vlieghe speaks (Jan) Fri: Retail sales (Jan)
USDJPY		S: 106.90; R: 110.50	<ul style="list-style-type: none"> Mon: Market Closure Tue: Money Stock (Jan); Tertiary Industry Index (Dec) Wed: PPI (Jan); Thu: 4Q GDP (4Q P); Fri: IP (Dec F), Capacity Utilization (Dec)
USDCNH		S: 6.70; R: 6.80	<ul style="list-style-type: none"> Mon: Foreign Reserves (Jan); Aggregate finance, Money supply M2, New Yuan Loans (Jan, 11-15 Feb) Tue: - Nil - Wed: - Nil - Thu: Trade (Jan); Start of 2-day US-China trade talks in Beijing Fri: CPI, PPI, BOP Current Account Bal (4Q P)
USDSGD		S: 1.3340; R: 1.3620	<ul style="list-style-type: none"> Mon: - Nil - Tue: Retail sales (Dec) Wed: - Nil - Thu: - Nil - Fri: GDP (4Q)
USDMYR		S: 4.02; R: 4.10	<ul style="list-style-type: none"> Mon: Industrial production, Mfg sales (Dec) Tue: Foreign Reserves (Jan 31) Wed: - Nil - Thu: GDP (4Q, 2018) Fri: - Nil -
USDPHP		S: 51.80; R: 52.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: Trade (Dec) Wed: - Nil - Thu: - Nil - Fri: Overseas Remittances (Dec)
USDIDR		S: 13,830; R: 14,220	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Trade (Jan)

Sources: Bloomberg, Maybank FX Research

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Bulls Slow. DXY index was last seen at 96.60. Momentum is increasingly bullish, buoyed by the sluggish EUR amid concerns of another possible Italian election. Also, concerns that US could up the 10% tariff on US\$200bn of Chinese goods to 25% are being repriced and the trades are typically manifested in a strong USD. That said, bulls are being resisted by the 96.70-level. Break here could see an extension towards the 97.50, completing the double bottom formation at the 95-figure and nullifying the head and shoulder formation. There are plenty of Fed speaks this week including Powell on Tue. US-China trade talks will start in Beijing on Thu-Fri. Trump had said that it is “unlikely” for him to meet China President Xi within this month. That is taken negatively along with National Economic Council Director Kudlow’s comments that there is “a sizeable distance” to cover with China before a deal can be reached. Our base case scenario is for the US and China to come to a partial agreement on some requests by the US (improving the trade balance and better enforcement on intellectual property protection) that could be sufficient to extend the trade truce beyond 1 Mar. More details could be ironed out later this year. We see sufficient motivations in both the US and China to come to a partial agreement and to avert further economic impact from trade.</p> <p><i>Focus on Fed’s Bowman speaks today; NFIB Small Business Optimism (Jan); JOLTS Job Openings (Dec); Fed Powell speaks on Tue; Fed’s Mester, George Speaks; MBA Mortgage Applications (Feb-08); CPI (Jan); Real Avg Weekly Earnings (Jan); Fed’s Mester, Bostic, Harker Speaks on Wed; PPI Final Demand (Jan); Jobless Claims; Retail sales (Dec); Fed Harker Speaks on Thu; Empire Mfg (Feb); Ex-Im Price Index (Jan); Industrial Production, Capacity Utilization (Jan); Capacity Utilization (Jan); Mfg Prod (Jan), Fed Bostic on Fri.</i></p>
EUR/USD	<p>Heavy. EUR reversed out its late Jan gains in the past week and was last seen around 1.1320. This pair was weighed by the downgrade in growth forecast by the European Commission for all its major economies, warning of further impact from Brexit and slower China. Italy is expected to grow only a mere 0.2% vs. previous forecast of 1.2%. 10y BTP yield touched 3% last Fri before trading under it this morning, weighing on the EURUSD. Momentum is bearish with first support seen around 1.1300 (24-Jan close) before the next at 1.1210. However, we see a chance that support levels could hold as USD bulls run out of momentum. This pair could trade with a bearish bias within a range of 1.12-1.14.</p> <p><i>Focus on ECB Vice President Guindos and Knot to speak on Mon; Tue has ECB Lane and Weidmann to speak; Lautenschlaeger and Philip Lane to speak; IP (Dec) on Wed; Labour report and GDP (4Q) on Thu; Trade (Dec); ECB Coeure and Angeloni will speak on Fri.</i></p>
GBP/USD	<p>Undecided. GBPUSD settled into a narrow range between 1.2840-1.3040 in the past few sessions as the clock ticks nearer to the scheduled date of the Brexit on 29 Mar. Last seen around 1.2940, dips are supported by a post-brexit trade continuity deal with Switzerland. Eyes are on the parliamentary debate on Brexit on 14 Feb (this Thu) if May has not yet achieved a revised deal that is to be put forth for a meaningful vote by 13 Feb. In the meantime, the Labour party hopes to have a second meaningful parliamentary vote on Brexit before 26 Feb to ensure that May could avoid a “no-deal” Brexit from the EU closer to date. The risk of no-deal brexit if there is deadlock between UK and EU on the withdrawal agreement could still weigh on the GBP in the interim. While we caution for downside risks and 2-way volatility on the GBP in the near term, we retain our cautious optimism on GBP outlook beyond the near term nuances as we see a case of no-deal brexit being avoided and expect both EU and UK to come to terms on a compromised deal, at the eleventh hour. We argue that the distribution of risks have shifted away from a no-deal brexit (given that the House of Commons also voted in favor of Dame Caroline Spelman’s amendment) to a delayed and softer brexit with the likelihood of second referendum rising. Support is being tested at 1.2930 (38.2% fibo retracement of Dec low to Jan high) before the next at 1.2845 (50%). Resistance at 1.3030 (200-dma). Momentum is biased to the downside but stochastics show some signs of slowing in oversold region.</p> <p><i>Focus on 4Q GDP, trade data, IP, Mfg production, construction output today for Dec today; BoE Carney speaks tomorrow; CPI for Jan on Wed; BoE vlieghe for Jan on Thu; retail sales for Jan on Fri.</i></p>

USD/JPY Rising Wedge. USDJPY traded sideways, caught between two opposing forces, last seen around 110. The fall in the UST 10y yield has capped the yield differentials and weighed on the USDJPY, not as helped the least by the recent rise in safe haven demand. Mild bullish momentum on daily chart wanes while stochastics is in overbought conditions. Bias remains bearish; sell rallies preferred. We are also wary of the rising wedge that is forming on the daily chart. Resistance at 110.40 (50-dma) before 110.70 (38.2% fibo retracement of 2018 low to high). Support at 109.40 (21-dma), 108.40 (61.8% fibo =), 106.90 (76.4% fibo).

Focus next week on tertiary industry index (Jan), machine tool orders (Jan P) on Tue; PPI (Jan) on Wed; GDP (4Q) on Thu; industrial production (Dec F) on Fri.






AUD/USD Further Downsides Not Ruled Out, But Limited. AUD touched a low of 0.7060 last Fri and formed a mini doji in the session. This pair had been weighed by RBA's decision to turn neutral and the downgrade of its inflation and growth forecast. Despite the switch to neutral this year, we do not look for AUD to head much lower from where it is and we hold the view that policy rate may not need to change at all this year. We continue to expect a cheaper AUD to bolster the demand for its resource exports and increase the contribution of the net exports to GDP. That could offset the interim weakness in private consumption and also provide a self-reinforcing floor for the AUD. Back on the chart, support at 0.7060. Break there could test 0.70. We see downsides to be limited thereabouts and look to see opportunities to buy around 0.70-figure on dips.

Focus next week confidence index tomorrow, home loans for Dec and NAB business survey; RBA Heath speaks on Wed; Kent speaks on Fri.

NZD/USD Bearish. NZD started the week firmer, last seen around 0.6760. Momentum has turned negative and bears are supported by the 100-dma at 0.6725. With a double top formed around the 0.6930, we do not rule out the possibility of further bearish extension towards the next support at 0.6665.

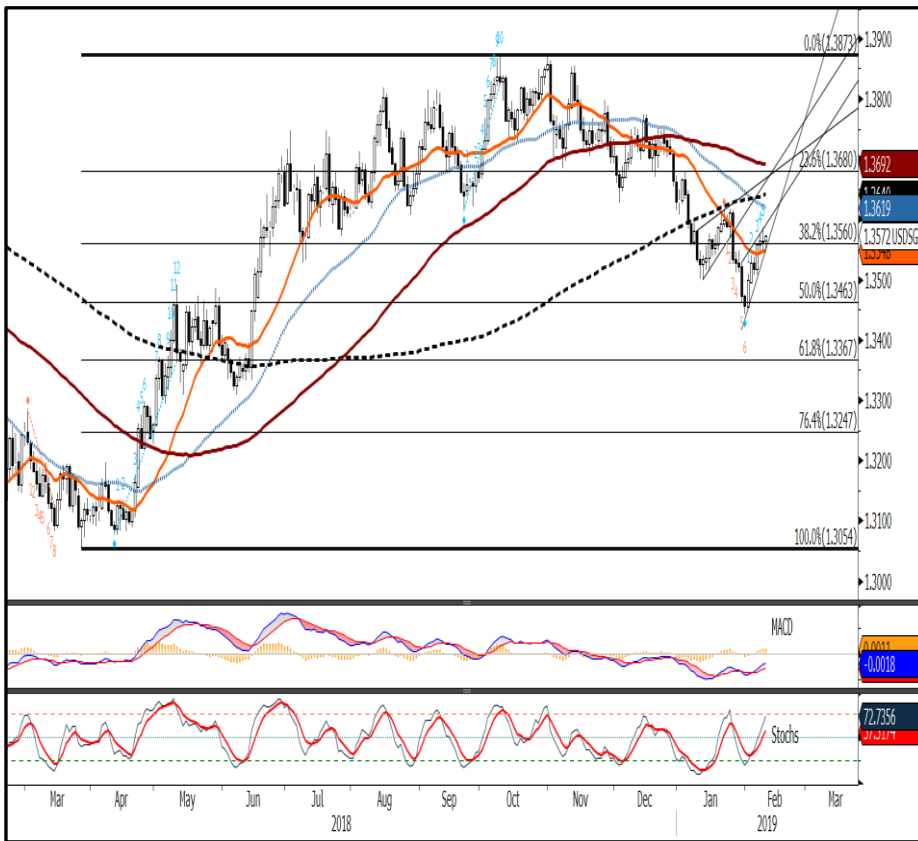
Focus on REINZ House Sales (Jan, 12-15 Feb); card spending (Jan) on Tue; RBNZ meeting on Wed along with 2Yr inflation expectation (1Q); food prices (Jan) on Thu; BusinessNZ Mfg PMI (Jan).

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:2.97; R:3.02	Two-Way Risks. SGDMYR slammed dunk last week and was last seen at around 2.9980. Momentum remains bearish for this cross even as stochastics enter oversold condition. Price found support at around 2.9940 (50% fibonacci retracement of the May-Nov rally). Break there opens the way towards support at 2.98. With SGD being a tad more sensitive to RMB, expect some weakness ahead of the US-China trade talk event. Should there be some partial agreement, this cross could reverse higher. Rebounds to meet resistance at around 3.01 before 3.0290.
AUD/MYR		S: 2.86 R:2.95	Probable Double Bottom. AUDMYR touched a low of 2.8724 last session, last seen at 2.8855. Despite the bearish momentum, this cross seems to have formed a probable double bottom this week. We anticipate that any positive news or signs of progression between the US and China on the trade talk front could see reversal of this cross higher towards the 2.9420. Bears look to be supported at around 2.8615 (3 Jan low).
EUR/MYR		S: 4.53; R:4.68	Bias to the Downside. EURMYR remains weighed by the heavy EUR and was last seen at 4.6070. Momentum is increasingly bearish though this cross seems to be testing the lower bound of the falling trend channel. Stochastics also flag oversold. We think it is unwise to short this cross at this level. Overstretched condition could see a snap-back towards 4.64 before 4.68. Support at 4.55,53.
GBP/MYR		S: 5.21; R: 5.33	Buy Dips. GBPMYR extended its decline to levels around 5.26 as we write. We still caution for further downside risks given strong bearish momentum. Immediate support at 5.21 (Aug 2018 low). Risks skewed to the downside in the interim but bias to buy dips. Resistance at 5.30 before 5.33.
JPY/MYR		S: 3.68 R: 3.75	Falling Wedge. JPYMYR has been drifting lower, last seen around 3.6940. This cross has formed falling wedge in the past several sessions and we caution that price action could see a steep move higher. Support is seen at 3.6850 (200-dma). Rebounds to meet resistance at 3.72 (100-dma), 3.75 (21, 50 dma).

Technical Chart Picks:

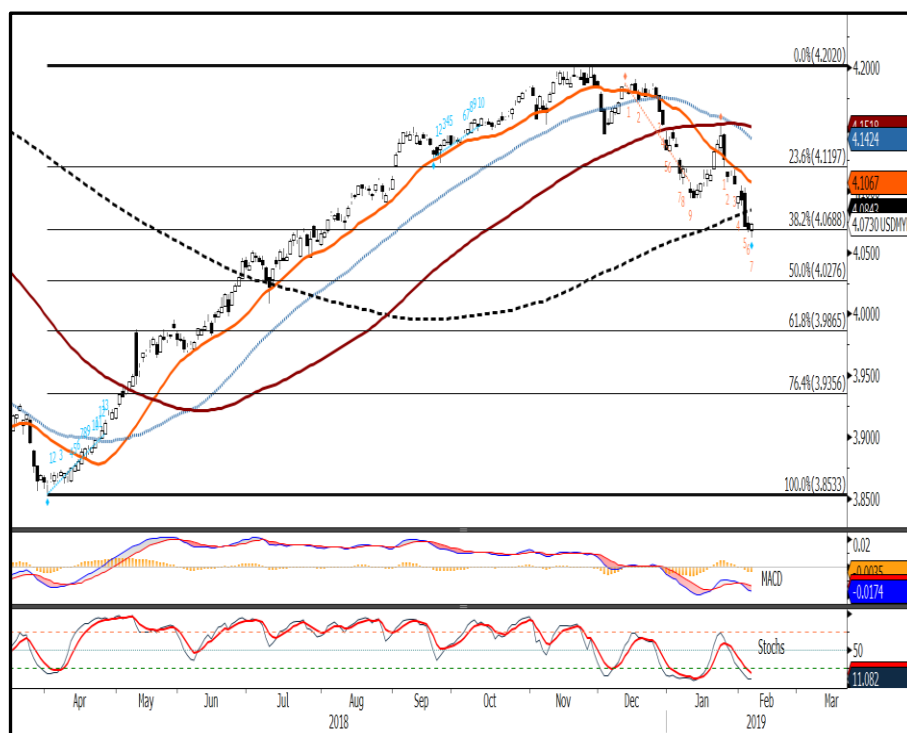
USDUSD Daily Chart - Another Rising Wedge



USDUSD rose in past several sessions, last seen around 1.3570. This pair has formed another rising wedge. So even as momentum is bullish, we are wary of a sharp move lower that could see a test below the support at 1.3460 (50% Fibonacci retracement of the Mar-Sep 2018 rally). Next support is seen at 1.3367 (61.8% fibo).

This is not forgetting the death crossed that has formed in early Feb - a bearish signal. Resistance at 1.3620 (50-dma), Bias to lean against strength.

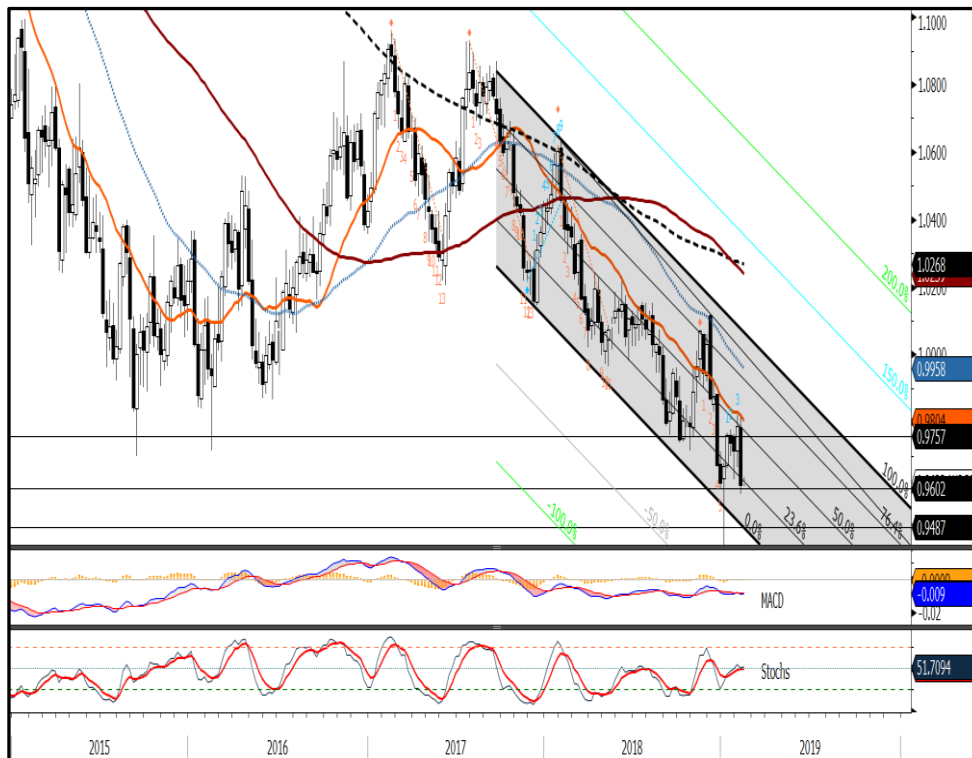
USDMYR Daily Chart - Consolidation Ahead



This pair bucked the trend in most USDAsians to trade lower, thriving in the goldilocks environment that we have envisioned. This pair was last seen around 4.0730. Stochs show some signs of turning higher though MACD is mild bearish. We look for support at 4.045 and some consolidation within 4.02-4.10.

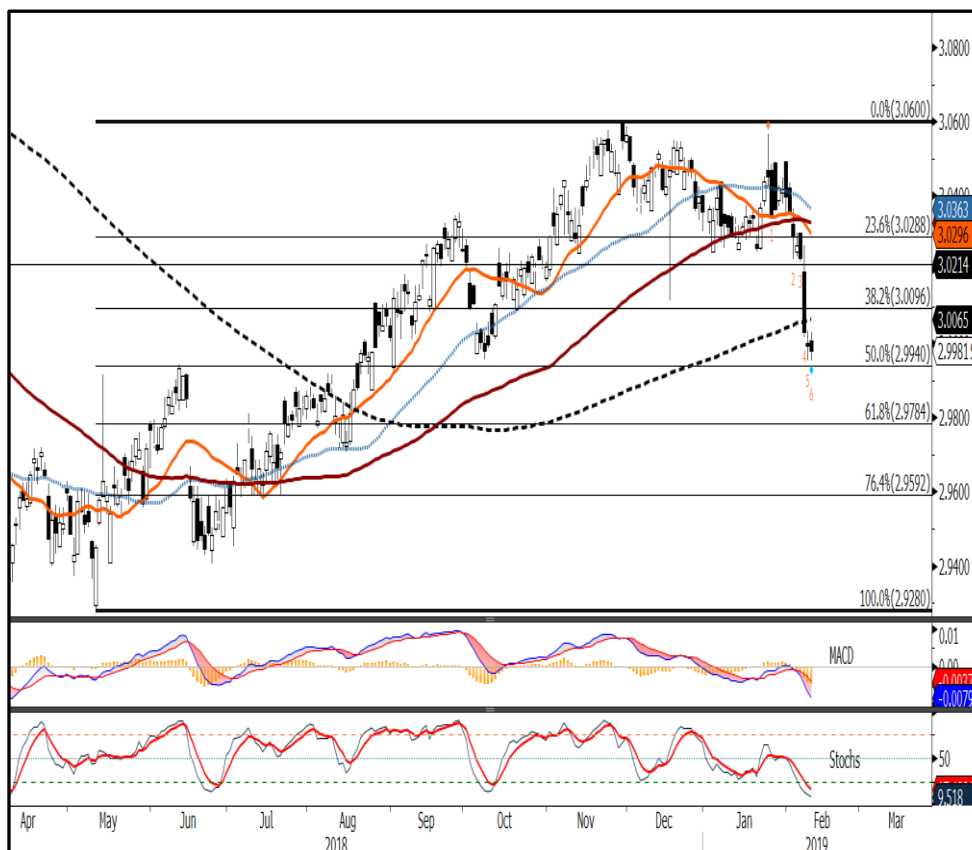
Area of resistance at 4.1170 (21 DMA) - 4.12 (23.6% fibo) Sell rallies preferred.

AUDSGD Weekly Chart: More Room for Upside Than Down.



AUDSGD hovered around 0.9620. This cross remains in the trend channel that has formed since 2017. Support is seen around 0.9480. Momentum indicators on the daily chart are mild bearish. Immediate resistance at 0.9810. Price action is slightly bearish but more room for upside than down.

SGDMYR Weekly Chart: Two-Way Risk



SGDMYR slammed dunk last week and was last seen at around 2.9980. Momentum remains bearish for this cross even as stochastics enter oversold condition. Price found support at around 2.9940 (50% fibonacci retracement of the May-Nov rally). Break there opens the way towards support at 2.98. With SGD being a tad more sensitive to RMB, expect some weakness ahead of the US-China trade talk event. Should there be some partial agreement, this cross could reverse higher. Rebounds to meet resistance at around 3.01 before 3.0290.

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