

FX Weekly

Lean Against USD Strength

The Week Ahead

- **Dollar Index - Fade.** Support at 97.30; Resistance at 99.60.
- **USD/SGD - Bearish.** Support at 1.365; Resistance at 1.3820
- **USD/MYR - Consolidation.** Support at 4.14; Resistance at 4.20
- **AUD/SGD - Bullish.** Support at 0.9240; Resistance at 0.9530
- **SGD/MYR - Bullish Crossover.** Support at 3.03; Resistance at 3.05

MAS Policy; Brexit Agreement and US-China Partial Deal?

3 key event risks that are of interests: (1) day 2 of US-China trade talks in Washington today with focus on Trump-Liu He meeting at 245am SG/KL time; (2) brexit negotiation and (3) MAS policy decision and SG 3Q GDP on Monday (8am SG/KL time). Consensus and our house view call for a reduction in slope of S\$NEER to +0.5%, from 1%. An aggressive easing option via neutral bias is not ruled out if Singapore does slip into a technical recession. This lesser-expected scenario poses upward risks to USDSGD above 1.39-handle. On trade development, a partial US-China deal involving a roll-back/suspension of US tariffs on Chinese imports on 15th Oct and a potential currency pact will be positive for risk sentiment and AXJ FX, including CNH, KRW and TWD at the expense of a softer USD. USDSGD, USDMYR could test 1.3650, 4.14, respectively. That said trade discussions-outcome remain fluid and devil is in the details. With US and Japan markets close on Mon, we are cautious how thin market liquidity could exaggerate price action. Prefer to stay light, with bias to lean against USD strength.

GBP to Reclaim 1.30-Handle?

Fluid brexit development has now swung in favor of soft brexit after joint statement from PM BoJo and Irish Premier Varadkar said they see “pathway to a possible deal”. Both UK and EU brexit negotiators will meet today and possibly more details could come ahead of EU Summit (17 - 18 Oct). A compromise on a deal could see stale GBP shorts unwind. A sharp rally towards 1.28, 1.31 is not ruled out in the short term, possibly as soon as this week. We stick to our long-standing bias for GBP to trend higher on the back of our base case assumption that calls for a smooth, orderly exit.

Global Growth, Activity and Inflation Reports Next Week

Data of interests next week include EU IP; NZ services PMI; China trade on Mon. For Tue, US empire manufacturing; EU ZEW survey; UK labor report; China CPI. For Wed, US retail sales; EU, UK and NZ CPI reports; BoK MPC - we expect 25bps cut to bring policy rate down to 1.25% on persistent domestic growth concerns and deflation risks. For Thu, US Philly Fed Business outlook; AU employment change; UK retail sales; SG NODX. For Fri, China 3Q GDP, IP, FAI, retail sales; JP CPI. In terms of market closures, US, Canada, JP and Thailand are closed on Mon.

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Our in-house model implies that S\$NEER is trading around 1% above the implied midpoint of 1.3942, 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: 97.30; R: 99.60 | <ul style="list-style-type: none"> Mon: - Nil - Tue: Empire Mfg (Oct); Fed's Bostic, Bullard, Daly speak; Wed: Retail sales (Sep); NAHB Housing Market Index (Oct); Fed's Evans speak; Fed's Beige Book; Thu: Building Permits, Housing Starts, IP (Sep); Philly Fed (Oct); Fed's Evans speaks; Fri: Fed's Williams speaks |
| EURUSD |  | S: 1.0980; R: 1.1220 | <ul style="list-style-type: none"> Mon: IP (Aug); ECB's Guindos, Hernandez speak; Tue: ZEW Survey expectations (Oct) Wed: CPI (Sep); Trade (Aug); ECB's Knot, Lane, Weidmann, Villeroy speak; Thu: Construction output (Aug); ECB's Villeroy, Visco, Knot, De Cos speak; Fri: Current account (Aug) |
| AUDUSD |  | S: 0.6770; R: 0.6920 | <ul style="list-style-type: none"> Mon: - Nil - Tues: RBA Meeting Minutes; Wed: Westpac Leading Index (Sep); Thu: Employment change (Sep); RBA's Debelle speaks Fri: - Nil - |
| NZDUSD |  | S: 0.6250; R: 0.6430 | <ul style="list-style-type: none"> Mon: Services PMI (Sep); Tue: Net Migration (Aug); Wed: CPI (3Q) Thu: - Nil - Fri: - Nil - |
| GBPUSD |  | S: 1.2400; R: 1.3100 | <ul style="list-style-type: none"> Mon: BoE's Cunliffe speaks; Tue: BoE's Carney, Vlieghe speak; Labor report (Aug); Wed: CPI, PPI, RPI; BoE's Carney speaks; Thu: Retail sales (Sep); Fri: - Nil - |
| USDJPY |  | S: 107.00; R: 109.10 | <ul style="list-style-type: none"> Mon: - Nil - Tue: BoJ's Kuroda speaks; IP (Aug) Wed: - Nil - Thu: - Nil - Fri: CPI (Sep) |
| USDCNH |  | S: 6.9980; R: 7.1300 | <ul style="list-style-type: none"> Mon: Exports, Imports (Sep); Tue: CPI, PPI (Sep); Wed: - Nil - Thu: - Nil - Fri: GDP (3Q); FAL, IP, retail sales (3Q) |
| USDSGD |  | S: 1.3650; R: 1.3820 | <ul style="list-style-type: none"> Mon: GDP (3Q); MAS Policy Decision; Tue: - Nil - Wed: - Nil - Thu: NODX (Sep) Fri: - Nil - |
| USDMYR |  | S: 4.1400; R: 4.2000 | <ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil - |
| USDPHP |  | S: 51.50; R: 52.10 | <ul style="list-style-type: none"> Mon: - Nil - Tue: - Overseas Remittances (Aug); Wed: - Nil - Thu: - Nil - Fri: BoP Overall (Sep) |
| USDIDR |  | S: 13,980; R: 14,200 | <ul style="list-style-type: none"> Mon: - Nil - Tue: Trade (Sep) 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 |
|--------|---|----------------------------|--------------|-----|-------------|---|
| 26 Jul | Long IDRS GD | 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 |
|----------------|--------------------------------------|-----------------------------------|-------------------------------|---------------------------------|------------------------------------|--|
| 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% | | |

Selected G7 FX View

| Currency | Stories of the Week |
|------------------|---|
| DXY Index | <p><i>Lean against Strength.</i> Our call in the last FX Weekly looking for USD to come off panned out well this week. Renewed optimism of US-China partial trade deal, Fed possibly announcing technical-QE at upcoming FoMC meeting (31 Oct), softer than expected US PPI, CPI and possible progress with brexit negotiations contributed to the USD decline.</p> <p>We stick to our bias for DXY to trade lower on our <i>doubts over sustained USD strength as continued USD appreciation and slowing global growth will result in tighter financial conditions and could crimp US growth momentum. Fed will then need to turn more dovish (USD-negative).</i></p> <p>Looking on the main focus is on day 2 of US-China trade talks in Washington. Trump is scheduled to meet China Vice Premier Liu He (245am SG/KL tonight). A potential partial deal involving a roll-back/suspension of US tariffs on Chinese imports on 15th Oct and a potential currency pact could be in the works. While the currency pact being discussed in recent context is likely to fall short of major currency adjustments as seen in Plaza Accord, etc., some sort of an agreement to maintain relative stability in RMB could provide the anchor for AXJs including KRW, TWD and SGD. A positive outcome on US-China trade talks could see USD lower from current levels. And this is consistent with our bias to lean against USD strength. Nonetheless trade discussions-outcome remains fluid and devil is in the details. With US and Japan markets close on Mon, we are cautious how thin market liquidity could exaggerate price action. Prefer to stay light, with bias to lean against USD strength.</p> <p>DXY was last seen at 98.60 levels. Daily momentum is bearish while stochastics is falling. Immediate support at 98.40 (50 DMA), 97.80 (100 DMA) before 97.30 (200 DMA). Resistance at 98.80 (21 DMA), 99.60 (2019 high) levels.</p> <p><i>Data/Events of focus next week include Empire Mfg (Oct); Fed's Bostic, Bullard, Daly speak on Tue; Retail sales (Sep); NAHB Housing Market Index (Oct); Fed's Evans speak; Fed's Beige Book on Wed; Building Permits, Housing Starts, IP (Sep); Philly Fed (Oct); Fed's Evans speaks on Thu; Fed's Williams speaks on Fri. US markets are closed for Columbus Day holiday on Mon.</i></p> |
| EUR/USD | <p><i>Looking for Further Gains.</i> EUR drifted higher this week amid broad USD softness (owing to hopes of US-China trade deal) and a mixed ECB minutes. Pair was last seen at 1.1015 levels. Bullish momentum on daily chart remains intact while stochastics is rising. Sustained price action above 1.10 (21 DMA) could see further gains towards 1.1050 (50 DMA), 1.1140 (100 DMA) and 1.1220 (200 DMA). Support at 1.0980 (21 DMA), 1.0920 levels. We stick to our bias to accumulate dips.</p> <p>ECB minutes released on Thu showed disagreement from policy makers on restarting QE, with regards to size and instruments. Some thought that QE seems to be less efficient as an instrument while others feel it should have been an instrument of last resort in the event of more severe downturn. On interest rate cuts, a few expressed intent to lower rate by 20bps while other members opposed 10bps rate cut on concerns over possible side effects. Lack of common agreement on ECB stimulus and a shift in focus for fiscal stimulus to do the heavy lifting (less reliance on additional monetary stimulus) should mitigate EUR negativity.</p> <p><i>Focus next week on IP (Aug); ECB's Guindos, Hernandez speak on Mon; ZEW Survey expectations (Oct) on Tue; CPI (Sep); Trade (Aug); ECB's Knot, Lane, Weidmann, Villeroy speak on Wed; Construction output (Aug); ECB's Villeroy, Visco, Knot, De Cos speak on Thu; Current account (Aug) on Fri.</i></p> |
| GBP/USD | <p><i>Risks Shift in Favor of Brexit Optimism.</i> GBP jumped more than 2% from the low this week to trade above 1.25-handle as fears of hard brexit recede. Joint statement from PM BoJo and Irish Premier Varadkar said they see "pathway to a possible deal". There were no further details at this stage but it was understood from the statement that Varadkar will consult with the EU task force and both brexit negotiators from EU and UK will meet. Developments remain fluid and will likely intensify in the days leading up to EU summit (17-18 Oct) and 31st Oct brexit-day. In the midst of headline "noises", the key focus is whether BoJo manages to get a modified deal with the EU and if this gets passed through UK parliament. EC President Tusk said he has received "promising signals" that a brexit deal is possible</p> <p>With GBP volatility escalated (1m vol at 12-handle) and likely to rise further in an environment of possibly thinner than usual market liquidity, we do not rule out abrupt price movements - either</p> |

direction.). A compromise on a deal could see stale GBP shorts unwind. A sharp rally towards 1.28, 1.31 is not ruled out in the short term, possibly as soon as next week. We stick to our long-standing bias for GBP to trend higher on the back of our base case assumption that calls for a smooth, orderly exit. GBP was last seen at 1.25 levels.

Focus next week on BoE's Cunliffe speech on Mon; BoE's Carney, Vlieghe speak; Labor report (Aug) on Tue; CPI, PPI, RPI; BoE's Carney speaks on Wed; Retail sales (Sep) on Thu.

USD/JPY ***Squeezing Out the Shorts?*** USDJPY rebounded this week amid risk-on sentiment owing to optimism of US-China partial trade deal and brexit talks. Pair was last seen at 108.20 levels. Daily momentum turned mild bullish while stochastics is rising. Immediate resistance at 108.40 (61.8% fibo retracement of 2018 low to high) before 109.10 (200 DMA) and 109.50 (50% fibo). Support at 107.70 (21, 100 DMAs), 107 (50 DMA).

Focus next week on BoJ's Kuroda speaks; IP (Aug) on Tue; CPI (Sep) on Fri.

AUD/USD ***Bullish Divergence Underway.*** AUD strengthened this week, in line with our call (in our last FX Weekly) for further gains. Renewed optimism of US-China partial trade deal inspired AUD gains.

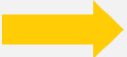




Pair was last seen at 0.6790 levels. Daily momentum turned bullish while stochastics is rising. Bullish divergence on MACD is also playing out. Interim resistance at 0.6830 (38.2% fibo retracement of Jul high to double-bottom low in Aug-Oct) before 0.6870 (100 DMA) and 0.6920 (61.8% fibo). Support at 0.6770 (23.6% fibo), 0.67 levels. Gains could build on confirmation of US-China partial deal.

Focus next week on RBA Meeting Minutes on Tue; Westpac Leading Index (Sep) on Wed; Employment change (Sep); RBA's Debelle speaks on Thu.

NZD/USD ***Cautiously Bullish.*** NZD rose this week thanks to risk-on play (owing to renewed hopes of US-China partial deal). Pair was last seen at 0.6340 levels. Daily momentum turned mild bullish while stochastics is rising. Further upside towards 0.63650 (50 DMA), 0.6430 (38.2% fibo retracement of Jul high to Oct low) not ruled out especially on sustained price action above 0.6330/40 (21 DMA). Support at 0.63 (21 DMA), 0.6250 levels.

Focus next week on Services PMI (Sep) on Mon; Net Migration (Aug) on Tue; CPI (3Q) on Wed.

Technical View: MYR Crosses

| MYR Crosses | Direction | Support/Resistance | Stories of the Week |
|-------------|---|----------------------|--|
| SGD/MYR |  | S:3.0300; R:3.0500 | Bullish Crossovers. SGDMYR continued to inch higher this week amid SGD outperformance. Cross was last seen at 3.0460 levels. Daily momentum is mild bullish while stochastics is rising. 50 DMA looks on track to cut 200 DMA to the upside while 21 DMA has just cut 100 DMA to the upside. Near term upside risks in the interim. Resistance at 3.0520 levels. Support at 3.0420, 3.0350 (21, 100 DMAs), 3.0300 levels. |
| AUD/MYR |  | S: 2.8200 R:2.8600 | Rebound. AUDMYR consolidated this week. Cross was last seen at 2.8320 levels. Daily momentum shows signs of turning mild bullish while stochastics is rising. Further rebound not ruled out. Area of resistance at 2.84 - 2.8440. Break above this puts next resistance at 2.8620 (100 DMA), 2.8880 (200 DMA). Support at 2.82, 2.80 levels. |
| EUR/MYR |  | S: 4.6000; R:4.6500 | Rebound Underway. EURMYR rebounded this week, in line with our call for bullish divergence. Cross was last seen at 4.62 levels. Daily momentum turned mild bullish while stochastics is rising. We continue to look for further gains. Immediate resistance at 4.6290 (50 DMA) and 4.6450 (100, 200 DMAs). Support at 4.60 (21 DMA). |
| GBP/MYR |  | S: 5.1; R: 5.25 | Rebound. GBPMYR reversed early week's losses this week. Cross was last seen at 5.20 levels. Bearish momentum on daily chart remains intact but stochastics is turning from oversold conditions. Rebound risks possible. Resistance at 5.22, 5.25 levels. Support at 5.1750 (21, 100 DMAs), 5.13 (50 DMA). |
| JPY/MYR |  | S: 3.8600; R: 3.9200 | Fade. JPYMYR drifted modestly lower this week. Cross was last seen at 3.9040 levels. Bullish momentum shows tentative signs of fading while stochastics is showing signs of turning from near overbought conditions. Bias to lean against strength. Resistance at 3.9180 (50 DMA). Support at 3.88 (2 DMA), 3.86 levels. |

Technical Chart Picks:

USDSGD Daily Chart - More to Go?



USDSGD's losses accelerated this week, especially on the break below upward sloping trend-line support. Renewed hopes of US-China partial trade deal sparked off the decline.

MAS policy decision (Mon) and outcome of US-China trade talks will be the key drivers for the next leg.

Pair was last seen at 1.3745 levels. Daily momentum turned mild bearish while stochastics is falling. A weekly close or sustained price action below 1.3730 (100 DMA) - 1.3750 (38.2% fibo) could see further decline. Next support at 1.3690 (50% fibo retracement of 2019 low to high) before 1.3650 (200 DMA).

Resistance at 1.3790 (21 DMA), 1.3820 (50 DMA).

USDMYR Daily Chart - Still looking for Cues



USDMYR reversed early week's gains into end week. Pair was last seen at 4.1860 levels.

Daily momentum is showing tentative signs of turning bearish while stochastics is falling. Upside pressure has faded for now. Immediate support at 4.1850 (21, 50 DMAs) if broken could see the pair trade lower towards 4.16 levels (neckline of the head & shoulders pattern).

We had earlier shared that a break below the neckline could see H&S - bearish reversal play out towards 4.10.

Resistance at 4.20, 4.22 levels.

AUDSGD Weekly Chart: Bullish Divergence but Need Catalyst



AUDSGD traded a lackluster range of 0.9275 - 0.9336 this week. Candlestick session this week formed what technical analysts call an inside week - current week price range completely within prior week's range. This suggests a contraction in volatility and are more often than not, suggest a continuation pattern.

Cross was last seen at 0.9310 levels. Weekly momentum and stochastics indicators are not showing a clear bias. But a potential bullish divergence on weekly MACD could be forming. Nonetheless questions remains on the break-out of the downtrend. Support at 0.9240 (double bottom).

Resistance at 0.9370 (50 DMA), 0.9430 (100 DMA) and 0.9530 (200 DMA).

SGDMYR Daily Chart: Bullish Crossovers



SGDMYR continued to inch higher this week amid SGD outperformance.

Cross was last seen at 3.0460 levels. Daily momentum is mild bullish while stochastics is rising. 50 DMA looks on track to cut 200 DMA to the upside while 21 DMA has just cut 100 DMA to the upside. Near term upside risks in the interim.

Resistance at 3.0520 levels. Support at 3.0420, 3.0350 (21, 100 DMAs), 3.0300 levels.

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