

FX Weekly

Looking for Softer USD

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 95.90; Resistance at 97.50
- **USD/SGD - Range.** Support at 1.3510; Resistance at 1.3650
- **USD/MYR - Bearish Channel.** Support at 4.09; Resistance at 4.15
- **AUD/SGD - Rebound.** Support at 0.9460; Resistance at 0.9640
- **SGD/MYR - Sell Rallies.** Support at 3.0190; Resistance at 3.0470

Fed Policy Not as Accommodative as Thought: Powell

Fed confirming its shift to easing and potentially remaining patient in his calibrated stance for longer takes away the risk of tighter monetary conditions and is consistent with our bias to lean against USD strength. Fed Chair Powell's comments that the **"so-called neutral rate is lower than we thought and the NAIRU is lower than we thought... so monetary policy has not been as accommodative as we thought"** could imply that Fed may be trying to form a stronger case to argue for deeper cuts as structural drivers may have changed over time. Taken together, a softer USD environment, temporary trade truce and accommodative monetary conditions globally in response to slowing global growth is a relief to risk sentiment and supports our call for "hunt for yield" play (or carry), favouring INR, IDR. AXJs may remain supported but sustained recovery still requires material upticks in real economic activities. For next week, technical bias remains for AUD, MYR, IDR to extend gains while bias to sell USDJPY on rallies remain intact.

US Intervention to Weaken USD - Not Impossible but Low Risk

There has been increasing market chatters of potential FX intervention by the US. Most central banks including ECB, BoE, RBA, and some Asian central banks are adopting easy monetary policies to ease financial conditions and to some extent, their actions have somewhat gave rise to the USD (policy divergence). Trump has been critical about this and had complaint that Europe and China are playing a "big manipulation game". Domestically, Trump has also been critical of Fed Chair Powell with regards to monetary policy. Clearly a "competitive" USD is in Trump's desire list. Though FX intervention may be administratively complicated, repeated verbal intervention may well just do the trick to nudge the USD softer albeit with diminishing effect. We think the better FX proxy to play this is to sell USD vs. EUR given ECB's relatively lack of room to maneuver its policies (relative to the Fed).

China, US Activity Data; SG NODX; BI Meeting Next Week

Key data of interest next week include US Empire Mfg; China retail sales, IP, FAI, 2Q GDP on Mon. For Tue, US IP, retail sales; Powell to speak; German ZEW; UK labor report; NZ CPI. For Wed, US housing data; UK CPI, PPI, RPI; SG NODX; EU CPI. For Thu, US Philly Fed business outlook; UK retail sales; BI meeting (25bps cut likely). For Fri, German PPI; JP CPI. In terms of market closure, JP is out on Mon; TH out on Tue.

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Our in-house model implies that S\$NEER is trading around 1.5% above the implied midpoint of 1.3788, 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: 95.90; R: 97.50	<ul style="list-style-type: none"> Mon: Empire Mfg (Jul); Fed's Williams speaks; Tue: Fed's Powell, Bostic, Bowman, Evans speak; Retail sales, IP (Jun); Import, export prices (Jun); NAHB Housing Market index (Jul); Wed: Housing Starts, Building permits (Jun); Fed's Beige Book; Thu: Fed's Bostic, Williams speak; Philly Fed Business outlook (Jul); Fri: Fed's Bullard, Rosengren speak; Uni. of Mich Sentiment (Jul)
EURUSD		S: 1.1190; R: 1.1320	<ul style="list-style-type: none"> Mon: - Nil - Tue: Trade balance (May); ZEW survey (Jul); Wed: CPI (Jun); Construction output (May) Thu: - Nil - Fri: Current Account (May); German PPI (Jun)
AUDUSD		S: 0.6950; R: 0.7090	<ul style="list-style-type: none"> Mon: - Nil - Tues: RBA Minutes; Wed: Westpac Leading Index (Jun); Thu: Employment change (Jun); NAB Business confidence (2Q) Fri: - Nil -
NZDUSD		S: 0.6630; R: 0.6760	<ul style="list-style-type: none"> Mon: Services PMI (Jun); Tue: CPI (2Q); GDT Auction Wed: - Nil - Thu: - Nil - Fri: - Nil -
GBPUSD		S: 1.2440; R: 1.2610	<ul style="list-style-type: none"> Mon: Rightmove House Prices (Jul); Tue: Labor report (May); BoE Governor Carney speaks; Wed: CPI, PPI, RPI (Jun); House price index (May); Thu: Retail sales (Jun); Fri: Public Finance (Jun)
USDJPY		S: 106.90; R: 108.80	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Trade (Jun); Fri: CPI (Jun); All Industry Activity Index (May)
USDCNH		S: 6.8200; R: 6.9000	<ul style="list-style-type: none"> Mon: IP, FAI, Retail sales (Jun); GDP (2Q) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3510; R: 1.3650	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: NODX (Jun) Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.0900; R: 4.1500	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 50.80; R: 51.60	<ul style="list-style-type: none"> Mon: Overseas Remittances (May); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: BoP (Jun)
USDIDR		S: 13,890; R: 14,150	<ul style="list-style-type: none"> Mon: Trade (Jun); Tue: - Nil - Wed: - Nil - Thu: BI Meeting Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DX/USD	<p>Bias to Sell Rallies. USD fell this week, in line with our bias to sell USD rallies. Powell's testimony to Congress earlier this week gave markets a clear indication that a rate cut at the Jul FOMC meeting is rather likely.</p> <p>He acknowledged that US economy has performed reasonably well for 1H 2019, but inflation has been running below FOMC's 2% objective and crosscurrents such as trade tensions and concerns about global growth have been weighing on economic activity and outlook. To some extent, he attributed the strong headline growth of 3.1% in 1Q to net exports and inventories, saying that these are not generally reliable indicators of ongoing momentum. Instead, he put emphasis on business investments, which have "slowed notably" and that growth in 2Q appears to have moderated. He further added that housing investment and manufacturing output are likely to have declined further in 2Q. He also said that slowing economic momentum in major foreign countries could affect US economy and many government policies (from around the world) remain unresolved (referring to US-China trade, Brexit and US debt ceiling). And there is risk that weak inflation will be even more persistent than currently anticipated. On monetary policy, he said that since the last FOMC in Jun based on incoming data and other developments, it appears that uncertainties around trade tensions and concerns about the strength of the global economy continues to weigh on the U.S. economic outlook. Inflation pressures remain muted.</p> <p>He also shared that "trade disputes are inserting uncertainty into global supply chains" and that the "so-called neutral rate is lower than we thought and the NAIRU is lower than we thought... so monetary policy has not been as accommodative as we thought". In our opinion, this could imply that Fed may be trying to form a stronger case to argue for deeper cuts as structural drivers may have changed over time. Nonetheless the stronger than expected US core CPI (+0.3% m/m vs. +0.1% prior vs. 0.2% expected) served as a reminder to markets that a sustained pick-up in price pressures or other US economic activity may derail Fed's case for a rate cut (given that the Fed is data-dependent).</p> <p>Fed confirming its shift to easing and potentially remaining patient in his calibrated stance for longer takes away the risk of tighter monetary conditions and is consistent with our bias to lean against USD strength. A <u>softer USD environment, temporary trade truce and accommodative monetary conditions globally</u> in response to slowing global growth <u>is a relief to risk sentiment and supports our call for "hunt for yield" play (or carry),</u> favouring INR, IDR. AXJs may remain supported but sustained recovery still requires material upticks in real economic activities.</p> <p>DX/USD was last seen at 97 levels. Bullish momentum on daily chart remains intact but shows tentative signs of fading while stochastics is showing signs of turning from overbought conditions. We reiterate our call to sell USD rallies. Support at 96.70/80 (21, 200 DMAs, 50% fibo) needs to go before sell-off can gather momentum towards 96.35 (61.8% fibo), 95.9 (76.4% fibo). Resistance at 97.10 (38.2% fibo), 97.40/60 levels (upper bound of the bearish trend channel formed since May, 23.6% fibo retracement of 2019 low to high).</p> <p><i>Focus next week on Empire Mfg (Jul); Fed's Williams speaks on Mon; Fed's Powell, Bostic, Bowman, Evans speak; Retail sales, IP (Jun); Import, export prices (Jun); NAHB Housing Market index (Jul) on Tue; Housing Starts, Building permits (Jun); Fed's Beige Book on Wed; Fed's Bostic, Williams speak; Philly Fed Business outlook (Jul) on Thu; Fed's Bullard, Rosengren speak; Uni. of Mich Sentiment (Jul) on Fri.</i></p>
EUR/USD	<p>ECB-Fed Policies in Focus - Who is More Dovish? EUR reversed early week's softness into end-week amid softer USD. EUR was last seen at 1.1260 levels. Bearish momentum on daily chart remains intact but shows signs of waning while stochastics is rising from oversold conditions. Immediate resistances at 1.1265 (100 DMA, 50% fibo), 1.1290 (21DMA) and 1.1320 (200 DMA). These levels need to be decisively broken for further upside to gather momentum. Support at 1.1230/40 levels (61.8% fibo, 50DMA), 1.1190 (76.4% fibo retracement of May low to Jun high). An eventual rise towards 200 DMA should not be ruled out but question remains on the sustainability of the rally as markets are also expecting ECB to possibly ease policies soon (could limit EUR gains). A more dovish Fed than ECB (may have limited room to manoeuvre) could however keep EUR supported.</p>

Focus next week on Trade balance (May); ZEW survey (Jul) on Tue; CPI (Jun); Construction output (May) on Wed; Current Account (May); German PPI (Jun) on Fri.

GBP/USD Technical Rebound Underway. GBP traded a week of 2 halves: softer in early part amid fears of hard brexit and soggy macroeconomic data before reversing losses owing to USD softness. GBP was last seen at 1.2545 levels. Bearish momentum on daily chart is fading while stochastics is showing signs of turning around from oversold conditions. Chance of rebound not ruled out but worries over no-deal brexit could continue to limit GBP gains. Resistance at 1.2605 (21 DMA). Key support at 1.2440 (Jan-2019 flash crash low) remains intact.

Focus next week on Rightmove House Prices (Jul) on Mon; Labor report (May); BoE Governor Carney speaks on Tue; CPI, PPI, RPI (Jun); House price index (May) on Wed; Retail sales (Jun) on Thu; Public Finance (Jun) on Fri.

USD/JPY Driven by Yield. Powell's testimony to Congress this week gave market a clear indication that a rate cut at the Jul FoMC meeting is confirmed. Market is now expecting as much as 75bps cut for the rest of the year and another 25 cuts cut in 1H 2020. Fed confirming its shift to easing and potentially remaining patient in his calibrated stance for longer takes away another risk of tighter monetary conditions and is consistent with our bias to lean against USD strength.

USDJPY was last seen at 108.40 levels. Bullish momentum is showing signs of waning while stochastics is falling. Weekly close below immediate support at 108.10 could see losses accelerate towards 107.90, 107.60 and 107.30 levels. Resistance at 108.50, 108.80 (50 DMA). Bias remains to sell rallies.

Focus next week on Trade (Jun) on Thu; CPI (Jun); All Industry Activity Index (May) on Fri.






AUD/USD Buy Dips. AUD reversed early week's decline to trade firmer, following Fed's indication that a rate cut in Jul FoMC is rather likely. We continue to look for gains in AUD to extend. Pair was last seen at 0.70 levels. Daily momentum and stochastics are not indicating a clear bias for now. 21 DMA cuts 50DMA to the upside - short term positive bias. Key resistance at 0.7020 levels (100 DMA). Decisive close above this could see gains extend towards 0.7060 (61.8% fibo retracement of Apr high to Jun low), 0.7090 (200 DMA). Support at 0.6970 levels (38.2% fibo), 0.6950 (50DMA).

Focus next week on RBA Minutes on Tue; Westpac Leading Index (Jun) on Wed; Employment change (Jun); NAB Business confidence (2Q) on Thu.

NZD/USD Range. Move lower in early week was consistent with our call (FX Weekly yesterday) for bearish play. Move lower tested beyond our 3rd objective at 0.6590 to trade an intra-week low of 0.6570 (Wed). Pair was last seen at 0.6690 levels. Daily momentum and stochastics are not indicating a clear bias for now. Key resistance remains at 0.6715/30 (200 DMA, Jul high). Break above that puts next resistance at 0.6760 (61.8% fibo retracement of Mar high to Jun low). Support at 0.6660, 0.6590 levels. Look to play 0.6630 - 0.6750 range next week.

Focus next week on Services PMI ((Jun) on Mon; CPI (2Q); GDT Auction on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0190; R: 3.0470	Bearish Bias but Cautious of Oversold Conditions. SGDMYR saw a sharp gap lower this morning (Fri) after SG 2Q GDP disappointed massively to the downside. Cross was last seen at 3.0280 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of rebound risks given oversold conditions. Previous support at 3.0360 (38.2% Fibonacci retracement from 2019 low to high) now turns resistance before 3.0470 (23.6% fibo, 50DMA). Look to sell rallies. Next support at 3.0190 (61.8% fibo).
AUD/MYR		S: 2.8500 R: 2.9000	Eyes on Triple Bottom. AUDMYR slipped this week amid MYR outperformance. Cross was last seen at 2.8760 levels. Daily momentum is mild bearish while stochastics is falling into near-oversold conditions. Key support at 2.8650 (triple bottom). Break lower will open room for a new trading range. Resistance at 2.88 (21 DMA), 2.8920 (50 DMA) before 2.9170 (23.6% fibo retracement of Dec high to triple bottom in 2019).
EUR/MYR		S: 4.6000; R: 4.6800	May See Further Downside. EURMYR traded lower this week. Move lower was largely due to MYR strength. Cross was last seen at 4.6350 levels. 21 DMA cuts 50DMA to the downside. Weekly, daily momentum indicators are bearish bias though stochastics is in oversold conditions. Rebound risks not ruled out in the near term though bearish bias intact. Resistance at 4.6420, 4.65 before 4.68 levels. Support at 4.60.
GBP/MYR		S: 5.1200; R: 5.2200	Sell-off Enters into Oversold Conditions. GBPMYR continued to trade lower, in line with our bias for downside pressure. Move came amid deeper divergence in GBP (weaker) and MYR (stronger). Cross was last seen at 5.1570 levels. Bearish momentum on weekly, daily chart remains intact though stochastics is in oversold conditions. Bias remains skewed to the downside though we are cautious if the move lower may have been a stretch for now. Support at 5.12 before 5.05 levels. Resistance at 5.20, 5.22 (21 DMA).
JPY/MYR		S: 3.7800 R: 3.8300	To Consolidate. JPYMYR fell further this week. Cross was last seen at 3.7930 levels. Bearish momentum on daily chart remains intact but stochastics is in oversold conditions. Decline may slow from here. Support at 3.78 levels. Resistance at 3.8240 (50 DMA), 3.8350 (21 DMA). Consolidative play in range of 3.78 - 3.83 possible next week.

Technical Chart Picks:

USDSGD Daily Chart - Range

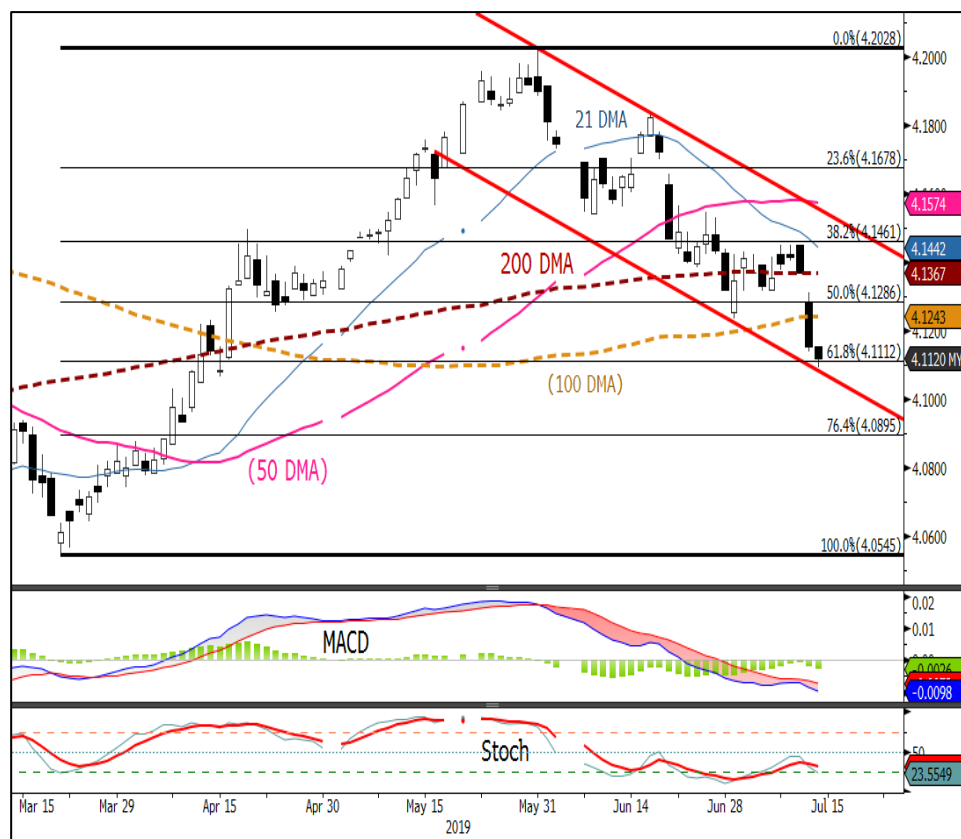


Gains in USDSGD early week eased into the close. Pair was last seen at 1.3580 levels.

Mild bullish momentum remains intact but stochastics suggests fading strength.

Support at 1.3540 (76.4% fibo retracement of 2019 low to high), 1.3510 levels (upward sloping trend-line support from the lows in 2019). Resistance at 1.36 (100 DMA, 61.8% fibo), 1.3640/50 (50% fibo, 50, 200 DMAs).

USDMYR Daily Chart - Eyes on Weekly Close for Cues Next Week

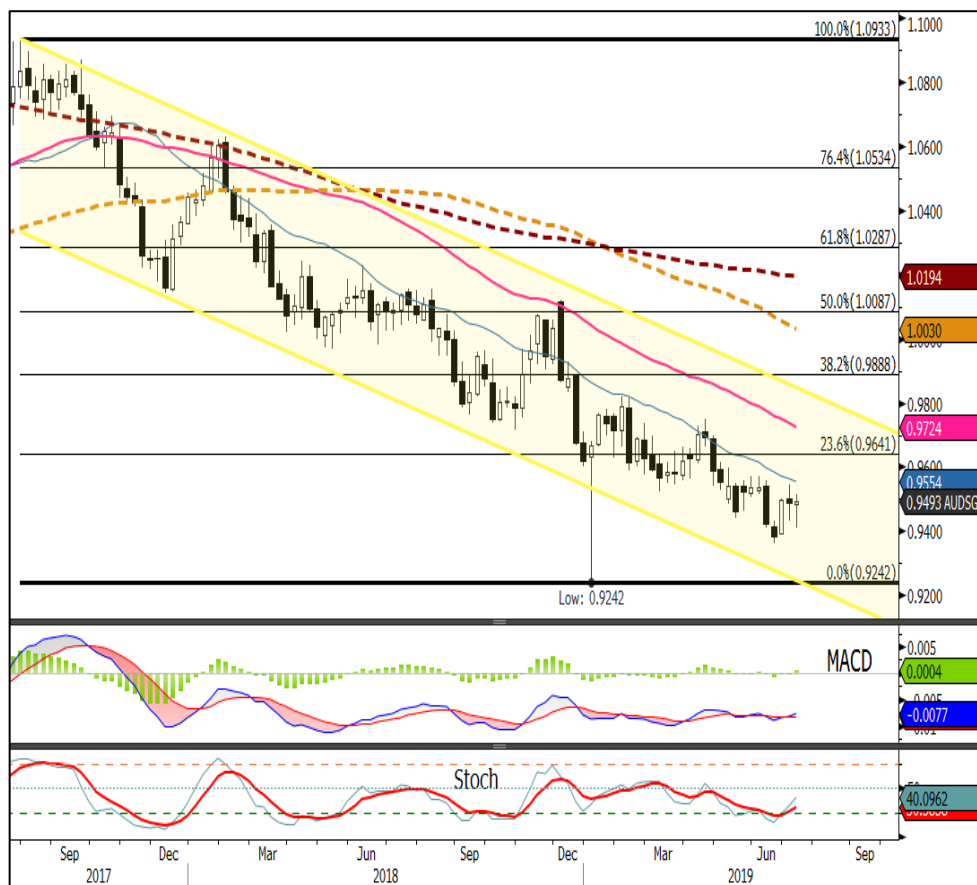


USDMYR fell further this week with price action still confined to the bearish trend channel formed since late-May. Pair was last seen at 4.1120 levels. Bearish momentum on daily chart remains intact while stochastics is falling towards near-oversold conditions.

Key support at 4.1110 (61.8% fibo retracement of 2019 low to high). Weekly close below this level could see decline break below 4.10-handle. Next support at 4.09 (76.4% fibo).

Resistance at 4.1240 (100 DMA), 4.1370 (200 DMA) and 4.1460 (38.2% fibo).

AUDSGD Weekly Chart: Still Bias for Up-Move



AUDSGD was last seen at 0.9490 levels.

Weekly momentum is mild bullish while stochastics is rising from oversold conditions. Bias remains for upward move.

Key resistance at 0.9560 (100 DMA). Break above this puts next resistance at 0.9640 (23.6% fibo retracement of 2017 high to 2019 flash crash low). We continue to look for upward play.

Immediate support at 0.95 (50 DMA), 0.9460 (21 DMA).

SGDMYR Daily Chart: Bearish but Cautious of Rebound Risks



SGDMYR saw a sharp gap lower this morning (Fri) after SG 2Q GDP disappointed massively to the downside.

Cross was last seen at 3.0280 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of rebound risks given oversold conditions. Previous support at 3.0360 (38.2% Fibonacci retracement from 2019 low to high) now turns resistance before 3.0470 (23.6% fibo, 50DMA).

Look to sell rallies. Next support at 3.0190 (61.8% fibo).

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