

FX Weekly

Stars Shone, Now Watch The Fed

The Week Ahead

- **Dollar Index - Range.** Support at 97.00; Resistance at 99.40
- **USD/SGD - Pause.** Support at 1.3670; Resistance at 1.3840
- **USD/MYR - Downside Bias.** Support at 4.14; Resistance at 4.18
- **AUD/SGD - Retracement.** Support at 0.9380; Resistance at 0.9580
- **SGD/MYR - Looking Up.** Support at 3.0090; Resistance at 3.0400

Stars Shone for Risk Takers

We started this week looking for stars to align and boy how have they shone! The USDCNY has fallen below the last fix at 7.0846 (12th Sep) which has been fixed at the 7.08-handle for the 13th consecutive session. Strength for the RMB was spurred by whispers of a potential interim trade deal in the making between the US and China negotiating teams. That deal would be an agreement for the US to take away the tariffs set to take effect on 15th Dec, a further delay in the tariff hike in Oct in exchange for China's purchase of agricultural goods as well as intellectual property agreement. China just announced tariff exemption for US pork and soybeans from further tariffs ahead of a working level trade meeting next week. Lighthizer, Mnuchin to meet Liu He in early Oct.

How Realistic is this Deal?

Whispers of an interim deal came in a backdrop of upcoming celebration of the 70th Anniversary of the PRC in China and risk appetite should remain somewhat stable into Oct. One can argue that this could all dissipate in the next quarter. However, we also note that Trump's approval rating in recent local polls (including CNN/SSRS, Washington Post-ABC News) have fallen from their respective peak in Apr-Jul. In addition, we just had a contractionary print for US ISM-mfg for Aug (a steep drop from the previous 51.2, the first in three years). Rising potential of a collision of a weaker economic with Election 2020 could mean a stronger motivation for Trump to come to a deal that satisfies China and that could lift RMB, KRW, AUD, SGD and MYR higher. We have Fed to watch- likely to deliver the cut next Thu. We do not think the language would be a lot more dovish and market's expectations for two more rate cuts within the year may still stand at risk of unwinding. A less committed Fed could keep the USD supported on dips.

Apart from Fed, BI, BoJ and BoE Decides on Policy Too

SBV cut their policy refinancing rate from 6.25% to 6.00% and our economist looks for BI to trim the 7-day reverse repo to 5.25% from previous 5.50%. BoE and BoJ should stand pat. Other economic data/event to watch include US empire mfg, China's activity data, ID trade, PH remittances; Tue has US IP, GE ZEW, AU RBA Minutes, SG NODX; Wed has US housing starts; ECB speakers; UK CPI and RPI; Thu has Philly Fed, ECB speakers, NZ GDP; China

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg












Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Christopher Wong
(65) 6320 1347
wongkl@maybank.com.sg

Tan Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Our in-house model implies that S\$NEER is trading around 1.12% above the implied midpoint of 1.3890, 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: 97.00; R: 99.40	<ul style="list-style-type: none"> Mon: Empire Mfg (Sep); Tue: Industrial Production(Aug), manufacturing (SIC) production (Aug), capacity utilization (Aug); Wed: Building Permits (Aug), housing starts (Aug); Thu: FOMC Decides on FFTR, Powell's press conference, existing home sales, current account Bal (2Q), Philly Fed (Sep); Fri: Fed Rosengren Speaks;
EURUSD		S: 1.0920; R: 1.1210	<ul style="list-style-type: none"> Mon: - Nil - Tue: GE ZEW survey expectations (Sep); Wed: ECB's François Villeroy de Galhau Speaks in London; ECB Chief Economist Lane speaks in Luxembourg; ECB Executive Board member Coeure speaks in Luxembourg; Construction Output (Jul); CPI (Aug F); Thu: ECB's Coeure, ESM's Regling Speak in Frankfurt; Fri: GE PPI (Aug); EC Consumer Confidence (Sep A);
AUDUSD		S: 0.6700; R: 0.6920	<ul style="list-style-type: none"> Mon: - Nil - Tues: Confidence index (Sep 15); Minutes of the Sep RBA Meeting; 2Q House price index Wed: Westpac Leading index (Aug); Thu: Labour report (Aug); Fri: - Nil -
NZDUSD		S: 0.6270; R: 0.6540	<ul style="list-style-type: none"> Mon: Performance Services Index (Aug); Tue: Westpac consumer confidence (3Q); Wed: Current Account Bal (2Q); Thu: GDP (2Q); Fri: Credit Card Spending (Aug);
GBPUSD		S: 1.2170; R: 1.2500	<ul style="list-style-type: none"> Mon: Rightmove House Prices (Sep); Tue: - Nil - Wed: CPI, RPI (Aug); Thu: Retail sales; BoE Decides; Fri: - Nil -
USDJPY		S: 105.50; R: 108.00	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade data (Aug); Thu: BoJ Decides; Fri: National CPI (Aug);
USDCNH		S: 7.0700; R: 7.1400	<ul style="list-style-type: none"> Mon: FAI ex rural, industrial production, retail sales, property investment (Aug); Tue: New home prices (Aug); Wed: - Nil - Thu: FX Net Settlement - Clients (CNY); Fri: LPR Announcement (Sep);
USDSGD		S: 1.3750; R: 1.3940	<ul style="list-style-type: none"> Mon: - Nil - Tue: NODX, Electronic Exports (Aug) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.1400; R: 4.2050	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Foreign Reserves (Sep 13)
USDPHP		S: 51.50; R: 52.20	<ul style="list-style-type: none"> Mon: Overseas Remittances (Jul); Tue: - Nil - Wed: - Nil - Thu: BoP Overall Fri: - Nil -
USDIDR		S: 13,900; R: 14,100	<ul style="list-style-type: none"> Mon: Trade data (Aug); Tue: - Nil - Wed: - Nil - Thu: BI Decides (Aug); Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Tactical FX Trade Ideas - Open

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
6 Sep	Short AUDNZD	1.0700 [1.0800]	1.0500		Open	Rising Wedge Bearish Reversal [Link]
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
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>Back to Watch the Fed. The greenback swung two-ways throughout this week, unable to find much momentum to on either direction. The biggest move of the week was driven by ECB which saw the DXY index whipsawed by the EUR. The crack in the governing council is revealed by the decision to relaunch QE when Governors from Germany, France and Netherlands voiced their opposition to it. With expectations for further easing by ECB reduced, we see the upside potential for EUR to translate to downside bias in the DXY index. In fact, moves into the FOMC decision on Thu (early Asia morning) could be more consolidative as concerns on manufacturing sector may be offset by hopes of an interim deal with China. A 25bps cut is widely expected and 100% priced according to Fed Funds futures. We doubt that the US would commit to a more aggressive easing cycle despite pressure from Trump. In an environment of better risk sentiment and gradual rate cuts expected from the Fed, USD is unlikely to fall in a hurry. Moves lower should meet support at 97.87 (50-dma) before the next at 97.50(100-dma). 200-dma is not too far away at the 97.10-level.</p> <p><i>Data/Events next week include Empire Mfg (Sep) on Mon; Industrial Production(Aug), manufacturing (SIC) production (Aug), capacity utilization (Aug) on Tue; Building Permits (Aug), housing starts (Aug) on Wed; FOMC Decides on FFTR, Powell's press conference, existing home sales, current account Bal (2Q), Philly Fed (Sep) on Thu; Fed Rosengren Speaks on Fri.</i></p>
EUR/USD	<p>Draghi Provides Everything in Moderation, Upside Bias.</p> <p>ECB cut deposit rate from -0.4% to -0.5%, restarted net asset purchases (aka QE) at a monthly pace of €20bn as of 1st Nov. The QE program will remain until "shortly before first rate increase". Interest rates for TLTROs are lowered and maturities are extended to 3 years from 2years. EURUSD touched a low of 1.0927 before making a full reversal higher after investors decided that the scale of the stimulus was smaller than expected. As Draghi is about to make his departure from the central bank, he also revealed a crack in the governing council given the opposition from Governors (including Germany, France and Netherlands) on the use of QE. This also meant that a lot more stimulus is not expected in the future and the EUR was bought even well in Asian hours today. We had reiterated in this space that fiscal stimulus measures should do the heavy-lifting and that seems to have been aligned with the policy decision makers as Draghi spoke about "the unanimity that fiscal policy should become the main tool". All these could continue to guide the EUR higher.</p> <p>EUR was last seen at 1.1100 with increasing bullish momentum on daily chart. Stochastics on the weekly chart suggests that this pair should retrace from oversold conditions. The clean break of the 1.1085 (21-dma) should clear the way for an extension towards 1.1150, 1.1210. Support at 1.1030 before 1.0927 (double bottom). The double bottom formed is also another compelling price set up for a move towards the 1.12 before the next at 1.13.</p> <p><i>Focus next week on GE ZEW survey expectations (Sep) on Tue; ECB's François Villeroy de Galhau Speaks in London; ECB Chief Economist Lane speaks in Luxembourg; ECB Executive Board member Coeure speaks in Luxembourg; Construction Output (Jul); CPI (Aug F) on Wed; ECB's Coeure, ESM's Regling Speak in Frankfurt on Thu; GE PPI (Aug); EC Consumer Confidence (Sep A) on Fri.</i></p>
GBP/USD	<p>Bullish Bias, Stretched. GBP surged at the end of the week with the broad USD unwinding benefitting those with stretched positions. This pair is last seen around 1.24-figure. The suspension of parliament continues to mean less volatility for the pound. Parliament is prorogued till 14th Oct. But UK is still not out of the Brexit woods, hence choppy 2 way trades are expected to dominate. We are biased for more upside play, especially when fears of hard brexit have receded but GBP net shorts remain large. With pessimism more than priced in than optimism, we see asymmetric upside squeeze in the event of positive news or data. For now, BoJo said that his government is working very hard to get a brexit deal with EU with a recent visit to Ireland that seems to have gone amicably. PM BoJo is required by law to either get an amended brexit deal with EU and agreed by UK lawmaker by 19th Oct or seek a Brexit delay past 31st Oct 2019. Back on the charts, Bullish divergence on weekly MACD remains intact though daily stochastics has entered overbought conditions. Resistance at 1.2440, 1.25 levels. Support at 1.2290 (50 DMA), 1.2190 (21 DMA).</p> <p><i>Focus next week on Rightmove House Prices (Sep) on Mon; CPI, RPI (Aug) on Wed; Retail sales; BoE Decides on Thu.</i></p>

USD/JPY ***Rising Wedge, Bearish.*** USDJPY is near the apex of its rising wedge and we see potential for this pair to head lower towards 107.15 (50-dma) before the next at 106.65 (21-dma). Last seen at 108 levels. This pair should break out of the rising wedge to the downside as bullish momentum runs into fatigue and as stochastics are turning from overbought conditions. We look for this pair to head lower from here. Resistance at 108.55. Eyes on BoJ decision on Thu but we do not expect the central bank to do much.

Focus next week on Trade data (Aug) on Wed; BoJ Decides on monetary policy settings; National CPI (Aug) due on Fri.

AUD/USD ***Retracement.*** AUD progress seems to have stalled around 0.6880. There were plenty of speculation of US officials offering to delay the tariffs hike set to take effect on 15th Oct further and the tariffs on \$160bn of Chinese goods on 15th Dec could be cancelled with a potential for 1st Sep tariffs on approximately \$112bn of Chinese imports to be rolled-back as well. If so, this could be one of the most significant progress that the US and China had achieved in talks to date. The plan was to have China commit to intellectual property changes as well as the purchase of more agricultural goods.






Pair was last seen at 0.6870 levels. Bullish momentum on daily chart remains intact although stochastics flag overbought conditions. Next resistance at 0.6870 (50 DMA) needs to be broken for further gains towards 0.6920 (100 DMA) to come into play. Support at 0.6760 (21 DMA), 0.67 levels.

Focus next week on Confidence index (Sep 15); Minutes of the Sep RBA Meeting; 2Q House price index on Tue; Westpac Leading index (Aug) on Wed; Labour report (Aug) on Thu.

NZD/USD ***Retracing.*** This pair has softened quite a bit in the past few days, last seen around 0.64. Eyes on more NZD-moving data including the 2Q GDP on Thu, FOMC decision and tone of Powell earlier that day as well. Momentum on the daily chart has waned and stochastics is turning lower from overbought conditions. Resistance at 0.6470, 0.6540 levels. Support at 0.63, 0.6270.

Focus next week on Performance Services Index (Aug) on Mon; Westpac consumer confidence (3Q) on Tue; Current Account Bal (2Q) on Wed; GDP (2Q) on Thu; Credit Card Spending (Aug) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0170; R:3.0400	Rising Trend Channel. This cross seems to be heading higher within a rising trend channel and price is seen in the middle with momentum slightly bullish. This cross may continue to head higher towards the next resistance at 3.0380 before the next at 3.0500. This pair is last seen at 3.0320. Support at 3.0260 (21-dma), 3.0170, 3.0090 (76.4% fibo retracement of 2019 low to high). Resistance at 3.0240 (21 DMA), 3.0320 (50 DMA), 3.0370 (100 DMA).
AUD/MYR		S: 2.8400 R:2.9000	Consolidate Now. AUDMYR drifted higher this week before retracing to levels around 2.8640. Mild bullish momentum on daily chart remains intact while stochastics shows signs turning lower. Risks skewed to the upside. Next resistance at 2.8750 (10-dma), 2.9050 (200-dma). Support at 2.8450 (21-dma), 2.81 levels.
EUR/MYR		S: 4.5800; R:4.6800	Risk to the Upside Now. EURMYR touched low of 4.5902. Cross was last seen at 4.6200 levels. Bearish momentum wanes and stochastics show signs of turning higher. Risks now to the upside. Support at 4.60, 4.58 levels. Resistance at 4.64 (50 DMA), 4.68 levels.
GBP/MYR		S: 5.10; R: 5.23	Still Bullish. GBPMYR was last seen at 5.1850 levels. Mild bullish momentum on daily chart remains intact. Support at 5.10, 5.0930 (21 DMA), 5.05 levels. Resistance at 5.2060 before 5.2280 (50% fibo).
JPY/MYR		S: 3.8000 R: 3.9300	Turning Higher. JPYMYR traded lower this week and was last seen around 3.8560. Daily momentum is very bearish while stochastics is in oversold conditions and showing signs of turning. We look for support at the 100-dma, 3.8510 to remain intact if not, at 3.8250. Resistance at 3.8860 before the next at 3.9066.

Technical Chart Picks:

USDUSD Daily Chart - Time to Pause?



USDUSD has plunged quite a bit and remained pressured to the downside. Support seems to have been established at 1.3722 before the next at 1.3708. Resistance at 1.3774.

Bias is still to the downside with the MACD increasing in bearish bias even as Stochastics flag oversold condition.

With the USDUSD already retracing 50% from the Jun-Sep rally, we think there could be some consolidation from here.

USDMYR Daily Chart - Consolidation



USDMYR has fallen rather sharply in the past week on trade tension de-escalation between the US and China. This pair remains biased to the downside, last seen around 4.1655.

Daily momentum is increasingly bearish while stochastics is still falling. Immediate support at 4.1610 levels (38.2% fibo retracement of 2019 low to high), 4.14 levels (50% fibo, 200 DMA).

Resistance at 4.19 (21-dma), 4.2050 levels.

AUDSGD Daily Chart: Accumulate Dips

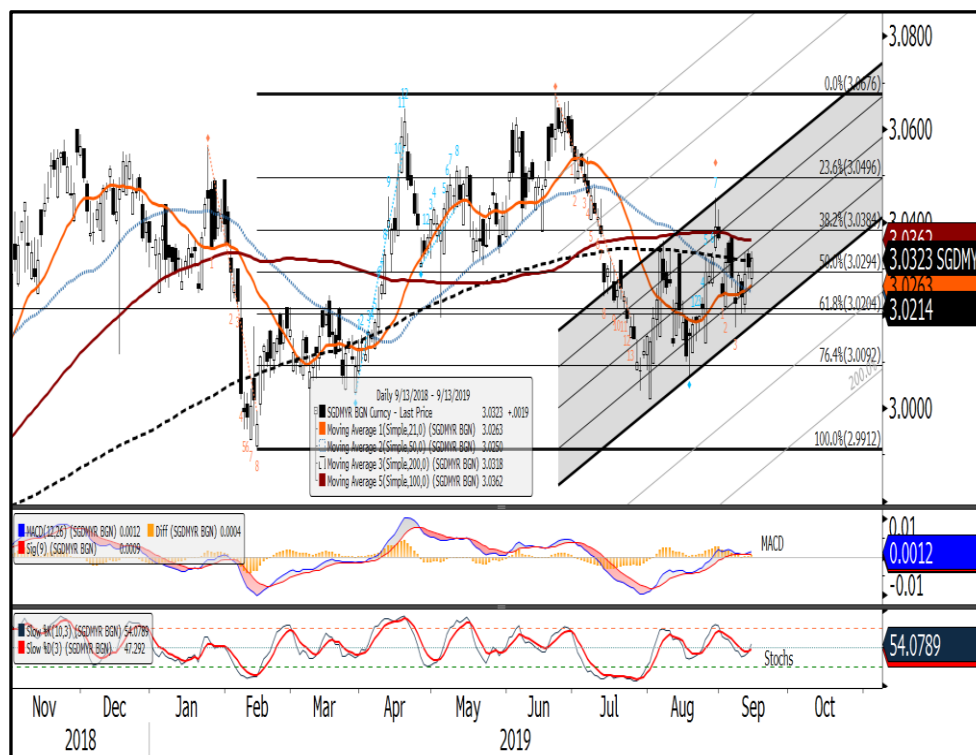


AUDSGD retraced lower and was last seen around 0.9440. This cross is overbought and vulnerable to further moves lower beyond the current support at 0.9440.

Bullish momentum on daily chart wanes and stochastics show signs of turning lower as shown in the chart.

Resistance at 0.9470 (100-dma), 0.9580 (200-dma). Support at 0.9400 (21 DMA).

SGDMYR Daily Chart: Rising Trend Channel



SGDMYR seems to be heading higher within a rising trend channel and price is seen in the middle with momentum slightly bullish.

This cross may continue to head higher towards the next resistance at 3.0380 before the next at 3.0500. This pair is last seen at 3.0320.

Support at 3.0260 (21-dma), 3.0170, 3.0090 (76.4% fibo retracement of 2019 low to high). Resistance at 3.0240 (21 DMA), 3.0320 (50 DMA), 3.0370 (100 DMA).

DISCLAIMER

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy the securities or financial instruments referred to herein, or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy. Investors should note that income from such securities or financial instruments, if any, may fluctuate and that each security's or financial instrument's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation or the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities and/or financial instruments or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Malayan Banking Berhad and/or its affiliates and related corporations (collectively, "Maybank Group") and consequently no representation is made as to the accuracy or completeness of this report by Maybank Group and it should not be relied upon as such. Maybank Group and any individual connected to the Maybank Group accept no liability for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Maybank Group and its officers, directors, associates, connected parties and/or employees may from time to time have positions or be materially interested in the securities and/or financial instruments referred to herein and may further act as market maker or have assumed an underwriting commitment or deal with such securities and/or financial instruments and may also perform or seek to perform investment banking, advisory and other services for or relating to those entities whose securities are mentioned in this report. Any information, estimate, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions and analysis made and information currently available to us as of the date of the publication and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. Maybank Group expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is prepared for the sole use of Maybank Group's clients and may not be altered in any way, published, circulated, reproduced, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of the Maybank Group. Maybank Group accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

Published by:



Malayan Banking Berhad
(Incorporated in Malaysia)

Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 63201379

Christopher Wong
Senior FX Strategist
wongkl@maybank.com.sg
(+65) 63201347

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 63201374

Yanxi Tan
FX Strategist
tanyx@maybank.com.sg
(+65) 63201378