

## FX Weekly

# Takes 2 Hands to Clap

### The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 96.00; Resistance at 97.7.
- **USD/SGD - Consolidate.** Support at 1.3440; Resistance at 1.3620
- **USD/MYR - Bearish.** Support at 4.12; Resistance at 4.1620
- **AUD/SGD - Buy Dips.** Support at 0.9250; Resistance at 0.9440
- **SGD/MYR - Consolidative.** Support at 3.04; Resistance at 3.08

### Preference to Sell DXY Rallies Unless 200 DMA Breached

Taking stock, our calls last week for DXY, USDSGD and USDMYR to fall met their respective near term objectives at 96.70, 1.3500/20 and 4.14 this week. Looking on, we caution against excessive optimism on the partial US-China trade deal. So far it has been the US side talking up a partial deal and there is no word from Chinese officials yet. We are cautious if this “one-sided affair” will meet reciprocal response from China. Not all silence can be treated as consent and we warn that AXJ gains may even be unwound in the next few hours before going into the weekend should the uneasy silence continues. Further details re. tariff rollbacks/ cancellations and Chinese responses are required for hopes of partial deal to become reality and for gains in AXJ to continue (basically need 2 hands to clap. On DXY we prefer to sell rallies unless price action reverses back above 200 DMA (then this warrants caution). For USDSGD and USDMYR, we expect recent declines to moderate and find support at 1.3440 and 4.12. On central bank meetings next week, BoT meets on Wed, BoJ, BoE and BI on Thu. We expect all to keep policy status quo.

### Partial Unwinding of GBP Gains but Buy Dips Preferred

On GBP, the 3% jump overnight (above 1.35-handle at one point) was in anticipation of BoJo’s big win at the General Elections. A soft brexit (with BoJo’s transitional deal) come 31<sup>st</sup> Jan 2020 looks certain, putting a closure to Brexit uncertainty v1.0. This also paves the way for UK to negotiate for future trade agreements with EU and other nations - which we expect will form the basis for brexit uncertainty v2.0. Some GBP gains may also unwind to price in future challenges and fears of second Scottish independence referendum after major win for SNP party. Near term pullback towards 1.32 is not ruled out but bias to accumulate dips.

### Global Economic Health Check; China LPR Next Week

Key data of interests next week include a string of prelim PMIs releases from US, UK, EU, JP; US empire mfg; China retail sales, IP, FAI; NZ, UK services PMI on Mon - a global economic health check. On Tue, US IP; German prelim PMI; RBA minutes; UK labor report and SG NODX. On Wed, EU CPI; ECB’s Lagarde speaks; German IFO; UK inflation. For Thu, US Philly Fed biz outlook; AU labor report; NZ 3Q GDP. For Fri, US GDP, core PCE; UK GDP; China LPR (we expect 5bps cut); MY CPI, FX reserves; JP CPI.

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Our in-house model implies that S\$NEER is trading around 1.68% above the implied midpoint of 1.3746, suggesting that it is on the stronger side vs. other trading partner currencies.

*Please see page 8 for a summary of our open trade ideas*

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 96.00; R: 97.70	<ul style="list-style-type: none"> <li>Mon: Empire Mfg; Prelim PMIs (Dec)</li> <li>Tue: IP (Nov); Housing starts, Building permits (Nov); Fed's Rosengren, Williams, Kaplan to speak;</li> <li>Wed: Fed's Evans to speak;</li> <li>Thu: Existing Home sales, Leading index (Nov); Philly Fed Business outlook (Dec); Current account (3Q);</li> <li>Fri: GDP (3Q T); Person income, spending (Nov); PCE core (Nov); Kansas City Fed Mfg (Dec); Uni. of Michigan sentiment (Dec)</li> </ul>
EURUSD		S: 1.1060; R: 1.1240	<ul style="list-style-type: none"> <li>Mon: Prelim PMIs (Dec); Labor costs (3Q); ECB's Guindos speaks;</li> <li>Tue: Trade (Oct); ECB's Kazimir speaks; German prelim PMIs (Dec);</li> <li>Wed: ECB's Largarde, Coeure speak; CPI (Nov F); Construction output (Oct); German IFO (Dec);</li> <li>Thu: - Nil -</li> <li>Fri: Current Account (Oct); Consumer confidence (20 Dec)</li> </ul>
AUDUSD		S: 0.6840; R: 0.7030	<ul style="list-style-type: none"> <li>Mon: PMI - Mfg, Services; RBA's Kearns speaks.</li> <li>Tues: RBA Minutes;</li> <li>Wed: Westpac Leading Index (Nov);</li> <li>Thu: Employment change (Nov)</li> <li>Fri: - Nil -</li> </ul>
NZDUSD		S: 0.6490; R: 0.6650	<ul style="list-style-type: none"> <li>Mon: Services PMI (Nov);</li> <li>Tue: Westpac Consumer Confidence (4Q); ANZ Business outlook (Dec);</li> <li>Wed: Current Account (3Q);</li> <li>Thu: GDP (3Q); Trade(Nov);</li> <li>Fri: ANZ consumer confidence (Nov)</li> </ul>
GBPUSD		S: 1.3200; R: 1.3650	<ul style="list-style-type: none"> <li>Mon: Mfg, services PMI (Dec P); BoE Publish Financial Stability Report;</li> <li>Tue: Employment change (Oct); CBI Trends Orders, selling prices (Dec);</li> <li>Wed: CPI, PPI, RPI, House Price index (Nov);</li> <li>Thu: Retail Sales (Nov); BoE Policy meeting;</li> <li>Fri: GDP (3Q); Public finances (Nov)</li> </ul>
USDJPY		S: 108.70; R: 110.50	<ul style="list-style-type: none"> <li>Mon: Tertiary Industry index (Oct); PMI (Dec P);</li> <li>Tue: - Nil -</li> <li>Wed: Trade (Nov);</li> <li>Thu: BoJ Meeting decision; Machine tool orders (Nov F);</li> <li>Fri: CPI (Oct)</li> </ul>
USDCNH		S: 6.9200; R: 7.0400	<ul style="list-style-type: none"> <li>Mon: IP, FAI, Retails Sales, new home prices (Nov);</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: Swift payments in CNY;</li> <li>Fri: 1y, 5y loan prime rate</li> </ul>
USDSGD		S: 1.3440; R: 1.3620	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: NODX (Nov)</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDMYR		S: 4.1200; R: 4.1620	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: CPI (Nov); FX Reserves (10<sup>th</sup> Dec)</li> </ul>
USDPHP		S: 50.20; R: 50.90	<ul style="list-style-type: none"> <li>Mon: Overseas Remittances (Oct)</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: BoP (Nov)</li> <li>Fri: - Nil -</li> </ul>
USDIDR		S: 13,850; R: 14,080	<ul style="list-style-type: none"> <li>Mon: Trade (Nov)</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: BI Policy Meeting Decision</li> <li>Fri: - Nil -</li> </ul>

Sources: Bloomberg, Maybank FX Research &amp; Strategy

## Selected G7 FX Views

Currency	Stories of the Week
<b>DXY Index</b>	<p><b><i>Sell Rallies Preferred; Still Watching Out for Details on Partial Deal.</i></b> Following a week of USD decline in the week ending 6 Dec owing to softer US data and impeachment hearing gets underway; the USD extended its fall again this week on Fed's guidance at its last FoMC meeting of the year while a sharp rise in GBP, EUR in anticipation of BoJo's victory at General Elections further weighed on USD index. Elsewhere USD was also softer against AXJ FX, including CNH and KRW on Trump's tweet for a partial trade deal in-principle. But we caution against excessive optimism. So far it has been the US side talking up a partial deal and there is no word from Chinese officials yet. We are cautious if this "one-sided affair" will meet reciprocal response from China. Not all silence can be treated as consent and we warn that AXJ gains may even be unwound in the next few hours before going into the weekend. Further details re. tariff rollbacks/ cancellations and Chinese responses are required for hopes of partial deal to progress.</p> <p>Though there was no change to Fed's policy target range of 1.5% - 1.75% (widely expected), forward guidance (via dots plot and press conference) dragged the USD lower. To be honest, there was nothing radically new as compared to the last FoMC. On growth, Powell said that outlook remains favourable despite global development and ongoing risks. On inflation, <b>Powell said "We don't have to worry so much about inflation"</b> and emphasized that it would take a persistent jump in the pace of price increases for him to think it warranted higher interest rates. This is consistent with our call that <b>Fed is asymmetric on policy responses to inflation movements - more ready to ease than hike</b>. On dots plot on rate expectations for 2020, there is somewhat a "consensus" (13 out of 17 Fed policymakers) that <b>officials expect no change in interest rates until at least 2021</b>. The other 4 saw 1 rate hike in 2020.</p> <p>We continue to expect 2018/19 USD strength to fade into 2020 on (1) asymmetric Fed that is more ready to ease than hike and to take into consideration that Fed is not likely to restart rate tightening cycle in a US election year; (2) US activity momentum easing and possible grinding slowdown; (3) heightened political uncertainty in the US.</p> <p>On Trump's impeachment proceedings, Democrats-controlled House Judiciary Committee unveiled 2 charges against Trump this week: (1) abuse of power and (2) obstructing Congress. A vote is likely to take place at the House of Rep Judiciary Committee later this week before sending it to the lower chamber for a full vote. It is likely these articles will be approved by the Democrats-controlled House and then an impeachment trial in the Republican-controlled Senate will take place possibly in Jan-2020.</p> <p>Overall, <b>DXY's decline in the past fortnight met one of our objectives at 96.70</b> - a level not seen since Jul 2019. DXY was last seen at 96.8 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Immediate support at 96.70, 96 levels. Resistance at 97.10/20 (previous support of Oct-Nov double bottom now-turned resistance), 97.60/70 levels (200 DMA, 23.6% fibo). <b>Sell rallies preferred unless price action overnight reversed above 200 DMA, then that warrants a caution.</b></p> <p><i>Key data/events of focus next week include Empire Mfg; Prelim PMIs (Dec) on Mon; IP (Nov); Housing starts, Building permits (Nov); Fed's Rosengren, Williams, Kaplan to speak on Tue; Fed's Evans to speak on Wed; Existing Home sales, Leading index (Nov); Philly Fed Business outlook (Dec); Current account (3Q) on Thu; GDP (3Q T); Person income, spending (Nov); PCE core (Nov); Kansas City Fed Mfg (Dec); Uni. of Michigan sentiment (Dec) on Fri.</i></p>
<b>EUR/USD</b>	<p><b><i>Gradual Move Higher.</i></b> EUR remains better bid this week, consistent with our call looking for a gradual move higher. Pair was last seen at 1.1165 levels. Bullish momentum on daily chart remains intact while stochastics is rising into near-overbought. Immediate resistance at 1.1180 levels before 1.1240. Support at 1.1160 (200 DMA), 1.1105 (23.6% fibo retracement of Sep low to Oct-Nov double top), 1.1060 (21, 50, 100 DMAs).</p> <p><i>Focus next week on Prelim PMIs (Dec); Labor costs (3Q); ECB's Guindos speaks on Mon; Trade (Oct); ECB's Kazimir speaks; German prelim PMIs (Dec) on Tue; ECB's Lagarde, Coeure speak; CPI (Nov F); Construction output (Oct); German IFO (Dec) on Wed; Current Account (Oct); Consumer confidence (20 Dec) on Fri.</i></p>

**GBP/USD** **Retracement Risk; Buy Dips.** As of writing (648/650 seats counted), PM BoJo's Conservative party is set to secure a majority government with 363 seats out of 650 seats. 326 seats was needed to command a majority. Labor party was defeated with only 203 seats and is likely leader Jeremy Corbyn tenders his resignation. GBP had jumped >3% on Fri's early trade in Asia ahead of outcome after exit polls predicted a majority win for BoJo.

A soft brexit (with BoJo's transitional deal) come 31<sup>st</sup> Jan 2020 looks certain, putting a closure to Brexit uncertainty v1.0. This also paves the way for UK to negotiate for future trade agreements with EU and other nations - which we expect will form the basis for brexit uncertainty v2.0. Meanwhile GE results in Scotland where Nicola Sturgeon's SNP party made big gains (won 47 out of 59 seats - 12 more than the 35 seats it won in 2017) may be a risk factor for GBP. Sturgeon said that the country had sent a 'clear message' on a second independence referendum - a reminder of EU referendum which gave birth to brexit mess. Hence we think some of the GBP gains may unwind to price in future challenges and fears of second Scottish independence referendum.

GBP was last seen at 1.3430 levels. Bullish momentum on daily chart remains intact while stochastics is in overbought conditions. Our immediate topside objectives at 1.3250, 1.3450 have been met. We do not rule out retracement risks in the near term. Support at 1.3170 (50% fibo retracement of 2018 high to 2019 low) - 1.32 levels. We are still looking for an eventual move higher towards 1.3650 levels (bullish flag objective). Buy dips preferred around 1.32 - 1.3250 zone.

*Focus next week on Mfg, services PMI (Dec P); BoE Publish Financial Stability Report on Mon; Employment change (Oct); CBI Trends Orders, selling prices (Dec) on Tue; CPI, PPI, RPI, House Price index (Nov) on Wed; Retail Sales (Nov); BoE Policy meeting on Thu; GDP (3Q); Public finances (Nov) on Fri.*

**USD/JPY** **Golden Cross.** USDJPY firmed amid risk-on sentiment thanks to that 1 tweet from Trump that revived hopes of partial trade deal. Pair was last seen at 109.65 levels. Daily momentum turned bullish while stochastics is rising. A potential golden cross (50 DMA cuts 200 DMA to the upside) looks on track to be formed in coming days - typically associated with bullish signal. Resistance at 110.20, 110.50 levels (76.4% fibo). Support at 109.50 (50% fibo retracement of 2018 high to 2019 low), 108.70/80 levels (21, 50, 200 DMAs).

*Focus next week on Tertiary Industry index (Oct); PMI (Dec P) on Mon; Trade (Nov) on Wed; BoJ Meeting decision; Machine tool orders (Nov F) on Thu; CPI (Oct) on Fri.*

**AUD/USD** **Bullish but Overbought.** Our call in the last FX Weekly for AUD to trade higher met our objective at 0.6915. Pair traded a high of 0.6939 and was last seen at 0.6920 levels. Bullish momentum on daily chart intact while stochastics is in overbought conditions. Immediate resistance at 0.6950 (38.2% fibo retracement of Jul high to Oct low) before 0.7030 levels (50% fibo). Support at 0.6910 (200 DMA), 0.6840 (50DMA, 23.6% fibo).





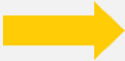
*Focus next week on PMI - Mfg, Services; RBA's Kearns speaks on Mon; RBA Minutes on Tue; Westpac Leading Index (Nov) on Wed; Employment change (Nov) on Thu.*

**NZD/USD** **Buy Dips.** NZD extended its run higher this week. Last seen at 0.6620 levels. Bullish momentum on daily chart remains intact while stochastics is rising into overbought conditions. 50 DMA cuts 100 DMA to the upside - another bullish signal. A move towards 0.6650 is possible but we caution that retracement is not ruled out in the short term (overbought conditions). Support at 0.6540 (200 DMA).

We reiterate our view that **Kiwi's near-10% decline from 2019-high could be nearing an interim bottom** on a combination of factors including RBNZ on hold (albeit at low OCR levels), room for fiscal stimulus, more constructive outlook for dairy prices, de-escalation in US-China trade tensions and easier financial conditions (on expectations for Fed to remain accommodative for longer). We continue to look for a gradual recovery towards 0.65-0.66 levels in the interim.

*Focus next week on Services PMI (Nov) on Mon; Westpac Consumer Confidence (4Q); ANZ Business outlook (Dec) on Tue; Current Account (3Q) on Wed; GDP (3Q); Trade(Nov) on Thu; ANZ consumer confidence (Nov) on Fri.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.04; R: 3.08	<b>Consolidative Mood.</b> SGDMYR traded sideways this week, in line with our call on consolidative price action. Cross was last seen at 3.0630 levels. Daily momentum and stochastics are not indicating a clear bias. Immediate resistance at 3.0650, 3.0800 levels. Support at 3.0580 (50 DMA) and 3.0420 (100, 200 DMAs). Continue to look for sideways trade.
AUD/MYR		S: 2.8450 R: 2.9150	<b>Upward Bias.</b> AUDMYR continued to trade higher for the second consecutive week; last seen at 2.8690 levels. Mild bullish momentum intact while stochastics is rising. Upward bias remains intact; buy dips preferred. Resistance at 2.8935 (50% fibo retracement of 2019 high to low) before 2.9150 (61.8% fibo). Support at 2.8450/60 levels (50, 100 DMAs), 2.84 levels (21 DMA).
EUR/MYR		S: 4.6000; R: 4.7000	<b>Confluence of Moving Averages.</b> EURMYR was little changed on level terms compared to last Fri as mild MYR strength was equally countered by mild EUR strength. Cross was last seen at 4.6260 levels. Mild bullish momentum intact. A confluence of 21, 50, 100 DMAs appear to be forming around 4.62 levels. This typically suggests a break out or up could be on the cards. Immediate resistance at 4.6350 (200 DMA) - 4.65 levels. A decisive break above this is needed for further gains towards 4.68, 4.70 to gather traction. Support at 4.6130 (50 DMA), 4.60 (21 DMA).
GBP/MYR		S: 5.4500; R: 5.6500	<b>Bullish but Do Not Rule Out Retracement.</b> GBPMYR rose sharply this week in anticipation to PM BoJo's majority win at the General Elections (votes still underway as of writing). Cross was last seen at 5.5750 levels. Bullish momentum intact while stochastics is in overbought conditions. Immediate resistance at 5.65, 5.70 levels (2017 high). Support at 5.5360 (76.4% fibo retracement of 2017 high to 2019 low), 5.4340 (61.8% fibo). Bias remains bullish but we do not rule out temporary pullback price action in the interim.
JPY/MYR		S: 3.7500; R: 3.8200	<b>Death Cross Soon?.</b> JPYMYR fell this week, in line with our slight bias to the downside as highlighted in last FX Weekly. Cross was last seen at 3.7770 levels. Daily momentum turned mild bearish while stochastics is falling. A potential death cross 950 cutting 200 DMA to the downside) could be formed in coming days - typically associated with bearish signal. Bias remains skewed to the downside. Immediate support at 3.77, 3.74 levels. Resistance at 3.82 (200 MA).



## Technical Chart Picks:

### USDSGD Daily Chart - Decline Finding Support Soon



USDSGD traded one-way lower this week, putting us very close to our near-term objectives at 1.35 - 1.3520 levels. Low traded 1.3516 (Fri).

Pair was last seen at 1.3520 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Immediate support at 1.3500-20. But we caution that a breach below this could see 1.3480, 1.3440 levels next (2019 low).

Resistance at 1.3560/70 (76.4% fibo) before 1.3620 (21DMA, 61.8% fibo retracement of 2019 low to high).

### USDMYR Daily Chart - Bearish but Near Oversold Conditions



Our call looking for further downside has met our objective at 4.14 this morning. Move came amid progress on US-China partial trade deal.

Pair was last seen at 4.1415 levels. Daily momentum is mild bearish while stochastics is falling into near-oversold conditions. Immediate support at 4.14 before 4.12 (61.8% fibo retracement of 2019 low to high). Resistance at 4.1490 (200 DMA), 4.1610 levels (38.2% fibo). We do not rule out further downside (towards 4.12) if there are more positive details on partial trade deal. Failing which, 4.14 - 4.16 could suffice next week.

## AUDSGD Daily Chart: Bottom Formed; Buy Dips



AUDSGD rebounded this week; last seen at 0.9360 levels.

Mild bullish momentum on daily chart remains intact while stochastics is rising. Sustained price action above 0.9340 (100 DMA) is needed for further upside to gather traction. Next resistance at 0.9440 levels (200 DMA, 23.6% fibo retracement 2018 high to 2019 low).

Immediate support at 0.9340 (100 DMA), 0.9310 (50 DMA) and 0.9280 (21 DMA). Interim bottom likely to have formed at 0.9230/50 levels. Favor buying dips

## SGDMYR Daily Chart: Still in Consolidative Mood



SGDMYR traded sideways this week, in line with our call on consolidative price action. Cross was last seen at 3.0630 levels.

Daily momentum and stochastics are not indicating a clear bias. Immediate resistance at 3.0650, 3.0800 levels.

Support at 3.0580 (50 DMA) and 3.0420 (100, 200 DMAs). Continue to look for sideways trade.

## Tactical FX Trade Ideas - Closed

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
26 Jul	Long IDRSGD	0.9702 [0.9615]	0.9940	-0.3%	Closed at 0.9671 (13 Dec)	RV trade on growth and carry <a href="#">[Link]</a>
25 Sep	Short SGDCNH	5.1620 [5.20]	5.0970, 5.0788	0	Closed at 5.16 (22 Nov)	Elevated SGDCNH, an interim trade deal to see CNH strengthen against SGD. <a href="#">[GM Daily]</a> , <a href="#">[RMB Watch]</a>
25 Sep	Short USDCNH	7.11 [7.19]	7.00, 6.90	+1.1	Closed at 7.03 (20 Nov)	Head and Shoulders Formation for USDCNH, See Removal of Sep tariffs for an interim trade deal. <a href="#">[GM Daily]</a> , <a href="#">[RMB Watch]</a>
6 Sep	Short AUDNZD	1.0700 [1.0800]	1.0500	-0.9%	Closed at 1.08 (16 Sep)	Rising Wedge Bearish Reversal <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
5 Aug	Long AUDNZD	1.0380 [1.0350]	1.0550	-0.28%	Stopped at 1.0350 (6 Aug)	Position for RBA-RBNZ policy divergence <a href="#">[Link]</a>
30 Jul	Short USDJPY	108.90 [109.70]	107	+1.7%	Closed at 107 {2 Aug}	Technical bearish reversal <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
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 <a href="#">[Link]</a>
Cumulative P/L				+11.5%		



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