

FX Weekly

Consolidation Before The Next Big Cue

The Week Ahead

- **Dollar Index - Fade.** Support at 94.80; Resistance at 97.20
- **USD/SGD - Retracing.** Support at 1.3460; Resistance at 1.3680
- **USD/MYR - Consolidate.** Support at 4.07; Resistance at 4.11
- **AUD/SGD - Bulls to Wane** Support at 0.97; Resistance at 0.9850
- **SGD/MYR - Bearish.** Support at 3.000; Resistance at 3.0430

Bias Remains to Short USD on Rallies

The USD has managed to recover against selected currencies in the past few sessions, most notably the EUR. The slide in the latter amid increasing signs of slowing industrial activity there and political uncertainties lifted the DXY index. However, this USD upmove is not broad-based with Asia FX still making notable gains, led by CNH. The USD is impinged by growing concerns on the costs of the US government shutdown as it breaks record for being the longest shutdown ever and counting. That could weigh on risk appetite and drive demand back towards UST. The DJI and UST 10y yield remain in lock-steps and more caution would crimp on the USD, not helped by the Fed speaks that seem to be signalling a pause of its tightening cycle of late.

Only BI to Watch Amongst Central Banks, China Trade Shocks Limited

After lifting rates by 175bp last year, BI could pause at this meeting following the Fed's dovish tone and the rebound in the IDR. We look for the BI to remain on hold but this does not necessarily signal the end of this tightening cycle. Asian FX weakened a tad today after China's trade data came in weaker than expected. Policymakers in China have already reacted to the PMI-mfg print with broad 100 bps RRR cut (50 bps to take effect tomorrow) as well as tax cuts. In addition, as China and the US continue to keep communication channels open, business sentiment could recover. As such, Asia currencies stabilized after the knee-jerk pullback. In the absence of strong market cues and with USDCNH already nearing the key 6.70-level, expect some consolidation with gains in USDAsians to be capped by soft USD tone.

More Fed Speaks this week, Growing list of US data backlog

Focus this week on empire manufacturing for Jan (leading indicator) along with Dec PPI tomorrow. Due to the shut-down which has broken its record, there is a **backlog** of data releases including new home sales, factory orders and durable goods orders as well as trade data due for Nov. Apart from those, retail sales is due for release on Wed. Beige book is due on Thu, as well as housing starts, building permits for Dec and Jan Philly Fed. Industrial production for Dec is due on Fri. Fed Kashkari, George and Kaplan speak on Tue night, Kashkari speaks again on Thu along with Quarles elsewhere. Fed Williams speaks on Fri.

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Our in-house model implies that S\$NEER is trading 1% above the implied midpoint of 1.3676, 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: 94.80; R: 96.30	<ul style="list-style-type: none"> • Mon: Factory Orders, Durable Goods, Trade (Nov); • Tue: Empire manufacturing (Jan), PPI (Dec), Fed Kashkari, George speaks; • Wed: Retail sales (Dec); NAHB Housing Market Index (Jan), Fed's beige book; • Thu: Fed Kashkari speaks; housing starts, building permits (Dec); Philly Fed (Jan), Fed Quarles, Williams speaks; • Fri: Industrial production (Dec), capacity utilization (Dec), Univ. of Mich. Sentiment; Fed Harker speaks;
EURUSD		S: 1.1300; R: 1.1580	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: Construction output (Nov); CPI (Dec F), ECB Lautenschlaeger Speaks; • Fri: ECB Current account;
AUDUSD		S: 0.7100; R: 0.7240	<ul style="list-style-type: none"> • Mon: - Nil - • Tues: Consumer inflation expectation (Jan); • Wed: Westpac consumer confidence (Jan); • Thu: Home loans; investment lending (Dec); RBA FX Transaction (Dec); • Fri: - Nil -
NZDUSD		S: 0.6700; R: 0.6910	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: GDT Auction • Wed: - Nil - • Thu: - Nil - • Fri: BusinessNZ Mfg PMI, Non-Resident Bond holding (Dec);
GBPUSD		S: 1.2500; R: 1.2890	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: RICS House Price Bal; • Fri: Retail sales (Dec);
USDJPY		S: 106.90; R: 109.50	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: BoJ Kuroda and Amamiya make a speech at G20 Symposium • Fri: CPI (Dec), Industrial Production (Nov F);
USDCNH		S: 6.7220; R: 6.8040	<ul style="list-style-type: none"> • Mon: Trade, FDI (Dec, by 18 Jan), Credit numbers (Dec, by 15 Jan) • Tue: - Nil - • Wed: New home prices (Dec); • Thu: FX Net Settlement - Clients (Dec, 17-25 Jan); • Fri: - Nil -
USDSGD		S: 1.3460; R: 1.3680	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: NODX, Electronic Exports (Dec); • Fri: - Nil -
USDMYR		S: 4.0700; R: 4.1100	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: - Nil -
USDPHP		S: 51.80; R: 52.50	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: Overseas Remittances (Nov); • Wed: - Nil - • Thu: - Nil - • Fri: BoP (Dec);
USDIDR		S: 14000; R: 14,290	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: Trade (Dec); • Wed: - Nil - • Thu: BI meeting • Fri: - Nil -

Sources: Bloomberg, Maybank FX Research

Technical View : Group of Seven

Currency	Stories of the Week
DXY Index	<p>More Fed Speaks. Focus on US government shutdown as it breaks record. The US CPI print came and went without causing much stir. DXY index made a partial recovery in the latter half of last week along. The UST 10y yield and DJI have been moving in lock-stepped in recent months and that recent recovery in risk sentiment seems to have provided some support for the DXY index. There are more Fed speaks in the week ahead and more signals or comments on a pause in the Fed tightening cycle could continue to support risk sentiment and concomitantly the USD. On the other hand, bulls are unlikely to run unrestrained. Focus is increasingly on the government shutdown in the US which has broken the record for being the longest shutdown ever. With the costs of the shutdown being computed by S&P to be more expensive than Trump's budget for his wall if it runs for another two weeks, the credit rating is increasingly at stake here and that could also dim the allure of the USD. The recovery in the USD is thus likely to be short-lived and with the 21-dma en-route to cut the 100-dma and perhaps even 200-dma, risks are still to the downside for the USD. Support is seen at 94.90 (200-dma) before the next at 94 (38.2% fibo retracement of the Feb-Nov rally). Resistance at 96 before 96.30.</p> <p><i>Focus on Factory Orders, Durable Goods, Trade (Nov) today; Tue has Empire manufacturing (Jan), PPI (Dec), Fed Kashkari, George speaks; Wed has Retail sales (Dec); NAHB Housing Market Index (Jan), Fed's beige book; Thu has Fed Kashkari speaks; housing starts, building permits (Dec); Philly Fed (Jan), Fed Quarles, Williams speaks; Fri has Industrial production (Dec), capacity utilization (Dec), Univ. of Mich. Sentiment; Fed Harker speaks;</i></p>
EUR/USD	<p>Rounding Bottom, Bullish. EUR has eased from its highs recently (but not before meeting our objectives) and the move lower last Fri seems to coincide with ECB Nowotny's comments that "he does not expect major policy changes in the near future" and he is also unsure about whether the slowdown in Germany is structural. The rounding bottom formation is still intact with support seen around 1.1420 (21-dma) before the nearby 1.1380 (50-dma). Further retracements could be shallow. EUR was last seen at 1.1480. Bullish momentum on weekly chart remains intact while stochastics is rising from oversold conditions. Next resistance at 1.1520 (50% fibo retracement of Sep high to Nov low), 1.1590 (61.8% fibo) before 1.1620 (200 DMA).</p> <p><i>Focus this week on Construction output (Nov); CPI (Dec F), ECB Lautenschlaeger Speaks on Thu; ECB Current account on Fri.</i></p>
GBP/USD	<p>The Windy Road Higher. GBP reacted to news that Brexit may delay the Brexit date due to "a backlog of at least six essential bills that must be passed before Britain leaves the European Union". The official date for the UK to exit the EU is meant to be on 29 Mar 2019 (2 years from the date that Article 50 was triggered). UK PM Theresa May faces another challenging week with MPs expected to reject her Brexit bill at the meaningful vote tomorrow. Labour Chief Jeremy Corbyn pledged to call for a no-confidence motion against May should she fail. Last seen at 1.2840, GBPUSD is resisted by 1.2870 (50% Fibonacci retracement of the Sep high Jan low). Next resistance is seen around 1.2970 (61.8% fibo) but stochastics are in overbought conditions. Plenty of focus on the outcome of the meaningful vote and whether May can survive the vote of no-confidence should Jeremy Corbyn call for it. Bullish momentum on daily chart remains intact. Support at 1.2670 (21 DMA), 1.25.</p> <p><i>Focus on meaningful vote on Brexit deal tomorrow; RICS House Price Bal on Thu; Retail sales (Dec) on Fri.</i></p>

USD/JPY **Range.** USDJPY settled into a range of 107-109 in the past few session and momentum indicators do not show much bias as well. Bias remains to trade from the short side but we look for better levels to sell on rallies. Without stronger market cues, this pair may trade within the 107-109 range for now. Any hint of a slowdown in the US economy or erosion of risk appetite could bring this pair lower.

Focus this week BoJ Kuroda and Amamiya make a speech at G20 Symposium on Thu; Fri has CPI (Dec), Industrial Production (Nov F).

AUD/USD **Overbought.** AUD rose in tandem with most of Asian FX vs. the USD before making some retracement this morning after China posted weaker than expected trade numbers. Imports fell in yuan terms, well under the consensus. The print was -3.1%/y while exports eked out a meagre growth of 0.2%/y vs. previous 8.7% (Which was revised lower). AUDUSD steadied at 0.7190 thereafter. Momentum is still bullish on the daily chart and downmove is stopped by support at 0.7188/75 (50,100-dma). Stochastics flagged overbought conditions and thus some retracement is also not unexpected. Deeper pullbacks could meet next support at 0.71 (21-dma). We anticipate some sideways trading within the 0.71-0.7250 range as there are fewer risk-events scheduled this week that could spur the AUD to move decisively on either side.

Focus this week on Consumer inflation expectation (Jan) on Tue; Westpac consumer confidence (Jan) on Wed; Home loans; investment lending (Dec); RBA FX Transaction (Dec) on Thu.

NZD/USD **Bullish Momentum.** NZD continue to rose though gains were affected by the weaker trade numbers out of China. Move lower was not drastic and stochastic flags overbought conditions. We do not expect this move lower to continue much further. Support is seen at the 50, 200-dma at around 0.6790. Moves lower likely to be supported at 0.6750. The recent policy moves in China likely to give market players some assurance that China's demand would not deteriorate further. Pair was last seen at 0.6800 levels. 50 DMA looks on track to cut 200DMA to the upside - golden cross pattern. This is typically a bullish signal. Bias to buy dips. Area of resistance remains at 0.6780 (50 DMA) - 0.6844 (recent high). If breached, could see the pair test higher towards 0.6910 levels. Support at 0.6680 (100 DMA).

Data this week is light with only GDT auction on Tue; BusinessNZ Mfg PMI, Non-Resident Bond holding (Dec) due on Fri.

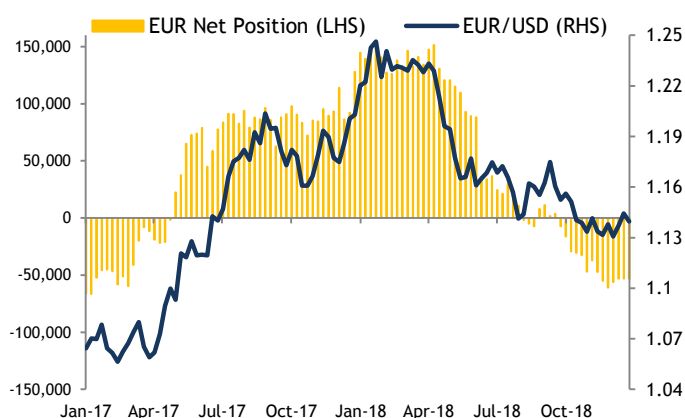
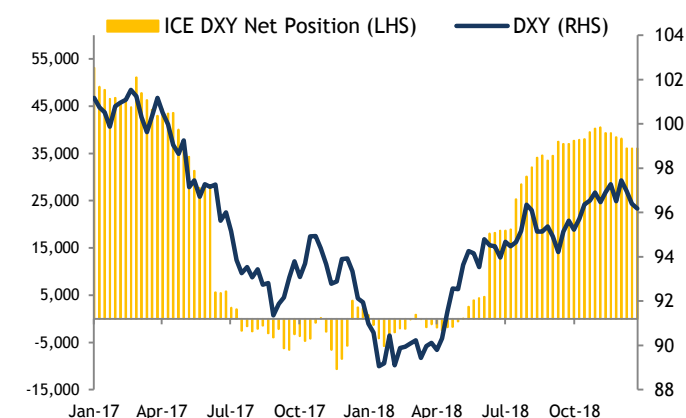
Non-Commercial CME CFTC Net Positioning (in number of contracts) vs. Respective FX/USD

- Data as of 18 Dec 2018; CFTC report issued 21 Dec; data points of the past 2Y on weekly frequency

No recent update due to US Government Shutdown

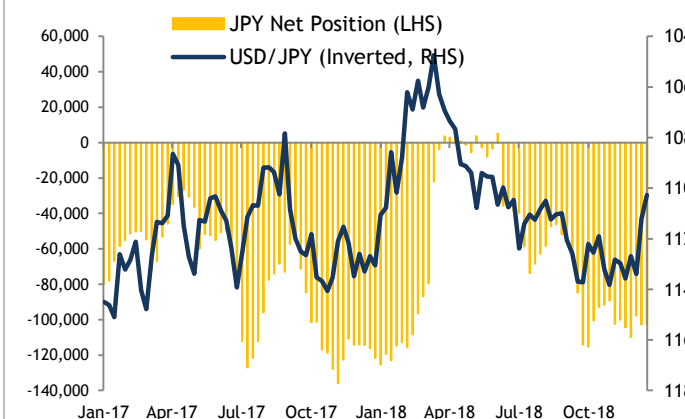
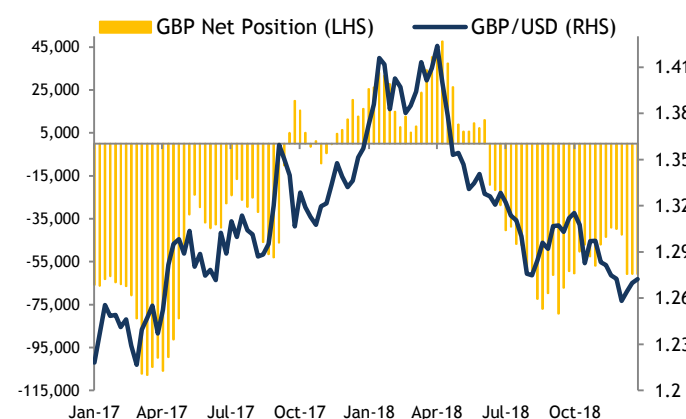
Further unwinding of stale long USD position to exert downside pressure to DXY

EUR net shorts have eased from record levels while EUR rebounded off 1.13-lows



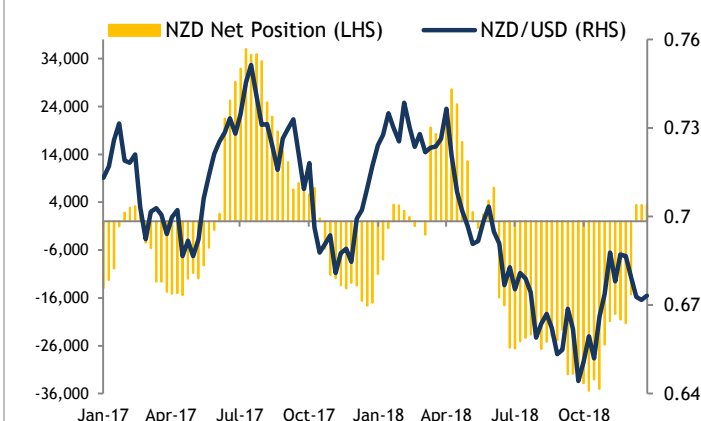
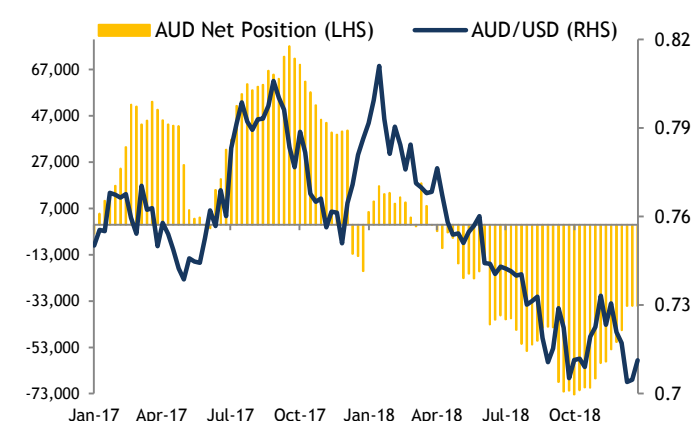
GBP net short position remain at record levels amid Brexit uncertainty

Reduction of stale JPY short position saw JPY strength picked up pace



AUD net short position likely to have unwound further while AUD rebounded

NZD net short position diminished; NZD stabilised above 0.67-handle



The FX positioning data for this report is part of the Commitments of Traders (COT) report published by the US Commodity Futures Trading Commission (CFTC) on every Friday (330pm ET) for data up to the Tue in the same week. Hence our FX Weekly publication will show a 1-week lag. In our report, we focus on non-commercial traders' position which is typically seen as a proxy for leveraged, speculative positioning. They can provide directional cues, used as a gauge to measure how stretched a position may be and provide some guide for point of inflection.

Technical View: MYR Crosses






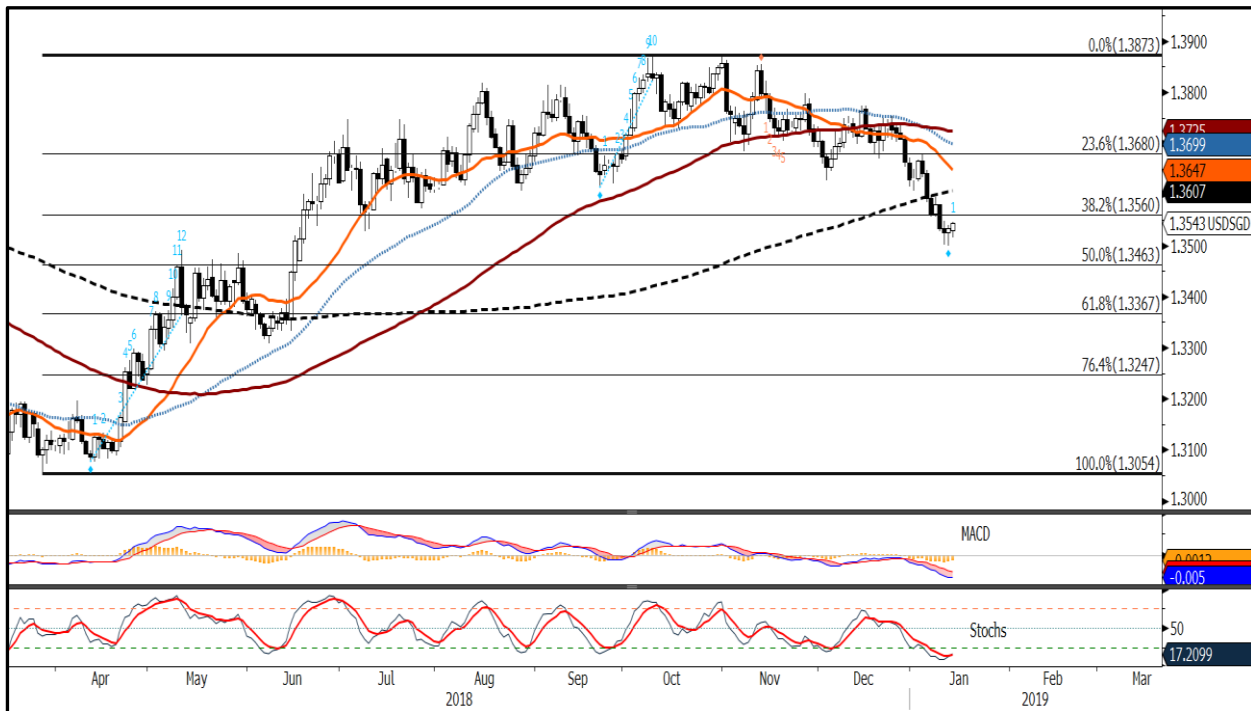
MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0000; R:3.0430	Still Downside Bias. SGDMYR drifted lower and was last seen around 3.0270. Momentum is still bearish and price action also conveys downside bias. 21-dma is on its way to cut the 100-dma. Break of the 3.02-figure opens the way towards the 3-figure. Resistance is seen at 3.04 (21-dma), before 3.0430.
AUD/MYR		S: 2.9000 R:2.9730	Upside Bias. AUDMYR stabilized around 2.95 for a few sessions now, swiveling around the 21-dma. Stochastics is overbought but momentum is increasingly bullish. Bias is to the upside.
EUR/MYR		S: 4.6700; R:4.7500	Range Still. EURMYR waffled around 4.7040 amid EUR softness. Momentum indicators are not showing much bias on the daily chart and weekly chart. This cross is approaching the 200-wma, a key support level at 4.6670. Nearer support levels at 4.7010 (61.8% fibo retracement of 2018 low to high), 4.68 levels still intact. We anticipate range trades between 4.67-4.75.
GBP/MYR		S: 5.1800; R: 5.3400	Rebound Still Possible. GBPMYR waffled around 5.2560, capped by the 21-dma at 5.2650. We do not rule out further moves above the 21-dma and that could lift the pair towards the 50-dma at 5.32. Failure of a break out above could leave this pair within the 5.20-5.30 range.
JPY/MYR		S: 3.7200 R: 3.8400	Consolidation Ahead. JPYMYR slipped, in line with our call for this cross to come off last week. Cross was last seen at 3.7940 levels. 21-dma is a key support for now, at around 3.7720. Momentum has turned bearish but downmove likely to be more gradual. Next support at 3.7240 (50-dma). Resistance at 3.84.

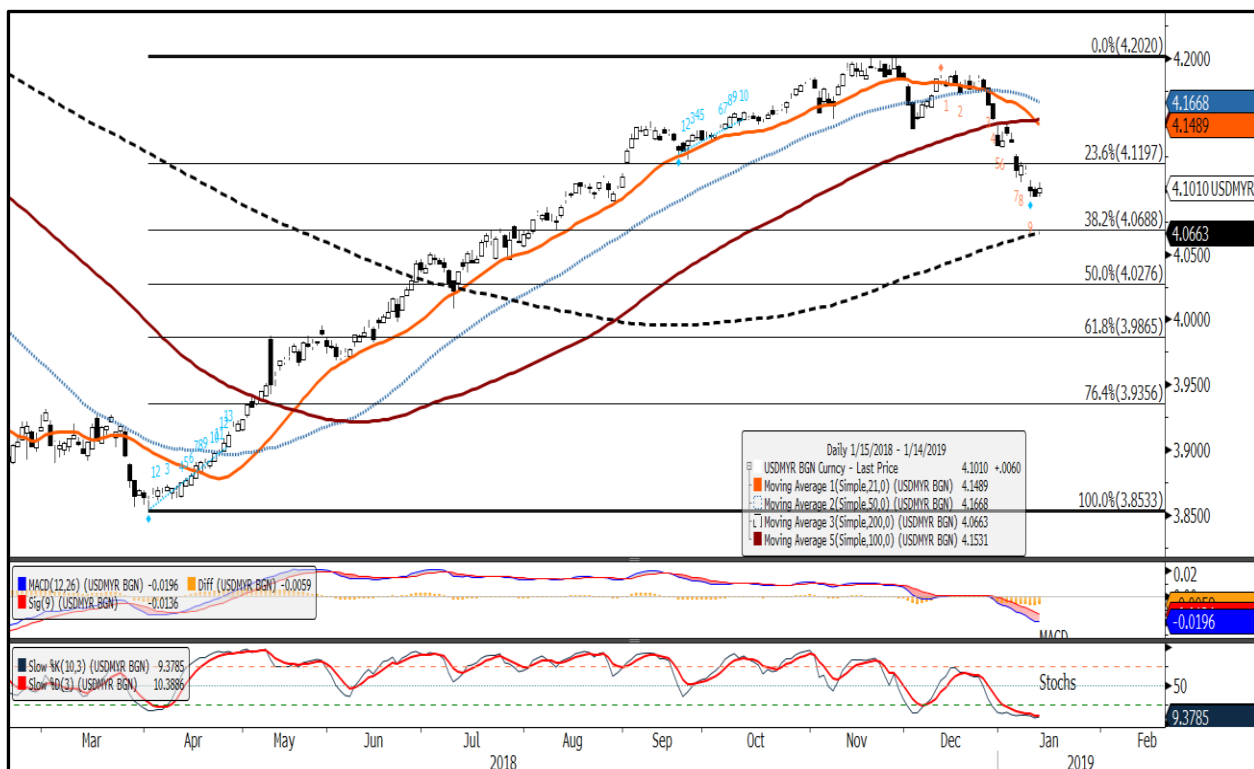
Chart Picks

USDSGD Daily Chart - Retracements in Order



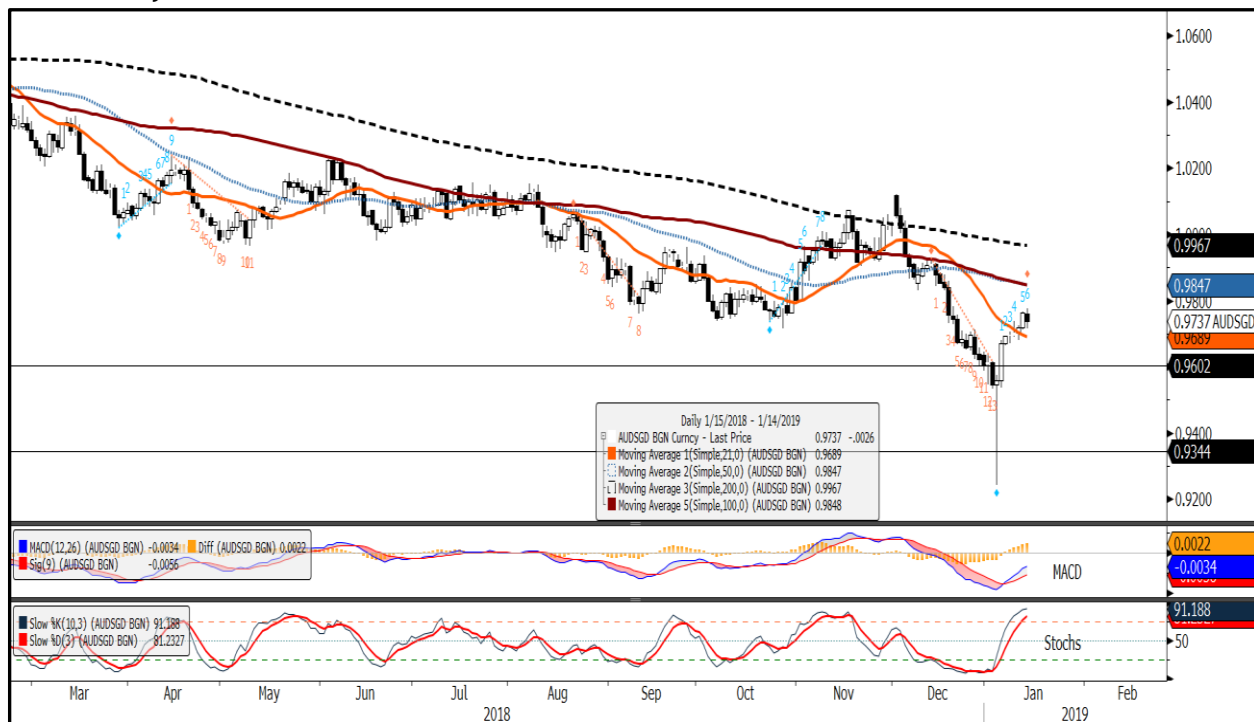
USDSGD edged a tad higher and was last seen around 1.3540. Momentum indicators suggest some retracements higher. Stochastics show signs of rising from oversold conditions and MACD is also losing bearish momentum. Pair should meet resistance at 1.3560 (38.2% Fibonacci retracement of the Mar-Oct rally), before the next one at 1.36. However, gains are unlikely to be drastic. That said, the weekly chart still shows rather strong bearish momentum and we reckon bears are not done yet. Support at 1.3460 (50% fibo).

USDMYR Daily Chart - Range-Trade



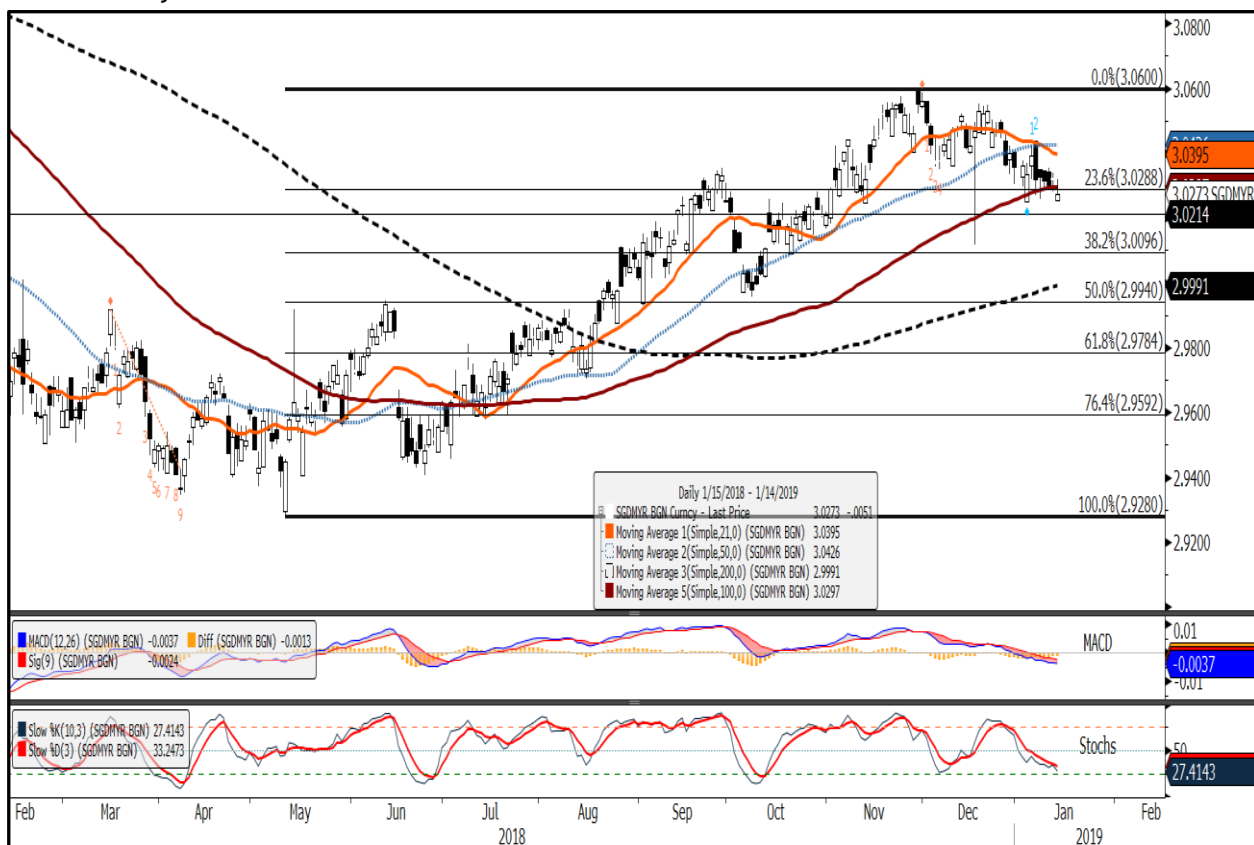
USDMYR was last seen at 4.10 and this pair shows some signs of consolidation. Support is seen around 4.0688 (38.2% Fibonacci retracement, 200-dma). Bearish momentum wanes and stochastics flags oversold. Resistance is seen at 4.12.

AUD/SGD Daily Chart - Bulls To Wane



AUDSGD has been on a steady upmove in the past week, save the pullback due to China's weak imports data. Support is still seen around 0.9690. Stochastics flag overbought conditions while topsides seen at 0.9850 (50-dma, 100-dma) for now. We look for this cross to consolidate this week with dips likely to be shallow given the bullish bias still.

SGD/MYR Daily Chart - Downside Bias Still



SGDMYR drifted lower and was last seen around 3.0270. Momentum is still bearish and price action also conveys downside bias. 21-dma is on its way to cut the 100-dma. Break of the 3.02-figure opens the way towards the 3-figure. Resistance is seen at 3.04 (21-dma), before 3.0430.

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