

FX Weekly

FoMC Guidance Matters

The Week Ahead

- **Dollar Index - Upside Risk.** Support at 96.50; Resistance at 98.30
- **USD/SGD - Buy Dips.** Support at 1.3610; Resistance at 1.3770
- **USD/MYR - Supported.** Support at 4.1500; Resistance at 4.1900
- **AUD/SGD - Softer.** Support at 0.9240; Resistance at 0.9510
- **SGD/MYR - Range-Bound.** Support at 3.0400; Resistance at 3.0580

Cautious of Markets Getting Ahead of Itself

Key focus on FoMC rate decision, forward guidance and Powell's press conference next Thu (2am SG/ KL time). While markets may not be expecting a cut at the upcoming meeting (only 30% chance of a cut implied via Fed fund futures), the odds for a cut at the 31st Jul FoMC is way higher at nearly 90%. For the remaining of 2019, markets appear to have priced in 65bps cut. Softer than expected US data and dovish Fed speaks from Powell, Clarida and Bullard may suggest that the Fed could potentially signal a shift in its guidance on rate outlook but we are cautious of markets' aggressive expectation for Fed to cut. Dots plot forward guidance matters in our opinion. Sharp unwinding of excessive UST longs could take place should Fed's guidance reiterates patience. Unwinding of FX and bond positions could lead to a sharp rebound in UST yield and USD. If Fed is interpreted to be less dovish than market expectations, alongside softer US, global activity/survey data and geopolitical tensions (over Iran), then risk sentiment could further be dampened and safe haven FX proxy plays including JPY, CHF, USD and gold could be better bid. USD vs. SGD and MYR should remain better bid on dips.

Super Thursday: Fed; BoJ; BoE; BI and BSP Meetings

We expect BoJ, BoE and BSP to keep monetary policy status quo at their respective MPC meetings next Thu. For BI, our house view looks for 50bps cut to bring policy rate down to 5.5% for the whole of 2019. We see chance of the first 25bps cut at the upcoming meeting to support domestic economic growth amid low inflation. External environment of dovish tilt from DM central banks including RBA, ECB and possibly Fed amid downside risks to global economic outlook (due to trade tensions between US and China) remains one of the contributing factor.

Prelim PMIs; ZEW Survey; SG NODX in Focus Next Week

Key data next week include US empire manufacturing, NAHB housing market index; NZ services PMI; SG NODX; PH overseas remittances; EU labor cost on Mon. For Tue, US housing starts, building permits; EU CPI; German PPI, ZEW survey; RBA minutes; NZ GDT dairy auction, consumer confidence; China new home prices. For Wed, EU construction output, current account; NZ current account; UK CPI, PPI, RPI; JP trade. For Thu, US current account, Philly Fed business outlook; EU consumer confidence; RBA's Lowe speaks; NZ GDP. For Fri, US existing home sales; JP CPI and preliminary PMIs from US, EU, Germany, JP, AU.

Analysts










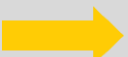

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Our in-house model implies that S\$NEER is trading around 1.44 % above the implied midpoint of 1.3870, suggesting that it is on the stronger side vs. other trading partner currencies.

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 96.40; R: 98.30	<ul style="list-style-type: none"> Mon: Empire Mfg, NAHB Housing Market Index (Jun); Tue: Housing starts, Building permits (May); Wed: - Nil - Thu: FoMC; Fed Chair Powell speaks; Philly Fed Business outlook (Jun); Current account (1Q); Fri: Existing home sales (May); Prelim PMI (Jun); Fed's Daly, Harker speak
EURUSD		S: 1.1220; R: 1.1460	<ul style="list-style-type: none"> Mon: Labor cost (1Q); Tue: CPI, German PPI (May); Trade (Apr); ZEW Survey Expectations (Jun); Wed: Current account, Construction output (Apr); Thu: Consumer confidence (Jun); ECB's Enria speaks; Fri: Prelim PMI (Jun); ECB's Nowotny speaks;
AUDUSD		S: 0.6820; R: 0.6950	<ul style="list-style-type: none"> Mon: - Nil - Tues: RBA's Kearns speaks; RBA Minutes; House Prices (1Q); Wed: Westpac Leading Index (May); Thu: RBA Governor Lowe speaks; Fri: Prelim PMI (Jun)
NZDUSD		S: 0.6480; R: 0.6590	<ul style="list-style-type: none"> Mon: Services PMI (May); Tue: Westpac Consumer Confidence (2Q); GDT Dairy Auction; Wed: Finance Minister speaks; Current account (1Q); Thu: GDP (1Q) Fri: - Nil -
GBPUSD		S: 1.2440; R: 1.2760	<ul style="list-style-type: none"> Mon: Rightmove house prices (Jun); Tue: BoE's Carney speaks; Conservative party leadership ballot - Tue - Thu; Wed: CPI, PPI, RPI (May); Thu: BoE Meeting; Retail sales (May); BoE's Carney speaks; Fri: Public Finances (May)
USDJPY		S: 107.50; R: 109.00	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (May); BoJ's Eto speaks; Thu: BoJ Meeting; All Industry Activity (Apr); Fri: CPI (May); Prelim Mfg PMI (Jun)
USDCNH		S: 6.9100; R: 6.9800	<ul style="list-style-type: none"> Mon: - Nil - Tue: New Home Prices (May) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3610; R: 1.3770	<ul style="list-style-type: none"> Mon: NODX (May) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.1500; R: 4.1900	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: FX Reserves (Jun)
USDPHP		S: 51.70; R: 52.40	<ul style="list-style-type: none"> Mon: Overseas Remittances (Apr); Tue: - Nil - Wed: BoP (May); Thu: BSP Meeting Fri: - Nil -
USDIDR		S: 14,220; R: 14,420	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BI Meeting Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>FoMC Guidance Matters. Our call in the last FX Tech Flash (see here) cautioning for a sympathetic near term rebound for the USD played out well this week as DXY partially retraced some of its post-NFP decline to trade above 97-levels.</p> <p>Key focus on FoMC rate decision, forward guidance and Powell's press conference next Thu (2am SG/KL time). While markets may not be expecting a cut at the upcoming meeting (only 30% chance of a cut implied via Fed fund futures), the odds for a cut at the 31st Jul FoMC is way higher at nearly 90% and nearly at 100% at the Sep FoMC meeting. For the remaining of 2019, markets appear to have priced in 65bps cut. Softer than expected data - NFP, wage growth, ISM Mfg, ADP employment and a series of dovish Fed speaks from voting members Powell, Clarida and Bullard may suggest that the Fed could potentially signal a shift in its guidance on rate outlook but we are cautious of markets' aggressive expectation for Fed (in terms of magnitude and the swift turn-around from its rate cycle). Some analysts are even looking for 50bps cut in a single FoMC meeting. Dots plot forward guidance matters in our opinion. Sharp unwinding of excessive UST longs could take place should Fed's guidance reiterates patience. Unwinding of FX and bond positions could lead to a sharp rebound in UST yield and USD. Market disappointment with Fed (if Fed is interpreted to be less dovish than market expectations) alongside softer US data, geopolitical tensions (over Iran) could further dampen risk sentiment (equity negative) and support safe haven FX proxy plays including JPY, CHF, USD and gold.</p> <p>DXY was last seen at 97 levels. Bearish momentum on daily chart is waning while stochastics is showing signs of turning oversold conditions. We continue to caution for some risks of rebound in the near term. Resistance at 97 (100 DMA, 38.2% fibo retracement of 2019 low to high), 97.40 (21, 50 DMAs). Key support at 96.6 (200 DMA), 96.30 (61.8% fibo) before 95.88 (76.4% fibo).</p> <p><i>Focus next week on Empire Mfg, NAHB Housing Market Index (Jun) on Mon; Housing starts, Building permits (May) on Tue; FoMC meeting; Fed Chair Powell speaks; Philly Fed Business outlook (Jun); Current account (1Q) on Thu; Existing home sales (May); Prelim PMI (Jun); Fed's Daly, Harker speak on Fri.</i></p>
EUR/USD	<p>Near Term Downside Risks but Pullback Likely to Find Support. Gains in EUR, following the break out of its falling wedge (bullish reversal) found resistance at 1.1340 as the pair partially retraced prior week's gains on comments from ECB official and IMF.</p> <p>ECB's Villeroy said that the central bank will keep its accommodative policy as long as needed to accomplish price stability and if the economy worsens, the central bank can still do more. IMF said that the Euro-area central forecast is "precarious", citing trade tensions, brexit risks and lack of structural reforms in some countries. In particular, IMF Chief Lagarde said that growth has slowed and inflation is low and this requires policy coordination. There is risk that Eurozone can slip into prolonged period of low growth, low inflation. She added that fiscal rules in the Euro-area should be simplified and anchored to debt; budget should include stabilisation function, convergence and competitiveness is not enough. New EU commission should come up with incentives for countries to pursue structural reforms.</p> <p>EUR was last seen at 1.1280 levels. Bullish momentum on daily chart shows signs of waning while stochastics is showing signs of turning from overbought conditions. We continue to caution for some downside risks in the near term but pullback should find support (bullish momentum on weekly chart intact still). Support at 1.1270/80 (100 DMA, 38.2% fibo), 1.1220 (21, 50 DMA, 23.6% fibo). Area of resistance at 1.1340 (50% fibo retracement of 2019 high to low) - 1.1360 (200 DMA). This needs to be decisively broken before EUR bulls can extend its break-out run towards 1.1390 (61.8% fibo), 1.1460 (76.4% fibo).</p> <p><i>Focus next week on Labor cost (1Q) on Mon; EU CPI, German PPI (May); Trade (Apr); ZEW Survey Expectations (Jun) on Tue; Current account, Construction output (Apr) on Wed; Consumer confidence (Jun); ECB's Enria speaks on Thu; Prelim PMI (Jun); ECB's Nowotny speaks on Fri.</i></p>
GBP/USD	<p>Expect Whippy Trades as Voting Process Swings Into Final Stages. After the first round of voting (13 Jun), Boris Johnson took the lead (with 114 votes) as expected, ahead of Jeremy Hunt (with 43 votes) and Michael Gove (37 votes). The voting process will resume again next Tue to Thu until the list of</p>

candidates (now 7 from 10 initially) is narrowed down to 2 candidates. Brexiters Andrea Leadsom and Esther McVey have been knocked out.

A rule change sees the need for candidates to win votes of at least 32 colleagues in the 2nd ballot to proceed. Final 2 candidates (chance of Boris Johnson facing off Jeremy Hunt) will then hold the first hustling and be put to a vote on 22 Jun by 160k Conservative Members. The winner will then be announced in the week starting 22 Jul.

GBP was last seen at 1.2665 levels. Bullish momentum on daily chart remains intact but shows tentative signs of waning while stochastics is showing signs of turning from overbought levels. Risks skewed to the downside. Immediate support at 1.2660 if broken could see a move lower towards 1.2560, 1.2440. Immediate resistance at 1.2680 (21 DMA), 1.2760 levels. Remain cautious of whippy trades amid voting process.

Focus next week on Rightmove house prices (Jun) on Mon; BoE's Carney speaks on Tue; Conservative party leadership ballot to narrow down candidate list from Tue to Thu; CPI, PPI, RPI (May) on Wed; BoE Meeting; Retail sales (May); BoE's Carney speaks on Thu; Public Finances (May) on Fri.

USD/JPY **Mixed Technical Signals.** Move higher in USDJPY stalled at 108.80 levels (Tue) before turning lower into end of week. Fragile risk environment (softer equities, lower bond yields) due to fears of re-escalation in geopolitical tensions (over Iran) as US blamed Iran for attacks on oil tankers in the Gulf of Oman and offered video evidence of Iran ship of removing unexploded mine from Kokuka ship drag USDJPY lower. Pair was last seen at 108.25 levels. Rising wedge (bearish reversal) as cautioned is cancelling the bullish divergence (on MACD). Support at 107.90, 107.50 levels. Immediate resistance at 108.70 (76.4% fibo retracement of post-2019 flash crash low to high). Technical signals are mixed ahead of FoMC. Trade range could widen to 107.50 - 109 next week.

Focus next week on Trade (May) on Wed; BoJ's Eto speaks on Wed; BoJ Meeting; All Industry Activity (Apr) on Thu; CPI (May); Prelim Mfg PMI (Jun) on Fri.





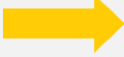
AUD/USD **Downside Risks.** Our call (in last FX Weekly) for AUD to trade lower materialised this week as AUD traded one-way down south amid risk off sentiment. Pair was last seen at 0.6895 levels. Bullish momentum on daily chart has faded while stochastics is falling towards near oversold conditions. Risks remain skewed to the downside. Next support at 0.6860 (May low), 0.6820 levels. Resistance at 0.6930 (21 DMA), 0.6950 levels.

Focus next week on RBA's Kearns speaks; RBA Minutes; House Prices (1Q) on Tue; Westpac Leading Index (May) on Wed; RBA Governor Lowe speaks on Thu; Prelim PMI (Jun) on Fri.

NZD/USD **Turning Bearish.** NZD traded lower this week; in line with our expectations for NZD to trade lower. Softer mfg PMI, net migration and soggy market sentiment dragged on NZD. Pair was last seen at 0.6540 levels. Bullish momentum on daily chart is waning while stochastics is falling from near-overbought conditions. Downside pressure towards 0.65, 0.6480 not ruled out. Immediate resistance at 0.6590, 0.6610 (50 DMA) levels.

Focus next week on Services PMI (May) on Mon; Westpac Consumer Confidence (2Q); GDT Dairy Auction on Tue; Finance Minister speaks; Current account (1Q) on Wed; GDP (1Q) on Thu.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0400; R:3.0580	Range-Bound. SGDMYR consolidated this week after easing from its 3.06-highs last week. Cross was last seen at 3.0480 levels. Daily momentum and stochastics are not showing a clear bias for now. Support at 3.0440 (21, 50 DMAs) before 3.04 (upward sloping trend-line support). Resistance at 3.06, 3.0640 (double-top). Look for 3.04 - 3.0580 range next week.
AUD/MYR		S: 2.8600 R:2.9100	Eyeing Triple Bottom Again. AUDMYR slipped this week amid AUD underperformance. Our caution for near term downside pressure materialised. Cross was last seen at 2.8770 levels. Daily momentum turned bearish while stochastics is falling into near oversold conditions. Near term downside pressure remains. Support at 2.8650 (triple bottom). Resistance at 2.8950 (21 DMA), 2.91 (50, 100 DMAs).
EUR/MYR		S: 4.6600; R:4.7200	Retracement Risk. EURMYR retraced early week's gains into the close. Last seen at 4.6980 levels. Daily momentum is not showing a clear bias but stochastics is near overbought conditions. We continue to caution for the risk of pullback lower. Support at 4.6850 (23.6% fibo retracement of Apr low to Jun high), 4.6630 (50 DMA, 38.2% fibo). Resistance at 4.70, 4.72 levels.
GBP/MYR		S: 5.2690; R: 5.3000	Mixed Signals. GBPMYR was last seen at 5.2830 levels. Bearish momentum on daily chart shows signs of fading while stochastics is in oversold conditions - signs of rebound could come but technical signals are mixed as 50 DMA cuts 100, 200 DMAs to the downside - bearish signal. Support at 5.2770, 5.2690. Resistance at 5.30 (21 DMA).
JPY/MYR		S: 3.8320 R: 3.8770	Upside Risk. JPYMYR was last seen at 3.8480 levels. Bearish momentum on daily chart remains intact but stochastics shows signs of turning around. Cross could trade reverse decline to trade firmer. Resistance at 3.8550. 3.8770. Support at 3.8320 (21 DMA), 3.7770.

Technical Chart Picks:

USDUSD Daily Chart - Golden Cross

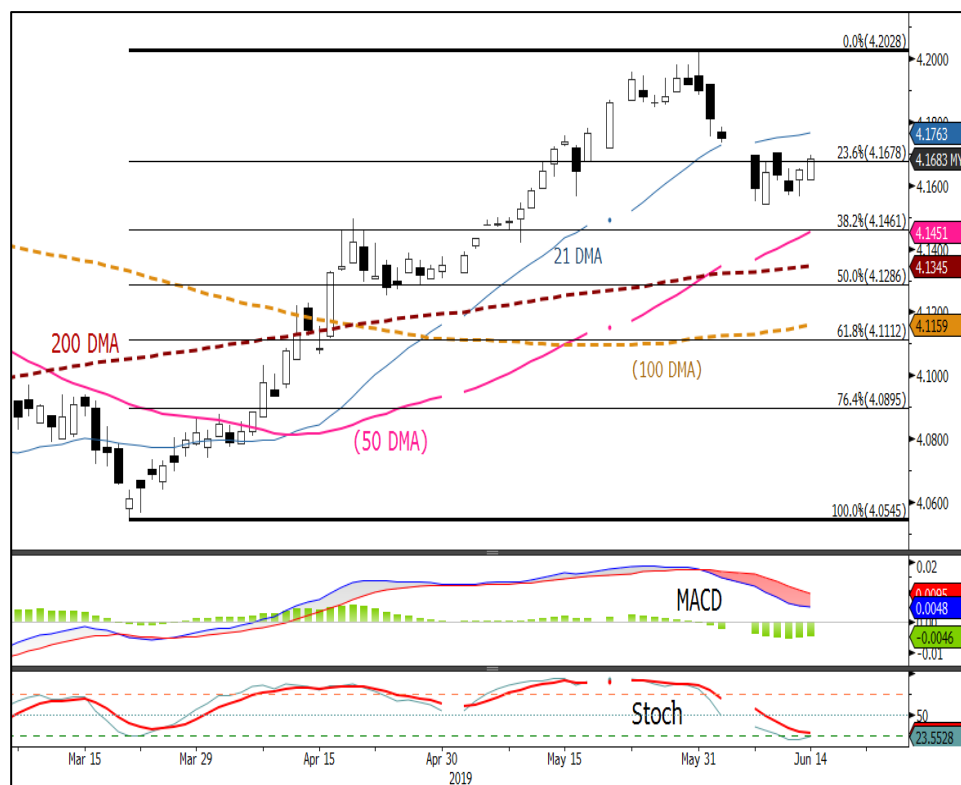


USDUSD reversed early week's weakness to trade higher in 1.3610 - 1.3680 consolidative range. Last seen at 1.3675 levels.

Bearish momentum on daily chart shows signs of waning while stochastics is showing signs of turning from oversold conditions. 50 DMA looks on track to cut 200 DMA to the upside - golden cross. Typically a bullish signal. Sustained close above 1.3650/60 (50, 200 DMAs, 50% fibo retracement of 2018 high to 2019 low) could see further upside towards 1.3710/20 (21 DMA, 61.8% fibo), 1.3770 levels.

Immediate support at 1.3650. 1.3610 (38.2% fibo), 1.3590 (100 DMA).

USDMYR Daily Chart - Rebound Risk



Our call for USDMYR pullback to find support materialized. Decline failed to push below 4.1540 as the pair drifted higher into the week's close. Pair was last seen at 4.1680 levels.

Bearish momentum on daily chart is fading while stochastics is showing signs of turning around from near-oversold conditions. Rebound risks not ruled out. Resistance at 4.1680 (23.6% fibo 2019 low to high) if broken could open way for further upside towards 4.1760 (21 DMA), 4.1870.

Support seen at 4.1550, 4.1450/60 (50 DMA, 38.2% fibo).

AUDSGD Weekly Chart: Path of Least Resistance is Down



AUDSGD traded lower for the week amid AUD underperformance. Cross was last seen at 0.9440 levels.

Weekly momentum and stochastics indicators are not showing a clear bias for now while daily technical appears tilted to the downside.

Support seen at 0.9440 before 0.9240 (flash crash low). Resistance at 0.9510 (21 DMA), 0.9560 (50 DMA).

SGDMYR Daily Chart: Range-Bound



SGDMYR consolidated this week after easing from its 3.06-highs last week. Cross was last seen at 3.0480 levels.

Daily momentum and stochastics are not showing a clear bias for now. Support at 3.0440 (21, 50 DMAs) before 3.04 (upward sloping trend-line support). Resistance at 3.06, 3.0640 (double-top).

Look for 3.04 - 3.0580 range next week.

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