

## FX Weekly

# US-China Trade Talks Continue...

### The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 96.00; Resistance at 98.20
- **USD/SGD - Fade.** Support at 1.3450; Resistance at 1.3670
- **USD/MYR - Sell Rallies.** Support at 4.0500; Resistance at 4.1000
- **AUD/SGD - Range.** Support at 0.9590; Resistance at 0.9680
- **SGD/MYR - Fade.** Support at 2.9800; Resistance at 3.0180

### Consolidative Trades Ahead of Extension of Trade Talks

Softer USD and firmer AXJ play on the back of risk-on/goldilocks-environment was somewhat disrupted as optimism on US-China trade deal fades and global activity/growth data weighs on sentiment. While risk-off plays may persist in the near term, hopes of a US-China trade deal possibly happening next week could still keep sentiment supported as China and US officials are said to meet in DC next week. We however caution that disappointment (again) could fuel JPY/AXJ crosses higher. Elsewhere we continue to caution for downside risks to EUR and GBP on a build-up in political risk premium in EU/UK - early elections in Spain and possibly even Italy as well as fears of no-deal brexit.

### Singapore Budget - 18 Feb in Focus

Our Economist, Dr Chua shared that Budget 2019 will likely be generous and expansionary, setting the stage for a possible early general election. Focus will be on national security, social needs, and the ongoing industry transformation program. A centerpiece will be the "Merdeka Generation Package" which we estimate could cost S\$8bn. Our Economist forecasts the FY2018 fiscal primary deficit at 0.9% of GDP (vs. MOF's 1.6%). No major tax increases are likely, given the stronger than expected tax revenue growth and prospects of early elections. Technically we think USDSGD gains could moderate from here. Price action is key as the rise in USDSGD is testing the upper bound of the bearish trend channel. A decisive break above trend channel resistance at 1.3620 could pose upside risks towards 1.3670, 1.3730. However we look for the pair to ease back into the bearish trend channel to trade 1.3450 - 1.36 range.

### EU, MY, JP CPIs; SG NODX; Global PMIs; Fed Speaks Next Week

Key highlights next week include SG NODX, NZ services PMI on Mon. For Tue, EU current account, ZEW survey expectations; RBA minutes; NZ GDT auction; UK labor report. For Wed, AU wage price index; NZ PPI; Japan trade. For Thu, FoMC minutes; US durable goods report, Philly Fed, existing home sales; AU labor report and preliminary PMI releases from US, EU, AU. For Fri, EU CPI; German IFO; ECB's Draghi speaks; RBA Gov Lowe speaks; MY CPI; JP CPI. Handful of Fed speaks in the week including Mester on Tue; Clarida, Williams, Potter, Bullard, Harker and Quarles on Fri. Market closures in US, Canada on Mon; Thailand on Tue.

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Our in-house model implies that S\$NEER is trading 0.92% above the implied midpoint of 1.3708, suggesting that it is on the stronger side vs. other trading partner currencies.

We will resume coverage on CFTC positioning once CFTC data release catches up with the most updated one. It was understood that the last released data was dated 15 Jan 2018.

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 96.00; R: 98.20	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: Fed's Mester speaks;</li> <li>Wed: - Nil -</li> <li>Thu: FoMC Meeting Minutes; Durable goods (Dec); Philly Fed Business outlook (Feb); PMI (Feb p); Existing Home Sales (Jan);</li> <li>Fri: Fed's Clarida, Williams, Potter, Bullard, Harker, Quarles speaks</li> </ul>
EURUSD		S: 1.1190; R: 1.1460	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: Current account (Dec); ZEW Survey (Feb); ECB's Guindos, Praet speak;</li> <li>Wed: Consumer Confidence (Feb);</li> <li>Thu: PMI (Feb p); ECB's Praet speaks;</li> <li>Fri: CPI (Jan); German IFO (Feb); ECB's Draghi speaks</li> </ul>
AUDUSD		S: 0.7060; R: 0.7240	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tues: RBA Meeting Minutes;</li> <li>Wed: Wage Price Index (4Q);</li> <li>Thu: PMI (Feb p); Labour Report (Jan)</li> <li>Fri: RBA Governor Lowe speaks</li> </ul>
NZDUSD		S: 0.6790; R: 0.6940	<ul style="list-style-type: none"> <li>Mon: Services PMI (Jan);</li> <li>Tue: GDT Auction;</li> <li>Wed: PPI (4Q);</li> <li>Thu: - Nil -</li> <li>Fri: Credit Card Spending (Jan)</li> </ul>
GBPUSD		S: 1.2650; R: 1.2930	<ul style="list-style-type: none"> <li>Mon: House Prices (Feb);</li> <li>Tue: Unemployment rate, weekly earnings (Dec);</li> <li>Wed: - Nil -</li> <li>Thu: Public Finances (Jan)</li> <li>Fri: - Nil -</li> </ul>
USDJPY		S: 108.40; R: 111.30	<ul style="list-style-type: none"> <li>Mon: Core machine orders (Dec);</li> <li>Tue: - Nil -</li> <li>Wed: Trade (Jan);</li> <li>Thu: PMI Mfg (Feb prelim);</li> <li>Fri: CPI (Jan)</li> </ul>
USDCNH		S: 6.7000; R: 6.7800	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: New Home Prices (Jan)</li> </ul>
USDSGD		S: 1.3450; R: 1.3670	<ul style="list-style-type: none"> <li>Mon: NODX (Jan); Singapore Budget 2019</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDMYR		S: 4.0500; R: 4.1000	<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 (Jan); FX Reserves (Feb)</li> </ul>
USDPHP		S: 52.00; R: 52.60	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: BoP (Jan)</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDIDR		S: 14,000; R: 14,300	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: BI Meeting</li> <li>Fri: - Nil -</li> </ul>

Sources: Bloomberg, Maybank FX Research

## Selected G7 FX View

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>Sell Rallies.</b> Dollar index extended its move higher for the second consecutive week. Softer USD/firmer AXJ play on the back of risk-on/goldilocks-environment was somewhat disrupted by fading optimism of US-China trade deal and the sharp plunge in US retail sales.</p> <p>As of writing, US-China trade talks will be extended into next week, in Washington where US and China trade officials will meet. We believe a partial agreement in the form of an extension of the trade truce beyond 1 Mar. Trump is said to consider a 60-days extension. We reiterate that any material progress could see meaningful moves in FX markets, with gains more pronounced in trade-sensitive AXJ FX including CNH, KRW, TWD and SGD. Disappointment on the back of no progress could continue to weigh on sentiment and expose USD to temporary upside.</p> <p>DXY was last seen at 97.13 levels. Bullish momentum on daily chart remains intact while stochastics is rising into overbought conditions. Sustained close above 97.1 (76.4% fibo retracement of Dec high to Jan low) could see upside pressure mount further towards 97.80 (Dec high), 98.20. Support at 96.70 (61.8% fibo), 96 (50% fibo). But our bias remains to lean against strength.</p> <p><i>Focus next week on Fed's Mester speaks on Tue; FoMC Meeting Minutes; Durable goods (Dec); Philly Fed Business outlook (Feb); PMI (Feb p); Existing Home Sales (Jan) on Thu; Fed's Clarida, Williams, Potter, Bullard, Harker, Quarles speaks on Fri.</i></p>
<b>EUR/USD</b>	<p><b>Range-Play.</b> EUR remains under pressure this week as disappointing German GDP adds to the string of poor data (including softer IP and PPI) out of Euro-area while political risk premium rebuilds. Market chatters of early elections in Spain (possibly as early as 14 or 28 Apr; to be announced later today) and in Italy pose some temporary headwinds to EUR.</p> <p>Pair was last seen at 1.1280 levels. Bearish momentum on daily chart remains intact but stochastics is falling into oversold conditions. Support at 1.1230 (2018 low) before 1.1190 (61.8% fibo retracement of 2017 low to 2018 high). Break below these support levels could trigger a sharp move lower towards 1.10. Meanwhile resistance at 1.1390 (50 DMA), 1.1450 (50% fibo). We look for range of 1.1190 - 1.1440 range next week.</p> <p><i>Focus next week on Current account (Dec); ZEW Survey (Feb); ECB's Guindos, Praet speak on Tue; Consumer Confidence (Feb) on Wed; PMI (Feb p); ECB's Praet speaks on Thu; CPI (Jan); German IFO (Feb); ECB's Draghi speaks on Fri.</i></p>
<b>GBP/USD</b>	<p><b>2-Way Trades; Driven by Brexit Noises.</b> GBP continues to trade lower on renewed fears of hard brexit. The move lower remains in line with our earlier caution for optimism to unwind as brexit plan returns to the drawing board. The risk of an EU-UK deadlock on withdrawal agreement as well as "to-and-fro" to reach a compromise on Irish backstop in the House of Commons could bring back fears of no-deal, hard brexit as deadline of 29th Mar looms and this could continue to weigh on GBP. Most recently (14 Feb), PM May's defeat (by 303 to 258) in the House of Commons (failed to win support for a re-negotiated brexit deal) reignited fears that she is losing control of her own party.</p> <p>GBP was last seen at 1.2810 levels. Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Sustained close below key support at 1.28 puts next support at 1.2760 (61.8% fibo retracement of Dec low to Jan high). Break below these levels could expose GBP to further downside, possibly towards 1.2650. Resistance at 1.2850 (50% fibo), 1.2880 (100 DMA), 1.2930 (38.2% fibo).</p> <p><i>Focus next week on House Prices (Feb) on Mon; Unemployment rate, weekly earnings (Dec); Public Finances (Jan).</i></p>

**USD/JPY Bias for Downside Play.** USDJPY partially reversed early week's gains into end-week as risk appetite softens. Pair was last seen at 110.40 levels, after hitting a high of 111.13 (14 Feb). Bullish momentum on daily chart remains intact but stochastics shows signs of turning lower. A move lower towards 109.80 (21 DMA), 109.50 before 108.4 is not ruled out next week. Resistance at 110.80, 111.30 (200 DMA). We remain bias for downside play.

*Focus next week on Core machine orders (Dec) on Mon; Trade (Jan) on Wed; PMI Mfg (Feb prelim) on Thu; CPI (Jan) on Fri.*






**AUD/USD Awaiting Trade Talks Outcome.** AUD firmed on news that US-China trade talks will extend into next week in Washington. Hopes of a deal is keeping risk sentiment supported in the interim though we caution that another disappointment could dampen sentiment and the AUD. Pair was last seen at 0.7110 levels. Bearish momentum on daily chart is waning while stochastics shows tentative signs of rebound from oversold conditions. Risks are mildly skewed to the upside. Area of resistance at 0.7140-60 (21, 50, 100 DMAs). Break above that could see upside pressure build towards 0.7240. Area of support at 0.7040 - 70 before 0.6990. We expect range-bound trade in range of 0.7060 - 0.7150 as markets await trade talk outcome. Material progress could see AUD reclaim 0.72-handle.

*Focus next week on RBA Meeting Minutes on Tue; Wage Price Index (4Q) on Wed; PMI (Feb p); Labour Report (Jan) on Thu; RBA Governor Lowe speaks on Fri.*

**NZD/USD US-China Trade Talks to Drive Direction.** NZD firmed this week owing to not-as-dovish RBNZ and renewed hopes of US-China trade deal next week. In particular at the last RBNZ meeting (13 Feb), RBNZ did not provide the dovish, easing cues that many in the markets have looked for. Instead, the central bank said that the official cash rate is expected to stay at this level in 2019 and 2020. The forecast for rate hike is pushed further into early 2021. This statement accompanies its decision to keep policy rates unchanged at 1.75%. Governor Orr even mentioned in a statement that the direction of the next OCR move could be "up or down", underscoring the "neutral stance" of the central bank. Pair was last seen at 0.6850 levels. Bearish momentum on daily chart is waning while stochastics is rising from oversold conditions. Resistance at 0.6910, 0.6940. Support at 0.6790 (21, 50 DMAs). Bias for further upside play.

*Focus next week on Services PMI (Jan) on Mon; GDT Auctions on Tue; PPI (4Q) on Wed; Credit Card Spending (Jan) on Fri.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:2.9800; R:3.0180	<b>Lean against Strength.</b> SGDMYR was last seen at 3.0040, after falling as low as 2.9912 levels (14 Feb). Short term technical indicators suggest the risk of near term rebound but underlying bias remains bearish as seen from weekly chart. Bias remains to lean against strength. Resistance at 3.01, 3.0180. Immediate support at 3.00 before 2.9950, 2.98 levels.
AUD/MYR		S: 2.8750 R:2.9300	<b>Near Term Rebound Risk.</b> AUDMYR was last seen at 2.8950 levels. Mild bearish momentum on daily chart shows signs of waning while stochastics is showing signs of turning from oversold conditions. Near term rebound risks towards 2.92, 2.93 levels not ruled out. Support at 2.8750.
EUR/MYR		S: 4.5800; R:4.6600	<b>Bearish Bias but Near Term Rebound Risk.</b> Our earlier caution (1 Feb FX Weekly) for EURMYR to trade lower towards 4.60 materialized. Cross traded a low of 4.58; last seen at 4.6060 levels. Bearish momentum on weekly chart remains intact but near term indicators suggest the risk of rebound. We look for consolidative play in the range of 4.58 - 4.66.
GBP/MYR		S: 5.1800; R: 5.2700	<b>Decline Could Moderate .</b> GBPMYR continue to trade lower this week. Cross was last seen at 5.2280 levels. Bearish momentum on daily chart remains intact while stochastics shows signs of turning from oversold conditions. Decline could moderate from here. Support at 5.20 before 5.18. Near term rebound risks towards 5.25, 5.27 not ruled out.
JPY/MYR		S: 3.6750 R: 3.7360	<b>To Rebound.</b> JPYMYR partially reversed early week's losses. Last seen at 3.6980 levels. Bearish momentum on daily chart is waning while stochastics is showing signs of turning higher from oversold conditions. Cross could extend its rebound. Resistance at 3.7180, 3.7360 levels. Support at 3.6855, 3.6750.

## Technical Chart Picks:

USDUSD Daily Chart - Will Bearish Trend Channel Remain Intact?



USDUSD rebounded this week, with highs seen around 1.3610 (11-12 Feb) before easing off. Last seen at 1.3590 levels. Bullish momentum on daily chart remains intact while stochastics has risen towards near-overbought conditions - suggests that gains could moderate.

Price action is key as the rise in USDUSD is testing the upper bound of the bearish trend channel. A decisive break above trend channel resistance at 1.3620 could suggest further upside risks towards 1.3670 (23.6% fibo retracement of 2018 low to high) before 1.3730. Failing which, the pair could ease back into the channel to trade 1.3450 - 1.36 range.

USDMYR Daily Chart - Temporary Rebound Risk; Bias to Fade



Broad decline (by more than 2%) in USDMYR since end-Nov paused this week, with a mild rebound seen into the week's close. Pair was last seen at 4.0830 levels. Bearish momentum is waning while stochastics is showing signs of turning higher. These suggest the risks of a near term rebound, which could see the pair trade higher towards 4.10, 4.1190 levels.

But underlying bearish trend as seen on weekly charts and trend channel remains intact. Sell rallies preferred. Key support at 4.0690 (38.2% fibo retracement of 2018 low to high) before 4.05 levels.

## AUDSGD Daily Chart: Consolidation Phase



AUDSGD was last seen at 0.9630 levels. Daily momentum and stochastics are not showing a convicted bias at this stage.

We continue to look for a consolidative plays in the range of 0.9590 - 0.9680, in the absence of fresh catalyst.

## SGDMYR Weekly Chart: Lean against Strength



SGDMYR was last seen at 3.0040, after falling as low as 2.9912 levels (14 Feb).

Short term technical indicators suggest the risk of near term rebound but underlying bias remains bearish as seen from weekly chart. Bias remains to lean against strength. Resistance at 3.01, 3.0180. Immediate support at 3.00 before 2.9950, 2.98 levels.



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