

FX Weekly

USD Could Soften Ahead of Jackson Hole

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 97.30; Resistance at 98.80
- **USD/SGD - Pullback Risk.** Support at 1.3710; Resistance at 1.3940
- **USD/MYR - Overbought.** Support at 4.1650; Resistance at 4.2030
- **AUD/SGD - Rebound.** Support at 0.9320; Resistance at 0.9470
- **SGD/MYR - Reverse?** Support at 3.0090; Resistance at 3.0500

Focus on Jackson Hole

The focus now is on Jackson Hole Symposium (22-24th Aug) where market players may watch for Powell (who speaks on 23rd Aug) to change his tune to a more dovish one after Trump escalated the trade-war with China. A change would not be a surprise though as a 25bps rate cut is already completely priced but he can always up the expectations for a deeper 50bps cut. A 50bps would not be too hard to imagine as Fed traditionally cuts 50bps in the past easing cycles (albeit from a higher level) and the window to cut may be closing. The Jul CPI print came in higher than expected (+1.8%/y) and rising price pressure may become a hindrance to further rate cuts. Markets will also watch the FOMC Minutes that will be released on Wed (overnight in Asia) for any signs that the Fed meant to be more dovish cues. Risks are to the downside for the USD.

US-China Trade Talks “Very Soon” (Positivity Not Priced)

Right after China’s threat of retaliation, Trump told local press that there could be phone call with President Xi “very soon” but not without saying that if China retaliates, “there’s a long way” he can go. The timing of the re-escalation on Trump’s part is so close after the Fed’s decision to execute a half-hearted insurance cut that we suspect a ploy to force the Fed’s hand. The recent delay in tariffs suggests that he recognizes the costs of his tariff action in terms of fanning inflation risk as well as hurting retail sales at home. As such, while we do not recognize the tariff delay to be any compromise on the part of the US or any signs of easing tension, **we see potential for Trump to soften his stance further with another delay in the tariff slated to take effect on 1st Sep, as a window of opportunity for the Fed to deliver its next cut then. This scenario is likely not priced at all.** That could mean more USD downside against AxJ, especially against CNH, AUD, NZD, KRW. USDSGD and USDMYR could also head lower. The USDMYR spots a triple top, bearish price set up.

Prelim. PMI-mfg Due for release; ECB Minutes; BI Decides

Key data we watch week include CH FX Net settlement, EU CPI, JP trade on Mon; Fed Quarles speaking; GE PPI, construction output, RBA Minutes on Tue; Wed has US existing home sales, FOMC minutes (overnight); Prelim. Mfg PMI prints are due out of the EU, US, JP, AU on Thu along with BI rate decision (no change expected); US new home sales, JN and SG CPI, RBA Lowe speak, UK retail sales (Qo) on Fri

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 0.44% above the implied midpoint of 1.3938, 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: 97.30; R: 98.80	<ul style="list-style-type: none"> Mon: - Nil - Tue: Fed's Quarles Discusses Community Development; Wed: Existing Home Sales (Jul); FOMC Meeting Minutes (overnight); Thu: Markit US Mfg PMI; Jackson Hole Symposium (overnight); Fri: Fed Chair Powell speaks at Jackson Hole; New home sales (Jul);
EURUSD		S: 1.10; R: 1.14	<ul style="list-style-type: none"> Mon: Current Account (Jun), CPI (Jul F); Tue: GE PPI (Jul); Construction output (Jun); Wed: - Nil - Thu: FR, GE, Eurozone Mfg PMI (Aug P); ECB Minutes; Fri: - Nil -
AUDUSD		S: 0.6740; R: 0.6920	<ul style="list-style-type: none"> Mon: - Nil - Tues: RBA Minutes of August Policy Meeting; Wed: - Nil - Thu: PMI Mfg (Aug P) Fri: - Nil - Sat: RBA Lowe Gives Speech at Jackson Hole (overnight)
NZDUSD		S: 0.6380; R: 0.6620	<ul style="list-style-type: none"> Mon: Performance Services Index (Jul); Tue: - Nil - Wed: Credit Card Spending (Jul); Thu: - Nil - Fri: Retail Sales Ex Inflation (2Q);
GBPUSD		S: 1.2000; R: 1.2400	<ul style="list-style-type: none"> Mon: Rightmove House Prices (Aug); Tue: - Nil - Wed: - Nil - Thu: CBI Retailing Reported Sales (Aug); Fri: - Nil -
USDJPY		S: 104.90; R: 107.70	<ul style="list-style-type: none"> Mon: Trade (Jul); Tue: - Nil - Wed: - Nil - Thu: Mfg PMI (Aug P), Machine Tool Orders (Jul F); Fri: CPI (Jul);
USDCNH		S: 7.0000; R: 7.1500	<ul style="list-style-type: none"> Mon: FX Net Settlement - Clients (Jul); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3710; R: 1.3940	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: CPI (Jul);
USDMYR		S: 4.11; R: 4.20	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Foreign Reserves (as of Aug 15) Fri: - Nil -
USDPHP		S: 51.60; R: 52.50	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,050; R: 14,320	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BI Policy Meeting Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Tactical FX Trade Ideas - Open

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
26 Jul	Long IDRSGD	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]
11 Jan	Short CNHSGD	0.2000 [SL 0.1970]	0.1900		Open	Triple-top bearish setup [Link] ; Trailing stop to 0.1970 from 0.2080 to lock in 1.5% profit

Tactical FX Trade Ideas - Closed

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
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				+10.1%		

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Jackson Hole, Fed Minutes the Focus. Key focus is on the Minutes of the FOMC meeting on Wed night after the non-committal tone that we got from the Fed as well as Powell in his press conference. Any signs that the Fed could be more dovish than what was perceived on 31st Jul could add to expectations for a deeper 50bps cut in Sep. The rate decision was made before Trump had re-escalated the trade war and so a less dovish message may be taken with a pinch of salt. The risk is thus skewed to the downside for the USD this week. In addition, we have Jackson Hole Symposium that starts on Thu (22-24th Aug) and Fed Powell will speak on Friday night and there could be plenty of expectations for him to sound a tad more dovish then.</p> <p>The USD upmove this week was significant and reflects the dual characteristic of the USD being a safe haven currency of choice as well as a higher carry asset within the DM space. This unique characteristic of the greenback has allowed the DXY index to four consecutive (including today in case it close positive) sessions of gains in spite of the swings in risk sentiment. Once again, the DXY index has formed a rather sharp rising wedge and could be vulnerable to sharper pullbacks towards the 97.40. This coincides with the abovementioned events where market players may start to short the USD ahead of the release of the FOMC minutes (on Wed night) and Jackson Hole Symposium (Thu-Sat) that are scheduled in the latter half of the week. Resistance at 98.20 before the next at 98.60 and then 98.90. Support at 97.75 and then at 97.40 and 97.00.</p> <p><i>Focus next week on Fed's Quarles Discusses Community Development on Tue; Existing Home Sales (Jul); FOMC Meeting Minutes (overnight) on Wed; Markit US Mfg PMI; Jackson Hole Symposium (overnight) on Thu; Fed Chair Powell speaks at Jackson Hole; New home sales (Jul) on Fri.</i></p>
EUR/USD	<p>Sideways, Eyes ECB Minutes and PMI-mfg. EUR slipped towards the 1.11-figure towards the end of the week, finding some support thereabouts. Next support is seen at 1.1030. Resistance seen at 1.12 before 1.1230. Momentum indicators are not compelling on the daily chart although eyes will be on the ECB Minutes that is released on Thu after Draghi paved the way for a stimulus package for Sep. The battle for power is still on in Italy where PM Giuseppe Conte faces a possible no confidence vote called by Matteo Salvini to seize the premiership from him. However, on the weekly chart, this pair still trades within a medium term falling wedge that stretches from 2017 and support our medium term bias for EURUSD to head higher. Resistance at 1.1190, 1.1250 (on the upper bound of the falling wedge). Data of focus is CPI on Mon and then PMI-mfg on Thu.</p> <p><i>Focus next week on Current Account (Jun), CPI (Jul F) on Mon; GE PPI (Jul); Construction output (Jun) on Tue; FR, GE, Eurozone Mfg PMI (Aug P); ECB Minutes on Thu.</i></p>
GBP/USD	<p>Upmove Playing Out, Want to Buy? GBPUSD is at 1.2117 and seems to have found a tentative bottom around the 1.20-figure and we have been warning of a squeeze (higher) and that had played out yesterday when GBP spiked to a high of 1.2151 before succumbing to the strength of the USD again in the latter part of overnight trades. Bullish divergence has not played out fully yet and we look further upmove in the GBPUSD towards 1.22 (23.6% Fibonacci retracement of the Jun-Aug drop) before the next at 1.2310 (38.2% fibo) in the absence of parliament which breaks for long recess till 3 Sep. Stochastics rise from oversold conditions. Fears over no-deal brexit could continue to limit GBP gains at 1.23. Strong support at 1.2015.</p> <p><i>Focus next week on Rightmove House Prices (Aug) on Mon and CBI Retailing Reported Sales (Aug) on Thu.</i></p>

USD/JPY Rising from Oversold Conditions. USDJPY was unable to break below the 105-figure and market players may try the upside. With US 10y yield already at 2.5yr low around 1.5%, this suggests that an upmove require Powell to sound less dovish than what is expected in the face of trade war escalation that could swing the US rates higher or risk positive progress from the US-China trade talks. Trump seems keen on a phone call with Xi “very soon” after China had officially declared that there could be “countermeasures”. The latest tariff delay is not a compromise but could give more time for more constructive progress. As we do not see a high probability of either scenario happening, this pair may still be capped at 106.80. Pair was last seen at 106.15 levels, pretty much where it was this time last Fri. Stochastics rise from oversold conditions. Risks slightly tilted to the upside with resistance eyed around 106.80 before 107.70. Support at 105.50, 104.90 (2019-flash crash low).

Focus next week on trade data on Mon; Mfg PMI (Aug), machine tool orders (Jul F) on Thu and CPI (Jul) on Fri.

AUD/USD Buy Dips. AUD spent much of last week in whippy trades within the 0.6750-0.6800 range. We note that domestic data has been more positive but external headwinds (such as the US-China trade war) still crimp on the AUD, vulnerable to risk sentiments. Pair was last seen at 0.6790 levels and the sideways moves have allowed stochastics to rise from oversold conditions anyway. Bearish momentum on daily chart waned completely. AUD is poised to end this week in another doji candlestick on the weekly chart, suggesting a lot of indecisiveness in the markets.






The AUDUSD is now trapped between two opposing forces of external headwinds capping topsides and domestic data improving, protecting downsides. Insofar, we saw stabilization in housing prices, better Mfg data, firmer than expected CPI for 2Q, wage growth as well as an upside surprise in the Jul labour report. Of course, these signs of stabilization could still be threatened if the US-China trade war escalates and weaken China’s economic growth further. RBA had sounded rather dovish, maintaining the “ready to ease if necessary” stance but with growth forecast unchanged next year, albeit downgraded for this year, RBA may still be a tad optimistic and take its time to monitor the economic activity after the two rate cuts in Jun and Jul, ongoing infrastructure spending and tax cuts seem to have translated into better data recently. We do not look for any more rate cuts this year as RBA had already done two pre-emptively this year. It takes further deterioration in the labour market conditions for RBA to take cash target rate from 1.00% to 0.75% and the next few monthly labour reports will still be closely monitored. We look for this pair to break above the 0.6830 for further extension towards 0.6880 and then 0.6930 (61.8% fibo). Support at 0.6750, 0.67 levels.

Focus next week on RBA Minutes of August Policy Meeting on Tue; PMI Mfg (Aug P) on Thu; Lowe Speech at Jackson Hole Sat night.

NZD/USD Bottoming Risks? The NZDUSD remained a tad pressured and was last seen around 0.6430. Upsides are crimped by the risk-off sentiment that dominated for much of the past week, especially after the US 2y10y inverted and China’s threat to retaliate against the US 10% tariff. Support is seen around 0.6420. Bearish bias on weekly, daily chart remains intact albeit waning. We reiterate our caution for rebound risks. Immediate resistance at 0.6470, 0.6550 and 0.6620 (50 DMA). Support at 0.6430 (session-low), 0.6380 (Wed low).

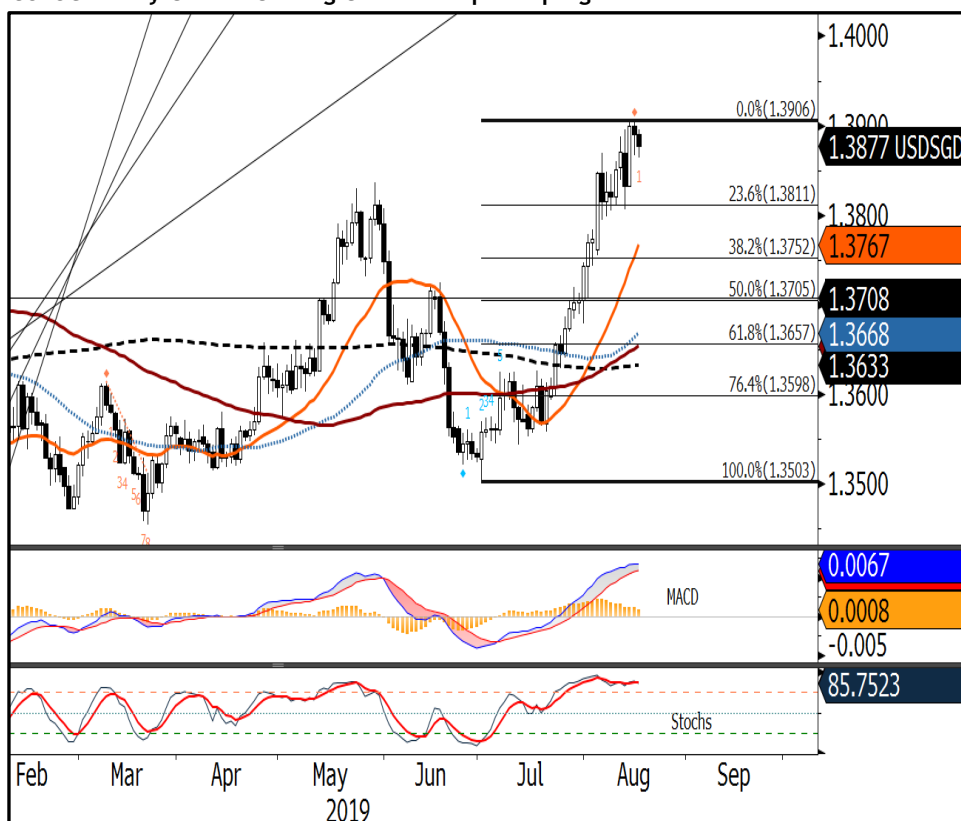
Focus next week on Performance Services Index (Jul) on Mon; credit card spending on Wed; Retail sales ex Inflation for 2Q on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0090; R: 3.0500	Inverted Hammer? SGDMYR came off rather swiftly as MYR demonstrated more resilience versus the SGD in time of risk-off and with market players still positioning for MAS to ease. Support is seen around the 3.0092 at this point before the next at big-level 3. Momentum indicators are not compelling at this point although risks seem a tad tilted to the downside. SGDMYR, on the weekly chart, suggests that this cross may be poised to end the week on an inverted hammer weekly candlestick which typically precedes a bullish reversal. Resistance at 3.02 and 3.03 before 3.04.
AUD/MYR		S: 2.8100 R: 2.8700	Cautious of Rebound Risks. AUDMYR was last seen at 2.8350 levels, little changed from last week and we see this cross potentially making a rebound. Bearish momentum on daily chart shows tentative signs of waning while stochastics is showing signs of turning from oversold conditions. Cautious of rebound risks given oversold conditions and bullish divergence with MACD. Resistance at 2.85, 2.86 (21 DMA). Support at 2.8150 (2019 low).
EUR/MYR		S: 4.60; R: 4.67	Bias to the downside. EURMYR dropped to around 4.6320 and momentum indicators suggest that the EURMYR has more room to fall. Stochastics still turning from overbought conditions. Support at 4.6300 before the next at 4.6060. Immediate resistance at 4.6680 (61.8% fibo retracement of Jun high to Aug low).
GBP/MYR		S: 4.98; R: 5.17	Bearish Trend Channel. GBPMYR hovered around 5.0760. Bullish momentum on daily chart intact while stochastics is rising from near-oversold conditions. This cross still trades within a falling trend channel and a failure to break above 5.08 could mean this cross would languish lower.
JPY/MYR		S: 3.8800 R: 4.0000	Retracement Risks, Lower. JPYMYR was last seen at 3.9250 levels. Momentum is waning and we see room for further retracement towards 3.9066 before the next at 3.8602. Retracement to meet resistance at 3.9810.

Technical Chart Picks:

USDSGD Daily Chart - Coming Close to Triple Top Again

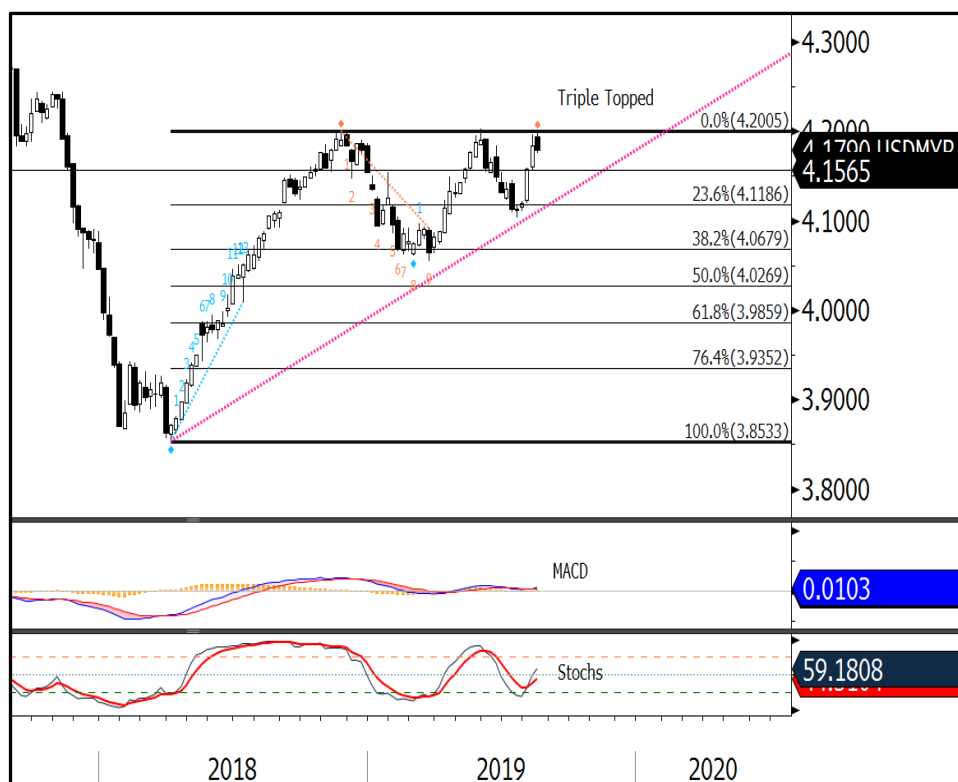


USDSGD touched a high of 1.3906 this week before tapering off. Stochastics flag overbought condition and MACD has been losing bullish momentum. The move up could be overstretched at this point and risk pulling back towards the 1.3811.

Immediate support at 1.3811 (23.6% fibo retracement of the Jul-Aug rally) before the next at 1.3752 (38.2% fibo), 1.3710 (61.8% fibo).

Resistance at 1.39 before 1.3940.

USDMYR Weekly Chart - Triple Top



USDMYR came off this week and we see potential for this pair to head lower towards the 4.12 as the pair has formed a triple top formation

That said, we see a ascending triangle for this pair and that is a bullish set-up if the pair manages to break the 4.20-figure.

Immediate support at 4.1565 before the next at 4.12. Resistance at 4.1970, 4.2030 (2019 high).

AUDSGD Weekly Chart: Look for Dips To Buy Into



AUDSGD has been grinding sideways for much of this week with some bias to the upside, last seen around 0.9415. Failure to break below the year low of 0.9282 suggests that this cross still has a chance of breaking out of the falling wedge that has held for much of this year.

Look for dips to buy into.

As we continue to expect further rebound, resistance is seen around 0.9520 before the next at 0.9640.

Support at 0.9320 before 0.9240/50 levels (double-bottom in 2019).

SGDMYR Weekly Chart: Inverted Hammer?



SGDMYR came off rather swiftly as MYR demonstrated more resilience versus the SGD in time of risk-off and with market players still positioning for MAS to ease.

Support is seen around the 3.0092 at this point before the next at big-level 3. Momentum indicators are not compelling at this point although risks seem a tad tilted to the downside.

SGDMYR, on the weekly chart, suggests that this cross may be poised to end the week on an inverted hammer weekly candlestick which typically precedes a bullish reversal.

Resistance at 3.02 and 3.03 before 3.04.

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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

Leslie Tang
Senior FX Strategist
leslietang@maybank.com.sg
(+65) 63201378