

FX Weekly

ECB to Ease Next?

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 95.90; Resistance at 97.60
- **USD/SGD - Range.** Support at 1.3510; Resistance at 1.3640
- **USD/MYR - Bearish Channel.** Support at 4.09; Resistance at 4.12
- **AUD/SGD - Rebound.** Support at 0.9490; Resistance at 0.9640
- **SGD/MYR - Sell Rallies.** Support at 3.0140; Resistance at 3.0340

Softer USD Policy, Dovish Fed - Double Whammies for USD

Our call (in the last FX Weekly) *looking for softer USD* materialised this week. Dovish rhetoric from Fed's Williams and Clarida led markets to price in nearly 70% probability of 50bps cut at the upcoming Jul FOMC at one point. Though this has been scaled back, the probabilities of 25bps vs. 50bps cut at the upcoming FoMC (31 Jul) is now even at 50-50. Elsewhere increasing chatters on US FX intervention is a risk that should not be written off. Though the chance of US intervening may be low, we think it is still worth a caution as the presence of Trump has shown that almost anything is possible from trade war to Iran sanctions (and Trump appears to favor a softer US dollar). So if more of these verbal intervention chatters start to gain traction and manifest into currency war or result in a shift in US' FX policy, the USD may well be nudged lower against those currencies (i.e. EUR and JPY) that are believed to be fundamentally misaligned. A case of softer USD policy and dovish Fed can weigh on the USD. Short term play: we expect some support for the USD ahead of ECB meeting on Thu and USD softness to resume in the lead-up to FoMC (31 Jul). USD/AXJ could see short term bounce; bias to sell rallies. Next Tue/Wed, UK will have a new PM (likely Boris Johnson). We do not rule out the slim possibility of Labor party tabling a motion of no-confidence before the House breaks for a long recess from Thu till 3 Sep. Uncertainty on this front could see swings in GBP.

ECB Policy Decision - Top Focus This Week

Markets are expecting some sort of ECB guidance to pave the way for at least 10bps cut to deposit rate at the Sep ECB meeting but not at the upcoming meeting. We acknowledge that a "precautionary easing" to counter downside risks to growth is possible, especially in an environment when most central banks are easing. As such downside risks to EUR should not be ruled out in the lead-up to ECB meeting. But relative to the Fed, we think there may be limited policy room for ECB to maneuver. As such EUR weakness may subsequently be reversed post-ECB as markets position for FoMC (31-Jul). A more dovish Fed than ECB could see USD play catch-down (in turn, keeping EUR supported).

SG, MY CPI; Prelim PMIs; US GDP on Tap Next Week

US CFNAI on Mon. For Tue, SG CPI. For Wed, Malaysia CPI; NZ trade; prelim PMIs from US, EU, JP, AU. For Thu, German IFO; US durable goods. For Fri, US 2Q GDP.

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Our in-house model implies that S\$NEER is trading around 1.35% above the implied midpoint of 1.3750, 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: 95.90; R: 97.50	<ul style="list-style-type: none"> Mon: CFNAI (Jun); Tue: Richmond Fed Mfg (Jul); Existing home sales (Jun); Wed: Prelim PMIs (Jul); New home sales (Jun); Thu: Durable Goods (Jun); Kansas City Fed Mfg Activity (Jul); Fri: GDP (2Q)
EURUSD		S: 1.1190; R: 1.1320	<ul style="list-style-type: none"> Mon: - Nil - Tue: Consumer Confidence (Jul); Wed: Prelim PMI (Jul) Thu: ECB Policy decision; ECB President Draghi speaks; German IFO (Jul) Fri: - Nil -
AUDUSD		S: 0.7020; R: 0.7090	<ul style="list-style-type: none"> Mon: - Nil - Tues: RBA's Kent speaks; Wed: Prelim PMI (Jul); Thu: RBA Governor Lowe speaks Fri: - Nil -
NZDUSD		S: 0.6680; R: 0.6830	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (Jun) Thu: - Nil - Fri: - Nil -
GBPUSD		S: 1.2440; R: 1.2610	<ul style="list-style-type: none"> Mon: - Nil - Tue: CBI Selling prices (Jul); Wed: New PM to be announced; Thu: CBI reported sales Fri: - Nil -
USDJPY		S: 106.90; R: 108.50	<ul style="list-style-type: none"> Mon: BoJ's Kuroda speaks in Washington; Tue: Machine Tool Orders (Jun); Wed: PMI (Jul P); Thu: PPI Services (Jun); Fri: - Nil -
USDCNH		S: 6.8600; R: 6.9100	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3510; R: 1.3640	<ul style="list-style-type: none"> Mon: - Nil - Tue: CPI (Jun); Wed: - Nil - Thu: - Nil - Fri: Industrial production (Jun); Employment (2Q); URA Home Prices (2Q F)
USDMYR		S: 4.0900; R: 4.1200	<ul style="list-style-type: none"> Mon: FX Reserves (Jul); Tue: - Nil - Wed: CPI (Jun) Thu: - Nil - Fri: - Nil -
USDPHP		S: 50.80; R: 51.50	<ul style="list-style-type: none"> Mon: Budget balance (Jun); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 13,890; R: 14,100	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Lean against Strength. Our call (in the last FX Weekly) looking for softer USD materialised this week. Dovish rhetoric from Fed's Williams and Clarida led markets to price in nearly 70% chance of 50bps cut at the upcoming Jul FOMC at one point. This has now been scaled back but the probabilities of 25bps vs. 50bps cut at the upcoming FoMC is now even at 50-50. Fed's Williams said that central bank need to act quickly as economic growth slows... better to take preventive measures than to wait for disaster to unfold while Vice-Chair Clarida said that cutting rates quickly is a good strategy. That said NY Fed did clarify that Williams' comments at the Central Bank Research Association was academic in nature based on 20 years of research and not about potential policy actions. Nonetheless, recent Fed speaks are in the same breath - question now is if Fed cuts 25 or 50bps and what is the forward guidance.</p> <p>Apart from Fed, we believe increasing chatters on US FX intervention is a risk that should not be written off. There was some focus on US Treasury Secretary Mnuchin's interview on Thu at the the G7 meeting. He said there is no change in USD policy for now, but wouldn't rule out a shift at some stage in the future. Though the chance of US intervening may be low, we think it is still worth a caution as the presence of Trump has shown that almost anything is possible from trade war to Iran sanctions (and Trump appears to favor a softer US dollar). So if more of these verbal intervention chatters start to gain traction and manifest into currency war or result in a shift in US' FX policy, the USD may well be nudged lower against those currencies (i.e. EUR and JPY) that are believed to be fundamentally misaligned.</p> <p>DXY was last seen at 96.88 levels. Mild bullish momentum on daily chart is waning while stochastics is falling. We reiterate our bias to sell USD rallies. Key support at 96.70/80 (21, 200 DMAs, 50% fibo) needs to go before sell-off can gather momentum towards 96.35 (61.8% fibo), 95.9 (76.4% fibo). Resistance at 97.40/60 levels (upper bound of the bearish trend channel formed since May, 23.6% fibo retracement of 2019 low to high). Short term play: we expect some support for the USD ahead of ECB meeting on Thu and USD softness to resume in the lead-up to FoMC (31 Jul).</p> <p><i>Focus next week on CFNAI (Jun) on Mon; Richmond Fed Mfg (Jul); Existing home sales (Jun) on Tue; Prelim PMIs (Jul); New home sales (Jun) on Wed; Durable Goods (Jun); Kansas City Fed Mfg Activity (Jul) on Thu; GDP (2Q) on Fri.</i></p>
EUR/USD	<p>ECB in Focus This Week. Top of the mind is ECB Governing Council's policy decision on Thu (745pm SG/KL time) followed by Draghi's press conference (830pm SG/KL time). Markets are expecting some sort of ECB guidance to pave the way for at least 10bps cut to deposit rate at the Sep ECB meeting. For the upcoming meeting, we expect ECB to keep key policy rates including Main Refinancing operations, deposit facility and marginal lending facility on hold at 0%, -0.4% and 0.25%, respectively. ECB is also likely to maintain its dovish tilt as seen from Draghi's most recent comments at the ECB forum in Portugal (18th Jun). Draghi said that additional stimulus will be required if the economic outlook does not improve" and that further rate cuts and asset purchases remain part of ECB's policy tools. We reiterate our stand that the door for ECB to ease may be open as ECB stands ready to lower cost and support growth if outlook does not improve, but there is no need to walk through the door (i.e. ECB does not need to ease) if there is no need to especially when economic activity and inflation hold up.</p> <p>We do however acknowledge that a "precautionary easing" to counter downside risks to growth is possible, especially in an environment when most central banks are easing. As such downside risks to EUR should not be ruled out in the lead-up to ECB meeting. But <u>relative to the Fed, we think there may be limited policy room for ECB to manoeuvre.</u> In addition, there are some early signs of stabilisation coming on stream with industrial production for France, Italy, Spain rebounding though Germany is still a laggard while inflation and wage growth in Euro-area are improving. As such EUR weakness may subsequently be reversed post-ECB as markets position for FoMC (31-Jul). A more dovish Fed than ECB could see USD play catch-down (in turn, keeping EUR supported).</p> <p>EUR was last seen at 1.1260 levels. Bearish momentum on daily chart is waning while stochastics is rising from oversold conditions. Immediate resistances at 1.1265 (100 DMA, 50% fibo), 1.1290 (21DMA) and 1.1320 (200 DMA). These levels need to be decisively broken for further upside to gather momentum. Support at 1.1230/40 levels (61.8% fibo, 50DMA), 1.1190 (76.4% fibo retracement of May</p>

low to Jun high).

Focus next week on Consumer Confidence (Jul) on Tue; Prelim PMI (Jul) on Wed; ECB Policy decision; ECB President Draghi speaks; German IFO (Jul) on Thu.

GBP/USD Risk of Political Uncertainties to See Swings. GBP traded higher this week, in line with our call for technical rebound. Move higher came amid better than expected retail sales and parliament's backing for amendment aimed to block no-deal brexit. House voted 315-274 to prevent the next PM from suspending parliament in attempt to force through no-deal brexit. New Tory leader (likely to be Boris Johnson) will be announced on Tue and the new PM will take over on Wed. We do not rule out the slim possibility of Labor party tabling a motion of no-confidence before the House breaks for a long recess from Thu till 3 Sep. Uncertainty on this front could see swings in GBP.

Pair was last seen at 1.2515 levels. Bearish momentum on daily chart is fading while stochastics is showing signs of turning around from oversold conditions. Chance of rebound not ruled out but worries over no-deal brexit could continue to limit GBP gains. Resistance at 1.2580 (21 DMA), 1.2650 (50 DMA). Key support at 1.2440 (Jan-2019 flash crash low).

Focus next week on CBI Selling prices (Jul) on Tue; New PM to be announced on Wed; CBI reported sales on Thu.

USD/JPY Sell Rallies. Our bias for USDJPY to trade lower remains intact as the pair traded an intra-week low of 107.21 (18 Jul) following dovish Fed speaks. Pair was last seen at 107.70 levels. Near term upside risks not ruled out but bias to lean against strength. Resistance at 108 (21 DMA), 108.50 (50 DMA). Support at 107.20, 106.90.

Focus next week on BoJ's Kuroda speaks in Washington on Mon; Machine Tool Orders (Jun) on Tue; PMI (Jul P) on Wed; PPI Services (Jun) on Thu.






AUD/USD Buy Dips. Our call for AUD to extend gains met our first objective at 0.7060. Pair was last seen at 0.7058 levels. Mild bullish momentum and stochastics remains intact. 21DMA now looks on track to cut 100 DMA to the upside after cutting 50 DMA. Still looking for a move towards 0.7090 (200 DMA). Support at 0.7020 levels (100 DMA, 50% fibo retracement of Apr high to Jun low).

Focus next week on RBA's Kent speaks on Tue; Prelim PMI (Jul) on Wed; RBA Governor Lowe speaks on Thu.

NZD/USD Don't Chase; Buy Dips. NZD traded higher this week, tracking gains in AUD amid a softer USD. Pair was last seen at 0.6770 levels. Daily momentum is indicating a mild bullish bias while stochastics is rising into near-overbought conditions. Barring short term nuances, underlying bias appears to have tilted to the upside. Next resistance at 0.6830 (76.4% fibo retracement of Mar high to 2019 double-bottom). Support at 0.6715/30 (200 DMA), 0.6680 (21, 100 DMAs). Bias to buy dips

Relatively quiet week for NZ with focus on trade (Jun) on Wed.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0140; R: 3.0360	Sell Rallies. SGDMYR consolidated this week after the 1% decline MTD. Cross was last seen at 3.0270 levels. 21 DMA cuts 50DMA to the downside 0 bearish signal. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of near term rebound risks given oversold conditions Bias remains to sell rallies. Resistance at 3.0340/60 levels (100, 200 DMAs, 23.6% fibo). Sell rallies preferred. Immediate support at 3.0220 before 3.0140 (38.2% fibo retracement of 2018 low to 2019 high), 2.9980 (50% fibo).
AUD/MYR		S: 2.8900 R: 2.9340	Upward Pressure. AUDMYR was lifted back up above 2.90-handle this week amid AUD outperformance. Cross was last seen at 2.9020 levels. Daily momentum is mild bullish while stochastics is rising from near-oversold conditions. Immediate resistance at 2.9140 (downward sloping trend-line from the highs in Dec-2018 and Apr-2019) before 2.9340 (200 DMA). Support at 2.89 (21, 50 DMAs).
EUR/MYR		S: 4.6000; R: 4.6500	Near Term Rebound Risks Not Ruled Out. EURMYR reversed early week's decline into the week's close Cross was last seen at 4.6260 levels. Bearish momentum shows signs of waning while stochastics is showing tentative signs of turnaround from oversold conditions. Near term rebound risks not ruled out though bearish bias remains intact. Resistance at 4.6420, 4.65 (100 DMA) levels. Support at 4.60.
GBP/MYR		S: 5.1200; R: 5.2200	Falling Wedge (Bullish Reversal)? GBPMYR traded a week of 2 halves with weakness seen in early week before the reversal took hold into the week's close on GBP rebound. Cross was last at 4.1460 levels. Bearish momentum on daily chart is fading while stochastics shows signs of turning from oversold conditions. A falling wedge appears to be in the making - bullish reversal possible. Resistance at 5.1750 (38.2% fibo retracement of Jun high to Jul low), 5.1980 (21 DMA, 50% fibo). Support at 5.1450 (23.6% fibo), 5.10 levels.
JPY/MYR		S: 3.7900 R: 3.8400	Range-Bound. JPYMYR inched modestly this week. Cross was last seen at 3.8180 levels. Bearish momentum on daily chart is waning while stochastics is rising from oversold conditions. Resistance at 3.8380, 3.8550 levels. Support at 3.7860, 3.7770 levels. Still look to play 3.79 - 3.84 range next week.

Technical Chart Picks:

USDUSD Daily Chart - Range



USDUSD traded range-bound this week, pretty much in line with our view for range-trade (as highlighted in the last FX Weekly). Pair was last seen at 1.3570 levels.

Mild bullish momentum shows tentative signs of fading while stochastics appears to be coming off. Technical bias mildly skewed to the downside but no clear bias for any large move, for now.

Support at 1.3540 (76.4% fibo retracement of 2019 low to high), 1.3510 levels (upward sloping trend-line support from the lows in 2019). Resistance at 1.36 (100 DMA, 61.8% fibo), 1.3640/50 (50% fibo, 50, 200 DMAs).

Look for 1.3510 - 1.3640 range next week.

USDMYR Daily Chart - Bearish Momentum but Oversold



USDMYR consolidated this week after the decline since end-May. Pair was last seen at 4.1090 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions.

Key support at 4.1050 before 4.09 (76.4% fibo).

Immediate resistance at 4.1110 (61.8% fibo retracement of 2019 low to high), 4.12.

AUDSGD Weekly Chart: More Room for Further Upside



AUDSGD traded higher this week, in line with our bias for further upside. Cross was last seen at 0.9590 levels.

Weekly momentum is bullish while stochastics is rising from oversold conditions. Bias remains for upward move.

Area of resistance at 0.9640 (23.6% fibo retracement of 2017 high to 2019 flash crash low) - 0.9670 (200 DMA). Break above this could see an extended run towards 0.98 levels (upper bound of trend channel). We continue to look for upward play.

Immediate support at 0.9550 (100 DMA), 0.9490 (21, 50 DMAs).

SGDMYR Daily Chart: Sell Rallies



SGDMYR consolidated this week after the 1% decline MTD. Cross was last seen at 3.0270 levels.

21 DMA cuts 50DMA to the downside 0 bearish signal. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of near term rebound risks given oversold conditions. Bias remains to sell rallies. Resistance at 3.0340/60 levels (100, 200 DMAs, 23.6% fibo). Sell rallies preferred.

Immediate support at 3.0220 before 3.0140 (38.2% fibo retracement of 2018 low to 2019 high), 2.9980 (50% fibo).

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