

FX Weekly

Cautious Retracement

The Week Ahead

- **Dollar Index - Range.** Support at 97.00; Resistance at 99.40
- **USD/SGD - Pause.** Support at 1.3670; Resistance at 1.3840
- **USD/MYR - Downside Bias.** Support at 4.14; Resistance at 4.18
- **AUD/SGD - Lower.** Support at 0.9250; Resistance at 0.9580
- **SGD/MYR - Retracement.** Support at 3.0090; Resistance at 3.0400

Cautious Retracement

The focus back on the Fed and other central bank decisions saw weaker risk appetite compared to previous weeks. Expectations for more stimulus were not met as Fed refused to commit to a more aggressive easing stance, much to the chagrin of Trump. BoJ also kept monetary policy settings unchanged but added a need to review prices and the economy in the next meeting. USDxJ retraced higher, along with USDCNH as we had forewarned in our RMB Watch sent out on Mon. GBPUSD, on the other hand, extended its bullish moves so far as markets chose to believe Juncker's words of hope on a deal by 31st Oct even as he caveated it with the trickiest resolution since negotiations have started and that is the Irish border. This should not be a surprise to our readers as we had stated in [our piece here](#) dated 11 Sep that the GBPUSD may even conquer the 1.28-figure and the break of the 1.25 makes this stretched target seem much nearer now.

Quietly Awaiting, USDCNH H&S can bring it to 6.87

Most currencies are caught in sideways trades. There is a sense that market players are awaiting the biggest threat to the global economy to be cleared and that is the US-China trade war. We continue to hold our view that reaction to further good news would be more muted than before unless an agreement is inked. One key resistance level for the USDCNH is around 7.12 and we think a hard resistance is still at 7.20 and a break there would negate the head and shoulders pattern that could be forming. Should this right shoulder be formed around 7.12-7.15, the break of the neckline of 7.03-7.06 would usher a move towards 6.87. For USDMYR, we also see a potential H&S formation that could bring this pair towards 4.10 beyond the near term consolidation. USDSGD should keep an upside bias in the near-term.

RBNZ to Hold, BSP to Cut and we listen out for CB speakers

The week kicks off with plenty of flash PMI numbers out of JN, EU, FR, GE, US. Mfg prints would be watched for the impact of trade war. There are plenty of central bank speakers littered throughout the week include William, Bullard, Evans, Kaplan, Kashkari and Harker. Out of ECB, Draghi speaks twice, Villeroy, Coeure, Cunliff will also speak in the week. RBNZ policy meeting will be watched on Wed for any signs of rate cut even though none is expected. BSP should cut 25bps on Thu. Data-wise, we like to keep an eye on SG CPI on Mon; GE IFO Survey, US house price on Tue; US 2Q GDP (T) on Wed; SG IP on Thu.

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Our in-house model implies that S\$NEER is trading around 1.1% above the implied midpoint of 1.3910, suggesting that it is on the stronger side vs. other trading partner currencies.

Please see page 3 for a summary of our trade ideas

Currency	Direction	Support/Resistance	Key Data and Events This Week
Dollar Index		S: 97.00; R: 99.40	<ul style="list-style-type: none"> Mon: Markit US Mfg, Svcs PMI (Sep P); Fed William, Bullard speaks (dove) Tue: FHFA House Price (Jul); Richmond Fed Mfg Index (Sep); Wed: Fed's Evans speaks; New Home Sales (Aug); Thu: Fed's Kaplan Speaks; Retail inventories (Aug); GDP (2Q T); Pending Home Sales (Aug); Fed's Kashkari Speaks; Fri: Durable Goods Orders (Aug P); Personal Spending; U. of Mich. Sentiment (Sep F); Fed's Harker Speaks
EURUSD		S: 1.0920; R: 1.1210	<ul style="list-style-type: none"> Mon: EC, FR, GE Mfg PMI; ECB President Mario Draghi Testifies; Tue: ECB's Villeroy speaks; GE IFO Survey; Wed: ECB's Coeure Speaks; Thu: ECB Publishes Economic Bulletin; ECB Draghi speaks; BOE Deputy Governor Cunliffe speaks; Fri: ECB Policy Makers Guindos, Knot Speak; Economic Confidence (Sep); GE Retail Sales (Aug);
AUDUSD		S: 0.6700; R: 0.6920	<ul style="list-style-type: none"> Mon: CBA PMI Mfg, Svcs (Sep P); Tues: ANZ Weekly Consumer Confidence Index (Sep 22); RBA Lowe speaks; Wed: - Nil - Thu: - Nil - Fri: - Nil -
NZDUSD		S: 0.6270; R: 0.6540	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (Aug); RBNZ Policy Decision Thu: - Nil - Fri: - Nil -
GBPUSD		S: 1.25; R: 1.28	<ul style="list-style-type: none"> Mon: BOE's Tenreyro Speaks Tue: Public Finances (Aug); Wed: UK Finance Loans for Housing Thu: BOE Governor Carney Speaks Fri: BOE's Saunders Speaks;
USDJPY		S: 105.50; R: 108.00	<ul style="list-style-type: none"> Mon: Jibun Bank Japan Mfg, Svcs PMI (Sep P); Tue: BoJ Outright Bond Purchases; leading index (Jul f); Wed: Minutes of the BOJ Meeting; Thu: BOJ Governor Kuroda speech Fri: Tokyo Sep CPI;
USDCNH		S: 6.98; R: 7.12	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Industrial Profits (Aug); current account Bal (2Q);
USDSGD		S: 1.3750; R: 1.3940	<ul style="list-style-type: none"> Mon: CPI (Aug); Tue: - Nil - Wed: - Nil - Thu: Industrial Production (Aug); Fri: - Nil -
USDMYR		S: 4.1400; R: 4.2050	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Foreign Reserves (Sep 13)
USDPHP		S: 51.50; R: 52.20	<ul style="list-style-type: none"> Mon: Budget Balance (Aug); Tue: - Nil - Wed: - Nil - Thu: BSP Policy Decision Fri: - Nil -
USDIDR		S: 13,900; 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

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]

Tactical FX Trade Ideas - Closed

Date	Trade	Entry/[SL]	Objective(s)	P&L	Open/Closed	Remarks
6 Sep	Short AUDNZD	1.0700 [1.0800]	1.0500	-0.9%	Closed at 1.08 (16 Sep)	Rising Wedge Bearish Reversal [Link]
11 Jan	Short CNYSGD	0.2000 [trailing SL at 0.1970]	0.1900	+1.5%	Trailing SL at 0.1970 hit (14 Aug)	Triple-top bearish setup [Link]
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				+11.6%		

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Bearish Divergence May Not Have Completely Played Out. Volatility in the money markets somewhat took focus away from the main policy decision. Short-term rates were bid by the liquidity squeeze that was alluded to an untimely confluence of Treasury auction settlements, tax payment dues and low bank reserves. As a result, Powell spoke about considering an organic balance sheet growth at his press conference on Wed night (Asia). Apart from that, he was adamant about keeping a rather neutral stance after delivering the second 25bps cut for this year as looked for only “moderate rate adjustments”. The plot was perceived to be “split”. Even as the median dot indicate no more rate cut, the 7 most dovish participants look for another. Fed Funds Future implied a 40% cut by Oct and 70% cut by Dec this year, suggesting quite a bit of uncertainty of the timing of the next cut and that markets continue to take guidance from the most dovish participants of the FOMC. There is room for USD to soften but Fed’s refusal to be more committed to easing suggests that the USD is unlikely to fall in a hurry. Eyes on more manufacturing data, especially the flash PMI-mfg due on Mon that has been suggesting some contraction in the trade-exposed sector. Thereafter, there are plenty of Fed speaks to watch.</p> <p>The DXY index reversed out the gains that was seen post FOMC, last seen at 98.30. The greenback may be forming a rising wedge that extends from June and the apex is seen in Nov. As we have stated before, the non-committal Fed suggest that falls in the USD are unlikely to be in a hurry. Support is seen around 98.02 before the next at 97.60 (50% Fibonacci retracement of the Jun-Aug rally, 100-dma). Resistance seen around 98.70 before 99.00. Momentum is rather muted with some bearish bias. Moves ahead could be consolidative within 97.60-98.70.</p> <p><i>Data/Events for next week include Markit US Mfg, Svcs PMI (Sep P); Fed William, Bullard speaks (dove) on Mon; Tue has FHFA House Price (Jul); Richmond Fed Mfg Index (Sep); Wed has Fed's Evans speaks; New Home Sales (Aug); Thu has Fed's Kaplan Speaks; Retail inventories (Aug); GDP (2Q T); Pending Home Sales (Aug); Fed's Kashkari Speaks and Fri has Durable Goods Orders (Aug P); Personal Spending; U. of Mich. Sentiment (Sep F); Fed's Harker Speaks.</i></p>
EUR/USD	<p>Bottoming, Upside Bias Still.</p> <p>EURUSD still hovers within the 1.10-1.11 for much of this week. We had looked for an upside bias but EUR typically takes the scenic route. This pair continues to show signs of bottoming and a double bottom has been formed at 1.0928 (low). We continue to look for an upside bias in this pair with critical levels around 1.1110 before the next at 1.1170. Eyes on PMI prints out of the EU, Draghi’s speaks on Mon and Thu. Germany has IFO Survey and retail sales due. These could swing the EURUSD.</p> <p><i>Focus next week on EC, FR, GE Mfg PMI; ECB President Mario Draghi Testifies on Mon; Tue has ECB's Villeroy speaks; GE IFO Survey; Wed has ECB's Coeure Speaks; Thu has ECB Publishes Economic Bulletin; ECB Draghi speaks; BOE Deputy Governor Cunliffe speaks. Fri has ECB Policy Makers Guindos, Knot Speak; Economic Confidence (Sep); GE Retail Sales (Aug).</i></p>
GBP/USD	<p>1.28 is Within Reach. GBP remains on its way higher, buoyed by the lack of noise as the parliament remains prorogued. In addition, markets chose to rally the GBPUSD on the words of European Commission President Juncker who spoke of a deal being possible should there be a solution to the Irish border. We had flagged about this move almost two weeks ago in GBP: Entering a Rare Period of Relative Calm? Dated 11 Sep and that GBPUSD could reach towards the 1.28-figure on positive development out of Brexit. Eyes on the Supreme Court ruling on the legality of the parliament suspension, to be announced early next week. PM BoJo had said “he will not rule out a further suspension of parliament if the Supreme Court permits” but there are also some from his team that said that the administration will comply with what the judges decide. The 100-dma at 1.25 has become a support level for this pair. A weekly close above this level could strengthen the support for the GBPUSD. Last seen around 1.2575, this pair may break the resistance at around 1.2580 before the next resistance at 1.2670 and then at 1.2800.</p> <p><i>Focus next week on BOE's Tenreyro Speaking on Mon. On Tue, Public Finances (Aug) is due. Wed has UK Finance Loans for Housing. BOE Governor Carney Speaks on Thu followed by BOE's Saunders Speaks on Fri.</i></p>

USD/JPY ***Rising Wedge, Bearish.*** USDJPY made a bullish extension in the past week and formed another rising wedge that could result in a pullback towards 106.50. Momentum indicators seem to be turning lowing. BoJ did not add stimulus, in line with what we have expected and disappointing some, causing the USDJPY the slip below the 108-figure. Last seen around 107.88, this pair may continue to turn lower along with the momentum indicators. Stochs also turn from overbought conditions. A 50% retracement of the Aug-Sep rally could bring this pair towards the 106.50. Resistance at 108.55.

Focus next week on Jibun Bank Japan Mfg, Svcs PMI (Sep P) on Mon. Tue has BoJ Outright Bond Purchases. Wed has leading index (Jul f). Wed has Minutes of the BOJ Meeting and then Thu has BOJ Governor Kuroda speech and then Tokyo Sep CPI on Fri.






AUD/USD ***Sideways, with some bias to the upside.*** AUD pulled back towards 0.6770 and this pair continues to be weighed by the expectations of a rate cut. Expectations of another rate cut in Oct surged after the labour report revealed another tick higher in jobless rate. We think that expectations for a rate cut in Oct could be misplaced as the rise in jobless rate was due to encouraged workers effect evidenced by the rise in labour force participation to record high (again for Aug). Hiring momentum is still rather strong and RBA had already provided two rate cuts in Jun and Jul, taking the cash target rate to 1.00%. Another cut in Oct would be too soon as hiring momentum has not deteriorated yet. This pair could be guided by the 21-dma at 0.6800. Support now for AUDUSD is seen at 0.6770 before the next at 0.6677. Resistance still at 0.6830 before 0.6880.

Focus next week on CBA PMI Mfg, Svcs (Sep P) on Mon. ANZ Weekly Consumer Confidence Index (Sep 22), RBA Lowe speaks on Tue.

NZD/USD ***RBNZ Eyed.*** This pair is pressed towards 3rd Sep low of 0.6269, last seen around 0.6297, ahead of the RBNZ meeting next week. The creep up in the jobless rate in Australia has spurred expectations for another rate cut from RBA in Oct. That might have also spurred expectations for RBNZ to remain dovish next week and keeping the NZDUSD heavy. Back on the daily chart, momentum is biased to the downside. Resistance at 0.6360 (21-dma). Failure to break that key support level at 0.6269 could mean a double bottom, bullish reversal set up. Also, on the weekly chart, NZDUSD seems to have a bullish divergence with the MAD forest and that could herald a reversal to the upside.

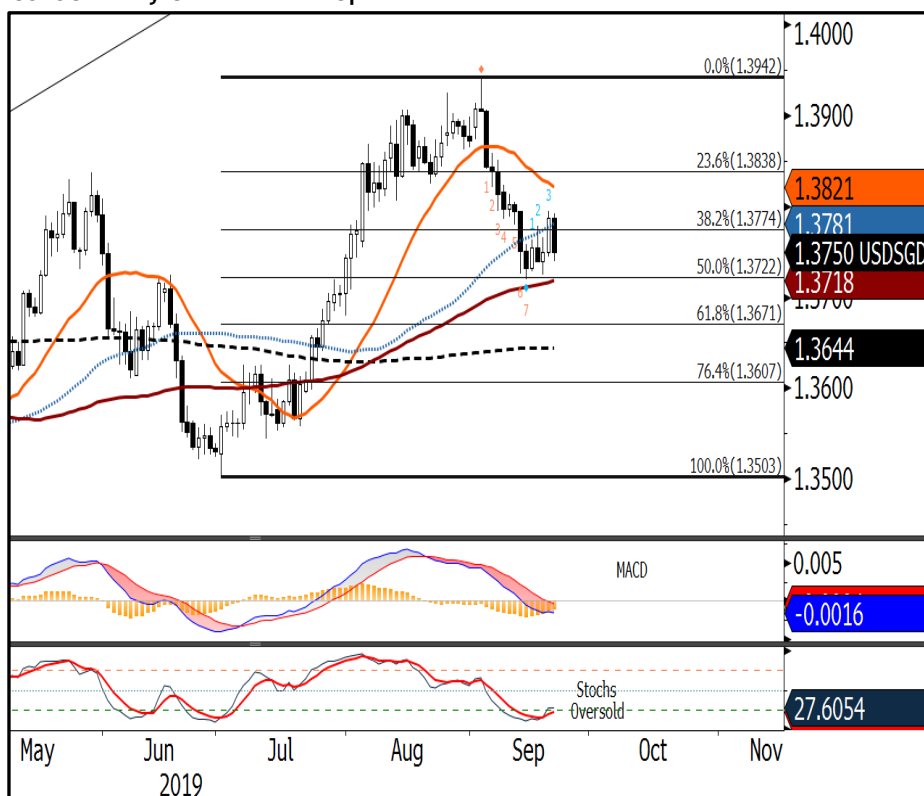
Focus next week on trade and RBNZ policy decision on Wed.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0170; R:3.0400	Retracing Lower. SGDMYR remains within the trend channel and touched a high of 3.0458 before coming off to levels around 3.0383. The move higher is in line with what we have looked for here, last week. Bearish divergence might be playing out now. Support at 3.0317 before the next at 3.0250 (50-dma). Stochastics is turning lower from overbought conditions. Resistance at 3.0460 before the 3.0500.
AUD/MYR		S: 2.8400 R:2.9000	Consolidate Now. AUDMYR has slipped from its weekly high, unable to break above the 100-dma and was last seen around 2.8370. This cross may keep a downside bias with support around 2.8310 ahead of the next at 2.8200. Rebounds would meet resistance at 2.8600.
EUR/MYR		S: 4.5800; R:4.6800	Still Biased to the Upside. EURMYR slipped from the week high of 4.6393 yesterday and was last seen around 4.6130. This cross remains supported around 4.6070 and then perhaps the next at 4.5800. This cross still spots a double bottom formation with the second bottom at 4.5800 and momentum still suggest upside bias. Resistance at 4.6300 before the next at 4.6490.
GBP/MYR		S: 5.17; R: 5.27	Still Bullish. GBPMYR was last seen at 5.2322. 21-dma is en-route to cross above the 100-dma and that is still a bullish signal. This cross may meet resistance at the 200-dma at 5.2670. Support at 5.20 (100-dma) before the next at 5.1746 (38.2% Fibonacci retracement of the May-Jul drop).
JPY/MYR		S: 3.8000 R: 3.9300	Turning Higher. JPYMYR traded sideways with an upside bias, guided by the moving averages, including at 100-dma at 3.8580 and then the 50-dma at 3.8920. Resistance at 3.9070 before another one at 21-dma at 3.9140. Daily momentum becoming less bearish while stochastics turn higher from oversold conditions. We look for support at the 100-dma, 3.8580 to remain intact. This cross could retain upside bias.

Technical Chart Picks:

USDSGD Daily Chart - Biased Upside



USDSGD retraced higher and is poised to end the week off the highs at around 1.3750, in line with our view that this pair might be poised for consolidation as we have stated last week.

Bias is to the upside as MACD becomes less bearish and stochastics turned from oversold conditions.

This pair may continue to keep an upside bias although resistance is seen around 1.3780 (50-dma) before the next at 1.3820. Support at 1.3720.

USDMYR Daily Chart - Consolidation for Now, Watch Head and Shoulders



USDMYR slipped from the week high of 4.1982 and hovered around 4.1777. This pair seems to have formed the right shoulder of the head and shoulders formation with neckline at 4.1617, marked by two troughs (Aug and Sep).

The break of the neckline may not happen so soon as we can anticipate more consolidation within the 4.1640-4.2000. A break of the lower bound, also near the neckline could bring this pair towards 4.10. We initiate a short USDMYR call at 4.1730, stoploss at 4.2050, looking for first target at 4.14 and then at 4.10. Risk reward ratio of 1:2.2.

AUDSGD Daily Chart: Back to Downside Bias



AUDSGD slipped over the course of the week as market players reined in their exuberance and Australia's jobless rate ticked higher.

Not much momentum on the weekly chart. Stochastics show no bias as well. Daily chart suggest downside bias remains.

Support at 0.9333 before 0.9250. Resistance at 0.9385 before 0.9405 (21-dma).

SGDMYR Daily Chart: Retracing Lower in Rising Trend Channel



SGDMYR remains within the trend channel and touched a high of 3.0458 before coming off to levels around 3.0383. The move higher is in line with what we have looked for here, last week.

Bearish divergence might be playing out now. Support at 3.0317 before the next at 3.0250 (50-dma). Stochastics is turning lower from overbought conditions.

Resistance at 3.0460 before the 3.0500.

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