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Maybank

FX Weekly

Consolidate Ahead of G20 Summit

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg

Christopher Wong
(65) 6320 1347
wongkl@maybank.com.sg

Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Tan Yan Xi
(65) 6320 1378
tanyx@maybank.com.sg

The Week Ahead

- **Dollar Index – Range.** Support at 96.50; Resistance at 97.10
- **USD/SGD - Range.** Support at 1.3500; Resistance at 1.3650
- **USD/MYR - Range.** Support at 4.1360; Resistance at 4.1680
- **AUD/SGD - Rebound.** Support at 0.9360; Resistance at 0.9530
- **SGD/MYR - Range-Bound.** Support at 3.0400; Resistance at 3.0580

Interim Profit-Taking on USD Shorts

USD remains under pressure post-FoMC's dovish tilt. Bond markets are now pricing in about 70 bps cut for Fed this year with a cut at the Jul FoMC meeting 100% priced-in (implied from 30D Fed fund futures) while USD index has declined about 1% (from 1D prior to FOMC meeting). Question remains if markets are overly aggressive on Fed. It is possible that some risk will be taken off the table in the lead up to G20 Summit in Osaka (28-29 Jun) where President Xi-Trump meeting is expected. According to some sources, a dinner has been scheduled on 29th Jun. Respective teams are expected to begin talks ahead of the 2 Presidents meeting – watch out for any snippets of updates on US-China trade progress. If we get an **optimal scenario of material progress on trade talks alongside dovish Fed and ECB, then AXJs could have more room to extend gains**. Nonetheless a sustained recovery for AXJs would still require material upticks in economic activity to supplement sentiment-driven rallies.

RBNZ to Keep OCR on Hold but Governor Orr May Sound Dovish

We expect RBNZ to keep policy rate on hold at 1.5% at the upcoming MPC meeting, after cutting policy rate by 25bps at the last MPC meeting in May. Though 1Q growth held steady at 2.5% y/y thanks to construction sector, services sector (account for 2/3 of NZ economy) appears weak. This could be used by RBNZ Governor Orr as a reason to sound dovish especially when other DM central banks including Fed, ECB, RBA have recently made a dovish tilt and markets are expecting RBA to cut more in coming months. Though markets are not expecting a cut at the upcoming meeting (OIS-implied shows only 22% expected a cut), the odds for a cut in Aug MPC meeting has jumped above 80%. Another dovish comment from Governor Orr could drag NZD lower.

Powell Speaks; US, EU Inflation; China PMI in Focus Next Week

Key data next week include US Dallas Fed Mfg; German IFO; RBA Governor Lowe; SG CPI and ID trade on Mon. For Tue, US consumer confidence, Richmond Fed Mfg, Fed's Powell speaks; NZ trade; BoJ minutes. For Wed, US durable goods orders; BoE's Carney speaks; SG industrial production; Malaysia CPI. For Thu, US GDP; German CPI; Euro-area consumer confidence; JP retail sales; China industrial profits. For Fri, US PCE core, Chicago PMI; Euro-area CPI; UK GDP; JP IP; China current account. China NBS PMIs will be released on Sunday.

Our in-house model implies that S$NEER is trading around 1.62 % above the implied midpoint of 1.38, 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: 96.50; R: 97.10**	• **Mon:** CFNAI (May); Dallas Fed Manufacturing activity (Jun); • **Tue:** Fed's Powell, Williams, Bostic, Barkin speak; Richmond Fed Mfg Index (Jun); New Home Sales (May); Conference Board Consumer Confidence (Jun); • **Wed:** Fed's Bullard speaks; Durable Goods Orders, Retail Inventories (May); • **Thu:** GDP (1Q); Pending home sales (May); Kansas City Mfg Activity (Jun); • **Fri:** PCE Core, Personal Income/Spending (May); Chicago PMI (Jun)
EURUSD	→	**S: 1.1220; R: 1.1350**	• **Mon:** German IFO (Jun); • **Tue:** - Nil - • **Wed:** - Nil - • **Thu:** Consumer Confidence (Jun); German CPI (Jun P); • **Fri:** CPI Estimate (Jun)
AUDUSD	→	**S: 0.6830; R: 0.7040**	• **Mon:** RBA Governor Lowe speaks; • **Tues:** RBA's Bullock speaks;; • **Wed:** - Nil - • **Thu:** - Nil - • **Fri:** Private sector credit (May)
NZDUSD	→	**S: 0.6490; R: 0.6660**	• **Mon:** Credit Card Spending (May); • **Tue:** Trade (May); • **Wed:** RBNZ MPC Meeting; • **Thu:** ANZ Activity Outlook (Jun); **Fri:** ANZ Consumer Confidence (Jun)
GBPUSD	→	**S: 1.2510; R: 1.2820**	• **Mon:** - Nil - • **Tue:** CBI Reported Sales (Jun); • **Wed:** BoE's Carney, Cunliffe, Tenreyro and Saunders speak; • **Thu:** - Nil - • **Fri:** 1Q GDP, Current Account; GfK Consumer Confidence (Jun)
USDJPY	→	**S: 106.90; R: 108.40**	• **Mon:** - Nil - • **Tue:** BoJ Minutes; PPI Services (May); • **Wed:** - Nil - • **Thu:** Retail Sales (May); BoJ Wakatabe speaks; • **Fri:** Jobless rate, industrial production, construction orders (May)
USDCNH	→	**S: 6.8500; R: 6.9200**	• **Mon:** - Nil - • **Tue:** - Nil - • **Wed:** - Nil - • **Thu:** Industrial Profits (May); • **Fri:** Current Account (1Q); • **Sun:** NBS PMI – Mfg and Non-Mfg (Jun)
USDSGD	→	**S: 1.3500; R: 1.3650**	• **Mon:** CPI (May) • **Tue:** - Nil - • **Wed:** Industrial Production (May) • **Thu:** - Nil - • **Fri:** Bank Loans & Advances; Money Supply (May)
USDMYR	→	**S: 4.1360; R: 4.1680**	• **Mon:** - Nil - • **Tue:** - Nil - • **Wed:** CPI (May) • **Thu:** - Nil - • **Fri:** - Nil -
USDPHP	→	**S: 51.30; R: 52.00**	• **Mon:** - Nil - • **Tue:** Budget balance (May); • **Wed:** - Nil - • **Thu:** - Nil - • **Fri:** Bank Lending (May)
USDIDR	→	**S: 14,100; R: 14,350**	• **Mon:** Trade (May) • **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	**Consolidate in the Lead Up to G20 Summit**. USD remains under pressure post-FoMC's dovish tilt. Fed's dots plot revealed that 8 of the 17 FoMC participants have shifted their expectations towards rate cut this year with 7 of them expecting 50bps reduction in Fed fund rate to 1.75 – 2%. Accompanying statement dropped its commitment to be "patient" in future rate actions and that economic activity is now "rising at a moderate rate" vs. "rose at a solid rate" in the last statement. Powell also mentioned that "market-based measures of inflation expectations, breakevens dropped" and his emphasis on the Committee's symmetric 2% inflation objective has made the case for a near-term rate cut even more compelling even though he still looks for "incoming data" and the "evolving risk picture". In response, the bond markets are now pricing in about 70 bps cut for Fed this year with a cut at the Jul FoMC meeting 100% priced-in (implied from 30D Fed fund futures) while USD index has declined about 1% (from 1D prior to FOMC meeting). Question remains if markets are overly aggressive on Fed. It is **possible that some risk will be taken off the table in the lead up to G20** Summit in Osaka (28-29 Jun) where President Xi-Trump meeting is expected. According to some sources, a dinner has been scheduled on 29th Jun. Respective teams are expected to begin talks ahead of the 2 Presidents meeting – watch out for any snippets of updates on US-China trade progress. If we get an **optimal scenario of material progress on trade talks alongside dovish Fed and ECB, then AXJs could have more room to extend gains**. Nonetheless a sustained recovery for AXJs would still require material upticks in economic activity to supplement sentiment-driven rallies. DXY was last seen at 96.6. Our support level previously highlighted at 96.60 (200 DMA) was met. On the charts, DXY is now "resting" on the lower bound of the upward sloping trend channel (formed since early-2019). Daily momentum is bearish while stochastics is falling. A decisive break out of the bullish trend channel could see bearish pressures intensify. Support at 96.3 (61.8% fibo retracement of 2019 low to high), 95.9 (76.4% fibo) and 95 levels. That said we caution that the lower bound of the channel has previously proved to be a strong support and have served as "bouncing pad" for subsequent USD rebound this year (on 3 occasions). Failure to break out of the trend channel could risk DXY rebounding again. Resistance at 97.1 (100 DMA, 38.2% fibo). *Focus next week on CFNAI (May); Dallas Fed Manufacturing activity (Jun) on Mon; Fed's Powell, Williams, Bostic, Barkin speak; Richmond Fed Mfg Index (Jun); New Home Sales (May); Conference Board Consumer Confidence (Jun) on Tue; Fed's Bullard speaks; Durable Goods Orders, Retail Inventories (May) on Wed; GDP (1Q); Pending home sales (May); Kansas City Mfg Activity (Jun) on Thu; PCE Core, Personal Income/Spending (May); Chicago PMI (Jun) on Fri.*
EUR/USD	**Need a Break Above Trend-Line Resistance for Gains to Gather Traction .** EUR weakness owing to Draghi's dovish comments at the ECB Forum (18 Jun) was reversed into the week thanks to the Fed's dovish tilt at the recent FoMC meeting (20th Jun). In particular Draghi said that **additional stimulus will be required if the economic outlook does not improve".** He went on to elaborate that <u>further rate cuts remain part of ECB's policy tools</u> and renewed asset purchases are an option even if that means raising self-imposed limits on how much it can buy. He even gave a timeline in saying that the Governing Council will review in the coming weeks how their tools can be adapted "commensurate to the severity of the risk to price stability". According to Bloomberg story, 3 euro-zone central bank officials said that the ECB could use interest rate cut as their first stimulus move if they need to act again to boost inflation, rather than resuming asset purchases. In our opinion, although the <u>**door for easing 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 if there is no need to**</u>. ECB's Praet recently (18th Jun) said that wage and inflation are improving in the Euro-area while German PMI shows signs of stabilising. Going forward growth/activity, inflation data, US-China trade talks development and even FoMC decision (in Jul) will be key signposts to watch if the ECB does walk the talk. EUR's move higher this week stalled at the falling trend-line resistance. Previous 4 rallies in the past 6 months seem capped under downward sloping trend-line resistance (now at 1.1320). Pair was last seen at 1.13 levels. Daily momentum is mild bullish. Key area of resistance at 1.1320 – 1.1350 (200 DMA) needs to be broken for further gains to extend towards 1.1410, 1.1450 levels. Failing which EUR could

	ease off towards 1.1210 – 1.1310 range next week. Immediate support at 1.1260 (100 DMA), 1.1220 (21, 50 DMAs). *Focus next week on German IFO on Mon; German CPI (Jun); Consumer Confidence (Jun) on Thu; CPI Estimate (Jun) on Fri.*
GBP/USD	**Signs of Rebound but We Prefer to be Cautious Than Excited.** GBP enjoyed a recovery this week thanks to softer USD. Pair was last seen at 1.2680 levels. Bearish momentum on weekly chart remains intact while stochastics shows signs of turning around from oversold conditions. Rebound risks not ruled out. Immediate resistance at 1.2715 (23.6% fibo retracement of Mar high to Jun low) before 1.2760. Further upside towards 1.2820 (50 DMA) requires a break above said-resistance. Failing which we could see a GBP easing towards 1.2660 (21 DMA), 1.2510 levels (Jun low). Slight chance of rebound but we prefer to be cautious as voting for new PM is still underway. Boris Johnson and Jeremy Hunt are through to the husting session and final round of voting (by 160k Conservative Members) on Sat. Could possibly see Boris Johnson taking the PM job given the wide lead over Jeremy (160 – 77). Results will only be announced 1 month later. *Focus next week on CBI Reported Sales (Jun) on Mon; BoE's Carney, Cunliffe, Tenreyro and Saunders speak on Tue; 1Q GDP, Current Account; GfK Consumer Confidence (Jun) on Fri.*
USD/JPY	**Range.** Decline in USDJPY on the back of Fed's dovish tilt and fears of re-escalation in geopolitical tensions in Iran slowed after FX Chief Asakawa said that he is watching FX markets closely since Thu. He said that FX markets have moved a bit as they digest Fed commentaries… cannot help but be concerned about any FX moves that cannot be explained by economic fundamentals. Pair was last seen at 107.40 levels. Bearish bias on weekly chart remains intact though stochastics is entering oversold conditions. Support at 106.90 (76.4% fibo retracement of 2018 low to high). Resistance at 107.50 before 108.40 levels. With external event risks coming up – Trump-Xi dinner in Osaka (chance of trade truce or trade war), potential re-escalation of geopolitical tensions, and chance of verbal intervention from Japan officials, we could see USDJPY trading in 106.90 – 108.40 range next week. *Focus next week on BoJ Minutes; PPI Services (May) on Tue; Retail Sales (May); BoJ Wakatabe speaks on Thu; Jobless rate, industrial production, construction orders (May) on Fri.*
AUD/USD	**Bullish Divergence?** AUD was last seen at 0.6910 levels. Bearish momentum on daily chart is waning while stochastics is showing signs of turning from near-oversold conditions. Bullish divergence on MACD appears to be developing. Rebound risks not towards 0.7040 (100 DMA) ruled out but rally needs to push above 0.6930 (21 DMA), 0.6980 (50 DMA) for further gains to gather traction. Support at 0.6830. *Focus next week on RBA Governor Lowe speaks on Mon; RBA's Bullock speaks on Tue; Private sector credit (May) on Fri.*
NZD/USD	**Eyes on RBNZ This Wed before Trade Talks End Week.** We expect RBNZ to keep policy rate on hold at 1.5% at the upcoming MPC meeting, after cutting policy rate by 25bps at the last MPC meeting in May. Though 1Q growth held steady at 2.5% y/y thanks to construction sector, services sector (account for 2/3 of NZ economy) appears weak. This could be used by RBNZ Governor Orr as a reason to sound dovish especially when other DM central banks including Fed, ECB, RBA have recently made a dovish tilt and markets are expecting RBA to cut more in coming months. Though markets are not expecting a cut at the upcoming meeting (OIS-implied shows only 22% expected a cut), the odds for a cut in Aug MPC meeting has jumped above 80%. Another dovish comment from Governor Orr could drag NZD lower. NZD was last seen at 0.6570 levels. Daily momentum turned bullish while stochastics is rising from oversold conditions. Sustained close above 0.66 (50 DMA) on weekly basis could see gains extend towards 0.6660 (38.2% fibo retracement of 2019 high to low). Support at 0.6560 (21 DMA), 0.6490 levels. *Focus next week on Credit Card Spending (May) on Mon; Trade (May) on Tue; RBNZ MPC Meeting on Wed; ANZ Activity Outlook (Jun) on Thu; ANZ Consumer Confidence (Jun) on Fri.*

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR	→	S:3.0400; R:3.0650	**Double Top to Hold?** SGDMYR traded higher this week amid SGD outperformance. Cross was last seen at 3.0610 levels. Daily momentum and stochastics are mild bullish bias. Risks to the upside and gains can extend on break above 3.0640/50 levels (double top). Break above double-top opens room for further upside towards 3.07, 3.0780 levels. Failing which the cross could ease off. Support at 3.0490 (21 DMA), 3.0450 (50DMA) and 3.0360 levels. We look for a range of 3.04 – 3.0650 next week.
AUD/MYR	→	S: 2.8650 R:2.9050	**Eyeing Triple Bottom Again.** AUDMYR briefly broke below triple bottom early this week but decline was short-lived as the cross rebounded to trade higher into the week's close. Cross was last seen at 2.8780 levels. Bearish momentum on daily chart is waning while stochastics is showing signs of turning around from near oversold conditions. Rebound risks not ruled out. Resistance at 2.8925 (21 DMA), 2.9050 (50, 100 DMAs). Support at 2.8650 (triple bottom).
EUR/MYR	→	S: 4.6600; R:4.7200	**Pullback to Find Support.** Our call for EURMYR to trade lower played out this week as EURMYR dipped to intra-week low of 4.67 (Wed). Cross was last seen at 4.6880 levels. Mild bearish momentum on daily chart remains intact while stochastics is falling. Pullback likely to find support at 4.6680 (50 DMA), 4.6630 (38.2% fibo retracement of Apr low to Jun high). Resistance at 4.6990 (200 DMA), 4.72 (Jun high).
GBP/MYR	→	S: 5.2630; R: 5.3200	**Rebound Risks Not Ruled Out.** It was a week of 2 halves with losses seen in early week before they were reversed into Asia close. GBPMYR was last seen at 5.2725 levels. Bearish momentum on daily chart shows signs of fading while stochastics is showing tentative signs of turning from oversold conditions - signs of rebound not ruled out. Immediate resistance at 5.2870 (21 DMA) before 5.32 levels. Support at 5.2630, 5.25 and 5.23 levels.
JPY/MYR	→	S: 3.8200 R: 3.8760	**Heading Into Resistance.** JPYMYR rose, in line with our call. Cross was last seen at 3.8710 levels. Bearish momentum on daily chart is fading while stochastics is rising. Immediate resistance at 3.8760 (previous high). Need a break above this for further upside towards 3.90, 3.93 to play out. Failing which, the cross could ease off towards 3.8460 (21 DMA), 3.82 levels.

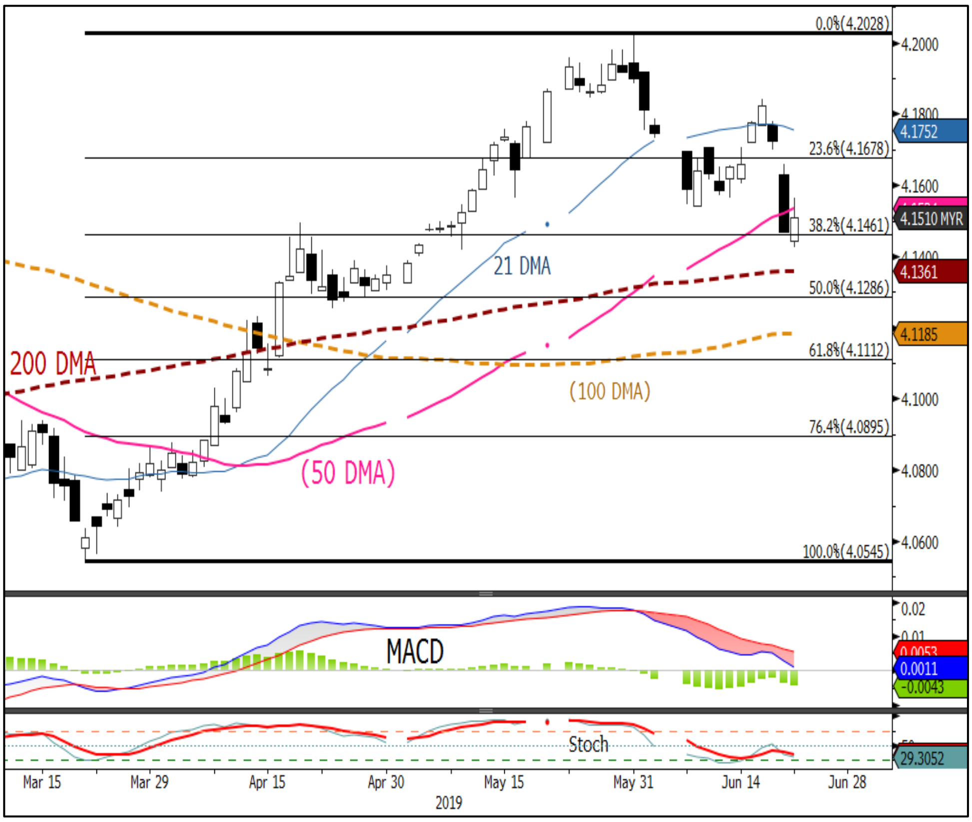
Technical Chart Picks:

USDSGD Daily Chart – Consolidate within Bearish Pressure

USDSGD turned massively lower this week following Fed's dovish tilt and renewed optimism of US-China trade deal (after Trump-Xi are said to meet at G20 next week).

Bearish momentum on daily chart remains intact while stochastics is falling into near-oversold conditions. Pace of Decline could moderate. Support at 1.3540 (23.6% fibo retracement of 2018 high to 2019 low), 1.3510. Break below these levels could see decline pick up pace towards 1.3440 (2019 low). Immediate resistance at 1.36 (100 DMA), 1.3650 (50 DMA).

USDMYR Daily Chart – Decline Could Accelerate if Support Goes



USDMYR's early week gains was more than retraced into end of week. Pair was last seen at 4.1510 levels.

Bullish momentum on weekly chart (not shown here) is fading while stochastics is showing signs of turning from near-overbought conditions. Mild bearish momentum on daily chart remains intact. Key support at 4.1460 (38.2% fibo retracement of 2019 low to high). Break below this puts next support at 4.1360 (200 DMA). Resistance at 4.1530 (50 DMA), 4.1680 (23.6% fibo).

AUDSGD Weekly Chart: Chance of Bullish Hammer?

AUDSGD fell to multi-year low of 0.9361 early this week before partially reversing some of its declines into end-week. Cross was last seen at 0.94 levels.

Bearish momentum on daily chart (not shown here) remains intact but signs of fading are gradually appearing while stochastics shows tentative signs of turning from oversold conditions. A potential bullish hammer is seen on the weekly chart. This could be a bullish reversal. Resistance at 0.9485 (21 DMA), 0.9530 (50 DMA). Immediate support at 0.9360, 0.9240 (flash crash low).

SGDMYR Daily Chart: Double Top to Hold?

SGDMYR traded higher this week amid SGD outperformance. Cross was last seen at 3.0610 levels.

Daily momentum and stochastics are mild bullish bias. Risks to the upside and gains can extend on break above 3.0640/50 levels (double top). Break above double-top opens room for further upside towards 3.07, 3.0780 levels.

Failing which the cross could ease off. Support at 3.0490 (21 DMA), 3.0450 (50DMA) and 3.0360 levels. We look for a range of 3.04 – 3.0650 next week.

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Malayan Banking Berhad
(Incorporated in Malaysia)

Saktiandi Supaat	Christopher Wong	Fiona Lim	Leslie Tang
Head, FX Research	Senior FX Strategist	Senior FX Strategist	Senior FX Strategist
saktiandi@maybank.com.sg	wongkl@maybank.com.sg	Fionalim@maybank.com.sg	leslietang@maybank.com.sg
(+65) 63201379	(+65) 63201347	(+65) 63201374	(+65) 63201378