

FX Weekly

Eyes on 1st Mar Trade Deadline, Brexit Debate & Trump-Kim Meet

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 95.50; Resistance at 97.50
- **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 0.9500; Resistance at 0.9800
- **SGD/MYR - Fade.** Support at 2.9800; Resistance at 3.0300

Cautious as Optimism is More Priced in than Disappointment

Mild dollar decline this week may have more room to go if optimism on US-China trade talks progress into a trade deal. In particular, trade-sensitive AXJ FX including CNH, KRW, TWD, THB and SGD as well as antipodeans AUD and NZD could appreciate. However we caution that USD/AXJs face asymmetric risks to the upside if trade talks break down and import tariffs are imposed on 1 Mar, without any extension of the deadline (not our base case scenario). We believe optimism is more priced in than disappointment, hence the need to be cautious. Elsewhere there are plenty of Fed speaks today and next week. Key focus on Fed Chair Powell's testimony to before Senate banking committee (Tue) and House Panel (Wed). We do not expect any change in Fed's dovish-leaning rhetoric. Much softer than expected US economic data over the past 2 weeks validated Fed's pause in current tightening cycle but a pause does not automatically imply a rate cut next. Jumping the gun could pose a rude rebound to USD. Nonetheless we believe Fed is nearing the end of the current tightening cycle. Our house view remains for 2 Fed hikes this year.

Brexit Development to Intensify 2-Way Trade in GBP

PM May makes statement on her brexit negotiation progress to the House on 26th Feb and then to allow for the House to debate on 27th Feb. Likelihood of re-negotiated deal in time for a vote next Wed is low but votes can still take place via amendments (details have yet to be published). We look for 1.28 - 1.32 range.

Global Health Check Next Week; Trump-Kim Summit (Wed-Thu)

Key highlights next week include Singapore CPI; NZ retail sales; US Dallas Fed Mfg on Mon. For Tue, US housing data, consumer confidence; BoE's Carney and co. to appear before parliament committee; Singapore IP. For Wed, NZ trade and EU consumer confidence. For Thu, US 4Q GDP, Chicago PMI; German CPIK; Australia Capex; NZ activity outlook; Chinas NBS PMIs; JP retail sales, IP. For Fri, US PCE Core, ISM Mfg; NZ ToT, consumer confidence; JP capex, company profits; Indonesia CPI; China Caixin PMI as well as Mfg PMIs from EU, Germany, UK, JP, AU, Malaysia, Indonesia, Philippines.

On market closures, PH closed on Mon, TW on Thu and TW, KR on Fri.

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Our in-house model implies that S\$NEER is trading 0.98% above the implied midpoint of 1.3673, 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: 95.50; R: 97.50	<ul style="list-style-type: none"> Mon: CFNAI (Jan); Dallas Fed Mfg Activity (Feb); Fed's Clarida speaks; Tue: Housing starts, building permits (Dec); S&P/CS House Price Index (Dec); Richmond Fed Mfg Index (Feb); Conf Board Consumer Confidence (Feb); Fed's Powell testifies before Senate Banking Panel; Wed: Fed's Powell to testify to House Panel; Pending Home Sales (Jan); Thu: Fed's Clarida, Bostic, Harker, Kaplan speak; GDP, core PCE (4Q); Chicago PMI (Feb); Kansas City Fed Mfg (Feb); Fri: Fed's Mester, Powell, Bostic speak; PCE Core (Dec); ISM Mfg (Feb); Personal Income, spending (Dec)
EURUSD		S: 1.1200; R: 1.1500	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Consumer Confidence (Feb); Thu: German CPI (Feb) Fri: EU, German Mfg PMI, CPI (Feb); Unemployment rate (Jan)
AUDUSD		S: 0.7060; R: 0.7200	<ul style="list-style-type: none"> Mon: - Nil - Tues: - Nil - Wed: Construction work done (4Q); Thu: Private Capex (4Q) Fri: PMI Mfg, Commodity Index (Feb)
NZDUSD		S: 0.6700; R: 0.6900	<ul style="list-style-type: none"> Mon: Retail Sales (4Q); Tue: RBNZ Deputy Governor Bascand speaks; Wed: Trade (Jan); Thu: ANZ Activity Outlook (Feb); Fri: Terms of Trade (4Q); Building permits (Jan); Consumer Confidence (Feb)
GBPUSD		S: 1.2800; R: 1.3200	<ul style="list-style-type: none"> Mon: - Nil - Tue: BoE's Carney, Ramsden, Vlieghe, Haskel at Parliament Committee; Wed: - Nil - Thu: GfK Consumer Confidence (Feb) Fri: PMI Mfg (Feb)
USDJPY		S: 109.50; R: 112.20	<ul style="list-style-type: none"> Mon: PPI Services (Jan); Tue: - Nil - Wed: BoJ Kataoka speaks; Thu: Retail Sales, IP, housing starts, construction orders (Jan); Fri: Jobless rate (Jan); Capex, Company Profits (4Q); PMI Mfg (Feb)
USDCNH		S: 6.6800; R: 6.7800	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Mfg, non-Mfg PMI (Feb); Fri: Caixin PMI Mfg (Feb)
USDSGD		S: 1.3450; R: 1.3650	<ul style="list-style-type: none"> Mon: CPI (Jan); Tue: Industrial Production (Jan); Wed: - Nil - Thu: Credit Card Bad Debts (Jan) Fri: - Nil -
USDMYR		S: 4.0500; R: 4.1000	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: PMI (Feb)
USDPHP		S: 51.50; R: 52.40	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: PMI Mfg (Feb)
USDIDR		S: 13,900; R: 14,200	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: PMI Mfg, CPI (Feb)

Sources: Bloomberg, Maybank FX Research

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Fed Speaks, Trade to Drive Direction. Decline in USD this week was due to renewed optimism on US-China trade deal. Trump is planning to meet China Vice-Premier Liu He later today (230pm US time) while China proposed that it could buy an additional \$30bn/year of US agri-products including soybeans, wheat and corn. This is part of the 6 MoUs US and China are working on, which are aimed to cover areas including non-tariff barriers, services, technology transfer and intellectual property. But DXY decline has since stabilised as we approach Asia close hours as caution remains warranted. Disappointment could derail sentiment and provide some support for the USD. Nonetheless we reiterate that any material progress could see gains in trade-sensitive AXJ FX including CNH, KRW, TWD, THB and SGD. Our base case remains for a partial agreement that can provide for an extension of the trade truce beyond 1 Mar.</p> <p>FoMC minutes released on 21 Feb reinforced Fed's 'patience' stance. Many participants suggested it was not yet clear what adjustments to the target range for the Fed fund rate may be appropriate later this year". Minutes also showed split views in interest rate trajectory as several officials argued that it would be appropriate to raise rates if economy evolved as they expected while another group argued that rate increases might only be required if inflation were higher than baseline outlook. On balance sheet reduction, officials agreed that an announcement soon to (stop shrinking Fed's \$4tn balance sheet) would provide more certainty about the process for completing the normalisation of the size of the balance sheet. We do not rule out further details of a timeline on ending balance sheet tapering, possibly as early as at the March FoMC meeting. A plan to provide some clarity could help to ease monetary conditions.</p> <p>There are plenty of Fed speaks later today - Williams and Daly will discuss inflation at a forum; Vice-Chair Clarida speaks on Fed tools and communication; Potter discusses quantitative tools and Bullard, Harker, Quarles speak on balance sheet as well as next week when Fed Chair Powell will testify before Senate banking committee (Tue) and House Panel (Wed). We do not expect any change in Fed's dovish-leaning rhetoric. Much softer than expected US economic data over the past 2 weeks validated Fed's pause in current tightening cycle but a pause does not automatically imply a rate cut next. Jumping the gun could pose a rude rebound to USD. Nonetheless we believe Fed is nearing the end of the current tightening cycle. Our house view remains for 2 hikes this year.</p> <p>Broadly, we still expect USD strength to fade and trade within 95.50 - 97.50 range on <u>softer set of US data</u>, <u>dovish-leaning Fed rhetoric</u> and <u>renewed optimism on US-China trade deal</u>. This view could change if US-China trade talks broke down and import tariffs are imposed on 1 Mar, without any extension of the deadline. Under this worst case scenario, we could see USD jump against most currencies including CNH.</p> <p>DXY was last seen at 96.60 levels. Bullish momentum on daily chart is waning while stochastics is falling. Area of support at 96.30 - 96.40 (21, 50, 100 DMAs) before 96 levels and 95.5 (200 DMA). Resistance at 97.40, 97.80 levels. A compression of moving averages (21, 50, 100 DMAs) is observed around 93.30/40 levels. This usually precedes a break-out, which could happen in either direction. Our bias remains to lean against strength.</p> <p><i>Focus next week on CFNAI (Jan); Dallas Fed Mfg Activity (Feb); Fed's Clarida speaks on Mon; Housing starts, building permits (Dec); S&P/CS House Price Index (Dec); Richmond Fed Mfg Index (Feb); Conference Board Consumer Confidence (Feb); Fed's Powell testifies before Senate Banking Panel on Tue; Fed's Powell to testify to House Panel; Pending Home Sales (Jan) on Wed; Fed's Clarida, Bostic, Harker, Kaplan speak; GDP, core PCE (4Q); Chicago PMI (Feb); Kansas City Fed Mfg (Feb) on Thu; Fed's Mester, Powell, Bostic speak; PCE Core (Dec); ISM Mfg (Feb); Personal Income, spending (Dec) on Fri.</i></p>
EUR/USD	<p>Further Rebound Not Ruled Out. EUR reclaimed 1.13-handle this week amid USD softness but gains stalled on rising concerns of stagnation in Euro-area economy after manufacturing PMI slipped into contractionary territory. ECB GC member Nowotny's comments of debate about whether normalisation of ECB policy should go on limited EUR gains. Pair was last seen at 1.1340 levels. Daily momentum turned mild bullish while stochastics is rising. Rebound risks remain intact but further gains may only gain traction on break above 1.1365 (21 DMA), 1.1390 (50, 100 DMAs). Support at 1.13, 1.1230 (2018 low) before 1.1190 (61.8% fibo retracement of 2017 low to 2018 high).</p>

Focus next week on Consumer Confidence (Feb) on Wed; German CPI (Feb) on Thu; EU, German Mfg PMI, CPI (Feb); Unemployment rate (Jan) on Fri.

GBP/USD Brexit Development to Intensify 2-Way Choppy Trade in Range. PM May makes statement on her brexit negotiation progress to the House on 26th Feb and then to allow for the House to debate on 27th Feb. Likelihood of re-negotiated deal in time for a vote next Wed is low but votes can still take place via amendments (details have yet to be published). The objective of the amendments (if approved by a vote) could change the course of UK's exit. No amendments have been published but MPs have signalled their intentions. According to Reuters report, Labor MP Cooper is planning to propose that if a EU-UK withdrawal deal is not agreed by mid-Mar, PM May has to bring a motion to parliament on either: 1) no deal brexit or 2) extend brexit deadline. More details are expected in coming days. We continue to call for 2-way trade in wide range of 1.28 - 1.32 as brexit development drives direction ahead of the House of Commons vote next Wed when MPs will get a chance to determine the future course of brexit. We are biased for upside play but fears of Fitch rating cut to UK's AA rating, fragmentation in domestic politics and brexit no-deal disappointment could still dampen GBP bulls.

GBP was last seen at 1.3010 levels. Daily momentum turned mild bullish while stochastics is rising. Immediate resistance at 1.3040 (23.6% fibo retracement of 2018 low to 2019 high) before area of resistance at 1.3090 - 1.3110 (downward sloping trend-line resistance from the highs in 2018 and 2019). This needs to be broken for further upside to gather momentum. Support at 1.30 (21, 200 DMAs), 1.2930 and 1.2840.

Focus next week on BoE's Carney, Ramsden, Vlieghe, Haskel at Parliament Committee on Tue; GfK Consumer Confidence (Feb) on Thu; PMI Mfg (Feb) on Fri.

USD/JPY Near Term Rebound Risks. Given the window of opportunity for goldilocks (carry play) and risk-on play (owing to hopes of US-China trade deal), **USDJPY may temporarily claw back early-2019 losses.** But up-move should be capped at 112 in the short term as bigger macro factors weigh. Pair was last seen at 110.80 levels. Bullish momentum on daily chart remains intact but stochastic is rising into near-overbought conditions. Near term upside risks not ruled out. Resistance at 111.50, 112.20. We look for better opportunities of the move higher to fade into. Support at 110.40, 109.50.

Focus next week on PPI Services (Jan) on Mon; BoJ Kataoka speaks on Wed; Retail Sales, IP, housing starts, construction orders (Jan) on Thu; Jobless rate (Jan); Capex, Company Profits (4Q); PMI Mfg (Feb) on Fri.






AUD/USD Consolidative Play Ahead of Trade Talk Outcome. AUD was last seen at 0.7108 levels. Daily momentum and stochastics indicators are not showing a clear bias while compression of moving averages are observed around 0.7130 - 60 levels. This typically precedes a break-out trade which can take place either direction. Area of resistance at 0.7140-60 (21, 50, 100 DMAs) remains key. 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 Construction work done (4Q) on Wed; Private Capex (4Q) on Thu; PMI Mfg, Commodity Index (Feb) on Fri.

NZD/USD US-China Trade Talk Outcome to Influence Direction. NZD fell into the week's close after RBNZ said proposals to increase lenders' capital requirements could raise borrowing costs and lead to tighter monetary conditions and this could eventually require a rate cut to OCR. Pair was last seen at 0.6790 levels. Bullish momentum on daily is waning while stochastics is falling. Key support at 0.6750/60 levels. Break below this puts next support at 0.67 (50% fibo retracement of Oct low to Nov high). Resistance at 0.6840 (23.6% fibo), 0.6910.

Focus next week on Retail Sales (4Q) on Mon; RBNZ Deputy Governor Bascand speaks on Tue; Trade (Jan) on Wed; ANZ Activity Outlook (Feb) on Thu; Terms of Trade (4Q); Building permits (Jan); Consumer Confidence (Feb) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:2.9800; R:3.0300	Fade. SGDMYR rebounded this week, in line with our caution from our last FX Weekly for the risk of near term rebound. Pair was last seen at 3.0150. Near term rebound pressure remains but underlying bearish bias still favor leaning against strength. Area of resistance at 3.0180 (21 DMA) - 3.02 before 3.03 levels. Support at 3.0090 (100 DMA), 2.9950 (50% fibo retracement of 2018 low to high), 2.98 (61.8% fibo).
AUD/MYR		S: 2.8600 R:2.9360	No Clear Bias. AUDMYR started the week with a gap higher but gains were more than reversed into end-week. Cross was last seen at 2.8980 levels. While short term indicators are not providing a clear bias for now, the underlying bias (as indicated on weekly momentum) remains bearish. Support at 2.8615 levels (previous low). Break below this could usher in further downside towards 2.80. Resistance at 2.9290, 2.9360 levels.
EUR/MYR		S: 4.5900; R:4.6900	Rebound Underway. Our caution in the last FX Weekly for EURMYR to rebound is underway. Cross was last seen at 4.6290 levels. Daily momentum turned mild bullish while stochastics is rising from oversold conditions. Immediate resistance at 4.6450 (21 DMA) before 4.66 levels. Decisive move above these levels could open way for further upside towards 4.69 (50 DMA). Support at 4.59/60.
GBP/MYR		S: 5.2700; R: 5.4000	More Gains on Break Above 5.34. In our last FX Weekly (sent 15 Feb), we shared that GBPMYR could face rebound risks towards 5.25, 5.27. GBPMYR then was 5.2280. The move higher has materialised. Subsequently we shared in another report (sent 19 Feb) that rebound risks remain and a sustained move above 5.29 - 5.30 could open up room for further upside play towards 5.3420. And GBPMYR drifted as high as 5.3338 (21 Feb). Cross was last seen at 5.3170 levels. Bullish momentum on daily chart remains intact. Further rebound risks remain. More gains towards 5.39, 5.43 could come on clean break above 5.34-5.35 resistance. Support at 5.30, 5.27 levels.
JPY/MYR		S: 3.6200 R: 3.7400	Bullish Trend Channel May Break Down. JPYMYR slipped this week amid JPY underperformance. Cross was last seen at 3.6840 levels. Daily momentum and stochastics indicators are not showing a clear bias but 21 DMA is cutting 50, 100 DMAs to the downside and could be on course to cut 200 DMA soon. This could imply that the bullish trend channel formed since early-2018 could be at risk of breaking down. Support at 3.66 (lower bound). Break below this puts next support at 3.65, 3.62 levels. Resistance at 3.71 (21, 100 DMAs), 3.74.

Technical Chart Picks:

USDSGD Daily Chart - Near Term Rebound Risk but Bias to Fade



USDSGD partially retraced early week's decline, as we write. Last seen at 1.3545 levels. Momentum on daily chart is not indicating a clear bias for now while weekly technical suggest that the decline since late-2018 could moderate.

Near term rebound risks towards 1.3590 (50 DMA, upper bound of the bearish trend channel), 1.3650 (200 DMA) not ruled out but bias to fade remains for as long as bearish trend channel holds. Support at 1.35, 1.3440 (50% fibo retracement of 2018 low to high).

USDMYR Daily Chart - Near Term Rebound Risk; Bias to Fade



USDMYR consolidated this week following >2% decline since end-Nov. Pair was last seen at 4.0830 levels. Bearish momentum is waning while stochastics is turning higher. These continue to suggest the risks of a near term rebound, which could see the pair trade higher towards 4.10, 4.1190 levels.

However underlying bearish bias as seen on weekly charts and bearish 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 Weekly Chart: Range Trade Continues



AUDSGD traded lower this week but range remains confined to 0.9570 - 0.9740 range. Cross was last seen at 0.9610 levels. Daily momentum and stochastics are still not showing a clear bias at this stage. Resistance is seen at 0.9680 (21, 50 DMAs) before 0.9790 (100-dma). Price actions have been capped by these levels. Support at 0.9580, 0.9470.

We continue to look for a consolidative plays in the range of 0.9500 - 0.98 as market awaits outcome of the US-China trade talks.

SGDMYR Daily Chart: Lean against Strength



SGDMYR rebounded this week, in line with our caution from our last FX Weekly for the risk of near term rebound. Pair was last seen at 3.0150,

Near term rebound pressure remains but underlying bearish bias still favor leaning against strength. Area of resistance at 3.0180 (21 DMA) - 3.02 before 3.03 levels. Support at 3.0090 (100 DMA), 2.9950 (50% fibo retracement of 2018 low to high), 2.98 levels (61.8% fibo).

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