

FX Weekly

Risk-Reward Perspective May Favor Selling USD Rallies

The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 96.50; Resistance at 98.20
- **USD/SGD - Supported.** Support at 1.3730; Resistance at 1.3960
- **USD/MYR - Triple Top?** Support at 4.1670; Resistance at 4.2000
- **AUD/SGD - Reversal?** Support at 0.9250; Resistance at 0.9440
- **SGD/MYR - Sell Rallies.** Support at 3.0090; Resistance at 3.0300

Powell Tonight and Handful of US Data Next Week

Top focus on Fed Chair Powell's keynote speech at Jackson Hole Symposium tonight (10pm SG/ KL time). We expect further clarification to the phrase - "mid-cycle adjustment to policy" and the Fed to emphasize on policy flexibility dependent on data and risk assessment. With markets scaling down expectations for Fed to cut 25bps at the Sept FoMC (vs. 50bps previously), some hawkish comments from Fed speakers this week including Rosengren, Esther George and Harker (whom were dissenters or non-voter anyways), and the USD back up to near 2019-high, we believe the room for further DXY upside may be limited. As such from a risk-reward perspective, we favor leaning against USD strength, tactically (unless Powell surprises with hawkish remarks). We look for DXY to ease lower towards 97.40 levels. On 10Y UST yield, a bullish divergence of the MACD is observed. A move towards 1.72%, 1.80% should not be ruled out in the interim. USDJPY could see a squeeze up to 107.10, 107.50 levels in the interim. USD/AXJ is vulnerable to further upside if Powell's speech is not perceived to be dovish enough.

BoK Likely to Keep Doors Open for Further Easing

We expect BoK to keep policy rate unchanged at 1.50% at the upcoming MPC meeting on 30 Aug, as BoK allows for the recent 25bps cut at the last MPC meeting (18 Jul) to work its way into the economy. There is some chance for another 25bps cut this year given that hopes for growth rebound in 2H are fading while inflation remains sub-1% for the 6th consecutive month. Ongoing trade spat between Japan-Korea and unresolved trade dispute between US and China are not helping with the investment, growth cycle. The next cut may come soon possibly in Oct's meeting if domestic economic activity, exports and inflation continue to show no signs of recovery.

US, Germany, India GDP; SG IP; EU CPI; China PMI Next Week

Key data we are watching next week include US CFNAI, durable goods, factory orders; German IFO; NZ trade; SG industrial production on Mon. For Tue, US Richmond Fed, consumer confidence; German 2Q GDP; China industrial profits. For Thu, US GDP; German CPI; AU capex; NZ business confidence. For Fri, US PCE Core; EU CPI estimates; AU building approvals; NZ consumer confidence; JP IP; India GDP. For Sat, China PMIs. UK and PH onshore markets are closed next Mon for holiday.

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Our in-house model implies that S\$NEER is trading around 0.60% above the implied midpoint of 1.3957, 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: 98.50	<ul style="list-style-type: none"> Mon: CFNAI, Durable goods, factory orders (Jul); Dallas Fed Mfg (Aug); Tue: Richmond Fed Mfg, Conf. board consumer confidence (Aug); Wed: Fed's Barkin speaks; Thu: GDP, core PCE (2Q S); Pending home sales (Jul); Retail, wholesale inventories (Jul); Fed's Daly speaks; Fri: Personal spending, income, PCE core (Jul); Chicago PMI, Uni. Of Michigan Sentiment (Aug)
EURUSD		S: 1.1000; R: 1.1200	<ul style="list-style-type: none"> Mon: German IFO Expectations (Aug); Tue: German GDP (2Q final); Wed: Money Supply (Jul); Thu: Consumer confidence (Aug); German CPI (Aug P); Fri: CPI estimate (Aug); Unemployment rate (Jul)
AUDUSD		S: 0.6700; R: 0.6800	<ul style="list-style-type: none"> Mon: - Nil - Tues: RBA's Debelle speaks; Wed: Construction work done (2Q); Thu: Private capex (2Q); Fri: Building Approvals (Jul)
NZDUSD		S: 0.6340; R: 0.6590	<ul style="list-style-type: none"> Mon: Trade (Jul); Tue: - Nil - Wed: - Nil - Thu: ANZ Business Confidence (Aug); Fri: Building permits (Jul); ANZ Consumer confidence (Aug)
GBPUSD		S: 1.2150; R: 1.2390	<ul style="list-style-type: none"> Mon: - Nil - Tue: BoE's Tenreyro speaks; Wed: - Nil - Thu: - Nil - Fri: GfK Consumer confidence (Aug)
USDJPY		S: 105.50; R: 107.50	<ul style="list-style-type: none"> Mon: - Nil - Tue: PPI services (Jul); Wed: - Nil - Thu: BoJ Suzuki speaks; Fri: Retail sales, IP, jobless rate, housing starts (Jul)
USDCNH		S: 7.0000; R: 7.1500	<ul style="list-style-type: none"> Mon: - Nil - Tue: Industrial profits (Jul); Wed: - Nil - Thu: - Nil - Fri: - Nil - Sat: NBS Mfg & non-mfg PMIs (Aug)
USDSGD		S: 1.3730; R: 1.3960	<ul style="list-style-type: none"> Mon: Industrial production (Jul); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Bank Loans & Advances, Money supply (Jul)
USDMYR		S: 4.1670; R: 4.2000	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 51.70; R: 52.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Bank lending, Money Supply (Jul)
USDIDR		S: 14,000; R: 14,300	<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 IDRS GD	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
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>Risk-Reward Favor Leaning against DXY Strength. Top focus on Fed Chair Powell's keynote speech at Jackson Hole Symposium tonight (10pm SG/ KL time). Markets are on the lookout for hint of any shifts in monetary policy. We see low risk of Powell making any significant change in policy stance as economic data have hardly deteriorated to an extent to justify a shift in policy stance. He could take the opportunity to clarify on "mid-cycle adjustment to policy" - which may not just mean one rate cut. Recall that at the last press conference post-FoMC, Powell did clarify that he didn't say it's just one cut or anything like that. Powell could put an emphasis on policy flexibility and space to manoeuvre depending on how economic data, global risks capable of posing spill over effects pan out.</p> <p>With markets scaling down expectations for Fed to cut 25bps at the Sept FoMC (vs. 50bps previously), some hawkish comments from Fed speakers this week including Rosengren, Esther George and Harker (whom were dissenters or non-voter anyways), and the USD back up to near 2019-high, we believe the room for further DXY upside may be limited. As such from a risk-reward perspective, we favor leaning against USD strength, tactically. Downside could have more room to run if Powell surprises with more dovish rhetoric. Elsewhere softer US data may also help to limit USD strength - watch US durable goods (next Mon), consumer confidence (Tue) GDP (Thu), PCE core (Fri). In addition, potential discussions on currency transaction tax that could weaken the USD and make US exports more competitive and the risk of US intervening to sell USD or change its USD FX policy (low risk at this point) may see USD being nudged lower (if chatters gain traction).</p> <p>Month-to-date, DXY has managed to claw back nearly most of its decline (~1.5%) in early-Aug and was last seen near-2019 highs again ahead of Powell's speech. Last seen at 98.37 levels. Mild bullish momentum remains intact but stochastics is in overbought conditions. Resistance at 98.50/70 levels before 98.93 (2019 high). Tactical bias to sell rallies. Support at 97.98 (21 DMA), 97.40/50 (50, 100 DMAs) and 97 levels (200 DMA). A decisive break below 200DMA is needed for more downside to come into play.</p> <p><i>Focus next week on CFNAI, Durable goods, factory orders (Jul); Dallas Fed Mfg (Aug) on Mon; Richmond Fed Mfg, Conf. board consumer confidence (Aug) on Tue; Fed's Barkin speaks on Wed; GDP, core PCE (2Q S); Pending home sales (Jul); Retail, wholesale inventories (Jul); Fed's Daly speaks on Thu; Personal spending, income, PCE core (Jul); Chicago PMI, Uni. Of Michigan Sentiment (Aug) on Fri.</i></p>
EUR/USD	<p>Risk of Political Uncertainty in Italy Poses Volatility to EUR. EUR remains grounded near-2019 lows this week ahead of event risk - Powell's speech at Jackson Hole tonight. ECB minutes released on Thu showed that officials are concerned about growth and inflation expectations. Minutes noted a "combination of instruments with significant complementarities and synergies, since experience had shown that a policy package - such as the combination of rate cuts and asset purchases - was more effective than a sequence of selective actions". We think a "precautionary easing" to counter downside risks to growth is possible, especially in an environment when most central banks are easing <u>but an all-out easing is probably not required</u> at this stage unless economic and financial conditions are far worse than known. This are also limitations to how effective further rate cuts may be on the economy especially when key policy rates are already negative (i.e. negative impact on banking system may outweigh benefits of lower interest rates; lower rates may not encourage take-up (demand side issues). Potential appointment of Christine Lagarde as the next ECB President (Nov-2019) could see her pushing the European governments to work more on fiscal policies to stimulate growth rather than sole-reliance on monetary policies</p> <p>On Italy, President Mattarella gave parties 4 days to form a stable government (requiring confidence of parliament with group agreements on a program to govern the country). He will host new consultations next Tue to decide. Failure to form an alternative government would see fresh elections. Five star Movement (M5S) party and Democratic Party are in discussion to form a new coalition while Lega Nord prefers fresh elections but is also open to working with M5S again as long as it got things done. Uncertainty on the political front typically weigh on EUR in the lead up (case of sell rumor, buy fact) but provides opportunity to buy dips.</p> <p>Pair was last seen at 1.1070 levels. Bearish bias on daily chart remains intact while stochastics is falling into near-oversold conditions. Technical bias points to downside pressure but room for</p>

downside may be limited given oversold conditions. We caution that if Powell sounds less dovish than expected, EUR could test lower towards 1.10. However we continue to see change of rebound play. Resistance at 1.1120 (23.6% fibo retracement of Jun high to Aug low), 1.1130 (21 DMA). Support at 1.1060, 1.1020.

Focus next week on German IFO Expectations (Aug) on Mon; German GDP (2Q final) on Tue; Money Supply (Jul) on Wed; Consumer confidence (Aug); German CPI (Aug P) on Thu; CPI estimate (Aug); Unemployment rate (Jul) on Fri.

GBP/USD **Corrective Rebound Possible but Gains Likely Limited as Fears of Hard Brexit Remain.** GBP drifted higher this week on comments from EU leaders that seem to suggest hopes of compromise on brexit. Merkel said that practical solutions to Brexit can be considered while Macron said that he is “confident that with our collective intelligence and will to build should allow us to find an intelligent solution within thirty days...”

Pair was last seen at 1.2205 levels. Mild bullish momentum on daily chart remains intact while stochastics is rising. Resistance at 1.2340 (23.6% fibo retracement of Mar high to Aug low) before 1.2390 (50 DMA). Support at 1.2150 (21 DMA). Corrective rebound not impossible especially when GBP net shorts seem stretched at 30-month high. Nevertheless fluidity of Brexit could still limit gains.

Relatively quiet in terms of data - BoE's Tenreyro speaks on Tue; GfK Consumer confidence (Aug) on Fri. UK markets are scheduled to close on Mon.

USD/JPY **Technical Rebound.** USDJPY was last seen at 106.60 levels. Mild bullish momentum remains intact while stochastics is rising. Bullish divergence on MACD observed. In addition, a corrective rebound in UST yield is also supportive of USDJPY upside. Immediate resistance at 106.80 (21 DMA), 107.20, 107.50 (50 DMA). Support at 106, 105.50.

Focus next week on PPI services (Jul) on Tue; BoJ Suzuki speaks on Thu; Retail sales, IP, jobless rate, housing starts (Jul) on Fri.

AUD/USD **At Risk of Further Downside; Look to Trade 0.67 - 0.68.** AUD consolidated this week; last seen at 0.6760 levels. Mild bullish momentum on daily chart remains intact though stochastics is showing signs of turning from overbought conditions. Risks skewed to the downside. Support at 0.6730 (sideway range bottom), 0.6680 (2019 low). Resistance at 0.6790 (21 DMA), 0.6820. We look for 0.67 - 0.68 range next week.






Focus next week on RBA's Debelle speaks on Tue; Construction work done (2Q) on Wed; Private capex (2Q) on Thu; Building Approvals (Jul) on Fri.

NZD/USD **Falling Wedge?** NZD decline this week stalled after RBNZ Governor Orr said that RBNZ could afford wait-and-watch before deciding on further action to support the economy. This took away risks of another rate cut next month.

Pair was last seen at 0.6380 levels. Bearish momentum on daily chart is waning while stochastics is near-oversold conditions. Potential falling wedge appears to be in the making - typically associated with bullish reversal. Resistance at 0.6470, 0.6490 (21 DMA). Area of support at 0.6340 - 0.6360.

Focus next week on Trade (Jul) on Mon; ANZ Business Confidence (Aug); on Thu; Building permits (Jul); ANZ Consumer confidence (Aug) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0090; R: 3.0300	Mixed Technical but Bias to Sell Rallies. SGDMYR drifted higher for the week. Last seen at 3.0220 levels. Conflicting technical signals with momentum on daily chart turning mild bullish while price pattern shows a death cross (50 DMA cutting 200 DMA to the downside) formed - typically a bearish signal. Potential mini rising-wedge pattern could imply a bearish reversal ahead. Support at 3.0190 (21 DMA), 3.0090 (76.4% fibo retracement of 2019 low to high). Resistance at 3.0290 (50% fibo). Bias to sell rallies.
AUD/MYR		S: 2.8100 R: 2.8700	Downside Risk. AUDMYR remains under pressure amid AUD underperformance. Cross was last seen at 2.83 levels. Mild bullish momentum on daily chart intact but stochastics is showing a lack of follow-through. Immediate resistance at 2.8370 (21 DMA) needs to be broken for further upside towards 2.8650 (50 DMA) to unravel. Support at 2.80, 2.81 levels.
EUR/MYR		S: 4.6400; R: 4.7200	Bearish Momentum. EURMYR was last seen at 4.6380 levels. Bearish momentum on daily chart remains intact while stochastics is falling. Risks are skewed to the downside. Support at 4.6230 (61.8% fibo retracement of Aug low to high), 4.6020 (76.4% fibo). Resistance at 4.6520 (50 DMA), 4.6770 (23.6% fibo).
GBP/MYR		S: 5.0700; R: 5.1700	Runaway Gap? GBPMYR extended its move higher this week amid GBP outperformance. Cross was last seen at 5.1235 levels. Bullish momentum on daily chart intact while stochastics is rising from near-overbought conditions. Next resistance at 5.1420 (50 DMA). Break above puts next resistance at 5.1750 (38.2% fibo retracement of May high to Jul low) Support at 5.10, 5.0690 (21 DMA).
JPY/MYR		S: 3.9000 R: 4.0000	Bearish Pressure Shows Tentative Signs of Fading. JPYMYR eased from recent highs this week; last seen at 3.9310 levels. Bullish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Pace of decline could moderate. Support at 3.9070 (21 DMA), 3.8610 (50 DMA). Resistance at 3.95, 4.00 levels.

Technical Chart Picks:

USDUSD Daily Chart - Supported on Event Risk



USDUSD remains elevated; near 2019-highs. Pair was last seen at 1.3860 levels.

Momentum is mild bearish but stochastics shows a lack of follow-thru lower for now. Powell's speech tonight could provide catalyst for direction. But before that, we expect Jackson Hole event risk to keep the pair supported for now.

Immediate support at 1.3820 (21 DMA) before 1.3730 (38.2% fibo retracement of 2019 low to high).

Area of resistance at 1.3880 - 1.3905. Break of this puts next resistance at 1.3960.

USDMYR Daily Chart - Triple Top to Hold?



USDMYR drifted higher this week as markets await Powell's keynote speech at Jackson Hole later tonight (10pm SG/KL time).

Pair was last seen at 4.1905 levels. Momentum on daily chart is neutral.

Resistance at 4.1970, 4.2030 (2019 high). Triple top is in focus. Break above could see more gains crystallize but is likely 4.20 levels could provide decent defence.

Support at 4.1790 (76.4% fibo retracement of Jun high to Jul low), 4.1670 (21 DMA).

AUDSGD Daily Chart: Falling Wedge - Looking for Bullish Reversal



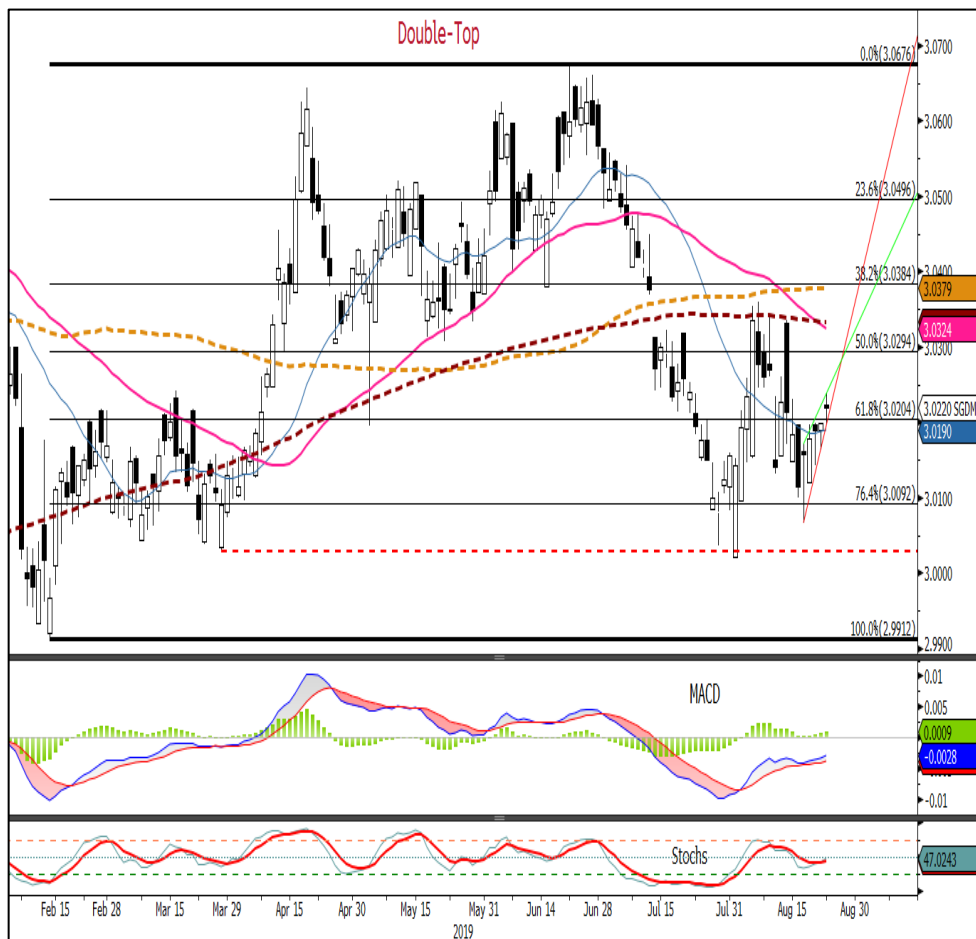
AUDSGD remains grounded near recent lows. Cross was last seen at 0.9360 levels.

Mild bullish momentum on daily chart shows tentative signs of fading while stochastics is falling. Risks skewed to the downside. Support at 0.93, 0.9250 (2019 low).

On the other hand, multi-week falling wedge pattern may suggest potential bullish reversal risk at some stage.

Resistance at 0.9390 (21 DMA), 0.9440 (50 DMA).

SGDMYR Daily Chart: Mixed Technical Signals; Bias to Sell Rallies



SGDMYR drifted higher for the week. Last seen at 3.0220 levels.

Conflicting technical signals with momentum on daily chart turning mild bullish while price pattern shows a death cross (50 DMA cutting 200 DMA to the downside) formed - typically a bearish signal.

Potential mini rising-wedge pattern could imply a bearish reversal ahead. Support at 3.0190 (21 DMA), 3.0090 (76.4% fibo retracement of 2019 low to high).

Resistance at 3.0290 (50% fibo). Bias to sell rallies.

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Published by:



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