

FX Weekly

Looking for DXY to Pullback

The Week Ahead

- **Dollar Index - Retrace.** Support at 96.80; Resistance at 98.30
- **USD/SGD - Pullback.** Support at 1.3710; Resistance at 1.3860
- **USD/MYR - Supported.** Support at 4.1670; Resistance at 4.2020
- **AUD/SGD - Range.** Support at 0.9350; Resistance at 0.9590
- **SGD/MYR - Consolidate.** Support at 3.0280; Resistance at 3.0470

Mixed Performance for USD

Downside surprise to US data this week took USD and UST yields lower as DXY looks on course to end the week on a softer footing. This reinforced our call that USD may be softer even in the environment of lingering trade tensions if US growth comes under pressure and the Fed then could then be forced to ease policies at some stage. (Markets are now pricing in 52% chance of Fed rate cut as early as in Sep FoMC meeting). And if trade tensions continue to persist in the environment of softer US data, then JPY and CHF could be better bid while EUR could retain its relative resilience. As such, the DXY could even be softer. But the same may not be said for USD vs. AXJs as trade and tech-linked FX such as CNH, KRW and TWD and to some extent SGD and MYR could stay under pressure. Essentially crossing out the USD, EUR and JPY may stand to benefit further vs. AXJs above-mentioned.

US' "war" on Trade Escalating to Tech and FX

US' recent proposal for tariffs on goods coming from nations with undervalued FX would let US companies seek anti-subsidy tariffs on products coming from countries identified by US Treasury Department to be engaging in competitive devaluation. While no countries are found to meet the criteria, it also sets a broader standard by focusing on the "undervaluation" of FX in a 2-step benefits analysis in determining the country's REER and equilibrium REER as well as its nominal and actual bilateral FX. The difference of the nominal and actual average nominal bilateral exchange rate could demonstrate the existence of a "benefit" from currency appreciation. So as Trump extends "war" from trade to tech to FX, there may even be some chance that Asian FX depreciation may slow for fear of being subjected to tariff imposition. We think it may be possible JPY could strengthen further on this.

Plenty of US Data Next Week

Key data next Mon include China industrial profits. For Tue, US Dallas Fed Mfg, consumer confidence. For Tue, US Richmond Fed; German labor market report; RBNZ financial stability report. For Thu, US GDP, pending home sales, Fed's Clarida to speak; AU capex, building approvals; NZ building permits, Budget. For Fri, US core PCE, Chicago PMI; German CPI; JP IP; China PMI. US is closed for Memorial Day holidays on Mon.

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Our in-house model implies that S\$NEER is trading around 0.7% above the implied midpoint of 1.3890, 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: 96.80; R: 98.30	<ul style="list-style-type: none"> Mon: - Nil - Tue: Dallas Fed Mfg activity, Conference Board consumer confidence (May); Wed: Richmond Fed Mfg Index (May); Thu: GDP (1Q); Pending Home sales (Apr); Fed's Clarida speaks; Fri: Personal income, spending, core PCE (Apr); Chicago PMI, Uni of Michigan Sentiment (May);
EURUSD		S: 1.1120; R: 1.1300	<ul style="list-style-type: none"> Mon: - Nil - Tue: ECB's Villeroy speaks; consumer confidence (May); Wed: ECB's Rehn speaks; German unemployment change (May); Thu: - Nil - Fri: German CPI (May)
AUDUSD		S: 0.6830; R: 0.7050	<ul style="list-style-type: none"> Mon: - Nil - Tues: - Nil - Wed: - Nil - Thu: Private capex (1Q); Building Approvals (Apr); Fri: Private sector credit (Apr)
NZDUSD		S: 0.6450; R: 0.6630	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: RBNZ Financial Stability Report; RBNZ Governor Orr speaks; Activity outlook, business confidence (May); Thu: Building Permits (Apr); NZ Budget; Fri: Finance Minister post-Budget speech; Consumer Confidence (May)
GBPUSD		S: 1.2610; R: 1.2820	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: GfK Consumer Confidence (May), M4 (Apr)
USDJPY		S: 109.00; R: 110.40	<ul style="list-style-type: none"> Mon: Leading Index, Coincident Index (Mar); Tue: PPI Services (Apr); Wed: BoJ Kuroda speaks; Thu: - Nil - Fri: Industrial production, retail sales, Jobless rate (Apr)
USDCNH		S: 6.8700; R: 6.9400	<ul style="list-style-type: none"> Mon: Industrial Profits (Apr); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: NBS PMI (May)
USDSGD		S: 1.3710; R: 1.3860	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Bank Loans and Advances, Money Supply (Apr)
USDMYR		S: 4.1670; R: 4.2020	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 51.80; R: 52.60	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Bank Lending, Money Supply (Apr)
USDIDR		S: 14,100; R: 14,500	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Money Supply (Apr)

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX View

Currency	Stories of the Week
DXY Index	<p>Looking for Retracement. Downside surprise to US data including prelim PMIs (both services and manufacturing), Kansas city fed manufacturing activity and new home sales took USD and UST yields lower as DXY looks on course to end the week on a softer footing. This reinforced our call that USD may be softer even in the environment of lingering trade tensions if US growth comes under pressure and the Fed then could then be forced to ease policies at some stage. (Markets are now pricing in 52% chance of Fed rate cut as early as in Sep FoMC meeting). And if trade tensions continue to persist in the environment of softer US data, then JPY and CHF could be better bid while EUR could retain its relative resilience. As such, the DXY could even be softer. But the same may not be said for USD vs. AXJs as trade and tech-linked FX such as CNH, KRW, TWD and to some extent SGD and MYR could stay under pressure. Essentially cross out the USD, EUR, JPY may stand to benefit further vs. AXJs above-mentioned.</p> <p>DXY was last seen at 97.8 levels. The run-up in USD index met key resistance at 98.3 (2019 high) - an important level we previously highlighted. Mild bullish momentum shows signs of waning while stochastics is showing early signs of turning from near-overbought conditions. Risks are now tilting to the downside. Immediate support at 97.7 (21 DMA), 97.3 (50 DMA) and 96.8 (100 DMA). Immediate resistance remains at 98.3 (2019 high).</p> <p><i>Focus next week on Dallas Fed Mfg activity, Conference Board consumer confidence (May) on Tue; Richmond Fed Mfg Index (May) on Wed; GDP (1Q); Pending Home sales (Apr); Fed's Clarida speaks on Thu; Personal income, spending, core PCE (Apr); Chicago PMI, Uni of Michigan Sentiment (May) on Fri.</i></p>
EUR/USD	<p>Corrective Rebound May be Limited by Near Term Political Stresses. EUR looks on track to reverse early week's weakness into the close thanks to USD softness. Pair was last seen at 1.1185 levels. Mild bearish momentum on daily chart is waning while stochastics turned higher from near oversold conditions. Corrective move higher is not ruled out but gains could still be weighed by political uncertainties in Europe over the weekend - EU parliament and Belgium Federal elections on Sun. Resistance at 1.1220 (50 DMA), 1.13 (100 DMA). Support at 1.1120 (interim double bottom).</p> <p><i>Focus next week on ECB's Villeroy speaks; consumer confidence (May) on Tue; ECB's Rehn speaks; German unemployment change (May) on Wed; German CPI (May) on Fri.</i></p>
GBP/USD	<p>Rejoice on May's Resignation? GBP enjoyed a lift up thanks to better than expected retail sales and on PM May's announcement that she will resign on 7th Jun. With PM May making an exit, question remains over who her successor is. Boris Johnson (hard brexiter) has indicated his intent to contest for the role. Uncertainty over her successor's brexit plan could fan fears of hard brexit and weigh further on GBP. We reiterate that renewed focus on political uncertainties at home - leadership struggle and brexit stalemate could continue to drag GBP lower. Nonetheless a market-friendly successor could unwind GBP shorts.</p> <p>Pair was last seen at 1.2710 levels. Bearish momentum on daily chart remains intact while stochastics is showing some signs of turning around from oversold territories. We do not rule out the case for a turn-around move higher soon. Resistance at 1.2820 (61.8% fibo retracement of 2019 low to high). Next support at 1.2610, 1.2590, 1.2440 levels.</p> <p><i>Relatively quiet week for UK in terms of data release with focus only on GfK Consumer Confidence (May), M4 (Apr).</i></p>

USD/JPY **Sell Rallies.** Our call for USDJPY to rebound and bias to fade the move panned out well this week. USDJPY short squeeze reached a high of 110.63 (Wed) before turning lower. Pair was last seen at 109.70 levels. Daily momentum is not indicating a clear bias. But given trade war concerns, fears of further sell-off in equities, the bias remains to sell rallies. Resistance at 110.40 (21 DMA). Support at 109.50, 109.10, 108.60.

Focus next week on Leading Index, Coincident Index (Mar); on Mon; PPI Services (Apr) on Tue; BoJ Kuroda speaks on Wed; Industrial production, retail sales, Jobless rate (Apr) on Fri.

AUD/USD **Bullish Divergence?** AUD partially retraced early week's decline at time of writing. Market players are weighed by the prospect of the first rate cut within two weeks. A lower cash rate would support hiring growth and guide inflation closer to target. The development of the ongoing trade war drags the growth prospect of China along with Australia and that too has policy implication. We see increasing risk that a near-term deal (within the quarter) will not happen and concur that this could in turn give rise to a rate cut in Jun.






AUD was last seen at 0.6910 levels. Bearish momentum is intact but waning. Stochs are also in oversold condition and we also see a bullish divergence forming with MACD. As of 14 May, CFTC data indicates that net AUD is still at six months high. While bias is still likely to the downside, we caution the unwinding of short AUD position on any positive developments between the US and China. Next key support is seen around the 0.6830. Resistance at 0.7050/70 levels (38.2% fibo retracement of Apr high to May low, 21 DMA) before 0.7110 (100 DMA).

Focus next week on Private capex (1Q); Building Approvals (Apr) on Thu; Private sector credit (Apr) on Fri.

NZD/USD **Bullish Reversal Underway.** NZD traded an intra-week low of 0.6482 amid US-China war on trade intensifying to tech and FX. Pair was last seen at 0.6540 levels. Mild bearish momentum on daily chart is fading while stochastics is showing signs of turning from oversold conditions. A bullish divergence and falling wedge pattern (bullish reversal) are in play but question remains how sustainable the bounce can go. Immediate resistance at 0.6580 (21 DMA). A weekly close above that level could see gains gather traction towards 0.6630. Support at 0.6485, 0.6430 (Oct low).

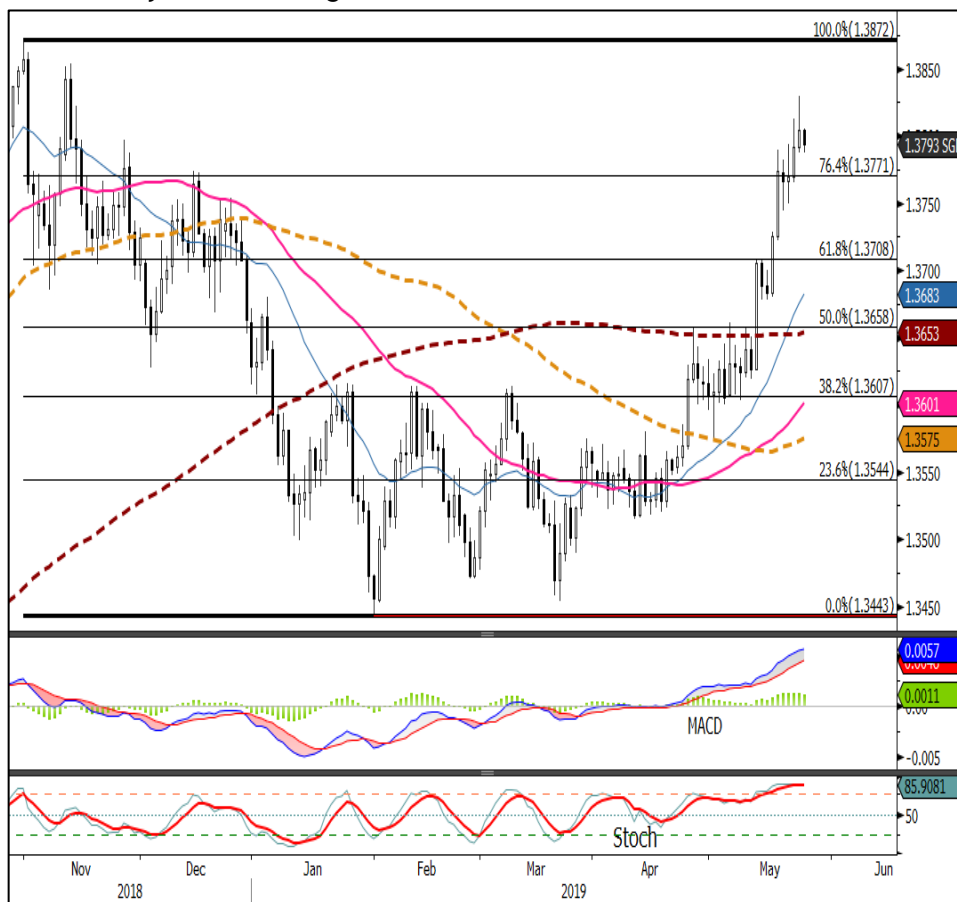
Focus next week on RBNZ Financial Stability Report; RBNZ Governor Orr speaks; Activity outlook, business confidence (May) on Wed; Building Permits (Apr); NZ Budget on Thu; Finance Minister to give post-Budget speech; Consumer Confidence (May) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0280; R:3.047	Consolidate. SGDMYR consolidated in 3.0310 - 3.0440 range this week after the decline seen in previous week. Cross was last seen at 3.0410 levels. Bearish momentum on daily chart remains intact but is showing tentative signs of fading while stochastics shows early signs of turning from near-oversold conditions. Range-bound trade with mild bias to the upside may take hold in coming week. Immediate resistance at 3.0420 (21 DMA), 3.0470 levels. Support at 3.0330 (50 DMA), 3.0280 (100, 200 DMAs, 50% fibo retracement).
AUD/MYR		S: 2.8650 R:2.9170	Triple Bottom Held Up Again. AUDMYR rebounded off triple bottom (2.8650/2.87). Last seen at 2.8870 levels. Bearish momentum on daily chart is fading while stochastics is turning from near-oversold conditions. Support at 2.8650 (triple bottom) should continue to hold. Resistance at 2.8980 (21 DMA), 2.91 (50 DMA), 2.9170 (23.6% fibo retracement of Dec high to 2019 triple bottom).
EUR/MYR		S: 4.6500; R:4.7200	Eye on Triple Top. EURMYR traded a touch firmer into end-week. Move higher remains consistent with our 4.64 - 4.69 range identified in the last FX Weekly. Cross was last seen at 4.6870 levels. Daily momentum and stochastics are not indicating a clear bias. Triple top at 4.69 a key level to watch. Break above put next resistance at 4.7080 (200 DMA), 4.72 levels. Support at 4.6620, 4.6450 levels.
GBP/MYR		S: 5.2800; R: 5.3500	Near Term Rebound Not Ruled Out. GBPMYR traded lower this week, in line with our caution for interim downside risks. Cross was last seen at 5.3050 levels. Bearish momentum on daily chart remains intact while stochastics is flagging oversold conditions. Rebound risks not ruled out next. Resistance at 5.32, 5.3560 levels. Support at 5.30, 5.2770.
JPY/MYR		S: 3.8000 R: 3.8500	Consolidation. Our call for JPYMYR to trade higher this week materialised. JPYMYR was last seen at 3.8250 levels. Bullish momentum on daily chart is fading while stochastics is near overbought conditions. Consolidation play likely next week. Support at 3.80. Resistance at 3.83, 3.85 levels.

Technical Chart Picks:

USDSGD Daily Chart - Looking for Pullback

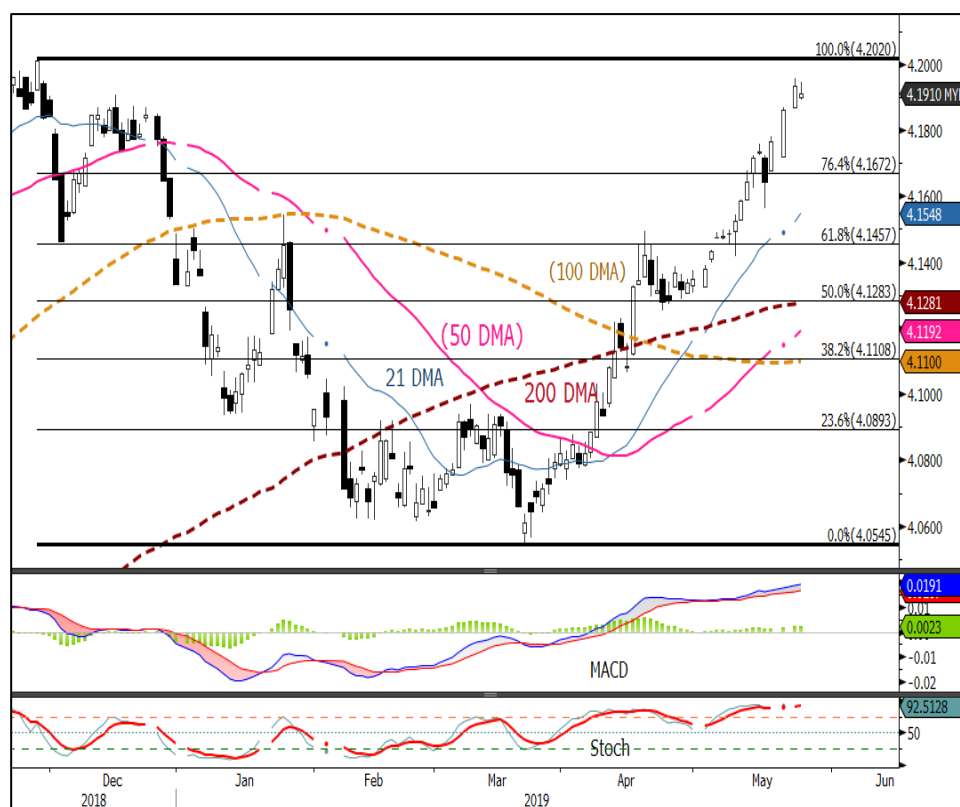


USDSGD printed fresh 6-month high this week as US-China trade war escalated to tech war. The run higher was also consistent with our caution for upside risk. High traded at 1.3830 (Thu); last seen at 1.3790 levels.

Bullish momentum on daily, weekly chart remains intact but stochastics is in overbought conditions. Risk of pullback not ruled out in the interim. Pullback lower may find support at 1.3770 (76.4% fibo retracement of 2018 high to 2019 low), 1.3710 (61.8% fibo) and 1.3680 (21 DMA).

Resistance at 1.3830 (2019 high), 1.3860.

USDMYR Daily Chart - Chance for Retracement



USDMYR marched on higher this week, in line with our caution for further upside (as mentioned in last FX Weekly). Pair was last seen at 4.1910 levels.

Mild bullish momentum on daily chart remains intact while stochastics is in overbought conditions. We see some chance of retracement lower. Immediate support at 4.1670 before 4.1550 (21 DMA). Immediate resistance 4.1960, 4.2020 levels.

AUDSGD Weekly Chart: Rebound Could Gain Traction Only On Break Above 21DMA



AUDSGD's decline in early week partially reversed into the week's close. Rebound is in line with our call for short squeeze higher.

Cross was last seen at 0.95 levels. Daily momentum turned mild bullish while stochastics is turning higher from near-oversold conditions. Extension of rebound could gather traction towards 0.9590 (50 DMA) on break above 0.9535 (21 DMA).

Support remains at 0.9440. Break below this could risk opening room for larger downside towards 0.9350 levels.

SGDMYR Daily Chart: Consolidate



SGDMYR consolidated in 3.0310 - 3.0440 range this week after the decline seen in previous week. Cross was last seen at 3.0410 levels.

Bearish momentum on daily chart remains intact but is showing tentative signs of fading while stochastics shows early signs of turning from near-oversold conditions. Range-bound trade with mild bias to the upside may take hold in coming week. Immediate resistance at 3.0420 (21 DMA), 3.0470 levels.

Support at 3.0330 (50 DMA), 3.0280 (100, 200 DMAs, 50% fibo retracement).

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