

## FX Weekly

# USD Strength to Fade...

### The Week Ahead

- **Dollar Index - Fade.** Support at 95.10; Resistance at 97.00
- **USD/SGD - Sell Rallies.** Support at 1.3500; Resistance at 1.3640
- **USD/MYR - Bearish.** Support at 4.0950; Resistance at 4.15
- **AUD/SGD - Buy Dips.** Support at 0.9580; Resistance at 0.9760
- **SGD/MYR - Range.** Support at 3.0200; Resistance at 3.0500

### Of Trade Talks, Brexit Plan B Vote and FoMC

Next week is looking to be a very busy one for markets with another House of Commons vote on PM May's plan B (Tue), FoMC rate decision and the resumption of US-China trade talks in Washington (Wed-Thu). There is also plenty of USD-sensitive data including 4Q GDP, ADP employment (Wed), PCE Core (Thu) and US payrolls (Fri). In particular Larry Kudlow's comments that Jan job numbers would be significantly strong sets up the case for USD to fall on any data disappointment. Elsewhere mid-level trade negotiation in Washington next Wed-Thu will be closely watched. Optimism has somewhat been curbed with Commerce Secretary Wilbur Ross saying "that we are miles and miles from getting a resolution" hence any material progress could see sell-off in USDCNH towards 6.70-levels. Other RMB-sensitive FX including KRW, NZD and AUD could benefit from such a move. For FoMC, a case of extended pause in Fed's tightening cycle would further reinforce our bias to lean against USD strength. For the week, we still see USD/AXJs heading lower; USDIDR could break 14,000 to test 13,850.

### PM May's Plan B Vote on 29<sup>th</sup> Jan to Go Ahead?

GBP's impressive run-up above 1.31-handle (from sub-1.26 in late Dec) owing to growing hopes of delayed brexit faces a reality check as PM May's *Brexit* plan B comes to another vote at the House of Commons next Tue (unless she postpones it). While Northern Ireland's DUP MPs have "privately decided" to back PM May's plan B (if backstop is specifically time-limited), there is no certainty that PM May could obtain a majority due to the deep divide within her Conservative party and this reinforces the caution for 2-way volatility in the interim. Beyond short term volatility, we stay convicted to our bias to accumulate GBP on dips as **distribution of risks have shifted away from a no-deal brexit to a delayed and softer brexit with the likelihood of second referendum rising.**

### CPIs from US, EU, AU, ID; US, EU GDPs; China PMI Next Week

Key highlights next week on China industrial profits and US Dallas Fed Mfg on Mon. For Tue, US consumer confidence; NZ trade. For Wed, US ADP, GDP; German, AU CPIs; MY trade. For Thu, US PCE Core, Chicago PMI; EU GDP; China NBS PMIs. For Fri, US payrolls; EU CPI; ID CPI; global PMIs. In terms of market closures next week, AU and NZ are out for Mon and Malaysia is out for Fri.

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Our in-house model implies that S\$NEER is trading 1.07% above the implied midpoint of 1.3745, 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: 95.10; R: 97.200	<ul style="list-style-type: none"> <li>Mon: CFNAI (Dec); Dallas Fed Mfg (Jan);</li> <li>Tue: Conference Board Consumer Confidence (Jan); Retail, Wholesale Inventories (Dec); S&amp;P/CS House Price Index (Nov);</li> <li>Wed: ADP employment (Jan); GDP, Core PCE (4Q); Pending home sales (Dec);</li> <li>Thu: FOMC Decision; Fed Chair Powell speaks; Personal Income/spending, PCE core (Dec); Chicago PMI (Jan)</li> <li>Fri: NFP, unemployment rate, hourly earnings (Jan); Mfg PMI, ISM Mfg, Uni. Of Michigan sentiment (Jan)</li> </ul>
EURUSD		S: 1.1280; R: 1.1450	<ul style="list-style-type: none"> <li>Mon: ECB's Draghi speaks in Parliament;</li> <li>Tue: - Nil -</li> <li>Wed: Consumer Confidence (Jan); German CPI (Jan)</li> <li>Thu: GDP (4Q); Unemployment rate (Dec); ECB's Coeure, Mersch, Weidmann speak;</li> <li>Fri: CPI (Jan); Mfg PMI (Jan)</li> </ul>
AUDUSD		S: 0.7070; R: 0.7240	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tues: NAB Business Confidence (Dec)</li> <li>Wed: CPI (4Q);</li> <li>Thu: Export, Import prices (4Q); Private sector Credit (Dec);</li> <li>Fri: PPI (4Q); House Prices, Mfg PMI (Jan)</li> </ul>
NZDUSD		S: 0.6690; R: 0.6870	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: Trade (Dec); Cabinet Resumes;</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: ANZ Consumer Confidence (Jan)</li> </ul>
GBPUSD		S: 1.2800; R: 1.3200	<ul style="list-style-type: none"> <li>Mon: BoE's Carney, Broadbent, Ramsden, Place and Wood speak;</li> <li>Tue: PM May's Brexit Vote;</li> <li>Wed: Money Supply (Dec);</li> <li>Thu: GfK Consumer Confidence (Jan);</li> <li>Fri: Mfg PMI (Jan)</li> </ul>
USDJPY		S: 107.00; R: 110.50	<ul style="list-style-type: none"> <li>Mon: PPI Services (Dec);</li> <li>Tue: - Nil -</li> <li>Wed: Retail Sales (Dec)</li> <li>Thu: BoJ's Amamiya, PM Abe speak; Housing Starts (Dec);</li> <li>Fri: Jobless rate (Dec); Mfg PMI (Jan)</li> </ul>
USDCNH		S: 6.7000; R: 6.8500	<ul style="list-style-type: none"> <li>Mon: Industrial Profits (Dec);</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: NBS Mfg &amp; non-Mfg PMIs (Jan);</li> <li>Fri: Caixin Mfg PMI (Jan)</li> </ul>
USDSGD		S: 1.3500; R: 1.3640	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: Unemployment rate (4Q); Credit Card Billing (Dec)</li> <li>Fri: - Nil -</li> </ul>
USDMYR		S: 4.0950; R: 4.1500	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: Trade (Dec)</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDPHP		S: 52.00; R: 53.00	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: Mfg PMI (Jan)</li> </ul>
USDIDR		S: 13,850; R: 14,200	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: CPI, PMI Mfg (Jan)</li> </ul>

Sources: Bloomberg, Maybank FX Research

## Technical View : Group of Seven

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>Slow Start to a Busy Week.</b> Our short term call for DXY to head higher towards 96.70 (mentioned on Monday's FX Weekly) was nearly met as DXY traded high of 96.67 (Thu). The move higher came amid a mix of pick-up in US mfg PMI data, softer EUR owing to Draghi as well as Kudlow (hinted that January's job numbers would be significantly strong) and Ross's comments (somewhat dented optimism on US-China trade talks in saying that "we're miles and miles from getting a resolution").</p> <p>The week ahead looks set to be a very busy one for markets and the USD. There is plenty of USD-sensitive data including 4Q GDP, ADP employment (Wed), PCE Core (Thu) and US payrolls (Fri). In particular Larry Kudlow's comments that Jan job numbers would be significantly strong sets up the case for USD to fall on any data disappointment. Mid-level trade negotiation in Washington next Wed-Thu will be closely watched. With optimism on US-China trade talks somewhat curbed with Commerce Secretary Wilbur Ross saying "that we are miles and miles from getting a resolution", we believe any material progress could support risk-on sentiment and risk-on/RMB-sensitive FX including AUD, NZD and KRW. For FoMC meeting, Fed is widely expected to keep policy rate on hold at 2.25 - 2.50%. Fed Chair Powell is also expected to stick to his script that the Fed 'will be patient' with monetary policy and there is no pre-set path for raising rates or adjusting the balance sheet. A case of extended pause in Fed's tightening cycle would reinforce our bias to lean against USD strength.</p> <p>DXY was last seen at 96.45 levels. Daily momentum is mild bullish while stochastics is rising into overbought conditions. Immediate resistance at 96.70 levels (61.8% fibo retracement of Dec high to Jan low) before 97 levels (76.4% fibo). Support at 96 (100 DMA) levels, 95.40, 95.1 levels (200 DMA). We look for better levels on DXY rally to fade into.</p> <p><i>Focus next week on CFNAI (Dec); Dallas Fed Mfg (Jan) on Mon; Conference Board Consumer Confidence (Jan); Retail, Wholesale Inventories (Dec); S&amp;P/CS House Price Index (Nov) on Tue; ADP employment (Jan); GDP, Core PCE (4Q); Pending home sales (Dec) on Wed; FoMC Decision; Fed Chair Powell speaks; Personal Income/spending, PCE core (Dec); Chicago PMI (Jan) on Thu; NFP, unemployment rate, hourly earnings (Jan); Mfg PMI, ISM Mfg, Uni. Of Michigan sentiment (Jan) on Fri.</i></p>
<b>EUR/USD</b>	<p><b>Range.</b> EUR was under pressure this week owing to softer than expected Europe PMIs and dovish comments from ECB's Draghi. The move lower was in line with our caution for <i>near term risks mildly skewed to the downside</i>. EUR was last seen at 1.1330. Bearish momentum on daily chart remains intact though stochastics has slipped into oversold conditions. Area of support at 1.1285-1.13. Break below this could trigger further downside pressure towards 1.1217 (previous low in Nov). Resistance at 1.1360, 1.1390 (50 DMA) and 1.1450 (100 DMA). External development in US and UK are likely to drive EUR next week. We call for range of 1.1280 - 1.1450 next week.</p> <p>At the ECB GC meeting on Thu, key policy rates including MRO and deposit facility were kept on hold at 0% and -0.4%, respectively as widely expected but <u>Draghi sounded cautious on economic outlook</u>. He said that risks to outlook have moved to the downside and cited persistency of geopolitical uncertainties. However Draghi did say that Euro-area recession not seen as a "likely event" and he downplayed deploying LTROs (though he did acknowledge there were some discussion about increased TLROs).</p> <p><i>Focus next week on ECB's Draghi speaks in Parliament on Mon; Consumer Confidence (Jan); German CPI (Jan) on Wed; GDP (4Q); Unemployment rate (Dec); ECB's Coeure, Mersch, Weidmann speak on Thu; CPI (Jan); Mfg PMI (Jan) on Fri.</i></p>
<b>GBP/USD</b>	<p><b>GBP's Rally to Face Reality Check Next Week.</b> GBP's impressive run-up above 1.31-handle from 1.2830 last Mon owing to growing hopes of brexit delay and chance of PM May securing a majority in her Plan B next Tue. Sun reported that DUP have privately decided to back PM May's brexit plan next week when she toughens it up. According to article, talks are still ongoing between DUP and PM May and DUP is willing to accept a backstop (an "insurance" if there is no brexit trade deal to <u>avoid a hard border</u> between Northern Ireland and Republic of Ireland) as long as its specifically time limited. The backstop will see Britain remain in the customs union for as long as necessary until an alternative way of keeping the border open is found. This would ensure that no tariffs, quotas would be applied to UK-EU trade. But this backstop time limit plan does not receive broad support from across all Conservative MPs. The deep divide within Conservative party would continue to heighten uncertainty on PM May's modified plan B vote next Tue (29 Jan) and this reinforces the caution for 2-way</p>

volatility in the interim. Beyond short term volatility, we stay convicted to our bias to accumulate GBP on dips as **distribution of risks have shifted away from a no-deal brexit to a delayed and softer brexit with the likelihood of second referendum rising.**

GBP was last seen at 1.3080 levels. Bullish momentum on daily chart remains intact though stochastics is in overbought conditions. Immediate resistance at 1.3105 (76.4% fibo retracement of Sep high to Dec low), 1.3180, 1.3240 levels. Support at 1.3060, 1.2985 (61.8% fibo), 1.2890 (50% fibo, 100 DMA). We do not rule out some pullback ahead of the vote.

*Focus next week on BoE's Carney, Broadbent, Ramsden, Place and Wood speak on Mon; PM May's Brexit Vote in parliament on Tue; Money Supply (Dec) on Wed; GfK Consumer Confidence (Jan) on Thu; Mfg PMI (Jan) on Fri.*

**USD/JPY Death Cross Formed; Sell Rallies Preferred.** USDJPY was last seen at 109.80 levels. Bullish momentum on daily chart remains intact but stochastics is in overbought conditions. A death cross pattern (50 DMA looks on track to cut 200 DMA to the downside) has been formed. This is typically a strong bearish signal. Bias to lean against strength remains. We look for rallies towards 110, 110.50 to fade into, targeting a move towards 108.40, 107 objectives. SL placed above 111.50.

*Focus next week on PPI Services (Dec) on Mon; Retail Sales (Dec) on Wed; BoJ's Amamiya, PM Abe speak; Housing Starts (Dec) on Thu; Jobless rate (Dec); Mfg PMI (Jan) on Fri.*






**AUD/USD Plenty of Tier-1 Data to Digest.** AUD fell this week, in line with our caution for downside risks. Pair was last seen at 0.7090 levels. Daily momentum turned bearish while stochastics is falling. Sustained price action below key support at 0.7130/50 levels could see further downside play towards 0.7070 (50% fibo retracement of Dec high to Jan flash crash low). Resistance at 0.7170 (50, 100 DMAs), 0.7240. A turn-around in price action above 0.7240 could help to negate bearish bias.

*Focus next week on NAB Business Confidence (Dec) on Tue; CPI (4Q) on Wed; Export, Import prices (4Q); Private sector Credit (Dec) on Thu; PPI (4Q); House Prices, Mfg PMI (Jan) on Fri.*

**NZD/USD US-China Trade Talks to Drive Direction.** NZD reversed early week's losses to turn higher for the week as 4Q CPI surprised to the upside. Pair was last seen at 0.6770 levels. Momentum and stochastics indicators are not showing a clear bias on the daily chart. US-China trade talks and NZ consumer confidence are likely to be the main drivers for NZD next week. Immediate support and resistance at 0.6690 (21 DMA), 0.6870 (50 DMA).

*Focus next week on Trade (Dec); Cabinet Resumes on Tue; ANZ Consumer Confidence (Jan) on Fri.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S:3.0200; R:3.0500	<b>Cup &amp; Handle (Bullish Reversal) Pattern?</b> SGDMYR drifted higher this week. Cross was last seen at 3.0420 levels. A cup & handle pattern is potentially in the making and this is typically a bullish setup. However it remains too soon to conclude until the break-up occurs. A confirmation of the pattern can be made if the move higher breaks out of the upper bound of the “handle” (3.05 levels). Successful breakout could see the cross test higher towards 3.08 levels (first objective). Failing which the cross could ease towards 3.02 - 3.05 range. Support at 3.0320, 3.0240.
AUD/MYR		S: 2.88000 R:2.9600	<b>Risks Skewed to Downside.</b> AUDMYR traded a touch softer this week; cross was last seen at 2.9320 levels. Bullish momentum on daily chart shows signs of waning while stochastics is showing signs of turning from near-overbought conditions. Compression of 50, 100, 200 DMAs typically precedes a break-out trade. 50 DMA looks on track to cut 100 and 200 DMAs to the downside. Risks remain skewed to the downside. Support at 2.92, 2.90, 2.88 levels. Resistance at 2.9620 levels.
EUR/MYR		S: 4.6600; R:4.7300	<b>Could Rebound Soon.</b> EURMYR continued to trade lower this week. Cross was last seen at 4.68 levels. Mild bearish momentum on daily chart shows signs of waning while stochastics is in oversold conditions. A potential bullish divergence is developing (as seen from MACD). This suggests risk of rebound. Downside could be limited towards 4.6710, 4.66 levels. Resistance at 4.71, 4.73.
GBP/MYR		S: 5.3600; R: 5.5000	<b>Buy Dips.</b> GBPMYR traded sharply higher this week amid GBP outperformance. Cross was last seen at 5.4220 levels. Bullish momentum on daily chart remains intact though stochastics has risen into overbought conditions. We do not rule out retracement risks towards 5.3920, 5.3600 levels. But bias to buy dips. Resistance at 5.46, 5.50 levels.
JPY/MYR		S: 3.7300 R: 3.7900	<b>Consolidative Play.</b> JPYMYR drifted higher this week, in line with our call for <i>near term rebound but move higher likely to be capped under-3.78, 3.81</i> . Cross traded high of 3.7880 before easing lower. Last seen at 3.7630 levels. Expect consolidative play in the range of 3.73 - 3.79

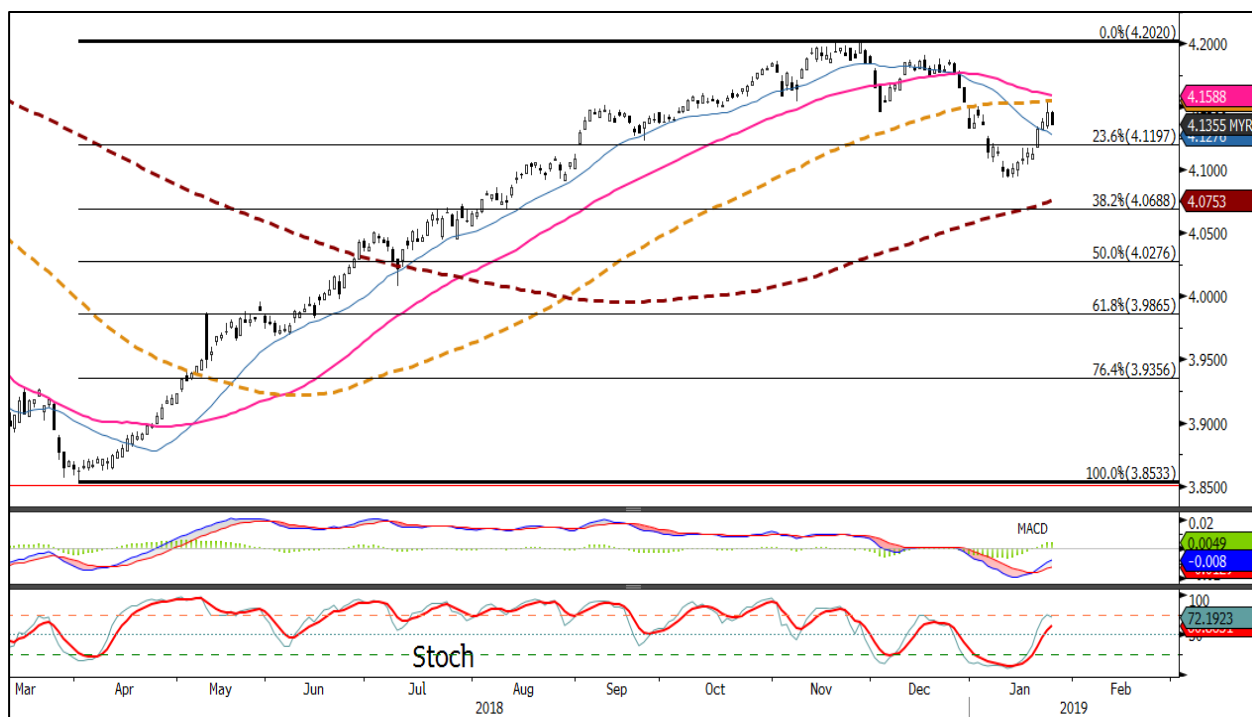
## Chart Picks

USDSGD Daily Chart - Potential Rising Wedge in the Making (Bearish Reversal)



USDSGD's attempt to trade higher this week was in line with our caution for near term upside risks but the move higher did not make a decisive close above 1.3640. Pair was last seen at 1.3590 levels. While bullish momentum remains intact on the daily chart, stochastics shows very tentative signs of turning from near overbought conditions. A rising wedge appears to be forming. This is typically a bearish reversal. We remain biased to lean against strength towards 1.3630 (50 DMA), 1.3640 (38.2% fibo retracement of Oct high to Jan low), looking for a move to test lower towards 1.3540, 1.35 objectives. SL above 1.3670.

USDMYR Daily Chart - Bearish Signal Re-emerged



USDMYR marched higher this week but gains were capped under 4.15-handle. Pair was last seen at 4.1360 levels. Mild bullish momentum on daily chart remains intact while stochastics suggests potential moderation in pace of gains. 50 DMA looks on track to cut 200 DMA to the downside - typically this suggests a bearish signal. Key support at 4.12 (23.6% fibo retracement of 2018 low to high) before 4.0950. Area of resistance at 4.15 - 4.16.



## AUD/SGD Daily Chart - Bias to Buy Dips



AUDSGD drifted lower this week amid AUD underperformance. Cross was last seen at 0.9650 levels. Mild bullish momentum is waning while stochastics is falling. Support at 0.9640, 0.9580 levels. Resistance at 0.97, 0.9760. Bias to play from a long side.

## SGD/MYR Weekly Chart - Cup &amp; Handle Pattern?



SGDMYR drifted higher this week. Cross was last seen at 3.0420 levels. A cup & handle pattern is potentially in the making and this is typically a bullish setup. However it remains too soon to conclude until the break-up occurs. A confirmation of the pattern can be made if the move higher breaks out of the upper bound of the "handle" (3.05 levels). Successful breakout could see the cross test higher towards 3.08 levels (first objective). Failing which the cross could ease towards 3.02 - 3.05 range. Support at 3.0320, 3.0240.

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