

# FX Weekly

## FOMC To Watch Now

### The Week Ahead

- Dollar Index - Sell Rallies. Support at 95.90; Resistance at 98
- USD/SGD - Range. Support at 1.3510; Resistance at 1.3720
- USD/MYR - Retracement Risk. Support 4.09; Resistance at 4.13
- AUD/SGD - Bearish Now. Support at 0.9420; Resistance at 0.9640
- SGD/MYR - Sell Rallies. Support at 2.99; Resistance at 3.0340

### 2Q US GDP in Focus and then FOMC

As we write in Asia, market players seem to be inspired by the stronger-than-expected durable goods order released out of the US yesterday. UST 10y yield inched higher, in tandem with the broad upmove of the ahead of the 2Q GDP release later. Consensus expects a 1.8%q/q growth in 2Q vs. the 3.1% in the quarter prior and the gap there provides the room for an upside surprise. Even so, a moderation in growth should provide the Fed that justification for the cut next week anyway and at this point a 25bps reduction is already fully priced. Just as the focus on ECB has driven the EUR lower, we anticipate that the focus back on the FOMC meeting to also weaken the greenback. Beyond that, the USD direction would be dictated by the Fed forward guidance and data. In an environment where the rest of the central banks seem to be easing, we expect Fed Chair Powell to maintain a dovish tone at his press conference (similar to what we have heard from him recently on a lower NAIRU which should build the case for further easing). That should bring the USD back en-route to the lower bound of the 95-98 range that it has been trading within. Thereafter, focus will be on the Non-farm Payroll for Jul.

### BOJ, BoE To Stand Pat; High Level US-China Trade Talks

BoJ and BoE are not expected to do anything on Tue and Thu respectively. While recent data releases have been a tad softer, we do not expect BoJ to feel a strong need to add more stimulus at this point yet. BoE on the other hand, should still prefer to err on the side of caution given Brexit concerns and keep rates unchanged as opposed to policy normalization. We also have the US-China trade talks in the first half of the week- the first face-to-face high level meeting since the G20 Summit in end Jun. Talks in the past like these do not typically give away much details so there is not much expectation there. Should there be any concrete finer agreements, that would be positive for the RMB, AUD, NZD, KRW, TWD.

### Apart from the central bank meetings, China's Mfg PMI

JP retail sales on Mon. For Tue, US personal income, personal spending, PCE deflator, pending home sales, EU consumer confidence, AU building approvals on Tue. For Wed, US ADP, EU 2Q GDP, AU 2Q CPI; MY CPI; CH Mfg PMI on Wed. For Thu, CH Caixin PMI, US ISM Mfg, PMI from EU, JP, PH, ID. For Fri, US NFP, EU retail sales; AU retail sales, PH trade data; BOJ Minutes.

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Our in-house model implies that S\$NEER is trading around 1.1% above the implied midpoint of 1.3750, 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: 95.90; R: 97.50	<ul style="list-style-type: none"> <li>Mon: Dallas Fed Manf. Activity (Jul);</li> <li>Tue: Personal income, personal spending (Jun); PCE Deflator (Jun); Pending home sales (Jun);</li> <li>Wed: ADP employment (Jul);</li> <li>Thu: FOMC Rate decision; ISM Mfg;</li> <li>Fri: NFP, Average Hourly Earnings (Jul); I factory orders, durable goods orders (Jun); U. of Mich. Sentiment (Jul);</li> </ul>
EURUSD		S: 1.1190; R: 1.1320	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: Economic Confidence, consumer confidence (Jul);</li> <li>Wed: GDP (2Q A), CPI Core, Estimate (Jul);</li> <li>Thu: Markit Eurozone PMI Mfg (Jul);</li> <li>Fri: PPI, Retail Sales (Jun);</li> </ul>
AUDUSD		S: 0.7020; R: 0.7090	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tues: Building approvals (Jun);</li> <li>Wed: 2Q CPI;</li> <li>Thu: Commodity index (Jul);</li> <li>Fri: PPI (2Q); Retail sales (Jun, 2Q);</li> </ul>
NZDUSD		S: 0.6680; R: 0.6830	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: Building permits (Jun);</li> <li>Wed: ANZ Activity Outlook (Jul);</li> <li>Thu: - Nil -</li> <li>Fri: ANZ Consumer Confidence (Jul);</li> </ul>
GBPUSD		S: 1.2440; R: 1.2610	<ul style="list-style-type: none"> <li>Mon: Consumer credit (Jun); Mortgage Approvals;</li> <li>Tue: - Nil -</li> <li>Wed: GfK Consumer Confidence (Jul); BRC Shop price (Jul);</li> <li>Thu: BoE Meeting;</li> <li>Fri: - Nil -</li> </ul>
USDJPY		S: 106.90; R: 108.50	<ul style="list-style-type: none"> <li>Mon: Retail sales (Jun);</li> <li>Tue: BoJ Policy Decision, Outlook Report;</li> <li>Wed: Housing starts (Jun); Construction Orders (Jun);</li> <li>Thu: PMI Mfg (Jul F);</li> <li>Fri: BOJ Minutes (Jul);</li> </ul>
USDCNH		S: 6.8600; R: 6.9100	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: Mfg PMI (Jul);</li> <li>Thu: Caixin PMI mfg (Jul);</li> <li>Fri: - Nil -</li> </ul>
USDSGD		S: 1.3510; R: 1.3640	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: Money Supply (Jun);</li> <li>Thu: - Nil -</li> <li>Fri: Purchasing Managers (Jul); Electronics Sector (Jul);</li> </ul>
USDMYR		S: 4.0900; R: 4.1200	<ul style="list-style-type: none"> <li>Mon: FX Reserves (Jul);</li> <li>Tue: - Nil -</li> <li>Wed: CPI (Jun)</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDPHP		S: 50.80; R: 51.50	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: Markit PMI Mfg (Jul);</li> <li>Fri: Trade data (Jun);</li> </ul>
USDIDR		S: 13,890; R: 14,100	<ul style="list-style-type: none"> <li>Mon: - Nil -</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: PMI Mfg (Jul); CPI (Jul);</li> <li>Fri: - Nil -</li> </ul>

Sources: Bloomberg, Maybank FX Research & Strategy

## Selected G7 FX View

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>Lean against Strength.</b> Our call (in the last FX Weekly) for USD to strengthen ahead of ECB played out this week and the greenback was aided by the stronger-than-expected durable goods order that surprised to the upside and details suggest some strength in the manufacturing sector. Should 2Q GDP beat expectations this week, we anticipate that the USD bears may not be as forthcoming as we would have liked. A 25bps cut is fully priced and the question is whether the Fed would lower target rate by a more aggressive 50bps. A stronger-than-expected advanced estimate of the 2Q GDP would reduce expectations for Fed to deliver a 50bps cut next Wed night. Thereafter, focus is on the forward guidance as market players still pricing in a 75bps cut by Dec. We see a potential for the USD profile to peak in the near-term as focus shifts towards the FOMC meeting next week.</p> <p>DXY was last seen at 97.80 levels. Momentum on the daily chart is still bullish while stochastics enter into overbought conditions and show signs of turning, just in time as ECB meeting is past and the focus is back on FOMC next week. We reiterate our bias to sell USD rallies. Resistance is seen around 97.80, being tested today before the next stronger one around 98.30 (near Apr, May, Jun high). Key support at 97.30 before 96.80 (200 DMAs), 96.35 (61.8% fibo), 95.9 (76.4% fibo).</p> <p><i>Focus next week on Dallas Fed Manf. Activity (Jul) on Mon; Personal income, personal spending (Jun); PCE Deflator (Jun); Pending home sales (Jun) on Tue; ADP employment (Jul) on Wed; FOMC Rate decision; ISM Mfg on Thu; Fri has NFP, Average Hourly Earnings (Jul) factory orders, durable goods orders (Jun); U. of Mich. Sentiment (Jul).</i></p>
<b>EUR/USD</b>	<p><b>Bullish Divergence.</b> EUR whipsawed when ECB left key policy rates unchanged and paved the way for a rate cut in the near-term, most likely in Sep. The EURUSD pair is still seen at around mid-1.11, as the outcome of the central bank meeting met most market expectations and disappointed those who look for an action last night. In his press conference, Draghi warned that the outlook worsens and significant stimulus is probably needed although the chance of recession is low. We reiterate our stand that the door for ECB to ease 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 (i.e. ECB does not need to ease) if there is no need to especially when economic activity and inflation hold up. We do however acknowledge that a "precautionary easing" to counter downside risks to growth is increasingly possible, especially in an environment when most central banks are easing and Draghi seems to have built a case for that. Prelim. Manufacturing PMI out of France deteriorated to 50 and might have added to his bearish outlook on the manufacturing sector. But <u>relative to the Fed, we think there may be limited policy room for ECB to manoeuvre</u> and that EUR should find greater boost when market players should come to that realization.</p> <p>EUR was last seen at 1.1140 levels. Momentum on the daily chart is still bearish while stochastics is in oversold conditions. Immediate resistances at 1.1265 (100 DMA, 50% fibo), 1.1290 (21DMA) and 1.1320 (200 DMA). These levels need to be decisively broken for further upside to gather momentum. Support at 1.1230/40 levels (61.8% fibo, 50DMA), 1.1190 (76.4% fibo retracement of May low to Jun high).</p> <p><i>Focus next week on Economic Confidence, consumer confidence (Jul); on Tue; GDP (2Q A), CPI Core, Estimate (Jul) on Wed; Markit Eurozone PMI Mfg (Jul) on Thu; PPI, Retail Sales (Jun) on Fri.</i></p>
<b>GBP/USD</b>	<p><b>Bullish Divergence.</b> GBP was weighed by the combination of USD strength, EUR weakness and also Tory's choice of Leadership - Boris Johnson. EU Juncker had just told Boris Johnson that EU had already rejected his demands for a better Brexit deal, increasing risks of a no-deal and dragging the GBPUSD towards 1.2430 as we write. Without a deal, the UK would have to be on a default cause of exiting the European Union with no agreement to ensure smooth cross-border trade and orderly markets. There is still a potential for a snap election that could trigger more swings in the GBP. BoE meeting. With regards to BoE MPC to keep policy rate and size of BoE balance sheet unchanged as Brexit uncertainty would take precedence over policy normalization.</p> <p>Pair was last seen at 1.2430 levels. Bearish momentum on the daily chart is fading while stochastics is showing signs of turning around from oversold conditions. There is even a bullish divergence on MACD. Chance of rebound not ruled out but worries over no-deal brexit could continue to limit GBP gains. Resistance at 1.2520 (21 DMA), 1.2600 (50 DMA). Key support at 1.2440 (Jan-2019 flash crash low) before recent low of 1.2380.</p>

*Focus next week on Consumer credit (Jun); Mortgage Approvals on Mon; GfK Consumer Confidence (Jul); BRC Shop price (Jul) on Wed; BoE meeting on Thu.*

**USD/JPY Sell Rallies.** USDJPY has been on the upmove especially after the release of the US durable goods order lifted the UST 10y yield, last seen around 108.80. Momentum is increasingly bullish for this pair, ahead of the 2Q GDP. Near term upside risks not ruled out but bias to lean against strength especially as market fully focus on FOMC meeting next week. BoJ meets and decide on policy first, on Tue. We do not expect much change to the policy, with yield curve control at -0.1% for short term rates and 10Y JGB yield at around 0 %; permitted deviation of 10Y JGB yield from target will also be kept at +/- 20bps; asset purchase of JGB holdings, ETF and J-REIT will be maintained at JPY80tn, JPY6tn and JPY90tn, respectively. This is even as the government poised itself for a consumption tax later this year as we expect economic growth to remain resilient. Resistance seen at 109, 108.20 (21 DMA). Support at 107.20, 106.90.

*Focus next week on Retail sales (Jun) on Mon; BoJ Policy Decision, Outlook Report on Tue; Housing starts (Jun); Construction Orders (Jun) on Wed; PMI Mfg (Jul F) on Thu; BOJ Minutes (Jul) on Fri.*






**AUD/USD Buy Dips.** AUD retraced lower, weighed also by the combination of strong USD and RBA Lowe's dovish speech recently. Lowe had reiterated that RBA could ease further if necessary but he looks for the two rate cuts in Jun and Jul, infrastructure spending, housing stabilization and rise in commodity prices to underpin growth. Pair was last seen at 0.6930. We do not rule out further moves but stochastics have fallen into oversold region. We see potential for AUDUSD to rise as focus shifts towards the FOMC next week in which the Fed should commence its easing cycle. Domestically, eyes will be on building approvals for Jun and more importantly, 2Q CPI. Consensus expects and acceleration on price pressure to 1.5%y/y from 1.3%. We would also keep an eye on China's Caixin PMI-mfg print for the next AUD direction. Momentum is bearish but support is rather strong around 0.6927 (61.8% Fibonacci retracement of the Jun-Jul rally). The next support is seen around 0.6890. Rebounds to meet resistance around 0.70 (21-dma, 38.2% fibo).

*Focus next week on Building approvals (Jun) Tue; 2Q CPI on Wed; Commodity index (Jul)\ on Thu; PPI (2Q); Retail sales (Jun, 2Q);*

**NZD/USD Coming Close to the Turning Point?** NZD continued to slip as RBNZ considers to refresh its unconventional policy strategy which is perceived to be a dovish. Pair was last seen at 0.6650 levels. Daily momentum is indicating a mild bearish bias. Pair trades within a rising trend channel and the price is near to the lower bound of the trend channel, that coincides with the 50-dma at 0.6620. With that, the turn higher may be on the back of softer USD profile next week. Resistance at 0.6690/7000 (76.4% fibo retracement of Mar high to 2019 double-bottom).

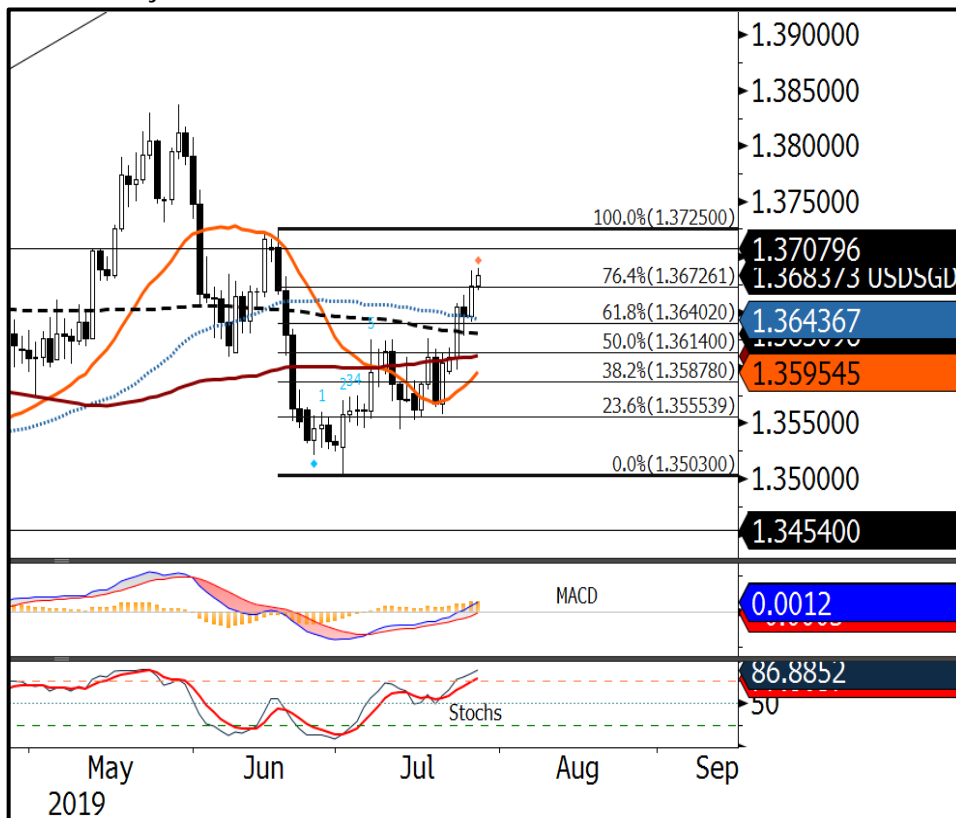
*Focus on Building permits (Jun) Tue; ANZ Activity Outlook (Jul) on Wed; ANZ Consumer Confidence (Jul) on Fri.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 2.9900; R: 3.0360	<b>Sell Rallies.</b> SGDMYR was on a one-way street for much of this week, now testing the 3.009-support level and may be poised for a full 2019 retracement towards the 2.99. 21 DMA is now cutting the 200DMA to the downside, bearish signal. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of near term rebound risks given oversold conditions. Bias remains to sell rallies. Resistance at 3.02/03 levels (61.8%, 50% fibo). Sell rallies preferred. Immediate support at 3.009 before 2.99 (Feb low), 2.98 marks the 61.8% Fibonacci retracement of the 2018 rally.
AUD/MYR		S: 2.8430; R: 2.8860	<b>Upward Pressure.</b> AUDMYR came off rather sharply on the back of AUD weakness, last seen around 2.8550. Support is seen around 2.8430. The bearish wedge seems to have extended momentum is also bearish at this point. Risks are to the downside but strong support level is seen at 2.8430. Retracement to meet resistance around 2.8650, before the next at 2.8860.
EUR/MYR		S: 4.57; R: 4.63	<b>Bullish Divergence.</b> EURMYR hovered around 4.5880. Bearish momentum shows signs of waning and we spot a bullish divergence there. Stochastics show tentative signs of turnaround from oversold conditions. Near term rebound risks not ruled out though bearish bias remains intact. Resistance at 4.6065, 4.6290. Support at 4.57.
GBP/MYR		S: 5.09; R: 5.18	<b>Momentum Turning Higher.</b> GBPMYR refused to trade much lower this week. Cross was last at 5.1250 levels. Bearish momentum on daily chart turn bullish while stochastics turns from oversold conditions. Resistance at 5.1630 (21 DMA), before 5.1810. Support at 5.098.
JPY/MYR		S: 3.7700; R: 3.8400	<b>Bullish Divergence.</b> JPYMYR inched lower modestly this week. Cross was last seen at 3.7920, with momentum bearish on the daily chart. Resistance at 3.8160, 3.8390 (50DMA). Support at 3.7860, 3.7770 levels. We see some rebound risks for this cross.

## Technical Chart Picks:

USDUSD Daily Chart - Bullish Bias For Now

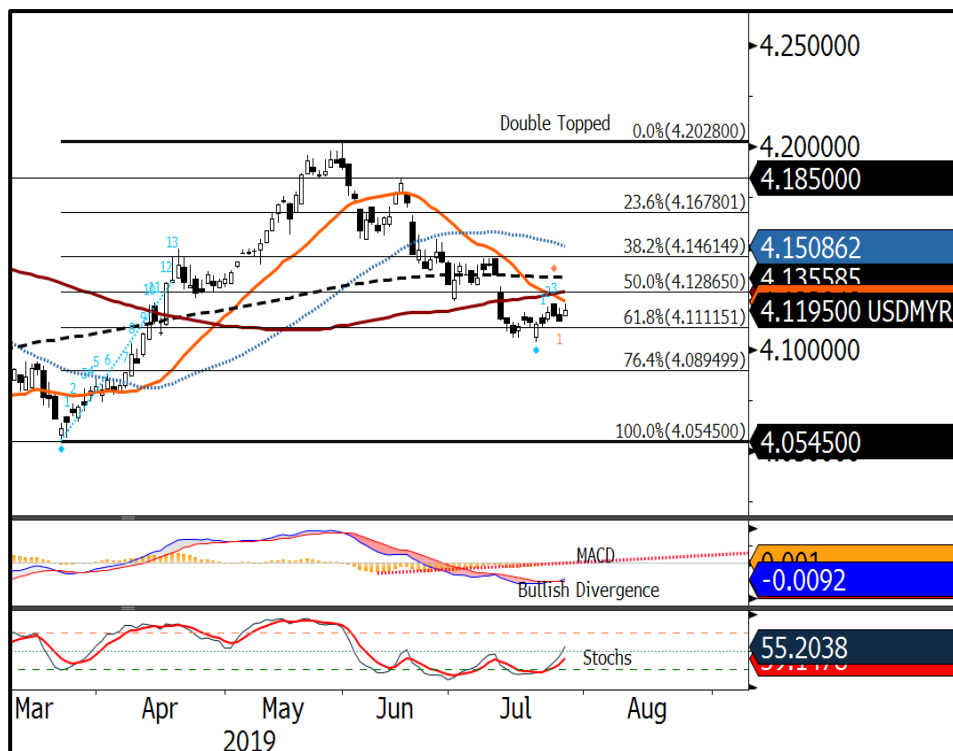


USDUSD rose in tandem with the USD this week and next resistance is seen around 1.3710 before the next at 1.3725. This pair retains a bullish bias for now.

Bullish momentum is rising while stochastics appears to be in overbought conditions. So we do not rule out any retracement, especially should the USD profile soften next week.

Support at 1.3670 (76.4% fibo retracement of the Jun-Jul fall), 1.3630 (200DMA).

USDMYR Daily Chart - Retracement Higher Possible



USDMYR remained in consolidation mode this week. Pair was last seen at 4.1195 levels and momentum indicators are turning higher. We see potential for this pair to head towards 4.1285 (50% Fibonacci retracement of the Mar-Jun rally).

Key support at 4.1110 before 4.09 (76.4% fibo).

Immediate resistance at 4.1280 (50% fibo retracement of 2019 low to high).



AUDSGD Weekly Chart: Bearish For Now

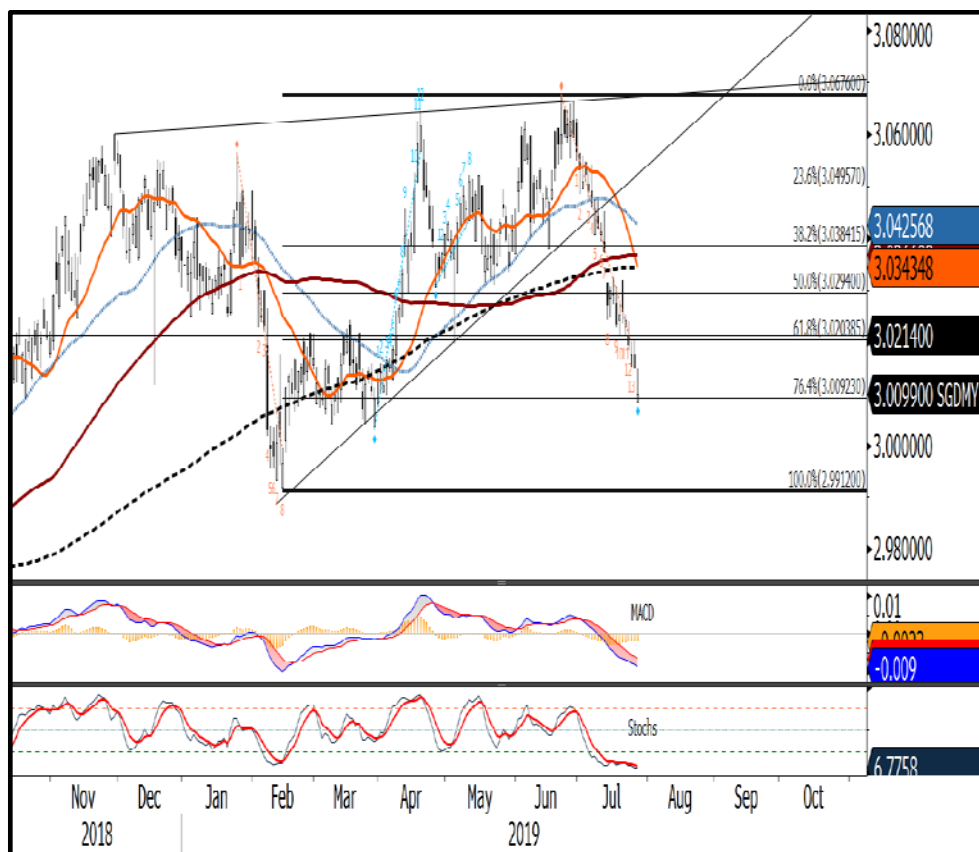


AUDSGD gains were reversed out this week, weighed by the move up in the USD as well as renewed speculation of further rate cuts that were somewhat validated by Lowe's dovish words. We look for a softer USD profile to lift this cross. Immediate support at 0.9480 (50% fibo of the Jun-Jul rally), 0.9450 (61.8% fibo).

Weekly momentum is bullish. This could be the retracement before the next upmove.

Area of resistance at 0.9640 (23.6% fibo retracement of 2017 high to 2019 flash crash low) - 0.9670 (200 DMA).

SGDMYR Daily Chart: Sell Rallies



SGDMYR was on a one-way street for much of this week, now testing the 3.009-support level and may be poised for a full 2019 retracement towards the 2.99.

21 DMA is now cutting the 200DMA to the downside, bearish signal. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. We are cautious of near term rebound risks given oversold conditions. Bias remains to sell rallies. Resistance at 3.02/03 levels (61.8%, 50% fibo). Sell rallies preferred.

Immediate support at 3.009 before 2.99 (Feb low), 2.98 marks the 61.8% Fibonacci retracement of the 2018 rally.

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