

## FX Weekly

# What If There is a Deal at G20...

### The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 94.80; Resistance at 97.10
- **USD/SGD - Bearish.** Support at 1.3450; Resistance at 1.3650
- **USD/MYR - Decline.** Support at 4.1200; Resistance at 4.1500
- **AUD/SGD - Rebound.** Support at 0.9450; Resistance at 0.9570
- **SGD/MYR - Pullback.** Support at 3.0400; Resistance at 3.0600

### "Grey Swan" Currently a "Market Consensus"

Our call (in the last FX Weekly) for consolidative price action for DXY panned out well this week. Going forward, all eyes are on G20 Summit in Osaka over the weekend (started earlier today with a key focus on Xi-Trump meeting tomorrow at 1130am). Much uncertainties remain over whether (1) **trade tensions, tech war will escalate further** resulting in full-blown trade war (new tariffs being added) with all lines of communication cut (worse case) or (2) if there will be **some compromise leading to a trade truce** (akin to the G20 in Buenos Aires) with chance of (partial) removal of tariffs (optimal case) or (3) it could result in a **"grey swan"** (basically no deal/protracted trade war with risk of new tariffs being added) but lines of communication still open (our house base-case view and probably a market consensus as well). If the "grey swan" view materialized, then there could be some market disappointment. AXJs including CNH, TWD, KRW and CAD could come under pressure while JPY and CHF could outperform.

### Most AXJs to Outperform in an Optimal Outcome

But we see some chance that an optimal outcome should not be ruled out. US and China officials have met this week. Discussions may have progressed better than expected and that may well imply why a specific meeting at 1130am has been pencilled in for President Xi and Trump. **Some compromise leading to a trade truce** (akin to the G20 in Buenos Aires) with chance of (partial) removal of tariffs could boost sentiment. Most AXJs including AUD, NZD, MYR and SGD will outperform at the expense of softer JPY.

### RBA Meeting; US Payrolls; Global PMIs in Focus Next Week

Key data next week include US ISM Mfg, construction spending; Fed's Clarida speaks; EU unemployment rate; JP 2Q Tankan index; China Caixin PMI; PBoC's Yi speaks; PMIs from AU, SG, MY and PH; ID CPI. For Tue, EU PPI; RBA meeting - no change expected. For Wed, US ADP employment, trade, durable goods report, ISM non-mfg; AU and EU retail sales; Malaysia trade. For Fri, US payrolls; Germany factory orders; FX reserves from Malaysia, Indonesia, Philippines, Australia; Philippines CPI; UK house prices.

In terms of market closures, HK and Canada are closed on Mon while US is closed on Thu.

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Our in-house model implies that S\$NEER is trading around 1.66% 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: 94.80; R: 97.10	<ul style="list-style-type: none"> <li>Mon: ISM Mfg (Jun); Construction spending (May); Fed's Clarida speaks;</li> <li>Tue: Fed's Williams, Mester speak;</li> <li>Wed: ADP Employment (Jun); Trade, Durable Goods, Factory Orders (May); Services PMI, ISM non-Mfg (Jun)</li> <li>Thu: - Nil -</li> <li>Fri: NFP, Unemployment rate, average hourly earnings (Jun)</li> </ul>
EURUSD		S: 1.1290; R: 1.1580	<ul style="list-style-type: none"> <li>Mon: Unemployment rate (May); PMI Mfg (Jun); ECB Guindos speaks;</li> <li>Tue: ECB's Knot, Vasilias speak; PPI (May)</li> <li>Wed: Services PMI (Jun); ECB's Villeroy speaks;</li> <li>Thu: Retail sales (May); ECB's Lane, Guindos, Enria, Koenig speak</li> <li>Fri: German Factory Orders (May)</li> </ul>
AUDUSD		S: 0.6960; R: 0.7100	<ul style="list-style-type: none"> <li>Mon: PMI Mfg, Commodity index (Jun);</li> <li>Tues: RBA Meeting; RBA's Lowe speaks;</li> <li>Wed: Services PMI (Jun); Building Approvals, Trade (May)</li> <li>Thu: Retail Sales (May);</li> <li>Fri: FX Reserves (Jun)</li> </ul>
NZDUSD		S: 0.6660; R: 0.6830	<ul style="list-style-type: none"> <li>Mon: RBNZ's Bascand speaks;</li> <li>Tue: Building Permits (May); GDT Dairy Auction;</li> <li>Wed: QV Home Prices, Commodity Prices (Jun)</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
GBPUSD		S: 1.2600; R: 1.2800	<ul style="list-style-type: none"> <li>Mon: PMI Mfg (May);</li> <li>Tue: Construction PMI, Nationwide House Prices (Jun)</li> <li>Wed: Services PMI (Jun); BoE's Broadbent speaks;</li> <li>Thu: - Nil -</li> <li>Fri: Halifax House Prices (Jun); Unit Labor costs (1Q)</li> </ul>
USDJPY		S: 106.90; R: 109.40	<ul style="list-style-type: none"> <li>Mon: Tankan Large Mfg (2Q); PMI Mfg (Jun)</li> <li>Tue: Monetary Base (Jun);</li> <li>Wed: Services PMI (Jun); BoJ's Funo speaks;</li> <li>Thu: - Nil -</li> <li>Fri: Leading Index (May)</li> </ul>
USDCNH		S: 6.8200; R: 6.9000	<ul style="list-style-type: none"> <li>Mon: Caixin PMI Mfg (Jun); PBoC's Yi speaks;</li> <li>Tue: - Nil -</li> <li>Wed: Caixin Services PMI (Jun);</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> <li>Sun: FX Reserves (Jun)</li> </ul>
USDSGD		S: 1.3450; R: 1.3650	<ul style="list-style-type: none"> <li>Mon: URA Home Prices (2Q)</li> <li>Tue: - Nil -</li> <li>Wed: PMI (Jun)</li> <li>Thu: - Nil -</li> <li>Fri: - Nil -</li> </ul>
USDMYR		S: 4.1200; R: 4.1500	<ul style="list-style-type: none"> <li>Mon: PMI Mfg (Jun);</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: Trade (May);</li> <li>Fri: FX Reserves (Jun)</li> </ul>
USDPHP		S: 51.00; R: 51.50	<ul style="list-style-type: none"> <li>Mon: PMI Mfg (Jun);</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: CPI, FX Reserves (Jun); Bank Lending (May)</li> </ul>
USDIDR		S: 13,900; R: 14,300	<ul style="list-style-type: none"> <li>Mon: CPI (Jun)</li> <li>Tue: - Nil -</li> <li>Wed: - Nil -</li> <li>Thu: - Nil -</li> <li>Fri: FX Reserves (Jun)</li> </ul>

Sources: Bloomberg, Maybank FX Research & Strategy

## Selected G7 FX View

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>Bias to Sell Rallies.</b> USD consolidated in 95.85 - 96.40 range this week ahead of G20 Summit, in line with our call in the last FX weekly.</p> <p>G20 Summit in Osaka over the weekend (started earlier today with a key focus on Xi-Trump meeting tomorrow at 1130am). Much uncertainties remain over whether (1) <b>trade tensions, tech war will escalate further</b> resulting in full-blown trade war (new tariffs being added) with all lines of communication cut (worse case) or (2) if there will be <b>some compromise leading to a trade truce</b> (akin to the G20 in Buenos Aires) with chance of (partial) removal of tariffs (optimal case) or (3) it could result in a <b>“grey swan” (basically no deal/protracted trade war with risk of new tariffs being added) but lines of communication still open</b> (our house base-case view and probably a market consensus as well). If the “grey swan” view materialized, then there could be some market disappointment. AXJs including CNH, TWD, KRW and CAD could come under pressure while JPY and CHF could outperform.</p> <p>But if we get an optimal outcome (as highlighted in scenario 2 above; and also one that is less priced in by markets), most AXJs including AUD, NZD, MYR and SGD will outperform (vice versa for scenario 1). Nonetheless a sustained recovery for AXJs would still require material upticks in economic activity to supplement sentiment-driven equity rallies.</p> <p>DXY was last seen at 96.10 levels. Bearish momentum on daily chart remains intact though there may be some signs that bearish momentum could fade while stochastics is in oversold conditions. Risk of rebound not ruled out but bearish bias (weekly chart) remains. Immediate support at 95.87 (76.4% fibo retracement of 2019 low to high) before 95.10, 94.80 levels. Resistance at 96.30, 96.60/70 (200 DMA, 50% fibo) before 97.1 (21, 100 DMAs, 38.2% fibo). Bias to sell rallies.</p> <p><i>Focus next week on ISM Mfg (Jun); Construction spending (May); Fed’s Clarida speaks on Mon; Fed’s Williams, Mester speak on Tue; ADP Employment (Jun); Trade, Durable Goods, Factory Orders (May); Services PMI, ISM non-Mfg (Jun) on Wed; NFP, Unemployment rate, average hourly earnings (Jun) on Fri.</i></p>
<b>EUR/USD</b>	<p><b>Eyes on 1.1450.</b> EUR continues to test higher thanks to a softer USD environment while political risks in EU subside (Italy PM says government working with EU to avoid penalty procedure over debt issues) and core inflation in Euro-area unexpectedly picked up. Though ECB did open the door for easing, the Fed did likewise. In addition, PMIs in Euro-area are stabilising but in US, they are softer in both mfg and services sectors. Put together a case of Fed’s dovish tilt (vs. accommodative ECB) and softer US PMIs (vs. Euro-area PMI stabilising) brings about an outcome of USD playing catch-down.</p> <p>EUR was last seen at 1.1390 levels. Bullish momentum on weekly and daily chart remains intact though stochastics is near overbought conditions (on daily chart). Near term pullback not unlikely but underlying bias remains bullish with eyes set on next resistance at 1.1450 (23.6% fibo retracement of 2018 high to 2019 low). Decisive break above that could see EUR extending its bull run towards 1.1580, 1.1660 (38.2% fibo). Support at 1.1340 (200 DMA), 1.1290 (21 DMA).</p> <p><i>Focus next week on Unemployment rate (May); PMI Mfg (Jun); ECB Guindos speaks on Mon; ECB’s Knot, Vasiliauskas speak; PPI (May) on Tue; Services PMI (Jun); ECB’s Villeroy speaks on Wed; Retail sales (May); ECB’s Lane, Guindos, Enria, Koenig speak on Thu; German Factory Orders (May) on Fri.</i></p>
<b>GBP/USD</b>	<p><b>Range.</b> GBP continues to drift lower, in line with our caution for pullback risks. The recent move lower was in reaction to PM-hopeful BoJo’s preparation for an emergency budget for no-deal brexit (typically perceived as a GBP-negative). Plan includes aggressive tax cuts and an overhaul of stamp duty including removing stamp duty levy on homes. GBP was last seen at 1.2670 levels. Mild bullish momentum on daily chart shows early signs of slowing while stochastics is showing signs of turning from near-overbought conditions. Support at 1.2660 (21 DMA), 1.2620 levels. Resistance at 1.2790 (50 DMA).</p> <p><i>Focus next week on PMI Mfg (May) on Mon; Construction PMI, Nationwide House Prices (Jun) on Tue; Services PMI (Jun); BoE’s Broadbent speaks on Wed; Halifax House Prices (Jun); Unit Labor costs (1Q) on Fri.</i></p>

**USD/JPY** **Brace for Rebound if There is Deal at G20.** USDJPY rebounded into the week's close as markets lightened up position ahead of G20 Summit. Pair was last seen at 107.70 levels. Bearish momentum on daily chart is waning while stochastics is showing signs of turning from oversold conditions. A potential falling wedge pattern also appears to be in the making - this is typically a bullish reversal. Rebound could test towards 108.20 (21 DMA) - 108.40 (61.8% fibo retracement of 2018 low to high), 109.40 (50 DMA) should immediate resistance at 107.80/90 gives way. A deal at the G20 summit could support this knee-jerk rebound. Support at 106.90 (76.4% fibo) likely to hold in the interim.

*Focus next week on Tankan Large Mfg (2Q); PMI Mfg (Jun) on Mon; Monetary Base (Jun) on Tue; Services PMI (Jun); BoJ's Funo speaks on Wed; Leading Index (May) on Fri.*

**AUD/USD** **RBA Meeting - We are Looking for Out-of-Consensus Status Quo.** AUD traded higher; in line with our call for bullish divergence play (highlighted in last FX Weekly). Pair was last seen at 0.7010 levels. Daily momentum turned bullish while stochastics is rising into overbought conditions. Bullish divergence on MACD is playing out. Next resistance at 0.7020 (100 DMA) before 0.71 (200 DMA). Support at 0.6960 (50 DMA). RBA meeting on Tue and G20 outcome will be potential key drivers for AUD. A big jump higher could happen if there is a deal and that RBA keep cash rate unchanged at 1.25% (out of consensus call).

*Focus next week on PMI Mfg, Commodity index (Jun) on Mon; RBA Meeting - we call for no change to cash rate at 1.25%; RBA's Lowe speaks on Tue; Services PMI (Jun); Building Approvals, Trade (May) on Wed; Retail Sales (May) on Thu; FX Reserves (Jun) on Fri.*



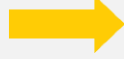


**NZD/USD** **G20 Outcome Could Provide the Catalyst.** NZD remains better bid this week thanks to softer USD environment as markets unwind excessive NZD shorts ahead of G20 Summit. NZD also reacted in response to RBNZ meeting decision.

Though RBNZ reiterated in its accompanying statement (Wed) that a lower OCR may be needed, its explicit use of the phrase "over time" in the line "lower OCR may be needed over time" was interpreted as less urgent need for more easing.

NZD was last seen at 0.6705 levels. Daily momentum is bullish bias while stochastics is rising into overbought conditions. Immediate resistance at 0.6710 (50% fibo retracement of 2019 high to low). If broken decisively, we could see an extension of the move towards 0.6760 (61.8% fibo), 0.6830 (76.4% fibo). Support at 0.6660 (38.2% fibo).

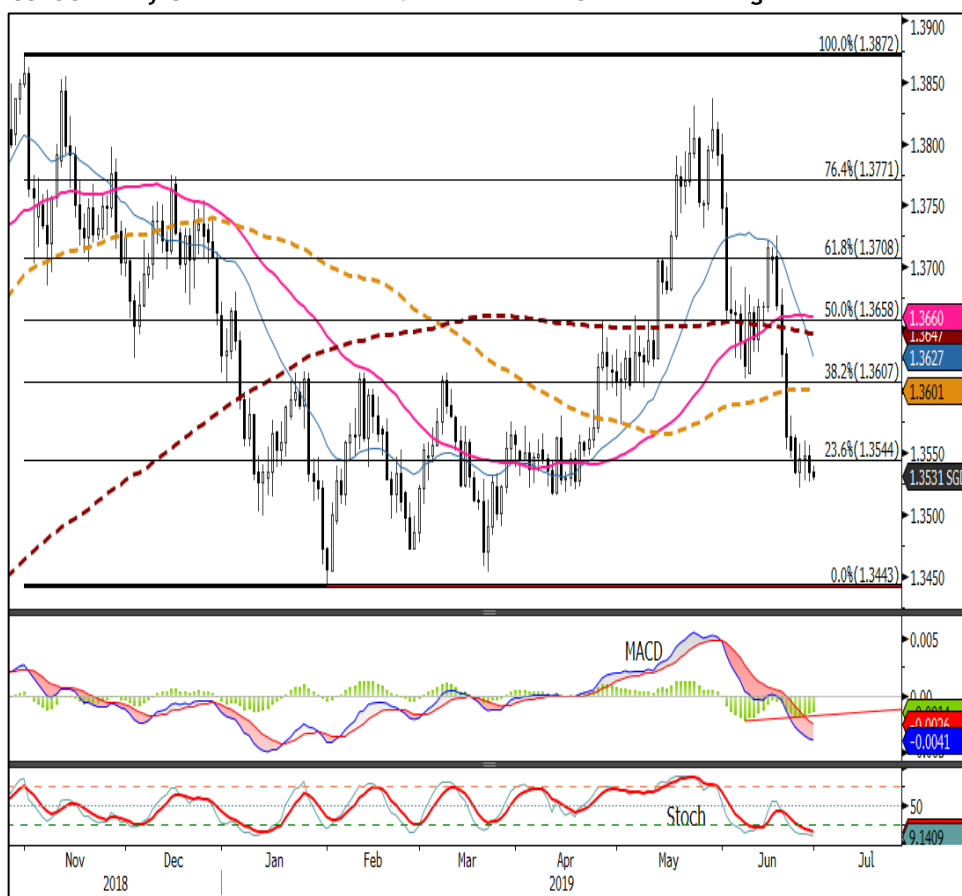
*Focus next week on RBNZ's Bascand speaks on Mon; Building Permits (May); GDT Dairy Auction on Tue; QV Home Prices, Commodity Prices (Jun) on Wed.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0460; R: 3.0640	<b>Signs of Pullback Starting to Show Up</b> SGDMYR failed to gather traction beyond double-top resistance as the cross eased lower into the week's close. Cross was last seen at 3.0570 levels. Bullish momentum on daily chart shows tentative signs of fading while stochastics shows signs of turning from near-overbought conditions. Some risk of pullback lower not ruled out. Support at 3.0540 (21 DMA), 3.0460/70 (50 DMA, 23.6% fibo retracement of 2019 low to high). Immediate resistance at 3.0640/50 levels (double top). We caution that a break above double-top opens room for further upside towards 3.07, 3.0780 levels. Failing which the cross could ease off. Expect range of 3.0460 - 3.0640 next week.
AUD/MYR		S: 2.8800 R: 2.9200	<b>Rebound Underway.</b> AUDMYR rebounded this week; in line with our caution for <i>rebound risks not ruled out</i> . Cross was last seen at 2.9020 levels. Daily momentum is turning bullish while stochastics is rising. Extension of rebound not ruled out. Resistance at 2.9170 (23.6% fibo retracement of Dec high to triple bottom in 2019), 2.9390 (200 DMA). Support at 2.89 (21v DMA), 2.8650 (triple bottom).
EUR/MYR		S: 4.6800; R: 4.7600	<b>Pullback May Still Find Support.</b> EURMYR gapped higher this week but gains were partially retraced amid MYR outperformance. Cross was last seen at 4.7060 levels. Daily momentum and stochastics are not showing a clear bias. 21DMA cuts 200DMA to the upside - bullish signal. Immediate resistance at 4.72 (Jun high) needs to be broken for a big push towards 4.76 levels (61.8% fibo retracement of Sep high to Apr low). Support at 4.6980 (21, 200 DMAs), 4.6870 (38.2% fibo), 4.6730 (50 DMA).
GBP/MYR		S: 5.2100; R: 5.2770	<b>Range.</b> GBPMYR fell this week amid a divergence play with GBP underperforming and MYR outperforming. GBPMYR was last seen at 5.2450 levels. Daily momentum and stochastics are not indicating a clear bias. Support at 5.2070. Resistance at 5.2760 (21 DMA).
JPY/MYR		S: 3.8000 R: 3.8800	<b>Risk of Pullback.</b> JPYMYR drifted lower this week. Cross was last seen at 3.8415 levels. Bearish momentum on daily chart remains intact while stochastics is falling. Pullback risks towards 3.8020 (50 DMA) not ruled out. Resistance at 3.8550, 3.88 levels.

## Technical Chart Picks:

USDUSD Daily Chart - Bearish Bias Meets Potential ST Bullish Divergence



USDUSD consolidated in 1.3520 - 1.3560 range this week; in line with our call for consolidate within bearish pressure (as mentioned in the last FX Weekly). Pair was last seen at 1.3530 levels.

Bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions.

A potential bullish divergence could be in the works (as seen from daily MACD) but it may be too soon to call as underlying bearish bias remains intact. Immediate support at 1.3510. Break below this could see decline accelerate towards 1.3440/60 levels (2019 low). Immediate resistance at 1.36 (100 DMA), 1.3650 (50 DMA).

USDMYR Daily Chart - Decline Could Accelerate if Support Goes



USDMYR drifted a touch lower as we approach G20 Summit with some optimism. Pair was last seen at 4.1380 levels.

Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. Move lower remains in line with our caution that decline could accelerate if support goes (last FX Weekly).

Key support at 4.1360 (200 DMA). Break below this put next support at 4.1290 (50% fibo retracement of 2019 low to high). Resistance at 4.1460 (38.2% fibo), 4.1570 (50 DMA), 4.1680 (23.6% fibo).

## AUDSGD Weekly Chart: Rebound Underway



Our out-of-consensus call in the last FX Weekly looking for a rebound in AUDSGD came to fruition. Cross was last seen at 0.9490 levels.

Daily momentum turned bullish while stochastics is rising. Next resistance at 0.9506 (50 DMA) before 0.9570 (100 DMA).

Immediate support at 0.9450 before 0.9360, levels.

## SGDMYR Daily Chart: Signs of Pullback Starting to Show Up



SGDMYR failed to gather traction beyond double-top resistance as the cross eased lower into the week's close. Cross was last seen at 3.0570 levels.

Bullish momentum on daily chart shows tentative signs of fading while stochastics shows signs of turning from near-overbought conditions. Some risk of pullback lower not ruled out. Support at 3.0540 (21 DMA), 3.0460/70 (50 DMA, 23.6% fibo retracement of 2019 low to high). Immediate resistance at 3.0640/50 levels (double top). We caution that a break above double-top opens room for further upside towards 3.07, 3.0780 levels. Failing which the cross could ease off.

Expect range of 3.0460 - 3.0640 next week.

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