

FX Weekly

Playing It Safe

The Week Ahead

- **Dollar Index - Fade.** Support at 97.4; Resistance at 98.7.
- **USD/SGD - Death Cross?** Support at 1.357; Resistance at 1.37
- **USD/MYR - Shooting Star.** Support at 4.14; Resistance at 4.19
- **AUD/SGD - Tough Call.** Support at 0.9200; Resistance at 0.9350
- **SGD/MYR - Pullback.** Support at 3.0380; Resistance at 3.0650

RBA, BoC Hold; RBI to Cut; China to Retaliate? Vols Compressed

Equity sentiment is soft while USD/AXJs are hovering near its recent highs as we head into the weekend. In particular focus is on whether China retaliates in response to Trump signing the HK bill and we are wary of China announcing any surprise over the weekend. Nonetheless if China holds back, that may bode well for sentiments on Mon. For next week, China NBS PMI (tomorrow); US ISM mfg (Mon); US services PMI (Wed) and US payrolls (Fri) will provide a gauge on the economic health of the big 2 economies. In terms of central bank meetings, RBA meets on Tue; BoC on Wed and RBI on Thu. We expect both RBA and BoC to keep policy rate on hold at 0.75% and 1.75%, respectively but we expect RBI to cut policy rate by 25bps to further support growth. On FX, USDSGD, USDKRW may continue to creep higher towards 1.37, 1188 but there may be limited room for further upside beyond that in the short term. SGDMYR could still face further downward pressure towards 3.04 levels especially if support at 3.0520 gives way. Recall that FX vols hit their respective lows in 2007 prior to Lehman/subprime/GFC) and in 2014 (prior to plunge in oil prices). And we are once again nearing those lows again. We are wary if vols compression calls for hedges against market complacency.

Limited Spill Over Contagion from LATAM but Watch INR

Decline in CLP (by 11% MTD) came amid prolonged social unrest (~5 weeks) and this is hurting its investment and economic profile. So far the spill over effect on EM Asia FX is fairly muted as drivers (largely political) and market environment (most central banks including Fed are on easing bias/cycle and global monetary conditions remain accommodative) are different relatively to previous episodes. The one currency that could be the weakest link may be INR as both twin deficits in current and fiscal account continue to deteriorate. We opined that spill over contagion from LATAM is likely to be limited for now but if it persists for longer, INR could be more affected than other AXJ FX.

Global PMIs; US Labor Market; Lagarde Speaks Next Week

Key data of interests next week include US ISM mfg; ECB Lagarde speak on Mon. For Tue, UK construction PMI; SG PMI. For Wed, US ISM non-mfg, ADP; China Caixin services PMI; RBNZ Orr speaks. For Thu, EU GDP; AU retail sales; PH CPI. For Fri, US payrolls and FX reserves data from MY, PH and ID.

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg












Christopher Wong
(65) 6320 1347
wongkl@maybank.com.sg

Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Tan Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Our in-house model implies that S\$NEER is trading around 1.5% above the implied midpoint of 1.3872, suggesting that it is on the stronger side vs. other trading partner currencies.

Please see page 5 for a summary of our open trade ideas

| Currency | Direction | Support/Resistance | Key Data and Events This Week |
|--------------|---|----------------------|--|
| Dollar Index |  | S: 97.40; R: 98.70 | <ul style="list-style-type: none"> • Mon: ISM Mfg (Nov); Construction spending (Oct); • Tue: - Nil - • Wed: ISM non-Mfg, ADP Employment (Nov); Fed's Quarles speaks; • Thu: Trade, Durable Goods (Oct); • Fri: NFP, unemployment rate, average hourly earnings (Nov); Uni. Of Michigan sentiment (Dec P); Wholesale inventories, trade sales (Oct) |
| EURUSD |  | S: 1.0990; R: 1.1180 | <ul style="list-style-type: none"> • Mon: Mfg PMI (Nov); ECB's Lagarde testifies at EU parliament; • Tue: ECB nominees Panetta, Schnabel speak; PPI (Oct); • Wed: Services PMI (Nov); • Thu: GDP, Employment (3Q); Retail sales (Oct) • Fri: - Nil - |
| AUDUSD |  | S: 0.6670; R: 0.6830 | <ul style="list-style-type: none"> • Mon: Building approvals (Oct); PMI Mfg (Nov); Company profits (3Q); • Tues: RBA meeting; Current account (3Q); • Wed: GDP (3Q); services PMI (Nov); • Thu: Trade, Retail sales (Oct); • Fri: FX Reserves (Nov) |
| NZDUSD |  | S: 0.6360; R: 0.6550 | <ul style="list-style-type: none"> • Mon: Terms of Trade (3Q); • Tue: - Nil - • Wed: QV house Prices (Nov); RBNZ Governor Orr speaks; • Thu: RBNZ announces bank capital review; RBNZ's Orr speaks • Fri: - Nil - |
| GBPUSD |  | S: 1.2700; R: 1.3000 | <ul style="list-style-type: none"> • Mon: PMI Mfg(Nov); • Tue: Construction PMI, BRC Sales (Nov); Unit labor costs (2Q); • Wed: Services PMI (Nov); • Thu: - Nil - • Fri: - Nil - |
| USDJPY |  | S: 106.90; R: 109.90 | <ul style="list-style-type: none"> • Mon: Company profits, Capex (3Q); PMI Mfg (Nov); • Tue: - Nil - • Wed: Services PMI (Nov); • Thu: BoJ's Harada speaks; • Fri: Labor cash earnings, household spending (Oct) |
| USDCNH |  | S: 6.9400; R: 7.0500 | <ul style="list-style-type: none"> • Mon: Caixin Mfg PMI (Nov); • Tue: - Nil - • Wed: Caixin PMI Services (Nov) • Sat: FX Reserves (Nov); • Sun: Trade (Nov) |
| USDSGD |  | S: 1.3570; R: 1.3700 | <ul style="list-style-type: none"> • Mon: - Nil - • Tue: PMI (Nov) • Wed: - Nil - • Thu: - Nil - • Fri: - Nil - |
| USDMYR |  | S: 4.1400; R: 4.1900 | <ul style="list-style-type: none"> • Mon: PMI Mfg (Nov); • Tue: - Nil - • Wed: Trade (Oct); • Thu: - Nil - • Fri: FX Reserves (Nov) |
| USDPHP |  | S: 50.40; R: 51.00 | <ul style="list-style-type: none"> • Mon: PMI Mfg (Nov) • Tue: - Nil - • Wed: - Nil - • Thu: CPI (Nov); Unemployment rate (Oct); • Fri: FX Reserves (Nov) |
| USDIDR |  | S: 14,060; R: 14,200 | <ul style="list-style-type: none"> • Mon: PMI Mfg, CPI (Nov); • Tue: - Nil - • Wed: - Nil - • Thu: Consumer Confidence (Nov); • Fri: FX Reserves (Nov) |

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

| Currency | Stories of the Week |
|----------------|---|
| DX/USD | <p>Plenty of Tier-1 Data to Digest Next Week. USD remains supported against most AXJs this week amid fears of retaliation from China following US signing of the bill and concerns of a delay in phase-1 deal into 2020. US markets reopen tonight after Thanksgiving day holiday on Thu but market liquidity may still remain thin and this could exacerbate price action in the event of any negative surprises. But if we do not get any retaliation response from China, then this may potentially bode well for sentiments next week. Selected USDAXJs such as USDKRW (on hanging man weekly candlestick) and USDMYR (on shooting star weekly candlestick) may retrace lower.</p> <p>For USD, top focus on US ISM mfg (Mon); US services PMI, ADP employment (Wed) and US payrolls (Fri) for a gauge on the economic health. Softer data would help to limit USD gains.</p> <p>DX/USD was last seen at 98.35 levels. Bullish momentum on daily chart is still intact while stochastics is rising. Resistance at 98.40 (50 DMA, 50% fibo retracement of Sep high to Oct low) and 98.70 (61.8% fibo). Bias to lean against strength remains. Key support at 97.70 (23.6% fibo) and 97.4 (200 DMA).</p> <p><i>Key data/events of focus next week include ISM Mfg (Nov); Construction spending (Oct) on Mon; ISM non-Mfg, ADP Employment (Nov); Fed's Quarles speaks on Wed; Trade, Durable Goods (Oct); NFP, unemployment rate, average hourly earnings (Nov); Uni. Of Michigan sentiment (Dec P); Wholesale inventories, trade sales (Oct).</i></p> |
| EUR/USD | <p>Still Looking for Mild Rebound. EUR traded a subdued range of 1.0992 - 1.1032 for the week, in absence of catalyst. Last seen at 1.1010 levels. Bearish momentum intact but shows tentative signs of fading while stochastics is falling into oversold conditions. Immediate support at 1.0990 levels (61.8% fibo retracement of Sep low to Oct's double-top). Bias to buy dips. Resistance at 1.1060 (38.2% fibo, 21 DMA), 1.1075 (100 DMA). We continue to look for a mild rebound but do not expect a strong rise in absence of fresh catalyst.</p> <p><i>Focus next week on Mfg PMI (Nov); ECB's Lagarde testifies at EU parliament on Mon; ECB nominees Panetta, Schnabel speak; PPI (Oct) on Tue; Services PMI (Nov) on Wed; GDP, Employment (3Q); Retail sales (Oct) on Thu.</i></p> |
| GBP/USD | <p>2-Way Price Action. GBP reversed early week's decline after influential yougov poll suggests that BoJo's Conservative party is on course to win by a large majority of 68 seats at the upcoming 12/12 General Elections. This was a sharp contrast to early week's poll by Kantar and ICM poll which showed that Conservative's lead over Labour narrowed and risks of hung parliament is on the rise. Nonetheless whippy price action underscores the fact that opinion polls will continue to swing GBP's direction in the range of 1.27 - 1.30 ahead of 12/12 GE.</p> <p>GBP was last seen at 1.2910 levels. Bearish momentum intact but shows tentative signs of waning. We reiterate the golden cross (50DMA cuts 200 DMA to the upside) pattern - typically associated with a bullish signal. We look for opportunity to accumulate on dips. Support at 1.2820, 1.2780, 1.27 levels (50, 200 DMAs). Immediate resistance at 1.2880, 1.30 levels.</p> <p><i>Focus next week on PMI Mfg (Nov) on Mon; Construction PMI, BRC Sales (Nov); Unit labor costs (2Q) on Tue; Services PMI (Nov) on Wed.</i></p> |
| USD/JPY | <p>Looking to Sell Rallies. USDJPY was last seen at 109.50 levels. Bullish momentum on weekly chart remains intact while stochastic is in overbought conditions. A potential rising wedge pattern appears to be forming - typically associated with a bearish reversal - but question remains on the timing of the turn as upward pressure still looks intact. We call for patience and still look for rallies to fade into. Resistance at 109.50 (50% fibo retracement of 2018 high to 2019 low), 109.90 levels. Support at 108.90 (21, 50 DMAs), 108.30 (38.2% fibo) and 106.90 (23.6% fibo).</p> <p><i>Focus next week on Company profits, Capex (3Q); PMI Mfg (Nov) on Mon; Services PMI (Nov) on Wed; BoJ's Harada speaks on Thu; Labor cash earnings, household spending (Oct) on Fri.</i></p> |



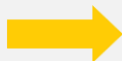


AUD/USD ***RBA and 3Q GDP in Focus Next Week.*** AUD remains under pressure amid cautious sentiment owing to fears of China retaliation in response to Trump signing bill and concerns of delay in phase-1 deal into 2020. Pair was last seen at 0.6780 levels. Bearish momentum on daily chart remains intact while stochastics is in oversold conditions. Immediate support at 0.6770 is likely to hold. But we caution that a decisive break below that could see AUD fall towards 0.6680 levels. Meanwhile resistance at 0.6810 (50 DMA), 0.6830 (100 DMA). Look for mild rebound in subdued range of 0.6770 - 0.6830 next week.

Focus next week on Building approvals (Oct); PMI Mfg (Nov); Company profits (3Q) on Mon; RBA meeting; Current account (3Q) on Tue; GDP (3Q); services PMI (Nov) on Wed; Trade, Retail sales (Oct) on Thu; FX Reserves (Nov) on Fri. on Frida

NZD/USD ***Slow Bottoming and Gradual Rise Underway.*** NZD traded a subdued range of 0.6395 - 0.6438 this week; last seen at 0.6435 levels. Daily momentum in mild bullish while stochastics is rising into overbought conditions. Weekly momentum is bullish while stochastics is rising. Bullish divergence on weekly MACD is underway. Broad directional bias remains mildly skewed to the upside. But we do not expect one-way trade higher given many nuances (amid US-China trade uncertainties and RBNZ's open-ness to unconventional monetary policies). Immediate resistance at 0.6450. That needs to be decisively broken for further gains towards before 0.65 and 0.6550 (200 DMA) to take hold. Look for further upside, technically. Support at 0.6340 (50 DMA), 0.6250 levels. We look for NZD to gradually bottom out. Elsewhere US-China trade negotiations development will continue to drive sentiment and direction.

Focus next week on Terms of Trade (3Q) on Mon; QV house Prices (Nov); RBNZ Governor Orr speaks on Wed; RBNZ announces bank capital review; RBNZ's Orr speaks on Thur.

Technical View: MYR Crosses

| MYR Crosses | Direction | Support/Resistance | Stories of the Week |
|-------------|---|----------------------|--|
| SGD/MYR |  | S: 3.0380; R: 3.0650 | Downside Risk. Gains in SGDMYR petered off this week, consistent with our call for pace of gains to slow. Cross was last seen at 3.0540 levels. Mild bullish momentum is fading while stochastics is turning lower from near overbought conditions. Risks skewed to the downside. Support at 3.0520 (50 DMA) and 3.0380 (100, 200 DMAs). Immediate resistance at 3.0650 before 3.08. |
| AUD/MYR |  | S: 2.8000 R: 2.8500 | Downside Risks. AUDMYR was last seen at 2.8270 levels. Bearish momentum on daily chart remains intact while stochastics is falling. 21DMA cuts 50, 100 DMAs to the downside. Directional bias remains skewed to the downside but cautious of sticky price action as the cross approaches key support and may seem oversold. Support at 2.80. Likely to hold. Resistance at 2.8470 (50 DMA). |
| EUR/MYR |  | S: 4.5700; R: 4.6300 | Rebound Failed. EURMYR slipped this week amid MYR outperformance. Cross was last seen at 4.5970 levels. Mild bullish momentum show signs of fading while stochastics is falling. Risks skewed to the downside. Immediate support at 4.57, 4.55 levels. Resistance at 4.61 (50 DMA), 4.6210 (100 DMA), 4.6350 (200 DMA). |
| GBP/MYR |  | S: 5.3500; R: 5.4500 | Range. GBPMYR was last seen at 5.3930 levels. Daily momentum and stochastics indicators are not indicating a clear bias. UK opinion polls will be a driver of GBP-crosses. Immediate support at 5.3570 (21 DMA), 5.3040 levels (50 DMA). Immediate resistance at 5.40, 5.45 levels. |
| JPY/MYR |  | S: 3.8000; R: 3.8700 | Lean Against Strength. JPYMYR traded a touch softer this week. Cross was last seen at 3.8120 levels. Mild bullish momentum is fading while stochastics is falling. Downside bias. Immediate support at 3.81 levels (21, 200 DMAs) before 3.80, 3.7770 levels. Immediate resistance at 3.85 (50 DMA), 3.87 (100 DMA). Still bias to lean against strength. |

Tactical FX Trade Ideas - Open

| Date | Trade | Entry/[SL] | Objective(s) | P&L | Open/Closed | Remarks |
|--------|---|-----------------------------------|--------------|-----|-------------|---|
| 26 Jul | Long IDRSGD | 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] |

Technical Chart Picks:

USDSGD Daily Chart - Stumbling Into Resistance



USDSGD traded higher this week, in line with our caution for inverted head and shoulders play (bullish reversal), though the rise failed to meet our objective at 1.37.

Pair was last seen at 1.3660 levels. Bullish momentum on daily chart remains intact while stochastics is rising into overbought conditions. A potential death cross (50DMA cuts 200 DMA to the downside) appears to be forming - typically a bearish signal. Up-move likely to find resistance at 1.3670/80 levels (50, 200 DMAs) before 1.3690 (50% fibo retracement of 2019 low to high).

Support at 1.3630 (61.8% fibo), 1.3620 (21 DMA) and 1.3570 levels.

USDMYR Daily Chart - Bias to Lean against Strength



Our call in the last FX Weekly to lean against strength panned out well this week. Intra-week high at 4.1860, slightly short of the 4.1865 resistance we highlighted.

Pair was last seen at 4.1720 levels. Bullish momentum on daily chart is fading while stochastics is turning from overbought conditions. The rising wedge (bearish reversal) pattern has played out. Weekly candlestick - shooting star bearish reversal. We look for further downside. Bias remains to lean against strength.

Immediate resistance at 4.1740 (50 DMA), 4.1865 (23.6% fibo retracement of 2019 low to high). Support at 4.1690 (100 DMA), 4.1570 (21 DMA) and 4.1450 (200 DMA).

AUDSGD Daily Chart: Still a Tough Call



AUDSGD continues to consolidate near recent lows this week. Last seen at 0.9255 levels - at Oct-Nov 2019 lows (triple bottom).

Bearish momentum on daily chart remains intact but shows signs of fading while stochastics is near oversold conditions. Immediate support at 0.9230 levels (Oct low). Question remains if this bottom warrants a catch the falling knife trade or will there be an impulsive break below this support? This remains a tough call and we prefer to stay sideline until clearer signs develop as trend (in this case down) is always your friend until it turns.

Immediate support at 0.9230, 0.92 levels. resistance at 0.9330/50 levels (21, 50 DMAs)

SGDMYR Daily Chart: Downside Risk



Gains in SGDMYR petered off this week, consistent with our call for pace of gains to slow. Cross was last seen at 3.0540 levels. Daily momentum turned mild. Mild bullish momentum is fading while stochastics is turning lower from near overbought conditions. Risks skewed to the downside. Support at 3.0520 (50 DMA) and 3.0380 (100, 200 DMAs).

Immediate resistance at 3.0650 before 3.08.

Tactical FX Trade Ideas - Closed

| Date | Trade | Entry/[SL] | Objective(s) | P&L | Open/Closed | Remarks |
|----------------|--------------------------------------|--------------------------------|-------------------------------|------------------------------|------------------------------------|---|
| 25 Sep | Short SGDCNH | 5.1620 [5.20] | 5.0970, 5.0788 | 0 | Closed at 5.16 (22 Nov) | Elevated SGDCNH, an interim trade deal to see CNH strengthen against SGD. [GM Daily] , [RMB Watch] |
| 25 Sep | Short USDCNH, | 7.11 [7.19] | 7.00, 6.90 | +1.1 | Closed at 7.03 (20 Nov) | Head and Shoulders Formation for USDCNH, See Removal of Sep tariffs for an interim trade deal. [GM Daily] , [RMB Watch] |
| 6 Sep | Short AUDNZD | 1.0700 [1.0800] | 1.0500 | -0.9% | Closed at 1.08 (16 Sep) | Rising Wedge Bearish Reversal [Link] |
| 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 | | | | +11.8% | | |

DISCLAIMER

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy the securities or financial instruments referred to herein, or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy. Investors should note that income from such securities or financial instruments, if any, may fluctuate and that each security's or financial instrument's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation or the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities and/or financial instruments or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Malayan Banking Berhad and/or its affiliates and related corporations (collectively, "Maybank Group") and consequently no representation is made as to the accuracy or completeness of this report by Maybank Group and it should not be relied upon as such. Maybank Group and any individual connected to the Maybank Group accept no liability for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Maybank Group and its officers, directors, associates, connected parties and/or employees may from time to time have positions or be materially interested in the securities and/or financial instruments referred to herein and may further act as market maker or have assumed an underwriting commitment or deal with such securities and/or financial instruments and may also perform or seek to perform investment banking, advisory and other services for or relating to those entities whose securities are mentioned in this report. Any information, estimate, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions and analysis made and information currently available to us as of the date of the publication and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. Maybank Group expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is prepared for the sole use of Maybank Group's clients and may not be altered in any way, published, circulated, reproduced, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of the Maybank Group. Maybank Group accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

Published by:



Malayan Banking Berhad
(Incorporated in Malaysia)

Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 63201379

Christopher Wong
Senior FX Strategist
wongkl@maybank.com.sg
(+65) 63201347

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 63201374

Yanxi Tan
FX Strategist
tanyx@maybank.com.sg
(+65) 63201378