

## FX Weekly

# Central Bank Meetings to Add to Volatility

### The Week Ahead

- **Dollar Index - Sell Rallies.** Support at 96.00; Resistance at 99.70
- **USD/SGD - 2-Way Trades.** Support at 1.3510; Resistance at 1.3680
- **USD/MYR - Range-Bound.** Support at 4.17; Resistance at 4.20
- **AUD/SGD - Pullback.** Support at 0.9810; Resistance at 1.0060
- **SGD/MYR - Retracement.** Support at 3.0680; Resistance at 3.1000

### USD Bid ahead of FoMC

Markets have been extremely volatile. War in Ukraine remains the dominant driver as Russian invasion enters into the 3rd week with little signs of abating. Europe natural gas and Brent were up nearly 300% and >40%, respectively at one point since Russian invasion but are now down >60% and >20% from peak this month. Though there was no progress made at the first high-level meeting between Russia-Ukraine Foreign Ministers since Russian invasion, both sides seem to keep their diplomatic channels open for further talks. Next week will see an additional layer of volatility as 5 central banks hold their respective MPCs, with top focus on FoMC. BoE, CBC and BI will also have their MPCs on Thu while BoJ on Fri. For Fed, a 25bps hike is expected and Fed is likely to emphasize that 50bps hike is not impossible in the future if CPI stay hot/runs hotter. In light of geopolitical uncertainties (risk aversion), strong US data (CPI, NFP) and Fed rate hike expectations intact, the USD could still stay supported in the lead-up to FoMC. For USD/SGD, we look for 2-way trades in 1.3510 - 1.3680 and for USD/MYR, a 4.17 - 4.20 range next week.

### 25bps Hike at BoE while BoJ, CBC and BI Likely to Hold

We expect BoE to continue with its back-to-back hike of +25bps rate hike at the upcoming MPC. A very tight labor market and more persistent price pressures (CPI at 5.5%) are likely the push factors for BoE to act. The risk is a 50bps hike but we doubt it as policymakers indicated "measured" pace of rate rise. For BoJ, we expect monetary policy stance to remain status quo. While inflation forecasts were raised, the extent was relatively mild, implying that the central bank does not see inflation near its 2% target anytime soon. We think that any signaling of shifts in BoJ strategy might be more plausible towards end-2022 or later. We also expect CBC to keep policy rate unchanged at current level of 1.125%, though increasingly there is a risk of CBC tightening earlier given expectations of a faster pace of Fed normalization and faster inflation at home. We opined CBC may want to keep policy accommodative to support domestic activity especially when Covid border measures may only be gradually eased from mid-Mar. For BI, we look for a hold at the upcoming MPC. Our economist maintains call for BI to deliver +75bps rate hikes this year, to bring its policy rate to 4.25% by end 2022. The 1<sup>st</sup> rate hike could be in 2Q, as the Fed kickstarts its tightening cycle. Some convergence with Fed policy path over the course of the year could be supportive of IDR.

### US, China Activity Data; AU, UK Labor Report; SG NODX

Key data we watch next week include US PPI, Empire Mfg; EU IP, ZEW survey; UK labor market report; NZ services PMI; China activity data on Tue. For Wed, US retail sales. For Thu, US housing data; EU CPI; AU labor market report; NZ GDP; SG NODX. For Fri, JP CPI; EU and Malaysia trade.

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*Our in-house model implies that S\$NEER is trading at +1.66% to the implied midpoint of 1.3821, suggesting that it is much firmer vs. other trading partner currencies.*

### Bloomberg FX Ranking

#### 2Q 2021








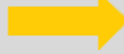



No. 2 for CNH  
No. 3 for TWD, SGD, CAD  
No. 5 for CNY  
No. 10 for GBP

#### 3Q 2021

No. 1 for VND  
No. 3 for TWD

#### 4Q 2021

No. 4 for TWD  
No. 5 for CNY

Currency	Direction	Support/Resistance	Key Data and Events
Dollar Index		S: 94.50; R: 99.70	<p>Mon: - Nil -</p> <p>Tue: PPI (Feb); Empire manufacturing (Mar);</p> <p>Wed: Retail sales (Feb); Import/export price index (Feb); Business inventories (Jan); NAHB housing market index (Mar)</p> <p>Thu: FoMC; Building permits, housing starts, IP (Feb); Philly Fed business outlook (Mar);</p> <p>Fri: Existing home sales, leading index (Feb)</p>
EURUSD		S: 1.0865; R: 1.1100	<p>Mon: - Nil -</p> <p>Tue: IP (Jan); ZEW survey expectations (Mar); German current account;</p> <p>Wed: - Nil -</p> <p>Thu: CPI (Feb);</p> <p>Fri: Trade (Jan)</p>
AUDUSD		S: 0.7275; R: 0.7425	<p>Mon: - Nil -</p> <p>Tue: House price index (4Q);</p> <p>Wed: Westpac leading index (Feb);</p> <p>Thu: Labor market report (Feb)</p> <p>Fri: - Nil -</p>
NZDUSD		S: 0.6695; R: 0.6925	<p>Mon: REINZ house sales (Feb);</p> <p>Tue: Services PMI (Feb)</p> <p>Wed: Current account (4Q)</p> <p>Thu: GDP (4Q)</p> <p>Fri: - Nil -</p>
GBPUSD		S: 1.3020; R: 1.3320	<p>Mon: - Nil -</p> <p>Tue: Labor market report (Jan);</p> <p>Wed: - Nil -</p> <p>Thu: BoE MPC</p> <p>Fri: - Nil -</p>
USDJPY		S: 115.10; R: 118.00	<p>Mon: - Nil -</p> <p>Tue: - Nil -</p> <p>Wed: IP (Jan); Trade (Feb)</p> <p>Thu: Core machine orders (Jan);</p> <p>Fri: CPI (Feb); BoJ MPC</p>
USDCNH		S: 6.3100; R: 6.3900	<p>Mon: - Nil -</p> <p>Tue: IP, FAI, Retail sales, jobless rate (Feb); 1y MTLF rate;</p> <p>Wed: New home prices (Feb);</p> <p>Thu: - Nil -</p> <p>Fri: - Nil -</p>
USDSGD		S: 1.3510; R: 1.3680	<p>Mon: - Nil -</p> <p>Tue: - Nil -</p> <p>Wed: - Nil -</p> <p>Thu: NODX (Feb)</p> <p>Fri: - Nil -</p>
USDMYR		S: 4.1700; R: 4.2000	<p>Mon: - Nil -</p> <p>Tue: - Nil -</p> <p>Wed: - Nil -</p> <p>Thu: - Nil -</p> <p>Fri: Trade (Feb)</p>
USDPHP		S: 51.85; R: 52.85	<p>Mon: - Nil -</p> <p>Tue: - Nil -</p> <p>Wed: - Nil -</p> <p>Thu: - Nil -</p> <p>Fri: Unemployment rate (Jan)</p>
USDIDR		S: 14,200; R: 14,400	<p>Mon: - Nil -</p> <p>Tue: Trade (Feb)</p> <p>Wed: - Nil -</p> <p>Thu: BI MPC</p> <p>Fri: - Nil -</p>

Sources: Bloomberg, Maybank FX Research &amp; Strategy

## Selected G7 FX Views

Currency	Stories of the Week
<b>DXY Index</b>	<p><b>FoMC Takes Centre-stage.</b> USD's rise in early week fizzled out after Ukraine said that it no longer insists on NATO membership and is open to discuss Russia's demand for neutrality as long as it is given security guarantees. Though there was no progress made at the first high-level meeting (10 Mar) between Russia-Ukraine Foreign Ministers since Russian invasion, both sides keeping their diplomatic channels open for further talks is a key step towards de-escalating tensions. That being said, it remains too early to concur that the worst is over. Russia said they want a Ukraine that is friendly and demilitarised, such that there isn't a risk of the creation of another Nazi state and a Ukraine that won't ban Russian language or culture while Ukraine Foreign Minister Kuleba had set out 3 key demands: a ceasefire, an improvement in humanitarian situation and withdrawal of Russian forces from Ukraine. We continue to monitor developments if there are potential signs of compromise or concessions made during Ukraine-Russia negotiations. Moving on, central bank meetings next week is likely to add another layer of volatility with top focus on FoMC (Th 2am SG/MY time).</p> <p>As of 11 Mar, 30d Fed fund futures are pricing in about 6 -7 hikes for 2022 (vs. 3 hikes as per Fed's dots plot in Dec-2021) while a 25bps hike at 16-17 Mar FoMC is fully priced. There were chatters of 50bps hike in Mar as Fed may need to do more to restore inflation-fighting credibility. But this has now vanished as recent comments from Fed inner circle - Williams and Brainard as well as Powell himself - brought down probability of 50bps hike to just &lt;5%, from a high of &gt;80% probability at one point. In remarks made at the House finance panel last week, Fed Chair Powell said he leaned more to support a 25bps hike at Mar FoMC though he would not rule out moving more aggressively to raise rate by more than 25bps at "a meeting or meetings" if "inflation comes in higher or is more persistently high than that". He acknowledged that the Russian invasion of Ukraine could trigger a long-term reordering of international relations that would likely reshape the economies of Western Europe but refrains from jumping in too early to conclude how US economy will be affected and what that means for policy. Earlier Powell also laid down the roadmap for balance sheet normalisation - to begin shrinking balance sheet after rate hike starts. He also pointed to the use of redemption caps to roll off balance sheet (like in 2017-19) instead of selling its holdings outright. Focus next on decision of timing and pace of balance sheet reduction. Our house view looks for 25bps hike at upcoming FoMC.</p> <p>DXY was last at 98.53 levels. Bullish momentum on daily chart shows signs of waning while RSI was flat. Side-ways trade with slight tilt to upside likely. We look for better levels on rally to fade into. Resistance at 99.73 (76.4% fibo retracement of 2020 high to 2021 double-bottom low), 100.5 levels and 102.98 (2020 high). Support at 97.72 (61.8% fibo), 96.95 (21DMA) and 96 levels (50% fibo).</p> <p><i>Next week brings PPI (Feb); Empire manufacturing (Mar) on Tue; Retail sales (Feb); Import/export price index (Feb); Business inventories (Jan); NAHB housing market index (Mar) on Wed; FoMC; Building permits, housing starts, IP (Feb); Philly Fed business outlook (Mar) on Thu; Existing home sales, leading index (Feb).</i></p>
<b>EUR/USD</b>	<p><b>Focus on Outcome of Emergency Summit and Lagarde speaks Next Week.</b> Focus on the outcome of Emergency summit in Versailles on 10- 11 Mar as there were reports earlier this week that EU may soon announce plan this week to jointly issue bonds to finance energy and defence spending. The size of the fund and timing will also be key. And potentially this can turn things around for the beleaguered EUR. A joint recovery fund demonstrates EU solidarity, debt mutualisation and could serve to mitigate against any supply-side fallout on growth, prevents risks of any contagion and/or credit blow-up and in turn, boost EUR sentiments. This may even be similar to the EU's recovery fund (dubbed the Next Generation EU Fund) that was launched in Jul 2020 (size worth up to EUR750bn) and was widely regarded as a success in terms of stabilising sentiment, and providing support for business and jobs. S&amp;P did highlight before that the Euro-area's supranational response in 2020 to combine QE and pooling of fiscal resources has buttressed the creditworthiness of all member states.</p> <p>ECB meeting outcome (10 Mar) came as a surprise to most analysts as ECB accelerating its wind-down of monetary stimulus as it signalled that it is more concerned of inflation than weaker economic growth. Bond purchases will slow from May (to EUR30bn then to EUR20bn in Jun) and that APP could end as soon as 3Q. These were largely in line with our expectations - <i>pace of APP be reduced (from planned EUR40bn/month starting Apr) or be made flexible while an earlier end (vs. previously guided timeline of Oct-2022) is not ruled out. We believe policy normalisation plan should not be derailed and that policymakers can use forward guidance to anchor stability in financial conditions and the EUR.</i> The ECB also managed to paint some guidance and score some flexibility on policy rate trajectory. In particular</p>

ECB said that any hikes will be “gradual” and take place “some time after” bond purchases end, instead of “shortly after”. This is a notable shift from its previous statement where it said that GC no longer suggests interest rates could go lower than at present. Lagarde elaborated that “some time after” is encompassing as it can be the week after but it can also be months later. She stressed that time horizon is not what’s going to matter most but the incoming data. On net the overall meeting was regarded as a hawkish tilt.

EUR had a choppy session this week as EUR traded a low of 1.0806 on Mon, subsequently recovered and spiked above 1.11 post-ECB on Thu before reversing some of those gains post-red-hot US CPI. Last at 1.0990 levels. Bearish momentum on daily chart is fading but rise in RSI moderated. Bullish pressure temporarily negated for now. Resistance at 1.1040 (76.4% fibo retracement of 2020 low to high), 1.11, 1.1190/1.12 levels (61.8% fibo, 21 DMA). Support 1.0920, 1.0810 and 1.0638 (2020 low).

*Next week brings IP (Jan); ZEW survey expectations (Mar); German current account on Tue; CPI (Feb) on Thu; Trade (Jan) on Fri.*

**GBP/USD** **Risks to the Downside but Bias to buy dips.** GBP’s decline continued this week. Pair was last seen at 1.3090 levels. Bearish momentum on daily chart intact while RSI is near oversold conditions. Support at 1.3050, 1.3020 levels. Resistance at 1.3160, 1.3320 levels (23.6% fibo) and 1.3420 (38.2% fibo retracement of Oct high to Dec low).

We expect BoE to continue with its back-to-back hike of +25bps rate hike at the upcoming MPC. A very tight labor market and more persistent price pressures (CPI at 5.5%) are likely the push factors for BoE to act. The risk is a 50bps hike but we doubt it as policymakers indicated “measured” pace of rate rise.

*Next week brings Labor market report (Jan) on Tue; BoE MPC on Thu.*

**USDJPY** **A Breach of Triple Top?** USDJPY rose this week amid widening of 2y UST-JGB yield differentials to +172bps, its widest in over 2years. Red-hot US CPI at fresh 40-year high saw a return of Fed rate hike expectations ahead of FoMC next Thu. That said, geopolitical tension in Ukraine is far from over. Further escalation could undermine equity sentiment and drag on USDJPY. In fact to some extent, we believe USDJPY should have been much higher amid widening yield differentials, it’s the war premium that probably have kept it from going higher.

Pair was last at 116.70 levels. Bullish momentum on daily chart intact while RSI is rising. Risks skewed towards the upside. Immediate resistance at 116.35 (triple top) appears broken on intra-day basis. A weekly close above it tonight could see the pair mount an attack at 118 and 118.66 (2017 high). Support at 115.10 (50 DMA), 114.50 (76.4% fibo retracement of 2017 high to 2020 low, 100 DMA). For BoJ, we expect monetary policy stance to remain status quo. While inflation forecasts were raised, the extent was relatively mild, implying that the central bank does not see inflation near its 2% target anytime soon. We think that any signaling of shifts in BoJ strategy might be more plausible towards end-2022 or later.

*Next week brings IP (Jan); Trade (Feb) on Wed; Core machine orders (Jan) on Thu; CPI (Feb); BoJ MPC on Fri.*






**AUD/USD** **Pullback Risks.** AUD traded a high of 0.7441 in early week before reversing all gains to close flat for the week (Asia close). Pair was last at 0.7350 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI shows signs of falling from near-overbought conditions. Cautious of pullback though bullish trend channel (formed since Jan) remains intact. Support at 0.7315 (200 DMA), 0.7280 (50% fibo retracement of Nov high to Dec low). Resistance at 0.7425 (76.4% fibo).

*Next week brings House price index (4Q) on Tue; Westpac leading index (Feb) on Wed; Labor market report (Feb) on Thu.*

**NZD/USD** **Pullback Likely.** NZD was last at 0.6850 levels. Bullish momentum on daily chart shows signs of fading while RSI eased from near overbought conditions. Risks skewed to the downside. Support at 0.6830 (100 DMA), 0.6790 (38.2% fibo), 0.6740 (21, 50 DMAs). Resistance at 0.6930/55 levels (200DMA, 61.8% fibo retracement of Oct high to Jan low) likely to cap advance for now.

*Next week brings REINZ house sales (Feb) on Mon; Services PMI (Feb) on Tue; Current account (4Q) on Wed; GDP (4Q) on Thu.*

## Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0900; R: 3.1200	<b>Rebound Underway.</b> SGDMYR rebounded this week. Move came amid SGD recovery while MYR slipped as Brent decline (>20% fall from this week high). Cross was last at 3.0830 levels. Bearish momentum on daily chart is fading while RSI rose from near oversold conditions. Near term rebound risks likely. Resistance at 3.09 (38.2% fibo retracement of 2021 high to low), 3.0950 (21, 200DMAs) and 3.0985/3.10 (50% fibo, 50DMA). Support at 3.0790 (23.6% fibo), 3.0680 levels (Dec low), 3.0620 (recent low).
AUD/MYR		S: 3.0320; R: 3.0870	<b>Gains to Slow.</b> AUDMYR traded much higher (above 3.10) on Mon before retracing some of those gains into the week. Cross was last at 3.0785 levels. Bullish momentum on daily chart intact though there are signs of it fading while RSI fell from near overbought conditions. Expect gains to slow. Support at 3.0615 (200 DMA), 3.0570 (61.8% fibo retracement of Oct high to Feb low) and 3.0320 (50% fibo). Resistance at 3.0870 (76.4% fibo), 3.10, 3.1095 (Mon high).
EUR/MYR		S: 4.5240; R: 4.7050	<b>RSI Oversold.</b> EURMYR traded as low as 4.5244 on Mon before rebounding for the week. Last at 4.6060 levels. Weekly momentum remains bearish but there are early signs of turnaround in RSI and potential bullish divergence there. Resistance at 4.7050 (61.8% fibo retracement of 2020 low to 2021 high), 4.7770 levels (50% fibo). Support at 4.5244 (recent low) and 4.4720 (2020 low). Geopolitical tensions in particular will be a key driver here given divergent betas of EUR and MYR due to Russia-Ukraine and oil prices. If tensions worsen, EURMYR could face downside risks ahead.
GBP/MYR		S: 5.4775; R: 5.5820	<b>Not Ruling Out Rebound Play Ahead.</b> GBPMYR traded heavy this week. Cross was last seen at 5.49 levels. Daily momentum is bearish though RSI is near-oversold conditions. We keep a lookout for signs of rebound. Support at 5.4775 (50% fibo retracement of 2020 low to 2021 high), 5.40 before 5.3735 (61.8% fibo). Resistance at 5.53, 5.5570 before 5.5820 levels (38.2% fibo).
JPY/MYR		S: 3.5700; R: 3.6300	<b>Heavy Bias</b> JPYMYR extended its decline this week. Cross was last at 3.5920. Daily momentum turned bearish while RSI is falling. Risks skewed to the downside. Support at 3.5790, 3.57 levels. Resistance at 3.63 (21 DMA), 3.6375 (50 DMA) and 3.6575 (100 DMA).



## Technical Chart Picks:

USDSGD Daily Chart - 2-Way Trades



Early week run-up in USDSGD eased into the week's close. Pair was last at 1.3590 levels.

Bullish momentum though waned slightly, remains intact. RSI eased from overbought conditions. On the other hand, bullish crossovers seen with 21DMA cutting 50, 200 DMAs to the upside. Near term upside risks remain but recent range could still hold.

Resistance at 1.3650 (76.4% fibo), 1.3680.

Support at 1.3550 (100DMA, 61.8% fibo retracement of Sep-2020 high to Mar-2021 low).

USDMYR Daily Chart - Signs of Breaking Out of Symmetrical Triangle



USDMYR traded modestly firmer this week as oil prices eased from recent highs amid early hopes of de-escalation in tensions. Pair was last at 4.1930 levels.

Daily momentum and RSI indicators are mild bullish bias. Risks to the upside.

Resistance at 4.20, 4.22 levels.

Support at 4.19 (23.6% fibo retracement of 2022 low to high, 50 DMA), 4.1830 (200 DMA).

Note: blue line - 21SMA; red line - 50 SMA; green line - 100 SMA; yellow line - 200 SMA

AUDSGD Daily Chart: Risk of Pullback



AUDSGD eased from its Mon overshoot. Cross was last at 0.9980 levels.

Bullish momentum on daily chart is fading while RSI show signs of falling from overbought conditions. Risks of pullback from here.

Support at 0.9890 (61.8% fibo, 200 DMA), 0.9810 (50% fibo).

Resistance here at 0.9994 (76.4% fibo retracement of Nov high to Jan low) before 1.0060, 1.0160 (Nov high).

SGDMYR Daily Chart: Near Term Rebound Risk



SGDMYR rebounded this week. Move came amid SGD recovery while MYR slipped as brent decline (>20% fall from this week high).

Cross was last at 3.0830 levels. Bearish momentum on daily chart is fading while RSI rose from near oversold conditions. Near term rebound risks likely.

Resistance at 3.09 (38.2% fibo retracement of 2021 high to low), 3.0950 (21, 200DMAs) and 3.0985/3.10 (50% fibo, 50DMA).

Support at 3.0790 (23.6% fibo), 3.0680 levels (Dec low), 3.0620 (recent low).

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