

FX Weekly

Respite from Inflation Reports Likely Brief

The Week Ahead

- **Dollar Index - Fade Rallies.** Support at 103.20; Resistance at 107.50
- **USD/SGD - Oversold.** Support at 1.3510; Resistance at 1.3880
- **USD/MYR - Downside Risks.** Support at 4.40; Resistance at 4.50
- **AUD/SGD - Bullish Risks.** Support at 0.9610; Resistance at 0.9840
- **SGD/MYR - Stretched.** Support at 3.18; Resistance at 3.28

Bets for Fed Dovish Tilt Triggered by US CPI Could be Overdone

US headline CPI reading for Jul came in on Wed at 8.5%y/y, below both 8.7% expected and 9.1% prior. Notably, m/m readings for both headline (0.0% vs. 1.3% prior) and core (0.3% vs. 0.7% prior) confirmed a moderation in pace of sequential price pressures, which is especially important when assessing peaks in data. Energy including gasoline was a significant contributor to the softening, while cheaper used vehicles and leisure travel costs (airfares, hotels) also helped. Still, price pressures emanating from food, core services and core goods have not ebbed discernibly and will need to be monitored. The risk-on reaction to the data appeared especially large, perhaps given that this was the first positive report on moderating price pressures after CPI data surprised to the upside for the past four months. For now, a large part of the sentiment impact from the CPI (and subsequent PPI) data point could have run its course and we could see more two-way swings in dollar sentiments in the interim. Comments from Kashkari, Evans and Daly thus far this week had emphasized on how the inflation fight is far from complete even with a softer CPI/PPI report. USD/SGD may continue to remain supported at around 1.3660 while USDMYR has room to fall further towards 4.4290.

+50bps Likely from RBNZ, Same from BSP Not Ruled Out

We expect RBNZ to maintain its pace of raising rate by 50bps to bring OCR to 3% at the next MPC on 17 Aug. Key focus of RBNZ is to ensure that current high CPI (2Q at record 32y high of 7.3%) does not become embedded into longer-term inflation expectations. Markets' implied still see another two times +50bps hike almost fully priced for upcoming MPCs in Aug and Oct. Peak rate as priced by markets is at 4% in May 2023. For BSP on 18 Aug, Governor Medalla had indicated that the coming hike will be either a +25bps or +50bps move, with consensus leaning towards the latter especially since Jul CPI surprised to the upside at 6.4% (vs. expected 6.1%). House view currently expects a total of +200bps rate hike this year to 4.00%. Elsewhere, PBoC is now expected to partially roll over MLF on Monday after a rather hawkish monetary policy report released this week.

Key Data/Events Due This Week

Key data we watch this week include US empire manufacturing; JN GDP and IP, China activity and 1Y MLF on Mon. Tue has German ZEW, GE trade, Minutes of the Aug RBA meeting and UK ILO labor report. Come Wed, we have US retail sales, FOMC Minutes, Eurozone GDP, AU Westpac leading index and wage price index, RBNZ policy decision, UK CPI, RPI, JN trade, SG NODX and Electronic Exports. Thu has US existing home sales, Eurozone CPI, AU labour report and BSP policy decision. For Fri, German PPI, Eurozone current account, UK retail sales, JN CPI, China net settlement on behalf of clients.

Market closure: South Korea is away on Monday. India is also off for an extended weekend which lasts until Tue. Indonesia is out on Wed.












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Our in-house model implies that S\$NEER is trading at +1.00% to the implied midpoint of 1.3915, suggesting that it is modestly firmer vs. other trading partner currencies

Currency	Direction	Support/Resistance	Key Data and Events
Dollar Index		S: 103.20; R: 107.50	Mon: Empire Manufacturing (Aug) Tue: Building permits (Jul), housing starts (Jul), industrial production (Jul), capacity utilization (Jul); Mfg Production (Jul) Wed: Retail sales (Jul); Business inventories (Jun); FOMC Minutes Thu: Weekly jobless claims; existing home sales (Jul); leading index (Jul) Fri: - Nil -
EURUSD		S: 1.0110; R: 1.0540	Mon: - Nil - Tue: GE ZEW Survey (Aug), EC trade (Jun) Wed: EC employment (2Q P); GDP (2Q P) Thu: EC Construction Output (Jun); EC CPI (Jul F) Fri: GE PPI (Jul); ECB current account (Jun)
AUDUSD		S: 0.7000; R: 0.7150	Mon: - Nil - Tue: <i>Minutes of the RBA Meeting for Aug</i> Wed: Westpac leading index (Jul); Wage Price Index (2Q) Thu: Labour report (Jul) Fri: - Nil -
NZDUSD		S: 0.6320; R: 0.6450	Mon: Performance Services Index (Jul) Tue: - Nil - Wed: PPI (2Q); RBNZ Policy Decision + Governor Press Conference Thu: - Nil - Fri: Trade (Jul)
GBPUSD		S: 1.1935; R: 1.2480	Mon: Rightmove House Price (Aug); Tue: ILO employment (Jun) Wed: CPI, RPI (Jul) Thu: - Nil - Fri: Retail sales (Jul)
USDJPY		S: 129.90; R: 134.80	Mon: GDP (2Q); industrial production (Jun) Tue: Tertiary industry (Jun) Wed: Trade (Jul) Thu: - Nil - Fri: National CPI (Jul)
USDCNH		S: 6.7000; R: 6.8300	Mon: New home prices (Jul); industrial production, retail sales, FAI ex rural, property investment (Jul), 1Y MLF Decision Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: FX Net Settlement - Clients CNY (Jul)
USDSGD		S: 1.3670; R: 1.3880	Mon: - Nil - Tue: - Nil - Wed: NODX, Electronic Exports (Jul); COE (Aug-17) Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.4000; R: 4.5000	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Trade (Jul)
USDPHP		S: 54.80; R: 55.90	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BSP Policy Decision Fri: - Nil -
USDIDR		S: 14,490; R: 14,860	Mon: Trade (Jul); Current account balance (2Q) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>Fade Rallies. The DXY index remained pressed to the downside this week, albeit seeing more ranged moves towards the latter part of the week. At last seen, it has softened about ~3.6% from Jul peak >109.</p> <p>Swings over the last week were driven by NFP, CPI and PPI. The Jul NFP print last week was double the median estimate (250k) at around 528K. Labour force participation rate also slipped a tad to 62.1% from previous 62.2%. As a result, the unemployment rate fell to 3.5% from previous 3.6%. Average hourly earnings picked up pace to 0.5% m/m vs. previous 0.4%. Given this picture of tight labor market and resilient wage growth, market bets for a more hawkish Fed gained traction late last week. The dollar strengthened by almost 1%, treasury yields rose, led by the front end, with the 2Y treasury yield rising almost 20bps, and equities fell on hawkish Fed concerns.</p> <p>Fast forward to this week though, and the US Jul CPI reading triggered a downswing in the dollar. US headline CPI reading for Jul came in at 8.5%/y, below both 8.7% expected and 9.1% prior. Notably, m/m readings for both headline (0.0% vs. 1.3% prior) and core (0.3% vs. 0.7% prior) confirmed a moderation in pace of sequential price pressures, which is especially important when assessing peaks in data. Energy including gasoline was a significant contributor to the softening, while cheaper used vehicles and leisure travel costs (airfares, hotels) also helped. Still, price pressures emanating from food, core services and core goods have not ebbed discernibly and will need to be monitored. The risk-on reaction to the data appeared especially large, perhaps given that this was the first positive report on moderating price pressures after CPI data surprised to the upside for the past four months.</p> <p>For now, a large part of the sentiment impact from the CPI data point could have run its course and we could see more two-way swings in dollar sentiments in the interim. One other hint that the broader risk-on mood could be a tad more constrained came from the PPI data release yesterday. While it also showed a downside surprise at first and markets reacted by selling dollar and buying equities, most of the moves had reversed by the end of the trading session. In part, comments from Kashkari, Evans and Daly thus far this week had emphasized on how the inflation fight is far from complete even with softer CPI/PPI reports.</p> <p>Back on the chart, the DXY index was last seen around 105.20. Resistance remains intact around 106.70 (21-DMA) before the next at 107.50. Support at 104.35, 103.20.</p> <p><i>This week brings Empire Manufacturing (Aug) on Mon; Tue has Building permits (Jul), housing starts (Jul), industrial production (Jul), capacity utilization (Jul); Mfg Production (Jul). Wed has Retail sales (Jul); Business inventories (Jun); FOMC Meeting Minutes. Thu has Weekly jobless claims; existing home sales (Jul); leading index (Jul).</i></p>
EUR/USD	<p>Tentative Support. This pair seems to have ignored the energy crisis at home for now and climbed above the 1.03-figure, last printed 1.0260. While much of the bullish moves over the past few sessions are arguably due to the broad USD decline, there is a sense that markets seem to have priced the known risks of the energy crisis to a fair extent, and sensitivity to news of drying rivers and rising electricity prices have waned for now. German Chancellor Olaf Scholz told the press about an active discussion on a new gas pipeline. He said that a pipeline through Portugal, Spain and France to central Europe could ease the supply situation. However, details are scant on the project.</p> <p>We also keep an eye on political developments in Italy. The centre parties (Italy Viva headed by former PM Matteo Renzi and Azione (Action) party headed by Carlo Calenda) have formed an alliance to woo the moderate voters in the upcoming election. The elections are due 25 Sep.</p> <p>Pair could be testing the upper bound of the falling trend channel. A bullish divergence with the MACD forest is also formed on the weekly chart. Bullish momentum is revived on the weekly chart. Interim resistance remains at 1.0320 (23.6% fibo retracement of 2022 high to low), before 1.0540 (378.2% fibo). Support at 1.0210 (21-DMA) before the next at 1.0110.</p> <p><i>This week brings GE ZEW Survey (Aug), EC trade (Jun); Wed has EC employment (2Q P); GDP (2Q P); Thu has EC Construction Output (Jun); EC CPI (Jul F); Fri has GE PPI (Jul); ECB current account (Jun).</i></p>

GBP/USD Bullish Momentum Moderating. GBPUSD has started to give up its early week gains and was last seen around 1.21-handle. 2Q (P) GDP just came in at 2.9%y/y, slightly higher versus expected 2.8%. In sequential terms, this is a slightly sequential contraction (-0.1%q/q) versus the modest gain (+0.8%q/q) in the prior quarter. Monthly indicators suggest a broader slowdown in various activity categories, including in services, manufacturing and construction. Risks of UK entering recession by year-end remains significant.

Meanwhile, all eyes remain trained on the two candidates vying for Tory leadership (UK premiership) - Sunak reiterated his plans to support households to cope with rising energy bills via a planned VAT reduction on energy bills that could effectively give each household GBP200, financed by "limited and temporary, one-off borrowing". On the other hand, front-runner Liz Truss expressed her objection to new windfall tax on energy companies.

Back on the GBPUSD chart, support remains at 1.2090 (21-DMA), 1.1950 levels. Resistance at 1.2340 (23.6% fibo retracement of 2021 high to 2022 low), 1.2430 (100-DMA).

This week brings Rightmove House Price (Aug); Tue has ILO employment (Jun); Wed has CPI, RPI (Jul) before retail sales (Jul) on Fri.

USDJPY Supported on Dips. USDJPY continued to see wide swings this week. Last seen modestly above 133-handle. On net, downside surprise in US CPI on Wed had led to softer dollar and UST yields, dragging on the pair and leading it to near 132 at one point. But subsequent hawkish Fed speaks and recovery in UST yields had led pair to pare some losses. UST2Y last seen at around 3.21%, retracing higher versus 3.09% right after US CPI data release, but still lower compared to 3.28% prior to US CPI data.

To some extent, energy had played a large part in the softening of both US CPI and PPI figures, and IEA's recent assessment of overall resilient demand (partly due to gas-oil substitution in Europe), had led oil to pare some earlier losses. Meanwhile, markets appear to be coming around to the view that Fed is unlikely to alter course too suddenly from just one set of price readings. UST yields and hence USDJPY could see some overall support alongside.

On technicals, bearish momentum on daily chart shows signs of moderating; RSI is not showing a clear bias after bouncing off oversold conditions earlier. Wider two-way swings could be seen in the interim. Support at 131.30 (100-DMA), 129.60 (76.4% fibo retracement from May low to Jul high). Resistance at 134.50 (38.2% fibo), 136.40 (23.6% fibo).

This week brings GDP (2Q); industrial production (Jun) on Mon. Tue has Tertiary industry (Jun). Wed brings Trade (Jul) before National CPI (Jul) is due on Fri.

AUD/USD Consolidation. AUDUSD has been supported in part by the broader USD weakness, as well as some recovery in iron prices.

AUDUSD is now capped by the 200-DMA (0.7150) and was last seen around 0.7120. The bullish cross-over of the 21-DMA on the 50-DMA has occurred and the 21-DMA could be en-route towards the next at 100-DMA (another bullish signal). In the interim, momentum indicators are bullish but stochastics are near overbought. Support seen around 0.7060 before the next at 0.7000. Resistance seen at 0.7150 before 0.7290.

This week brings Minutes of the RBA Meeting for Aug on Tue. Wed has Westpac leading index (Jul); Wage Price Index (2Q) before Labour report (Jul) is released on Thu.

NZD/USD Bullish But Near-Overbought. Recent gains in NZD reflected both a broader softening in the dollar as well as more benign sentiments regarding domestic activity. BusinessNZ Mfg PMI rose to 52.7 in Jul from a revised 50.0 in Jun. A lift in employment in the manufacturing sector suggests even tighter labour market conditions than expected. New orders also returned to expansion.






We expect RBNZ to maintain its pace of raising rate by 50bps to bring OCR to 3% at the next MPC on 17 Aug. Key focus of RBNZ is to ensure that current high CPI (2Q at record 32y high of 7.3%) does not become embedded into longer-term inflation expectations. Resilience in domestic macro data also suggests room for the economy to absorb impact of higher policy rates. Markets' implied still see another two times +50bps hike almost fully priced for upcoming MPCs in Aug and Oct. Peak rate as priced by markets is at

4% in May 2023.

On the daily chart, momentum is bullish while RSI is reaching overbought levels. Support at 0.6320 (50.0% fibo retracement from Jun high to Jul low), 0.6273 (50-DMA). Resistance at 0.6450 (76.4% fibo) is being tested as we write. Next at 0.6580 (Jun high).

This week brings Performance Services Index (Jul) on Mon; Wed has PPI (2Q); RBNZ Policy Decision + Governor Press Conference. Fri has Trade (Jul).

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.1800; R: 3.2500	RSI Overbought. SGDMYR was last at 3.2330 levels, remaining near record highs. Daily momentum is bullish while RSI is at overbought conditions. Technical pullback not ruled out after >2% run-up from Jul trough to peak. Support at 3.20 (38.2% fibo retracement of Jun high to Jul low), 3.18 (61.8% fibo), 3.1650 (76.4% fibo). Resistance at 3.25 levels.
AUD/MYR		S: 3.0590; R: 3.1910	Buoyant. AUDMYR was last at 3.13 levels. Bullish momentum on daily chart is intact while RSI is on the climb. Cross could remain in elevated ranges in the interim. Support at 3.0850 (50.0% fibo retracement from Jun high to Sep low), 3.0590 (38.2% fibo) and 3.0280 (23.6% fibo). Resistance at 3.1410 (76.4% fibo), 3.1910 (Jun high).
EUR/MYR		S: 4.5055; R: 4.6150	Supported. EURMYR saw more two-way swings over the last week but remained supported. Last seen at 4.5670 levels. Bullish momentum on daily chart remains intact while RSI is showing tentative signs of creeping higher. Risk of further upswings. Support at 4.5055 (23.6% fibo retracement from Jun high to Jul low), 4.4380 (Jul low). Resistance at 4.5810 (50.0% fibo), 4.6150 (61.8% fibo), 4.6570 (76.4% fibo).
GBP/MYR		S: 5.3620; R: 5.4830	Cautious of Pullback. GBPMYR drifted higher over the last two weeks. Cross was last seen at 5.4410 levels. Momentum and RSI on daily chart remains bullish. Bullish bias intact but cautious of technical pullback. Support at 5.3620 (38.2% fibo retracement from May high to Jul low), 5.3160 (23.6% fibo). Resistance at 5.4830 (76.4% fibo), 5.5570 (May high).
JPY/MYR		S: 3.3000; R: 3.4100	Near-Overbought; Buy on Dips. JPYMYR extended its rally last week amid continued JPY strength. Cross was last at 3.3620 levels. Daily momentum is bullish but RSI has reached near-overbought conditions. Retracement possible but bias to stay long; buy on dips. Resistance at 3.4100 (76.4% fibo retracement from May high to Jul low); 3.4780 (May high). Support at 3.3330 (50.0% fibo), 3.3000 (38.2% fibo), 3.2560 (23.6% fibo).

Technical Chart Picks:

USDSGD Daily Chart - Bearish Bias but Oversold



USDSGD has had a precipitous slide this week and pair found support around 1.3660 (May low).

21-dma has made one bearish cross-over on the 50-dma and could be en-route towards the 100-dma. Next support around 1.3680. Momentum remains bearish but has waned a little. Stochastics also flag oversold conditions which could rein in aggressive bears.

Support at 1.3660 is strong and could remain intact ahead of FOMC minutes due next week. If that breaks, the 1.36-figure comes into view. We look for consolidation within the 1.3660-1.3810 with the upper bound marked by the 100-dma.

USDMYR Daily Chart - Near Term Downside Risks



Pair pulled back in tandem with most USDAsians after the US CPI undershoot. Support is now seen around 4.4280 (50-dma) before the next at 4.3746 (100-dma).

Momentum on daily chart has become bearish while stochastic fell from overbought conditions. Bias for a further corrective move lower.

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

SGDMYR Daily Chart: Trending Higher But Stretched



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

SGDMYR touched a new high of 3.2517 before easing off into Fri, last printed 3.2440. Bullish momentum is waning and stochastics show signs of turning lower from overbought condition. Hence, chasing the cross higher does not seem favourable from a risk-reward point of view.

That said, uptrend is still strong.

This cross is supported by 3.2330 before the next at 3.2170. Resistance is seen around 3.2540

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