

FX Weekly

Buy on Rumor, Sell on Fact for EUR?

The Week Ahead

- **Dollar Index - Fade.** Support at 103.10; Resistance at 109.10
- **USD/SGD - Pullback.** Support at 1.3850; Resistance at 1.4080
- **USD/MYR - Upside Risk.** Support at 4.38; Resistance at 4.45
- **AUD/SGD - Bullish Divergence.** Support at 0.95; Resistance at 1.00
- **SGD/MYR - Hanging Man?** Support at 3.16; Resistance at 3.20

Unwinding of Stretched FX Positions; Fed Speak Black-Out

Market expectations for 100bps hike at 27-28 Jul FoMC has now eased off following Fed officials comments last week and easing UoM inflation expectations. Looking on, we look for signs of slowing pace of USD gains or potentially even a moderate retracement. Historical price action suggests that further unwinding in USD longs could see DXY price action play catch-down. The lead up to ECB meeting may see a case of buy rumor, sell fact for EUR with crowded positions still being flushed. Also, focus is on whether the Nord Stream 1 pipeline finishes its maintenance work on schedule and if Russian gas flow resume. Delay here may hinder EUR's recovery. Italian politics throws another curve ball. Elsewhere DXY long positioning is also near multi-year high and is starting to see some gradual unwinding. Near term risks for USDMYR remain skewed to the upside while SGD strength will be looking for cues from EUR's move.

ECB to Tighten; BOJ, BI to Stand Pat

For ECB this Thu, a 25bps hike is a certainty as this was well-telegraphed by ECB officials. A surprise would be a 50bps hike and it should not be ruled out as Lagarde did say that policymakers are ready to step up action to tackle record inflation if needed as "there are clearly conditions in which gradualism would not be appropriate". She gave some examples of how ECB would need to withdraw accommodation more promptly: (1) higher inflation threatening to de-anchor inflation expectations or (2) signs of a more permanent loss of economic potential that limits resource availability. More importantly, markets will be parsing through ECB communication to get a sense on how willing or determined will ECB tighten in the face of recession risks in Euro-area. Between now and end-year, markets are already pencilling in about 150bps rate hike and this may be overly aggressively. Unwinding of aggressive bets may undermine EUR. Furthermore, markets are eyeing details on ECB's anti-fragmentation tool that is intended to limit bond spreads if borrowing costs for periphery Euro-area nations rise too far or too fast beyond certain threshold. A credible tool can complement ECB's policy normalisation path. For BoJ MPC on Thu - We look for BoJ to stand pat on policy settings. We note that MoF has stepped up its verbal intervention in attempt to stabilize the JPY. We keep a look out on BoJ's updated economic projections and tone going forward. For BI, our house view looks for central bank to be on hold at 3.5% though we do not rule out the risk of a rate hike.

Global Prelim PMIs; China LPR; EU, UK, MY CPIs This Week

Key data we watch this week include EU CPI; US housing data on Tue. For Wed, German PPI; UK CPI, PPI; Malaysia trade; China 1y, 5y LPR. For Thu, US Philly Fed business outlook. For Fri, prelim PMIs for US, EU, UK, AU, JP; UK retail sales; MY CPI, FX reserves.

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Bloomberg FX Ranking

4Q 2021












No. 4 for TWD
No. 5 for CNY

1Q 2022

No. 2 for TWD
No. 4 for CNY

2Q 2022

No. 3 for EURGBP

Currency	Direction	Support/Resistance	Key Data and Events
Dollar Index		S: 103.10; R: 105.80	Mon: NAHB housing market index (Jul); Tue: Building permits, housing starts (Jun); Wed: Existing home sales (Jun); Thu: Philly Fed business outlook (Jul); Fri: Prelim PMIs (Jul)
EURUSD		S: 1.0350; R: 1.0590	Mon: - Nil - Tue: CPI (Jul); Wed: Current account (May); German PPI (Jun); Thu: - ECB meeting; Fri: Prelim PMIs (Jul)
AUDUSD		S: 0.6765; R: 0.6980	Mon: - Nil - Tue: RBA minutes; Wed: - Nil - Thu: Business confidence (2Q); Fri: Prelim PMIs (Jul)
NZDUSD		S: 0.6150; R: 0.6490	Mon: Services PMI (Jun); CPI (2Q); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Trade, credit card spending (Jun)
GBPUSD		S: 1.1935; R: 1.2480	Mon: Rightmove House prices (Jul); Tue: Labor market report (May); BoE Gov speaks; Wed: CPI, PPI, RPI (Jun); Thu: Public finance (Jun); Fri: Retail sales (Jun); Prelim PMIs, GfK consumer confidence (Jul)
USDJPY		S: 132.75; R: 137.00	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BoJ MPC; Trade (Jun) Fri: CPI (Jun); Prelim PMIs (Jul)
USDCNH		S: 6.6800; R: 6.7400	Mon: - Nil - Tue: - Nil - Wed: 1y, 5y Loan Prime Rate Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3820; R: 1.4080	Mon: NODX (Jun); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.3800; R: 4.4500	Mon: - Nil - Tue: - Nil - Wed: Trade (Jun); Thu: - Nil - Fri: CPI, FX reserves (Jun)
USDPHP		S: 54.00; R: 55.30	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Budget balance (Jun)
USDIDR		S: 14,900; R: 15,250	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BI MPC Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>Room for USD to Correct Lower. DXY turned lower after forming a graveyard doji last Thu. We had earlier highlighted in our GM Daily that the gravestone doji formed Thu could signal a down-move. Move lower came amid supported sentiment as US retail sales came in firmer while Uni of Michigan inflation expectations eased. Moderation in expectations add to the narrative of slowing inflation momentum. In addition, Fed officials' comments last week may also have restored relative stability. Waller said that markets may have got little ahead of itself on 100bps hike while he and Bullard (perhaps one of the most hawkish FoMC voter) back 75bps hike at Jul meeting.</p> <p>Market expectations for Jul hike has eased off. Rate hike bets were pared to about 79bps for upcoming FoMC (from 70% probability of 100bps post-CPI release last week). Futures curve also implied further pare back in expectations with a slightly lower peak of 3.56% vs. 3.68% and a push-back in peak to Feb-2023, from Dec-2022 (2 trading sessions ago).</p> <p>DXY was last at 107.70 levels. Bullish momentum on daily chart is showing signs of fading while RSI fell from overbought conditions. Bearish reversal still in play. Bias for further downside move. Support at 107.40, 106.90 and 106.15 (21 DMA). Resistance at 109.15 (76.4% fibo retracement of 2001 high to 2008 low), 109.30 (overnight high).</p> <p>USD strength has been a function of better US data, hawkish Fed, sharp depreciation in EUR, GBP and to some extent, growing fears of global recession. While the bullish bias may still be intact, we look for signs of slowing pace of USD gains or potentially a moderate retracement (3 - 5%) in coming months. We think 3 elements need to be aligned for the pullback: (1) US data, in particular when US inflationary pressures will ease. It is possible in coming months if oil prices continue to drift lower and Biden unwinds some of the US tariffs on Chinese imports, which he has earlier flagged his intentions to do so soon. (2) Fed signaling is also important - if upcoming meeting sees the last of jumbo 75bps hike. (3) how the EUR is coping - if depreciation pressure dissipates and sentiment stabilises. We watch ECB, Euro-area growth, Italian politics and energy woes for clues. Furthermore, USD positioning is also near multi-year high and is starting to see some gradual unwinding. Historical price action suggests that further unwinding in USD longs could see DXY price action play catch-down.</p> <p><i>This week brings NAHB housing market index (Jul) on Mon; Building permits, housing starts (Jun) on Tue; Existing home sales (Jun) on Wed; Philly Fed business outlook (Jul) on Thu; Prelim PMIs (Jul) on Fri.</i></p>
EUR/USD	<p>ECB Awaits while Italian Politics and Gas Flows Matter Too. EUR is on the rebound after briefly dipping below parity last week. Move higher came amid broad USD pullback, supported risk sentiments and news of earlier than expected resumption of Norwegian gas flow. Nonetheless Nord Stream pipeline remains shut for maintenance till 21 Jul and caution remains if capacity will fully resumed. Other risk to watch is Italian politics - as Draghi appears determined to quit since he does not have the backing of all parties in his governing alliance. Flare up of political risks can widen BTP-Bund spread and undermine EUR.</p> <p>Focus this week on ECB meeting (Thu). A 25bps hike is a certainty as this was well-telegraphed by ECB officials. A surprise would be a 50bps hike and it should not be ruled out as Lagarde did say that policymakers are ready to step up action to tackle record inflation if needed as "there are clearly conditions in which gradualism would not be appropriate". She gave some examples of how ECB would need to withdraw accommodation more promptly: (1) higher inflation threatening to de-anchor inflation expectations or (2) signs of a more permanent loss of economic potential that limits resource availability. More importantly, markets will be parsing through ECB communication to get a sense on how willing or determined will ECB tighten in the face of recession risks in Euro-area. Between now and end-year, markets are already pencilling in about 150bps rate hike and this may be overly aggressively. Unwinding of aggressive bets may undermine EUR. Furthermore, markets are eyeing details on ECB's anti-fragmentation tool that is intended to limit bond spreads if borrowing costs for periphery Euro-area nations rise too far or too fast beyond certain threshold. A credible tool can complement ECB's policy normalisation path.</p> <p>EUR was last at 1.0090 levels. Bearish momentum on daily chart is fading while RSI is rising from oversold conditions. Bias for rebound play. Resistance at 1.0250, 1.0320 (21 DMA), 1.05 levels. Support at 1.0010, 0.9950, 0.98 levels.</p>

This week brings CPI (Jul) on Tue; Current account (May); German PPI (Jun) on Wed; ECB meeting on Thu; Prelim PMIS (Jul) on Fri.

GBP/USD **Short Squeeze Underway but Still 2-Way Risks.** GBP turned higher amid broad USD pullback and supported risk appetite. Focus still on Tory contest ahead of 5 Sep unveil of new PM. But before that, the 5 remaining contenders will still be subjected to further voting before the last 2 candidates are put to a final vote by a broader group of Conservative party members. The 3rd round of voting takes place today - the top 3 most favored candidates in the past 2 rounds are former Chancellor Rishi, Minister of State for Trade Policy Penny Penny Mordaunt and Secretary of State for Foreign, Commonwealth and Development Affairs Liz Truss in order of popularity. We note that any move up in Truss' order could weigh on GBP, given her hard stance against Europe re. Northern Ireland protocol.

GBP was last at 1.1945 levels. Mild bearish momentum on daily chart faded while RSI rose from near oversold conditions. Upside risks for now though we still caution for 2-way risks amid political uncertainties. Support at 1.1810, 1.1760 (last week low) and 1.1410 levels (2020 low). Resistance at 1.2070 (21 DMA), 1.2290 (50 DMA).

This week bring Rightmove House prices (Jul) on Mon; Labor market report (May); BoE Gov speaks on Tue; CPI, PPI, RPI (Jun) on Wed; Public finance (Jun) on Thu; Retail sales (Jun); Prelim PMIs, GfK consumer confidence (Jul) on Fri.

USDJPY **Looking for Further Downside Play.** USDJPY shows signs of turning lower, tracking moves in the broad USD and UST yield. Last at 138.10 levels. Daily momentum turned flat while RSI fell. Risks to the downside. Support at 136.40 (21DMA), 134.60 levels. Resistance at 139.60.

BoJ MPC on Thu - We look for BoJ to stand pat on policy settings (policy rate at -0.1%) and for YCC to be maintained at current settings (0% target yield for 10Y with 25bps cap). Ultra-accommodative monetary settings is likely to be maintained until Kuroda's term ends in Apr 2023. Also, we note that MoF has stepped up its verbal intervention in attempt to stabilize the JPY. We keep a look out on BoJ's updated economic projections and tone going forward.

This week brings BoJ MPC; Trade (Jun) on Thu; CPI (Jun); Prelim PMIs (Jul) on Fri.

AUD/USD **Cautiously Supported.** AUD extended its move higher this week amid supported appetite for risk assets and USD correction. Lower UoM inflationary expectations helped markets to pare back rate hike bets - no longer expecting 100bps Fed hike. Pair was last at 0.6840 levels. Bearish momentum on daily chart is fading while RSI rose. Risks skewed to the upside for now. Resistance at 0.6850 (21 DMA), 0.6980 levels (50 DMA). Support at 0.6760, 0.6680 levels.






This week brings RBA minutes on Tue; Business confidence (2Q) on Thu; Prelim PMIS (Jul) on Fri.

NZD/USD **Break Out Needs to Clear Above 21DMA for Rally to Gain Traction.** NZD extended its move higher after breaking out of its falling wedge pattern. This is consistent with what we flagged last week - bullish divergence. This morning, NZ services PMI held ground (at 55.4 vs. 55.2 previously) while CPI saw a higher print of 7.3% (vs. 7.1% expected). USD correction lower and supported risk appetite also supported broad market sentiment.

Pair was last at 0.6180 levels. Daily momentum turned mild bullish while RSI is rising. Our observation for bullish divergence pattern on daily MACD and falling wedge pattern (bullish reversal) - are in play. Resistance at 0.6220 (21 DMA), 0.6260 and 0.6340 (50 DMA). Support at 0.61, 0.6060 and 0.5940 levels.

This week brings Services PMI (Jun); CPI (2Q) on Mon; Trade, credit card spending (Jun) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.1660; R: 3.2040	Bullish Bias but Watch Potential Hanging Man Pattern. SGDMYR extended its run-up this week amid divergence in performance between SGD (stronger) and MYR (weaker). Cross was last at 3.1840 levels. Daily momentum turned bullish while RSI rose. Risks still skewed to the upside. Resistance at 3.19 (76.4% fibo) and 3.2040 (Jun high). Support at 3.1810 (61.8% fibo), 3.1740 (50% fibo retracement of Jun high to Jul low), 3.1660/70 levels (21 DMA, 38.2% fibo). Elsewhere we keep a lookout if today's candlestick does turned up to be a hanging man pattern - may signal a bearish reversal - depending on how the day closes.
AUD/MYR		S: 2.9970; R: 3.0730	Sideways. AUDMYR was last at 3.00 levels. Bearish momentum on daily chart is fading but RSI is flat. Sideways trade may dominate. Support at 2.9970 (76.4% fibo), 2.97 and 2.9285 levels. Resistance at 3.04 (61.8% fibo), 3.0730 (50% fibo) and 3.1080 (38.2% fibo retracement of 2022 low to high).
EUR/MYR		S: 4.4400; R: 4.5200	Rebound Risks. EURMYR partially retraced in early week's decline last week. Last seen at 4.4690 levels. Bearish momentum on daily chart shows signs of fading while RSI is showing tentative signs of rising from oversold conditions. Bias still to the downside though we caution that risk of rebound is rising. Support at 4.44, 4.40 levels. Resistance at 4.52, 4.55 levels.
GBP/MYR		S: 5.2450; R: 5.3700	Cautious of Rebound. GBPMYR drifted lower this week. Cross was last seen at 5.2630 levels. Bearish momentum on daily chart shows signs of fading while RSI is near oversold conditions. Bearish bias intact but cautious of technical rebound. Support here at 5.2450 (76.4% fibo). Resistance at 5.30, 5.3410 (21 DMA) and 5.3735 levels (61.8% fibo retracement of 2020 low to 2021 high).
JPY/MYR		S: 3.2100; R: 3.3250	Bias to Play Long. JPYMYR extended its decline this week amid continued JPY weakness. Cross was last at 3.2130 levels. Daily momentum and RSI are not indicating a clear bias. Sideways trade likely in absence of clear catalyst but bias to play rebound intact. Resistance at 3.28, 3.3250 (23.6% fibo retracement of 2022 high to low). Support at 3.2115 levels (double bottom).

Technical Chart Picks:

USDSGD Daily Chart - Interim Pullback; Not Ruling Out Another Push Higher



USDSGD traded a high of 1.4073 this week before backing away off. Last seen at 1.4010 levels.

Bullish momentum on weekly, daily charts intact though daily RSI is coming off. Interim pullback lower likely.

Support at 1.3940, 1.3910 (21 DMA) and 1.3850 (50 DMA). Move below 50DMA will negate bullish view.

Resistance at 1.4080 (61.8% fibo retracement 2020 high to 2021 low), 1.4295 (76.4% fibo)

USDMYR Daily Chart - Near Term Upside Risks



USDMYR continued to drift higher this week. Pair was last at 4.4270 levels.

Daily momentum turned mild bullish while RSI is rising. Risks remain skewed to the upside.

Resistance at 4.4280, 4.4490 (2020 high).

Support at 4.4080 (21 DMA), 4.3890 (50 DMA) and 4.3460 (76.4% fibo retracement of 2020 high to 2021 low).

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

AUDSGD Daily Chart: Bullish Divergence



AUDSGD consolidated this week. Cross was last at 0.9575 levels.

Bearish momentum on daily chart shows signs of fading while RSI rose. Potential bullish divergence seen on daily MACD. Rebound risks likely intact.

Resistance at 0.9630 (21 DMA), 0.9710 (23.6% fibo retracement of 2021 high to 2022 double bottom), 0.9870 (38.2% fibo) and parity.

Support at 0.95, 0.9455 (double bottom).

SGDMYR Daily Chart: Bullish but Watch Out for Potential Hanging Man



SGDMYR extended its run-up this week amid divergence in performance between SGD (stronger) and MYR (weaker).

Cross was last at 3.1840 levels. Daily momentum turned bullish while RSI rose. Risks still skewed to the upside. Resistance at 3.19 (76.4% fibo) and 3.2040 (Jun high).

Support at 3.1810 (61.8% fibo), 3.1740 (50% fibo retracement of Jun high to Jul low), 3.1660/70 levels (21 DMA, 38.2% fibo).

Elsewhere we keep a lookout if today's candlestick does turned up to be a hanging man pattern - may signal a bearish reversal - depending on how the day closes.

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