Maybank

Macro | FX Research & Strategy

Global

FX Weekly

Market Calibration

The Week Ahead

- **Dollar - Supported.** Support at 102.00; Resistance at 104.00
- **USD/SGD - Bullish.** Support at 1.3280; Resistance at 1.3500
- **USD/MYR - Neutral.** Support at 4.67; Resistance at 4.77
- **AUD/SGD - Bearish.** Support at 0.8780; Resistance at 0.91
- **SGD/MYR - Bullish.** Support at 3.4990; Resistance at 3.5500

Fed Turns Neutral, Pushes Back at March Cut

The Fed this week looked to have pivoted to a neutral stance post FOMC. Language that had once implied a tightening bias looks to have been dropped and the statement also now states that "the Committee judges that the risks to achieving its employment and inflation goals are moving into better balance." Chair Powell pushed back at a Mar cut. Our in-house economist now expects 100bps of cuts in 2024 (previously 75bps) with the first in Jul 2024. Meanwhile, a paring back of the market implied probability of a Mar cut looks to have dampened sentiment and driven up the DXY initially. However, declining UST yields eventually guided the DXY downwards. Regardless, a Mar cut cannot be completely ruled out if inflation eases substantially. Markets therefore may stay data-dependent, which could leave the USD in ranged traded at around 101.00 – 104.00 near term. Other DM and EM currencies may also consequently similarly stay ranged traded in calibration mode. Meanwhile, MAS stayed on hold and could do so for a while as inflation remains sticky, giving support to the SGD. The SGDMYR hit a record high of ~3.54 recently given this SGD strength. Upside risks towards 3.5500 are there given continued SGD outperformance although momentum indicators do show it is stretched and the climb may not go too much beyond that level. The BoE also held rates but there was one vote for a cut for the first time in this cycle. With inflation still elevated, we see a first cut only likely to come in 2H 2024, which should prevent GBP being afflicted by the risk of BoE being the first to cut.

BOT, RBI and RBA All Report Next Week - No Changes Expected

RBA (6 Feb), BOT (7 Feb) and RBI (8 Feb) report next week. BOT could be of interest given the conflict between the government and the BOT as the former continues to push for monetary easing given a weak economy. The development has recently been weighing on the THB. We closely watch the BOT's words on its response to the government's pressure but we expect the BOT to defend its independence and only consider a 25bps cut later in the year. Even so, this conflict may continue to keep clouding the THB. Meanwhile, RBA is expected to hold at 4.35%. Softer-than-expected 4Q CPI has dispelled expectations for a rate hike in the near-term. Inflation forecasts for 2024 may adjust lower but expect RBA to retain a hawkish tone given that CPI prints are still above target. RBI expected to hold as they face little pressure to consider a cut so soon with growth healthy. USDINR likely to stay stable with RBI leaning against the wind.

Other Key Data/Events We Watch

Mon: CH Caixin PMI composite/services (Jan), TH CPI (Jan), ID GDP (4Q), EC PMI composite/services (Jan), EC PPI (Dec), US ISM services (Jan)
Tue: RBA Policy Decision, JP cash earnings (Dec), PH CPI (Jan), EC retail sales (Dec)
Wed: BOT Policy Decision
Thu: RBI Policy Decision, CH CPI/PPI (Jan)
Fri: CH Jan financing data (tentative)

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Currency	Support/Resistance	Key Data and Events
Dollar Index	**S: 102.00; R: 104.00**	**Mon:** ISM services (Jan), S&P Global services/composite PMI (Jan (F)) **Tue:** - Nil - **Wed:** Trade balance (Dec) **Thu:** Initial jobless claims (3 Feb) **Fri:** Wholesale inventories (Dec F), wholesale trade sales (Dec)
EURUSD	**S: 1.0760; R: 1.1080**	**Mon:** GE trade data (Dec), EC composite/service PMI (Jan F), EC PPI (Dec), EC Sentix investor confidence (Feb) **Tue:** ECB 1,3 y inflation expectations (Dec), EC retail sales (Dec), GE factory orders (Dec) **Wed:** GE IP (Dec) **Thu:** - Nil - **Fri:** GE CPI (Jan F)
AUDUSD	**S: 0.6500; R: 0.6700**	**Mon:** Judo Bank PMI composite/services (Jan F), Melbourne institute inflation (Jan), trade data (Dec), ANZ – Indeed job advertisements (Jan) **Tue: RBA policy decision**, Retail sales ex inflation (4Q) **Wed:** Foreign reserves (Jan) **Thu:** - Nil - **Fri:** - Nil -
NZDUSD	**S: 0.6000; R: 0.6200**	**Mon:** ANZ commodity price (Jan) **Tue:** - Nil - **Wed:** Employment change (4Q), participation rate (4Q), hourly earnings (4Q), unemployment rate (4Q), pvt wages inc overtime/ex overtime (4Q) **Thu:** - Nil - **Fri:** - Nil - **Sat:** REINZ house sales (Jan, due 10 – 14 Feb)
GBPUSD	**S: 1.2540; R: 1.2850**	**Mon:** ONS LFS-based data (Sep – Nov 2023), official reserves changes (Jan), S&P Global composite/services PMI (Jan F) **Tue:** BRC sales like-for-like (Jan), S&P global construction PMI (Jan) **Wed:** - Nil - **Thu:** RICS house price balance (Jan), S&P Global, KPMG, REC UK report on jobs **Fri:** - Nil -
USDCAD	**S: 1.3200; R: 1.3500**	**Mon:** Bloomberg Nanos Confidence (2 Feb), S&P Global composite/services PMI (Jan) **Tue:** Building permits (Dec), Ivey PMI (Jan) **Wed:** Int'l merchandise trade (Dec) **Thu:** - Nil - **Fri:** Employment and wage data (Jan)
USDJPY	**S: 145; R: 150**	**Mon:** Jibun Bank PMI composite/services (Jan F) **Tue:** Labour cash earnings (Dec), household spending (Dec) **Wed:** Leading/coincident index (Dec P) **Thu:** BoP CA balance (Dec), BoP trade balance (Dec), bank lending (Jan), Tokyo avg office vacancies (Jan), eco watchers survey (Jan) **Fri:** Money stock (Jan)
USDCNH	**S: 7.10; R: 7.25**	**Mon:** Caixin PMI composite/services (Jan) **Tue:** - Nil - **Wed:** Foreign reserves (Jan) **Thu:** PPI (Jan), CPI (Jan) **Fri:** Financing and money supply data (Jan, due 9 – 15 Feb)
USDTWD	**S: 30.90;R: 31.60**	**Mon:** Foreign reserves (Jan) **Tue:** CPI (Jan), PPI (Jan) **Wed:** Trade data (Jan) **Thu:** - Nil - **Fri:** - Nil -
USDKRW	**S: 1280;R: 1350**	**Mon:** Foreign reserves (Jan) **Tue:** - Nil - **Wed:** BoP CA balance (Dec) **Thu:** - Nil - **Fri:** Bank lending to household (Jan, due 9 – 16 Feb)

Currency	Support/Resistance	Key Data and Events
USDMYR	**S: 4.67; R: 4.77**	**Mon:** - Nil - **Tue:** - Nil - **Wed:** IP (Dec), Mfg sales (Dec) **Thu:** Foreign reserves (31 Jan) **Fri:** - Nil -
USDSGD	**S: 1.3280; R: 1.3500**	**Mon:** S&P Global PMI (Jan), retail sales (Dec) **Tue:** - Nil - **Wed:** COE results (7 Feb), foreign reserves (Jan) **Thu:** - Nil - **Fri:** - Nil -
USDPHP	**S: 55.70; R: 57.00**	**Mon:** - Nil - **Tue:** CPI (Jan) **Wed:** Unemployment rate (Dec), foreign reserves (Jan) **Thu:** Money supply (Dec), bank lending (Dec) **Fri:** - Nil -
USDIDR	**S: 15,540; R: 16,000**	**Mon:** GDP (4Q and 2023) **Tue:** - Nil - **Wed:** Foreign reserves (Jan) **Thu:** - Nil - **Fri:** - Nil -
USDTHB	**S: 35.00;R: 36.50**	**Mon:** CPI (Jan) **Tue:** - Nil - **Wed: BOT policy decision** **Thu:** Consumer confidence (Jan) **Fri:** Foreign reserve (2 Feb)

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	***Fed turns neutral although pushes back on Mar Cut – Markets to Stay on Calibration Mode*** Focus this week was on the FOMC meeting and any hints of a Mar cut. It seems that the Fed has very much turned neutral. Language that had once implied a tightening bias looks to have been dropped. Previously, the Dec statement had mentioned “the extent of any additional policy firming”. However, the statement now instead says that “carefully assess incoming data, the evolving outlook, and the balance of risks”. In addition, "the Committee judges that the risks to achieving its employment and inflation goals are moving into better balance." However, Chair Jerome Powell looks to have pushed back at the possibility of a Mar cut as he does "not think it is likely that the Committee will reach a level of confidence by the time of the March meeting" as he emphasizes that he needed to see more “good data” on inflation. Fed fund futures now indicate an about 39% chance of a Mar cut. As it stands, this reasonably implies that not all Mar cut bets have been called off just yet. That would leave markets in a data-dependent mode. Therefore, it would thus be hard for the USD to break out of its recent range of 101.00 – 104.00 in such an environment of calibration. Resistance is at 104.00 and 104.10. Support is at 102.70 and 102.20. Watch out for the release of the NFP data later today.
EUR/USD	***Risks of First to Cut.*** Unfavorable GDP data this week from Germany which showed that the bloc’s largest economy had slipped into recession weighed on the common currency. Germany’s 4Q (P) GDP data had come out at -0.2% YoY (3Q. -0.3% YoY), which marked the second quarter of decline and added to the risk that the ECB could be the first to cut among the three major central banks that also includes the Fed and BoE. The wider Eurozone 4Q (A) GDP reading barely showed an expansion at 0.1% YoY (3Q. 0.0%). Jan PMI mfg readings for the bloc also remained in contraction. The OIS is showing that markets are assigning an aggressive probability of about 76% that the ECB would cut in Apr, which would put them ahead of markets expected Fed cut in May. EURUSD has bene trending downwards amid the concern of first to cut. However, on our part, we do not believe that the ECB would be the first to do so simply because core inflation remains too elevated. The latest Jan (P) core CPI still stood high at 3.3% YoY (Feb. 3.4% YoY). Lagarde just recently at the last meeting had pushed back at the idea of rate cuts so soon, having even said discussion of such a thing is premature. She did though say that a summer move is likely. Even so, that is rather aggressive in our view and we probably need more convincing data from the economic bloc for Lagarde to have any credibility in her call for a summer move. Unless there is a sharp deterioration in the labour market conditions in the Eurozone, there could still be room for Lagarde to push back against the market view of an Apr cut. At the same time, the latest ECB staff forecasts for inflation in Dec 2023 still saw core inflation above target for the whole of 2024 and 2025. We still expect the tentative floor for the EURUSD around the 1.0720-1.0780 area intact.
GBP/USD	***BoE held but falling UST yields support, likely to stay ranged.*** BoE held the rate at 5.25%. The vote was split three ways with two voting for hikes and one member, Swati Dhingra voting for a cut. This was the first vote for cut in this cycle and a swing from the previous make up of 3 hike-6 hold. While the MPC removed the guidance for further tightening, the focus is shifted to how long can BoE keep the policy rate where it is for. Governor Bailey mentioned that “if we were to follow the market rate conditioning path, we think inflation would be above target for much of the next three years”. Right before the decision, OIS implies 110bps rate cut for 2024. This has not shifted much after the decision. Bailey also pushed back on rate cuts at his presser saying “We’ve come a long way, but we’re not there yet”. There is an increasing sense that Fed, ECB and BOE are all warming up to the idea of eventually cutting rates despite their pushbacks and caution on rate cuts. We stay cognizant on the risk of the BoE being the first to cut although for now inflation remains elevated and a cut may only come in 2H 2024. For now, falling UST yields as the Fed pivots to a more neutral stance looks to have recently given support to the high beta GBP. However, given that market is still as a whole data dependent in assessing the timing and pace of the Fed and for that matter a BoE cut, the GBPUSD is likely to stay ranged traded around 1.2600 – 1.2800. The upper bound of 1.28000 marks a resistance with the next level after that at 1.2881 (fibo retracement of 76.4% from Oct 2023 low to Jul 2023 high). Support is at 1.2685 (50-dma) and 1.2564 (200-dma).

USDJPY	***Ranged.*** USDJPY was last seen at 146.38 and continues to keep trading sideways within a range of 146 – 150. US rates are looking to remain as the biggest driver of the pair given that the BOJ may be reluctant to undertake any tightening beyond an exit from NIRP. The exit we continue to reiterate would occur in Apr 2024 after strong results from the spring wage negotiation. UA Zensen, one of Japan's biggest union has recently mentioned that they are pushing for at least a 6% pay rise. Pair could see some more downside near term if UST yields could fall further amid the Fed's pivot to a more neutral stance. Even so, we think it more likely that it would still range trade around 146 – 150 as market would more likely stay data – dependent in assessing the timing and pace of Fed rate cuts. Meanwhile, BoJ Summary of Opinions for Jan MPM out this week also did not provide much additional new hawkish cues although it did back the prospect of the April exit from NIRP. It pointed to increased prospects that the BOJ could tighten as some members implied that conditions allowing a move are increasing and that there is a growing possibility that spring wage revisions will be at a relatively higher level than compared to the past as prices are overall on an improving trend. The summary mentioned that given these factors, it appears that conditions for policy revision including termination of NIRP are being met. One member was even noted to have made mention of the "golden opportunity" to end NIRP. BoJ Governor Ueda has been able to manage tightening expectations so well that the USDJPY, along with the JGB 10y yield have been relatively well behaved with manageable levels of volatility. As much as the BoJ likes to shock, the only consistent characteristic of their decisions thus far is that they are gradual. As such, USDJPY could probably find it hard to break-out of recent swivels without the US side of things. We see resistances at 150 followed by 152 and supports at 147.47 (100 dma), 145.34 (50 dma).
AUD/USD	***Watch Potential Head and Shoulders.*** AUDUSD continue to waffle around 0.6590 and again not making much progress over the last week. Still, this is how the formation of the right shoulder typically happens and AUDUSD is primarily driven by what happens in China (RRR cut, stock rescue funds and some revival of hope that officials would unleash more growth supports) as well as the US side of things that can drive sentiments. We continue to watch the neckline of the potential head and shoulders at around 0.6520. A break below the neckline can open the way towards the 0.6200 level. We also caution though that the pair could be stuck within a range of 0.6520 – 0.6660 given that the AUD gets supported by elevated inflation rates and low jobless rates but at the same time there is also still weakness in the commodity space that is driven by China's challenging economic situation. We are looking at RBA to stand pat next week. RBA is expected to keep cash target rate unchanged at 4.35%. Softer-than-expected 4Q CPI has dispelled expectations for a rate hike in the near-term. Inflation forecasts for 2024 could be adjusted lower but expect RBA to retain a hawkish tone given that CPI prints are still above target.

Technical Chart Picks:

USDSGD Weekly Chart - Downside, MAS Holds

The morning star pattern had earlier played out nicely but now we are expecting some slight downside in the pair as UST yields decline with the Fed pivot to a more neutral stance. At the same time, MAS stayed on hold this week and they look like they could do so for a while amid inflation staying sticky. This looks to also give support to the SGD.

Resistance now looks bounded by the 50-dma at 1.3446. Support is at 1.3345 before the next at 1.3280.

USDMYR Weekly Chart - Sideways Trading Expected

Source: Bloomberg, Maybank FX Research & Strategy

USDMYR continues to keep swivelling sideways at around the 4.7200 - 4.73000 levels. MYR continues to be left vulnerable to external developments such as weakness in China's economy.

Technical indicators are mixed for this pair. On the daily chart, there are signs that this pair is overbought. However, the weekly chart in contrast seems to indicate some further bullish retracement. As such, sideway trades could continue with support eyed at 4.7200. Resistance at 4.7400.

SGDMYR Daily Chart: Upside Risks

Source: Bloomberg, Maybank FX Research & Strategy

SGDMYR last traded at 3.5363 as it continued to keep heading higher this week. Upside risks remain given strong SGD performance with the MAS tightness amid sticky inflation. Momentum indicators do though show it is stretched on the upside and therefore further climbs could end also being limited. Resistance at 3.5500 (psychological) with the next at 3.5894. Support is at 3.5041 (50-dma) and 3.4820 (100-dma).

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