

## FX Insight

# GBP: Crucial Week of Debates and Votes Start Today

### Brace for Choppier Price Action

GBP could possibly face even more choppy and 2-way swings starting today till Fri as parliament gears up for a busy week of debates and votes.

Most importantly, the second reading debate of PM BoJo's withdrawal agreement bill starts today (730pm SG/KL time) before the vote on the second reading - on general principle of the bill takes place (2am SG/KL time tomorrow).

There is another vote on program motion - basically on the timetable for the bill's passage (215am SG/KL time tomorrow).

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### Possible Outcome and GBP reaction:

1. **Losing the vote on the second reading** is a setback to BoJo's withdrawal agreement bill and this means there is no need to vote on the program motion. Such an outcome would be **negative for GBP**.
2. **Winning the vote on the second reading but not the program motion** will mean a delay to brexit timeline. Though not entirely a clear positive outcome for GBP but at least there is a general sense of agreement on BoJo's bill but not the hasty timeline. This may be sufficient to keep optimism (of soft brexit) alive. **Near term pullback for GBP is not ruled out but is likely to be supported on dips.**
3. **Winning both votes would be a good start** for the 3-day bill passage. Confidence of soft brexit can continue to build and provide the booster for GBP gains. Stale GBP-short positions could be at risk of being unwound further and this could trip off further stop-buy orders. **GBPUSD likely to reclaim 1.30-handle and test higher towards 1.32-handle.**

But coast is still not clear even when both votes are through as the process zooms in on micro-details over the next 3 days. Room for setback remains and this could derail GBP's recovery.

## More Voting, Amendments Ahead if Votes on Second Reading and Program Motion are Passed by Early Tomorrow (Asia time)

Committee stage voting will commence at 530am tomorrow (SG/KL time) and will continue again at 730pm tomorrow with votes held every 3 hours.

Amendments on keeping UK in customs union with the EU and calls for second referendum could top the agenda. The process of debate, amendments and votes will go on till 7am (SG/KL time Thu).

Then on Thu (6pm) - the report stage will commence where more amendments can still be proposed. This stage is expected to end after 12am on Sat (SG/KL time).

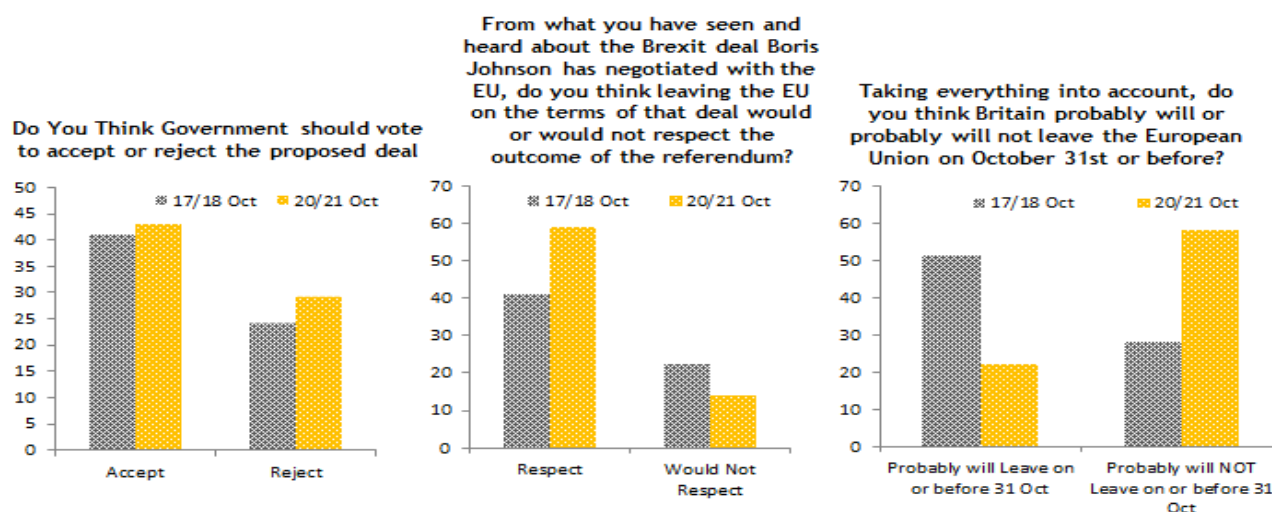
The House of Commons (lower house) will then have a third reading vote (after all the amendments) on Sat (3am SG/KL time). Outcome could still go either way at this stage. If this is successfully passed through the House of Commons, the bill will go to the House of Lords (Upper House) for final vote before bill becomes law.

A smooth passage through parliament is highly supportive of more GBP gains, possibly toward 1.35 - 1.38 levels but it is highly doubtful that the process will be smooth, judging from past brexit developments (which are highly fluid). As such, 2-way choppy price movement for GBP is likely to be the central outcome.

## What If the Bill Does Not Pass through Parliament?

The legal default is for UK to leave without a deal on 31<sup>st</sup> Oct (i.e. hard brexit) - a big negative for GBP. However PM BoJo is bound by law to seek a 3-months extension to brexit. This is however pending EU's approval. EU's approval to grant a delay will be a temporary relief for GBP.

## Opinion Polls on Latest Brexit Development: In Support of Latest Proposed Deal but Growing Expectations of a Delay beyond 31<sup>st</sup> Oct



Note: Survey sample on 1689 adults in Great Britain; results above does not show survey response for "don't know"

Source: Yougov Survey Results, Maybank FX Research & Strategy

### GBP Bullish Bias Intact Though In Overbought Conditions

Our call to accumulate GBP on dips since 11 Sep (see [here](#)) and subsequently reiterated again on 14 Oct (see [here](#)) has more than met one of our objectives at 1.2880.

Pair was last seen at 1.2970 levels. Underlying bullish bias remains intact but stochastics is flashing overbought signals. Given the “too fast too furious” rise (up nearly 7% MTD from the lows) this month, we do not rule out pullback towards 1.2880, 1.2820 and 1.2720 (200 DMA) levels in the near term.

This pullback could be deeper if the bill doesn’t get past the first voting.

Otherwise resistance (objectives) at 1.3170 (50% fibo retracement of 2018 high to 2019 low) and 1.3450 (61.8% fibo) remain in sight.

### GBP (Weekly Chart) Too Fast Too Furious GBP May Face Reality Check



### GBPSGD May Face Reality Check at 1.77 Levels

GBPSGD has risen nearly 6% from its Oct lows so far. Last seen at 1.7650 levels. Bullish momentum on daily and weekly chart remains intact but stochastics is rising into overbought conditions. Immediate resistance at 1.7710 levels (50% fibo retracement of 2018 high to 2019 low) is key level to watch. Near term disappointment (i.e. pullback) possible. Support at 1.7450 (38.2% fibo) before 1.7360 (200 DMA). But underlying bias remains bullish. Buy dips preferred. Eventual move towards 1.7970 (61.8% fibo) should not be ruled out.

## GBPSGD (Daily): Approaching Resistance



GBPMYR has rallied more than 6% from its lows in Oct. Last seen at 5.4250 levels - a 5-month high. Bullish momentum on weekly, daily chart remains intact. Immediate resistance at 5.4340 (61.8% fibo retracement of 2017 high to 2019 low) if broken could see gains accelerate. Next resistance at 5.5360 (76.4% fibo). That said stochastics cautions for overbought conditions. Retracement towards 5.5320 (50% fibo) is not ruled out.

## GBPMYR (Weekly): More Upside Potential on Break Above 5.4340



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