

# RMB Watch

## More Easing Could Soften the RMB

### Calling the Tops for RMB TWI

#### Key Points:

- PBoC started the week with a strong signal of discomfort. USDCNY was fixed at an eye-popping 252pips higher than the median estimate polled by Bloomberg. The reaction to the USDCNY fix was rather calm. Spot rose towards the 6.37 figure after the fix before drifting back towards the day-low by the end of Asia session.
- Expectations are for PBoC to ease further this month with another MLF cut next week that could also take the LPR lower. We watch in particular upcoming credit data. There is quite a bit of expectations for stronger credit growth given government's effort to expedite infrastructure projects and other growth boosters. Data weakness could weigh on CNY.
- **Technical Analysis:** USDCNH looks set to extend its consolidation within 6.33-6.40. EURCNH needs a break of the 7.3040-resistance to head towards 6.4290. SGDCNH has a chance of violating bearish trend channel while MYRCNH still has some bearish pressure although falling wedge could mean a bottom is near.

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#### What We Watch (7 - 21 Feb):

Date	Data/Events	Month
9-15 Feb	Agg. Financing, New Yuan Loans, Money Supply	
11 Feb	BoP Current Account	4Q
11-18 Feb	FDI	Jan
13-16 Feb	Medium-Term Lending Facility	Feb
16 Feb	CPI, PPI	Jan
17 Feb	SWIFT Global Payment	Jan
18 Feb	FX Net Settlement- Clients	Jan
21 Feb	1,5Y Loan prime rate	

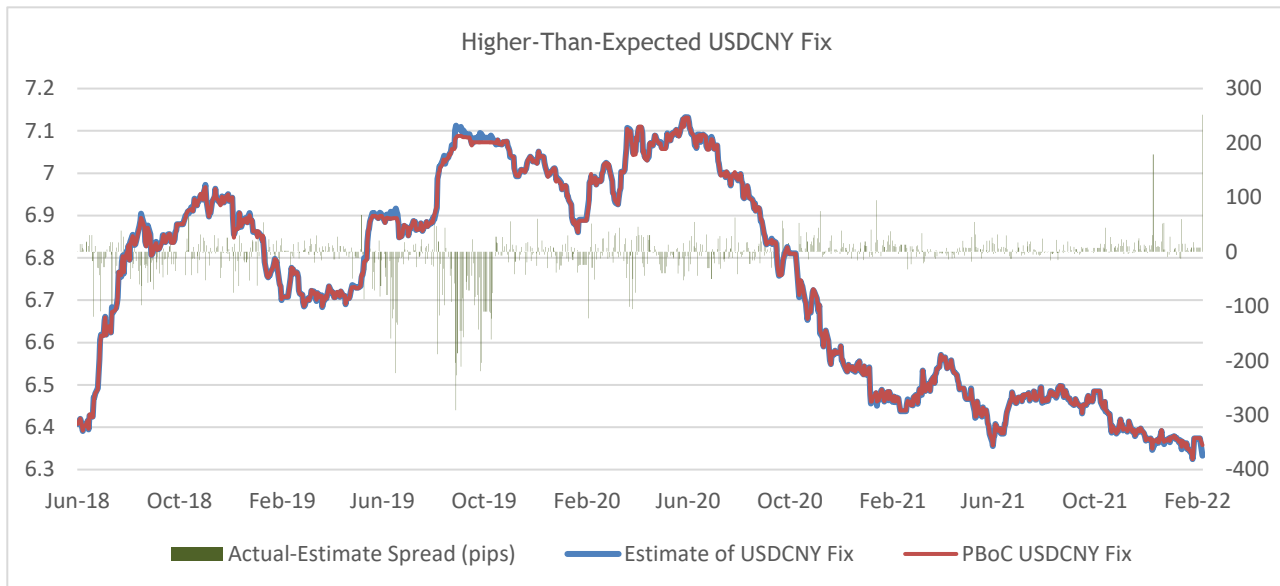
**Where Has RMB Been?**

USDCNH spent much of the past two weeks in consolidation with broad direction within the 6.33-6.40 range.

CNYTHB triggered our stoploss at 5.2560 on 28 Jan before coming off to levels around 5.1885. We continue to keep a bearish view on the CNY against THB as this cross extends in a falling trend channel. Eyes on 5.15-figure next before 5.10.

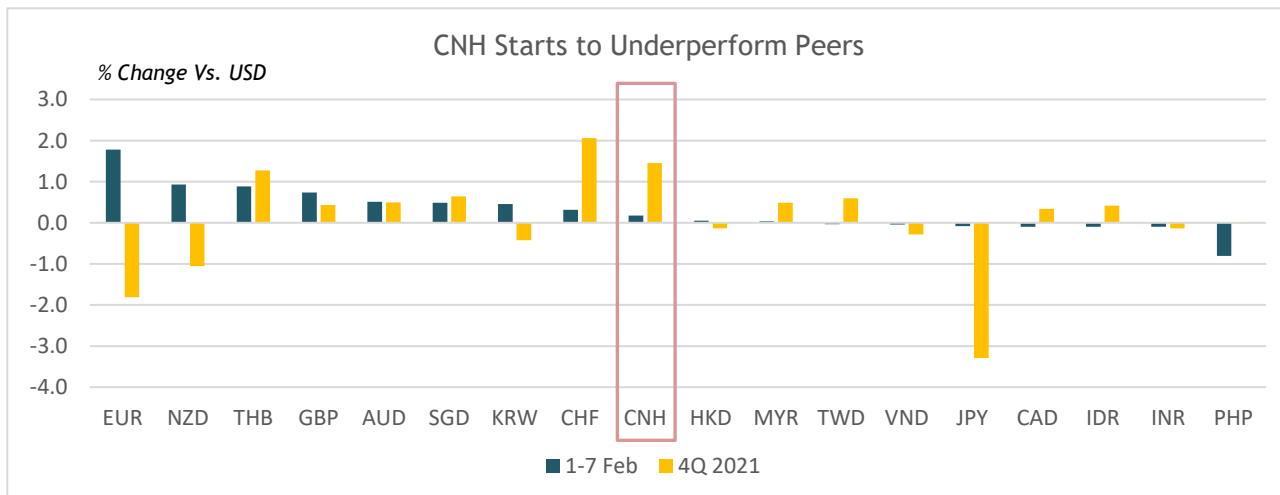
**PBoC Sends a Signal of Discomfort, CNY Reacts With Calm**

PBoC started the week with a strong signal of discomfort. USDCNY was fixed an eye-popping 252pips higher than the median estimate polled by Bloomberg. The reaction to the USDCNY fix was rather calm. Spot rose towards the 6.37 figure after the fix before drifting back towards the day-low by the end of Asia session.



Source: Bloomberg, Maybank FX Research & Strategy

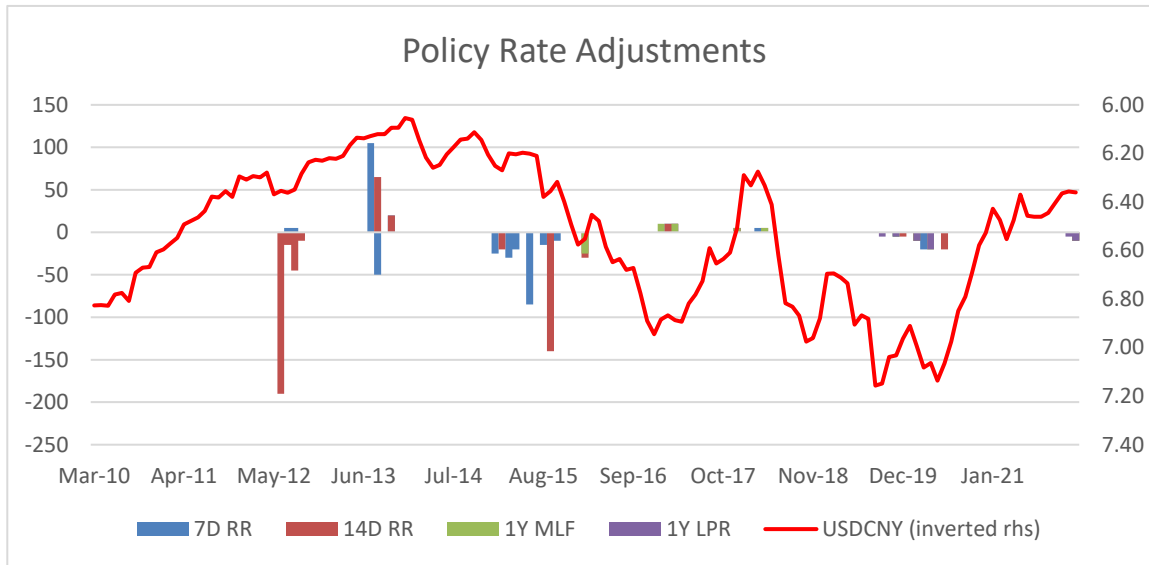
Even as USDCNY seemed sticky to the downside, it was rather clear that CNH has started to underperform quite a number of peers since the start of the month. This is quite unlike its performance in 4Q 2021.



Source: Bloomberg, Maybank FX Research & Strategy

While one can pin it to the fact that onshore markets in China and a few other Asian countries were out for Spring Festival, we do not want to rule out the possibility that policy divergence has started to affect the RMB's strength against the trading basket. Expectations are for PBoC to ease further this month with another MLF cut next week that could also take the LPR lower. We watch in particular, upcoming credit and other economic data. There is quite a bit of expectations for credit growth given government's effort to expedite infrastructure projects and other growth boosters. Data weakness could weigh on CNY.

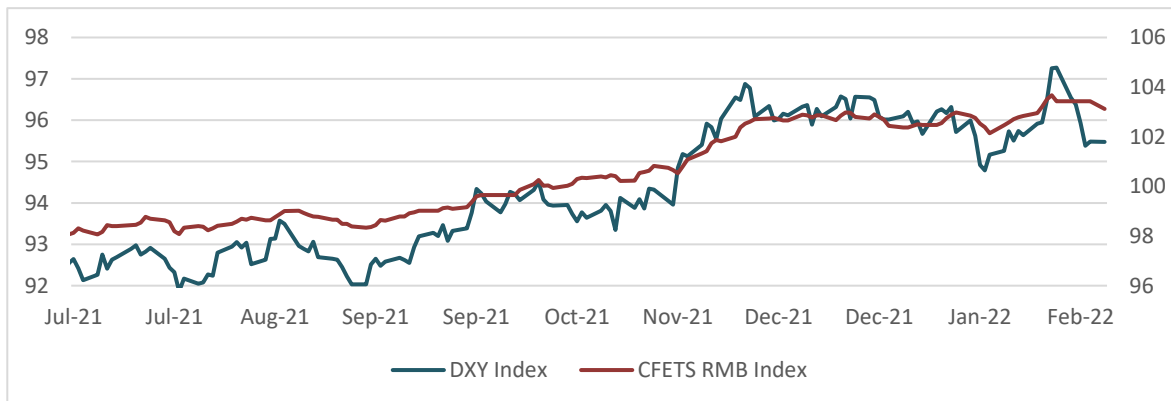
**Policy Actions in the Past Had Swung USDCNY Alongside Other Macro Factors**



Source: Bloomberg, Maybank FX Research & Strategy

Monetary policy actions in the past have swung the USDCNY before (to varying extents) alongside other related macro drivers. On the other hand, the pandemic had created conditions supportive of the CNY (such as current account surplus). In an environment where exports are still performing and domestic demand is still weak, **China may prefer to keep the currency as stable (and predictable) as possible (to keep RMB from becoming another source of uncertainty) while officials stimulate the economy.** That would mean that large actual-estimate USDCNY fix deviations are not likely to persist. PBoC is still likely to allow market forces to drive the USDCNY for the most part. Given opposing forces of strong current account surplus, policy divergence vs. the rest of the world and potential for long USD positions to unwind further, the USDCNY pairing may continue to hover within 6.30-6.40 range.

**RMB Still Takes Guidance from DXY index**



Source: Bloomberg, Maybank FX Research & Strategy

**USDCNH (Daily) - Consolidation Continues**



USDCNH was last at 6.3635, hovering within the 6.33-6.40 range for much of Jan.

Momentum indicators are showing little directional bias at this point.

Interim support is seen at 6.3460 before the next at 6.3305. Resistance at 6.3720 before 6.4020.

**EURCNH (Daily) - Turning Bullish**



EURCNH rallied in the past few sessions to test the upper bound of the 7.0625-7.3040 range. Support at 7.2060 (21-dma, 50-dma).

Momentum indicators are bullish. A break of the resistance at 7.3040 (also marked by the 100-dma) could open the way towards 6.4290 before the 200-dma at 7.5011.

Legend: Orange Line = 21-sma; Blue dash = 50-sma, green dash = 200-sma; red solid = 100-sma

### MYRCNH (Weekly) - Falling Wedge



MYRCNH traded sideways for much of the past two weeks, last seen around 1.5210.

Momentum and stochastics are bearish bias. Next support is seen around 1.5120 before the next at 1.50. Resistance is seen around the 1.5285 before the next at 1.5360.

A falling wedge has formed on the weekly chart. MACD forest show bullish divergence. This could mean that this cross could be nearing a bottom.

### SGDCNH (Daily) - Testing the Channel



SGDCNH is last seen around 4.7280, testing the upper bound of the falling trend channel.

21-dma is on the brink of making a bullish cross-over of 100-dma, a bullish signal.

50-dma marks the support at 4.6960. Resistance at the upper bound of the channel at around 4.73. Next resistance at 4.7600 (200-dma).

Legend: Orange Line = 21-sma; Blue dash = 50-sma, green dash = 200-sma; red solid = 100-sma

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