

# FX Weekly

## Will Fed Do Damage Control Next Week?

### The Week Ahead

- **Dollar Index - Fade.** Support at 90.45; Resistance at 93.00
- **USD/SGD - Sell Rallies.** Support at 1.3330; Resistance at 1.3500
- **USD/MYR - Fade.** Support at 4.1200; Resistance at 4.1500
- **AUD/SGD - Consolidate.** Support at 1.0040; Resistance at 1.0160.
- **SGD/MYR - Decline to Moderate.** Support at 3.07; Resistance at 3.11

### Pace of USD Gains May Moderate if Fed Reassures

Fed's surprising hawkish tilt at its recent FoMC should continue to see markets adjust for a slightly higher USD (or less bearish USD bias) and this could slightly be more sustained given that USD positioning was relatively light (small longs). But we doubt the Fed will want to tighten too quickly as it may not want any premature tightening of financial conditions or trigger any market sell-off and is operating under an Average Inflation Targeting regime. Next week will bring plenty of Fed speaks, including Powell on Thu and we look for signs if Fed officials will attempt to reassure markets that the Fed is not about to start a tightening cycle pre-emptively but to assess incoming labor, wage growth and inflation data and phase in gradual tightening in the future. Some damage control from the Fed could slow the pace of USD increase but absence of any Fed's reassurance could see USD bulls build on momentum. For regional FX, we see some upside risks for USDMYR and USDSGD but expect the pain of gains to moderate. USDMYR target 4.12 - 4.15 range and for USDSGD, 1.3330 - 1.35 range for next week.

### Retain Cautious Outlook on GBP; BoE MPC on Thu

We remain cautious on GBP's near term outlook amid spread of delta variant which shows no signs of abating. UK reported >9,000 new cases yesterday, its largest rise since Feb. Secretary of State for Health Matt Hancock said that delta variant accounts for 96% of new UK infection. Its transmissibility at almost 2.5 is the highest, followed by Gamma, Alpha and Beta variants. According to GISAID, this mutation is seen in at least 70 countries and is the most prevalent strain in places including in Indonesia, Singapore, Canada, etc. And latest modelling results suggest that even with the rapid rollout of vaccines, the UK could still face a 3rd wave of infection affecting younger people whom have not yet received vaccinations. The 4-week delay in reopening to 19th Jul would allow for more people (~9mio more people) to receive their 2nd doses and this can help to prevent thousands of hospitalisations - a necessary near term pain for long term gains. Elsewhere BoE MPC meets on Thu. We expect policy status quo. Note that BoE will also be losing its most hawkish member, Andy Haldane and is likely the new MPC is less hawkish going forward.

### US Core PCE, SG, MY CPIs; Global Prelim PMIs Next Week

Key data we watch next week include US CFNAI and AU retail sales on Mon. For Tue, US Richmond Fed mfg and Malaysia FX reserves. For Wed, global prelim PMIs; SG CPI. For Thu, German IFO; US GDP; BSP and BoE MPCs. For Fri, US core PCE; China current account; SG IP; Malaysia CPI.

### Analysts

Saktiandi Supaat  
(65) 6320 1379  
saktiandi@maybank.com.sg

Christopher Wong  
(65) 6320 1347  
wongkl@maybank.com.sg

Fiona Lim  
(65) 6320 1374  
fionalim@maybank.com.sg

Tan Yanxi  
(65) 6320 1378  
tanyx@maybank.com.sg

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### Bloomberg FX Ranking












#### 4Q 2020

No. 2 for EUR, SGD  
No. 3 for JPY  
No. 5 for MYR, PHP, AUD, KRW  
No. 6 for NZD  
No. 8 for GBP

No. 2 for Asia FX

#### 1Q 2021

No. 2 for SGD, CNH  
No. 3 for NZD, THB  
No. 5 for AUD

| Currency     | Direction   | Support/Resistance   | Key Data and Events   |
|--------------|---|----------------------|---|
| Dollar Index |    | S: 90.45; R: 93.00   | <b>Mon:</b> CFNAI (May);<br><b>Tue:</b> Richmond Fed manufacturing (Jun); Existing home sales (May);<br><b>Wed:</b> Current account (1Q); Prelim PMIs (Jun); New home sales (May);<br><b>Thu:</b> GDP (1Q); Durable Goods (May P); Initial jobless claims;<br><b>Fri:</b> Core PCE, Personal income & spending (May); Uni of Mich sentiment (Jun) |
| EURUSD       |    | S: 1.1850; R: 1.2050 | <b>Mon:</b> - Nil -<br><b>Tue:</b> Consumer confidence (Jun);<br><b>Wed:</b> Prelim PMIs (Jun);<br><b>Thu:</b> German IFO Expectations (Jun)<br><b>Fri:</b> - Nil -   |
| AUDUSD       |    | S: 0.7680; R: 0.7820 | <b>Mon:</b> Retail sales (May);<br><b>Tue:</b> - Nil -<br><b>Wed:</b> Prelim PMIs (Jun);<br><b>Thu:</b> - Nil -<br><b>Fri:</b> - Nil -  |
| NZDUSD       |    | S: 0.7120; R: 0.7310 | <b>Mon:</b> - Nil -<br><b>Tue:</b> Westpac consumer confidence (2Q); credit card spending (May);<br><b>Wed:</b> - Nil -<br><b>Thu:</b> - Nil -<br><b>Fri:</b> Trade (May)   |
| GBPUSD       |    | S: 1.3640; R: 1.4020 | <b>Mon:</b> Rightmove House prices (Jun);<br><b>Tue:</b> Public finances (May);<br><b>Wed:</b> Prelim PMIs (Jun);<br><b>Thu:</b> BoE MPC;<br><b>Fri:</b> GfK consumer confidence, CBI Reported sales (Jun)  |
| USDJPY       |  | S: 109.60; R: 111.30 | <b>Mon:</b> - Nil -<br><b>Tue:</b> Machine tool orders (May);<br><b>Wed:</b> Prelim PMIs (Jun);<br><b>Thu:</b> PPI services (May);<br><b>Fri:</b> - Nil -   |
| USDCNH       |  | S: 6.4000; R: 6.4700 | <b>Mon:</b> 1y, 5y Loan prime rate;<br><b>Tue:</b> - Nil -<br><b>Wed:</b> - Nil -<br><b>Thu:</b> - Nil -<br><b>Fri:</b> Current account balance (1Q);<br><b>Sun:</b> Industrial profits (May)   |
| USDSGD       |  | S: 1.3330; R: 1.3500 | <b>Mon:</b> - Nil -<br><b>Tue:</b> - Nil -<br><b>Wed:</b> CPI (May);<br><b>Thu:</b> - Nil -<br><b>Fri:</b> Industrial production (May)  |
| USDMYR       |  | S: 4.1200; R: 4.1500 | <b>Mon:</b> - Nil -<br><b>Tue:</b> FX Reserves;<br><b>Wed:</b> - Nil -<br><b>Thu:</b> - Nil -<br><b>Fri:</b> CPI (May)  |
| USDPHP       |  | S: 47.90; R: 48.70   | <b>Mon:</b> - Nil -<br><b>Tue:</b> Budget balance (May);<br><b>Wed:</b> - Nil -<br><b>Thu:</b> BSP MPC<br><b>Fri:</b> - Nil -   |
| USDIDR       |  | S: 14,200; R: 14,500 | <b>Mon:</b> - Nil -<br><b>Tue:</b> - Nil -<br><b>Wed:</b> - Nil -<br><b>Thu:</b> - Nil -<br><b>Fri:</b> - Nil -   |

Sources: Bloomberg, Maybank FX Research &amp; Strategy

## Selected G7 FX Views

| Currency         | Stories of the Week   |
|------------------|---|
| <b>DXY Index</b> | <p><b>Looking for Fed to Do Damage Control.</b> Fed's surprising hawkish tilt at its recent FoMC (16-17 Jun) should continue to see markets adjust for a slightly higher USD (or less bearish USD) and this could slightly be more sustained given that USD positioning was relatively light (small longs) and the DXY was near 3-year lows. Increasing focus on Fed's tapering timeline and potentially, markets looking for an earlier rate hike or more rate hikes could see some support for USD. Already the Eurodollar futures spread (Sep 2022-Sep 2023) is implying 65bps Fed rate increases while from Sep 2021 to Sep 2023, markets are cumulatively implying +83bps Fed hike (vs. Fed's dots plot of +50bps). Trading range for DXY could shift higher to 90 - 93, from 89 - 91 range.</p> <p>But we doubt the Fed will want to tighten too quickly as it is operating under an Average Inflation Targeting regime and may not want any premature tightening of financial conditions or trigger any market sell-off (akin to taper tantrum). Next week will bring plenty of Fed speaks, including Powell on Thu and we look for signs if Fed officials will attempt to reassure markets that the Fed is not about to start a tightening cycle pre-emptively but to assess incoming labor, wage growth and inflation data and phase in gradual tightening if necessary. Some damage control from the Fed could slow the pace of USD increase but absence of any Fed's reassurance could see USD bulls build on momentum.</p> <p>DXY was last seen at 91.90 levels. Bullish momentum on daily chart intact while RSI is rising into overbought conditions. Pace of gains could moderate. Next resistance here at 91.95 (61.8% fibo retracement of mar high to May low), 92.51 (76.4% fibo) and 93 levels. Support at 91.5 levels (200DMA, 50% fibo), 91 (38.2% fibo, 100 DMA) and 90.45 levels (23.6% fibo).</p> <p><i>Next week brings CFNAI (May) on Mon; Richmond Fed manufacturing (Jun); Existing home sales (May) on Tue; Current account (1Q); Prelim PMIs (Jun); New home sales (May) on Wed; GDP (1Q); Durable Goods (May P); Initial jobless claims on Thu; Core PCE, Personal income &amp; spending (May); Uni of Mich sentiment (Jun).</i></p> |
| <b>EUR/USD</b>   | <p><b>Buy Dips Preferred.</b> EUR fell sharply and traded below 200DMA this week after Fed unexpectedly did a hawkish shift. While EUR could still face some downward pressure from ECB-Fed policy divergence via market expectations, we think it is not a loss case for EUR. We opined that markets may have gotten ahead of the Fed for now and some unwinding on that front may see USD strength ease and help support EUR. Furthermore rapid vaccination pace, flattening of epidemic curves, expectations of EU growth playing catch-up as economy reopens, etc. underpins a constructive outlook for EUR.</p> <p>Pair was last at 1.1915 levels. Bearish momentum on daily chart intact but RSI shows tentative signs of turnaround near oversold conditions. Pace of decline could moderate from here. Immediate support at 1.1890, 1.1840 (76.4% fibo retracement of Mar low to May high) and 1.1705 (2021 lows). Resistance at 1.1985/1.20 levels (200 DMA, 50% fibo), 1.2050 (38.2% fibo). A 1.1850 - 1.2050 range next week should not be ruled out.</p> <p><i>Next week brings Consumer confidence (Jun) on Tue; Prelim PMIs (Jun) on Wed; German IFO Expectations (Jun) on Thu</i></p>  |
| <b>GBP/USD</b>   | <p><b>Delta Variant Undermine GBP Bulls.</b> GBP slipped further this week, consistent with our call for downside play. Pair was last at 1.3910 levels. Bearish momentum on daily chart intact while RSI is falling towards near oversold conditions. Next support at 1.3870 (23.6% fibo retracement of Sep low to May high) before 1.3810. There is little support below these levels and a break lower suggest deeper sell-off. That puts next support at 1.3640 (38.2% fibo) and 1.36 (200 DMA). Resistance at 1.3940 (100 DMA), 1.4020 (50 DMA)</p> <p>We remain cautious on GBP's near term outlook amid spread of delta variant which shows no signs of abating. UK reported &gt;9,000 new cases yesterday, its largest rise since Feb. Secretary of State for Health Matt Hancock said that delta variant accounts for 96% of new UK infection. Its transmissibility at almost 2.5 is the highest, followed by Gamma, Alpha and Beta variants. According to GISAID, this mutation is seen in at least 70 countries and is the most prevalent strain in places including in Indonesia, Singapore, Canada, etc. And latest modelling results suggest that even with the rapid rollout of vaccines, the UK</p>  |

could still face a 3rd wave of infection affecting younger people whom have not yet received vaccinations. The 4-week delay in reopening to 19th Jul would allow for more people (~9mio more people) to receive their 2nd doses and this can help to prevent thousands of hospitalisations - a necessary near term pain for long term gains.

Elsewhere BoE MPC meets on Thu. We expect the MPC to maintain monetary policy status quo for both policy rate and asset purchase program at 0.10% and APP at GBP875bn, respectively. On policy stance, we expect BoE to stay patient, keep monetary policy accommodative (neither hike nor QE taper) and to allow for inflation overshoots above its 2% target for the time being. This will also be BoE hawk Haldane's last MPC and the new MPC is likely to be less hawkish

*Next week brings Rightmove House prices (Jun) on Mon; Public finances (May) on Tue; Prelim PMIs (Jun) on Wed; BoE MPC on Thu; GfK consumer confidence, CBI Reported sales (Jun) on Fri.*

**USD/JPY** *Trade the Bullish Trend Channel.* USDJPY traded higher this week amid broad USD strength. Pair was last seen at 110.15 levels. Mild bullish momentum on daily chart intact while RSI shows signs of easing. Modest pullback not ruled out but favour trading the bullish trend channel (formed since Apr) till it breaks. Immediate support at 109.60 levels (21 DMA, 61.8% fibo retracement of Mar high to Apr low, channel lower bound). Resistance at 111 (2021 double top), 111.30 (channel upper bound).

We reiterate that JPY should remain a sell in itself on dovish BoJ. It is probably the only central bank that has little to no policy room to manoeuvre as inflation remains benign. Other DM central banks can in fact be more hawkish, less dovish given economic improvements, higher inflation and have the luxury to choose not to react. As such, we reckon that JPY remains a sell against all DM FX.

*Next week brings Machine tool orders (May) on Tue; Prelim PMIs (Jun) on Wed; PPI services (May) on Thu.*

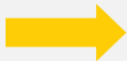




**AUD/USD** *A Hammer in the Making?* AUD fell sharply this week, owing to broad USD strength as Fed surprisingly tilted hawkish while commodity complex, including copper extended decline. Technically this breakout trade was what the compression of moving averages has been signalling. AUD was last at 0.7540 levels. Bearish momentum on daily chart intact while RSI is entering oversold conditions. As of writing, price action shows a potential hammer in the making. This is potentially a bullish reversal but remains too soon to concur as the day has not ended. We watch the close on this. A tactical trade is to go long AUD at current spot of 0.7540, targeting a move towards 0.7580, 0.76 and 0.7650 objectives. SL below today's low at 0.7509.

*Next week brings Retail sales (May) on Mon; Prelim PMIs (Jun) on Wed.*

**NZD/USD** *Buy Dips.* NZD fell sharply this week, on reasons similar to the AUD. Even on technicals, there was a breakout well-flagged by the compression of moving averages (21, 50, 100 DMAs) at 0.7190. NZD was last at 0.6992 levels. Bearish momentum on daily chart intact but RSI shows tentative signs of rising from near oversold conditions. Immediate support here at 0.6990, 0.6940 levels. Resistance at 0.7040 (200 DMA), 0.7190 (21, 50, 100 DMAs). From a risk-reward tactical perspective, we favour buying dips.

*Next week brings Westpac consumer confidence (2Q); credit card spending (May on Tue); Trade (May) on Fri.*

## Technical View: MYR Crosses

| MYR Crosses | Direction   | Support/Resistance   | Stories of the Week  |
|-------------|---|----------------------|--|
| SGD/MYR     |    | S: 3.0710; R: 3.1100 | <b>Bearish but Pace of Decline Should Moderate.</b> SGD/MYR extended its decline this week, in line with our call for downside play. Move lower came amid SGD underperformance, as SGD was much more affected than MYR following Fed's hawkish tilt. Cross was last seen at 3.09 levels. Bearish momentum on daily chart intact while RSI is falling towards near oversold conditions. Bearish bias intact but we think the pace of decline could moderate. Area of support at 3.08 (100 DMA) - 3.0830 (50% fibo retracement of Mar low to May high) before 3.0720 (61.8% fibo) and 3.0620 (200 DMA). Resistance at 3.0950 (38.2% fibo), 3.1010 (50 DMA) and 3.11 levels (21 DMA). |
| AUD/MYR     |    | S: 3.1060; R: 3.1900 | <b>Bearish Bias.</b> AUD/MYR fell this week amid AUD underperformance. Cross was last seen at 3.1470 levels. Daily momentum is bearish bias while RSI is falling. Risks to the downside. Immediate Support here at 3.1060 levels (38.2% fibo retracement of Oct low to Feb high). Resistance at 3.19 (21, 50 DMAs), 3.23 levels (triple top) levels.   |
| EUR/MYR     |  | S: 4.9000; R: 4.9800 | <b>Bearish but Looking Oversold.</b> EUR/MYR extended its decline this week, in line with our caution for bearish divergence. Cross was last seen at 4.9460 levels. Bearish momentum on daily chart intact while RSI is falling towards oversold conditions. Bearish divergence as previously flagged on daily MACD is underway. We look for consolidative trade. Immediate support 4.9350, 4.92 (200 DMA) and 4.90 levels. Resistance at 4.9630, 4.9870 (50 DMA).   |
| GBP/MYR     |  | S: 5.7200; R: 5.8400 | <b>Downside Bias.</b> GBP/MYR continued to drift lower this week, in line with our caution for retracement play. Cross was last seen at 5.7860 levels. Bearish momentum on daily chart intact while RSI is falling. Further pullback not ruled out. Next support at 5.78 (50 DMA), 5.72 (100 DMA). Resistance at 5.8370 (21 DMA), 5.88 levels.   |
| JPY/MYR     |  | S: 3.7190; R: 3.7800 | <b>Range with Some Risk to the Upside.</b> JPY/MYR slipped this week. Cross was last seen at 3.7410 levels. Bearish momentum on daily chart intact though there are signs of RSI rising. Some risk to the upside. Resistance at 3.7675 (21 DMA), 3.7765 (50 DMA) and 3.79 (100 DMA). Support at 3.7190 levels.   |

## Technical Chart Picks:

### USDSGD Daily Chart - Pace of Gains Should Moderate



USDSGD traded sharply higher this week, following Fed's surprise hawkish tilt. Pair was last seen at 1.3420 levels.

Bullish momentum on daily chart intact but RSI shows tentative signs of turning lower from near overbought conditions. Pace of gains likely to moderate though bias remains bullish for now. Immediate support at 1.3390 (38.2% fibo retracement of Feb low to Mar high, 200 DMA) before 1.3350 levels (50% fibo). Break below these support could see USDSGD drift lower towards 1.3305 (61.8% fibo, 50 DMA).

Resistance at 1.3445 (23.6% fibo) before 1.35, 1.3530 levels (2021 high). We look for 1.3330 - 1.35 range next week.

### USDMYR Daily Chart - Upside Risks



USDMYR jumped, post-FoMC this week. Move higher was in line with our caution for USD short squeeze. Pair was last seen at 4.1455 levels.

Daily momentum turned mild bullish while RSI is rising. Risks remained skewed to the upside for now.

Resistance at 4.15, 4.1590 levels (2021 highs). Support at 4.1290 (21 DMA), 4.1205/40 levels (23.6% fibo, 50 DMA), 4.1050 (200 DMA).

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



AUDSGD Daily Chart: Will Parity Support Give Way?



The rounding top pattern (bearish) that we been holding close to, confirmed by the compression of moving averages (break-out signal) have continued to serve us well as AUDSGD continued to trade past its 6-month low. Cross was last seen at 1.01 levels.

Bearish momentum on daily chart remains intact while RSI is falling towards near-oversold conditions.

Key support here at 1.0110 (200 DMA) before 1.0040 (50% fibo retracement of Oct low to 2021 high). Break below these levels could open way for further decline towards 0.9920 (61.8% fibo).

If support proves tough to break, cross could consolidate in 1.0040 - 1.0160 range.

Resistance at 1.0160 (38.2% fibo), 1.0220 (21 DMA) and 1.0280 (50, 100 DMAs).

SGDMYR Daily Chart: Bearish but Pace of Decline should Moderate



SGDMYR extended its decline this week, in line with our call for downside play. Move lower came amid SGD underperformance, as SGD was much more affected than MYR following Fed's hawkish tilt.

Cross was last seen at 3.09 levels. Bearish momentum on daily chart intact while RSI is falling towards near oversold conditions. Bearish bias intact but we think the pace of decline could moderate. Area of support at 3.08 (100 DMA) - 3.0830 (50% fibo retracement of Mar low to May high) before 3.0710 (61.8% fibo) and 3.0640 (200 DMA).

Resistance at 3.0950 (38.2% fibo), 3.1010 (50 DMA) and 3.11 levels (21 DMA).

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Published by:



Malayan Banking Berhad  
(Incorporated in Malaysia)

Saktiandi Supaat  
Head, FX Research  
saktiandi@maybank.com.sg  
(+65) 63201379

Christopher Wong  
Senior FX Strategist  
wongkl@maybank.com.sg  
(+65) 63201347

Fiona Lim  
Senior FX Strategist  
Fionalim@maybank.com.sg  
(+65) 63201374

Yanxi Tan  
FX Strategist  
tanyx@maybank.com.sg  
(+65) 63201378



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