

FX Weekly

Will RBNZ Deliver?

The Week Ahead

- **Dollar Index - Fade.** Support at 91; Resistance at 93.5
- **USD/SGD - Upside Risk.** Support at 1.3510; Resistance at 1.3700
- **USD/MYR - Retracement.** Support at 4.2200; Resistance at 4.2440
- **AUD/SGD - Upside Risk.** Support at 0.9920; Resistance at 1.0040.
- **SGD/MYR - Pullback Risk.** Support at 3.10; Resistance at 3.15

Interim Support for USD

USD traded broadly higher this week amid US data outperformance (robust US jobs report - JOLTS jobs opening, initial claims and NFP), renewed expectation for Fed to bring forward policy normalisation timeline and risk aversion (covid spread worsening in the region). Next week, US Industrial production, retail sales (Tue), Powell's speech and FoMC minutes (Thu) may provide some cues for USD moves. Market uncertainty on timing of Fed tapering and its pace of tapering may keep USD supported in the interim. In addition, covid spread, vaccine supply issues in the region and ongoing China regulatory tightening cycle could still weigh on sentiment. For USDMYR, we look for pullback to trade 4.22 - 4.2440 range while USDSGD is at risk of testing higher towards 1.3660, 1.37 levels.

Need a Larger than 25bps RBNZ OCR Hike to Excite NZD Bulls

RBNZ's monetary policy meeting next Wed is of interest as it could well be the first major G7 central bank to raise rates. RBNZ's surprise hawkish shift in Jul to end QE on 23 Jul, unexpected surge in headline CPI breaching RBNZ's target range of 1% - 3% for the first time in a decade and a much better than expected 2Q labor market report suggests that a 25bps rate hike at the upcoming meeting is a done deal. Indeed, **markets are fully priced in a 25bps hike in OCR. And there is even a small probability (12%) for a larger hike of 50bps** to arrest inflation pressures. Looking at OIS-implied, for the next 3 remaining meetings for the year, markets do expect ~50bps increase in rates. **Question is whether RBNZ tighten at once or at a gradual pace** (of 25bps this meeting and another 25bps come Oct or Nov meeting). We are leaning to the latter given that covid spread in other parts of the world including its closest neighbour, Australia suggests that we are not out of the woods and NZ can be vulnerable. However RBNZ has a tendency to lead or surprise (like how they cut OCR by 50bps at Aug 2019, Mar 2011 meeting post-Christchurch Earthquake and GFC) but with an aggressive 50bps hike this time round (given signs of overheating). What this means for the NZD is that rate hike expectations have already been baked into the price and it would need a hawkish surprise from RBNZ for any incremental upmove.

FoMC Minutes; BI MPC; SG NODX; AU, UK Labor Reports Nxt Week

Data we watch next week includes JP GDP, NZ services PMI on Mon. For Tue, US IP, retail sales; EU GDP; UK labor market report; SG NODX. For Wed, EU CPI, UK CPI, PPI, RPI; NZ PPI. For Thu, FoMC minutes, Powell speaks; AU labor market report; BI MPC - policy status quo. For Fri, German CPI; UK retail sales; Malaysia FX reserves; China loan prime rates; JP CPI; ID current account. In general data calendar suggests nothing that could lead to potential swings.

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

Our in-house model implies that S\$NEER is trading at +0.49% to the implied midpoint of 1.3648, suggesting that it is slightly firmer vs. other trading partner currencies.












Bloomberg FX Ranking

1Q 2021

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

2Q 2021

No. 2 for CNH
No. 3 for TWD, SGD, CAD
No. 5 for CNY
No. 10 for GBP

Currency	Direction	Support/Resistance	Key Data and Events
Dollar Index		S: 91.50; R: 93.50	Mon: - Nil - Tue: Retail sales, IP (Jul); NAHB housing market index (Aug); Wed: Building permits, Housing starts (Jul); Thu: FoMC minutes; Philly Fed business outlook (Aug) Fri: - Nil -
EURUSD		S: 1.1690; R: 1.1840	Mon: - Nil - Tue: construction output (Jun); GDP, employment (2Q prelim); Wed: CPI (Jul); Thu: Current account (Jun); Fri: German PPI (Jul)
AUDUSD		S: 0.7290; R: 0.7480	Mon: - Nil - Tue: RBA Minutes; Wed: Wage price index (2Q) Thu: Labor market report (Jul) Fri: - Nil -
NZDUSD		S: 0.6940; R: 0.7100	Mon: Services PMI (Jul); Tue: - Nil - Wed: PPI (2Q); RBNZ MPR; Thu: - Nil - Fri: Credit card spending (Jul)
GBPUSD		S: 1.3730; R: 1.3990	Mon: Rightmove House Prices (Aug); Tue: Labor market report (Jun); Wed: CPI, PPI, RPI (Jul); Thu: - Nil - Fri: Retail sales, Public finances (Jul)
USDJPY		S: 109.60; R: 110.60	Mon: GDP (2Q); IP (Jun); Tue: - Nil - Wed: Trade (Jul); core machine orders (Jun); Thu: - Nil - Fri: CPI (Jul)
USDCNH		S: 6.4600; R: 6.5200	Mon: Retail sales, IP, FAI, New home sales (Jul); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: 1y, 5y loan prime rate
USDSGD		S: 1.3510; R: 1.3700	Mon: - Nil - Tue: NODX (Jul) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.2200; R: 4.2440	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: FX Reserves (Aug)
USDPHP		S: 50.20; R: 51.00	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,300; R: 14,500	Mon: - Nil - Tue: - Nil - Wed: Trade (Jul); Thu: BI MPC; Fri: Current account (2Q)

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>Interim Support but Looking to Fade. USD traded broadly higher this week amid US data outperformance (robust US jobs report - JOLTS jobs opening, initial claims and NFP), renewed expectation for Fed to bring forward policy normalisation timeline and risk aversion (covid spread worsening in China, Korea, etc.). Notable FX moves include sharp fall (>2% on 5-day change) in KRW owing to downgrade in PC DRAM while THB's 2% decline for MTD Aug paused. Next week, US IP, retail sales (Tue) and Powell's speech, FoMC minutes (Thu) may provide some cues for USD moves. Market uncertainty on timing of Fed tapering and pace of taper could keep USD supported in the interim. In addition covid spread in the region, vaccine supply issues and China regulatory tightening cycle could still weigh on sentiment.</p> <p>Fed officials' remarks this week was more balanced and underscores our view that Fed is likely to adopt a gradual pace of policy normalisation for now and that rate increases are not of concern today. We still expect an announcement as soon as at the Jackson Hole Symposium (26 - 28 Aug) or Sep FoMC.</p> <ul style="list-style-type: none"> - Bostic said that "we are well ahead on the road to substantial progress toward our goal" as he regarded the +943k NFP addition as "definitely quite encouraging... if we are able to continue this for the next month or two... and we should be thinking what our new policy position should be". He added that he is thinking along the lines of Oct to Dec range for tapering but if jobs report comes in larger, he may even consider an earlier timeline for tapering; - Barkin said that inflation has made substantial progress but there is still more room to run in labor market. He then drew reference to employment-to-population ratio. Currently at 58.4%, substantial further progress for him would be moving this ratio closer to 59% or about 61% at pre-pandemic (Feb 2020); - Esther George said that Fed needs to move ahead with reducing monetary stimulus as economic recovery is now underway but she also said that "today's tight economy does not call for a tight monetary policy but it does signal that the time has come to dial back the settings"; - Separately at another event, Bostic said that FoMC would not pre-emptively raise rates in response to a "hot" labor market out of fear over subsequent inflation. <p>DXY was last seen at 92.96 levels. Mild bullish momentum intact though RSI shows signs of falling. Risk of pullback not ruled out. Support at 92.60 (21 DMA), 91.95 levels (61.8% fibo retracement of Mar high to May low), 91.30/50 levels (50, 100, 200DMAs, 50% fibo). Resistance at 93.2 and 93.5 levels.</p> <p><i>Next week brings Retail sales, IP (Jul); NAHB housing market index (Aug) on Tue; Building permits, Housing starts (Jul) on Wed; FoMC minutes; Philly Fed business outlook (Aug) on Thu.</i></p>
EUR/USD	<p>Cautious of Deeper Pullback if 1.1690 Breaks. EUR slipped this week amid broad but modest USD strength. US data outperformance, ECB-Fed policy divergence (in favor of US) weighed on negative yielding FX including EUR. Pair was last seen at 1.1735 levels. Daily momentum is not indicating a clear bias though RSI is rising from near overbought conditions. Potential rebound risks in the interim. Resistance at 1.1770, 1.1810 (21 DMA), 1.1840 (76.4% fibo retracement of Mar low to May high). Area of support at 1.1690 - 1.1710. We caution that a decisive break below this could usher in greater downside towards 1.1490 levels.</p> <p><i>Next week brings construction output (Jun); GDP, employment (2Q prelim); on Tue; CPI (Jul) on Wed; Current account (Jun) on Thu and German PPI (Jul) on Fri.</i></p>
GBP/USD	<p>Downside Risks Ahead; Buy Dips Preferred. GBP fell this week. This could in part be attributed to the slightly softer than expected expansion of 2Q GDP and in part be attributed to BoE's MPR forecast for interest rate to only reach 0.5% in 3Q 2024 after hitting 0.20% in 3Q 2022. Currently at 0.10%, the pace of tightening is much gradual and slower than anticipated. And this could have dampened market expectations that BoE could be in line for policy tightening. Elsewhere 2Q GDP rebounded 4.8% q/q (vs. -1.6% in 1Q) as relaxation of covid-related restrictions, including a return to bars and restaurants saw a recovery led by household spending. The rebound was nonetheless softer than BoE's expectation for 5% and output is still below the pre-pandemic levels. Markets are expecting 3Q growth to moderate as Jul</p>

saw a resurgence of covid infection and that may have affected activity momentum.

Pair was last seen at 1.3805 levels. Bullish momentum on daily chart is fading but decline in RSI paused. Some downside risks not ruled out. Support at 1.3780 (200 DMA), 1.3730 (23.6% fibo). Resistance at 1.3830 (38.2% fibo), 1.3890/1.3910 (50, 100 DMAs, 50% fibo), 1.3990 (61.8% fibo retracement of Jun high to Jul low).

Next week brings Rightmove House Prices (Aug) on Mon; Labor market report (Jun) on Tue; CPI, PPI, RPI (Jul) on Wed; Retail sales, Public finances (Jul) on Fri.

USD/JPY **Range with Bias Skewed to Downside.** Our call in the last FX weekly looking for upside play in range of 109.1 - 110.7 played out though the actual range traded was smaller at 110 - 110.80. Pair was last seen at 110.30 levels. Mild bullish momentum on daily chart intact but shows tentative signs of it fading while RSI shows signs of falling. Risks now skewed to the downside as we look to trade 109.60 - 110.60 range.

Next week brings GDP (2Q); IP (Jun) on Mon; Trade (Jul); core machine orders (Jun) on Wed and CPI (Jul) on Wed.

AUD/USD **Laggard on Multiple Fronts.** AUD traded sideways near recent lows amid dovish RBA, USD strength, softer risk appetite, decline in commodity prices including copper, iron ore. Pair was last seen at 0.7430 levels. Bullish momentum on daily chart is fading while RSI is flat. Sideways trade likely. Resistance at 0.7360, 0.7380 and 0.7480 (50 DMA). Downside, we see support at 0.7320, 0.7290 levels. Lockdowns amid covid spread should undermine activity and sentiments for the time being while RBA itself is dovish. Monetary policy divergence between RBA vs. rest of major central banks including Fed, RBNZ, BoC could see AUD suppressed for longer.






Next week brings RBA Minutes on Tue; Wage price index (2Q) on Wed; Labor market report (Jul) on Thu.

NZD/USD **Will RBNZ Surprise?** RBNZ's monetary policy meeting next Wed is of interest as it could well be the first major G7 central bank to raise rates. RBNZ's surprise hawkish shift in Jul to end QE on 23 Jul, unexpected surge in headline CPI breaching RBNZ's target range of 1% - 3% for the first time in a decade and a much better than expected 2Q labor market report suggests that a 25bps rate hike at the upcoming meeting is a done deal. Unemployment rate fell to near 2018-lows of 4% (vs. 4.4% expected vs. 4.7% in 1Q), employment rose 1% q/q (vs. 0.7% expected vs. 0.6% in 1Q) while hourly earnings picked up pace to +0.7% q/q (vs. -0.1% in 1Q). Indeed markets are fully priced in a 25bps hike in OCR. And there is even a small probability (12%) for a larger hike of 50bps to arrest inflation pressures. Looking at OIS-implied, for the next 3 remaining meetings for the year, markets do expect ~50bps increase in rates. **Question is whether RBNZ tighten at once or in gradual pace** (of 25bps this meeting and another 25bps come Oct or Nov meeting). We think it could be the latter given that covid spread in other parts of the world including its closest neighbour, Australia suggests that we are not out of the woods and NZ can be vulnerable. However RBNZ has a tendency to lead or surprise (like how they cut OCR by 50bps at Aug 2019, Mar 2011 meeting post-Christchurch Earthquake and GFC) but with an aggressive 50bps hike this time round (given signs of overheating). What this means for the NZD is that rate hike expectations have already been baked into the price and it would need a hawkish surprise from RBNZ to see any incremental upmove.

NZD was last seen at 0.7010 levels. Bullish momentum on daily chart is fading while RSI is flat. Support at 0.6985 (23.6% fibo), 0.6920 levels. Resistance at 0.7030/50 (50DMA, 38.2% fibo retracement of May high to Jul low, upper bound of bearish trend channel) 0.71 (100 DMA). We look to trade 0.6940 - 0.71 range.

Next week brings Services PMI (Jul) on Mon; PPI (2Q); RBNZ MPR on Wed; Credit card spending (Jul) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.1000; R: 3.1500	Looking for Pullback. SGDMYR traded sideways this week. Cross was last seen at 3.1180 levels. Daily momentum shows signs of turning bearish while RSI is falling. Risks to the downside. Immediate support at 3.1150 (21 DMA), 3.1070 (50% fibo retracement of May high to Jun low), 3.10 (100DMA, 38.2% fibo). Resistance at 3.1215 (76.4% fibo), 3.1350 (May, Aug double top).
AUD/MYR		S: 3.0900; R: 3.1300	Consolidate. AUDMYR traded sideways this week in line with our call. Cross was last seen at 3.11 levels. Daily momentum and RSI are not showing a clear bias. Look for consolidation in 3.09 - 3.13 range to hold. Support at 3.1060 3.09, 3.0680 levels. Resistance at 3.1280 (200 DMA), 3.1320 (50 DMA).
EUR/MYR		S: 4.9600; R: 4.9900	Sideways. EURMYR slipped further this week, in line with our call for <i>downside bias</i> . Cross was last seen at 4.9720 levels. Daily momentum turned bearish while decline in RSI shows tentative signs of stalling. Could see consolidation ahead. Support at 4.9650 levels (100 DMA), 4.9560. Resistance at 4.9910 (38.2% fibo retracement of 2021 low to high), 5.0260 (23.6% fibo) and 5.04 levels.
GBP/MYR		S: 5.8100; R: 5.8900	Downside Risks. GBPMYR fell this week, consistent with our call for risk of pullback. Move lower was due to relative GBP underperformance. Cross was last seen at 5.8510 levels. Daily momentum turned bearish with RSI falling. Room for further pullback not ruled out. Key support here at 5.85 (21 DMA), 5.8110 (50DMA). Resistance at 5.89, 5.92 levels. Buy dips preferred.
JPY/MYR		S: 3.7800; R: 3.8500	Sideways for Now; Sell Rallies Preferred. JPYMYR consolidated this week. Cross was last seen at 3.8360 levels. Bearish momentum on daily chart intact while decline in RSI paused. Range-bound trade likely. Support at 3.82 (38.2% fibo), 3.80 (50% fibo retracement of Jun low to Aug high) and 3.78 (61.8% fibo). Resistance at 3.8430 (23.6% fibo, 21 DMA) before 3.87 levels.

Technical Chart Picks:

USDSGD Daily Chart - At Risk of Testing Higher



USDSGD traded a touch firmer but in subdued range this week. Pair was last seen at 1.3585 levels.

Bearish momentum on daily chart is fading but RSI is flat. Lack of conviction at this stage as we continue to look for sideways trade to dominate. Immediate support at 1.3570 (21 DMA), 1.3510 (23.6% fibo retracement of 2020 high to 2021 low), 1.3480(50 DMA).

Resistance at 1.3610, 1.3660 and 1.37 levels.

USDMYR Daily Chart - Approaching Double Top



USDMYR traded higher this week. Last seen at 4.2350 levels.

Bearish momentum on daily chart intact while RSI is rising. Risks to the upside but bias to fade. Immediate resistance at 4.2440 (double top) should hold for now however a decisive break could see further upmove. We see room for the pair to ease off to trade range of 4.22 - 4.24.

Key support at 4.2240 levels (21 DMA), 4.20 and 4.1850 levels (23.6% fibo retracement of 2021 low to high)

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

AUDSGD Daily Chart: Sideways with Slight Risk of Upside



AUDSGD consolidated this week.

Cross was last seen at 0.9975 levels. Daily momentum and RSI are showing very tentative signs of turning mild bullish.

That said we continue to look for sideways trade in 0.9920 - 1.0040, with slight risk to the upside. Key levels to watch including Immediate support at 0.9920 (61.8% fibo), 0.9860 (lower bound of trend channel) and 0.9770 levels (76.4% fibo).

Resistance at 1.0040 (50% fibo retracement of Oct low to 2021 high, 21 DMA, upper bound of trend channel). A break above could see short squeeze momentarily higher towards 1.0110 (50 DMA), 1.0160 (38.2% fibo).

SGDMYR Daily Chart: Looking for Pullback



SGDMYR traded sideways this week. Cross was last seen at 3.1180 levels.

Daily momentum shows signs of turning bearish while RSI is falling. Risks to the downside. Immediate support at 3.1150 (21 DMA), 3.1070 (50% fibo retracement of May high to Jun low), 3.10 (100DMA, 38.2% fibo).

Resistance at 3.1215 (76.4% fibo), 3.1350 (May, Aug double top).

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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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