

FX Weekly

Trading FoMC Expectations

The Week Ahead

- **Dollar Index - Fade.** Support at 89.20; Resistance at 91.00
- **USD/SGD - Downside Play.** Support at 1.3160; Resistance at 1.3340
- **USD/MYR - Sell Rallies.** Support at 4.1200; Resistance at 4.1500
- **AUD/SGD - Rounding Top.** Support at 1.0040; Resistance at 1.0310.
- **SGD/MYR - Bullish but Overbought.** Support at 3.09; Resistance at 3.15

Tactical Long USDJPY

While markets have been caught between inflation fears and relief, the coming week or 2 could see markets trade FoMC expectations, especially when US data continues to run “hot”. This raises the question if the Fed can afford to keep monetary policies loose. We noted some nascent shifts via some of Fed’s speaks last week. Fed vice chair Clarida called the CPI report an “unpleasant surprise”, Clarida and Quarles declared that policymakers could begin discussions at “upcoming meetings” while Daly said in a CNBC interview that “we are talking about talking about tapering”. True there is no decision to taper at the moment but markets can pre-emptively react to any pre-emptive decision from the Fed re tapering. That uncertainty could unsettle markets especially if there is no reassuring messages from the Fed. On this caution, USD could find bids. And we prefer to express this via tactical long USDJPY. Favor buying dips around 109.20, looking for a move up to retest 110.10, 111 objectives. For USDSGD, risks skewed to the downside. We look for firmer support at 1.3160. For USDMYR, we are bias to lean against strength as bad news are somewhat in the price and authorities are upfront with different phases of tightening/reopening.

KRW, NZD Strength to Play Catch Up with CAD

Recent MPC decisions revealed a shift in central banks’ bias out of the dovish realm and we reckon there is some relative gains that can be played between CAD-crosses. BoC was first to signal (in mid-Apr) that it could hike as soon as next year and had most recently cut bond purchases. Since then, CAD outperformed most FX, including USD (by close to 5%). But last week, RBNZ and BoK unexpectedly turned hawkish. For the former, not only were NZ growth, inflation, employment projections upgraded, the OCR projection (which was earlier missing) has been updated and showed a hike as early as 2H 2022. Rates market is now implying as many as 2 hikes by end-2022. For the latter, post-BoK MPC, markets are now pricing in 1 hike in the next 6 months and 2 hikes in the next 12 months as BoK’s tone has somewhat shifted away from its dovish bias with Governor Lee saying that having eased our monetary policy to an unprecedented level, it’s natural that we should adjust these measures as appropriate if the economic situation improves. We see room for NZD and KRW to play catch up to CAD strength. CADKRW (spot ref 918) could ease towards 905, 895 objectives while NZDCAD (spot ref 0.8760) could rise towards 0.8980 objective.

US Payrolls; Global PMIs; RBA Meeting; SG Retail Sales This Week

Key data we watch this week include US ISM mfg; EU CPI; China Caixin mfg PMI and RBA meeting (policy stance status quo) on Tue. For Wed, AU GDP; NZ ToT; German retail sales. For Thu, US ADP, ISM services; AU retail sales; EU, UK, China services PMIs. For Fri, US payrolls; SG retail sales; G7 Finance Ministers meeting; Fed Chair Powell speaks.

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 +1.09% to the implied midpoint of 1.3368, suggesting that it is slightly firmer vs. other trading partner currencies.

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: 89.20; R: 91.00	Mon: - Nil - Tue: ISM mfg, Dallas Fed mfg activity (May); Construction spending (Apr); Wed: - Nil - Thu: ADP employment, ISM services (May); initial jobless claims; Fri: NFP, unemployment rate, average hourly earnings (May); Durable goods orders (Apr); Fed Chair Powell takes part in BIS panel;
EURUSD		S: 1.2100; R: 1.2240	Mon: - Nil - Tue: CPI (May); Unemployment rate (Apr); Wed: PPI (Apr); German retail sales (Apr) Thu: Services PMI (May); Fri: Retail sales (Apr)
AUDUSD		S: 0.7580; R: 0.7870	Mon: - Nil - Tue: RBA; PMI mfg (May); building approvals (Apr); Current account (1Q); Wed: GDP (1Q); Thu: Services PMI (May); Trade, retail sales (Apr) Fri: - Nil -
NZDUSD		S: 0.7010; R: 0.7290	Mon: Activity outlook, business confidence (May); Tue: Building permits (Apr); Wed: Terms of Trade (1Q); Thu: - Nil - Fri: - Nil -
GBPUSD		S: 1.4090; R: 1.4240	Mon: - Nil - Tue: PMI Mfg, Nationwide House price (May); BoE Governor Bailey speaks; Wed: - Nil - Thu: Services PMI (May); Fri: Construction PMI (May); G7 Finance Ministers meet in London
USDJPY		S: 108.80; R: 111.00	Mon: IP, Retail sales, housing starts (Apr); Consumer confidence (May); Tue: Capex (1Q); Mfg PMI (May) Wed: - Nil - Thu: Services PMI (May) Fri: - Nil -
USDCNH		S: 6.3400; R: 6.4200	Mon: NBS PMIs - Mfg, non-Mfg (May); Tue: Caixin Mfg PMI (May); Wed: - Nil - Thu: Caixin services PMI (May) Fri: - Nil -
USDSGD		S: 1.3160; R: 1.3340	Mon: Bank loans & advances (Apr); Tue: - Nil - Wed: - Nil - Thu: Markit PMI (May); Fri: Retail Sales (Apr)
USDMYR		S: 4.1200; R: 4.1500	Mon: - Nil - Tue: Mfg PMI (May) Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 47.50; R: 48.20	Mon: - Nil - Tue: Mfg PMI (May); Wed: - Nil - Thu: - Nil - Fri: CPI (May)
USDIDR		S: 14,100; R: 14,500	Mon: - Nil - Tue: Mfg PMI, CPI (May) Wed: - Nil - Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXJ Index	<p>Trading FoMC Expectations. While markets have been caught between inflation fears and relief, the coming week or 2 could see markets trade FoMC expectations, especially when US data continues to run “hot” - core PCE rose sharply to 3.1% y/y in Apr while Chicago PMI was at 75.2 for May, an all-time high.</p> <p>This raises the question if the Fed can afford to keep monetary policies loose. In fact, former US Treasury secretary Lawrence Summers critiqued in mid-May that the Fed is creating a “dangerous complacency” in financial markets and misreading the economy. He added “that the Fed could be forced into a knee-jerk tightening of monetary policy that would spook markets and even hurt the real economy”. Last week we noted some nascent shifts via some of Fed’s speaks, which somewhat suggests there could be some surprises at the upcoming FoMC. Fed vice chair Clarida called the CPI report an “unpleasant surprise”, Clarida and Quarles declared that policymakers could begin discussions at “upcoming meetings” while Daly said in a CNBC interview that “we are talking about talking about tapering”. Recall that the last FoMC minutes noted that <i>it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases if the economy continued to make rapid progress towards the committee’s goals</i>. True there is no decision to taper at the moment but markets can pre-emptively react to any pre-emptive decision from the Fed re tapering. That uncertainty could unsettle markets especially if there is no reassuring messages from the Fed. On this caution, USD could find bids. And we prefer to express this via tactical long USDJPY.</p> <p>What we can perhaps rule out at this stage and foreseeable future is that Fed keeps rate on hold. There could be some discussion on tapering but Fed is likely to ensure little disruptions. Hence slight calibration on bond purchases (not balance sheet), flagged upfront via forward guidance. Any knee-jerk risk proxy sell-off should recover as Fed continue to put emphasis on being tolerant of inflation overshoots and to keep rates on hold.</p> <p>Fed speaks will be blacked out after 5 Jun ahead of 17 Jun FoMC and there are a number of Fed speaks scheduled this week to pay close attention to. Of interest would be Fed Chair Powell, whom will be taking part in a BIS panel (but unclear if he will touch on monetary policy). Other Fed speaks of interests include Quarles (1 Jun); Brainard (2 Jun); Harker, Bostic, Evans and Kaplan (3 Jun); Quarles, Harker, Kaplan, Bostic again (4 Jun).</p> <p>DXJ was last seen at 90-levels. Daily momentum shows tentative signs of turning mild bullish but not conclusive at this point. Last Fri’s close suggest that bulls are somewhat reluctant. We watch price action further. Resistance at 90.20/30 (76.4% fibo, 21 DMA), 90.82 (61.8% fibo retracement of 2021 low to high) and 91 (100 DMA). Support at 89.70, 89.20 levels (2021 lows).</p> <p><i>This week brings ISM mfg, Dallas Fed mfg activity (May); Construction spending (Apr) on Tue; ADP employment, ISM services (May); initial jobless claims on Thu; NFP, unemployment rate, average hourly earnings (May); Durable goods orders (Apr); Fed Chair Powell takes part in BIS panel on Fri. US onshore markets are close on Mon for Memorial day holidays.</i></p>
EUR/USD	<p>Constructive but Cautious of Fast Reopening. Recent run-up in the EUR faded after the pair traded a high of 1.2266 (25 May). Pair was last at 1.2190 levels. Bullish momentum on weekly chart intact but on daily chart, there are tentative signs of pullback lower. To add, there is also a potential rising wedge pattern - typically a bearish reversal. Pullback sees support at 1.2140 (21 DMA), 1.21 (61.8% fibo retracement of 2021 high to low) and 1.2020 levels (50% fibo, 50, 100 and 200 DMAs). Resistance at 1.2240,</p> <p>Broad basis, we are constructive of EUR’s outlook (rapid vaccination pace, flattening of epidemic curves, expectations of EU growth playing catch-up, etc.) but retains some caution that opening its economies too quickly and freely with little quarantine controls could risk variant spread. This may derail economy reopening plans and undermine sentiment.</p> <p><i>This week brings CPI (May); Unemployment rate (Apr) on Tue; PPI (Apr); German retail sales (Apr) on Wed; Services PMI (May) on Thu; Retail sales (Apr) on Fri.</i></p>

GBP/USD **B16172 Variant Spread Can Dampen GBP Bulls.** GBP traded range-bound near recent highs since last week. Last seen at 1.4175 levels. Bullish momentum on daily chart is fading while RSI is easing from near overbought conditions. Risk of pullback but recent range likely to hold. Support at 1.4140, 1.4090 (21 DMA). Resistance at 1.4240 levels.

Near term we keep a look out on covid situation in northwest UK re spread of B16172 variant though infection is largely affecting north-west England in the towns of Bolton but there are clusters forming across the country. Public health authorities have warned that the daily infection figure may be an underestimate and some government officials are considering a delay of Freedom Day (currently scheduled for 21 Jun). Any delay or news of B16172 variant spreading widely in UK could undermine sentiment and GBP.

This week brings PMI Mfg, Nationwide House price (May); BoE Governor Bailey speaks on Tue; Services PMI (May) on Thu; Construction PMI (May); G7 Finance Ministers meet in London on Fri.

USD/JPY **Buy Dips.** USDJPY traded higher; last seen at 109.70 levels. Mild bullish momentum on daily chart intact. The next 1-2 weeks could see markets trade FOMC expectations. One thematic is talks about tapering. Renewed uptick in UST yields could drive USDJPY higher. We look to buy dips. Support at 109.20 (21, 50 DMAs), 108.80 levels. Resistance at 110.15, 111 levels.

This week brings IP, Retail sales, housing starts (Apr); Consumer confidence (May) on Mon; Capex (1Q); Mfg PMI (May) on Tue; Services PMI (May) on Thu.

AUD/USD **2-Way Trades.** AUD traded sideways for most of the last 2 weeks or so. Last seen at 0.7740 levels. Daily momentum and RSI are not showing a clear conviction for the moment. Look for 2-way trades to persist. Immediate support at 0.7710 levels (50, 100 DMAs), 0.7670 and 0.7580 levels. Resistance at 0.7820, 0.7870.






This week brings RBA (not expecting policy shifts); PMI mfg (May); building approvals (Apr); Current account (1Q) on Tue; GDP (1Q) on Wed; Services PMI (May); Trade, retail sales (Apr) on Thu.

NZD/USD **Consolidate; Buy Dips Preferred.** NZD slipped after trading an intra-week high of 0.7322 post-RBNZ last week. Pair was last seen at 0.7255 levels. Daily momentum and RSI indicators are not showing a clear bias. Look for 2-way trade in 0.7180 - 0.7320 range this week, with bias to buy dips. Immediate support at 0.7255 (21 DMA), 0.7180 (100 DMA) and 0.7150 levels (50 DMA). Resistance at 0.7290, 0.7315 levels (recent high).

We maintain a constructive view on NZD. RBNZ-Fed policy divergence, stronger RMB (USDCNH trading below 6.40) add to a growing list of supportive factors underpinning Kiwi strength. This list includes positive fundamental drivers at home, covid situation under control, global recovery momentum (supports procyclical FX) and commodity price rebound. RBNZ's less dovish stance (last week MPR) and being forthright with forward guidance caught markets, including ourselves by surprise. Not only were NZ growth, inflation, employment projections upgraded, the OCR projection (which was earlier missing) has been updated and showed a hike as early as 2H 2022. Rates market is now implying as many as 2 hikes by end-2022 (vs. none prior to the 26th May RBNZ MPR).

This week brings Activity outlook, business confidence (May) on Mon; Building permits (Apr); on Tue; Terms of Trade (1Q) on Wed.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0940; R: 3.1500	Bullish Bias but Overbought. SGDMYR traded higher last week amid MYR underperformance but towards end-week, there was some slight retracement. Cross was last seen at 3.1240 levels. Bullish momentum on daily chart intact though there are tentative signs of it fading while RSI turned from near overbought conditions. Upside risks remain but the pace of gains may be moderating or even a temporary pullback. Support at 3.1085 (23.6% fibo retracement of 2021 low to high), 3.1020 (21 DMA) and 3.0940 (38.2% fibo). Resistance at 3.1325 (2021 high) before 3.14, 3.15 levels.
AUD/MYR		S: 3.1500; R: 3.2300	Slight Risk to the Downside. AUDMYR eased off recent highs, in line with our call for triple top bearish reversal. Cross was last at 3.1950 levels. Daily momentum is showing tentative signs of bearish bias while RSI is falling. Slight risks to the downside. Support at 3.1830 (50 DMA), 3.1630 (100 DMA) before 3.1060 levels (38.2% fibo retracement of Oct low to Feb high). Resistance at 3.23 levels (triple top), 3.25 levels.
EUR/MYR		S: 4.9910; R: 5.1000	Bearish Divergence? EURMYR traded a high of above 5.08-levels last week before easing into end-week. Last seen at 5.0420 levels. Bullish momentum on daily chart is fading while RSI is falling. Potential bearish divergence observed on daily MACD forest. Pullback risks. Support at 5.0260 (23.6% fibo retracement of 2021 low to high), 5.0060 (21 DMA) and 4.99 (38.2% fibo). Resistance at 5.0820 (2021 high), 5.10 levels.
GBP/MYR		S: 5.7500; R: 5.9200	Chance for Retracement; Bullish Bias Intact. GBPMYR continued to hover near recent highs. Cross was last seen at 5.87 levels. Bullish momentum on daily chart is fading while RSI has eased from near overbought conditions. Chance for retracement but underlying bullish momentum (as seen on weekly chart) remains intact. Support at 5.8050 (21 DMA), 5.7460 (50 DMA). Resistance at 5.88, 5.92 levels.
JPY/MYR		S: 3.7250; R: 3.8100	Bearish Momentum Showing Up. JPYMYR slipped last week amid JPY underperformance. Cross was last seen at 3.7620 levels. Momentum showed signs of turning mild bearish (daily chart) while RSI is falling. Risks to the downside. Support at 3.76, 3.7390 levels (2021 lows, Apr double-bottom), 3.7250 levels. Resistance at 3.7810 (21, 50 DMAs), 3.81 (100 DMA).

Technical Chart Picks:

USDSGD Daily Chart - Downside Risk



USDSGD traded lower towards our lower bound range last week. Pair was last at 1.3230 levels.

Momentum is bearish on daily chart while RSI is falling. Risks to the downside

Immediate support at 1.3220, 1.3160 levels (2021 lows, double bottom). Break below these support levels could reopen room for the pair to trade towards 1.30-figure (2018 levels)

Resistance at 1.33 (21 DMA, 23.6% fibo), 1.3340 (50, 100 DMAs), 1.3375 (38.2% fibo retracement of Nov high to Jan-Feb low).

USDMYR Daily Chart - Room for Retracement Lower



Rise in USDMYR faded into the week's close as the pair made its first bearish close in 4 weeks. Last seen at 4.1330 levels.

Bullish momentum on daily chart shows signs of it fading while RSI is falling. Risks to the downside.

Immediate support at 4.12 levels (21 DMA), 4.1090 (200 DMA) and 4.0970 (38.2% fibo retracement).

Resistance at 4.15, 4.1590(Mar high) and 4.1760 levels.

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

AUDSGD Daily Chart: Rounding Top Pattern Playing Out



AUDSGD trade lower last week in line with our technical call in the last FX Weekly. We shared a rounding-top pattern (bearish) and noted a compression of moving averages (signs of a break out trade). Cross was last seen at 1.02 levels.

Bearish momentum on daily chart intact while RSI is falling. Moving averages compression observed, with 21, 50 and 100 DMAs around 1.03-figure (likely an interim resistance for now). Rounding top pattern playing out. Risks to the downside.

Immediate support 1.0160 (38.2% fibo retracement of Oct low to Feb high), 1.0090 (200 DMA) and 1.0040 (50% fibo).

Resistance at 1.0310 (23.6% fibo, 21, 50, 100 DMAs), 1.04 levels (2021 high).

SGDMYR Daily Chart: Bullish but Overbought



SGDMYR traded higher last week amid MYR underperformance but towards end-week, there was some slight retracement. Cross was last seen at 3.1240 levels.

Bullish momentum on daily chart intact though there are tentative signs of it fading while RSI turned from near overbought conditions. Upside risks remain but the pace of gains may be moderating or even a temporary pullback.

Support at 3.1085 (23.6% fibo retracement of 2021 low to high), 3.1020 (21 DMA) and 3.0940 (38.2% fibo).

Resistance at 3.1325 (2021 high) before 3.14, 3.15 levels.

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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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