

FX Weekly

Growth De-rating Trades

The Week Ahead

- **Dollar Index - Fade.** Support at 92; Resistance at 94.5
- **USD/SGD - Upside Risk.** Support at 1.3510; Resistance at 1.3730
- **USD/MYR - Overbought.** Support at 4.2000; Resistance at 4.2500
- **AUD/SGD - Oversold.** Support at 0.9670; Resistance at 0.9920.
- **SGD/MYR - Retracement Lower.** Support at 3.09; Resistance at 3.13

AUD, NZD and KRW Main Casualties in Growth De-Rating Trades

USD continued to trade higher this week amid risk off sentiment owing to rising concerns of global growth de-rating amid delta variant spread, extension of restrictions, lockdowns. Most risk proxies including commodities such as base metals, high-beta FX, including KRW, AUD were on the back foot while bonds rallied. Recent US data - Philly fed business outlook, consumer confidence, retail sales, housing-related data all disappointed to the downside. Also, deceleration in growth momentum in the region, including Malaysia, Thailand, Indonesia and even China are starting to show up. Persistent delta variant spread globally has seen extension of lockdowns/tighter restrictions in NZ, AU, KR, some ASEAN regions and even in some cities in China, in turn affecting activity momentum and investor sentiments. In addition, order-to-inventory ratios are also falling globally with Asian/EM and North America leading declines. This infers that global trade volumes and global PMI momentum in the goods economy could slow further. **De-rating of growth trades typically weighs on pro-cyclical FX including AUD, NZD and KRW while USD and JPY benefit.** For USDMYR, we look for pullback to trade 4.22 - 4.25 range while USDSGD may extend its run-up towards 1.3730 levels.

Jackson Hole Symposium (26 - 28 Aug) and BoK (26 Aug) Await

Recent Fed speaks from senior officials, including Fed vice chair Richard Clarida, Christopher Waller and Mary Daly (whom are all voters), FoMC minutes and signs of tightening job market suggest that the stage for Fed to signal or announce tapering - schedule, timing and pace - could come as soon as Jackson Hole Symposium (26 - 28 Aug) or at its next FoMC meeting (23 Sep). Our base case is for a gradual pace of tapering of \$10bn per month, starting around the turn of the year and end to QE by end-2022 before any rate increase in 1H 2023. We opined that **some USD strength can fade so long Fed provides visibility and reassurance of gradual pace of normalisation.** But in the meantime, uncertainty on Fed policy and growth de-rating trades could keep USD temporarily supported in the interim. BoK MPC on Thu is also of interest as there were previously chatters of early 25bps hike. We maintain our view that BoK will tighten but due to covid situation (slow pace of inoculation vs. faster pace of infection) at home, it may be **more prudent to wait and monitor** (so as not to derail growth momentum). Hence, our call for BoK to keep base rate unchanged at historical low of 0.50% at the upcoming meeting.

Global Prelim PMIs; German GDP; US, SG, MY CPIs Next Week

Data we watch next week includes global prelim PMIs; SG CPI and US CFNAI on Mon. For Tue, German GDP; NZ retail sales. For Wed, US durable goods order; IFO expectations; MY CPI. For Thu, US 2Q GDP; AU capex; SG IP. For Fri, US core PCE, personal income & spending; AU retail sales; China industrial profits; MY trade.

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Our in-house model implies that S\$NEER is trading at +0.36% to the implied midpoint of 1.3690, 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: 92.00; R: 94.50	Mon: CFNAI (Jul); Prelim PMIs (Aug); Existing home sales (Jul); Tue: Richmond Fed mfg index (Aug); New home sales (Jul); Wed: Durable goods orders (Jul P); Thu: GDP (2Q second print); Kansas City Fed mfg activity (Aug) Fri: PCE core, Personal income, spending (Jul); Uni of mich sentiment (Aug F)
EURUSD		S: 1.1490; R: 1.1940	Mon: Prelim PMIs - mfg and services (Aug); Consumer confidence (Aug); Tue: German GDP (2Q P); Wed: IFO expectations (Aug) Thu: - Nil - Fri: - Nil -
AUDUSD		S: 0.6990; R: 0.7330	Mon: Prelim PMIs - mfg and services (Aug); Tue: - Nil - Wed: Construction work done (2Q); Thu: Private capex (2Q); Fri: Retail sales (Jul P)
NZDUSD		S: 0.6740; R: 0.6920	Mon: - Nil - Tue: Retail sales (2Q); Wed: Trade (Jul); Thu: - Nil - Fri: Consumer confidence (Aug)
GBPUSD		S: 1.3520; R: 1.3840	Mon: Prelim PMIs - mfg and services (Aug); CBI selling prices (Aug); Tue: - Nil - Wed: CBI reported sales (Aug); Thu: - Nil - Fri: - Nil -
USDJPY		S: 108.50; R: 111.10	Mon: Prelim PMIs - mfg and services (Aug); Tue: - Nil - Wed: Machine tool orders (Jul); Thu: PPI services (Jul) Fri: - Nil -
USDCNH		S: 6.4700; R: 6.5300	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Industrial profits (Jul)
USDSGD		S: 1.3510; R: 1.3700	Mon: CPI (Jul) Tue: - Nil - Wed: - Nil - Thu: Industrial production (Jul) Fri: - Nil -
USDMYR		S: 4.2200; R: 4.2500	Mon: - Nil - Tue: - Nil - Wed: CPI (Jul); Thu: - Nil - Fri: Trade (Jul)
USDPHP		S: 50.00; R: 51.00	Mon: Budget balance (Jul) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,340; R: 14,600	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>Eyes on Jackson Hole for Hints. Interim Support but Looking to Fade. USD continued to trade higher this week amid Fed policy uncertainty (in terms of timing, pace of tapering) as well as risk off sentiment owing to rising concerns of global growth de-rating amid delta variant spread, extension of restrictions/lockdowns. Most risk proxies including equity indices, commodities such as base metals, high-beta FX, including KRW, AUD were on the back foot while bonds rallied.</p> <p>Recent US data - Philly fed business outlook, consumer confidence, retail sales, housing-related data all disappointed to the downside. Also, deceleration in growth momentum in the region, including Malaysia, Thailand, Indonesia and even China are starting to show up. Persistent delta variant spread globally has seen extension of lockdowns/tighter restrictions in NZ, AU, KR, some ASEAN regions and even in some cities in China, in turn affecting activity momentum and investor sentiments. In addition, order-to-inventory ratios are also falling globally with Asian/EM and North America leading declines. This infers that global trade volumes and global PMI momentum in the goods economy could slow further. De-rating of growth trades typically weighs on pro-cyclical FX including AUD, NZD and KRW while USD and JPY benefit.</p> <p>In the FoMC minutes (for Jul meeting) released on Thu, Fed officials expressed view that “economic and financial conditions would likely warrant a reduction in coming months” while several others indicated a reduction in early next year may be appropriate. Committee also appeared divided on pace and timing of tapering as well as inflation outlook - some were worried that inflation could return to “downward drift” if rising covid infection dampen economic growth. But one of the few things the officials agreed on was that tapering was not a precursor to an imminent rate hike and that interest rate hikes are unlikely until the process of tapering is completed and that the Fed is no longer growing its balance sheet anymore. The other was that officials agreed that employment has not met the “substantial further progress” benchmark the Fed has said before it would consider raising rates.</p> <p>We reiterate that a decision to announce taper plans - schedule, timing and pace - could come as soon as Jackson Hole Symposium (26 - 28 Aug) or at its next FoMC meeting (23 Sep). Our base case is for a gradual pace of tapering of \$10bn per month around the turn of the year and to end QE by end-2022 before raising rates in 1H 2023. A case of Fed deferring its announcement to taper could see USD ease off. Similarly, a reassurance of gradual pace of normalisation from the Fed could also see USD strength peter off.</p> <p>DXY was last seen at 93.58 levels. Daily momentum is mild bullish while RSI is rising. Some risks to the upside in the interim. Resistance at 93.9, 94.2 and 94.5 levels. Support at 93.50, 92.40/60 (76.4% fibo retracement of Mar high to May low, 21, 50 DMAs) before 91.95 levels (61.8% fibo).</p> <p><i>Next week brings CFNAI (Jul); Prelim PMIs (Aug); Existing home sales (Jul) on Mon; Richmond Fed mfg index (Aug); New home sales (Jul) on Tue; Durable goods orders (Jul P) on Wed; GDP (2Q second print); Kansas City Fed mfg activity (Aug) on Thu; PCE core, Personal income, spending (Jul); Uni of mich sentiment (Aug F) on Fri.</i></p>
EUR/USD	<p>Buy Dips. EUR traded lower amid broad USD bounce, which came on the back of risk-off sentiment (owing to concerns of slowing global growth as ongoing delta variant spread triggered more lockdowns in NZ, AU). Pair was last seen at 1.1680 levels. Daily momentum is mild bearish while RSI is falling. Risks skewed to the downside but we are biased to buy dips. Potential falling wedge pattern emerging on daily chart as well as bullish divergence on RSI. On weekly chart, potential bullish divergence on MACD could be forming. Support at 1.1680, 1.1610 levels before 1.1490 levels (50% fibo retracement of 2020 low to 2021 high). Resistance at 1.1780 (21 DMA), 1.1840/50 (76.4% fibo retracement of Mar low to May high, 50 DMA) and 1.1940 levels.</p> <p>This week, ECB Chief Economist Philip Lane said that ECB will push out a timeline for rate guidance at the Sep meeting. He emphasized that interest rates are near a point where it would be ineffective to lower them further. Asset purchases and other liquidity operations can help reinforce ECB's stance. He added that ECB is willing to use all tools to ensure inflation reaches its goal of 2% (as revised after the last strategy review).</p>

Next week brings Prelim PMIs - mfg and services (Aug); Consumer confidence (Aug) on Mon; German GDP (2Q P) on Tue; IFO expectations (Aug) on Wed.

GBP/USD **Bearish Pressure Intensifying.** GBP extended its decline this week, in line with our caution for downside risks ahead. Move lower came amid dovish BoE projection on rates (forecast for interest rate to only reach 0.5% in 3Q 2024 after hitting 0.20% in 3Q 2022) and weaker than expected data - CPI, house prices, consumer confidence and retail sales. Poor data this week was a continuation from last week when 2Q GDP (+4.7% y/y) came in softer than BoE's expectation for 5% and that output is still below the pre-pandemic levels. Furthermore, markets are expecting 3Q growth to moderate as month of Jul saw a resurgence of covid infection and that is likely to have affected activity momentum. Elsewhere market risk-off also hit GBP.

GBP was last seen at 1.3620 levels. Daily momentum is bearish while RSI is falling. Next support at 1.3570 levels (Jul lows, 1.3520 levels). Resistance at 1.3730 (23.6% fibo retracement of Jun high to Jul low), 1.3830/50 (38.2% fibo, 50 DMA).

Next week brings Prelim PMIs - mfg and services (Aug); CBI selling prices (Aug) on Mon; CBI reported sales (Aug) on Wed.

USD/JPY **Sideways.** USDJPY was last seen at 109.60 levels. Daily momentum and RSI are not showing a clear bias though bearish momentum on weekly chart remains intact. Sideways trade to dominate but bias to sell on extreme spikes. Resistance at 110.10 (38.2% fibo retracement of Apr low to Jul high), 110.70 (23.6% fibo) and 111.10 levels. Support at 109.10 (61.8% fibo), 108.50 (76.4% fibo).

Next week brings Prelim PMIs - mfg and services (Aug) on Mon; Machine tool orders (Jul) on Wed; PPI services (Jul) on Thu.

AUD/USD **Mindful of Short Squeeze; Fade the Upticks.** AUD traded sharply lower this week amid growth de-rating trades. Signs of slowing growth momentum globally, including in China saw base metals, commodity prices fell while domestically, covid infections showed no signs of abating. These negatives alongside uncertainty re Fed policy weigh on AUD. Pair was last seen at 0.7120 levels. Bearish momentum on daily chart intact though RSI is in oversold conditions. Risks remain skewed to the downside. Support at 0.7050, 0.6990 levels. Resistance at 0.7230, 0.7330 (21 DMA). A short squeeze is not ruled out given RSI at oversold conditions but bias to lean against strength remains the play.

Next week brings Prelim PMIs - mfg and services (Aug) on Mon; Construction work done (2Q) on Wed; Private capex (2Q) on Thu; Retail sales (Jul P) on Fri.

NZD/USD **Dragged by Covid Lockdowns and Global Growth De-Rating?** Kiwi remained under pressure as there remain concerns if the recently-extended lockdown of 4 more days will be further prolonged as experience with other countries show delta variant has high transmissibility of around 6.5 and its closest neighbour, Australia has been extending lockdowns and lockdowns (for nearly 2 months). NZ Health Ministry just reported another 11 new cases (8 in Auckland and 3 in Wellington), taking the total to 31 cases (as of 20 Aug).






Following a surprise decision to hold at the last MPC, the Governor said in a Bloomberg interview on Fri morning that the next RBNZ meeting is "live". Covid infection alone would not prevent RBNZ from tightening policy... and that it would take "a significant shock" to change that view. Markets are no longer pricing in a rate hike in Oct but at the Nov meeting (also the final meeting for the year). Taking stock, RBNZ said that the decision to hold OCR was made in light of the government's level 4 covid restrictions on activities across NZ and health uncertainty.

Rising global growth concerns, deferred expectations for RBNZ to tighten, slow pace of inoculation (only 20% of eligible pop. fully vaccinated) and potentially an extension of the lockdown are some negatives that could weigh on NZD in the interim.

Pair was last seen at 0.6815 levels. Bearish momentum on daily chart intact while RSI is falling. Risks to the downside. An extension of the downshift towards 0.6740 levels (76.4% fibo retracement of Sep low to Feb high) is not ruled out. Resistance at 0.6880 (61.8% fibo), 0.6920 levels.

Next week brings Retail sales (2Q) on Tue; Trade (Jul) on Wed; Consumer confidence (Aug) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0900; R: 3.1300	Retracement Underway. SGDMYR traded lower this week, in line with our call looking for pullback. Cross was last seen at 3.1070 levels. Bearish momentum on daily chart intact with RSI falling. Direction bias remains skewed to the downside. Support at 3.1070 (50% fibo retracement of May high to Jun low), 3.10 (38.2% fibo) and 3.0920 (23.6% fibo). Resistance at 3.1140 (61.8% fibo), 3.1215 (76.4% fibo), 3.1350 (May, Aug double top).
AUD/MYR		S: 3.0000; R: 3.1000	Bearish Pressure. AUDMYR fell sharply this week amid AUD underperformance. Cross was last seen at 3.0340 levels. Daily momentum and RSI are bearish bias though there may be some signs of oversold. Death cross formed with 50DMA cutting 200 DMA to the downside. Immediate support at 3.03 (61.8% fibo retracement of Nov low to double-top in 2021). A decisive break below this puts 2.9830 (76.4% fibo) in focus. Resistance at 3.0680 (50% fibo), 3.1060 (38.2% fibo).
EUR/MYR		S: 4.9000; R: 5.0000	Downside Risk. EURMYR extended its decline this week, amid EUR underperformance. Cross was last seen at 4.9560 levels. Daily momentum is bearish while RSI is falling. Bearish crossover observed with 50DMA cutting 100 DMA to the downside. Risks skewed to the downside. Support at 4.9350/80 (61.8% fibo of 2021 low to high, 200 DMA) before 4.90 (76.4% fibo). Resistance at 4.9720 (50, 100 DMAs), 4.9910 (38.2% fibo) and 5.0260 (23.6% fibo).
GBP/MYR		S: 5.6700; R: 5.8500	Bearish; Nearing Oversold Conditions. GBPMYR extended its decline this week, in line with our call for <i>room for further pullback</i> . Move lower was due to relative GBP underperformance. Cross was last seen at 5.7760 levels. Bearish momentum on daily chart intact with RSI falling towards near oversold conditions. Next support at 5.7640, 5.67 (200DMA). Resistance at 5.81 (50 DMA), 5.8540 (21 DMA).
JPY/MYR		S: 3.8200; R: 3.8800	Sideways. JPYMYR was last seen at 3.86 levels. Daily momentum and RSI indicators are not showing a clear bias for now. Range-bound trade in 3.82 - 3.88 likely for now. Resistance at 3.89 (38.2% fibo retracement of 2020 high to 2021 low), 3.9430 (50% fibo). Support at 3.85 (21 DMA), 3.8240/70 (23.6% fibo, 200 DMA), 3.8080 (50 DMA).

Technical Chart Picks:

USDSGD Weekly Chart - To Challenge 1.37-Handle



USDSGD traded higher this week, in line with our caution for *risk of testing higher*. Pair was last seen at 1.3640 levels.

Bullish momentum on weekly chart intact with RSI rising. Still look for rise to extend. Next resistance at 1.3690, 1.3730 (38.2% fibo retracement of 2020 high to 2021 double bottom). A stretch towards 1.3780 is not ruled out.

Support at 1.3570 (21 DMA), 1.3510/20 levels (50 DMA, 23.6% fibo)

USDMYR Weekly Chart - Overbought



USDMYR hovered near recent highs this week. Last seen at 4.2375 levels.

Bullish momentum on weekly chart intact but shows tentative signs of waning while RSI is near overbought conditions. Potential bearish divergence on weekly MACD observed. Bias remains for downside play. Support at 4.2220 levels (50% fibo retracement of 2020 high to 2021 low), 4.19 (500 DMA).

Resistance at 4.2440 (double top) should hold for now however we caution that a decisive break could see further up-move towards 4.2520, 4.27 levels.

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

AUDSGD Daily Chart: Still Bearish but Oversold



AUDSGD fell further this week amid AUD underperformance.

Cross was last seen at 0.9740 levels. Bearish momentum on weekly, daily chart intact though RSI shows tentative signs of turning higher from oversold conditions.

Support at 0.9730, 0.9670 levels. Break below these support levels will put 0.9535 levels (Oct low) in focus.

Resistance at 0.9770 (50% fibo retracement of Oct low to 2021 high, 21 DMA, 0.9920 (61.8% fibo).

SGDMYR Daily Chart: Retracement Underway



SGDMYR traded lower this week, in line with our call looking for pullback.

Cross was last seen at 3.1070 levels. Bearish momentum on daily chart intact with RSI falling. Direction bias remains skewed to the downside. Support at 3.1070 (50% fibo retracement of May high to Jun low), 3.10 (38.2% fibo) and 3.0920 (23.6% fibo).

Resistance at 3.1140 (61.8% fibo), 3.1215 (76.4% fibo), 3.1350 (May, Aug double top).

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