

FX Weekly

NFP, Upcoming FoMC and ECB To Drive Volatility

The Week Ahead

- **Dollar Index - Short Squeeze.** Support at 89.2; Resistance at 91.6
- **USD/SGD - Sell Rallies.** Support at 1.3160; Resistance at 1.3400
- **USD/MYR - Sell Rallies.** Support at 4.1000; Resistance at 4.1400
- **AUD/SGD - Rounding Top.** Support at 1.0040; Resistance at 1.0290.
- **SGD/MYR - Fade Upticks.** Support at 3.09; Resistance at 3.12

USD Short Squeeze Can Go On if NFP is Solid

Tonight's NFP will generate volatility as markets may second guess what the 17th Jun FoMC entails if US data continues to print stronger. Consensus is looking for a jump in May NFP to +674k, from +266k, unemployment rate to fall to 5.9%, from 6.1% and average hourly earnings at +1.6% y/y (vs. 0.3% prior). Upside surprises to data could build on momentum to drive USD higher in the lead up to 17th Jun FoMC. Indeed Jun FoMC should provide greater clarity on Fed's thinking and forward guidance. We do not rule out some discussion on tapering timeline but expect **no commitment to a specific date**. Likely there will be prep talks from the Fed for time being and perhaps sometime at Jackson Hole Symposium or Sep FoMC to announce a taper timeline for the future. For now, market expectations (not all though) are for Fed to begin tapering around the turn of the year and if the Fed does hint towards this timeline, then market anxiety should ease, fears for tantrum could fade and we should still get a time window for this USD bounce to ease off, possibly post-FoMC. Taking stock, our tactical long USDJPY trade met first objective at 110.10 and we think there is scope for extension towards 111 should NFP surprised to the upside. Our call to lean against USDMYR also played out this week despite USD strength. Looking on we see 2-way risks in 4.10 - 4.14 range, with bias to lean against strength. For USDSGD, there is chance of a near term bounce towards 1.3325 but bias to fade.

ECB on 10 Jun - Expect No Taper; Buy EUR on Dips

Recent Financial Stability Review report touched on the dangers of high debt burdens and "remarkable exuberance" in markets. It also said that "a 10% correction in US equity markets could therefore lead to significant tightening of euro-area financial conditions, similar to around 1/3 of the tightening seen after pandemic in Mar-2020". This adds to **our conviction that ECB will remain status quo in policy settings** to avoid any unnecessary tightening in financial conditions. In fact we think there is no need to call off PEPP ahead of its Mar 2022 expiry, given that one of its features is flexibility unless growth and inflation overshoots massively to the upside. Recent ECB speaks somewhat echoed similar view: (1) Lagarde said it is far too early to discuss plans for removing stimulus; (2) Panetta said he sees no justification for slowing bond purchases; (3) hawkish Weidmann opted not to discuss current policy in a recent speech. To some extent, EUR could slip further ahead of upcoming ECB GC (10 Jun). Immediate support at 1.2050, 1.1985 levels. Resistance at 1.2270.

US Payrolls Today; China Trade; US CPI; MY IP Next Week

Key data we watch next week include China trade on Mon. For Tue, EU GDP, ZEW survey; AU business confidence; Malaysia FX reserves. For Wed, AU consumer confidence; NZ mfg activity, business confidence. For Thu, US CPI. For Fri, NZ Mfg PMI; UK GDP, IP, trade; Malaysia IP. On market closure, Malaysia and NZ are out on Mon (7 Jun).

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Our in-house model implies that S\$NEER is trading at +1.00% to the implied midpoint of 1.3416, suggesting that it is slightly firmer vs. other trading partner currencies.

Bloomberg FX Ranking











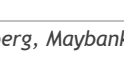
4Q 2020

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: 91.60	Mon: - Nil - Tue: NFIB Small Business Optimism (May); JOLTS Jobs openings, Trade (Apr) Wed: - Nil - Thu: CPI (May); Initial jobless claims; Fri: Uni of Mich sentiment (Jun);
EURUSD		S: 1.1985; R: 1.2270	Mon: Sentix Investor confidence (Jun); Tue: GDP (1Q); ZEW Survey Expectations (Jun); Wed: German Trade (Apr); Current account balance (Apr); Thu: ECB Governing Council meeting Fri: - Nil -
AUDUSD		S: 0.7540; R: 0.7720	Mon: - Nil - Tue: Business confidence (May); Wed: Westpac Consumer confidence (Jun); Thu: - Nil - Fri: - Nil -
NZDUSD		S: 0.7020; R: 0.7225	Mon: - Nil - Tue: - Nil - Wed: Mfg Activity (1Q); Activity outlook, business confidence (Jun P); Thu: Card spending, REINZ House Sales (May) Fri: Mfg PMI (May)
GBPUSD		S: 1.3960; R: 1.4240	Mon: - Nil - Tue: BRC Sales (May); Wed: - Nil - Thu: - Nil - Fri: Monthly GDP, IP, Trade, construction output (Apr)
USDJPY		S: 109.20; R: 111.00	Mon: Leading, Coincident index (Apr); Tue: GDP (1Q); Current account, Labor cash earnings (Apr) Wed: - Nil - Thu: PPI (May) Fri: BSI Mfg (2Q)
USDCNH		S: 6.3500; R: 6.4400	Mon: Trade, FX Reserves (May); Tue: - Nil - Wed: CPI, PPI (May); Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3160; R: 1.3400	Mon: FX Reserves (May) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.1000; R: 4.1400	Mon: - Nil - Tue: FX Reserves (May); Wed: - Nil - Thu: - Nil - Fri: Industrial production (Apr)
USDPHP		S: 47.40; R: 47.90	Mon: - Nil - Tue: Unemployment (Apr); Wed: Trade (May) Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,200; R: 14,400	Mon: - Nil - Tue: FX Reserves (May); Wed: Consumer confidence (May) Thu: - Nil - Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>USD Short Squeeze Depends on US Payrolls Tonight. DXY traded higher this week, in line with our caution that stronger data could build up taper talk expectations and pull USD higher. Indeed this week, US ISM mfg and services as well as ADP employment came in better than expected, building on earlier week's hot data - core PCE rose sharply to 3.1% y/y in Apr while Chicago PMI was at 75.2 for May, an all-time high. Elsewhere Kaplan and Harker (both non-voters this year) commented on "talking about talking about tapering" this week, while Williams (voter) said on Thu that now is not the time to adjust bond purchases but it makes sense to think about various options in the future - "talking about talking about how the economy is doing, where we see it going, and understanding how that may play out over the coming months".</p> <p>Tonight's NFP will generate volatility as markets may second guess what the 17th Jun FoMC entails if US data continues to print stronger. Consensus is looking for a jump in May NFP to +674k, from +266k, unemployment rate to fall to 5.9%, from 6.1% and average hourly earnings at +1.6% y/y (vs. 0.3% prior). Upside surprises to data could build on momentum to drive USD higher in the lead up to 17th Jun FoMC. Indeed Jun FoMC should provide greater clarity on Fed's thinking and forward guidance. We do not rule out some discussion on tapering timeline but expect no commitment to a specific date. Likely it will be prep talks from the Fed for time being and perhaps sometime at Jackson Hole Symposium or Sep FoMC to announce a taper timeline for the future. For now, market expectations (not all though) are for Fed to begin tapering in baby steps around the turn of the year and if the Fed does hint towards this timeline, then market anxiety should ease, fears for tantrum could fade and we should still get a time window for this USD bounce to ease off, possibly post-FoMC. While we can perhaps rule out Fed tightening at this stage and foreseeable future. But there could be some discussion on tapering though the 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>While there may be no decision to taper at the moment, markets can pre-emptively react to any pre-emptive caution/ uncertainties re Fed tapering. That uncertainty could unsettle markets especially if there is no reassuring messages from the Fed (black out period started). On this caution, USD could find bids. And we still prefer to express this via tactical long USDJPY.</p> <p>DXY was last seen at 90.5. Daily momentum is bullish. Resistance at 90.82 (61.8% fibo retracement of 2021 low to high), 91 (50, 100 DMAs) and 91.60 (200 DMA). Support here at 90.10/20 (76.4% fibo, 21 DMA), 89.70, 89.20 levels (2021 lows).</p> <p><i>Next week brings NFIB Small Business Optimism (May); JOLTS Jobs openings, Trade (Apr) on Tue; CPI (May); Initial jobless claims on Thu; Uni of Mich sentiment (Jun) on Fri.</i></p>
EUR/USD	<p>ECB on Thu. Recent Financial Stability Review report touched on the dangers of high debt burdens and "remarkable exuberance" in markets. It also said that "a 10% correction in US equity markets could therefore lead to significant tightening of euro-area financial conditions, similar to around 1/3 of the tightening seen after pandemic in Mar-2020". This adds to our conviction that ECB will remain status quo in policy settings to avoid any unnecessary tightening in financial conditions. In fact we think there is no need to call off PEPP ahead of its Mar 2022 expiry, given that one of its features is flexibility unless growth and inflation overshoots massively to the upside. Recent ECB speaks somewhat echoed similar view: (1) Lagarde said it is far too early to discuss plans for removing stimulus; (2) Panetta said he sees no justification for slowing bond purchases; (3) hawkish Weidmann opted not to discuss current policy in a recent speech. For now, some in the market may be looking for first reduction in pace of PEPP even as early as Jul (with announcement as soon as in the upcoming meeting) and to end PEPP in 1Q 2022 while keeping rates on hold through 2022. We are less hawkish and expect ECB to take very gradual and incremental steps on policy normalization to avoid derailing growth momentum or cause any unnecessary tightening in financial conditions. To some extent, EUR could slip further ahead of upcoming ECB GC (10 Jun).</p> <p>Pair was last at 1.2110 levels. Bearish momentum on daily chart intact with RSI falling. Rising wedge pattern- typically a bearish reversal and a bearish divergence are in play. Support at 1.2050 (38.2% fibo</p>

retracement of 2021 low to high, 50, 100 DMAs) and 1.1985 levels (50% fibo, 200DMA). Resistance at 1.2170 (21 DMA), 1.2210 and 1.2270 levels. Buy dips preferred.

Broad basis, we are constructive of EUR's outlook (rapid vaccination pace, flattening of epidemic curves, expectations of EU growth playing catch-up, etc.). EU economy reopening is happening with tourist activity increasing. Air traffic and airfares are rising and the EURO 2020 tournament starts coming weekend. Europe also saw the largest decline in new infection and deaths (during the last week of May) and about 44% of EU adults have now received at least 1 dose of vaccine. However we retain 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.

Next week brings Sentix Investor confidence (Jun) on Mon; GDP (1Q); ZEW Survey Expectations (Jun) on Tue; German Trade (Apr); Current account balance (Apr) on Wed; ECB Governing Council meeting on Thu.

GBP/USD **Delta Variant Undermine GBP Bulls.** Rise in GBP since early May showed signs of slowing as GBP slipped below 21 DMA at point of writing. Move lower came amid USD bounce and spread of B16172 variant (now known as delta variant) undermining sentiment and GBP. Indeed the delta variant is now the dominant variant in the UK, overtaken the Kent or Alpha variant. Number of cases confirmed rose nearly 90% over the last week with north west England (towns of Blackburn, Bolton) still the most affected though there are tentative signs of the transmission in Bolton starting to fall but other parts of England reporting clusters. We shared earlier that a delay of full reopening (scheduled for 21 Jun) remains possible and a delay with no future date scheduled could further weigh on GBP. We watch for decision on 14 Jun.

GBP was last seen at 1.4115 levels. Daily momentum is mild bearish while RSI is falling. We still look for an extension of the pullback. Support at 1.4090, 1.4040 and 1.3950/60 levels (50 DMA). Resistance at 1.4130 (21 DMA), 1.4240.

Next week brings BRC Sales (May) on Tue; Monthly GDP, IP, Trade, construction output (Apr) on Fri.

USD/JPY **Bumper NFP to Fire Upside.** USDJPY traded higher this week, in line with our call in the last FX Weekly that **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.** NFP tonight would be key. A stronger print is supportive of further USDJPY upside

Pair was last seen at 110.20 levels. Bullish momentum on daily chart intact. Sustained close above 110.15 (76.4% fibo retracement of Mar high to Apr low) is needed for further upside towards 111. Failing which, the pair could revert to familiar range. Support at 109.60 (61.8% fibo), 109.20 (50% fibo, 21, 50 DMAs). Bias to buy dips in 109.20 - 111 range remains.

Next week brings Leading, Coincident index (Apr) on Mon; GDP (1Q); Current account, Labor cash earnings (Apr) on Tue; PPI (May) on Thu; BSI Mfg (2Q) on Fri.






AUD/USD **Near Term Downside Risks but Bias to Buy Dips.** AUD fell amid USD bounce, RMB softness (on policymakers' warning for excessive RMB strength). Last seen at 0.7660 levels. Daily momentum and RSI are showing a mild bearish bias. Immediate support at 0.7650, 0.7580 before 0.7540 levels (200 DMA). Resistance at 0.7720 (50 DMA), 0.7720 levels.

Next week brings NZB Business confidence (May) on Tue; Westpac Consumer confidence (Jun) on Wed;

NZD/USD **Buy Dips Preferred.** NZD turned lower this week on RMB softness, USD bounce. Pair was last seen at 0.7150 levels. Daily momentum turned bearish while RSI is falling. Risks skewed to the downside. Immediate support at 0.7120. Break below this opens room for further downside towards 0.7020 (200 DMA). Resistance at 0.7160 (50, 100 DMAs) and 0.7225 (21 DMA). Respective the corrective momentum; look for buy dips.

Next week brings Mfg Activity (1Q); Activity outlook, business confidence (Jun P) on Wed; Card spending, REINZ House Sales (May) on Thu; Mfg PMI (May) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0960; R: 3.1200	Still Bias to Lean against Strength. SGDMYR traded lower this week, in line with our call for corrective move lower. Cross was last seen at 3.1090 levels. Daily momentum turned bearish while RSI is falling. Bias remain skewed for retracement lower. Sustained close below support at 3.1085 (23.6% fibo retracement of 2021 low to high) could see more downside play out towards 3.10, 3.0960 (50 DMA). Resistance at 3.12, 3.1325 (2021 high) before 3.14, 3.15 levels.
AUD/MYR		S: 3.1800; R: 3.2300	50DMA key. AUDMYR slipped modestly this week, in line with our call for slight risk to the downside. Cross was last at 3.1860 levels. Daily momentum is bearish bias while RSI is falling. Risks to the downside. Immediate Support here at 3.1860 (50 DMA). Break below this is needed for downside to gather momentum towards 3.1650 (100 DMA), 3.1060 levels (38.2% fibo retracement of Oct low to Feb high). Failing a break, the cross could revert to trade the familiar range of 3.18 - 3.23. Resistance at 3.2050 (21 DMA), 3.23 levels (triple top) levels.
EUR/MYR		S: 4.96; R: 5.0800	Bearish Divergence Underway. EURMYR traded lower this week, in line with our caution for bearish divergence. Cross was last seen at 5.0240 levels. Bearish momentum on daily chart intact while RSI is falling. Bearish divergence as previously flagged on daily MACD is underway. Pullback risks remain. Support at 5.02 (21 DMA), 4.99 (38.2% fibo) and 4.96 levels (50 DMA). Resistance at 5.0820 (2021 high), 5.10 levels.
GBP/MYR		S: 5.7600; R: 5.8800	Eye on 21DMA. GBPMYR drifted lower this week, in line with our caution for retracement play. Cross was last seen at 5.8450 levels. Daily momentum turned bearish while RSI is falling from near-overbought conditions. Further pullback requires a break below 21 DMA (now at 5.83 levels). That would bring us to next support at 5.76 (50 DMA). Resistance at 5.88, 5.92 levels.
JPY/MYR		S: 3.7250; R: 3.7800	Look for Downside Play. JPYMYR was a touch lower this week, consistent with our observation for bearish momentum. Cross was last seen at 3.7560 levels. Bearish momentum remains intact while RSI is falling. Risks remain skewed to the downside. Support at 3.7390 levels (2021 lows, Apr double-bottom), 3.7250 levels. Resistance at 3.7790 levels (21, 50 DMAs), 3.8050 (100 DMA).

Technical Chart Picks:

USDSGD Daily Chart - Near Term Bounce; Bias to Fade



USDSGD early week's decline was more than reversed into Asia end week, as we write. Pair was last at 1.3270 levels.

Bearish momentum on daily chart is fading while RSI is rising. Near term risks skewed to the upside but bias to lean against strength. Resistance here at 1.3280 (21-DMA), 1.3320/30 (50, 100 DMAs, 38.2% fibo retracement of Mar high to Jun low), 1.3360 (50% fibo), 1.34 (200-DMA).

Support at 1.3220, 1.3160 (double-bottom).

USDMYR Daily Chart - 2-Way Interim; Bias to Fade Upticks



USDMYR fell this week, in line with our call for retracement lower. Pair was last seen at 4.1270 levels.

Daily momentum is mild bearish while RSI is turning higher. 2-way trade from here due to short term event risk - US payrolls and upcoming FoMC. But bias to fade.

Immediate support at 4.12 levels (21 DMA), 4.1080 (200 DMA) and 4.0970 (38.2% fibo retracement of 2021 low to high).

Resistance at 4.1360, 4.1450 and 4.15 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



Our bearish technical call on AUDSGD continued to play out this week. We earlier shared a rounding-top pattern (bearish) and noted a compression of moving averages (signs of a break out trade). Cross was last seen at 1.0170 levels.

Bearish momentum on daily chart remains intact while RSI is falling towards near oversold conditions. Moving averages compression observed, with 21, 50 and 100 DMAs around 1.0290-figure (likely an interim resistance for now). Rounding top pattern playing out. Risks remain skewed to the downside.

Immediate support here at 1.0160 (38.2% fibo retracement of Oct low to Feb high), 1.0100 (200 DMA) and 1.0040 (50% fibo).

Resistance at 1.0290-1.0310 (23.6% fibo, 21, 50, 100 DMAs) before 1.04 levels (2021 high).

SGDMYR Daily Chart: Still Bias to Lean against Strength



SGDMYR traded lower this week, in line with our call for corrective move lower. Cross was last seen at 3.1090 levels.

Daily momentum turned bearish while RSI is falling. Bias remain skewed for retracement lower.

Sustained close below support at 3.1085 (23.6% fibo retracement of 2021 low to high) could see more downside play out towards 3.10, 3.0960 (50 DMA).

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

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