

FX Weekly

Looking to Fade Risk-Offs

The Week Ahead

- **Dollar Index - Fade.** Support at 91; Resistance at 93.5
- **USD/SGD - Retrace.** Support at 1.3430; Resistance at 1.3700
- **USD/MYR - Overbought.** Support at 4.1500; Resistance at 4.2000
- **AUD/SGD - Range.** Support at 1.0020; Resistance at 1.0250.
- **SGD/MYR - Eyes on Neckline.** Support at 3.08; Resistance at 3.11

Growth Concerns, Fears of Covid Wave Weigh On Sentiments

Risk assets were under pressure while USD was mostly firmer this week amid delta spread globally, including sharp pick up in new infections in UK, Spain, Australia, Korea, and Indonesia. Several countries have also tightened restrictions, re-imposed lockdowns to avert another wave. At the same time, there were also concerns of slowing growth after China State Council said that PBoC would stimulate economy by cutting the amount of funds banks need to hold in reserve. To some extent, this can be interpreted as a policy signal in response to potential slowdown in growth momentum (2Q GDP, Jun activity data are due next Thu). Fears of growth slowdown in China alongside slower reopening (due to slow pace of inoculation and delta variant spread) in the region weighed on sentiment. We reiterate that a case of risk aversion and US data outperformance/policy divergence is supportive of USD while high beta FX including AXJs stay back footed. We also keep a look out on Fed Chair Powell's semi-annual testimonies to the House (Wed) and Senate Banking panel (Thu) next week if he **reassures that Fed normalisation will be gradual**. For USDSGD, we do not rule out some retracement, possibly towards 1.3430 however we see upside risks if 1.3550 resistance goes. For USDMYR, the risk is skewed to the upside but the pace of up-move could moderate (RSI overbought). Expect 4.15 - 4.20 range.

Will RBNZ, BoK Validate Markets' Expectations for Tightening

RBNZ meets on Wed. Rhetoric amongst members and forward guidance have already started to shift to a less dovish tone, with OCR increase projection pencilled in from 2H 2022 while growth, inflation and employment projection for 2022 were revised higher. Markets-implied show 2 hikes with the next 12 months while several local banks are more optimistic and are expecting a 25bps hike in OCR at the Nov MPC. We doubt RBNZ will commit much at this point especially given the flare up in covid infections globally. BoK MPC on Thu. Markets are still pricing in 1 hike within the next 6 months, consistent with our baseline for a 25bps rate hike at the Oct or Nov MPC. Tighter restrictions amid covid spread and ongoing inoculation should see Korea contain the latest resurgence. However due to the recent surge in covid infections and the consequential tightening of restrictions to level 4 social distancing rules in Greater Seoul starting from 12 Jul for 2 weeks, the BoK may possibly sound cautious and non-committal to a specific timeline but short of turning dovish. Elsewhere we note taper risk at BoC MPC (Wed) and expect status quo for BoJ (Fri).

China, SG 2Q GDPs; US, China Activity Data Next Week

Heavy week ahead in terms of data with focus on MY IP on Mon. For Tue, US CPI, China trade. For Wed, SG GBP; UK CPI. For Thu, US IP, empire mfg; AU, UK labor market reports; China 2Q GDP, activity data. For Fri, US retail sales; EU, NZ CPIs and SG NODX.

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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: 91.00; R: 93.50	Mon: - Nil - Tue: CPI, NFIB Business Optimism (Jun); Wed: PPI (Jun); Fed Chair Powell semi-annual testimony to House panel; Thu: Empire Mfg, Philly Fed business outlook (Jul); initial jobless claims; IP (Jun); Fed Chair Powell semi-annual testimony to senate banking panel Fri: Retail sales (Jun); Uni. Mich Sentiment (Jul P)
EURUSD		S: 1.1705; R: 1.2000	Mon: - Nil - Tue: German CPI (Jun) Wed: Industrial production (May); Thu: - Nil - Fri: CPI (Jun); Trade (May)
AUDUSD		S: 0.7380; R: 0.7620	Mon: - Nil - Tue: NAB Business Confidence (Jun); Wed: Westpac Consumer Confidence (Jul); Thu: Employment change (Jun) Fri: - Nil -
NZDUSD		S: 0.6890; R: 0.7060	Mon: Card spending (Jun); Tue: REINZ house sales, food prices (Jun); Wed: RBNZ MPR; Thu: - Nil - Fri: CPI (2Q); Mfg PMI (Jun)
GBPUSD		S: 1.3650; R: 1.3940	Mon: - Nil - Tue: - Nil - Wed: CPI, PPI, RPI (Jun); House price index (May); Thu: Labor market report (May); Fri: - Nil -
USDJPY		S: 109.60; R: 11.60	Mon: Core machine orders (May); PPI, machine tool orders (Jun); Tue: - Nil - Wed: IP, capacity utilization (May); Thu: - Nil - Fri: BoJ MPC
USDCNH		S: 6.4400; R: 6.5200	Mon: - Nil - Tue: Trade (Jun); Wed: - Nil - Thu: GDP (2Q); Retail sales, industrial production, FAI (Jun) Fri: - Nil -
USDSGD		S: 1.3430; R: 1.3700	Mon: - Nil - Tue: - Nil - Wed: GDP (2Q); Thu: - Nil - Fri: NODX (Jun0)
USDMYR		S: 4.1500; R: 4.2000	Mon: Industrial production (May) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDPHP		S: 49.20; R: 50.20	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR		S: 14,400; R: 14,650	Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Trade (Jun) Fri: - Nil -

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	Stories of the Week
DXY Index	<p>Supported but Look to Fade. USD was broadly lifted against most FX including AXJs this week amid risk-off trade owing to fears of growth slowdown and delta variant spread globally. But USD strength was not evenly felt with some strength fading against lower/negative yielding FX such as JPY, CHF and EUR as UST yields fell across the curve. A narrowing of yield differentials with US catching down to lower/negative yielders saw DXY lower (recall that EUR, JPY and CHF makes up ~75% of DXY).</p> <p>Looking at risk sentiment, the sharp pick up in new infections this week in UK, Spain, Australia, Korea, and Indonesia has led several countries to tighten restrictions, re-imposed lockdowns in attempt to avert another covid wave. At the same time, there were also concerns of slowing growth after China State Council said that PBoC would stimulate economy by cutting the amount of funds banks need to hold in reserve. To some extent, this can be interpreted as a policy signal in response to potential slowdown in growth momentum (2Q GDP, Jun activity data are due next Thu). Fears of growth slowdown in China alongside slower reopening (due to slow pace of inoculation and delta variant spread) in the region weighed on sentiment. We reiterate that a case of risk aversion and US data outperformance/policy divergence is supportive of USD while high beta FX including AXJs stay back footed.</p> <p>Next week we also keep a look out for Fed Chair Powell's semi-annual testimonies to the House (Wed) and Senate Banking panel (Thu) if he reassures that Fed normalisation will be gradual. We opined that though global growth momentum may show signs of moderation but it is from peak levels and yes there may be pockets of covid resurgence but the world is more vaccinated today than 6 months ago. More vaccine supply is underway and with pace of inoculation showing no let-up, this blip in risk sentiments should provide for attractive entry points for risk assets. At the same time with risks still plenty, we trust Fed and other central bankers will proceed with gradual policy normalisation and not rush into tightening. An environment of growth momentum still intact alongside policy accommodation, fiscal support and the world closer to the end of the long tunnel (on covid pandemic) should continue to see support for risk assets. Hence we look for opportunity to fade risk-offs.</p> <p>DXY was last seen at 92.43 levels. Mild bullish momentum on daily chart is waning while RSI is falling from near overbought conditions. Some downside risks ahead for DXY. Support at 91.95 (61.8% fibo), 91.5 levels (21, 200DMAs, 50% fibo) and 91 (38.2% fibo) levels. Resistance at 92.5 (76.4% fibo retracement of mar high to May low), 93.2 and 93.5 levels.</p> <p><i>Next week brings CPI, NFIB Business Optimism (Jun) on Tue; PPI (Jun); Fed Chair Powell semi-annual testimony to House panel on Wed; Empire Mfg, Philly Fed business outlook (Jul); initial jobless claims; IP (Jun); Fed Chair Powell semi-annual testimony to senate banking panel on Thu; Retail sales (Jun); Uni. Mich Sentiment (Jul P) on Fri.</i></p>
EUR/USD	<p>Signs of Technical Rebound. EUR drifted lower this week amid covid spread in Europe, including Spain, Netherlands and France while markets were also reacting to a Bloomberg report on ECB Strategy Review ahead of official release. It was confirmed that ECB will aim to achieve 2% inflation target over the medium, with a symmetric target. Previously ECB's inflation target was "below, but close to 2%, over the medium term". ECB also mentioned that "this may also imply a transitory period in which inflation is moderately above target". ECB's Lagarde added that ECB is not doing a Fed-style of average inflation targeting. Basically this framework allows ECB to maintain accommodative monetary policies even with temporary inflation overshoots and this is largely in line with what was earlier reported by Bloomberg prior to the official release. We reiterate that greater tolerance from ECB re inflation overshoots and less haste in normalising monetary policies would continue to exert policy divergence with the Fed and this could weigh on EUR. Also mentioned in the review was the inclusion of owner-occupier housing costs to CPI calculations and a focus on fight against climate change.</p> <p>EUR was last at 1.1840 levels. Bearish momentum on daily chart waned while RSI rose from oversold conditions. Resistance at 1.1840 (76.4% fibo retracement of Mar low to May high) needs to be broken for EUR bulls to return. Next resistance at 1.1920/30 (61.8% fibo, 21DMA), 1.1990/1.20 levels (200 DMA, 50% fibo). Support at 1.1780, 1.1705/15 levels.</p> <p><i>Next week brings German CPI (Jun) on Tue; Industrial production (May) on Wed; CPI (Jun); Trade (May) on Fri.</i></p>

GBP/USD **Cautious.** GBP was a touch softer this week amid data misses and continued rise in covid infection. Daily new cases rose further to >32k new cases, from 27k new cases last Thu. True that hospitalisation rate this time was not as affected as last year when UK experienced covid wave, the wide spread of delta strain with transmissibility above 2.5 can still undermine sentiment even when economy reopens on 19th Jul. Pfizer is even saying that a booster shot may be needed as efficacy against delta variant drops after 6 months. The one mitigating factor is that 9 in 10 people in UK has covid antibodies and there are more people vaccinated in UK today than last year. Nonetheless there is no room for complacency as reinfection remains a risk. UK still need to push through with vaccination and so long they can contain the current wave successfully, the constructive outlook for GBP in the medium term should remain intact.

GBP was last seen 1.3790 levels. Bearish momentum on daily chart shows signs of waning while RSI is near oversold conditions. Support at 1.3740 before 1.3660/70 levels (Apr low, 200 DMA). Resistance at 1.3810 (76.4% fibo), 1.3890 levels (61.8% fibo retracement of Apr low to May high), 1.3950/60 levels (21, 100 DMAs, 50% fibo). We look for 1.3670 - 1.3890 range next week.

Next week brings Services PMI (Jun) on Mon; Construction PMI (Jun) on Tue; Unit labor cost (1Q) on Wed; RICS House price balance (Jun) on Thu; IP, Monthly GDP, construction output, trade (May) on Fri.

USD/JPY **Bullish Trend Channel Broken; BoJ No Change.** USDJPY fell this week as UST yield declined sharply across the curve while general risk aversion weighed on the pair. Pair was last at 110.05 levels. Daily momentum turned bearish while RSI is falling. Risks to the downside. Support at 109.60 (50% fibo retracement of Apr low to Jul high) before 109.10/20 (100 DMA, 61.8% fibo) and 108.50 (76.4% fibo). Resistance at 110.10 (38.2% fibo), 110.50/70 (21DMA, 23.6% fibo). We look for 109.60 - 110.60 range next week.

Next week brings Core machine orders (May); PPI, machine tool orders (Jun) on Mon; IP, capacity utilization (May) on Wed; BoJ MPC on Fri.

AUD/USD **Labor Market Report in Focus.** AUD was a touch softer this week amid risk-off trade. Pair was last seen at 0.7440 levels. Mild bearish momentum on daily chart intact but RSI shows tentative signs of turning from near oversold conditions. Bias to buy dips towards support at 0.7380. Resistance at 0.75, 0.7580 (200 DMA).

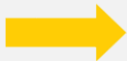




Next week brings NAB Business Confidence (Jun) on Tue; Westpac Consumer Confidence (Jul) on Wed; Employment change (Jun) on Thu.

NZD/USD **RBNZ MPR in Focus; Likely No Fireworks.** We still expect RBNZ to keep monetary policy status quo - OCR steady at 0.25%, size of LSAP (Large Scale Asset Program) to be maintained at NZ\$100bn and FLP commitment at its next meeting on Wed. Pace of weekly purchase seems to have stabilized at NZ\$200mio, after the decline from \$630mio per week in Mar. Policy stance is expected to remain accommodative but rhetoric amongst members and forward guidance has already started to shift to a less dovish tone, with OCR increase projection pencilled in from 2H 2022 while growth, inflation and employment projection for 2022 were revised higher. Markets-implied show 2 hikes with the next 12 months while several local banks are more optimistic and are expecting a 25bps hike in OCR at the Nov MPC. We doubt RBNZ will commit much at this point especially given the flare up in covid infections globally. So there is a risk hawkish expectations from markets may be disappointed - a potential drag on NZD.

NZD was last seen at 0.6950 levels. Daily momentum shows tentative signs of turning bearish while RSI is falling. Risks skewed to the downside for now. Support at 0.6920, 0.6890. Resistance at 0.70-figure, 0.7070 (200 DMA).

Next week brings Card spending (Jun) on Mon; REINZ house sales, food prices (Jun) on Tue; RBNZ MPR on Wed; CPI (2Q); Mfg PMI (Jun) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.0800; R: 3.1100	Eyes on H&S Neckline Support. SGDMYR consolidated this week. Cross was last seen at 3.0910 levels. Daily momentum and RSI indicators are not showing a clear bias at this point. Earlier observed head and shoulders (bearish reversal pattern) remains in play with neckline support at 3.0820/35 levels (50% fibo retracement of 2021 low to high) holding up. A decisive break below this could open room for further downside towards 3.07 (61.8% fibo), 3.0680 (200 DMA). But a lack of follow-through to the downside could see the cross bounce and revert to recent range of 3.08 - 3.11. Resistance at 3.0950 (38.2% fibo), 3.1010 (50 DMA) and 3.11 levels (23.6% fibo).
AUD/MYR		S: 3.1000; R: 3.1530	Bullish Divergence? AUDMYR consolidated this week with 200DMA firmly holding ground. Cross was last seen at 3.1170 levels. Bearish momentum on daily chart is fading while RSI shows signs of rising. Bullish divergence potentially forming. Resistance at 3.1370 (21 DMA), 3.1530 and 3.1730 (50, 100 DMAs). Support at 3.1080 (200 DMA).
EUR/MYR		S: 4.9000; R: 4.9900	Rebound Risk. EURMYR rebounded this week. Last seen at 4.9580 levels. Bearish momentum on daily chart faded while RSI rose. Room for rebound. Resistance at 4.96, 4.99. Support at 4.9350, 4.9240 and 4.90 levels.
GBP/MYR		S: 5.7200; R: 5.8500	Rebound Underway. GBPMYR rebounded this week, in line with our call. Cross was last seen at 5.7735 levels. Bearish momentum on daily chart faded while RSI is rising. Potential bullish divergence on MACD. Risks to the upside. Resistance at 5.80, 5.85 levels. Support at 5.74, 5.71 and 5.65 levels.
JPY/MYR		S: 3.7600; R: 3.8430	Upside Risks; Bias to Fade. JPYMYR rose sharply this week amid JPY outperformance. Cross was last seen at 3.8050 levels. Daily momentum and RSI are bullish bias. Upside risks but bias to fade. Resistance at 3.8430 (200 DMA). Support at 3.78, 3.7670 (50 DMA).

Technical Chart Picks:

USDSGD Weekly Chart - Bullish but Increasingly Looking Mild Overbought



USDUSD extended its run-up this week. Last seen at 1.3545 levels.

Bullish momentum on weekly chart intact while RSI is rising towards near-overbought conditions. We do not rule out some retracement next week but may be shallow. Underlying bullish momentum still seem intact (unless the close today comes in below 1.35). Elsewhere we note another bullish crossover looks likely with 50DMA on track to cut 100 and 200 DMAs to upside (not shown here).

Resistance at 1.3640, 1.3730 (38.2% fibo). Support at 1.3510 (23.6% fibo retracement of 2020 high to 2021 low), 1.3430 (21 DMA).

Support at 1.3380 levels (21, 200 DMAs), 1.3350 (100 DMA) and 1.3320 (50 DMA).

USD MYR Weekly Chart - Bullish Trend Channel Firmly Intact



USD MYR rose sharply this week amid risk-off sentiment (on growth concerns stoked by China and covid resurgence in the region and at home) as well as domestic uncertainty. Pair was last seen at 4.1880 levels.

Bullish momentum on weekly chart intact but RSI shows signs of rising into overbought conditions on both weekly and daily charts. While the risk is skewed to the upside, the pace of the upmove could moderate.

Next resistance at 4.20, 4.2220 (50% fibo retracement of 2020 high to low).

Support at 4.1685 (38.2% fibo), 4.14 (21 DMA).

AUDSGD Daily Chart: Risks Skewed to the Downside

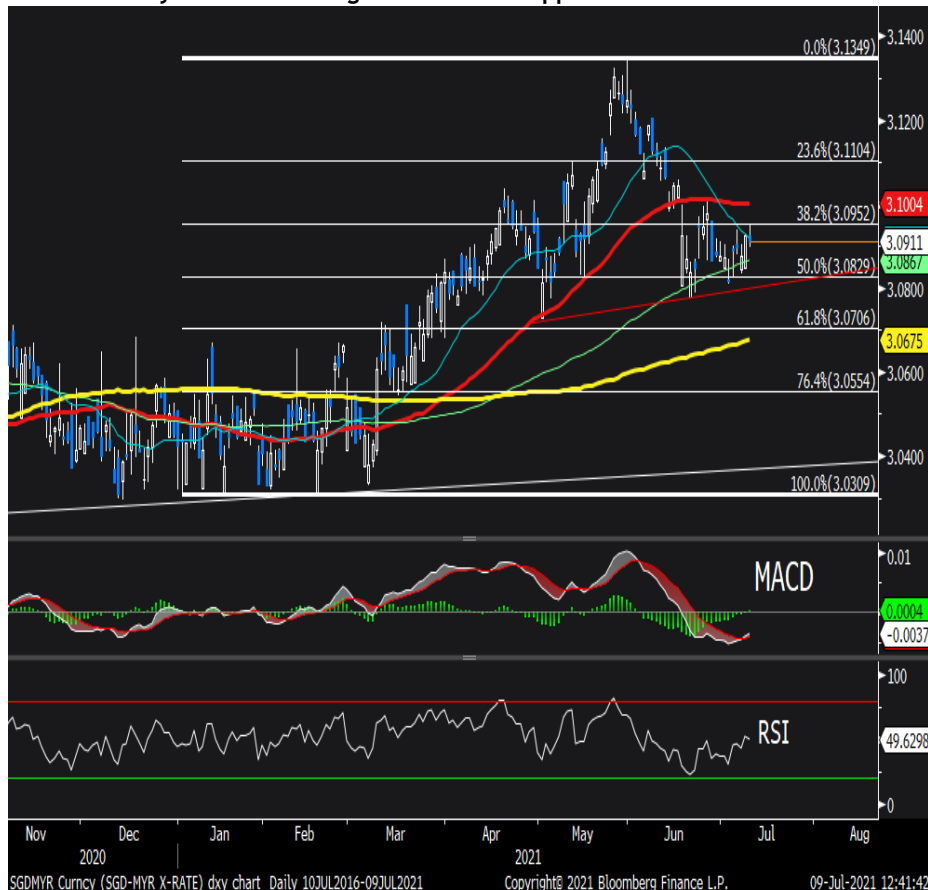


AUDSGD traded a touch lower this week. Cross was last seen at 1.0045 levels. Weekly, daily momentum is bearish while RSI is falling. Rounding top (bearish) pattern still intact.

Risks still skewed to the downside. Immediate support at 1.0040 (50% fibo retracement of Oct low to 2021 high). Decisive break puts next support at parity, 0.9920 (61.8% fibo).

Meanwhile Resistance at 1.0130 (21, 200 DMAs), 1.0220 (50 DMA).

SGDMYR Daily Chart: Watching the Neckline Support



SGDMYR consolidated this week.

Cross was last seen at 3.0910 levels. Daily momentum and RSI indicators are not showing a clear bias at this point. Earlier observed head and shoulders (bearish reversal pattern) remains in play with neckline support at 3.0820/35 levels (50% fibo retracement of 2021 low to high) holding up. A decisive break below this could open room for further downside towards 3.07 (61.8% fibo), 3.0680 (200 DMA).

But a lack of follow-through to the downside could see the cross bounce and revert to recent range of 3.08 - 3.11.

Resistance at 3.0950 (38.2% fibo), 3.1010 (50 DMA) and 3.11 levels (23.6% fibo).

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