

FX Weekly

Differentiated USD Play

The Week Ahead

- **Dollar Index - Fade.** Support at 91; Resistance at 93.5
- **USD/SGD - Consolidation.** Support at 1.3470; Resistance at 1.3560
- **USD/MYR - Retracement.** Support at 4.1850; Resistance at 4.2500
- **AUD/SGD - Consolidate.** Support at 0.9860; Resistance at 1.0160.
- **SGD/MYR - Sideways.** Support at 3.10; Resistance at 3.15

Bias to Buy USD on Dips vs. Short EUR, JPY and CHF

This week's Fed speaks from senior officials - Richard Clarida, Christopher Waller and Mary Daly could potentially set the stage for Fed to signal or announce tapering plans as early as at the upcoming Jackson Hole Symposium (26 - 28 Aug). Waller said that Fed could start to reduce its support for the economy by Oct if the next 2 monthly jobs reports each show employment rising by 800k - 1mio. In particular he said that "we should go early and go fast, in order to make sure we're in position to raise rates in 2022, if we have to". Daly said that CPI to make "substantial further progress" in 2021 or 2022 and that Fed taper could start late-2021 or early 2022. Fed vice chair Clarida said he could support announcing a reduction in asset purchases later this year if his baseline outlook does materialise. He added that conditions for first rate hike will be met by end-2022, allowing for first hike to occur in 2023. He also commented that the risks of higher inflation are greater than the risks of low inflation. And if core PCE remains above 3%, that would be a higher than a moderate overshoot of the Fed's 2% target. Clarida's timeline for policy normalisation is consistent with ours, but his remarks on inflation suggests he may seem more concerned of inflationary pressures being more persistent than transitory. Though he stopped short of saying what policy responses would entail if inflation more than overshoots, markets could pre-emptively expect a faster pace of normalisation especially when FOMC voters for 2022 tilt more hawkish than in 2021. Monetary policy divergence in favour of US could support the USD and we see USD strength probably more pronounced vs. negative/zero yielding FX including EUR, CHF and JPY. However the Fed is not the only hawk in town. RBNZ, BoC, BoE, BoK have also signaled their intents to tighten. Differentiated USD play is preferred. For USDMYR, key support at 4.2160 if broken could see deeper pullback towards 4.20, 4.1850 while USDSGD could trade a range of 1.3470 - 1.3560. 1m USDKRW NDF could extend decline towards 1132 levels.

BSP May Cut RRR Next Thu. PHP, THB Bearish but Oversold

Expectations for RRR cut is gaining traction after BSP said that a RRR cut is on the table. A cut could lead to incremental supply of PHP in the FX markets (even as intention is for increased credit creation) and could further add to the latest slump in PHP sentiments. Our Economist expects policy rate to stay on hold at 2% for rest of the year. We do not rule out technical pullback in PHP and THB given stretched RSI but pullback may be shallow towards 50.20 and 32.50.

US, China CPIs; SG, MY, PH, UK GDPs Next Week

Data we watch this week includes China CPI, PPI; Malaysia IP on Mon. For Tue, EU ZEW; PH GDP. For Wed, SG GDP; US CPI. For Thu, US PPI; EU IP; UK GDP, IP, trade. For Fri, Malaysia GDP; NZ mfg PMI. SG markets are closed on Mon while MY, ID and PH are closed for Tue.

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Our in-house model implies that S\$NEER is trading at +0.69% to the implied midpoint of 1.3597, 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: 91.00; R: 93.50	Mon: JOLTS Job openings (Jun); Tue: NFIB Small business optimism (Jul); Wed: CPI (Jul); Thu: PPI (Jul); Fri: Import, export price index (Jul); Uni. Of Mich Sentiment (Aug)
EURUSD		S: 1.1780; R: 1.2050	Mon: Sentix Investor confidence (Aug); German Trade (Jun); Tue: ZEW survey expectations (Aug); Wed: German CPI (Jul); Thu: Industrial production (Jun); Fri: Trade (Jun)
AUDUSD		S: 0.7320; R: 0.7500	Mon: - Nil - Tue: NAB Business Conditions (Jul); Wed: Consumer confidence (Aug) Thu: - Nil - Fri: - Nil -
NZDUSD		S: 0.6980; R: 0.7150	Mon: - Nil - Tue: Card spending (Jul) Wed: - Nil - Thu: Food prices (Jul); Fri: Mfg PMI (Jul)
GBPUSD		S: 1.3760; R: 1.4090	Mon: - Nil - Tue: BRC Sales (Jul); Wed: - Nil - Thu: GDP (2Q); IP, Trade, construction output, monthly GDP (Jun) Fri: - Nil -
USDJPY		S: 109.10; R: 110.70	Mon: - Nil - Tue: Current account (Jun); Trade (Jul) Wed: Machine tool orders (Jul); Thu: PPI (Jul); Fri: - Nil -
USDCNH		S: 6.4400; R: 6.5000	Mon: CPI, PPI (Jul) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDSGD		S: 1.3470; R: 1.3560	Mon: - Nil - Tue: - Nil - Wed: GDP (2Q F) Thu: - Nil - Fri: - Nil -
USDMYR		S: 4.1850; R: 4.2500	Mon: Industrial production (Jun); Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: GDP, Current account (2Q)
USDPHP		S: 50.20; R: 51.00	Mon: - Nil - Tue: GDP (2Q); Wed: - Nil - Thu: BSP (Jul); Fri: - Nil -
USDIDR		S: 14,200; R: 14,500	Mon: Consumer confidence (Jun) 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><i>Differentiated Strength and Weakness for USD.</i> Key focus today on US payrolls (830pm SG/MY time) before next week's US CPI (Wed) and PPI (Thu). For payrolls, Consensus is looking for NFP to accelerate to +870k, from 850k in Jun. With maximum employment one of Fed's dual mandate, stronger jobs data could further reinforced market expectations looking for the Fed to bring forward policy normalisation timeline and this could help to push UST yields higher and provide some support to the USD (especially vs. the lower/zero negative yielding FX). While data disappointment may underwhelm USD in the first instance, we note that the risk of slower job gains may be attributed to labor shortages especially as JOLTS job openings showed record high new job openings and layoff report showing fewest job cuts since 1997 (signs of labor market tightness). This should correct as unemployment benefits are phased out soon.</p> <p>This week's Fed speaks from senior officials, including Fed vice chair Richard Clarida, Christopher Waller and Mary Daly (whom are all voters) could potentially set the stage for Fed to signal or announce tapering plans as early as at the upcoming Jackson Hole Symposium (26 - 28 Aug).</p> <ul style="list-style-type: none"> - Waller said that Fed could start to reduce its support for the economy by Oct if the next 2 monthly jobs reports each show employment rising by 800k - 1mio. In particular he said that "we should go early and go fast, in order to make sure we're in position to raise rates in 2022, if we have to". - Daly said that CPI to make "substantial further progress" in 2021 or 2022 and that Fed taper could start late-2021 or early 2022. - Clarida said he could support announcing a reduction in asset purchases later this year if his baseline outlook does materialise. He added that conditions for first rate hike will be met by end-2022, allowing for first hike to occur in 2023. He also commented that the risks of higher inflation are greater than the risks of low inflation. And if core PCE remains above 3%, that would be a higher than a moderate overshoot of the Fed's 2% target that the Fed is aiming for. <p>Clarida's remarks was the first since Jun FoMC and it somewhat adds weight to Fed's hawkish tilt. While his timeline for policy normalisation is consistent with ours, his remarks on inflation suggests he may seem more concerned of inflationary pressures being more persistent than transitory. Even though he stopped short of saying what policy responses would entail if inflation more than overshoots, markets could pre-emptively expect a faster pace of normalisation especially when FoMC voters for 2022 tilt more hawkish than in 2021. Taken together, it seems to suggest an announcement to Fed tapering is on the cards. Monetary policy divergence in favour of US could support the USD and we see USD strength probably more pronounced vs. negative/zero yielding FX including EUR, CHF and JPY. As we all know that the Fed is not the only hawk in town. RBNZ, BoC, BoE, BoK are amongst some central banks that have also signaled their intents to tighten or normalise. Hence USD strength may not be broad based and USD should continue to trade mixed vs. AXJs. For THB and PHP, bearish momentum remains intact owing to build-up of expectations for central bank easing, worsening covid situation and slow pace of inoculation. For BoT, 2 MPC members called for 25bps cut. For BSP, expectations for RRR cut is gaining traction after the central bank said that a RRR cut is on the table. Our Economist expects policy rate to stay on hold at 2% for rest of the year. Though bearish momentum on PHP and THB persist, we do not rule out technical pullback given stretched RSIs but pullback may be shallow towards 50.20 and 32.50.</p> <p>DXY was last seen at 92.32 levels. Bearish momentum on daily chart intact though there are signs of it fading while RSI is rising. Risks to the upside. Resistance at 92.50 (21 DMA), 93.2 and 93.5 levels. Support at 91.95 levels (61.8% fibo retracement of Mar high to May low), 91.30/50 levels (50, 100, 200DMAs, 50% fibo) and 91 levels (38.2% fibo).</p> <p><i>Next week brings JOLTS Job openings (Jun) on Mon; NFIB Small business optimism (Jul) on Tue; CPI (Jul) on Wed; PPI (Jul) on Thu; Import, export price index (Jul); Uni. Of Michigan Sentiment (Aug) on Fri.</i></p>
EUR/USD	<p><i>Retracement Risks Ahead; Buy Dips.</i> EUR was a touch softer as Fed policy divergence weighed on negative yielding FX including EUR. Pair was last seen at 1.1825 levels. Bullish momentum on daily chart waned while RSI fell. Risks skewed to the downside in the interim. Support at 1.1780, 1.1750 and 1.170 levels. Resistance at 1.1830/40 (21DMA, 76.4% fibo retracement of Mar low to May high), 1.1920/30 (61.8% fibo, 50 DMA) and 1.1990/1.2010 levels (200 DMA, 50% fibo).</p>

We are cautious for softer EUR owing to the ECB-Fed policy divergence, recent floods in Europe (estimated to cost EUR6bn for Germany) that is likely to affect global supply chain as well as pose potential political backlash to Germany (to hold federal elections (26-27 Sep) as the Greens party could potentially swing it to their advantage riding on climate change and this could mount some challenges on Merkel's party (a potential negative on EUR).

That said we do not expect EUR softness (owing to political factor) to persist or translate into massive sell-off. Instead we still looking for a surprise hawkish tilt from ECB at its Sep meeting especially when markets are positioned for dovish ECB. Though ECB stressed that factors driving inflation are transitory, it is also equally important to note that the 2% inflation target for ECB is symmetrical. Persistent upticks in coming months and more broadly for most European countries could perhaps tilt ECB policymakers to contemplate a gradual removal of easy money. Recall that German inflation jumped to more than 10-year high of 3.1% for Jul and the Bundesbank had cautioned that inflation could rise as high as 4% this year.

Next week brings Sentix Investor confidence (Aug); German Trade (Jun) on Mon; ZEW survey expectations (Aug) on Tue; German CPI (Jul) on Wed; Industrial production (Jun) on Thu; Trade (Jun) on Fri.

GBP/USD *Buy Dips Preferred.* GBP held on to gains above 1.39 this week as BoE signalled modest tightening ahead. GBP was last seen at 1.3925 levels. Bullish momentum on daily chart intact but shows very tentative signs of easing while the RSI is flat. Mild risks to the downside but we are biased for upward play. Key support at 1.3910/30 (50 DMA, 50% fibo), 1.3830 (38.2% fibo), 1.3750 (200 DMA). Resistance at 1.3990 (61.8% fibo retracement of Jun high to Jul low), 1.4080 levels (76.4% fibo).

At the last MPC (5 Aug), BoE raised inflation forecasts - rising to 4% in 4Q 2021 and 1Q 2022 as **the economy is projected to experience a more pronounced period of inflation in the near term** due to rising energy and other goods prices (which are set to moderate in medium term). Monetary Policy Report (MPR) noted that "should the economy evolve broadly in line with the central projections, some modest tightening of monetary policy over the forecast period is likely to be necessary to be consistent with meeting the 2% inflation target sustainably in the medium term". On growth, UK economy is expected to expand by 5% for 2Q but BoE Governor Bailey stressed that level of economic activity remains about 4% below 2019 pre-pandemic levels. BoE now projects UK economy to expand at a slower pace of 3% in 3Q owing to recent covid surge and hundreds of thousands of workers being asked to self-isolate however the UK economy is projected to reach pre-pandemic levels in 4Q 2021. **On sequencing of policy normalisation, BoE intends to reduce the stock of purchased assets when BoE has raised rates to 0.50% (currently at 0.10%).** MPR forecasted interest rate to reach 0.5% in 3Q 2024 after hitting 0.20% in 3Q 2022 - **a much gradual pace of tightening.** Markets are expecting the BoE to tighten by 25bps by Mar-Jun 2022.

Elsewhere MPC voted 8-0 to keep rates on hold and 7-1 to keep APP unchanged. Michael Saunders was the sole dissenter and had voted for government bond purchases to be reduced by GBP45bn. We opined that BoE's slight hawkish tilt, signalling its readiness to tighten should provide marginal support to GBP. Further progress in vaccination, signs of ongoing spread coming under control and growth momentum unperturbed could see BoE adopt mini steps towards its first rate hike possibly as early as 1H 2022.

Next week brings BRC Sales (Jul) on Tue; GDP (2Q); IP, Trade, construction output, monthly GDP (Jun) on Thu.

USD/JPY *Range with Bias Skewed to Upside.* USDJPY reversed early week's decline into Asia close, tracking UST yield price action. Pair was last at 109.70 levels. Bearish momentum on daily chart intact but shows tentative signs of it fading while RSI shows signs of it rising. Resistance at 110.10 (38.2% fibo, 21, 50 DMAs), 110.70 (23.6% fibo). Support at 109.60 (100DMA, 50% fibo retracement of Apr low to Jul high), 109.10 (61.8% fibo). We look to trade 109.10 - 110.70 range.

Next week brings Current account (Jun); Trade (Jul) on Tue; Machine tool orders (Jul) on Wed; PPI (Jul) on Thu.

AUD/USD *Slight Bias to Upside.* AUD drifted higher this week as RBA surprised local analysts by sticking to its original plan of tapering asset purchases. Elsewhere RBA Governor Lowe told the parliamentary panel that the central bank is ready to “act in response to further bad news on the health front that affects the outlook for the economy over the year ahead”. For now, he opined that fiscal policy is more appropriate for temporary and localised impact on income. He noted that household spending is 15% lower than otherwise in areas that are affected by lockdown and even added that he welcomes lower exchange rate from monetary stimulus. Meanwhile, Melbourne and the rest of Victoria has gone into lockdown for the 6th time. The lockdown will last for 7 days till 11th Aug from Thu. Queensland is in lockdown (with an announcement of business support package) until 8th Aug while NSW (Greater Sydney and other regions of NSW) are scheduled to end lockdown only on 28th Aug (at the earliest). Hunter valley region is also placed in a 7-day lockdown till 11th Aug. Once again, half of Australia is under the strict social restriction rules with violent protests erupting in the Melbourne CBD. On the covid situation at home, daily infections continue to rise with 7-dma infections recorded at 260 for 3 Aug. Right now, Australia has 16% of its people fully vaccinated and 34.0% given at least one dose.

AUD was last seen at 0.7390 levels. Daily momentum is mild bullish with RSI rising. Slight bias to the upside. Resistance at 0.7410 (21 DMA), 0.75 and 0.76 (200 DMA). Support at 0.73, 0.7230.






Next week brings NAB Business Conditions (Jul) on Tue; Consumer confidence (Aug) on Wed.

NZD/USD *Buy Dips.* NZD was the outperformer this week, appreciating > 1% vs. USD. Much better than expected 2Q labor market report suggests that a 25bps hike at the upcoming RBNZ meeting (18 Aug) is more than likely. 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). Recall that RBNZ’s other policy mandate is to support maximum employment. Now with labor market strength alongside RBNZ’s surprise hawkish shift (to end QE on 23rd Jul) and the unexpected surge in headline CPI (3.3% y/y in 1Q), breaching RBNZ’s target range of 1% - 3% for the first time in a decade, **a 25bps early hike in the OCR at 18th Aug MPC looks like a done deal.**

NZD was last seen at 0.7045 levels. Bearish momentum on weekly chart is fading. On daily chart, momentum is bullish while RSI is flat. Immediate resistance at 0.7050/60 (50DMA, 38.2% fibo retracement of May high to Jul low, upper bound of bearish trend channel) needs to be broken for NZD bulls to gather further momentum. A decisive break above this can see bulls gain further momentum towards 0.71 (100, 200 DMAs), 0.7150 (61.8% fibo). Failing which a reversion to 0.70 - 0.71 sideways trade could suffice. Technical support at 0.6985 (23.6% fibo), 0.6920 levels.

Next week brings Card spending (Jul) on Tue; Food prices (Jul) on Thu; Mfg PMI (Jul) on Fri.

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR		S: 3.1000; R: 3.1500	Sideways Trade in Wider Range. Early week's gains in SGDMYR faded partially into end-week. Cross was last seen at 3.1210 levels. Bullish momentum on daily chart is waning while RSI is falling from near overbought conditions. Sideways trade with bias to the downside. Support at 3.1110 (21DMA) before 3.1040 (50 DMA) and 3.0980 (100 DMA). Resistance at 3.1350 levels (May high) and 3.15 levels.
AUD/MYR		S: 3.0900; R: 3.1300	Consolidate. AUDMYR inched modestly higher this week amid AUD bounce. Cross was last seen at 3.1150 levels. Mild bullish momentum intact but RSI is falling. Risk skewed to the downside but still expecting recent range of 3.09 - 3.13 to hold. Support at 3.1060 3.09, 3.0680 levels. Resistance at 3.1240 (200 DMA), 3.14 (50 DMA).
EUR/MYR		S: 4.9600; R: 5.0200	Downside Bias. EURMYR fell this week, in line with our call for <i>chance for dips</i> . Cross was last seen at 4.9870 levels. Bullish momentum on daily chart is fading while RSI is falling. Directional bias skewed to the downside. Support at 4.9810 (50 DMA), 4.9650 levels (100 DMA). 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: 5.8300; R: 5.9200	Pullback Risks; Buy Dips Preferred. GBPMYR continued to hover near recent highs amid GBP relative outperformance. Cross was last seen at 5.8710 levels. Bullish momentum on daily chart shows signs of waning while RSI is falling. Room for pullback not ruled out. Support at 5.8340 (50 DMA), 5.81 (21DMA), 5.7770 levels (100 DMA). Resistance at 5.89, 5.92 levels. Buy dips preferred
JPY/MYR		S: 3.7800; R: 3.8500	Sell Rallies. JPYMYR drifted lower this week. In line with our call for bearish divergence. Cross was last seen at 3.84 levels. Daily momentum turned bearish while RSI is falling. Bearish divergence observed on daily MACD and RSI. We continue to call for downside play. 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 - Consolidation



USDSGD traded a low of 1.3473 (Wed) before partially erasing losses towards Asia-close. Pair was last seen at 1.3515 levels.

Bearish momentum on daily chart intact while decline in RSI shows signs of slowing. Slight risks to the downside but price action likely to be sticky. Immediate support at 1.3510 (23.6% fibo retracement of 2020 high to 2021 low) needs to be broken for further downside to gather momentum. Failure to break below could see consolidative trade in 1.3470 - 1.3560 range next week.

Next support at 1.3480, 1.3450 (50 DMA).

Resistance at 1.3560 (21 DMA), 1.3610 levels.

USDMYR Daily Chart - More Room for Retracement if 21DMA Breaks



USDMYR slipped this week, in line with our call for *room for retracement*. Pair was last seen at 4.2180 levels.

Daily momentum is mild bearish while RSI showed tentative signs of turning. A bounce is not ruled out but bias to sell rallies. We also noted a bearish divergence on RSI. We stick to our view - to see room for retracement lower but likely key support at 4.2160 (21 DMA) needs to be broken for bearish pressure to intensify. Next support at 4.1850 levels (23.6% fibo retracement of 2021 low to high) and 4.17 levels (50 DMA).

Resistance at 4.2450 (upper bound of bullish trend channel), 4.25 levels..

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

AUDSGD Daily Chart: Consolidate; Watch Out for Risk of Short Squeeze


AUDSGD drifted modestly higher this week.

Cross was last seen at 0.9980 levels. Daily momentum and RSI are not indicating a clear bias. But price patterns still suggest a case for bearish bias: bearish trend channel and rounding top (bearish) pattern still intact.

We look for sideways trade within trend channel (formed since Jun). 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: Sideways in Wider Range


Early week's gains in SGDMYR faded partially into end-week. Cross was last seen at 3.1210 levels.

Bullish momentum on daily chart is waning while RSI is falling from near overbought conditions.

Sideways trade with bias to the downside. Support at 3.1110 (21DMA) before 3.1040 (50 DMA) and 3.0980 (100 DMA).

Resistance at 3.1350 levels (May high) and 3.15 levels.

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