Maybank

Macro | FX Research & Strategy

Global

FX Weekly

US Payrolls to Influence USD Bias

The Week Ahead

- **Dollar Index – Fade.** Support at 93.00; Resistance at 94.70
- **USD/SGD – Eyeing Dips.** Support at 1.3440; Resistance at 1.3640
- **USD/MYR – Consolidate.** Support at 4.1500; Resistance at 4.2000
- **AUD/SGD – Rebound.** Support at 0.9770; Resistance at 1.0040.
- **SGD/MYR – Bounce.** Support at 3.0720; Resistance at 3.10

Higher Energy Prices, UST Yields a Pain to EUR, JPY, KRW, INR

Immediate focus today on US payrolls data (830pm SG/MY time) for indication on whether Fed could start tapering at 3 Nov FoMC. Consensus is looking for Sep NFP to pick up pace to +450k (vs. 243k in Aug). A stronger number should confirm that Fed in on track to taper in Nov, possibly providing support to USD but a disappointment (lower than Aug print) may see markets speculate for push-backs on the taper start date. Potentially that may also provide a breather for risk assets and see further pullback in USD. Elsewhere the rise in global energy prices and UST yields still show no signs of abating and this could mean more pain for net energy importers and yield-sensitive FX proxy such as EUR, JPY, KRW, INR while on the flipside, USD, CAD and MYR may be more resilient, on a relative value basis. For ASEAN FX, we are still looking for a pullback in USDSGD within 1.3440 – 1.3640 range while we look for USDMYR to consolidate, with slight bias to the downside in 4.15 – 4.20 range.

MAS to Stand Pat Next Thu; Policy Normalisation Likely in Apr

House view is for the MAS to maintain the current neutral policy stance at the 14th Oct meeting. (See our FX note here and Economist team's note here). Recent domestic delta surge could have introduced incremental near-term downside risks to growth. Other external risk drivers include Fed tapering and potential moderation in China's growth pace. The central bank can afford to be more patient this time round. Nonetheless, there are rising risks from inflation. Persistent supply chain disruptions could keep energy, food and freight costs elevated in 2022. It may be prudent for the MAS to begin policy normalization next Apr. Output gap is now expected to return to a modest positive reading in 2022, while core inflation is expected to creep higher still. Given these macro conditions, our Taylor rule estimates suggest that SGD NEER is likely to see a modest upward bias over the next few quarters. Our Economist expects Flash 3Q21 GDP estimate is expected to come in at around +7.2%, slower than the +14.7% in 2Q due to a higher base. Services and construction will continue to recover, while manufacturing is expected to moderate from the peak of +18% in 2Q.

US, China CPIs; China Trade; SG GDP; Malaysia IP Next Week

Key Data we watch next week includes US Job openings; EU ZEW survey expectations; Malaysia IP on Tue. For Wed, US CPI; UK IP, GDP, trade; China trade. For Thu, FoMC minutes; AU labor market report; China CPI, PPI; SG 3Q GDP. For Fri, US retail sales, empire mfg; NZ mfg PMI. US, JP and TW onshore markets are closed for holidays on Mon.

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Our in-house model implies that S$NEER is trading at +0.84% to the implied midpoint of 1.3691, suggesting that it is 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

3Q 2021
No. 1 for VND
No. 3 for TWD

Currency	Direction	Support/Resistance	Key Data and Events
Dollar Index	→	S: 93.00; R: 94.70	**Mon:** - Nil - **Tue:** NFIB Small Business Optimism (Sep); JOLTS job openings (Aug); **Wed:** CPI (Sep); **Thu:** FoMC minutes (Sep); **Fri:** Retail sales (Sep); Empire manufacturing, Uni of Michigan sentiment (Oct)
EURUSD	→	S: 1.1490; R: 1.1700	**Mon:** - Nil - **Tue:** ZEW survey expectations (Oct); **Wed:** Industrial production (Aug); German CPI (Sep) **Thu:** - Nil - **Fri:** Trade (Aug)
AUDUSD	→	S: 0.7240; R: 0.7410	**Mon:** - Nil - **Tue:** NAB Business confidence (Sep); Wed: Westpac consumer confidence (Oct); **Thu:** Labor market report (Sep) **Fri:** - Nil -
NZDUSD	→	S: 0.6860; R: 0.7010	**Mon:** - Nil - **Tue:** Net migration (Aug); card spending (Sep); Wed: Food prices (Sep); Activity outlook, business confidence (Oct); **Thu:** - Nil - **Fri:** Mfg PMI (Sep)
GBPUSD	→	S: 1.3450; R: 1.3760	**Mon:** - Nil - **Tue:** Labor market report (Aug); **Wed:** Industrial production, construction output, Trade, Monthly GDP (Aug); **Thu:** RICS House price balance (Sep) **Fri:** - Nil -
USDJPY	→	S: 110.50; R: 112.50	**Mon:** Machine tool orders (Sep); **Tue:** PPI (Sep); **Wed:** Core machine orders (Aug); **Thu:** Industrial production (Aug); **Fri:** - Nil -
USDCNH	→	S: 6.4300; R: 6.4700	**Mon:** - Nil - **Tue:** - Nil - **Wed:** Trade (Sep); **Thu:** CPI, PPI (Sep); **Fri:** - Nil -
USDSGD	→	S: 1.3440; R: 1.3640	**Mon:** - Nil - **Tue:** - Nil - **Wed:** - Nil - **Thu:** MAS Policy Statement; GDP (3Q Advanced) **Fri:** - Nil -
USDMYR	→	S: 4.1500; R: 4.2000	**Mon:** - Nil - **Tue:** Industrial production (Aug) **Wed:** - Nil - **Thu:** - Nil - **Fri:** - Nil -
USDPHP	↓	S: 49.70; R: 51.00	**Mon:** - Nil - **Tue:** Trade (Aug) **Wed:** - Nil - **Thu:** - Nil - **Fri:** - Nil -
USDIDR	→	S: 14,100; R: 14,300	**Mon:** - Nil - **Tue:** - Nil - **Wed:** - Nil - **Thu:** - Nil - **Fri:** Trade (Sep)

Sources: Bloomberg, Maybank FX Research & Strategy

Selected G7 FX Views

Currency	*Stories of the Week*
DXY Index	***Watch Payrolls***. Immediate focus today on US payrolls data (830pm SG/MY time) as this is the final jobs report before 3 Nov FoMC and markets are looking for cues on whether Fed could start tapering at the Nov FoMC. Consensus is looking for Sep NFP to pick up pace to +450k (vs. 243k in Aug). A stronger number should confirm that Fed in on track to taper in Nov, possibly providing a support to USD but a disappointment (lower than Aug print) may see markets speculate for push-backs on the taper start date. Potentially that may also be provide a breather for risk assets and see further pullback in USD. Elsewhere on thematics, the rise in global energy prices and UST yields still show no signs of abating and this could mean more pain for net energy importers and yield-sensitive FX proxy such as EUR, JPY, KRW, INR while on the flipside, USD, CAD and MYR may be more resilient, on a relative value basis. For US, a debt default scenario was averted. Democrats and Republicans agreed to pass a bill that would raise statutory debt limit by $480bn, which is estimated to be sufficient to allow the government to continue borrowing through at least 3 Dec. That said the debt ceiling issue is not resolved but postponed. However we opined that a 2-month window may provide a temporary breather for risk assets. In addition China referred to recent Yang-Sullivan talks as comprehensive and candid. Potentially there could be a Biden-Xi virtual meeting (announced after the meeting between White House National Security Advisor Jake Sullivan and Chinese foreign policy advisor Yang Jiechi held in Zurich on Wed). Details of the Xi-Biden meeting still need to be worked out. The US Trade Representative Chief Katherine Tai is supposed to meet with China's Vice Premier Liu He this week for a discussion on China's commitment on the US-China trade pact. Positive development on US-China relations, US averting a default could support sentiment and mitigate against AXJs' recent decline. DXY was last at 94.30 levels. Bullish momentum on daily chart intact but there is tentative signs of it fading while RSI was flat near overbought conditions. Bias to fade upticks. We continue to monitor if the bearish divergence on weekly MACD will play out. Resistance at 94.47 (double-top), 94.7 levels. Support at 93.80 (neckline), 93.50 (21 DMA) and 92.95 (50 DMA). *Next week brings NFIB Small Business Optimism (Sep); JOLTS job openings (Aug) on Tue; CPI (Sep) on Wed; FoMC minutes (Sep) on Thu; Retail sales (Sep); Empire manufacturing, Uni of Michigan sentiment (Oct) on Fri.*
EUR/USD	***Downside Risks Ahead; Bias to Buy on Pullback***. EUR continued to trade with a heavy bias this week amid further widening of EU-UST yield differentials (last at -100bps vs. -96bps early this week). Many technical analysts are also looking for further downside (in the region of 1.10/1.11 levels) following the break of 1.1670. ECB speaks of late remain dovish: ECB Chief Economist Philip Lane said that Euro-area is very far from 'red zone' on inflation – defined as inflation become persistent at a number that's immoderately above the inflation target. He added there are solid reasons to believe that a lot of the spike in inflation is related to the reopening of the economy and that there's a significant transitory element to it. On energy price shocks, he said that while energy crunch is putting upside pressure on headline CPI, it is "by and large" contractionary for the economy. He also said that it is very important to re-anchor inflation expectations at 2%. Separately, ECB's Schnabel said that overreacting to price spike would be harmful and risk jeopardising the ongoing economic recovery while Stournaras said that investors should not expect premature interest rate increases from ECB (as he referred to implied pricing of ECB rate hike in 2023). Elsewhere this week, ECB reported to be studying a new bond purchase program when PEPP expires in Mar-2022. The plan is expected to replace the existing PEPP and the older APP (buying bonds at pace of EUR20bn/month). No decision has been made and it was previously mentioned that ECB will give an update at the Dec ECB meeting. We had earlier shared that the ECB could potentially increase APP buying pace (currently at EUR20bn per month) while winding down the PEPP (which was supposed to be an emergency tool in light of pandemic). On net, we believe that ECB bond purchases is not likely to end for ECB even with expiry of PEPP come Mar-2022 and potentially, APP may take on more significant role and could be expanded to ensure no sudden fallout in financial conditions. However the pace of bond purchases in 2022 should be smaller than the current pace of combined bond purchases in PEPP and APP schemes

Pair was last at 1.1545 levels. Bearish momentum on daily chart intact while RSI is near oversold conditions. On weekly chart, we observed a potential bullish divergence on MACD (but yet to confirm). We look for opportunity on pullback to buy into. Support at 1.1530 levels, 1.1490 (50% fibo retracement of 2020 low to 2021 high). Resistance at 1.1670 (previous neckline support), 1.17 (21 DMA) and 1.1760 (50 DMA).

Next week brings ZEW survey expectations (Oct) on Tue; Industrial production (Aug); German CPI (Sep) on Wed; Trade (Aug). on Fri.

GBP/USD ***Bearish Trend Channel Intact***. BoE Chief Economist Huw Pill made his first comments in public this week - said that risks to the economy are far more 2-sided than they have been for some time and as a result, policy decisions will become more finely balanced. He said that the balance of risks is currently shifting towards great concerns about the inflation and the current strength of inflation looks set to prove more long lasting than originally anticipated. Markets are interpreting that a rate hike is likely this year with +15bps fully priced by end-2021.

We had previously noted that the energy crisis and supply chain disruption at home look set to last longer than anticipated. These drivers would result in falling outputs and rising prices – somewhat akin to stagflation concerns (but short of a full blown one as underlying growth fundamentals remain intact for now). And the GBP may see more downside play. A hawkish BoE on the other hand, may somewhat mitigate the downside. But we cautioned that premature tightening could backfire and end up derailing growth momentum. We are cautious on GBP on the above factors.

GBP consolidated this week. Pair was last at 1.3590 levels. Daily momentum and RSI indicators are not showing a clear bias. We continue to look for 2-way trades. Immediate resistance at 1.3660 (21DMA), 1.3760 (50 DMA). Support at 1.3570, 1.3450 levels.

Next week brings Labor market report (Aug) on Tue; Industrial production, construction output, Trade, Monthly GDP (Aug) on Wed; RICS House price balance (Sep) on Thu.

USD/JPY ***Sustained Rise in UST Yield Can Drag USDJPY Higher***. USDJPY remains better bid, tracking rise in UST yields. Pair was last seen at 112 levels. Bullish momentum on daily chart intact while RSI shows signs of rising towards near overbought conditions. Risks to the upside for now. Immediate resistance at 112.10, 112.50 levels. Support at 111, 110.60 (21 DMA).

Next week brings Machine tool orders (Sep) on Mon; PPI (Sep) on Tue; Core machine orders (Aug) on Wed; Industrial production (Aug) on Thu.

AUD/USD ***Need to Clear 0.7330 for Further Gains***. AUD firmed this week; last seen at 0.7290 levels. Daily momentum turned mild bullish. Immediate resistance at 0.7325 (50% fibo retracement of Sep high to low) needs to be decisively broken for bulls to gain momentum. Next resistance at 0.7360 (61.8% fibo), 0.74 levels (76.4% fibo). Support at 0.7280 (21 DMA), 0.7240 levels (23.6% fibo).

Next week brings NAB Business confidence (Sep) on Tue; Westpac consumer confidence (Oct) on Wed; Labor market report (Sep) on Thu.

NZD/USD ***Risks to the Downside***. NZD continued to trade with a heavy bias despite other hard commodity-linked peers, AUD and CAD outperforming. Chatters that aggressive pricing for future RBNZ rate hikes are already well in the price of NZD hence Kiwi is giving back earlier gains (buy rumor, sell fact).

Pair was last seen at 0.6915 levels. Bearish momentum on daily chart intact for now while RSI is flat. Bearish crossover observed with 21DMA cutting 50DMA to the downside. Risks still skewed to the downside. Support at 0.6890, 0.6860 levels (Sep low). Resistance at 0.6950 (23.6% fibo retracement of Sep high to low), 0.6980 (38.2% fibo) and 0.7015 (50% fibo)

Next week brings Net migration (Aug); card spending (Sep) on Tue; Food prices (Sep); Activity outlook, business confidence (Oct) on Wed; Mfg PMI (Sep)..

Technical View: MYR Crosses

MYR Crosses	Direction	Support/Resistance	Stories of the Week
SGD/MYR	→	S: 3.0570; R:3.0920	**Rebound Risk.** SGDMYR consolidated this week in line with our caution for turnaround risk, given RSI oversold. Cross was last seen at 3.0810 levels. Bearish momentum on daily chart shows signs of fading while RSI is rising from oversold conditions. Rebound risks not ruled out. Resistance at 3.0840 (50% fibo), 3.0920 (21 DMA) and 3.0960 (38.2% fibo). Support here at 3.0720 (61.8% fibo retracement of Mar low to 2021 double-top), 3.0570 (76.4% fibo).
AUD/MYR	→	S: 2.9800; R: 3.0700	**Rebound in Bearish Trend Channel.** AUDMYR bounced amid AUD outperformance, Cross was last seen at 3.0460 levels. Daily momentum is showing signs of turning bullish while RSi is rising. Risk skewed to the upside within its bearish trend channel formed since Jun is likely. Resistance at 3.0680 (50 DMA, 61.8% fibo retracement of Nov low to 2021 double top). Support at 3.03, 2.9830 (76.4% fibo
EUR/MYR	→	S: 4.8000; R: 4.8870	**Potential Snapback Risk.** EURMYR continued to trade with a heavy bias this week amid EUR underperformance. Cross was last seen at 4.8350 levels. Bearish momentum on daily chart intact but RSI shows signs of turning from near oversold conditions. Potential bullish divergence may also be forming on RSI. Still caution for potential snapback risk (given RSI at oversold conditions). Resistance at 4.8450, 4.8870 (21 DMA). Support at 4.82, 4.80 and 4.7770 (50% fibo retracement of 2020 low to 2021 high).
GBP/MYR	→	S: 5.5800; R: 5.7100	**Further Rebound Not Ruled Out.** GBPMYR rebounded this week, in line with our caution in the last FX Weekly for snapback risk. Cross was last seen at 5.6850 levels. Bearish momentum on daily chart is fading while RSI is rising. Further rebound not ruled out. Resistance at 5.6850, 5.71 (21, 200 DMAs, 23.6% fibo). Support at 5.62 (recent low) before 5.5820 (38.2% fibo retracement of 2020 low to 2021 high).
JPY/MYR	→	S: 3.7150; R: 3.8000	**Sideways.** JPYMYR was last seen at 3.7520 levels. Mild bearish momentum on daily chart shows signs of fading while RSI is flat. Sideways trade for now. Resistance at 3.78 (61.8% fibo retracement of Jun low to Aug high, 21DMA), 3.80 (50% fibo). Support at 3.73, 3.7150 levels (Jun low).

Technical Chart Picks:

USDSGD Daily Chart – Looking for Pullback

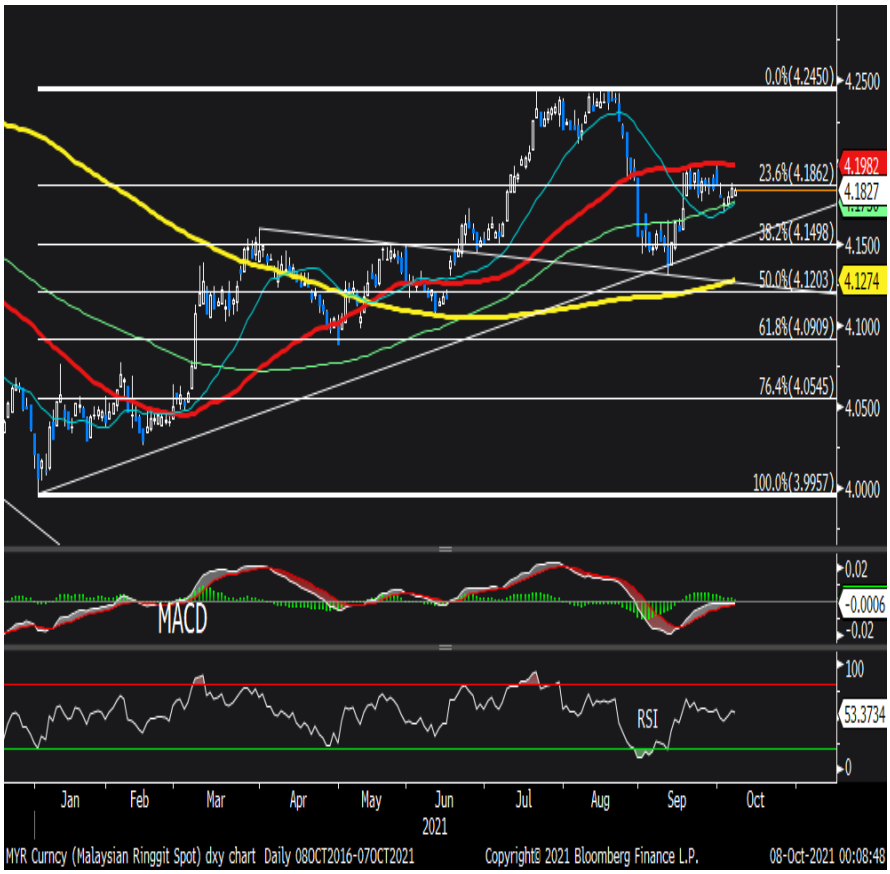
USDSGD was a touch firmer this week; last seen at 1.3580 levels.

Bullish momentum on daily chart intact for now but RSI shows signs of falling from near overbought conditions. Potential bearish divergence developing on USDSGD and USDKRW. We keep a look-out for any follow-through momentum to the downside.

Immediate support at 1.3520 (50 DMA), 1.3490 (38.2% fibo retracement of Jun low to Jul high). Break below these levels could see the pair dip lower towards 1.3470 (100 DMA), 1.3440 (50% fibo).

Resistance at 1.3640, 1.3690 (Jul high).

USDMYR Daily Chart – Consolidation



USDMYR traded in subdued range this week. Last seen at 4.1830 levels.

Bullish momentum on daily chart intact while RSI is rising. We still expect consolidative trades.

Support at 4.1750 levels (21, 100 DMAs), 4.15 levels (38.2% fibo retracement of 2021 low to 2021 double-top) and 4.12/4.1250 levels (200 DMA, 50% fibo).

Resistance at 4.1980 (50DMA), 4.25 levels.

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

AUDSGD Daily Chart: Rebound Risk

AUDSGD rebounded this week amid AUD outperformance. Cross was last seen at 0.9940 levels.

Daily momentum is bullish while RSI is rising. Chance of gains but likely restraint around 1.0040 levels.

Resistance at 1.0010 levels (100 DMA), 1.0040 levels.

Support at 0.9840 (21 DMA), 0.9779 (76.4% fibo retracement of 2020 low to 2021 high).

SGDMYR Daily Chart: Rebound Risk

SGDMYR consolidated this week in line with our caution for turnaround risk, given RSI oversold.

Cross was last seen at 3.0810 levels. Bearish momentum on daily chart shows signs of fading while RSI is rising from oversold conditions. Rebound risks not ruled out.

Resistance at 3.0840 (50% fibo), 3.0920 (21 DMA) and 3.0960 (38.2% fibo).

Support here at 3.0720 (61.8% fibo retracement of Mar low to 2021 double-top), 3.0570 (76.4% fibo).

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