

Maybank FX Research

FX Tech Weekly

Monday, February 20, 2012

Currency	Trading Direction	Support/Resistance	Key Data Out This Week
Dollar Index	↓	S: 78.50; R: 80.00	<ul style="list-style-type: none"> Tues: US Chicago Fed Natural Activity Index; Wed: US MBA Mortgage Applications; Existing Home Sale; Thurs: US Initial Jobless Claims; House Price Index; Fri: US New Home Sales; University of Michigan Confidence Index;
Asia-Dollar Index	↑	S: 117.00; R: 117.91	<ul style="list-style-type: none"> See DXY for key US data.
EURUSD	↔ ↑	S: 1.3100; R: 1.3320	<ul style="list-style-type: none"> EU finance ministers to decide on Greece's EUR130bn bailout Mon Wed: FR, GE, EC PMI Manufacturing, PMI Services; EC PMI Composite; EC Industrial New Orders; Thurs: GE IFO Business Climate; Fri: GE GDP
AUDUSD	↔ ↑	S: 1.0650; R: 1.0845	<ul style="list-style-type: none"> Tues: RBA Minutes;
GBPUSD	↔ ↑	S: 1.5700; R: 1.5885	<ul style="list-style-type: none"> Wed: BOE Minutes; Fri: UK GDP;
USDJPY	↔ ↑	S: 79.00; R: 80.00	<ul style="list-style-type: none"> Tues: JN All Industry Activity Index;
USDSGD	↔ ↓	S: 1.2500; R: 1.2625	<ul style="list-style-type: none"> Thurs: SG CPI; Fri: SG Industrial Production
USDMYR	↔ ↓	S: 3.0000; R: 3.0500	<ul style="list-style-type: none"> Wed: MY CPI
USDPHP	↔ ↓	S: 42.50; R: 42.95	<ul style="list-style-type: none"> Mon: PH Balance of Payments
USDIDR	↔ ↑	S: 9000; R: 9100	<ul style="list-style-type: none"> No Significant Data This Week

Dollar continues to weaken with bearish price action. JPY weakness continues, but could be due for corrective rally. With China cutting the Required Reserve Ratio, Cmnty/JPY pairs could remain buy-on-dips. **S&P 500 trades within striking distance of 2011 highs** at 1,370 (current 1,361), likely to see a sizeable pullback in risky assets as the index tests 1,370.

Dollar Index (DXY), Daily



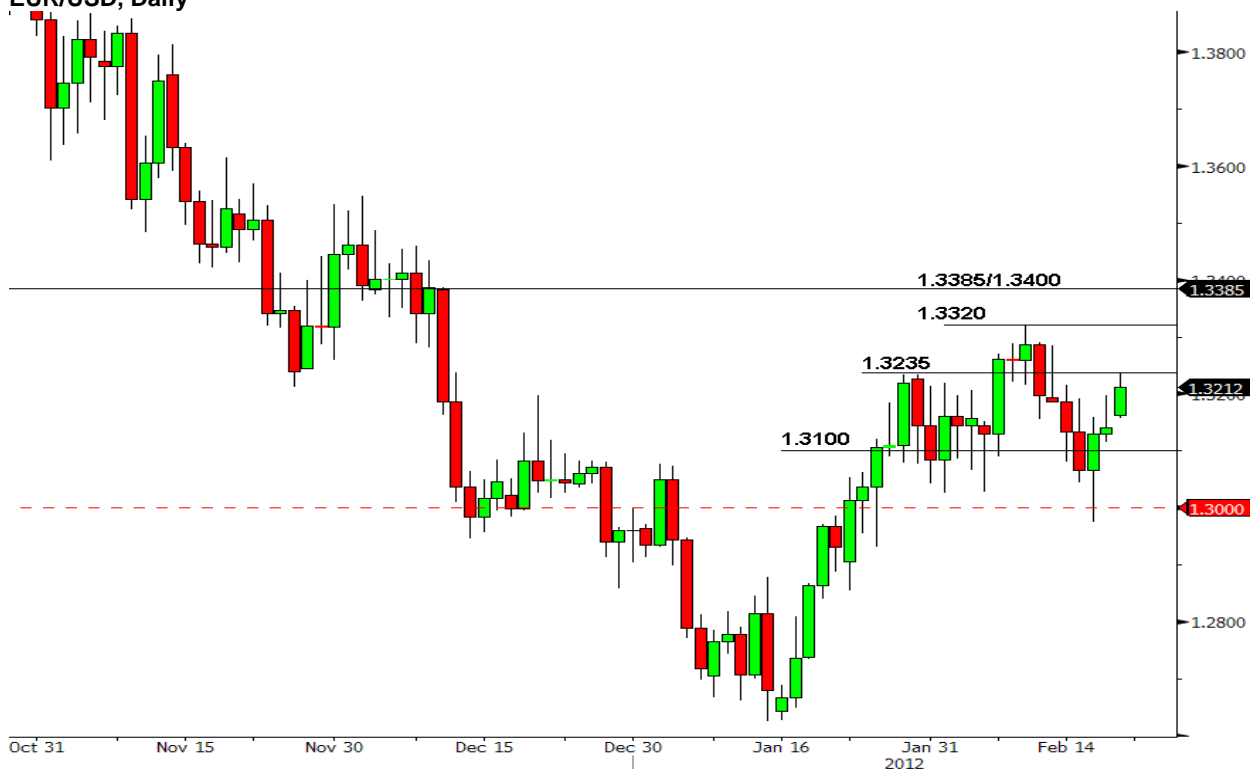
- **Probable downside. Heavy support anticipated at 78.50/78.25.** Some upside seen last week towards 80.00. Selling firm off 80.00 with price action bearish. Likely to see the Dollar Index continue to move towards 78.50 in the coming week as the down trend is anticipated to continue. China cutting Required Reserve Ratio likely to have boosted risk appetite.
- Support anticipated to be heavy in the 78.50/78.25 region. Dollar decline likely to at least take a breather on the first test in the region.

ADXY (Asian Dollar Index), Daily



- **Uptrend resuming. Resistance at 117.91/118.00, then 118.50.** Price action bullish, showing Asian currencies appreciating vs the Dollar. Support was found at 117.00 last week. Heavy support in the 116.60/116.50 region last week unlikely to be tagged barring a sharp reversal in risk appetite.
- In the coming week, ADXY is likely to inch higher towards the 117.91/118.00 swing high this week. Subsequent major resistance found at 118.50. Watch for Dollar strength if S&P 500 tests 1,370.

EUR/USD, Daily



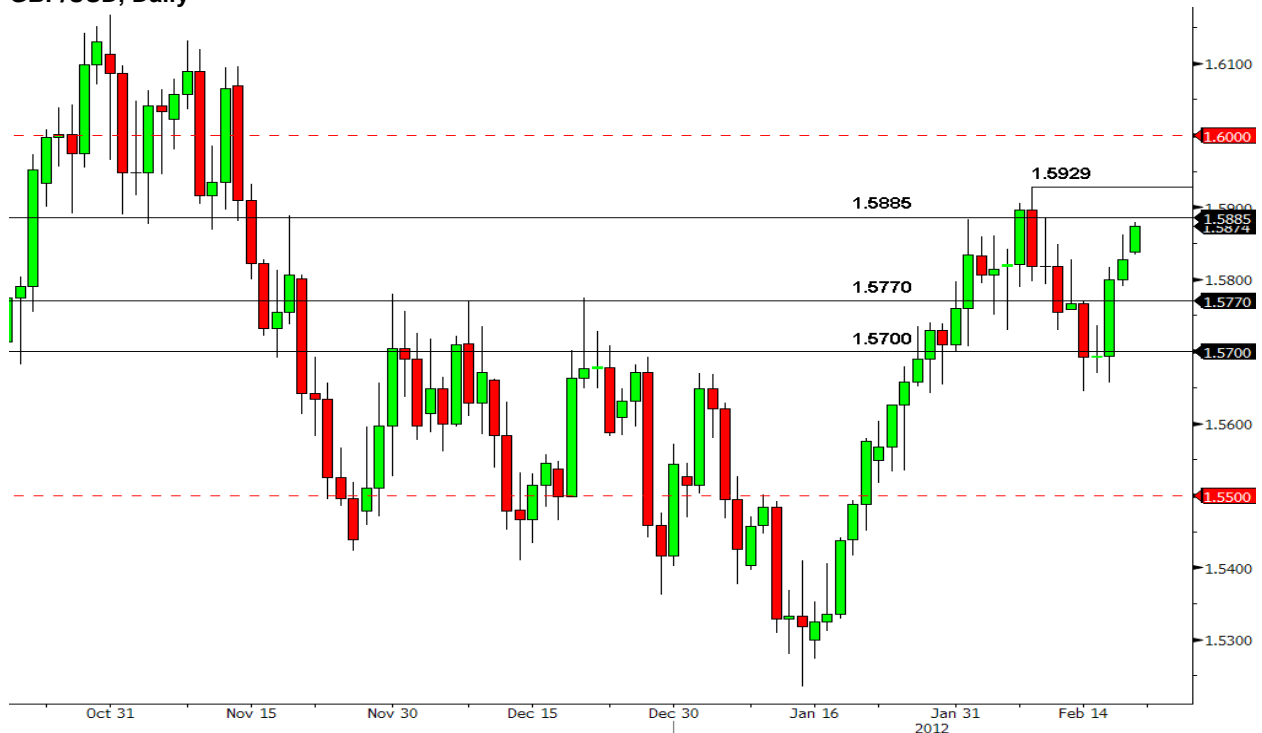
- **Choppy uptrend. Approval of Greek bailout will be a positive catalyst if it occurs.** EUR/USD remains in a choppy uptrend with resistance at 1.3235, 1.3320 and the 1.3385/1.3400 region respectively. Support at 1.3100.
- EU finance ministers meet today to decide on Greece's EUR130bn bailout package, without which the country will have insufficient funds to meet EUR14.5bn worth of debt repayments and default. Visibility with regards to EU-Greece issues are relatively low, though EU politicians have expressed their impatience with Greece and as mentioned, Greece seems to have little incentive to promise austerity measures that would prolong their current recession that has lasted for the past 5 years.

AUD/USD, Daily



- **Currently trading sideways, but trend firmly poised upwards. Close above 1.08 could take the pair to 1.10.** Support found in the 1.0650 region last week. The trend remains positive, though currently, the pair is consolidating sideways, with the 1.0800 region acting as a short term resistance. Minor resistance anticipated at the 1.0845 swing high and 1.0885. Subsequently, it should be smooth sailing until 1.10.
- Expectations of rate cuts for the pair have been reduced drastically after RBA kept rates flat and a subsequent statement on monetary policy. 1yr OIS current stands at 4.03%, a sharp upwards revision from 3.58% 1 mth ago. RBA minutes tomorrow will be scrutinized to further understand the intentions of the Reserve Bank.

GBP/USD, Daily



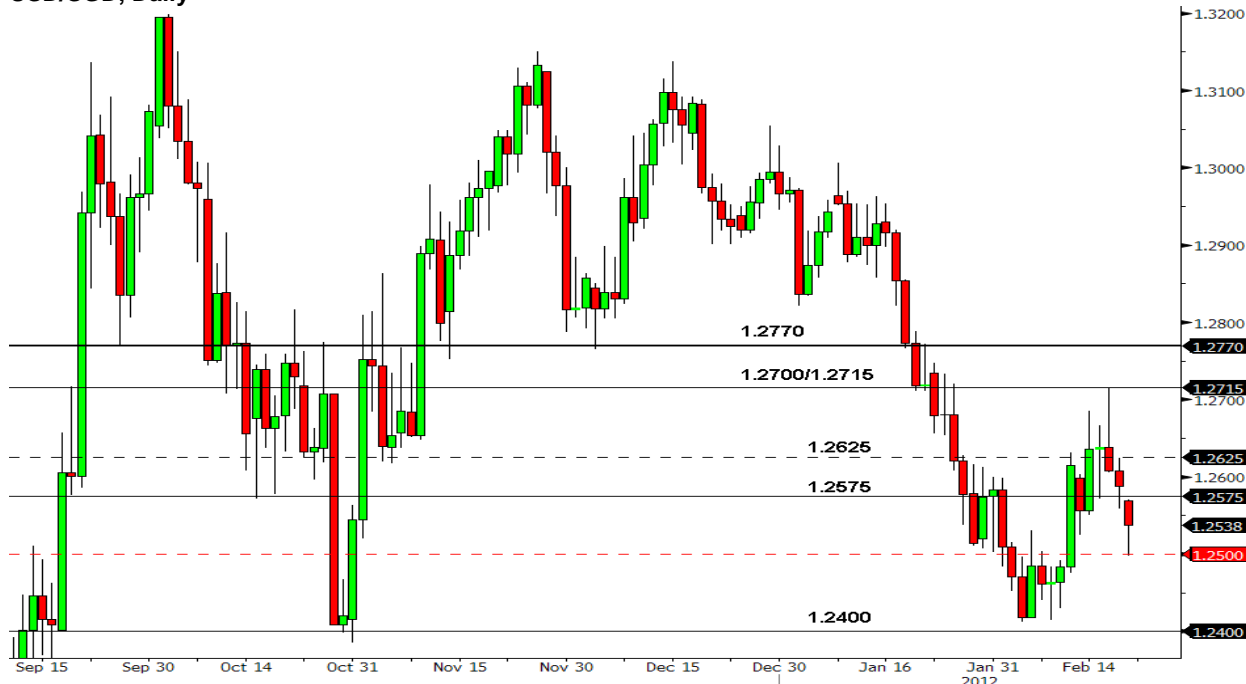
- **Could see upside to 1.60 on Dollar weakness. 1.5885 and 1.6000 heavy resistance.** We initially thought that GBP/USD had the potential to trade lower. However, the pair did not manage to hold a close below 1.5700 and reversed north. The uptrend remains intact, though the pair is likely to be ranging in the short term between 1.5885 and 1.5770. Swing high at 1.5929 likely to act as resistance before key resistance at 1.6000.
- BOE minutes on Wed could give more insight into the central bank's thoughts on quantitative easing and help to shape market expectations.

USD/JPY, Daily



- **Correction due. Possible buy on dips if price action positive off 79.00 or 78.30. Trade data at record low.** BOJ announced a bond buying program last week in a surprise decision to buy up to JPY10tn in government bonds. The policy board agreed to a 1% inflation target in the near term. The move has been a catalyst for a weak JPY and seems to have shifted market sentiment towards JPY weakness. BOJ governor Shirakawa says strong monetary easing will continue.
- Japan's economic data has been weak. Today's trade data showed a deficit reading at -JPY1.475tn, the lowest since the data began to be recorded in 1979. Weak data could have aided in JPY weakness in addition to BOJ's easing.
- The long term trend has been for JPY strength since highs in 2007. Thus far, too little time has passed to constitute a change in the long term trend. The short term trend however, is clearly positive, but still a far cry from the Cabinet Office's breakeven estimate for exporters around 87.00.
- Technicals show USD/JPY being offered close to the 80.00 region. RSI is also very overbought, pushing 90+. There is a possibility of seeing a dip back to 79.00 in the coming week. We are watching for price action as an indication that dips in USD/JPY continue to be bought.

USD/SGD, Daily



- **Downside bias. Close below 1.25 to take pair to 1.24.** "Sell on rallies or a shift into an uptrend?" that was the question last week. For USD/SGD. Slightly more visibility this week. We anticipate USD/SGD to trend lower on the back on a weaker Dollar. Watch for a close below 1.2500 in particular which should signal more downside to come. As mentioned though, there is risk of some Dollar side strength if we see the S&P 500 sell down hard from 2011 highs at 1,371. 1.2400 anticipated to hold up as support.
- Our SGD NEER model currently estimates the topside at 1.2095, the mid-point at 1.2533 and downside at 1.2971 with pair trading about 0.2% above implied parity.

USD/MYR, Daily



- **Downside bias. Close below 3.00 could take pair to 2.9750.** The past two weeks saw a run up from 3.0000, above 3.0500. USD/MYR gapped lower on the open today on Dollar weakness. The pair is likely to move towards the 3.0000 market again this coming week.
- What we are looking for here is *how* USD/MYR reacts to 3.0000. Short covering at 3.0000 the week before has fizzled, as have initial buy orders off 3.0000. A close below 3.0000 is likely to cause imply a continuation of the downtrend, with next major support at 2.9750.

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