

FX Asia Fortnightly

USD/Asians To See Some Short-Term Consolidation

Xi-Trump Summit -Either A Boon Or Bane

The USD rise has not been broad-based. It had risen against most of the G10 currencies but slipped against the Asians. Still, this optimism for the Asians may not last as market focus attention on the Xi-Trump summit meeting in Florida on 6 and 7 Apr. With Trump already warning that the summit will be “very difficult” with China’s trade surpluses with the US, unfair trade practices as well as North Korea on the menu. Trump’s two executive orders on 2 Apr that seek fresh ways to penalize countries “engaged in unfair trade” that could trigger greater uncertainty ahead. Thus, as the summit and US ADP and NFP on 5 and 7 Apr approaches, we could see some USD downside pressure but is mostly likely to remain in consolidation. This means that USD/Asians should also remain in consolidation given the possibility of renewed tensions over trade and currency. This could be opportunities to buy on dip. Key support levels to watch for USDJPY, USDSGD and USDKRW are at 110, 1.3920 and 1110 respectively. In contrast, the USDCNH looks poised to move towards 6.92. But should the summit end amicably, USD bulls could reemerge and lift the USD/Asians higher.

Sell JPYSGD Towards 1.26-Levels

JPYSGD has been trading lower over the past several sessions amid doubts about reflation trades. Cross was last seen around 1.2530 levels. Bullish bias on the weekly, daily charts remain intact but is waning on the daily chart. Stochastics on the daily chart shows tentative signs of turning lower. Further downticks should find support at 1.2480 (50 & 100DMAs), 1.2400 levels. Resistance at 1.2600 levels (38.2% fibo retracement of the 2015-2016 upswing). 50DMA has cut both the 100DMA and 200DMA to the downside, a technical signal for bearishness. We look to sell the JPYSGD towards 1.26 levels, targeting objective at 1.2250. Stop loss at 1.2650.

RBI, BoK, MAS Meetings, SG GDP...

Aside from the Xi-Trump summit, we are also closely eyeing RBI and BoK policy meetings on 6 and 13 Apr and MAS meeting expected sometime in the week of 10 Apr. All three central banks are expected to maintain the status quo with RBI and BoK expected to keep their benchmark policy rate steady at 6.25% and 1.25% respectively, while MAS to maintain the current neutral policy with no change to the width of the policy band and the level at which it is centered. Key data ahead we are watching includes KR CPI (Mar) on 4 Apr; PH CPI (Mar) on 5 Apr, JP labor cash earnings (Feb) on 7 Apr. The week after, we have CN money supply, new yuan loans, aggregate financing (Mar), SG Adv. Est. 1Q17 GDP and IN trade (Mar) due the week of 10 Apr; JP machine tool order (Mar P), MY industrial production (Feb), PH trade (Feb) on 11 Apr; JP machine orders (Feb), PPI (Mar), CN CPI, PPI (Mar), KR unemployment rate (Mar), SG retail sales (Feb), IN CPI (Mar), industrial production (Feb) on 12 Apr; CN trade (Mar) on 13 Apr; JP industrial production, capacity utilization (Feb) on 14 Apr. CN is out on 3, 4 Apr; TH on 6, 13, 14 Apr; VN on 6 Apr; PH on 13, 14 Apr; ID, IN, SG on 14 Apr for public holidays.

Analysts

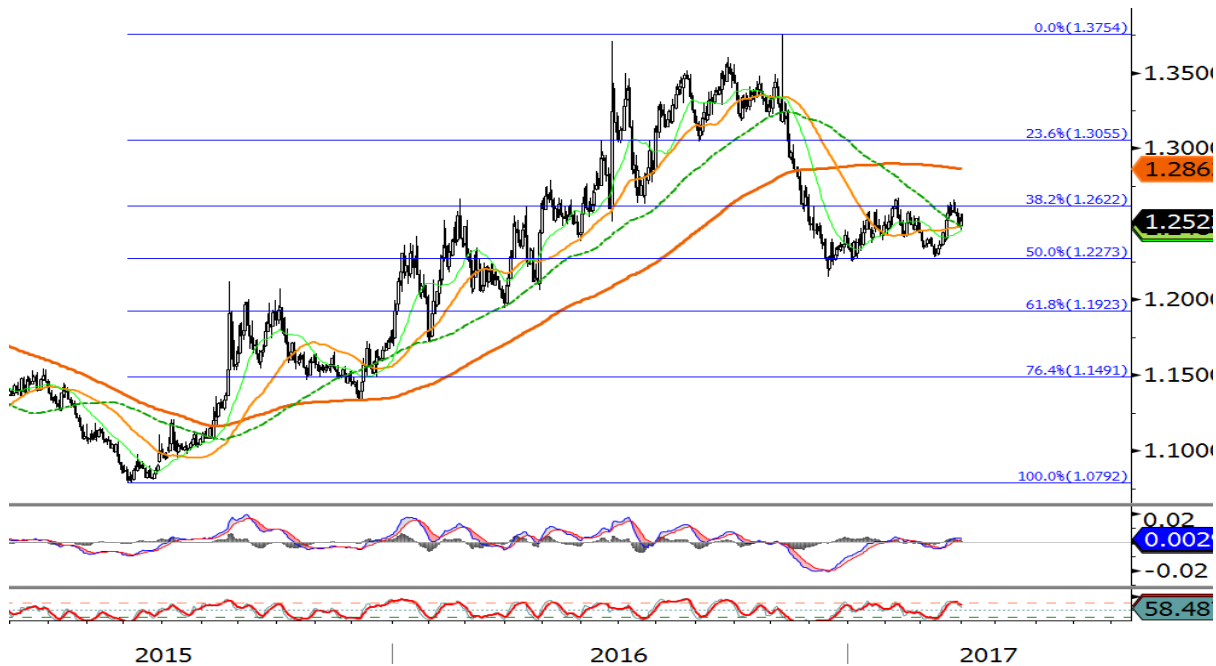
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Flavour of the Week: Daily Chart - Sell JPYSGD Towards 1.26-Levels



Source: Bloomberg, Maybank FX Research

- JPYSGD has been trading lower over the past several sessions amid doubts about reflation trades. Cross was last seen around 1.2530 levels. Bullish bias on the weekly, daily charts remain intact but is waning on the daily chart. Stochastics on the daily chart shows tentative signs of turning lower. Further downticks should find support at 1.2480 (50 & 100DMAs), 1.2400 levels. Resistance at 1.2600 levels (38.2% fibo retracement of the 2015-2016 upswing). 50DMA has cut both the 100DMA and 200DMA to the downside, a technical signal for bearishness.
- JPY could find support amid global risk aversion due to the uncertainty ahead of Xi-Trump summit. Thereafter, we can expect the JPY weakness to return as Trump reflation trades re-emerge. SGD though could remain supported around current levels ahead of the MAS policy meeting next week. Market has been longing SGD in anticipation of a hawkish signal from the MAS at its Apr meeting. Maintaining the current neutral policy could see a sell-off, pushing the SGD lower.
- We look to sell the JPYSGD towards 1.26 levels, targeting objective at 1.2250. Stop loss at 1.2650.

2017/2018 Asia FX Forecasts

	End 2Q -17	End 3Q -17	End 4Q-17	End 1Q-18
USDJPY	108	110	113	113
USDSGD	1.4100	1.4200	1.3950	1.3950
USDMYR	4.40	4.35	4.40	4.40
USDIDR	13300	13400	13450	13500
USDTHB	34.80	35.30	36.00	36.20
USDPHP	50.30	50.50	50.70	50.70
USDCNY	6.96	7.02	7.05	7.05
USDKRW	1140	1150	1160	1170
USDINR	65.50	66.50	67.00	66.00
USDVND	23100	23400	23500	23600
SGD Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
SGDMYR	3.121	3.063	3.154	3.154
MYR Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
MYRCNY	1.58	1.61	1.60	1.60
MYRIDR	3023	3080	3057	3068
MYRINR	14.89	15.29	15.23	15.00

Source: Maybank FX Research as at 31 Mar 2017.

*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

Asian FX Directional Bias

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDJPY	After briefly touching a new low of 110.11 for 2017 (on 27 Mar), USDJPY had rebound to an intra-week high of 112.20. This rebound though is likely to be short-term. Pair has since eased back towards the 111-levels. Bearish momentum on the daily chart is waning and stochastics is showing tentative signs of turning higher from oversold conditions. Rebounds looks poised to continue but we remain cautious ahead of the Xi-Trump summit that could reignite tensions over trade and currency (6-7 Apr). Uncertainty in the lead-up to the summit could see the USDJPY trade lower. Nevertheless, we continue to expect the USDJPY to consolidate within 110-112.50 for the next two weeks. Any dips could be an opportunity to buy into towards 110, targeting a move back up towards 112, 114 levels.	Yield Curve Control	Easing
USDCNH	USDCNH is swing higher faded towards the end of last week as the USD slipped against the Asians but continues to hover in a tight range within 6.86-6.88. The 21 and 100-DMA's cap price action. The sell-on-Fed in the USD seems to have effect a throwback for the recent break out of the triangle in the USDCNH. We continue to watch the support level at 6.8500. Breaking that opens the way towards the next support at 6.8330. Despite the downside risks in the USD, we would like to hold the view that USDCNH could move higher. Resistance at 6.8840 (100-DMA), before the 6.90 again.	1-Yr Lending Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDKRW	1m USDKRW NDF traded lower. Feb exports surprised to the upside. We shared in our Tech Weekly (last Fri) that the upcoming Xi-Trump meeting (6 - 7 Apr) is expected to be closely watched. We believe it could reignite tensions on trade and currency. And defensive trades could be put on in the lead-up. We see temporary USD downside pressure against JPY and perhaps, CNH, KRW, TWD (currencies at risk of being named currency manipulators, and trade surplus with US). Pair was last seen at 1113.60 levels. Next support at 1110 before 1100. Resistance at 1120 levels.	Base Rate	Easing Bias
USDSGD	USDSGD has traded range-bound near recent lows over the past few sessions. Downside pressure on the pair persists but pair appears to be firmly supported by the 200DMA around 1.3910-1.3930 levels at this point. We have both 1Q17 preliminary estimates for GDP and MAS's Apr meeting coming up sometime in the second week of Apr. MAS is likely to remain on hold for now, while growth momentum should remain intact, and these should keep the pair supported in range-bound trades in the next two weeks. Technically, bearish momentum on the daily chart remains intact but shows signs of waning. Stochastics shows tentative signs of climbing - an indication of rebound risks. Resistance is at 1.4050 (21DMA). Key support is at 1.3920 (200DMA), which if broken on a weekly close may nullify rebound risks and suggests further downside. Bias to buy on dips.	Exchange Rate	Neutral
USDMYR	USDMYR rebounded from recent. Last seen at 4.4260 levels. Last seen at 4.4190 levels. Mild bearish momentum on daily chart is waning but stochastics is showing signs of turning higher from oversold conditions. Resistance at 4.44. Support at 4.4120 (100 DMA), 4.38. Week ahead brings trade data (4 Apr); FX reserves (7 Apr); IP (11 Apr).	O/N Policy Rate	Easing Bias
USDIDR	1m USDIDR NDF has been trading within familiar ranges for much of the past two weeks over reflation trade prospects and speculation that an S&P credit rating upgrade is imminent. This speculation continues to spur inflows into Indonesian assets with foreign funds purchasing USD91.18mn in equities last week. They had also added IDR7.46tn to their outstanding holdings of government debt on 27-30 Mar (latest data available). Market is also likely to focus on Xi-Trump summit on 6-7 Apr as well as on US ADP and NFP on 5 and 7 Apr respectively. Together, these factors are likely to be in play in the two weeks in the absence of domestic catalysts. Technically, momentum remains bearish on the daily chart but is waning. Stochastics shows tentative signs of climbing higher from oversold conditions, signaling rebound risks. We expect the pair to remain in range-bound trades with 13310 - 13370 in the next two weeks.	7-Day Reverse Repo Rate	Easing Bias
USDPHP	1m USDPHP NDF continues to trade above the 50-figure amid weak investor sentiments due to the Duterte risk premium - foreign investor concerns over the president's aggressive anti-illegal drug programme and his intemperate temperament. This had led to the continued outflow of funds from equities as seen in the sell-off last week where foreign investors sold USD91.18mn. Further sell-off is likely to weigh on the PHP and keep the 1m NDF supported. The week ahead is likely to be focused on CPI inflation for Mar on 5 Apr for further signs of inflationary pressures that could signal a BSP rate adjustment ahead. As well, Xi-Trump summit and US ADP and NFP will also be closely watched. Daily momentum indicators continue to show bearish bias but are waning. Pressure remains to the downside at this point, but should remain supported above the 50-figure (200DMA) for now. Resistance remains at its multi-year high of 50.77-levels (21 Feb).	O/N Borrowing Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDTHB	USDTHB appears to be in consolidation mode after slipping to a multi-year low of 34.310 (27 Mar) amid widening real yield differentials between UST and Thai government debt in favour of Thailand. This has whetted foreign appetite for Thai assets amid political stability for now and the recovery of the economy with THB3.60bn and THB6.63bn of equities and government debt purchased for the whole of Mar. For last week, foreign investors had bought THB13.88bn and THB17.27bn in equities and government debt. Weekly, daily momentum indicators remain bearish bias, but are waning on the daily chart. Stochastics on both the weekly, daily charts are still at oversold conditions - signaling rebound risks. Short two weeks in Thailand with a public holiday on 6 Apr and then on 13-14 Apr with no tier 1 data 1-34.55 in the two weeks ahead. A weekly close below the 34.310 levels exposes the next support at the 34-figure.	1-Day Repo Rate	Neutral
USDINR	1M NDF has slid a long way from the start of Mar, now languishing under the 65-figure, like the spot. Weighing on the pair is strong demand for rupee debt and equities. Foreign funds purchased USD1.30bn and USD1.31bn in equities and government debt on 27-30 Mar (latest data available). We have RBI meeting on 6 Apr and we expect the central bank to maintain the status quo with the benchmark policy rate held at 6.25%. Pressure remains to the downside notwithstanding short-term retracements and risk a further extension towards 63.50 (Jul 2015-low). Retracements could meet support around 65.80. Momentum indicators signal bearish bias on the weekly chart though stochastics flags oversold condition. Next support at 64.30 (200-WMA).	Policy Repo Rate	Neutral
USDVND	USDVND has been edging lower over the past several sessions. 50DMA continues to limit downside. We need to see a clean break of the 50DMA on a weekly close to confirm bearish extension towards 22670 levels (100DMA). Risks are to the downside at this point. Price action remains capped by 21DMA at 22800. Quiet two weeks with a public holiday on 6 Apr should see the VND guided by external events including the Xi-Trump summit on 6-7 Apr and US ADP and NFP on 5 and 7 Apr respectively, which could keep the pair supported ahead.	Refinancing Rate	Neutral

Key Data and Events Ahead

	3-9 Apr	10-16 Apr
Japan	<ul style="list-style-type: none"> • Mon: Tankan Survey Results (1Q), Nikkei PMI Mfg (Mar F) • Tue: - Nil - • Wed: Nikkei PMI Services & Composites (Mar) • Thu: - Nil - • Fri: Labor Cash Earnings (Feb) 	<ul style="list-style-type: none"> • Mon: Current Account (Feb) • Tue: Machine Tool Orders (Mar P) • Wed: Machine Orders (Feb), PPI (Mar) • Thu: - Nil - • Fri: Industrial Production, Capacity Utilization (Feb)
China	<ul style="list-style-type: none"> • Mon: Public Holiday • Tue: Public Holiday • Wed: - Nil - • Thu: China PMI Services & Composite (Mar) • Fri: Foreign Reserves (Mar) • Sat: FDI (Mar) (due 8-18 Apr) 	<ul style="list-style-type: none"> • Mon: Money Supply, New Yuan Loans, Aggregate Financing (Mar) (due on 10-15 Apr) • Tue: - Nil - • Wed: CPI, PPI (Mar) • Thu: Trade (Mar) • Fri: - Nil -
South Korea	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg (Mar) • Tue: CPI (Mar) • Wed: Foreign Reserves (Mar), Current Account (Feb) • Thu: - Nil - • Fri: - Nil - 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: Unemployment Rate (Mar) • Thu: BoK Meeting • Fri: - Nil -
Singapore	<ul style="list-style-type: none"> • Mon: PMI (Mar) • Tue: - Nil - • Wed: Nikkei PMI Mfg (Mar) • Thu: - Nil - • Fri: Foreign Reserves (Mar) 	<ul style="list-style-type: none"> • Mon: GDP (1Q), MAS Meeting (due 10-14 Apr) • Tue: - Nil - • Wed: Retail Sales (Feb) • Thu: - Nil - • Fri: Public Holiday
Malaysia	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg (Mar) • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: Foreign Reserves (31 Mar) 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: Industrial Production (Feb) • Wed: - Nil - • Thu: - Nil - • Fri: Money Supply M3 (Feb)
Indonesia	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg, CPI (Mar) • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: Foreign Reserves (Mar) 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: Public Holiday
Philippines	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg (Mar) • Tue: - Nil - • Wed: CPI (Mar) • Thu: - Nil - • Fri: Foreign Reserves (Mar) 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: Trade (Feb) • Wed: - Nil - • Thu: Public Holiday • Fri: Public Holiday
Thailand	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg, CPI (Mar) • Tue: - Nil - • Wed: - Nil - • Thu: Public Holiday • Fri: Foreign reserves (31 Mar) 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: Foreign Reserves (7 Apr) • Thu: Public Holiday • Fri: Public Holiday
India	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg (Mar) • Tue: - Nil - • Wed: - Nil - • Thu: Nikkei PMI Services & Composite (Mar); RBI Meeting • Fri: - Nil - 	<ul style="list-style-type: none"> • Mon: Trade (Mar) (due 10-17 Apr) • Tue: - Nil - • Wed: CPI (Mar), Industrial Production (Feb) • Thu: - Nil - • Fri: Public Holiday
Vietnam	<ul style="list-style-type: none"> • Mon: Nikkei PMI Mfg (Mar) • Tue: - Nil - • Wed: - Nil - • Thu: Public Holiday • Fri: - Nil - 	<ul style="list-style-type: none"> • Mon: - Nil - • Tue: - Nil - • Wed: - Nil - • Thu: - Nil - • Fri: - Nil -

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