

FX Asia Fortnightly

USDAsians Could Still Move Higher

USDAsians Could Trade With A Bullish Tilt Ahead

The apparent lack of USD momentum is providing opportunities for the Asians ex-Japan to strengthen after being in range-bound trades recently. The rise in the ADXY (Asia dollar) index is reflecting this after hovering around the 105.45 levels for the past few sessions. As for the USDJPY, it continues to climb higher back above the 112-handle after the yield differentials between the UST and JGB widened with the rise in the 10Y UST above 2.33% levels and the 10Y JGB at 0.021%. Also helping both the Asians and the USDJPY to remain aloft was the dialing back of geopolitical risk sentiments that saw unwinding of safe-haven flows (namely long JPY bets). Nevertheless, we do not expect Asian currency strength to continue unabated as there is potential for USD upside ahead, especially if FOMC releases a more hawkish statement on 10 May or US NFP comes in stronger. We could thus see the USDAsians trade with a bullish tilt in the two weeks ahead. We continue to favor relative value plays, namely we expect MYR strength to continue vis-à-vis the JPY, KRW, PHP, THB and SGD. We also seek opportunities to buy USDJPY on dips towards 111.70 for a move back up towards 113.40 (stop-loss at 111).

A Look At Seasonality Trend In May

May has not been a good month for ASEAN FX. The USD has risen 9 out of 10 Mays over the past 10 years, averaging monthly gains of 1.75%. As for the ASEAN currencies, seasonality trends in the past consecutive three months had pointed to monthly gains (in Feb, Mar and Apr). However, all the ASEAN currencies are poised to weaken in May should seasonality trend prevail. Seasonality trend suggests that the USDMYR has tended to rise the most among the ASEAN currencies in May and we watch to see if this trend continues in 2017. This is followed by the USDTHB and the USDSGD. While the IDR and PHP should weaken as well according to seasonality trends, their weakness tends to be less severe than its other regional peers. While seasonality trend appears to suggest that the ASEAN currencies should be weaker in the month of May, market conditions could very well suggest otherwise.

BSP, BNM meetings, Indonesia GDP, Korean Elections ...

BSP and BNM meetings are on tap on 11 and 12 May. Both are expected to keep their benchmark policy rates unchanged at 3.0% respectively. We also have Indonesia's 1Q 2017 GDP on tap 5 May. Key data/events we are watching this week includes VN Nikkei PMI (Apr) on 3 May; SK foreign reserves (Apr), current account (Mar) on 4 May; foreign reserves for CN, MY, PH and TH on 5 May. The following week we have CN trade (Apr), FDI (Apr - due 8-18 May), SG and ID foreign reserves (Apr) on 8 May, JP labor cash earnings (Mar), SK elections on 9 May; BOJ summary of opinions at 26-27 meeting; CN CPI, PPI (Apr), money supply, new yuan loans, aggregate financing (Apr - due 10-15 May), SK unemployment rate (Apr), IN trade (Apr - due 10-15 May) on 10 May, JN current account (Mar), MY industrial production (Mar) on 11 May; BOJ Harada speaks, SG retail sales (Mar), ID current account (1Q), TH foreign reserves (5 May), IN CPI (Apr), industrial production (Mar) on 12 May. South Korea is closed on 3 and 5 May, Japan on 3-5 May, Singapore, Malaysia, Thailand and India on 10 May, Indonesia on 11 May for public holidays.

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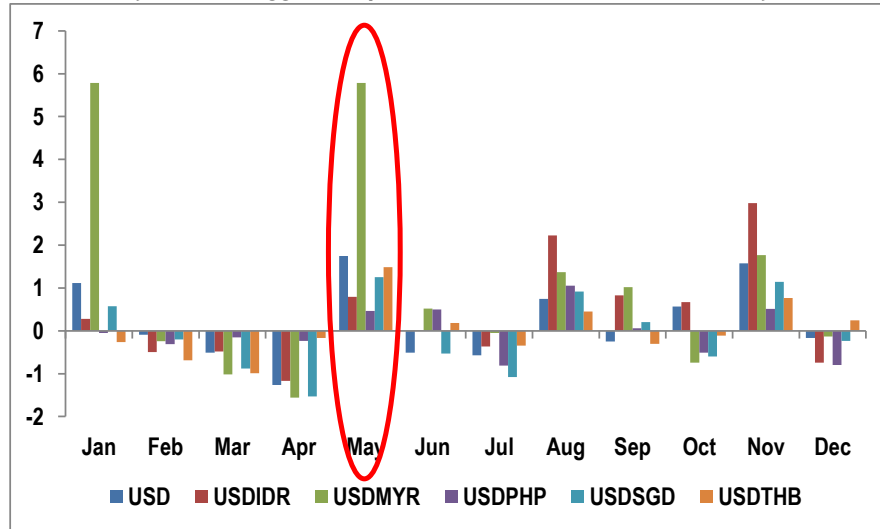
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Flavour of the Week: May Is Not A Good Month For ASEAN Currencies

Seasonality Trend Suggests Upside Risks To USD/ASEAN in May



Based on 10-year averages of monthly currency movements (2007-2016)

Source: Bloomberg, Maybank FX Research

- Broadly speaking, May has not been a good month for ASEAN FX. The USD has risen 9 out of 10 Mays over the past 10 years, averaging monthly gains of 1.75%.
- As for the ASEAN currencies, seasonality trends in the past consecutive three months had pointed to monthly gains (in Feb, Mar and Apr). However, all the ASEAN currencies are poised to weaken in May should seasonality trend prevail. There is a tendency for investors to take profit on equity gains in May, triggering a sell-off in ASEAN currencies.
- Seasonality trend suggests that the USDMYR has tended to rise the most among the ASEAN currencies in May and we watch to see if this trend continues in 2017. This is followed by the USDTHB and the USDSGD.
- While the IDR and PHP should weaken as well according to seasonality trends, their weakness tends to be less severe than its other regional peers.
- While seasonality trend appears to suggest that the ASEAN currencies should be weaker in the month of May, market conditions could very well suggest otherwise.

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	4.30	4.25	4.30	4.35
USDIDR	13300	13400	13450	13500
USDTHB	34.80	35.30	36.00	36.20
USDPHP	50.30	50.50	50.70	50.70
USDCNY	6.95	7.01	7.04	7.04
USDKRW	1140	1150	1160	1170
USDINR	65.00	65.70	66.20	66.00
USDVND	22900	23100	23300	23400
SGD Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
SGDMYR	3.050	2.993	3.082	3.118
MYR Crosses	End 1Q -17	End 2Q -17	End 3Q -17	End 4Q-17
MYRCNY	1.62	1.65	1.64	1.62
MYRIDR	3093	3153	3128	3103
MYRINR	15.12	15.46	15.40	15.17

Source: Maybank FX Research as at 28 Apr 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	USDJPY uptick that began last week is likely to extend into the next two weeks. Unwinding of safe haven flows should continue as should the widening yield differentials between UST and JGBs, albeit at a gradual pace. Market focus at least for this week will be on the FOMC meeting on 3 May and the US ADP and NFP prints on 3 and 5 May where upside surprises could see further upmoves by the pair. Pair was last seen around the 111.90 levels. Bullish momentum continues to indicate bullish bias and stochastics is now in overbought conditions. This suggests the possibility for a retracement ahead. Given the shortened week (onshore markets are out from 3-5 May), some liquidity squeeze is possible. Consequently, pair is likely to consolidate this week. The week after when market re-opens, we could see the market playing catch-up. Resistance remains around the 112-handle (50DMA). A weekly close above that level could confirm bullish extension towards 113.40 (50% fibo retracement of the 2016 high to 2017 low, 100DMA). Failing which, pair could slip back towards 110.20 (21DMA), 109.10 (2100DMA).	Yield Curve Control	Easing
USDCNH	USDCNH is still stuck within the 6.85-6.92 range, last seen at 6.8960. We head into a seasonally bullish month for the USD and that could guide USDCNH and USDCNY higher. Eye key resistance level at 6.92. The start of the data release for Apr has not been good with official and Caixin PMI-mfg showing sharply lower numbers. That may quell fears of tightening, bringing the CGB yields lower after a sell-off seen in Apr. Equities are still being sold in light of weaker growth story. We see upside risks to the USDCNH into May. Eyes on foreign exchange on 7th, trade on 8th, CPI, PPI on 10th (PPI likely lower), Monetary data 10th to 15th.	1-Yr Lending Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDKRW	USDKRW traded lower as geopolitical tension in the Korean peninsula eased while risk sentiment stays supported. KOSPI soared to its record high (2 May). We expect USDKRW to be caught between politics (Presidential elections on 9 May and its impact on foreign policies - US-Korea alliance, North Korea aggression and China's travel ban on THAAD installation) and fund inflows off the back of exports recovery amid rising current account surplus. Political risk is multi-fold and challenging and could dampen investor sentiment (to some extent) and limit gains in KRW. Seasonality trends for May also tend to favor a weaker KRW (currency typically fall in 7 out of the past 10 Mays since 2007). On the other hand, Korea's exports recovery (Korea's exports is about 50% of GDP), continued foreign fund inflows into KOSPI and hopes of Trump's spending and tax reforms (support for appetite for risk) amid well contained Fed rate hike expectation for 2017 may have created a sweet spot for KRW to stay supported. USDKRW spot was last at 1130 levels. Daily momentum is not showing a clear bias. We continue to favor range-bound trading between 1122 - 1142.	Base Rate	Easing Bias
USDSGD	USDSGD has been in consolidative mode within 1.39-1.40 range for the past two weeks. Market is awaiting fresh impetus for a breakout in either direction and will be watching FOMC on 3 May as well as US ADP and NFP on 3 and 5 May for directional cues. Pair is also likely to track USDJPY moves. Last seen around 1.3940 levels, pair continues to show no strong bias on the daily chart, though stochastics is climbing higher. Bearish momentum on the weekly chart remains intact and stochastics is in oversold conditions. Key support remains at 1.3910-30 levels. We watch for a break below that opens the way for further downside bias towards the 1.3800 levels. Resistance at 1.4050. A close above the 1.41 levels is required for further upside momentum to gain traction. Biased to play the range of 1.3910-1.4050 range.	Exchange Rate	Neutral
USDMYR	Our call for MYR strength since 2 weeks ago remains intact. We are positive on the Ringgit outlook given the recent initiatives from BNM to broaden and deepen the onshore financial markets. We interpret those steps as positive development and expect foreign investors' confidence to gradually return. Amongst the AXJs, we also continue to favor long MYR vs. short THB, PHP, JPY, KRW and SGD. USDMYR traded an intra-day low of 4.3290 levels (2 May). Pair was last seen at 4.3300 levels. Daily momentum continues to indicate a bearish bias while stochastics is falling into near oversold conditions. Next support at 4.30 (61.8% fibo retracement of Nov-2016 low to 2017 high, 200 DMA). Below that puts next firm support at 4.2550 (76.4% fibo). Resistance at 4.34 (50% fibo), 4.38 (38.2% fibo). Week ahead brings Trade and FX reserves (5 May); IP (11 May); BNM meeting (12 May) - expect MPC to keep rates on hold at 3% for 2017.	O/N Policy Rate	Easing Bias
USDIDR	1m NDF had been trading higher for most of the previous week amid a resurgence in the USD and concerns about policy uncertainty after Jokowi-ally Ahok lost his re-election bid for the governorship of Jakarta. 1m NDF though still trades in its familiar 13250-13390 range as foreign inflows into Indonesian assets remain supportive of the IDR, mitigating partially the firmer USD. Continued foreign demand for Indonesian assets should be supportive of the IDR and weigh on the 1m NDF. 1m NDF was last seen around the 13355 levels. Daily momentum remains bullish bias and stochastics is fast approaching overbought conditions. With risks to the upside at the point of writing, we look for a clean break of our resistance level at 13390 levels to signal further bullish bias towards 13450. Support at 13315 (200DMA) before 13250.	7-Day Reverse Repo Rate	Easing Bias

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDPHP	1m USDPHP NDF has been on the uptick back above the 50-figure for the past two weeks, rebounding from the year's low of 49.30 (on 13 Apr). The move higher could have been worse if not for the foreign inflows into equities (amounting to USD18mn) in the past two weeks that supported the PHP. 1m NDF is awaiting cues from US FOMC on 3 May and the US ADP and NFP prints on 3 and 5 May. 1m NDF was last seen around 50.27-levels. Bullish bias on the daily chart remains intact and stochastics is at overbought conditions, suggesting a potential for a retracement ahead. With risks still to the upside, we cannot discount the 1m NDF testing the 2017 high of 50.77 (on 21 Feb). Any dips should find support at the 50-figure (100DMA) before 49.90 levels (21DMA). We remain bias to buy on dips.	O/N Borrowing Rate	Neutral
USDTHB	USDTHB has been on the uptick for the past several sessions and has since slipped into consolidative mode within 34.400-34.720 range. Foreign flows last week was mixed but the larger outflow from government debt of THB6.70bn vs. the inflow of THB3.56bn of equities weighed on the THB. There is potential for further rebound risks given speculation of further outflows from Thai assets in May on dividend payments by Thai firms to foreign investors. Pair was last seen around 34.525 levels. Momentum indicators remain bullish bias on the daily chart and stochastics continues to climb higher. We could see bullish extension towards 34.715 (50DMA) ahead of 34.940 (38.2% fibo retracement of the 2016 high to 2017 low). Support remains at 34.470 (21DMA) before 34.30 levels.	1-Day Repo Rate	Neutral
USDINR	1m NDF is on a firm downtrend. While bond holders take profit at home amid hawkish RBI, foreign investors are buying them. The combination of a surprise hike in the reverse repo rate at the last meeting that narrowed the rates corridor and a slump in UST yields lifted the demand for domestic bonds. Foreign funds sold a net US\$171.4mn of equities and bought US\$3.0bn of debt from 1-12 Apr (latest data available). 1M NDF is in a downward sloping trend channel and pair remains in downside pressure last seen around 64.50. Support is seen at 64.20. That could be a strong support before the next at 63.80/64-figure. Resistance is seen around 65.20 (upper bound of the trend channel). There have been whispers of RBI buying USD to keep INR from strengthening too much. In the latest Minutes, RBI has revealed its preference to err on caution, ahead of potential El Nino event in Jul-Aug, the acute albeit transitory effects of the upcoming GST implementation as well as a potential demand-pull impact of the HRA implementation of the 7th Pay commission. Trade numbers are due for Apr between 10-15th. Apr CPI and Mar industrial production are due 12th.	Policy Repo Rate	Neutral
USDVND	The dong seems to be increasingly markets guided with the 50-DMA capping bids at this point. USDVND was last seen around 22,740 and a break above the 50-DMA (22760), could lift the pair towards year high of 22850. Support is seen around 22650. Trade balance has been in red and FDI inflow is still weak. USDVND remains vulnerable to the USD trajectory. Despite the USD retracement, we are still wary of its potential resurgence in view of two more likely hikes by the Fed. Expect pressure on the USDVND to be mostly on the upside as we anticipate further rate hikes by the Fed. No tier-one data in the next two weeks except for PMI-mfg.	Refinancing Rate	Neutral

Key Data and Events Ahead

Currency	1-7 May	8-14 May
Japan	• Mon: Nikkei PMI Mfg (Apr F)	• Mon: - Nil -
	• Tue: Nikkei PMI Services & Composite (Apr); BOJ minutes of 15-16 Mar meeting; BOJ Kuroda speaks	• Tue: Labor Cash Earnings (Mar)
	• Wed: Public Holiday	• Wed: BOJ summary of opinions at 26-27 Apr meeting
	• Thu: Public Holiday	• Thu: Current Account (Mar)
	• Fri: Public Holiday	• Fri: BOJ Harada speaks
China	• Mon: Public Holiday	• Mon: Trade (Apr); FDI (Apr) (due 8-18 May)
	• Tue: Caixin PMI Mfg, Services & Composite (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: CPI, PPI (Apr); Money Supply, New Yuan Loans, Aggregate Financing (Apr) (due 10-15 May)
	• Thu: - Nil -	• Thu: - Nil -
	• Fri: - Nil -	• Fri: - Nil -
	• Sun: Foreign Reserves (Apr)	
South Korea	• Mon: Public Holiday, Trade (Apr)	• Mon: - Nil -
	• Tue: CPI, Nikkei PMI Mfg (Apr)	• Tue: Election Day
	• Wed: Public Holiday	• Wed: Unemployment Rate (Apr)
	• Thu: Foreign Reserves (Apr), Current Account (Mar)	• Thu: - Nil -
	• Fri: Public Holiday	• Fri: - Nil -
Singapore	• Mon: Public Holiday	• Mon: Foreign Reserves (Apr)
	• Tue: PMI, electronics PMI (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: Public Holiday
	• Thu: Nikkei PMI (Apr)	• Thu: - Nil -
	• Fri: - Nil -	• Fri: Retail Sales (Mar)
Malaysia	• Mon: Public Holiday	• Mon: - Nil -
	• Tue: Nikkei PMI (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: Public Holiday
	• Thu: - Nil -	• Thu: Industrial Production (Mar)
	• Fri: Trade, Foreign Reserves (Mar)	• Fri: BNM Overnight Policy Rate
Indonesia	• Mon: Public Holiday	• Mon: Foreign Reserves (Apr)
	• Tue: CPI, Nikkei PMI Mfg (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: - Nil -
	• Thu: - Nil -	• Thu: Public Holiday
	• Fri: GDP (1Q) (due 5-8 May)	• Fri: Current Account (1Q)
Philippines	• Mon: Public Holiday	• Mon: - Nil -
	• Tue: Nikkei PMI Mfg (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: - Nil -
	• Thu: - Nil -	• Thu: Trade (Mar), BSP Overnight Borrowing Rate
	• Fri: CPI, Foreign Reserves (Apr)	• Fri: - Nil -
Thailand	• Mon: Public Holiday; CPI (Apr)	• Mon: - Nil -
	• Tue: Nikkei PMI Mfg (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: Public Holiday
	• Thu: - Nil -	• Thu: - Nil -
	• Fri: Foreign reserves (28 Apr)	• Fri: Foreign reserves (5 May)
India	• Mon: Public Holiday	• Mon: - Nil -
	• Tue: Nikkei PMI Mfg, Services & Composite (Apr)	• Tue: - Nil -
	• Wed: - Nil -	• Wed: Public Holiday; Trade (Apr) (due 10-15 May)
	• Thu: - Nil -	• Thu: - Nil -
	• Fri: - Nil -	• Fri: CPI (Apr), Industrial Production (Mar)
Vietnam	• Mon: Public Holiday	• Mon: - Nil -
	• Tue: Public Holiday	• Tue: - Nil -
	• Wed: Nikkei PMI Mfg (Apr)	• Wed: - Nil -
	• Thu: - Nil -	• Thu: - Nil -
	• Fri: - Nil -	• Fri: - Nil -
	• Sat: Domestic Vehicle Sales (Apr) (due 6-13 May)	

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