

FX Asia Fortnightly

USDAXJs In Consolidation

Pullback/Consolidation In USDAXJs

USDAXJs slide lower was disrupted by the kneejerk jump in the USD after the EUR and GBP slid on the back of exit polls that showed a win by the 'No' camp. This could set the stage eventually for another Italian referendum on exiting the EU that could spell the end of the economic union. However, all of these have proven to be short-lived with the USD back on the retreat and the impact on the USDAXJs muted as the outcome had been expected by the market. The USD index in retreat would be in line with short technical which points to a USD index correction. This in turn suggests some near term pullback/consolidation in the USDAXJs as well. A way to play this instead of straight bilateral against the USD, we could short the AXJs (i.e. the KRW and SGD) against the EUR and GBP (which we expect to see upside risks technically). Or we could short the JPY against the SGD, MYR.

Protectionism May Not Impact ASEAN Equally

Much has been made about the protectionist bent of the incoming Trump administration. The repudiation of the TPP and the threat of a trade war with China have raised concerns on the impact on ASEAN should protectionism/anti-globalization become more evident. Our grid shows that Singapore remains the most vulnerable to any protectionist/anti-globalization measures as reflected by openness of its economy. The least vulnerable are Indonesia and Philippines, due to their large domestic economy. This suggests that on a relative basis, the SGD is likely to be bias to the downside in a more protectionist environment than its regional peers, particularly the IDR and PHP. But the strong fiscal position of the Singapore could mitigate some of the downside risks to the SGD.

RBI, BoK, BI Meets; Japan Final 3Q GDP Next

In the next two weeks, there are three central bank meetings, namely RBI on 7 Dec, and BoK and BI on 15 Dec. All three are expected to stay on hold in light of steepening UST yield curve and domestic currency weakness. Other key event of note is Japan's final 3Q GDP on 9 Dec and its 3Q Tankan Survey result on 14 Dec that should provide an indication of the ongoing modest recovery. Indonesia, India, Malaysia and Thailand are out on holiday on 12 Dec.

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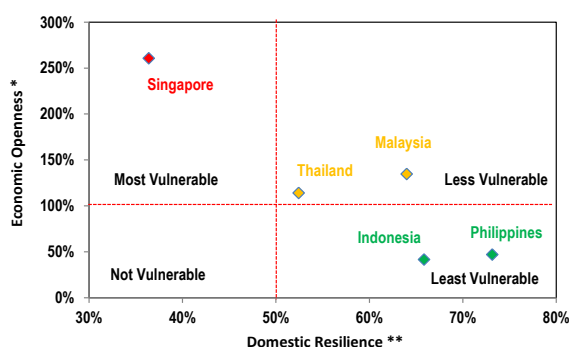
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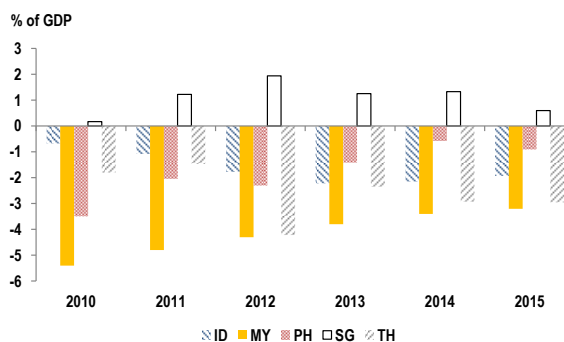
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Flavour of the Month: Fear Of Protectionism/Anti-Globalization On ASEAN FX Could Be Overblown

Vulnerability To Trade Disruptions



Fiscal Position Should Be Supportive



Note: * Proxied by Total Trade as % of GDP
 ** Proxied by Private Consumption as % of GDP
 Source: Bloomberg, CEIC, Maybank FX Research

- Much has been made about the protectionist bent of the incoming Trump administration. The flames of concern were fanned by the intention of the incoming Trump administration to repudiate the TPP and the threat of a trade war with China.
- Such moves have raised concerns about the impact on ASEAN should protectionism/anti-globalization become more evident, given that the ASEAN-5 economies have been the bulwark of global trade.
- We examine the openness of the ASEAN economies and their ability to withstand any protectionist measures that could be put in place by the Trump administration. We use total trade as percentage of GDP as a proxy for the openness of the economy and its vulnerability to disruption in trade; and consumption expenditure as percentage of GDP as a proxy for the resilience of the economy to external shocks.
- Our grid shows that Singapore remains the most vulnerable to any protectionist/anti-globalization measures as reflected by openness of its economy. Moreover, its private consumption as percent of GDP is the smallest among the ASEAN peers, which increases its vulnerability.
- The least vulnerable are Indonesia and Philippines, due to their large domestic economy. This suggests that on a relative basis, the SGD is likely to be bias to the downside in a more protectionist environment than its regional peers, particularly the IDR and PHP.
- However, it must be noted it is not all bad news for Singapore. Its strong fiscal position allows it to mitigate the weaknesses emanating from a fall in global trade by engaging in pump-priming. This should mitigate some of the downside risks to the SGD.

2016/2017 Asia FX Forecasts

	End 4Q-16	End 1Q -17	End 2Q -17	End 3Q -17
USDJPY	113	115	117	118
USDSGD	1.4350	1.4400	1.4450	1.4350
USDMYR	4.25	4.15	4.25	4.10
USDIDR	13600	13650	13800	13500
USDTHB	35.70	36.20	36.70	36.00
USDPHP	50.50	51.00	51.80	51.50
USDCNY	6.95	7.00	7.05	7.10
USDKRW	1180	1170	1220	1180
USDINR	68.50	69.00	69.50	68.50
USDVND	22600	22700	22900	23000
SGD Crosses	End 4Q-16	End 1Q -17	End 2Q -17	End 3Q -17
SGDMYR	2.962	2.882	2.941	2.857
MYR Crosses	End 4Q-16	End 1Q -17	End 2Q -17	End 3Q -17
MYRCNY	1.64	1.69	1.66	1.73
MYRIDR	3200	3289	3247	3293
MYRINR	16.12	16.63	16.35	16.71

Source: Maybank FX Research as at 5 Dec 2016.

*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 extension higher after hitting a recent high of 114.83 (1 Dec) was stalled towards the end of last week amid a consolidation/pullback in the USD. In the two weeks ahead, focus will be on final 3Q GDP on 8 Dec and on 3Q Tankan Survey result on 14 Dec for clues as to whether the fragile recovery is intact. In the background, UST yield curve steepening and broad USD strength as market re-price rate hike expectations in anticipation of Trump's fiscal stimulus, which could lead to higher US growth and potentially faster pick up in pace of inflation. Bullish momentum on weekly, daily charts remain intact but daily momentum indicators are waning and stochastics showing signs of turning lower from overbought conditions. We remain bias to long the pair and we seek opportunities to buy on dips towards our objectives at 115. We do not rule out a consolidation or pullback towards 111,109.60.	Monetary Base	Easing
USDCNH	USDCNH slid in tandem with the DXY index in the past few sessions before some recovery today. USDCNH and USDCNY have narrowed significantly with the stronger CNY fixing today closing the gap between the two momentarily as CNY was allowed chance to play catch-up. Still ahead of the ECB meeting on Thu, risks are still to the upside (EUR-negative, DXY index-positive). We are back to the start of the month and trade is due on Thu, followed by inflation on Fri. Monetary data are due between 10-15th, activity data on 13th. We look for subdued activity prints, firmer inflation numbers amid property cooling measures and tightening monetary conditions at home. Resistance at 6.8865 (23.6% Fibonacci retracement of the Sep-Dec rally), before the next at year high at 6.9660.	1-Yr Lending Rate	Neutral

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDKRW	<p>USDKRW consolidated after the recent run-up post-Trump win. Pair was last seen at 1170 levels. Yonhap News just reported that President Park has agreed to resign in Apr after a meeting with Saenuri party leaders while the opposition parties are poised to vote on impeachment on 9 Dec. We had shared in our Annual outlook that signs of political stresses are gradually dissipating. We expect recent development and potential USD pullback on stretched USD long position adjustment ahead of FoMC meeting next week to see a potential drift lower for USDKRW. Daily momentum and stochastics are indicating a mild bearish bias. Next support at 1168 (21 DMA) before 1152 (38.2% fibo retracement of 2016 high to low). Resistance remains at 1188 (61.8% fibo). We remain cautious of FoMC meeting next week and focus is on the tone of the forward guidance including dots plot projection. While 25bps rate hike has been priced in for Dec meeting, a more hawkish Fed could see USD strength return and that could see USDKRW supported on dips.</p>	Base Rate	Easing Bias
USDSGD	<p>USDSGD pull-backed towards 1.4186 (2 Dec) was brief with the pair on the rebound since. In the absence of domestic catalyst over the next two weeks, pair is likely to take its cue from external events. While a Fed rate hike in Dec appears to be priced in by the market, there is still potential for a more aggressive Fed rate hike trajectory in 2017 due to expectation that inflation pressures could rise sooner than expected in anticipation of Trump's planned expansionary fiscal policies. Still, short-term technical are showing downside bias to the pair ahead. Daily momentum is showing bearish bias, while stochastics is falling from overbought conditions. Weekly momentum indicators remain mildly bullish bias and stochastics overstretched, suggesting the potential for a pullback ahead. Dips should find support around 1.4180 (76.4% fibo retracement of the 2016 high to low), 1.4010-levels (61.8% fibo). We remain bias though to long USDSGD and look for opportunities to buy on dips towards the year's high of 1.4444 (11 Jan). Resistance is at 1.4350. A failure to break past this resistance level risks a pullback.</p>	Exchange Rate	Easing Bias
USDMYR	<p>USDMYR remained largely steady near recent highs of 4.4450 levels. BNM's Financial Market Committee announced a set of measures aimed to broaden and deepen the FX market. Our Economists shared that these measures provided onshore hedging as alternative to offshore hedging (via NDF markets). BNM has confirmed that 7 offshore global banks have attested to not undertake offshore NDF transactions anymore, addressing the undue influence of offshore USDMYR NDF on onshore USDMYR spot by preventing excessive USDMYR volatility due to speculation, in turn stabilizing MYR. The pair was last seen at 4.4430 levels. Bullish momentum on daily chart is waning while stochastics is showing tentative signs of turning lower from overbought conditions. These signals suggest that further pullback/consolidation is likely. Support at 4.40, 4.3845 (21 DMA). Key resistance remains at 4.48 (Sep 2015 high).</p>	O/N Policy Rate	Easing Bias

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDIDR	<p>1s USDIDR NDF continues to pullback but continues to trade well-within its current range of 13420-13750. This week is relatively quiet and the 1-month NDF should take its cue from external events, including the potential for a more aggressive Fed rate hike trajectory in 2017 on the back of Trump's planned expansive fiscal policy could spark inflationary pressures. As well, the continuous repricing of UST yields higher is leading to widening of yield differentials between the US and Indonesia, sparking an outflow of foreign portfolio investment. Week after focus is on BI's policy meeting on 15 Dec but we expect the central bank to stay pat in anticipate of the Fed rate hike in Dec. External risks aside, 1-month NDF could also be supported by rising domestic political tensions (in the run-up to the Jakarta gubernatorial elections on 15 Feb 2017) and growth concerns. Investor optimism regarding the tax amnesty program, the ongoing reform process and fiscal spending on infrastructure projects though are IDR-positive and should mitigate some of these upside risks. In the near-term though the 1-month NDF appears bias to the downside. Daily momentum indicators and stochastics are bearish bias. Weekly chart and stochastics though remain bullish bias. Support nearby at 13420 (38.2% fibo retracement of the 2016 high to low). Resistance remains at 13735 levels (61.8% fibo).</p>	O/N Reference Rate	Easing Bias
USDPHP	<p>1s USDPHP NDF has been on the slide towards the end of last week amid a consolidation/pullback in the USD. 1-month NDF though continues to trade in familiar range within 49.60-50.20. Risks to the pair remains to the upside with key data in focus in the next two weeks, namely Nov CPI on 6 Dec, Oct trade on 9 Dec and Oct overseas remittances on 15 Dec. As well, the further steepening of the UST yield curve should narrow the yield differential between the US and Philippines, encouraging funds outflows. Other risks, including concerns over the protectionist-bent of the incoming Trump administration, expectations of Fed rate hikes, the government's extra-judicial killings, policy flip-flops and the president's unpredictable temperament, could also keep the 1-month NDF supported. Still bias appears to be on the downside in the near-term. Daily momentum indicators and stochastics are showing bearish bias. But on the weekly chart, momentum indicators are bullish bias and stochastics remains overstretched, signaling a potential pullback ahead. Support at 49.70 (21DMA), 49.45 (138.2% fibo projection). Resistance is at 50.40 levels (176.4% fibo projection).</p>	O/N Reverse Repo	Neutral
USDTHB	<p>USDTHB has been on the uptick for the past several sessions even as the USD consolidates and pullbacks. Quiet two weeks ahead with no Tier 1 data on tap. Pair is likely to take its cue from external events, particularly the further steepening of the UST yield curve that should narrow the yield differential between the US and Thailand and spur further outflows from Thai assets. Concerns about possible US protectionist-bend ahead and domestic political risk concerns following the passing of the king and the year-long mourning period. The ascension of King Rama X to the throne of the Chakri Dynasty on 1 Dec should continue to aid domestic sentiments and put paid to concerns over the succession process. This should be supportive of sentiments and to the THB ahead. Also, near term technical is showing downside risk to the pair. Pair has lost most of its bullish bias and stochastics is showing tentative signs of exiting overstretched conditions. Weekly chart remains bullish bias. Support is at 35.460 (50% fibo retracement of the 2016 high to low, 21DMA). Any uptick should find resistance around 35.850.</p>	1-Day Repo Rate	Easing Bias

Asian FX Directional Bias (Cont'd)

	Stories of the Week	Policy Measure	Policy Direction/Bias
USDINR	<p>USDINR on the decline along with the USD correction. We also see a chance of RBI having to cut repo rate by 25bps tomorrow to lend some support to growth in view of the currency reform, even though this move could fan price pressures higher. 1M NDF slipped towards the 68-figure as we write, ready to break the key level towards the next support level at 67.80. Markets seem to be already pricing in a rate cut and we expect a move to be fairly USDINR neutral. Technically, MACD is bearish on the daily chart and stochs are falling from the overbought conditions. Next support at 67.50. Rebounds to meet resistance at 68.21 before the next at 68.70. Rates have fallen significantly in the past month with the 11Y yields reaching 6.21%, having lost 66bps. Nov trade is due between 9-15th. CPI and industrial production are due on the 12th before the WPI at 14th.</p>	Policy Repo Rate	Easing Bias
USDVND	<p>USDVND has been rising, bucking the trend in Asia and was last seen around 22730. Markets continue to view VND negatively given the protectionist-leaning of the new Trump administration and the likely repudiation of the TPP, given the export-dependent nature of the economy. We are also remaining concern about FDI inflows that have been supporting the VND and industrial output momentum. Resistance is seen at 22770 while support is at 22656 (23.6% Fibonacci retracement of the Nov rally). No key data in the next two weeks.</p>	Refinancing Rate	Easing Bias

Key Data and Events Ahead

Currency	5-11 Dec	12-18 Dec
USDJPY	<ul style="list-style-type: none"> Mon: Nikkei PMI Services & Composite (Nov); BOJ Kuroda speaks at Europlace, Tokyo Tue: Labor Cash Earning (Oct) Wed: BOJ Iwata speaks in Nagasaki Thu: GDP (3Q F), Current Account (Oct) Fri: - Nil - 	<ul style="list-style-type: none"> Mon: Machine Orders, Tertiary Industry Index (Oct), PPI (Nov), Machine Tool Orders (Nov P) Tue: - Nil - Wed: Tankan Survey (4Q), Industrial Production (Oct F) Capacity Utilization (Oct) Thu: Machine Tool Orders (Nov F) Fri: - Nil -
USDCNY	<ul style="list-style-type: none"> Mon: Caixin PMI Services & Composite (Nov) Tue: - Nil - Wed: Foreign Reserves (Nov) Thu: Trade, FDI (Nov) Fri: CPI, PPI (Nov) Sat: Money Supply, Aggregate Financing, New Yuan Loans (Nov) (due 10-15 Dec) 	<ul style="list-style-type: none"> Mon: - Nil - Tue: Industrial production, Retail sales, Fixed Asset (Urban) (Nov) Wed: - Nil - Thu: - Nil - Fri: Property prices (Oct)
USDKRW	<ul style="list-style-type: none"> Mon: Foreign Reserves (Nov) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil - 	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: BoK 7-Day Repo Rate Fri: - Nil -
USDSGD	<ul style="list-style-type: none"> Mon: Nikkei PMI (Nov) Tue: - Nil - Wed: Foreign Reserves (Nov) Thu: - Nil - Fri: - Nil - 	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Retail Sales (Oct) Fri: NODX (Nov)
USDMYR	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Trade (Oct), Foreign Reserves (30 Nov) Thu: - Nil - Fri: Industrial Production (Oct) 	<ul style="list-style-type: none"> Mon: Public Holiday Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -
USDIDR	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: Foreign reserves (Nov) Thu: - Nil - Fri: - Nil - 	<ul style="list-style-type: none"> Mon: Public Holiday Tue: - Nil - Wed: - Nil - Thu: BI 7-Day Reverse Repo Rate, Trade (Nov) Fri: - Nil -
USDPHP	<ul style="list-style-type: none"> Mon: - Nil - Tue: CPI (Nov) Wed: Foreign Reserves (Nov) Thu: - Nil - Fri: Trade (Oct) 	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: Overseas remittances (Ovt) Fri: - Nil -
USDTHB	<ul style="list-style-type: none"> Mon: Public Holiday Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Foreign reserves (2 Dec) 	<ul style="list-style-type: none"> Mon: Public Holiday Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: Foreign reserves (9 Dec)
USDINR	<ul style="list-style-type: none"> Mon: Nikkei PMI Services & Composite (Nov), Current Account (3Q) (due 5-30 Dec) Tue: - Nil - Wed: RBI Repurchase Rate Thu: - Nil - Fri: Trade (Oct) (due 9-15 Dec) 	<ul style="list-style-type: none"> Mon: Public Holiday, CPI, Industrial Production (Nov) Tue: - Nil - Wed: Wholesale Prices (Nov) Thu: - Nil - Fri: - Nil -
USDVND	<ul style="list-style-type: none"> Mon: Domestic vehicle sales (Nov) (due 6-13 Dec) Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil - 	<ul style="list-style-type: none"> Mon: - Nil - Tue: - Nil - Wed: - Nil - Thu: - Nil - Fri: - Nil -

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