

## FX Asia Fortnightly

### Asian FX Softer

#### Asian FX Lower On USD Comeback

The USD appears to be making a comeback after slipping lower in the past two weeks. The resurgent USD could see the Asian FX trade softer from their recent highs, underpinned by upside pressure on UST yields. Already, both the USDSGD and USDTHB have rebounded from their new lows for 2017 at 1.3808 and 33.984 respectively. Similarly, the USDJPY had traded to a recent low of 110.24 before rebounding back above the 111-levels currently. An exception would be the USDMYR. This pair's move lower should persist amid supported risk sentiment, still elevated oil prices, and improving macroeconomic fundamentals. The USDMYR could revisit the 4.24-4.25 levels ahead, while SGDMYR could test below 3.08. Meanwhile, in an environment of low volatility, favourable global growth conditions, synchronized recovery in Asia, fading political risks and generally easy financial conditions, selective carry trades (i.e. long INR, IDR) could be favourable.

#### MYRIDR - Retracement Risks But Bias To Buy On Dips

MYRIDR has been trading bid since the mid of Apr, lifted by the BNM's liberalization of hedging rules. Last seen around 3117.50 levels, this cross shows bullish momentum on the daily chart and stochastics at overbought conditions. This suggests risks of retracement ahead. Note that 21 & 50 DMAs have both cut the 100DMA from below. Also the 21DMA has cut the 200DMA from below as well. These are bullish signals. Risks in the near-term are still to the upside. Resistance is at 3137 levels (38.2% fibo retracement of the 2016 high to 2017 low). A clean break here on a weekly close may suggest further upside towards 3190 levels (50% fibo). Support at 3100 levels, 3065 (200DMA). Any dips should be opportunity to accumulate.

#### RBI Meeting, Korea, India & Japan GDP Due

In the two weeks ahead, the only central bank to meet is RBI on 7 Jun. The central bank is unlikely to make any policy rate adjustment given downside surprises in inflation and ahead of GST rollout on 1 Jul. We also have 1Q17 GDP prints for India, Korea and Japan on 31 May, 2 Jun and 8 Jun respectively. Other key data/events we are watching include Japan industrial production (Apr P), housing starts (Apr), Korea business survey mfg & non-mfg (Jun), industrial production (Apr), Thailand trade, current account (Apr) on 31 May; Japan capital spending (1Q), BOJ Harada speaks in Gifu, China Caixin PMI mfg (May), Korea CPI, trade (May), Nikkei PMI mfg (May) for Japan, Korea, Philippines, Malaysia, Thailand, India and Vietnam on 1 Jun; Singapore PMI (May), Indonesia Nikkei PMI mfg, CPI (May) on 2 Jun. Key data/events of note the week after includes Japan Nikkei PMI services & composite (May), China Caixin PMI composite & services (May), Korea current account (Apr), Singapore Nikkei PMI (May), India Nikkei PMI services & composite (May) on 5 Jun; Japan labor cash earnings (Apr) on 6 Jun; Philippines CPI (May) on 7 Jun; China trade (May) on 8 Jun; Japan tertiary industry index (Apr), China CPI, PPI (May), Philippines trade (Apr) on 9 Jun. China is out for public holidays on 29, 30 May; Indonesia on 1 and 9 Jun.

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## Flavour of the Week: MYR IDR - Still Room For Further Upside?

### Daily Chart: MYR IDR - Retracement Risks But Bias To Buy On Dip



Source: Bloomberg, Maybank FX Research

- MYR IDR has been trading bid since the mid of Apr, lifted by the BNM's liberalization of hedging rules. Domestic investors in Malaysia are now allowed to short-sell MGS. At the same time, the Securities Commission also issued guidelines to allow short-selling of corporate bonds. These moves have been positive for the MYR.
- Even the S&P upgrade of Indonesia's credit rating to investment grade on 19 May failed to stem the cross rising tide as market had already priced in this move by the credit rating agency. We expect MYR strength to drive the cross higher ahead.
- Last seen around 3117.50 levels, this cross shows bullish momentum on the daily chart and stochastics at overbought conditions. This suggests risks of retracement ahead.
- Note that 21 & 50 DMAs have both cut the 100DMA from below. Also the 21DMA has cut the 200DMA from below as well. These are bullish signals. Risks in the near-term are still to the upside.
- Resistance is at 3137 levels (38.2% fibo retracement of the 2016 high to 2017 low). A clean break here on a weekly close may suggest further upside towards 3190 levels (50% fibo). Support at 3100 levels, 3065 (200DMA). Any dips should be opportunity to accumulate.

## 2017/2018 Asia FX Forecasts

	End 2Q -17	End 3Q -17	End 4Q-17	End 1Q-18
USDJPY	116	118	120	120
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
<b>SGD Crosses</b>	<b>End 1Q -17</b>	<b>End 2Q -17</b>	<b>End 3Q -17</b>	<b>End 4Q-17</b>
SGDMYR	3.050	2.993	3.082	3.118
<b>MYR Crosses</b>	<b>End 1Q -17</b>	<b>End 2Q -17</b>	<b>End 3Q -17</b>	<b>End 4Q-17</b>
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 26 May 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
USDMYR	USDMYR continued to make fresh lows for the year. Move came amid supported risk sentiment, oil prices while domestic fundamentals strengthened (strong 1Q GDP of 5.63% beating estimates and rising FX reserves). Pair was last seen at 4.27 levels. Bearish momentum on monthly and weekly chart remains intact. We are bearish USDMYR and look for further downside possibly towards 4.24 - 4.25 levels. That said we caution that oversold conditions is seen on the daily chart. Extreme values as indicated could suggest a rebound soon. Resistance at 4.29-4.30 levels. Focus for the next weeks on trade (5 Jun); FX Reserves (7 Jun); IP (9 Jun).	Base Rate	Easing Bias
USDSGD	USDSGD traded to a new low for the year at 1.3808 on 26 May (Fri) - a low not see since Nov 2016. Recent dips in UST yields are weighing on the 3-month SOR, which had slipped 1.2% to 0.7874% on Fri, and this in turn is supportive of the SGD. Further slippages in the week ahead should weigh not only on the 3-month SOR but also on the USDSGD. This could cap upside in the two weeks ahead. Bearish momentum on daily and weekly charts remains intact but both stochastics are in oversold conditions, signalling risks of rebound ahead. Resistance at 1.39-handle ahead of 1.3950. Interim support at the new low of the year at 1.3808. A clean break here on the weekly close put the 1.38, 1.37-handle on notice. We are biased to call an interim bottom at 1.3808. Quiet two weeks ahead with just PMI (May), Nikkei PMI (May) and foreign reserves (May) on tap on 2 Jun, 5 Jun and 7 Jun respectively.	Exchange Rate	Neutral

<b>USDIDR</b>	<p>1m USDIDR NDF has traded within the 13290-13360 range last week. The S&amp;P upgrade of Indonesia to investment grade continues to be supportive of inflows into Indonesian assets. In the past week, foreign investors had purchased USD66.42mn in equities after selling off USD16.13mn the week before. Meanwhile, they had also added IDR0.89tn to their outstanding holding of government debt on 22-24 May (latest data available). Further inflows should be supportive of the IDR. Momentum indicators on both the daily and weekly charts show waning bearish bias though stochastics on the daily chart is still at oversold conditions, signalling potential rebound ahead. In the absence of fresh catalyst, look for the pair to trade sideways ahead. Upside should be capped at 13360 (21 &amp; 100DMAs). Any downmove could be a slow grind given multiple support levels including 13260 and 13200. Quiet two weeks ahead with only Nikkei PMI Mfg and CPI (May) due on 2 Jun. Onshore markets are out for public holidays on 1 and 9 Jun.</p>	<b>O/N Policy Rate</b>	<b>Easing Bias</b>
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## Key Data and Events Ahead

	29 May-4 Jun	5-11 Jun
<b>Japan</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> Jobless Rate, Retail Sales (Apr)</li> <li>• <b>Wed:</b> Industrial Production (Apr P), Housing Starts (Apr)</li> <li>• <b>Thu:</b> Capital Spending (1Q), Nikkei PMI Mfg (May F), BOJ Harada speaks in Gifu</li> <li>• <b>Fri:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Nikkei PMI Services &amp; Composite (May)</li> <li>• <b>Tue:</b> Labor Cash Earnings (Apr)</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> GDP (1Q F), Current Account (Apr)</li> <li>• <b>Fri:</b> Tertiary industry Index (Apr)</li> </ul>
<b>China</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Public Holiday</li> <li>• <b>Tue:</b> Public Holiday</li> <li>• <b>Wed:</b> Mfg &amp; Non-Mfg PMI (May)</li> <li>• <b>Thu:</b> Caixin PMI Mfg (May)</li> <li>• <b>Fri:</b> - Nil -</li> <li>• <b>Sat:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Caixin PMI Composite &amp; Service (May)</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> Foreign Reserves (May)</li> <li>• <b>Thu:</b> Trade (May)</li> <li>• <b>Fri:</b> CPI, PPI (May)</li> <li>• <b>Sat:</b> Money Supply, New Yuan Loans , Aggregate Financing (May) (due 10-15 May)</li> </ul>
<b>South Korea</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> Business Survey Mfg &amp; Non-Mfg (Jun), Industrial Production (Apr)</li> <li>• <b>Thu:</b> CPI, Trade, Nikkei PMI Mfg (May)</li> <li>• <b>Fri:</b> GDP (1Q F)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Foreign Reserves (May), Current Account (Apr)</li> <li>• <b>Tue:</b> Public Holiday</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> - Nil -</li> </ul>
<b>Singapore</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> PMI (May)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Nikkei PMI (May)</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> Foreign Reserves (May)</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> - Nil -</li> </ul>
<b>Malaysia</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> Nikkei PMI (May)</li> <li>• <b>Fri:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> Industrial Production (Feb)</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> Money Supply M3 (Feb)</li> </ul>
<b>Indonesia</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> Public Holiday</li> <li>• <b>Fri:</b> Nikkei PMI Mfg, CPI (May)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> Public Holiday</li> </ul>
<b>Philippines</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> Nikkei PMI Mfg (May)</li> <li>• <b>Fri:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> CPI (May)</li> <li>• <b>Wed:</b> Foreign Reserves (May)</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> Trade (Apr)</li> </ul>
<b>Thailand</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> Trade, Current Account (Apr)</li> <li>• <b>Thu:</b> Nikkei PMI Mfg (May)</li> <li>• <b>Fri:</b> Foreign Reserves (26 May)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> Foreign Reserves (2 Jun)</li> </ul>
<b>India</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> GDP (1Q), Fiscal Deficit (Mar)</li> <li>• <b>Thu:</b> Nikkei PMI Mfg (May)</li> <li>• <b>Fri:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> Nikkei PMI Services &amp; Composite (May)</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> RBI Meeting</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> Trade (May) (due 9-15 May)</li> </ul>
<b>Vietnam</b>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> CPI, Trade, Retail Sales, Industrial Production (May) (due on 25-31 May)</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> Nikkei PMI Mfg (May)</li> <li>• <b>Fri:</b> - Nil -</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mon:</b> - Nil -</li> <li>• <b>Tue:</b> - Nil -</li> <li>• <b>Wed:</b> - Nil -</li> <li>• <b>Thu:</b> - Nil -</li> <li>• <b>Fri:</b> - Nil -</li> </ul>

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