

17 May 2024

Global Economics & Market Strategy

FX Daily: DXY to range-trade around 103 – 105 in the short-term

- ◆ **DXY failed to break its critical MA200 line** with market pricing flip-flopping back to being on a fence for a Sept FFR cut (probability: 51%). Technical indicators will dominate for now, with DXY to range-trade in the short-term.
- ◆ **Some profit-taking in US equities were seen last night, albeit risk appetite remains intact.** Asia markets continue to rise - KLCI rose further 0.49% to 1,611 at closing, STI (+0.47%) and SHCOMP (+0.08%).
- ◆ **Key Events – Friday:** Malaysia 1Q GDP, Eurozone Apr CPI

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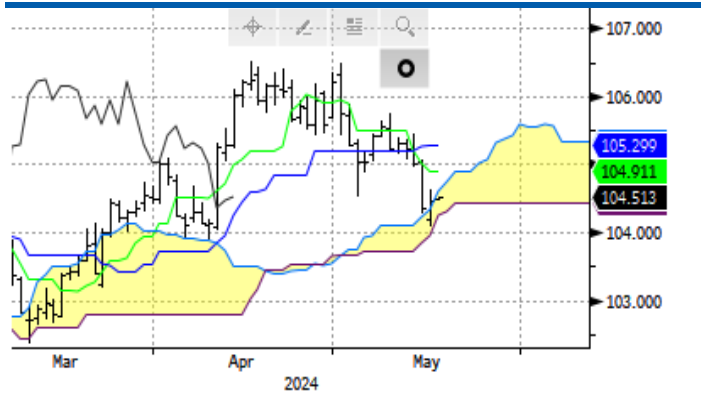
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Figure 1: DXY's decline moved into the Ichimoku cloud, suggesting range-trading behaviour



Source: Macrobond, RHB Economics & Market Strategy.

Figure 2: DXY's trend lines show dollar index bias towards the downside



Source: Bloomberg, RHB Economics & Market Strategy.

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FX Commentaries

- ◆ **DXY. Range trade around 103 – 105 in the short-term.** DXY failed to break its critical MA200 line with market pricing flip-flopping back to being on a fence for a Sept FFR cut (probability: 51%). Technical indicators will dominate for now, with DXY to range-trade in the short-term – DXY's decline has effectively left it in the Ichimoku cloud (see Figure 1), whereby technical tenet suggests DXY needs to break the cloud on either side to signal a direction formation. The RSI and MACD also show little direction signals, reinforcing DXY's likely range-trade behaviour in the week ahead. Trend lines may, however, continue to inject a weaker DXY - trend lines (Figure 2) suggest that DXY has broken its upward trend seen since Jan 2024 and is adhering to a short-term downward trend since 15 April. While we think technical signals may prevail for the short-term, the longer-term DXY trend may still rest on fundamentals - US import prices rose above consensus at 1.1% YoY (+0.9% MoM), whereby we observe a 2 – 3 months lead against US core PCE inflation thus suggesting that inflation risks remain. Market pricing-out of FFR cuts into year-end, towards our base case for a Dec rate cut, will be vital in supporting DXY and UST10Y yields.
- ◆ **USD-MYR: RSI indicates oversold zones, but more MYR strength can be expected.** MYR strength will likely continue from a technical perspective – USDMYR has trended below its MA200 line, which signals more downward movement for the pair. Ichimoku charts also suggest that USD-MYR move lower, with the pair starkly below the cloud. Notwithstanding the aforementioned views, we recognise that RSI is in oversold territories, whereby sell-off pressures may be cushioned in the short term. Today's GDP data will be released at noon, whereby any upside surprise beyond the 3.9% YoY handle may continue to lend strength to MYR. The caveat to the MYR strength view will stem from a weaker-than-expected 1Q24 Final GDP print (not our base case), coupled with a sudden rise in global inflation expectations (note last night's substantial increase in US import prices), which translates to a quick re-pricing of FFR to one cut in November – December 2024. Previous support levels are not breached. Hence, we expect S1 and S2 levels to be 4.653 and 4.618 per USD.
- ◆ **USD-SGD: No clear direction; range trade likely into the end of May.** USDSGD will range-trade around 1.34 – 1.36 in the next few weeks, with the pair seeing little movement from this morning's NODX print. NODX fell 9.3% YoY (against consensus: -8.9%, RHB: -7.4% YoY), albeit we are comforted by the improving sequential growth (MoM: +7.6%, March: -8.5% YoY), suggesting that (1) a high-base print over the same time last year cushioned NODX's annual growth, while (2) momentum may continue to improve on the back of our global growth assumptions. The decline in NODX print does not dent [our 1Q24 GDP growth forecast](#) of 2.2% YoY (-0.5% QoQ SA), albeit SGD may see some weakening should our forecast materialise on 23 May 2024. Note that consensus expects SG GDP to print 2.7% YoY (+0.1% QoQ SA) in 1Q24, weaker against our aforementioned assumptions, suggesting that USD-SGD could see a credible floor at current levels.
- ◆ **USD-THB: Buy on dips.** Compared to other ASEAN FX, we are unconvinced about THB's sustained rally despite the short-term bias for DXY's weakness. THB has rallied over 1.0% yesterday, with the pair trending below the MA50 line. Thailand's 1Q24 GDP growth will likely disappoint below 1.0% YoY (data out 20 May). The recent decision to raise retail diesel prices to THB31.94/litre effective today will continue to lift overall inflation pressures and curtail real rates. Furthermore, the ongoing Ministry-BOT debate may continue to leave investors unimpressed. However, the Bangkok Post reported that Finance Minister Pichai Chunhavajira commented that the government recognises the Bank of Thailand's autonomy in setting interest rate policies. Overall, idiosyncratic issues surrounding Thailand will likely dominate, suggesting that THB see downside pressures against its ASEAN peers.
- ◆ **USD-IDR: Short-term decline, but fundamentals favour a weaker IDR.** IDR continued its strengthening bias towards 15,925 per USD (+0.64%) yesterday, with the current R1 and S1 at 15,989 and 15,905 per USD, respectively. We note Bank Indonesia has emerged as the economy's largest holder of sovereign bonds, with BI's ownership of rupiah bonds accounting for 23% of the total this week. BI's share was less than 5% in early 2020, and the strong rise in bond ownership was likely a monetary policy tool for the central bank to stabilise the IDR amid their recent pledge to support the pair below 16,000 per USD. The pair will likely continue to trade lower into May on the back of further DXY weakness, but fundamentals still favour a weaker IDR on the back of a relatively flattish growth momentum in 2H24.

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Market Data

Foreign Exchange							Support & Resistance			
	Day Close	% Change	30D High	30D Low	50D MA	200D MA	R2	R1	S1	S2
DXY	104.61	0.11%	106.52	103.88	104.84	104.36	105.19	104.77	104.24	103.39
EUR-USD	1.0861	-0.16%	1.0895	1.0601	1.0783	1.0789	1.0998	1.0942	1.0852	1.0761
USD-JPY	155.73	0.33%	160.17	151.57	153.07	149.02	158.33	155.93	154.44	153.24
AUD-USD	0.6674	-0.22%	0.6714	0.6363	0.6551	0.6526	0.6741	0.6706	0.6662	0.6593
GBP-USD	1.2661	-0.12%	1.2709	1.2300	1.2587	1.2541	1.2809	1.2731	1.2607	1.2482
USD-SGD	1.3470	0.06%	1.3670	1.3421	1.3510	1.3496	1.3569	1.3530	1.3467	1.3403
USD-THB	36.245	-1.08%	37.175	36.048	36.413	35.733	36.511	36.328	36.144	35.917
USD-CNH	7.2271	0.07%	7.2831	7.1653	7.2376	7.2379	7.2596	7.2348	7.1947	7.1546
USD-IDR	15,925	-0.64%	16,288	15,845	15,891	15,587	16,092	15,989	15,905	15,821
USD-MYR	4.682	-0.50%	4.798	4.677	4.738	4.701	4.709	4.687	4.653	4.618
EUR-MYR	5.086	-0.10%	5.163	5.077	5.112	5.080	5.112	5.096	5.075	5.042
JPY-MYR	3.007	-0.81%	3.136	2.986	3.098	3.162	3.054	3.013	2.972	2.947
AUD-MYR	3.125	0.00%	3.148	3.048	3.105	3.073	3.149	3.134	3.123	3.111
GBP-MYR	5.928	-0.14%	6.021	5.893	5.969	5.904	5.953	5.929	5.898	5.849
SGD-MYR	3.476	-0.16%	3.532	3.476	3.510	3.488	3.508	3.494	3.471	3.448
THB-MYR	12.92	0.43%	13.12	12.82	12.99	13.15	12.97	12.92	12.88	12.83
CNH-MYR (x10)	6.478	-0.48%	6.618	6.478	6.549	6.504	6.544	6.516	6.471	6.425
IDR-MYR (x100)	2.940	0.17%	3.024	2.918	2.973	3.009	2.966	2.952	2.930	2.908

Fed Rate Hike Probability					Equities			
Meeting	# of Hikes/Cuts	% Chance	Implied Rate Change	Implied Rate		Day Close	% Change	Net Chg
1-May-24	-0.005	-0.5%	-0.001	5.329	DJIA	39,869.4	-0.10%	-38.62
12-Jun-24	-0.100	-10.0%	-0.025	5.313	SPX500	5,297.1	-0.21%	-11.05
31-Jul-24	-0.340	-24.0%	-0.085	5.253	Nasdaq	16,698.3	-0.26%	-44.07
18-Sep-24	-0.885	-54.5%	-0.221	5.116	KLCI	1,611.1	0.49%	7.88
7-Nov-24	-1.245	-36.0%	-0.311	5.026	STI	3,305.0	0.47%	15.57
18-Dec-24	-1.855	-60.9%	-0.464	4.874	SHCOMP	3,122.4	0.08%	2.50

Commodities							Rates			
	Day Close	% Change	30D High	30D Low	50D MA	200D MA		Day Close	Chg (bps)	YTD Δ (bps)
WTI (barrel)	79.15	0.76%	87.67	76.7	81.87	80.09	UST 2Y	4.795	7.16	54.5
Brent (barrel)	83.33	0.63%	92.18	81.05	86.38	84.42	UST 10Y	4.375	3.50	49.6
Copper (lb)	486.5	-1.56%	5.178	4.173	4.344	3.903	3M LIBOR	5.585	-0.35	-0.8
Gold (oz)	2,381.5	-0.39%	2,429.0	2,285.2	2,289.4	2,057.6	MA 3Y	3.541	-3.20	7.7
Silver (oz)	29.67	0.51%	29.91	26.04	26.72	24.08	MA 10Y	3.851	-3.70	12.1
CPO (MYR/MT)	3,838.0	0.58%	4,600.0	3,800.0	4,165.5	3,860.1	3M KLIBOR	3.590	0.00	-18.0

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