

03 July 2024

Global Economics & Market Strategy

FX Daily: Powell's "Taking Our Time to Get It Right" Speaks Volume

- ◆ **DXY has remained above its critical support of 105.** US Fed chair Powell cited “we have the ability to take our time and get this right”, in reference to the delicate balance of having stable prices and full employment.
- ◆ **USDMYR has weakened past its 4.72 handle as of yesterday’s closing**, in line with our view for top-bound range trade handle of 4.73 as cited in our previous [FX report](#). Expect MYR to consolidate at R1 of 4.726 per USD in the short-term.
- ◆ **Key Events – Wednesday:** Caixin Jun Composite PMI, US jobless claims and Jun ADP employment change | **Thursday:** US FOMC minutes | **Friday:** Thailand Jun CPI, US Jun non-farm payrolls and unemployment rate

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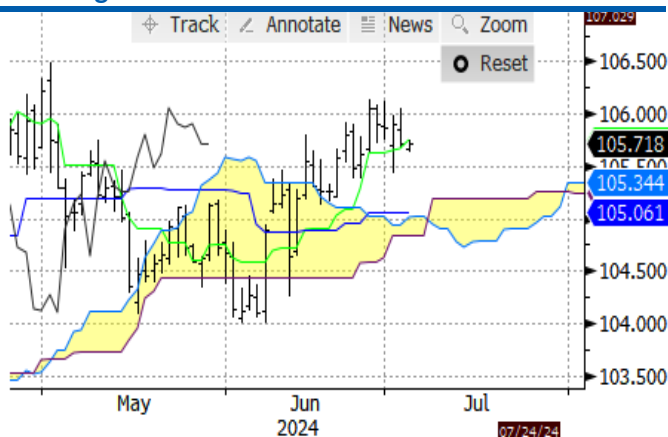
Acting Group Chief Economist & Head, Market Research

Barnabas Gan

+603 9280 8880

barnabas.gan@rhbgroup.com

Figure 1: DXY's Ichimoku Analysis shows the dollar index breaching the conversion line

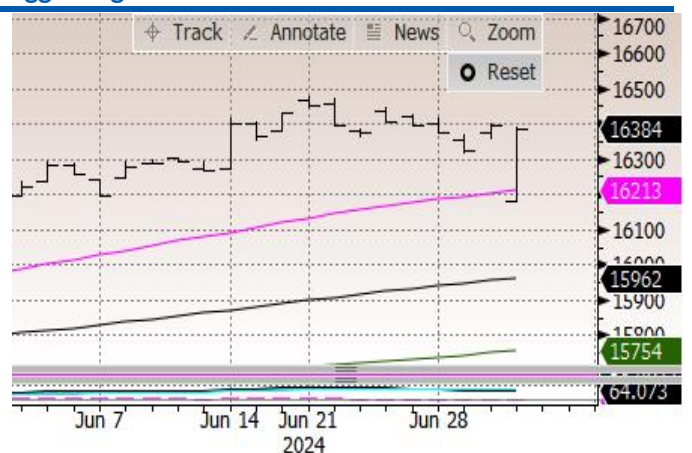


Source: Bloomberg, RHB Economics & Market Strategy.

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Market Dateline / PP 19489/05/2019 (035080)

Figure 2: IDR failed to breach the MA(50) line credibly, suggesting the bears still dominate



Source: Bloomberg, RHB Economics & Market Strategy.

FX Commentaries

- ◆ **DXY Index: Buy on dips, pivot at 104.77.** Yesterday's relatively softer DXY at 105.72 (-0.17%) is, perhaps, a phenomenon of profit-taking; DXY climbed to near its critical 106 handle (closed at 105.901 on 1 July), thus likely giving the bears some reason to inject some pullback. Notwithstanding the lower closing last night, this morning's trend is upward, suggesting that the bulls are not convinced of further sell-off. We continue to believe that rate expectations will anchor how DXY may trend - US Fed chair Powell cited, "we have the ability to take our time and get this right" regarding the delicate balance of stable prices and full employment. The recent rhetoric suggested that (1) the FOMC is still relatively reluctant to lower the Fed Funds Rate given the current market conditions and (2) one rate cut is, perhaps, a more likely scenario, as recently highlighted in the latest FOMC dot-plot chart. Swap pricing for a September rate cut has gone up to above 60% again, and our view is that it is still too soon to say whether the central bank might be able to lower interest rates by the end of summer. We continue to advocate buy on dips for the DXY given (1) further pricing out of FOMC rate cuts by market watchers into 3Q24 and (2) a relatively high-for-longer rate trajectory against ASEAN FX.
- ◆ **The technical view for the DXY remains relatively unchanged** - the DXY remains comfortably above all three moving average lines. However, the recent pullback from its 106 handle on intra-day trading last week has left MA(50) on a neutral trendline. RSI levels have edged slightly higher (56.2 at reading vs the start of week 55.0), albeit it can still be regarded as remaining in the neutral zone with room for a move on either side. MACD's bullish divergence is slowly dissipating, and any further decline in DXY may mean a cross into a bearish zone. Should this materialise, this could give DXY bears even more reason to engage in a sell. Ichimoku analysis suggests that DXY is supported at current levels. Still, the current reading breached the conversion line (Figure 1), suggesting that any downside bias must be met with stronger support at the base line (current: 105.06).
- ◆ **USD-MYR: Range-trade around 4.70 – 4.73 this week.** USDMYR has weakened past its 4.72 handle as of yesterday's closing, in line with our view for a top-bound range trade handle of 4.73 as cited in our previous [FX report](#). Expect MYR to consolidate at R1 of 4.726 per USD in the short term. MACD's bullish divergence persists, suggesting little signal for MYR's strength in the short term. Moving average lines may also tell a story; USDMYR is approaching the MA(50) from the bottom, albeit the said MA line is also edging lower. What this tells us is that any USDMYR breach above the MA(50) line from the bottom may mean (1) further upside bias for the pair and (2) a new MA line support at the MA(50) handle. RSI remains in the neutral zone (53.5). Ichimoku analysis suggests MYR is entering the range-trade cloud, whereby the Bollinger band further cements this view at a range of 4.695 – 4.730.
- ◆ **USD-SGD: Upward bias remains intact, but the R2 level 1.36 must be breached to cement higher values.** Empirical behaviour in April 2024 suggests that SGD's weakness past the 1.36 handle is temporal and short-lived. Similarly, in Sept – October 2023, a similar phenomenon was also observed. Per our [Pathfinder 3Q24 report](#), we see USDSGD move towards 1.37 in 3Q24, given our dollar strength expectations for DXY to rally towards 107. But before this could happen, SGD must cross the critical R2 handle of 1.36 per USD in the week ahead (or next week) before moving higher to 1.37. Current technical indicators support USDSGD's upward bias, including the pair comfortably above the moving averages and above Ichimoku's cloud and conversion line. Similarly, while slightly narrower, the bullish divergence in the MACD lines indicates that a bearish cross could be weeks away (if it even materialises). Separately, Singapore's S&P Global whole economy purchasing managers' index printed 55.2 in June, from 54.2 in May, highlighting further expansion in Singapore's key economic indicators.
- ◆ **USD-THB: The path of least resistance is up.** Further downside risks for Thailand's economy have led the World Bank to downgrade its 2024 GDP growth outlook to 2.4%. This is in line with our expectations cited in our Thailand economic reports in 2Q24 and the latest [Pathfinder 3Q24 report](#). The World Bank warns of Thailand's weaker exports and public investment. Still, it may infer a better Thailand prognosis in 2025 with a strong tourism inbound outlook of 41.1 million persons in the next year, vs 36.1 million persons expected in 2024. The THB weakened to 36.86 per USD at yesterday's closing, with technical indicators still suggesting further THB weakness in the week ahead.
- ◆ **USD-IDR: Weak resistance at 16,400 viewed.** We remain bearish on the IDR. USDIDR's failure to breach the MA(50) line suggested that IDR bears continue to dominate the market. USDIDR has recently tried to test the MA(50) line (Figure 2), but a knee-jerk upward reaction is consistent with our bearish IDR view. Bollinger bands are suggesting a range trade of 16200 – 16480. At the same time, the bearish MACD divergence persists, but it is narrower as of yesterday's closing, suggesting that any flip back to the positive zone will give the bears more reason to expect IDR's weakness in the weeks ahead.

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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	105.72	-0.17%	106.13	103.99	105.16	104.50	107.00	106.15	105.62	105.19
EUR-USD	1.0745	0.05%	1.0916	1.0666	1.0779	1.0793	1.0852	1.0761	1.0705	1.0659
USD-JPY	161.44	-0.01%	161.74	154.55	157.12	150.84	164.22	161.46	158.70	156.99
AUD-USD	0.6667	0.11%	0.6704	0.6576	0.6628	0.6561	0.6741	0.6706	0.6662	0.6593
GBP-USD	1.2685	0.28%	1.286	1.2613	1.2662	1.2572	1.2809	1.2731	1.2607	1.2482
USD-SGD	1.3560	-0.12%	1.3597	1.3438	1.3526	1.3484	1.3600	1.3569	1.3530	1.3467
USD-THB	36.857	0.39%	36.985	36.325	36.732	36.002	37.472	37.105	36.738	36.511
USD-CNH	7.307	0.02%	7.3097	7.2412	7.2588	7.2335	7.3356	7.3176	7.3031	7.2886
USD-IDR	16,395	0.45%	16,478	15,965	16,202	15,748	16,626	16,450	16,274	16,165
USD-MYR	4.721	0.16%	4.725	4.682	4.723	4.715	4.743	4.726	4.709	4.687
EUR-MYR	5.057	-0.27%	5.136	5.030	5.087	5.087	5.092	5.064	5.037	5.019
JPY-MYR	2.924	0.17%	3.042	2.915	3.004	3.130	3.003	2.971	2.919	2.867
AUD-MYR	3.140	-0.28%	3.153	3.087	3.126	3.094	3.164	3.142	3.128	3.117
GBP-MYR	5.965	-0.14%	6.032	5.950	5.970	5.923	5.990	5.970	5.949	5.923
SGD-MYR	3.475	-0.11%	3.500	3.468	3.489	3.497	3.500	3.478	3.457	3.444
THB-MYR	12.83	0.02%	12.95	12.70	12.86	13.10	12.88	12.83	12.74	12.65
CNH-MYR (x10)	6.461	0.12%	6.507	6.450	6.504	6.519	6.516	6.471	6.425	6.397
IDR-MYR (x100)	2.880	-0.28%	2.951	2.860	2.914	2.986	2.910	2.893	2.865	2.837

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	39,331.9	0.41%	162.33
12-Jun-24	-0.013	-1.3%	-0.003	5.327	SPX500	5,509.0	0.62%	33.92
31-Jul-24	-0.085	-8.5%	-0.021	5.307	Nasdaq	18,028.8	0.84%	149.46
18-Sep-24	-0.730	-64.5%	-0.183	5.146	KLCI	1,598.0	-0.02%	-0.24
7-Nov-24	-1.090	-36.0%	-0.273	5.056	STI	3,367.9	0.88%	29.33
18-Dec-24	-1.826	-73.5%	-0.456	4.872	SHCOMP	2,997.0	0.08%	2.28

Commodities							Rates			
	Day Close	% Change	30D High	30D Low	50D MA	200D MA		Day Close	Chg (bps)	YTD Δ (bps)
WTI (barrel)	82.81	-0.68%	84.38	72.48	79.45	79.39	UST 2Y	4.741	-1.44	49.1
Brent (barrel)	86.24	-0.42%	87.46	76.76	83.66	83.57	UST 10Y	4.432	-2.97	55.3
Copper (lb)	4.430	0.07%	5.162	4.305	4.619	4.029	3M LIBOR	5.580	-0.27	-1.3
Gold (oz)	2,333.4	-0.24%	2,438.2	2,285.4	2,340.5	2,122.8	MA 3Y	3.534	-0.60	7.0
Silver (oz)	29.35	0.18%	32.50	28.58	29.25	25.17	MA 10Y	3.879	0.80	14.9
CPO (MYR/MT)	4,140.0	2.88%	4,145.0	3,831.0	3,941.6	3,880.4	3M KLIBOR	3.590	0.00	-18.0

Source: Bloomberg, RHB Economics & Market Strategy

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**KUALA LUMPUR**

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBI
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799