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Weekly FX Focus

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Jackhole Hole came and went, with Fed Reserve Chairman Ben Bernanke's not delivering any new announcement on stimulus measures. He noted that even as the US economy is at the ninth quarter of recovery (since the National Bureau of Economic Research's date for the start of the economic recovery), the growth recovery was significantly below the Fed's expectation. He also stressed the importance of fiscal policy to anchor long-term economic growth as he noted that "most economic policies that support robust economic growth in the long run are outside the province of the central bank" although we also noted that Bernanke still left the door open for additional monetary stimulus if necessary, but he did not list out the policy options available to the central bank.

The markets will now turn their focus on the US jobs market recovery and the FOMC minutes to glean insights of Fed's US outlook. US data releases will start flowing on Monday with Dallas Fed manufacturing activity survey. Other Monday data releases include July core PCE, personal spending and July pending home sales. More housing data is on the tap on Tuesday with the release of the Case-Shiller home price composite-20. We will also get the August US consumer confidence survey the same day. Thursday’s data releases include the August ISM manufacturing PMI as well as July US factory orders.

	Direction	View
EUR/USD	↔	It was another week of pronounced volatility which saw the EUR/USD little changed. So far, the Euro has remained pretty resilient. Yet, the currency is certainly not out of the woods, and markets will keep a close watch on references to future ECB policy moves, and on developments surrounding the debt crisis. This week promises to be another eventful one for the EUR/USD. Data-wise, surveys are again the main interest in the Eurozone, Italy with August consumer confidence on Monday and business confidence on Tuesday. EC Eurozone economic sentiment is also due on Tuesday, followed by Thursday's final August Eurozone manufacturing PMI survey. On the inflation front, German CPI will be of interest ahead of the EZ equivalent on Wednesday. With the pair still very much vulnerable to broader risk off moves, a break below 1.4330 will expose deeper pullback in prices to major support level of 1.4220. Major resistance seen at 1.4690.
GBP/USD	↔	This is a holiday-shortened week for the UK, with the markets closed on Monday for the end-summer Bank holiday. Economic data out of the UK last week was highlighted by the 2Q GDP print which showed the pace of growth slowing to 0.2% qoq from a previous print of 0.5% qoq. The yoy figure was even weaker with a print of 0.7% from the previous 1.6% yoy. This week, the economic docket is rather light, with the only data points of interest beginning on Tuesday with the August GfK consumer confidence survey followed by Thursday’s release of nationwide house prices. By and large, interest rate expectations from the BoE have continued to diminish as fears that the nation may slide back into recession. With the BoE seen holding on rates for a much longer period, and with talks that further QE measures may be in the pipeline, the GBP/USD is likely to remain under pressure. The key support at 1.6200 is now being targeted and a break below here would open the way for a decline towards 1.6100.

	Direction	**View**
AUD/USD	↑	AUD/USD is trading at higher levels on increasing risk appetite, despite RBA Governor Stevens' comments in his testimony to Parliament last week that he sees moderation in Australian demand and Chinese growth, growing trouble in global financial conditions and inflation holding well below 3% in the upcoming quarterly read. This week, key economic data include Q2 Capex and July retail sales on Thursday. We continue to expect the AUD/USD pair to trade alongside risk sentiment, although prices may find difficulty looking for support if the central bank continues to show signs of monetary policy reversal over the coming weeks. We are looking for the AUD/USD to move within the 1.0470-1.0680 for the meantime. Major resistance seen at 1.0780.
NZD/USD	↑	Moving in tandem to its Australian counterpart, the NZD/USD has gotten above the 0.8400-levels. Markets will receive a light flow of data this week, with the main entry of note being the NBNZ business confidence index on Wednesday. The absence of key domestic data this week suggests that the NZD/USD should continue to take its cues from risk sentiment and AUD movements. It is likely we will see some range-bound action for most part of the week, as prices attempt to test the higher bounds of its range. Next resistance level at 0.8500 before 0.8600. Major support sits at 0.8160.
USD/SGD	↔	USD/SGD traded a range of 1.2052-1.2098 before falling to a low of 1.2021 during the NY session on Friday. SGD NEER continues to trade at the stronger end of the band this morning at around 2.0% above the mid-point with 2.5% threshold implying strong USD/SGD support at 1.2000. Singapore's July manufacturing data released last Friday which came in close to consensus expectation suggests that the manufacturing sector could remain weak in the coming months despite expected boost from the Christmas orders. This supports view that the MAS would stand pat in its monetary policy this October. For this week, Singapore's loans and money supply data for July will be due on Wednesday.
USD/CNY	↔	Malaysian markets are scheduled for closure from 30 August – 1 September and is on half-day session today for Hari Raya. USD/MYR eased to below 2.98 this morning from 2.9850/USD close on Friday. US employment data on Wednesday as well as the August PMI readings for the Asian manufacturers on Thursday will likely guide the sentiment on USD/MYR when the Malaysian markets reopen on Friday. We expect a range of 2.9650-3.0000 for USD/MYR this week.

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