FX Weekly

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Tactical Trading

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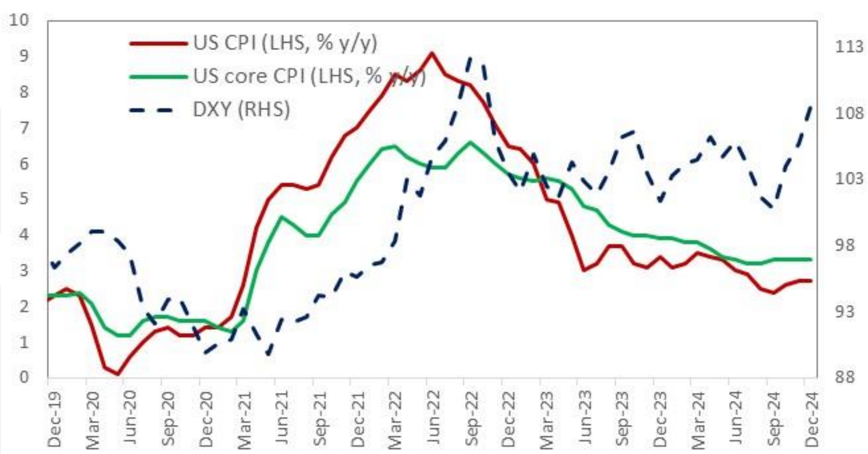
Tariff Developments Remain Fluid. USD eased slightly this week from recent highs on report that Trump team is studying. According to reports, one idea involves a schedule of gradual tariffs increasing by about 2% to 5% a month and would rely on executive authorities under the International Emergency Economic Powers Act. This shows how fluid tariff development is and we may have to brace for a range of plausible outcomes. Trump inauguration takes place next Mon (20 Jan). There is a lot of expectation that tariffs may soon be implemented. But we still cannot rule out a case of Trump threatening with tariffs today, set a deadline, demand concessions and then cut a deal. Eventually, the endgame could be a watered-down version of tariffs and in this scenario, risk assets can rally. That said, we admit that the report may still be in fairly early stages at this point. Near term, US CPI report comes into focus (Wed). A softer print would be a much-needed catalyst to slow USD bulls.

Technical Divergences Emerging. On the technical aspects, our observation points to a barrage of technical divergence between prices and momentum/oscillators coming into sight. And this can at times be interpreted as a sign that a reversal in price action may be underway. For Asians, USDSGD is seeing bearish divergence on MACD and also noting a rising wedge pattern. These point to the risk of a bearish reversal in the near term. More downside (towards 1.3530 levels) may play out if key support at 1.3640 gives way. For USDMYR, bearish divergence was also observed on MACD and RSI. These put some focus on key support levels at 4.4890, 4.46 in the near term. On the majors, EURUSD is seeing mild bullish divergence on RSI. Corrective rebound can re-visit 1.0350, 1.0420 levels. USDCHF and USDCAD are seeing some bearish divergence on MACD/ RSI. USDCAD may potentially test 1.42 while USDCHF may trade towards 0.90.

Need US CPI to Come Off to Tame USD Bulls



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (3Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for TWD
No.4 for EUR
No. 8 for CHF

(2Q 2024)

By Currency:
No. 3 for TWD, THB
No. 8 for EUR, CHF

(1Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for EUR
No. 4 for TWD
No. 5 for GBP

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OCBC Bank

AxJ Positioning Bias (Reuters Poll)

Based on Reuters survey on Asia FX positioning, all AxJ FX remain bearish. KRW, INR, and CNY were amongst the most bearish (unchanged from the last poll). In terms of incremental bearish adjustments, most AXJs saw an increase in shorts with SGD and CNY seeing the largest increase in shorts. On net basis, THB and PHP were amongst the least bearish.

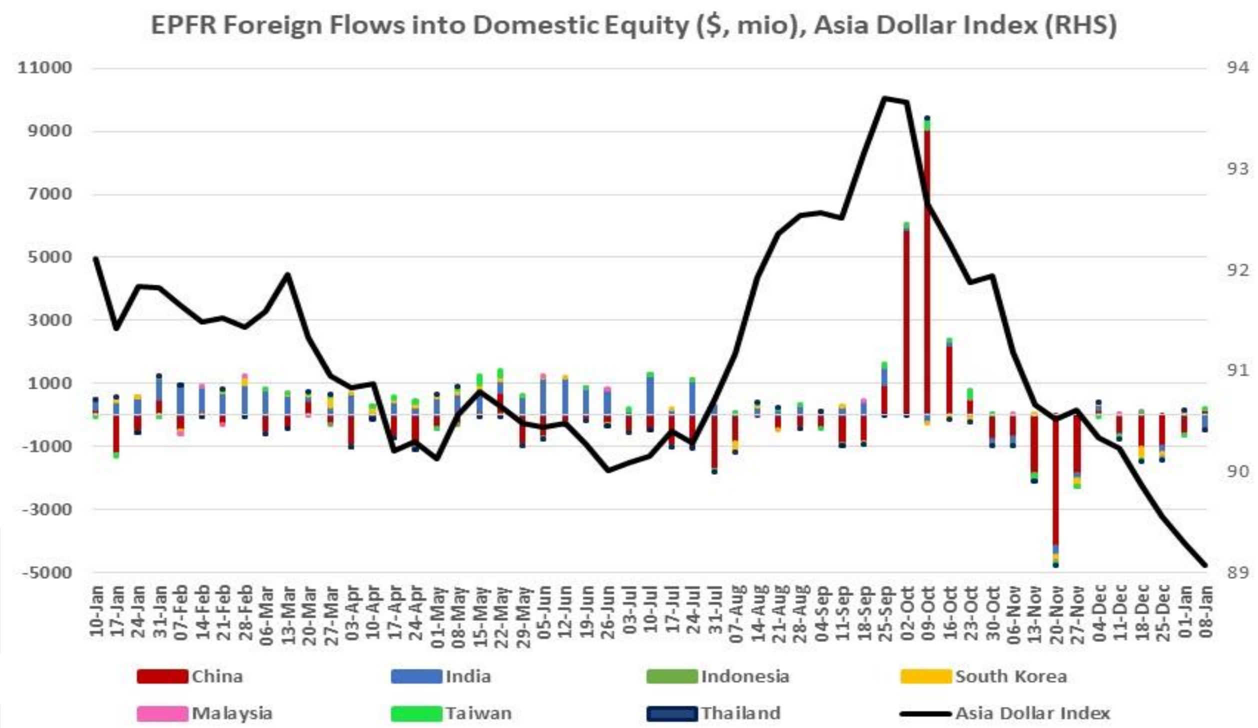
	25-Aug-24	05-Sep-24	19-Sep-24	03-Oct-24	17-Oct-24	31-Oct-24	14-Nov-24	28-Nov-24	12-Dec-24	09-Jan-25
USD/CNY	-0.62	-0.85	-0.67	-1.14	-0.43	0.3	1.14	1.32	1.15	1.65
USD/KRW	-0.93	-1.09	-0.9	-0.79	0.26	1.06	1.61	1.45	1.86	1.75
USD/SGD	-1.08	-1.26	-1.12	-1.26	-0.44	-0.03	0.8	1.12	0.83	1.34
USD/IDR	-1.26	-1.05	-1.18	-1.08	0.04	0.59	0.81	1.03	0.87	1.2
USD/TWD	-0.7	-0.77	-0.66	-0.59	0.24	0.6	1.07	1.1	0.82	1.18
USD/INR	0.21	0.21	0.33	-0.04	0.67	0.82	0.87	1.13	1.43	1.69
USD/MYR	-1.57	-1.46	-1.3	-1.18	-0.4	0.11	0.65	0.76	0.65	0.99
USD/PHP	-1.03	-1	-1.1	-0.7	0.26	0.81	1.18	1.13	0.53	0.65
USD/THB	-1.16	-1.22	-1.33	-1.45	-0.28	0.09	0.9	0.66	0.26	0.76

Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.

Source: Reuters [latest avail: 9 Jan 2025], OCBC Research

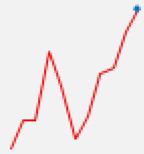
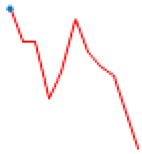
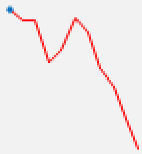
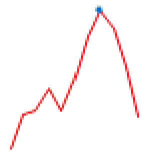
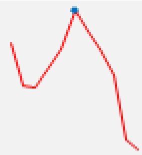
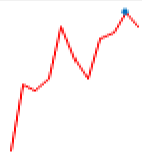
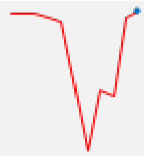
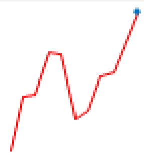
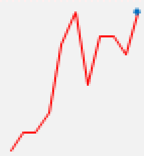
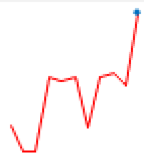
EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflow across the AxJ region was observed in India, according to EPFR data for the week ended 8 Jan. Most other regions saw mild foreign inflows, including China. Asian FX on one-way decline



Note: Latest data available as of 8 Jan (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index

Source: EPFR, Bloomberg, OCBC Research

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: - Nil – **Tue:** NY Fed 1y CPI expectations; NFIB business optimism, PPI (Dec); **Wed: CPI (Dec);** Empire manufacturing (Jan); **Thu: Fed's Beige book**; Retail sales, Philly fed business outlook, import, export prices (Dec); initial jobless claims; **Fri:** Housing starts, building permits, IP (Dec);		**S: 108.20; R: 111.00**
EURUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Industrial production (Nov); German GDP (2024); **Thu:** Trade (Nov); German CPI (Dec); **Fri:** CPI (Dec); Current account (Nov)		**S: 1.0000; R: 1.0460**
GBPUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** CPI, PPI, RPI (Dec); house prices (Nov); **Thu:** IP, GDP, construction output, trade (Nov); **Fri:** Retail sales (Dec)		**S: 1.1810; R: 1.2360**
USDJPY	**Mon:** - Nil – **Tue:** Trade, current account (Nov); **Wed:** Machine tool orders (Dec P); **Thu:** PPI (Dec); **Fri:** - Nil –		**S: 154.50; R: 158.90**
AUDUSD	**Mon:** Job advertisements (Dec); **Tue:** Westpac consumer confidence (Jan); **Wed:** - Nil – **Thu**: **Employment change (Dec);** CPI expectations (Jan) **Fri:** - Nil –		**S: 0.5960; R: 0.6300**
USDCNH	**Mon:** Trade (Dec); **Tue**: - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri: GDP (4Q);** IP, FAI, retail sales, home prices, jobless rate (Dec)		**S:7.3200; R: 7.3800**
USDKRW	**Mon**: - Nil – **Tue:** - Nil – **Wed:** Import, export price index, Unemployment rate (Dec); **Thu: BOK MPC** **Fri:** - Nil –		**S: 1,455; R: 1,486**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri: NODX (Dec)**		**S: 1.3620; R: 1.3870**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** GDP (2024)		**S: 4 4800; R: 4.5400**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Trade (Dec); **BI MPC;** **Thu:** External debt (Nov) **Fri:** - Nil –		**S: 16,140; R: 16,340**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

Focus on CPI Before Trump Inauguration. USD eased slightly this week from recent highs on softer PPI and on report that Trump team is studying. According to reports, one idea involves a schedule of gradual tariffs increasing by about 2% to 5% a month and would rely on executive authorities under the International Emergency Economic Powers Act. This shows how fluid tariff development is and we may have to brace for a range of plausible outcomes. Trump inauguration takes place next Mon (20 Jan). There is a lot of expectations that tariffs may soon be implemented. But we still cannot rule out a case of Trump threatening with tariffs today, set a deadline, demand concessions and then cut a deal. Eventually, the endgame could be a watered-down version of tariffs and in this scenario, risk assets can rally. That said, we admit that the report may still be in fairly early stages at this point.

Taking stock, USD extended its run higher as markets pare back rate cut expectations owing to US exceptionalism trade. December payrolls report was notably stronger than expected, with NFP at +256k, minimal revision to prior 2-month and the unemployment rate falling to 4.1%. University of Michigan Prelim report also saw a sharp rise in 5-10y consumer inflation expectations. Recall that last week, ISM prices paid also rose to >20month high. Fed Funds futures saw another round of hawkish repricing. Next Fed cut is only fully priced for the September meeting (vs. Jun previously) and <30bp of cuts for whole of 2025 (vs. about 38bp cut priced previously prior to NFP). Stronger USD, higher yields undermined Asian FX. IDR, PHP were amongst the Asian FX that were hardest hit. Focus this week on US CPI on Wednesday. We would need a much softer print to slow USD bulls. Failing which, another hot print should fuel USD higher.

DXY was last at 109.65. Mild bullish momentum on daily chart intact while RSI rose. Risks remain skewed to the upside. Resistance at 110.10, 110.90 levels. Support at 108 levels (21 DMA), 106.70 (50DMA).

Tariffs, immigration, deregulation, tax cuts and pursuing "peace" are likely some of Trump's policy priorities post-inauguration. Tariffs may undermine global trade, growth, sentiments and pose risks of inflation for US. This may derail its disinflation journey and imply fewer Fed cuts in 2025/26. Hawkish re-pricing alongside US exceptionalism will keep USD supported in the interim. For tariff implementation, its timing, magnitude and scope remains uncertain. We do not rule out the possibility of tariffs being used as a bargaining chip to unlock other policies and level the playing ground. The Mexican episode shows that Trump's tariff threat was likely a bargaining chip to unlock other policy agendas, which in this case appears to be migration and drugs. Hence, there is a chance that tariffs may come later in 2H 2025, rather than earlier, when other negotiations fail. The recent Washington post article and subsequent denial also highlighted the fluidity of tariffs in terms of scope. Less drastic/ targeted tariff plans may bring relief to risk assets while blanket tariffs may undermine sentiments. We still look for a mild USD pullback in 1Q 2025 as Fed is likely to lower rates but USD risks and trajectory are skewed to the upside over 2Q – 4Q 2025 as we take into consideration the potential risk of tariff implementation, inflation risks and slower pace of Fed cuts. Our medium-term view still expects the USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current accounts are some drivers that should weigh on USD.

EURUSD

Hammer (Bullish Reversal)? EUR shows tentative signs of rebound this week after the USD eased on softer PPI and report that tariffs may see a gradual increase approach (though it remains early to tell what the decision on tariff is). Pair was last at 1.0290 levels. Daily momentum is flat while RSI shows signs of turning from near oversold conditions. On price action, yesterday candlestick shows a hammer pattern. This is typically associated with a bullish reversal. Elsewhere, we also observed a bullish divergence on daily RSI. While we continue to watch price action for confirmation, a near term technical rebound cannot be ruled out. Resistance at 1.0360 (21 DMA), 1.0405 (50% fibo) and 1.0470 (50 DMA). Support at 1.01, 0.9950 levels (76.4% fibo retracement of 2022 low to 2023 high).

Earlier, EUR traded lower (below 1.02 at one point this week) amid USD resurgence, risk-off trades (global bond sell-off) while ECB rhetoric remains dovish. ECB chief economist said he agreed that the direction (for policy rate) is clear. He further said that if rates remain too high for too long, it will weaken the inflation momentum in such a way that the disinflation process would not stop at 2% but could materially fall below target. He added that wage increase in 2025 is expected to be significantly lower, meaning inflation will continue to decline.

For 2025, we remain somewhat bearish on EUR's outlook: 1/ sluggish growth in the Euro-area; 2/ anticipation of ECB needing to cut more/ deeper to support growth; 3/ rise in energy costs (as cold weather depletes reserves and reduced Russian supplies) adding more pain to industrials and households; 4/ other external factors such as concerns of universal tariffs, stronger USD. Trump presidency will result in shifts in US foreign and trade policies and can have implications on EUR. Universal tariff of up to 20% tariff can hurt Europe (if implemented) as US is EU's top export destination. Over the medium term, EUR can revert to trend higher when growth stabilises, and political and policy uncertainties find some clarity.

GBPUSD

Spooked by GILT Sell-off. Pound continued to get pounded amid the surge in UST yields and USD. Slowing UK economy, growing twin deficits of current account and fiscal accounts are negatives for GBP. Recent surge in GILT yields added to interest bill concerns that may threaten Chancellor Reeves's limited fiscal space. Media reports there were also concerns that some pension funds were told to come up with more cash to maintain hedging position thru liability driven investment (LDI) strategies (i.e. Basically requires more collateral to make up for the movement in prices). There were also concerns of GBP, GILTS facing a "Liz Truss" moment (recall 2022) after the recent sell-off in longer-dated gilts saw yields hit their highest level since 1998. In addition, the recent surge in energy prices (brent, gas) may also add to inflationary concerns. Taken together, higher inflationary risk and slowing growth suggest that a stagflation outcome for UK cannot be ruled out.

GBP was last at 1.2185 levels. Bearish momentum on daily chart intact while RSI fell to near oversold conditions. Broader risks remain skewed to the downside though the risk of technical rebound is not ruled out. On price action, there are signs that a hammer pattern appears to be forming. We watch price action for confirmation, and this can typically be associated with a bullish reversal. Resistance 1.23 and 1.2370 levels (76.4% fibo retracement of 2023 low to 2024 high), 1.2460 (21 DMA). Support at 1.2080/ 1.2040, 1.1810 levels (2023 low). We had a short EURGBP trade but decided to pulled the trigger to exit with a small stop due to changes in GBP view.

We continue to see downside risks for GBP. Slowing economy, growing twin deficits of current account and fiscal accounts in the face of rising yields are negatives for GBP. This week's data would be key to watch, including, CPI, PPI (15 Jan), IP (16 Jan) and retail sales (17 Jan). Downside print can further add to bearish pressure. With that said, we are not in the camp looking for GBP to come off hard as elevated services inflation (5%) and a still healthy labour market warrant a gradual approach to removing restraint. Downside risks to our view include 1/ a more aggressive BoE cut cycle than the Fed; 2/ faster growth slowdown in UK, 3/ energy price surge; 4/ Fed slowing down on policy normalisation and/or return of US exceptionalism. A play-up of any of these risks may undermine GBP.

USDJPY

BoJ MPC Next Week Likely a Live Meeting. USDJPY traded in choppy fashion this week, driven by risk-off/risk-relief sentiment (global bond sell-off, reports of gradual tariff increases), yield differentials, and comments from BoJ Governor Ueda and deputy Chief Himino. Governor Ueda spoke about making decision whether to raise rate at the upcoming BoJ meeting. Earlier, Himino spoke about causing a surprise is not desirable except in crisis. He said MPC will discuss next week whether to raise rate or not and to raise rate if economic outlook is realised. He also said "In conducting monetary policy, it is difficult but essential to judge the right timing".

Overall, he struck a balanced tone in his speech. Even though he did not commit to any time frame, he did not remove that optionality to hike if conditions are met. We believe the upcoming MPC (24 Jan) remains live. Markets still see 15bp hike as of now. A 25bp hike should bring back JPY bulls. That said, the risk of BoJ holding rates is also likely. In the scenario of BoJ holding rates again and guidance for Fed to slow rate cut cycle (or hawkish repricing) would mean that USDJPY may continue to face intermittent upward pressure. On the topic of intervention, the risk will probably rise if there is a rapid surge in USDJPY towards 160-162 levels. Verbal intervention is likely to be featured first to deter JPY bears. But in the face of strong USD trend and BoJ policy inaction, verbal jawboning can only be at best in slowing JPY's bout of depreciation pressure. What can stop JPY from further weakening in the near term would be a less dovish BoJ, some guidance in expectations for BoJ hike in due course and/or a softer USD.

Pair was last at 157.90 levels. Bearish momentum on daily chart intact but decline in RSI moderated. Consolidative trades likely for now as UST yields (dependent on US CPI catalyst) may still be the dominant force driving USDJPY. Resistance here at 158, 158.80 (recent high). Support at 157.20 (21 DMA), 156.60.

For this year, we still look for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation (supported by data). Tokyo core core CPI, PPI, wages rose while labour market report also pointed to upward wage pressure in Japan with 1/ jobless rate easing, 2/ job-to-applicant ratio increasing; 3/ trade unions calling for another 5-6% wage increase at *shunto* wage negotiations for 2025. Wage growth pressure remains intact, alongside broadening services inflation is supportive of BoJ normalizing rates. Our house view looks for 25bp hike each in 1Q, 2Q and 3Q 2025. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials and this should underpin the broader direction of travel for USDJPY to the downside. Elsewhere, escalation in geopolitical tensions, protectionism measures may also support safe-haven demand (positive JPY). That said, any slowdown in pace of policy normalisation – be it the Fed or BoJ– would mean that USDJPY's direction of travel may be bumpy or face intermittent upward pressure.

AUDUSD

Breather. AUD's decline slowed this week amid USD bulls taking a breather while on tariff aspect, there was report that Trump team is considering more gradual pace of increases. Rebound in Chinese equities did provide some relief for risk assets. This week's focus on data – employment report (Thu) before next week's much anticipated US presidential inauguration. Markets are keen to find out how soon and what magnitude and scope the tariffs will be. Worries of tariffs may keep sentiment pressured and AUD trading soggy. But at the same time, a less drastic approach or any delay to tariff implementation could see risk proxies take an extended breather. In the interim, we should see consolidation.

AUD was last at 0.6190 levels. Daily momentum is mild bullish while RSI rose. Rebound risks not ruled out but may require the blessing of a robust AU labour market report and for China to hold up. Resistance at 0.6210 (21 DMA), 0.6320 (23.6% fibo retracement of 2024 high to 2025 low) and 0.6360 (50 DMA). Support at 0.6130 (recent low), 0.60 psychological level.

Broadly speaking, the near-term outlook remains challenging for AUD, owing to RMB softness, US/universal tariff concerns, sentiment shifts (sell-off in global bonds), RBA's dovish pivot, dip in Aussie consumer confidence, contractionary PMIs. But in the medium term, we remain constructive on AUD. Some of the reasons underpinning the bias include: 1/ expectations for a shallower pace of RBA rate cut cycle, given still sticky inflation, and tight labour market; 2/ expectations that China stabilisation story can find traction amid stimulus support, though some patience is needed.

There is room for RBA to calibrate monetary policy settings at some point in 1H 2025. Minutes released (24 Dec) indicated that RBA is *more confident that inflation is moving sustainably toward target but it's still too soon to conclude the battle is won given a recent pick-up in consumption and a still-tight labor market.* Members noted that additional information on jobs, inflation and consumption, along with a revised set of staff forecasts, would be available by the 17-18 Feb meeting. Elsewhere, AU labour market remains fairly tight though there are signs that the tightness is fading. Other labour market surveys such as NAB employment index, ANZ job ads have been easing. This suggests that some normalising in labour market conditions could be on the cards into 1H 2025. Elsewhere, wage growth continued to ease to 2.5% for 3Q (vs. 4.1% in 2Q). The trend of wage growth moderating is expected as labour market conditions ease. RBA has also recently lowered its projection for wage price index to 3.2% for end-2025 (vs. 3.5% previous projection). Our base line looks for one 25bp cut in 2Q and another 25bp cut in 3Q 2025.

Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings (if any); 2/ if Fed under-deliver rate cuts; 3/ global growth outlook turning sour; 4/ any market risk-off event (i.e., potential escalation in US-China trade tension, commodity or tech sell-off if they were to persist beyond mere position adjustment, geopolitics).

USDSGD

Looking for MAS to Ease Policy Slightly. USDSGD drifted modestly lower this week amid mild USD pullback while broader risk appetite found brief respite for now. Pair was last at 1.3680. Daily momentum turned mild bearish while RSI fell. Price action still shows a potential rising wedge pattern in the making. This can be associated with a bearish reversal. Near term risks continued to suggest downside bias though conviction level is not strong. Support at 1.3635 (21 DMA). Resistance at 1.3760 levels, 1.38. The focus next is on NODX (Fri), SG CPI (next Thu) and upcoming MAS MPC (no later than 31 Jan).

We see reasonable room for **MAS to ease policy at the upcoming MPC by reducing the policy scope** slightly but **still maintain a mild appreciation stance**. Softer CPI readings over the last few months were roughly in line with MAS projection for a step down in CPI print for 4Q 2024. YTD 11-month average was 2.8% vs. MAS core inflation projection to average between 2.5%–3.0% for 2024. Looking out, MAS is also projecting softer core CPI in the range of 1.5–2.5% in 2025. While there is little need for MAS to rush to ease policy but given that the disinflation journey has made good progress, we believe **MAS now has optionality to ease,** especially if it takes on a pre-emptive stance in the face of policy transmission lag. MAS can afford to begin with reducing the slope of the policy band while still maintaining a mild appreciation stance overall

In terms of S$NEER outlook, a slight easing in the policy slope should see little impact on S$NEER as expectation is already priced in. Based on our model, S$NEER index has already retreated while % deviation from model-implied mid has decreased since Oct-2024. With that said, S$NEER may continue to weaken if policy outcome looks for a larger than expected easing (i.e. neutral slope, etc) or if the statement contains more dovish leaning rhetoric (implying further back-to-back easing). Hence it is **worth paying attention to core CPI in the coming months, including the Dec CPI report (to be released on 23 Jan) to get a sense on whether the MAS easing is one-off or may ease further**. Historically, the positive correlation between the change in S$NEER and MAS core inflation shows that SGD strength can ease when core inflation eases materially. This is already happening with S$NEER retreating. Index was seen around 139.20 (vs. peak of 140.48 in early Oct-2024) while % deviation from model implied mid was last at 0.69%. The latter implies that the SGD strength over trade partners has largely faded. Expectations for MAS to ease can imply that the SGD strength seen in the past 2-3 years will continue to ease. But **so long MAS band doesn’t revert to neutral, SGD could still retain some degree of relative resilience, selectively**. To add, SGD also maintains its “safe-haven” status in the region. In the event of a trade war, SGD may still be better supported vs. its peers. But in the event of no tariff and risk-on scenario, SGD may underperform its peers.

Implications of USDSGD is Dependent on USD Trend. Given an environment of USD strength, a reduction in policy slope is likely to pose broader upside risks to USDSGD. There may be some pullback, but it is likely to be shallow as markets may pre-empt another easing, if core inflation continues to ease more materially. The combination of softer RMB, JPY, risk of shallower pace of Fed cut, and milder appreciation stance suggest that USDSGD may still continue to trend higher. Overall, the fate of USDSGD is not only dependent on policy but also highly dependent on USD direction.

In the event MAS decides to maintain policy status quo, then it is likely we may see a knee-jerk correction with S$NEER strengthening and a pullback in USDSGD to the downside.

Looking into our USDSGD forecast trajectory, we see a tactical window for USDSGD to pullback in 1Q 2025, premised on Fed cut cycle, expectations that China recovery to find some traction amidst stimulus support. Subsequently, USDSGD forecast is projected to skew to the upside for most parts of 2025, taking into consideration potential implementation of Trump tariffs (on China/ global though timing of tariff remains uncertain) and Fed pause in 4Q 2025.

USDCNH

Capped for Now. USDCNH eased slightly lower this week thanks to the slew of comments from PBoC and also in reaction to a report that Trump team is considering gradual tariff increases. Earlier this week, PBoC announced that it will raise cross border funding from 1.50 to 1.75. This is to allow for companies and FIs to raise funds overseas and help increase USD liquidity in the onshore markets. PBoC Chief Pan said to drastically raise China FX asset allocation in HK. He also said it will make use of tools including interest rates and RRR to maintain ample liquidity in the market. Priority of policy should shift to both investment and consumption from investment solely, as weak consumer demand, low prices are among economic challenges. Recall last week, PBoC announced that it is temporarily suspending its purchase of government bonds and plans to issue record amount of bills in HK (offshore PBoC bills) to soak up offshore liquidity. These efforts alongside steady fixing in onshore CNH (under 7.19) sent a strong signal that authorities are doing whatever it takes to maintain the relative stability in RMB.

While CNH may see some brief respite, these measures cannot alter the fate of RMB. The fate is such that **RMB depreciation remains the path of least resistance** amid 1/ wider UST-CGB yield differentials amid expectations for further China rate cuts while Fed may potentially slow the pace of rate cut cycle; 2/ uneven economic recovery in China and lack of stimulus support measures; 3/ markets anticipating for further RMB softness when US tariffs were implemented. Eventual recovery in RMB requires a softer USD, China economic recovery to find a better footing or foreign investors to regain confidence in Chinese assets.

Pair was last at 7.3470. Daily momentum shows signs of turning mild bearish while decline in RSI moderated. Sideways trade likely in the near term. Support at 7.33 levels (21 DMA), 7.2860 (50 DMA). Resistance at 7.37 levels.

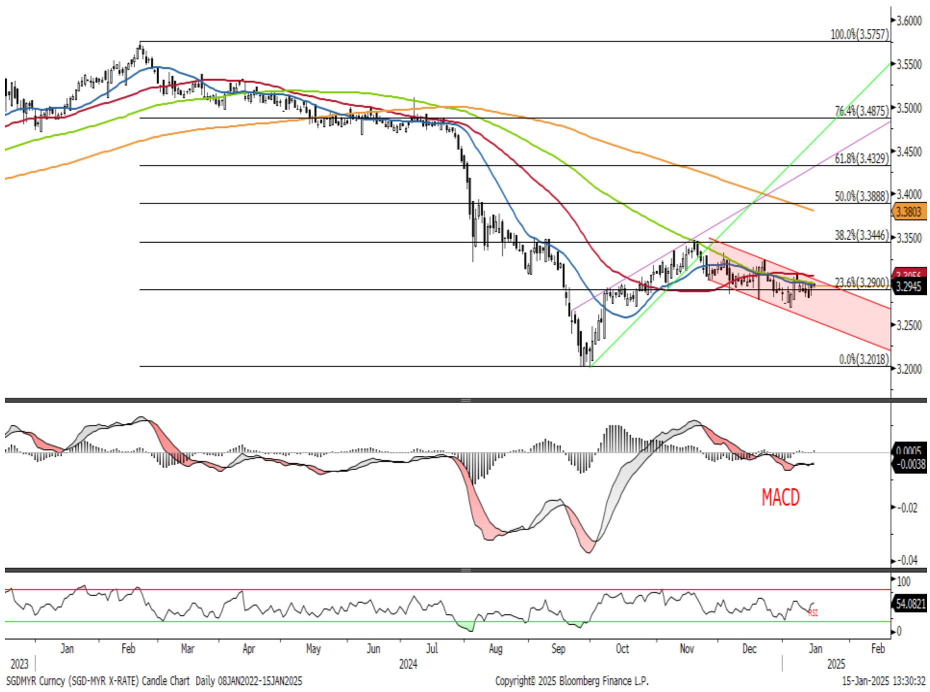
Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
25-Apr-24	Short USDKRW	1375	1320	4.00	High for longer narrative (US rates) has been a dampener on sentiments. But since last trilateral meeting, there seems to be a psychological resistance for the USD. For the year, we still expect USD to trend slightly lower as the Fed is done tightening and should embark on rate cut cycle in due course (house looks for Jul Fed cut). Eventual re-coupling in tech/KR stocks vs FX (KRW) should return amid underlying tech/AI trend. KRW would be positioned for more gains given its high-beta characteristics and close proxy to tech and growth cycles. Start of Fed rate cut cycle and expectations for China stabilisation are other drivers that should underpin KRW's positive appeal. Entered tactical short at 1375. To take profit at 1320. SL at 1406. [Trade TP]	26-Aug-24
01-May-24	Long EURUSD	1.0661	1.09	2.24	Markets have largely priced in ECB's 75bps cuts into EUR but a growth re-rating outlook on Euro-area economy is probably not priced. And lately there are signs to suggest some signs of stabilisation in Euro-area growth. ECB's Lagarde and Bundesbank have recently spoken about signs of activity picking up pace in Germany. A better growth story in Euro-area can push back against aggressive rate cut expectations and this is supportive of EUR. Entered at 1.0661. Targeting move towards 1.0900. SL at 1.0508. [Trade TP]	04-Jun-24
12-Aug-24	Short RMB Index	98.53	98.5	0	USDCNY's decline was a function of USD leg. Faced with domestic woes, the RMB should remain weak on TWI basis. This should see RMB CFETS index fall further (i.e. short CNH vs basket trade). And a move towards 2023 low at 96 levels is not ruled out. SL 99.70. [EXIT with no P&L, given recent market development in China]	30-Sep-24
19-Aug-24	Short CHFJPY	170.1			SNB-BOJ policy divergence. SNB may turn wary of how recent CHF strength may complicate inflation objective. May press on for 3rd cut of the year and/or pursue FX intervention to weaken CHF. On the other hand, BOJ is embarking on policy normalization which is likely to continue into 2025. Also, USDJPY is more sensitive to declines in UST yield. Target 148. SL 181. [LIVE]	
23-Sep-24	Short EURGBP	0.838	0.841	-0.3	Policy and growth divergence between EU/ECB and UK/BOE. Target a decline towards 0.81. SL 0.8470. [SL]	14-Jan-25
10-Dec-24	Short USDJPY	151.5	154.7	-2.07	Bias for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation. Target a move towards 146.10. SL at 154.70. [SL]	18-Dec-24
15-Jan-25	Short SGDJPY	115.1			To express MAS-BOJ monetary policy/ inflation divergence trade. Targeting a move towards 110 levels. SL at 117.12. [LIVE]	

Note: TP refers to take profit; SL refers to stop-loss. Trade can take profit or stopped earlier than indicated levels, depending on market conditions.

Selected SGD Crosses

SGDMYR Daily Chart: Sell Rallies



SGDMYR traded range bound. Cross was last at 3.2940 levels.

Mild bearish momentum faded while RSI rose. Rebound risks not ruled out in the near term. Bearish trend channel still holds for now unless cross breaks above. Bias skewed towards fading rally.

Resistance at 3.3060 levels (50DMA), 3.3260 levels.

Support at 3.29 (23.6% fibo retracement of 2024 high to low), 3.27, 3.25 levels.

SGDJPY Daily Chart: Initiate Short

SGDJPY consolidated. Cross was last at 115.10 levels.

Daily momentum showed signs of turning mild bearish while RSI fell. Risks skewed to the downside. *Favor short in the cross with entry at 115.10, targeting a move towards 110 levels. SL at 117.12.*

Resistance at 115.40 (21 DMA), 116.50 (double-top).

Support at 114.30/50 levels (50, 200 DMAs, 23.6% fibo retracement of 2024 low to Nov-Dec double-top), 113.60 (100 DMA), 112.90 (38.2% fibo).

Note: blue line – 21SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA

Gold Daily Chart: Convergence of Moving Averages

Gold firmed. Last seen at 2679 levels.

Daily momentum is bullish but RSI eased lower. Compression of moving averages observed. This typically precedes a break-out trade, though directional bias is only known on breakout. We watch price action.

Resistance at 2700, 2730 levels.

Support at 2640/45 levels (21, 50, 100 DMAs), 2594 (38.2% fibo retracement of May low to Oct high).

Silver Daily Chart: Fade Rallies

Silver was last seen at 29.84.

Bullish momentum on daily chart shows signs of fading while RSI fell. Bearish crossovers observed as 50DMA cuts 100 DMA to the downside and 21DMA cuts 200 DMA to the downside. Bias to sell rallies.

Resistance at 30 (38.2% fibo), 30.50/80 levels (50, 100 DMAs) and 31.85 (23.6% fibo of 2024 low to high).

Support at 29.50, 28.80 levels and 28.41 (50% fibo).

Note: blue line – 21SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA

Medium Term FX Forecasts

Currency Pair	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
USD-JPY	154.00	152.00	151.00	150.00	149.00
EUR-USD	1.0350	1.0280	1.0300	1.0350	1.0400
GBP-USD	1.2250	1.2200	1.2250	1.2300	1.2450
AUD-USD	0.6200	0.6250	0.6300	0.6400	0.6450
NZD-USD	0.5650	0.5700	0.5750	0.5800	0.5900
USD-CAD	1.4200	1.4200	1.4300	1.4400	1.4450
USD-CHF	0.9100	0.9100	0.9100	0.9200	0.9250
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	108.33	108.59	108.37	108.00	107.50
USD-SGD	1.3650	1.3700	1.3750	1.3800	1.3820
USD-CNY	7.3200	7.3400	7.3700	7.3900	7.4000
USD-CNH	7.3400	7.3600	7.3900	7.4100	7.4200
USD-THB	34.50	34.70	34.70	34.50	34.30
USD-IDR	16100	16150	16200	16200	16300
USD-MYR	4.4800	4.5200	4.5400	4.5600	4.6000
USD-KRW	1450	1455	1470	1475	1480
USD-TWD	33.00	33.20	33.30	33.60	33.60
USD-HKD	7.7600	7.7700	7.7800	7.7900	7.7900
USD-PHP	58.00	58.30	58.50	58.70	58.80
USD-INR	85.50	85.70	85.90	86.00	86.00
USD-VND	25300	25400	25500	25600	25600
EUR-JPY	159.39	156.26	155.53	155.25	154.96
EUR-GBP	0.8449	0.8426	0.8408	0.8415	0.8353
EUR-CHF	0.9419	0.9355	0.9373	0.9522	0.9620
EUR-SGD	1.4128	1.4084	1.4163	1.4283	1.4373
GBP-SGD	1.6721	1.6714	1.6844	1.6974	1.7206
AUD-SGD	0.8463	0.8563	0.8663	0.8832	0.8914
NZD-SGD	0.7712	0.7809	0.7906	0.8004	0.8154
CHF-SGD	1.5000	1.5055	1.5110	1.5000	1.4941
JPY-SGD	0.8864	0.9013	0.9106	0.9200	0.9275
SGD-MYR	3.2821	3.2993	3.3018	3.3043	3.3285
SGD-CNY	5.3626	5.3577	5.3600	5.3551	5.3546
SGD-IDR	11795	11788	11782	11739	11795
SGD-THB	25.27	25.33	25.24	25.00	24.82
SGD-PHP	42.49	42.55	42.55	42.54	42.55
SGD-VND	18535	18540	18545	18551	18524
SGD-CNH	5.3773	5.3723	5.3745	5.3696	5.3690
SGD-TWD	24.18	24.23	24.22	24.35	24.31
SGD-KRW	1062.27	1062.04	1069.09	1068.84	1070.91
SGD-HKD	5.6850	5.6715	5.6582	5.6449	5.6368
SGD-JPY	112.82	110.95	109.82	108.70	107.81
Gold $/oz	2670	2690	2700	2720	2740
Silver $/oz	30.34	30.74	30.68	30.91	33.01

Source: OCBC Research (Latest Forecast Updated: 15 January 2025)

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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