GLOBAL MARKETS RESEARCH

FX Weekly

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Tariff Uncertainty Begets Market Caution

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USD Bid. Markets adopted a cautious trading stance as 2 Apr reciprocal tariff deadline comes closer. Officials said that Trump will announce widespread reciprocal tariffs on nations or blocs but is set to exclude some. As of now, Trump administration is not planning separate, sectoral-specific tariffs to be unveiled at the same event. It was also mentioned that only countries that don't have tariffs on the US, and with whom the US has a trade surplus, will not be tariffed under the reciprocal plan. So likely, Australia, Singapore, HK and perhaps, UK may be excluded while China, EU, South Korea, Japan, India and Thailand are amongst some of the countries that may be hit (for having tariffs on US goods and a trade surplus with US). Tariff imposition (although not blanket but targeted to some extent) can undermine sentiments and lead to spikes in the USD. The likes of KRW, JPY, CNH, MYR, IDR and THB may be undermined in the near term. In addition, there remains some caution of EM contagion risks. Weekend arrest and subsequent imprisonment of Istanbul's mayor may continue to weigh on Lira. Tariff war and lingering EM contagion fears can undermine risk sentiment. This reinforces our view that USD shorts may further be unwound in the near term. That said quarter, month-end flows may also distort price action. In terms of US data this week, focus on prelim PMIs (Mon), consumer confidence (Tue) and core PCE (Fri).

Tariffs and TRY Sell-Off May Undermine EUR. German/European spending plans and hopes of a Ukraine peace deal are positive catalysts for EUR but given the sharp run-up in EUR and ahead of reciprocal tariff risks on 2 Apr, we continue to caution for risks of near-term pullback. To add, TRY sell-off may also have spillover effects on EUR, given some exposure of European banks to Turkish borrowers. On tariffs, it remains uncertain in terms of timing on whether the 25% tariff on European auto and other products or the 200% tariff on European alcohol will come into effect soon. We do not rule out a move towards 1.07 levels in the near-term.

Watch SG CPI Today. MAS quarterly MPC meeting is less than one month away from now. Judging from our S$NEER model, markets are not expecting a move at the upcoming meeting, at least for now. Next CPI print release is on Mon (24 Mar). Another softer print may move expectations on MAS policy. But MAS policy is only one factor affecting SGD. In the interim, tariff uncertainties may keep the SGD under pressure. Key resistance at 1.3380/90 levels. Break out puts next resistance closer to 1.3420, 1.3460 levels.

FX Forecast Calibrations. Tariff concerns (come 2 Apr reciprocal tariffs) and some worries of EM contagion risks have returned to spook markets. There is also a risk that global growth conditions may be impacted. We are painting a mixed profile for USD this year: continue to project a mild upward USD trajectory vs. most Asian FX but projecting mild USD softness vs. G3 majors.

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)

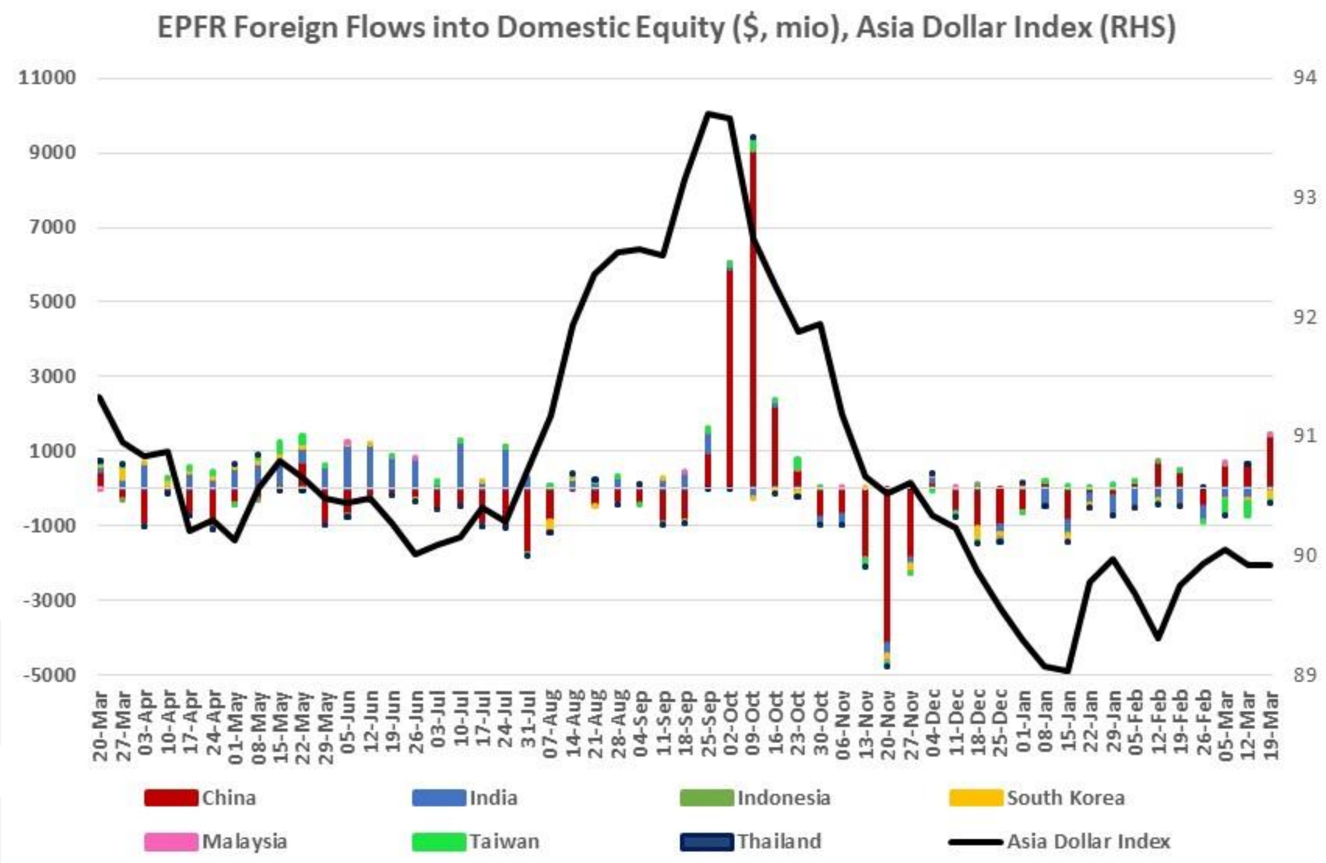
Based on Reuters survey on Asia FX positioning, AxJ FX remains bearish overall, but the extent of bearishness varies. CNY, IDR and INR saw the largest decrease in bearishness. That said on net basis, INR, IDR and TWD remain the most bearish. TWD was the only AxJ that saw bearishness increase. THB, SGD and PHP positioning were largely flat.

	31-Oct-24	14-Nov-24	28-Nov-24	12-Dec-24	09-Jan-25	23-Jan-25	06-Feb-25	20-Feb-25	06-Mar-25	20-Mar-25	Trend
USD/CNY	0.3	1.14	1.32	1.15	1.65	1.33	1.15	0.88	0.77	0.24	
USD/KRW	1.06	1.61	1.45	1.86	1.75	1.04	1.01	0.83	1	0.72	
USD/SGD	-0.03	0.8	1.12	0.83	1.34	1.11	0.86	0.31	0.34	0.15	
USD/IDR	0.59	0.81	1.03	0.87	1.2	1.5	1.25	1.06	1.36	0.97	
USD/TWD	0.6	1.07	1.1	0.82	1.18	1.01	1.14	0.59	0.71	0.85	
USD/INR	0.82	0.87	1.13	1.43	1.69	1.78	1.98	1.22	1.47	1.09	
USD/MYR	0.11	0.65	0.76	0.65	0.99	1.01	0.62	0.37	0.45	0.42	
USD/PHP	0.81	1.18	1.13	0.53	0.65	0.77	0.93	0.31	0.2	-0.13	
USD/THB	0.09	0.9	0.66	0.26	0.76	0.54	0.23	0.02	0.48	0.08	

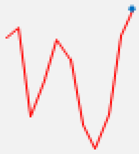
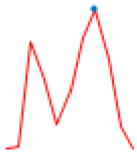
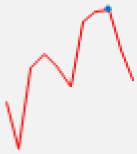
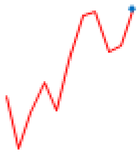
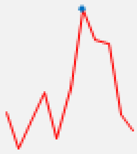
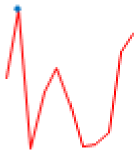
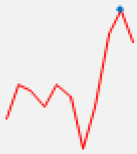
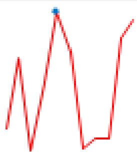
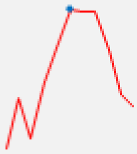
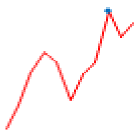
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 20 Mar 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity inflow to China picked up pace while foreign outflows was observed in Korea and India. Asian FX traded flat ahead of 2 Apr reciprocal tariff uncertainty.



Note: Latest data available as of 19 Mar 2025 (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**: Prelim PMIs (Mar); CFNAI (Feb); **Tue: Conf board consumer confidence**, Richmond Fed mfg (Mar); New home sales (Feb); FHFA house price index (Jan); **Wed:** Durable goods orders (Feb P); **Thu:** Initial jobless claims; GDP (1Q T); Pending home sales (Feb); Kansas City Fed mfg (Mar); **Fri: Core PCE, personal income, spending (Feb);** Uni of Mich sentiment (Mar)		**S: 102.50; R: 104.80**
EURUSD	**Mon:** Prelim PMIs (Mar); **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** 1y, 3y CPI expectations; Consumer confidence (Mar)		**S: 1.0730; R: 1.0970**
GBPUSD	**Mon:** Prelim PMIs (Mar); **Tue:** CBI reported sales (Mar); **Wed: CPI, PPI, RPI (Feb);** House prices (Jan); **Spring budget;** **Thu:** - Nil – **Fri: Retail sales (Feb);** GDP, current account (4Q); Trade (Jan)		**S: 1.2760; R: 1.3010**
USDJPY	**Mon:** Prelim PMIs (Mar); **Tue:** Jobless rate (Jan); Capex, company profits, sales (4Q); **Wed:** PPI Services (Feb); **Thu:** - Nil – **Fri: Tokyo CPI (Mar)**		**S: 147.00; R: 151.50**
AUDUSD	**Mon:** Prelim PMIs (Mar); **Tue:** - Nil – **Wed: CPI (Feb)** **Thu:** - Nil – **Fri:** - Nil –		**S: 0.6180; R: 0.6360**
USDCNH	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** Industrial profits (Feb); **Fri:** Current account (4Q);		**S:7.2200; R: 7.3200**
USDKRW	**Mon:** - Nil – **Tue:** Consumer confidence (Mar); **Wed:** Business survey – mfg, non-mfg (Mar); **Thu**- Nil – **Fri:** - Nil –		**S: 1,445; R: 1,480**
USDSGD	**Mon: CPI (Feb);** **Tue:** - Nil – **Wed:** Industrial production (Feb); **Thu:** - Nil – **Fri:** Deposits and balances of Residents outside SG (Feb)		**S: 1.3310; R: 1.3460**
USDMYR	**Mon:** FX reserves (Mar) **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.4000; R: 4.5000**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,350; R: 16,700**

Source: Bloomberg, OCBC Research

	Key Themes and Trades
DXY	***Likely Bid Ahead of Reciprocal Tariff Event Risk.*** USD rebounded into NY close last week in cautious trading as 2 Apr reciprocal tariff deadline comes closer. Officials said that Trump will announce widespread reciprocal tariffs on nations or blocs but is set to exclude some. As of now, Trump administration is not planning separate, sectoral-specific tariffs to be unveiled at the same event. It was also mentioned that only countries that don't have tariffs on the US, and with whom the US has a trade surplus, will not be tariffed under the reciprocal plan. So likely, Australia, Singapore, HK and perhaps, UK may be excluded while China, EU, South Korea, Japan, India and Thailand are amongst some of the countries that may be hit (for having tariffs on US goods and a trade surplus with US). Tariff imposition (although not blanket but targeted to some extent) can undermine sentiments and lead to spikes in the USD. The likes of KRW, JPY, CNH, MYR, IDR and THB may be undermined in the near term. In addition, there remains some caution of EM contagion risks. Weekend arrest and subsequent imprisonment of Istanbul's mayor may continue to weigh on TRY and some EM FX. Tariff war and lingering EM contagion fears can undermine risk sentiment. This reinforces our view that USD shorts may further be unwound in the near term. In terms of data this week, focus on prelim PMIs (Mon), consumer confidence (Tue) and core PCE (Fri). DXY was last at 104 levels. Daily momentum turned mild bullish while RSI rose. Rebound risk remains likely in the interim. Resistance at 104 (61.8% fibo retracement of Oct low to Jan high), 104.40 and 105 levels (50% fibo, 21, 200 DMAs). Support at 103.10, 102.50 levels (76.4% fibo). DXY fell nearly 4% at one point in March before a 0.9% rebound late last week. Prospects of peace talks in Ukraine, unexpected willingness of European/German leaders to spend a bazooka amount on defence, weaker US economic indicators (such as retail sales, services PMI, employment, Uni of Michigan sentiment, CPI, PPI), and a re-rating of Chinese tech stocks (thanks to DeepSeek and Xi's meeting with private sector business leaders) have created a favourable environment for risk assets to recover while the USD retreats. But tariff concerns (come 2 Apr reciprocal tariffs) and some worries of EM contagion risks have returned to spook markets, and there is a risk that global growth conditions may be impacted. We are painting a mixed profile for USD this year: continue to project a mild upward USD trajectory vs. most Asian FX for rest of the year but projected a mild USD softness vs. G3 majors. 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. We had earlier noted that the trade friction during Trump 1.0 primarily involved the US and China, whereas in Trump 2.0, it appears to be a broader conflict between the US and the rest of the world. This time, nations including China and Europe seem to be deploying both retaliatory strategies and counter-negotiation tactics simultaneously. It would be premature to draw definitive conclusions about the future dynamics of trade friction and negotiations, but we cannot dismiss the possibility that the USD could weaken if the trade conflicts escalate between the US and the rest of the world (ROW). This outcome will depend on various factors, including global economic performance, individual monetary policies, and the scope, intensity and duration of trade disputes. If growth conditions in ROW hold up, USD may come under pressure.
EURUSD	***Tariff Concerns, Lira Sell-off May Dampen EUR Bulls.*** EUR's rapid run-up to the 1.09-handle came on the back of prospects of a peace deal in Ukraine (where Putin and Trump have agreed to a limited ceasefire), potential ECB pause in Apr and hopes of large German spending (in turn helping to boost growth outlook). In addition, a rare display of responsiveness and concerted willingness of European leaders to spend on defence gave EUR a fresh boost. EU is proposing a EUR800bn combination of loans and national budgets to beef up defence spending. Germany has also voted to exempt defence and security outlays from limits on fiscal spending to do "whatever it takes" to defend the country. There will also be a EUR500bn infrastructure fund to invest in priorities such as transportation, energy grids and housing. This is about 11-12% of German GDP and is planned to be disbursed over 10 years. The German/European spending plans and hopes of a Ukraine peace deal are positive catalysts for EUR but given the sharp run-up in EUR, and ahead of reciprocal tariff risks on 2 Apr, we continue to caution

for risk of near-term pullback. To add, TRY sell-off may also have spillover effects on EUR, given some exposure of European banks to Turkish borrowers (about EUR100bn). On tariffs, it remains uncertain in terms of timing on whether the 25% tariff on European auto and other products or the 200% tariff on European alcohol will be effective soon. Confirmation of the tariffs may see EUR dip, but the pullback may not translate into a larger decline. Instead, it may even be seen as a chance to buy dips, considering the emergence of new positive factors: potential Ukraine peace deal, expectations of defence spending (supportive of growth) and chance that ECB easing may slow.

EUR was last seen at 1.0820 levels. Bullish momentum on daily chart is fading while RSI fell. Risks skewed to the downside in the interim. That said bullish crossovers observed: 21 cut 200 DMA to the upside while 50 cuts 100 DMA to the upside. Bias to buy dips. Support here at 1.08, 1.0700/20 levels (21, 200 DMAs, 50% fibo retracement of Oct high to Jan low). Resistance at 1.0950/70 levels (76.4% fibo, recent high), 1.1020 levels. Decisive break out puts next resistance at 1.1140/50 levels and 1.1210/20 levels (2024 double top).

We turned slight positive (vs. neutral previously) on EUR's outlook, due to recent developments: 1/ German/European spending plans lending a boost to growth; 2/ signs for a Ukraine peace deal (that can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 3/ prospects of ECB cut cycle nearing its end while there is still room for Fed to cut; 4/ encouraging signs that China's economic recovery is stabilising while Chinese tech stocks re-rating may help to boost confidence, sentiments; 5/ EU leaders making efforts to avert a full-fledged trade war with US (European Commissioner for Trade earlier indicated that Brussels is ready to discuss "anything" to avoid Trump's threatened tariffs on European exports).

That said, there are still plenty of risk factors that may dampen EUR: 1/ US reciprocal or other specific type of tariff on EU may come soon and such announcement (depending on severity) may weigh on EUR. 2/ Limited ceasefire in Ukraine fail to progress to a total ceasefire or renewed tensions; 3/ Euro-area unable to break out of stagnation and ECB needing to cut more/ deeper to support growth. Hence 2-way trades are still likely for now. Over the medium term, EUR can revert to trend higher when growth stabilises, political, geopolitical concerns and policy uncertainties find some clarity.

GBPUSD

Spring Budget on Wed. GBP's move had continued to mirror broader move in EUR so far. But as US reciprocal tariff threat looms, there may be room for some de-coupling. UK imposed a lower tariff rate on US (average weighted perspective) than the US imposed on UK, and the UK has a smaller trade surplus (~USD2.6bn) with US vs. EU's trade surplus of over USD235bn (in 2024). Also, Trump had earlier told reporters: "We'll see how things work out. It might happen with them, but it will definitely happen with the European Union, I can tell you that. The UK is out of line, but I think that one can be worked out". The less-definitive tone relative to EU suggests that UK may be at lesser risk. However, Trump has also indicated that VAT is a tariff, and he promised reciprocal tariffs to VAT. UK does have a VAT rate of 20% and is levied regardless of whether a product has been imported or not. This requires further monitoring. Elsewhere, markets will also be watching Spring Budget (Wed). Chancellor Reeves has already ruled out "tax and spend" policies and is expected to make cuts to some government departments. Official growth forecasts may also be lowered. We continued to flag the risk of stagflation-like conditions for UK and that may complicate BoE policy decision.

On BoE MPC meeting (30 Mar), our rates strategist shared that BoE voted 8-1 to keep policy rate on hold. Governor Bailey suggested a wait-and-see mode, as there is a lot of economic uncertainty. Nevertheless, he added that he thinks "interest rates are on a gradually declining path". GBP OIS pared back rate cut expectation to 46bps for the rest of this year, versus 53bps priced before the decision. Our base-case is for additional 75bps of cuts this year, although we acknowledge the risk that the BoE may delay rate cuts in view of potential inflation pressure. On balance, we believe one 25bp cut per quarter remains consistent with the "gradual and careful" approach to the further withdrawal of monetary policy restraint. The uncertainty Bailey mentioned refers to both inflation and growth, which does not sound as hawkish to us as interpreted by the market. In terms of the split of vote, it has tilted marginally to the less dovish side; that said, the votes reflect more the thought at a particular meeting (which did move the market as we expected), rather than representing a strong forward guidance.

GBP was last at 1.2920 levels. Bullish momentum on daily chart is fading while RSI fell. Potential bearish divergence on MACD observed. Risks skewed to the downside for now. Support at 1.2800/35 levels (21, 200 DMAs), 1.2765 (50% fibo) and 1.2600/20 levels (38.2% fibo retracement of Sep high to Jan low, 50, 100 DMAs). Resistance at 1.3010 levels (recent high), 1.3120 (76.4% fibo).

We are neutral on GBP outlook. Stagflation risk (rising price pressure, slowing growth), tariff risks, and growing twin deficits of current account and fiscal accounts in the face of rising yields are negatives for GBP. But on the other hand, a potentially less dovish BoE (owing to sticky services inflation) and USD softness may partially mitigate against downward pressures.

USDJPY

"Noisy" Near Term; Look to Sell Rallies. USDJPY traded a week of 2 halves – falling at first before reversing losses into slight gain for the week. But more broadly over the course of the month of March, USDJPY also traded a similar pattern, in line with our short-term view that a confluence of risk factors, including Trump tariff threats and dividend seasonality trends may prove "noisy" for USDJPY. Data and BoJ policy may take a back seat for now as the focus shifts to Trump's reciprocal tariffs on 2 Apr. Earlier, Trump had ordered his administration to consider imposing reciprocal tariffs on numerous trading partners, singling out Japan and South Korea as nations that he believes are taking advantage of the US. We had also flagged that Japan may be at risk of being hit by US reciprocal tariffs as Japanese cars are the top 5 most popular in US. (Japan shipped 1.37mio vehicles to US in 2024, accounting for 28% of Japan's exports to US). Currently, US imposes a 2.5% tariff on imported Japanese cars and this tariff rate may rise, leading to a potential demand hit for Japanese cars. There have been chatters of production adjustments or supply chain shifts in attempt to avert being hit by reciprocal tariff adjustment, but it remains uncertain if this would be useful. In terms of agricultural products, Japan also has a high tariff rate of 204.3% for rice and 23.3% for meat. The risk is a direct tariff hit on Japanese goods that can potentially put a downward pressure on JPY.

At the last MPC meeting (19 Mar), BoJ kept policy rate on hold as largely expected. Rhetoric remains largely similar as Governor Ueda reiterates gradual approach, with regards to policy normalisation amid rising global economic uncertainty. He made several references to the uncertainties surrounding US tariffs. He also indicated that BoJ board will have greater visibility over US tariffs and their impact on businesses and households when they meet on 1 May, noting a hike then was not an impossibility. There was explicit emphasis on firms' behaviour shifting more towards raising wages and prices recently, and that exchange rate movements are more likely to affect prices as compared to the past.

Wage growth outcome (from shunto negotiations likely end-Mar or early Apr) and inflation pressures remain as key markers to watch to get a sense on the timing of the next policy move. Our view remains unchanged - prospects of wage growth, broadening services inflation and upbeat economic activities in Japan continue to support BoJ policy normalisation. Fed-BoJ policy divergence should underpin broader direction of travel for USDJPY to the downside. But for now, BoJ policy may take a back seat in driving USDJPY. A confluence of external risk factors, including Trump reciprocal tariff threats on 2 Apr, mild risk of EM contagion and JPY dividend seasonality trends may continue to prove 2-way risks for USDJPY in the near term. We look for rallies to fade into.

Pair was last at 149.30 levels. Bullish momentum on daily chart intact while RSI rose. Slight rebound risk not ruled out in the near term but bias to sell rallies. Death cross appears to be in the making (50 cuts 200 DMA to the downside). Resistance at 150, 151.50 (38.2% fibo retracement of Sep low to Jan high) and 152 (50, 200 DMAs). Support at 148.30, 147 levels (61.8% fibo).

Barring the risk of near term rebound, we still look for USDJPY to trend lower, premised on Fed-BoJ policy divergence (Fed rate cut cycle while the BoJ has room to further pursue policy normalisation, supported by economic data, including upbeat GDP, signs of potential increase in wages, etc.). Wage growth pressure remains intact, alongside broadening services inflation. Tokyo core core CPI, PPI, wages rose while labour market report also pointed to an upward wage pressure in Japan with jobless rate easing. Trade unions are also calling for another 5-6% wage increase at the shunto wage negotiations for 2025. Several Japanese corporates have already indicated their intention to raise wages by >5% this year, with SMBC is looking to raise wages by about 8%. Fast retailing (Uniqlo) announced it will raise starting pay for new employees by 10% and 5% for other employees, while companies in other sectors such as Meiji Yasuda Life Insurance Co. and Hoshino Resorts Co., Ltd announced raising wages by 5% and 5.5% on average respectively. Suntory Holdings is looking to raise monthly wages by about 7% in 2025 for the third straight year. We should have clarity on shunto wage negotiations by end-Mar or early Apr. But at this point, these anecdotal evidence points to another year of solid wage increase, meeting the pre-requisite for BoJ to continue with hiking rates. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials, underpinning the broader direction of travel for USDJPY to the downside.

AUDUSD

Near Term Pressure. AUD drifted lower last week as employment data disappointed while markets also reverted to adopting a cautious stance ahead of 2 Apr reciprocal tariff uncertainty. There is also a growing fear that US tariff war would broaden (to involve more countries) and escalate further (tit-for-tat may intensify). The repercussion of tariff war is a hit to global trade, growth and risk undermining sentiments. Even though Australia may not be as impacted as much as other countries by the threat of reciprocal tariff (because AU has no tariff on goods from US and does not have trade surplus with US), AUD (being a high-beta FX) may still be exposed to volatility. We should expect to see cautious trading in coming week unless reciprocal tariff (2 Apr) turns out to be or measured or milder-than-expected.

Pair was last at 0.6270 levels. Bullish momentum on daily chart faded while RSI fell. Risks are skewed towards the downside. Support at 0.6240, 0.6190 (recent low) and 0.6130 levels. Resistance at 0.6310/20 levels (21 DMA, 23.6% fibo retracement of Oct high to Jan low), 0.6340 (100 DMA) and 0.6410/40 levels. Near term focus for AUD on prelim PMIs (Mon); inflation (Wed), and broader risk sentiments (dependent on Trump’s threats).

We remain constructive on AUD outlook. Some of the reasons underpinning the bias include: 1/ expectations for a shallower pace of RBA rate cut cycle given sticky inflation and tight labour market; 2/ expectations that China’s stabilisation story can find traction and re-rating of Chinese tech stocks (support risk sentiments). But AUD can still trade choppy when tariff war intensifies (negative for broad market sentiment) and if China optimism falls flat. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings (if any); 2/ if Fed under-delivers/pauses rate cut cycle; 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 and geopolitics).

USDSGD

Near Term Risk Slightly Skewed Towards the Upside. USDSGD rebounded last week, tracking the bounce in USD as caution over 2 Apr reciprocal tariff comes into play. Pair was last at 1.3360 levels. Daily momentum turned mild bullish while RSI rose. Risk skewed towards the upside. Resistance at 1.3370/90 levels (21 DMA, 38.2% fibo retracement of Sep low to Jan high), 1.3460/70 levels (50, 100 DMAs). Support at 1.3300/10 levels, 1.3270 (50% fibo) and 1.32 levels. S$NEER was last seen at 1.11% above model-implied mid.

MAS quarterly MPC meeting is less than one month away from now. Judging from our S$NEER model, markets are not expecting a move at the upcoming meeting, at least for now. Next CPI print release is on Mon (24 Mar). Another softer print may move expectations on MAS policy. But MAS policy is only one factor affecting SGD. In the interim, tariff uncertainties may keep the SGD under pressure.

The downward kink in USDSGD’s 1Q forecast we projected for at the start of the year looks on track to be played out, as USDSGD fell from peak of 1.3750 (early Jan) to trough at just under 1.33 (mid-Mar). Beyond 1Q, USDSGD forecast is projected to skew to the upside for most parts of 2025, taking into consideration the risks of Trump tariffs on China as well as globally (having implications on global growth and sentiments) as well as MAS policy easing. Should SG CPI in coming months fall further, then expectations for MAS to ease at future policy meetings may further weigh on SGD (on trade-weighted terms). That said, the prospects of firmer recovery in EUR and RMB may turn out to be surprise factors helping to support SGD. We would monitor further 1/ RMB - how China's economic recovery, including re-rating in Chinese tech stocks pan out as well as 2/ EUR - German spending plans, EU economic recovery and prospect of Ukraine peace deal; 3/ USD trend. Positive developments on these fronts could pose risks to our forecasts.

Recap: At the last MPC meeting (24 Jan), MAS announced it will reduce the slope of the S$NEER policy band slightly. This means that the SGD's rate of appreciation against trade partners is reduced but still on a gradual appreciation. Our model estimates the slope is reduced to 1% pa., down from 1.5%. While there was a slight calibration in the MAS policy stance via slope reduction, the overall policy stance remains on a modest and gradual appreciation path. Going forward, it is worth paying attention to core CPI in the coming months to get a sense on whether the MAS easing is one-off or may ease further. Expectations for MAS to ease can imply that the SGD strength (on TWI terms) seen in the past 2-3 years will continue to ease. But as long the policy band does not revert to neutral, SGD could still retain some degree of relative resilience, selectively against trade partners.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
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	166.7	2.03	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. [Trade TP]	10-Feb-25
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	113.8	1.13	To express MAS-BOJ monetary policy/ inflation divergence trade. Targeting a move towards 110 levels. SL at 117.12. [TP]	03-Feb-25
25-Feb-25	Long NZDSGD	0.7665			Riding on RBNZ nearing end of rate cut cycle with next cut a step-down to 25bp/ clip, improvement in China sentiments (NZD as a higher beta play) and NZD short at extreme levels. On the other hand, there is room for SGD strength to fade should MAS eases policy again. Entry at 0.7665, targeting move towards 0.80. SL below 0.7550.	

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: Downside Risk

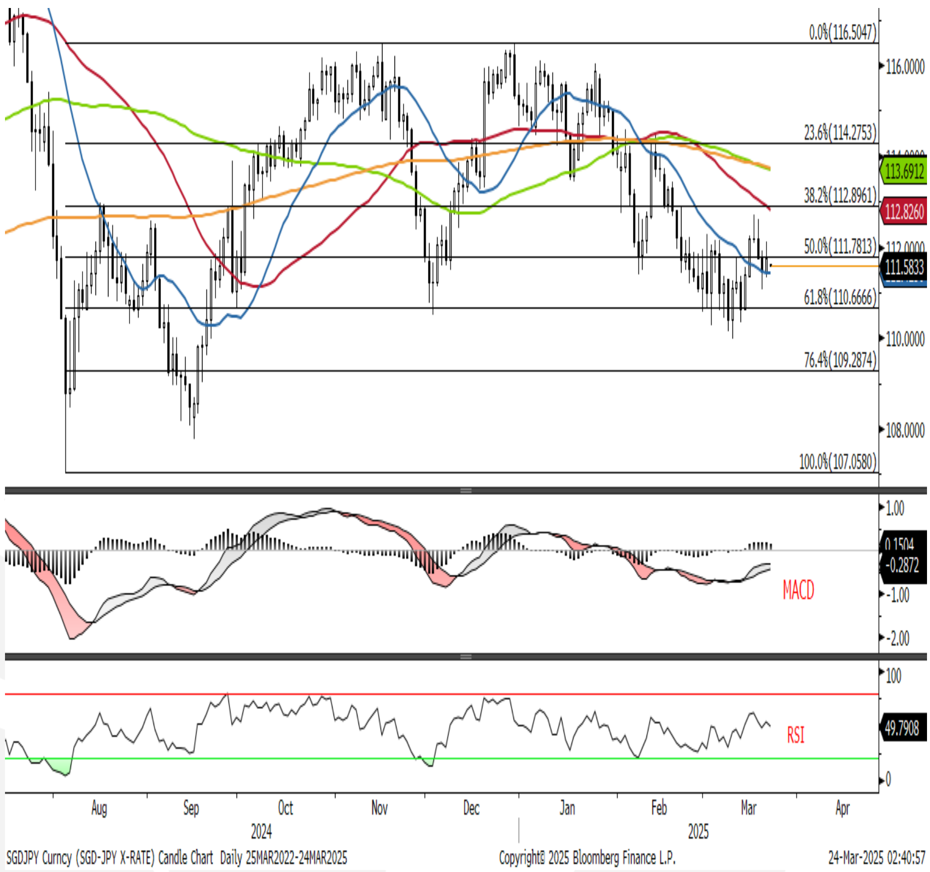
SGDMYR fell last week. Cross was last at 3.3090 levels.

Daily momentum turned mild bearish while RSI fell. Risk skewed to the downside.

Support at 3.3030 (100 DMA), 3.2990 (50 DMA) and 3.2720 (23.6% fibo).

Resistance at 3.3150/70 levels (21 DMA, 38.2% fibo retracement of Jul high to Sep), 3.3330 (200 DMA) and 3.3440 levels (recent high).

SGDJPY Daily Chart: 2-Way Risks



SGDJPY drifted a touch lower last week. Last seen at 111.60 levels.

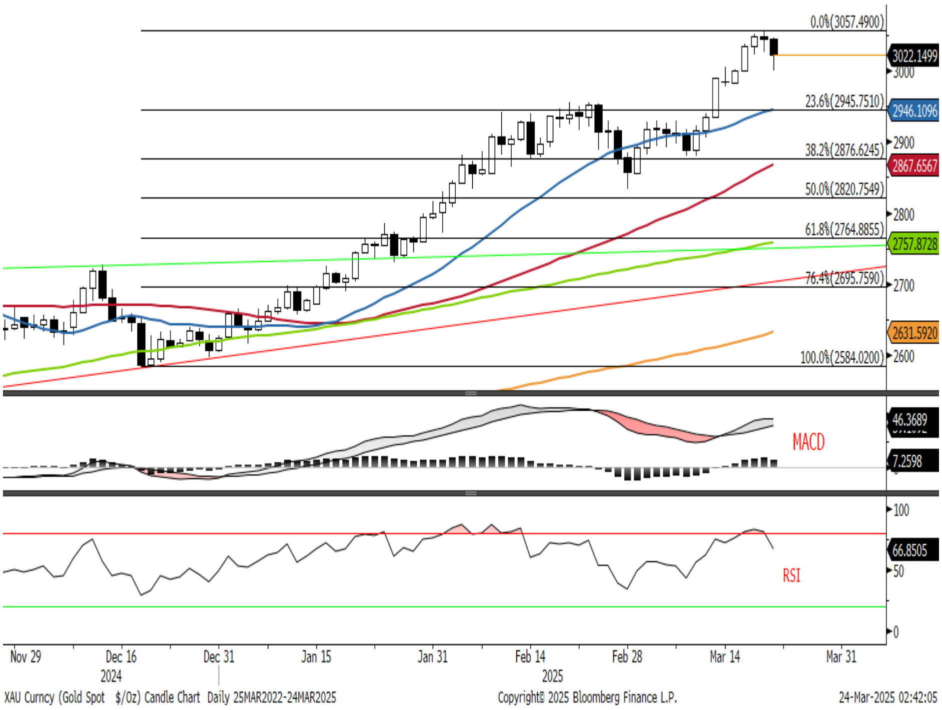
Daily momentum is mild bullish, but RSI shows signs of turning lower. 2-way risks likely.

Resistance at 111.80 (50% fibo), 112.80/90 levels (50 DMA, 38.2% fibo retracement of 2024 low to Nov-Dec double-top) and 113.70 (100, 200 DMAs).

Support at 111.40 (21 DMA), 110.70 (61.8% fibo).

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

Gold Daily Chart: Corrective Pullback



Gold traded a touch softer after hitting an all-time high of 3057 last week. Last seen at 3022 levels.

Bullish momentum on daily chart shows signs of waning while RSI fell from overbought conditions. Corrective pullback (lower) is likely.

Support at 3000, 2945/50 levels (21 DMA, 23.6% fibo retracement of Dec low to Mar high) before 2424 levels.

Resistance at 3060 (recent highs).

Silver Daily Chart: Slippage Meets 21 DMA

Silver fell last week. Last seen at 33 levels.

Bullish momentum on daily chart shows signs of it waning while RSI fell from near overbought conditions. Risk of further slippage is not ruled out.

Support at 32.70 (21 DMA), 31.80/95 levels (50DMA, 23.6% fibo) and 30 levels (38.2% fibo retracement of 2024 low to high).

Resistance at 34.20 (recent high) before 34.90 (Oct high).

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	149.00	147.00	146.00	145.00	144.00
EUR-USD	1.0800	1.0900	1.0950	1.1000	1.1020
GBP-USD	1.2900	1.2900	1.2950	1.3000	1.3050
AUD-USD	0.6350	0.6400	0.6450	0.6500	0.6550
NZD-USD	0.5750	0.5800	0.5850	0.5900	0.5950
USD-CAD	1.4300	1.4300	1.4400	1.4500	1.4350
USD-CHF	0.8950	0.8950	0.8920	0.8900	0.8900
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	104.59	103.82	103.44	103.06	102.71
USD-SGD	1.3450	1.3500	1.3550	1.3600	1.3600
USD-CNY	7.2500	7.2800	7.3200	7.3500	7.3400
USD-CNH	7.2600	7.3000	7.3400	7.3600	7.3400
USD-THB	34.00	34.20	34.20	34.30	34.30
USD-IDR	16500	16550	16600	16800	16800
USD-MYR	4.4200	4.4400	4.4600	4.4800	4.5000
USD-KRW	1440	1445	1460	1465	1465
USD-TWD	32.60	33.00	33.10	33.40	33.40
USD-HKD	7.7600	7.7700	7.7800	7.7900	7.7900
USD-PHP	57.60	57.60	57.80	57.80	57.80
USD-INR	86.80	87.00	87.20	87.30	87.30
USD-VND	25500	25550	25600	25650	25650
EUR-JPY	160.92	160.23	159.87	159.50	158.69
EUR-GBP	0.8372	0.8450	0.8456	0.8462	0.8444
EUR-CHF	0.9666	0.9756	0.9767	0.9790	0.9808
EUR-SGD	1.4526	1.4715	1.4837	1.4960	1.4987
GBP-SGD	1.7351	1.7415	1.7547	1.7680	1.7748
AUD-SGD	0.8541	0.8640	0.8740	0.8840	0.8908
NZD-SGD	0.7734	0.7830	0.7927	0.8024	0.8092
CHF-SGD	1.5028	1.5084	1.5191	1.5281	1.5281
JPY-SGD	0.9027	0.9184	0.9281	0.9379	0.9444
SGD-MYR	3.2862	3.2889	3.2915	3.2941	3.3088
SGD-CNY	5.3903	5.3926	5.4022	5.4044	5.3971
SGD-IDR	12268	12259	12251	12353	12353
SGD-THB	25.28	25.33	25.24	25.22	25.22
SGD-PHP	42.83	42.67	42.66	42.50	42.50
SGD-VND	18959	18926	18893	18860	18860
SGD-CNH	5.3978	5.4074	5.4170	5.4118	5.3971
SGD-TWD	24.24	24.44	24.43	24.56	24.56
SGD-KRW	1070.63	1070.37	1077.49	1077.21	1077.21
SGD-HKD	5.7695	5.7556	5.7417	5.7279	5.7279
SGD-JPY	110.78	108.89	107.75	106.62	105.88
Gold $/oz	2950	3000	3030	3060	3080
Silver $/oz	32.78	33.33	34.04	34.77	35.00

Source: OCBC Research *(Latest Forecast Updated: 24 March 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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