GLOBAL MARKETS RESEARCH

FX Weekly

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Weak Start for RMB

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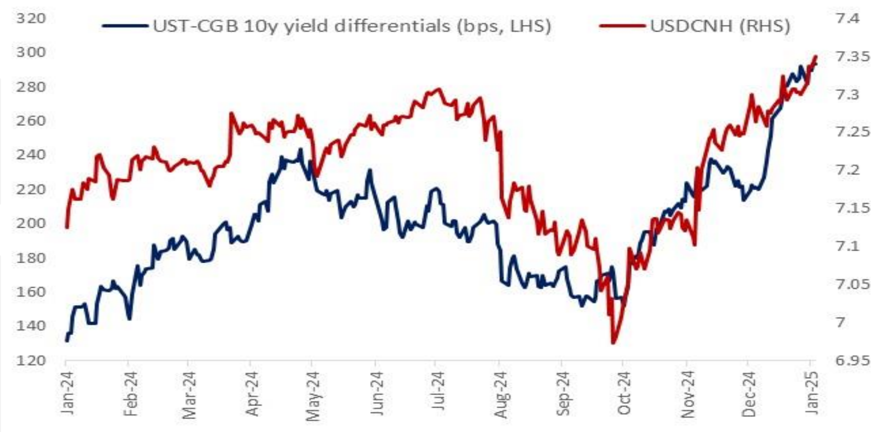
USD started the Week on the Back Foot. Washington Post article on President-elect Trump and team exploring universal tariff but only to cover critical imports brought relief to markets. However, this was quickly denied by Trump and DXY trimmed losses. More 2-way trades are expected amid uncertainty and anxiety over tariff plans. Elsewhere, market liquidity should further improve this week and FX flows are likely to normalise post-holidays. There is also a slew of data this week. Focus is on JOLTS job openings, ISM services (Tue); ADP employment (Wed); FOMC minutes (Thu) and payrolls report (Fri). Given that USD has enjoyed a significant run-up, we caution that downside surprise to US data, in particular payrolls report, could drag the USD lower.

Depreciation Remains the Path of Least Resistance for RMB. USDCNH continue to trade higher in the first few days of the new year. So far, the daily CNY fixing pattern continues to show that policymakers are determined to maintain "relative stability" in keeping the daily fix below 7.20. Fixing gap to Bloomberg consensus was at its widest of -1324 pips (3 Jan) while the fix was more than 1200 pips lower than where spot USDCNH was trading at. Policymakers are likely to rely on a combination of tools including daily fix and offshore funding squeeze etc. to manage RMB. In the near-term, we continue to monitor the daily fix (for any signs that policymakers may be allowing for further/measured pace of depreciation), President Trump inauguration (20 Jan), developments on tariffs and the next FOMC (30 Jan). On net, depreciation remains the path of least resistance for RMB with 1/ wider UST-CGB yield differentials amid expectations for further China rate cuts along with Fed potentially slowing 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 are implemented (though it has yet to be).

Unfavourable USD-CGB Yield Differentials Weighed on RMB



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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AxJ Positioning Bias (Reuters Poll)

Based on Reuters survey on Asia FX positioning, all AxJs FX remain bearish. KRW, INR, and CNY were amongst the most bearish. In terms of incremental bearish adjustments, KRW and INR saw the largest increase in shorts. On net basis, THB and PHP were amongst the least bearish. While sentiments for AxJ is bearish, there was some scale back in bearishness on an incremental basis for PHP, THB and SGD.

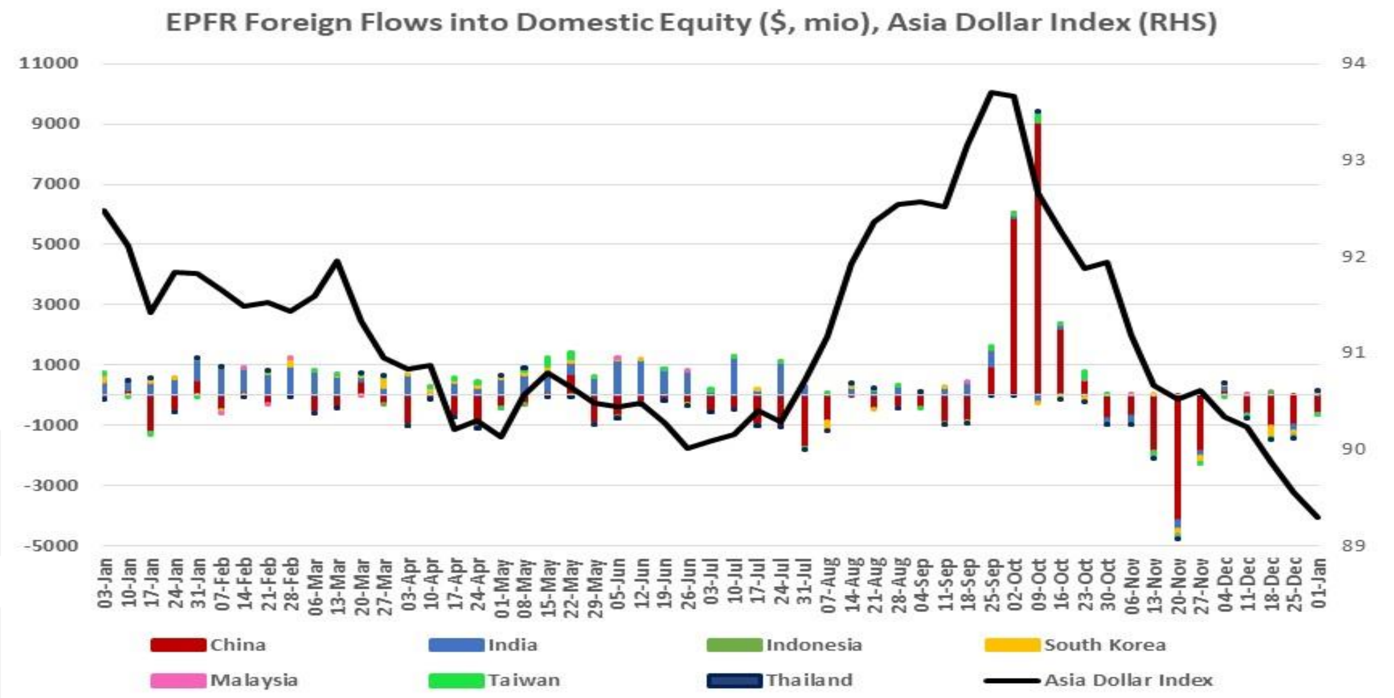
	08-Aug-24	25-Aug-24	05-Sep-24	19-Sep-24	03-Oct-24	17-Oct-24	31-Oct-24	14-Nov-24	28-Nov-24	11-Dec-24
USD/CNY	-0.02	-0.62	-0.85	-0.67	-1.14	-0.43	0.3	1.14	1.32	1.15
USD/KRW	0.05	-0.93	-1.09	-0.9	-0.79	0.26	1.06	1.61	1.45	1.86
USD/SGD	-0.61	-1.08	-1.26	-1.12	-1.26	-0.44	-0.03	0.8	1.12	0.83
USD/IDR	-0.02	-1.26	-1.05	-1.18	-1.08	0.04	0.59	0.81	1.03	0.87
USD/TWD	0.59	-0.7	-0.77	-0.66	-0.59	0.24	0.6	1.07	1.1	0.82
USD/INR	0.6	0.21	0.21	0.33	-0.04	0.67	0.82	0.87	1.13	1.43
USD/MYR	-0.78	-1.57	-1.46	-1.3	-1.18	-0.4	0.11	0.65	0.76	0.65
USD/PHP	-0.29	-1.03	-1	-1.1	-0.7	0.26	0.81	1.18	1.13	0.53
USD/THB	-0.57	-1.16	-1.22	-1.33	-1.45	-0.28	0.09	0.9	0.66	0.26

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: 11 Dec 2024; next update on 9 Jan 2025], OCBC Research

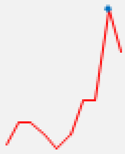
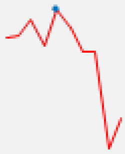
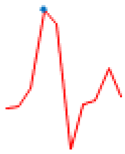
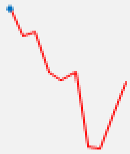
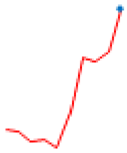
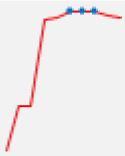
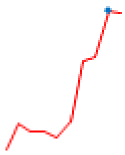
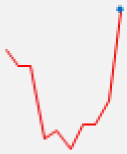
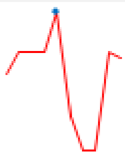
EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflow across the AxJ region slowed modestly last week amid the year-end holidays. Concerns of Fed reducing the pace/quantum of rate cut cycle and fears of tariffs under Trump presidency are some factors that will continue to undermine sentiment. Asian FX continued its decline into the new year.



Note: Latest data available as of 1 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**: Services PMI (Dec); Durable goods orders (Nov); **Tue:** ISM services (Dec); JOLTS job openings, trade (Nov); **Wed:** ADP employment (Dec); initial jobless claims; **Thu:** FOMC minutes; **Fri:** NFP, unemployment rate, hourly earnings (Dec); Uni of Michigan sentiment (Jan P)		**S: 107.20; R: 110.00**
EURUSD	**Mon:** Services PMI (Dec); **Tue:** ECB 1y, 3y inflation expectations; **CPI estimate (Dec);** unemployment (Nov); **Wed:** Consumer confidence (Dec); PPI (Nov); German retail sales, factory orders (Nov); **Thu:** Retail sales (Nov); German industrial production (Dec); **Fri:** German current account (Nov)		**S: 1.0200; R: 1.0460**
GBPUSD	**Mon:** Services PMI (Dec); **Tue:** Construction PMI, BRC Sales (Dec) **Wed:** - Nil – **Thu:** 1y CPI expectations **Fri:** - Nil –		**S: 1.2300; R: 1.2600**
USDJPY	**Mon:** PMI services (Dec); **Tue:** - Nil – **Wed:** Consumer confidence (Dec); **Thu:** Labour cash earnings (Nov); **Fri:** - Nil –		**S: 146.20; R: 158.20**
AUDUSD	**Mon:** PMI Services (Dec); **Tue:** Building approvals (Nov); **Wed:** CPI (Nov); FX reserves (Dec); **Thu**: Retail sales, trade (Nov) **Fri:** - Nil –		**S: 0.6180; R: 0.6360**
USDCNH	**Mon:** Caixin services PMI (Dec); **Tue**: FX reserves (Dec); **Wed:** - Nil – **Thu:** CPI, PPI (Dec) **Fri:** - Nil –		**S:7.3000; R: 7.3800**
USDKRW	**Mon**: FX reserves (Dec); **Tue:** - Nil – **Wed:** Current account (Nov) **Thu:** - Nil – **Fri:** - Nil –		**S: 1,440; R: 1,486**
USDSGD	**Mon:** PMI (Dec); **Tue:** FX reserves (Dec) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.3560; R: 1.3760**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** FX reserves (Dec); **Thu:** - Nil – **Fri:** Industrial production (Nov)		**S: 4 4500; R: 4.5400**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,050; R: 16,330**

Source: Bloomberg, OCBC Research

	Key Themes and Trades
DXY	***Softer US Data Can Dent USD's Bull Run.*** USD started the year on a high with DXY pushing above 109 at one point (2 Jan). High for longer narrative, as markets brace for a subdued Fed cut trajectory, fears of US tariffs were some factors invigorating dollar bulls while thin market liquidity was likely to have exacerbated USD upticks. **But USD started the week on the back foot**. Washington Post article on President-elect Trump and team exploring universal tariff but only to cover critical imports brought relief to markets. This was however quickly denied by Trump and DXY trimmed losses. More 2-way trades are expected amid uncertainty and anxiety over tariff plans. Elsewhere, market liquidity should further improve this week and FX flows are likely to normalise post-holidays. There is also a slew of data this week. Focus is on JOLTS job openings, ISM services (Tue); ADP employment (Wed); FOMC minutes (Thu) and payrolls report (Fri). Given that USD has enjoyed a significant run-up, we caution that downside surprise to US data, in particular payrolls report, should dent USD's momentum. DXY was last at 108.35. Mild bullish momentum on daily chart is fading while RSI fell. Potential bearish divergence on daily RSI observed though price action requires further monitoring. Pullback lower not ruled out. Support at 107.50 (21 DMA), 106.40 (50DMA). Resistance at 109.50 levels (recent high), 110.10 levels. 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.** Trump inauguration (20 Jan) would be in focus as markets keep a close watch on the tariff plans. We still look for a mild USD pullback in 1Q 2025 as Fed cut cycle continues 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	***Complacency Warrants Caution.*** EUR started the year soft but has been retracing losses from stretched levels. EUR-negative drivers are well-flagged, some of them include: 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/ political uncertainties with German Federal elections scheduled on 23 Feb. Far-right party AfD is calling for Germany to leave the European Union, the EUR and Paris climate deal. The concern here is the explicit language to quit EU. 5/ other external factors such as concerns of universal tariffs, stronger USD. But we argued there may be too much complacency about EUR bears heading beyond parity while EUR bearish positions may be stretched. These technicalities warrant caution of a EUR short squeeze, especially if European data start to come in better than expected, dovish ECB bets adjust or if US data turn sour. The latter may even be a bigger catalyst for EUR to rebound (if any). EUR was last at 1.0380 levels. Daily momentum is flat while RSI rose. Near term rebound not ruled out but weak fundamentals may restrain the magnitude of the bounce. Resistance at 1.0420 (21 DMA), 1.0460 (23.6% fibo retracement of 2024 high to 2025 low) and 1.0540 (50 DMA). Support at 1.03, 1.0200/20 levels (recent low). For 2025, we remain somewhat bearish on EUR's outlook. 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. Growth in the Euro-area is also slowing. EU-UST yield differentials have already widened and may widen further amid shifts in market expectations on ECB (more cuts), Fed cut (fewer cuts). On politics, Germany's Federal election is scheduled on 23 Feb. France has just formed a government with newly minted PM Francois Bayrou. Cabinet will debate on budget again. Political uncertainties may have subsided for now but may rise again should there be more surprises. The next time France can hold a legislative election is on July 2025. Overall, concerns of political uncertainty in Germany, policy uncertainties associated with Trump presidency, softer growth momentum in Euro-area and potential widening of EU-UST yield differentials are some of the factors that may weigh on the EUR. But over the medium term, EUR can revert to trend higher when growth stabilises, and political and policy uncertainties find some clarity.

GBPUSD

May Rebound Near Term. GBP rebounded this week as USD corrected from record highs. Pair was last at 1.2470 levels. Bearish momentum on daily chart shows signs of waning while RSI rose. Rebound risks are not ruled out in the near term while we wait for more data. Restart of BOEspeaks. Potential bullish divergence observed on weekly RSI. We monitor price action further. Support at 1.2360 (recent low), 1.23 (Apr low). Resistance at 1.2570/80 levels (21 DMA, 76.4% fibo) 1.2690 950 DMA) and 1.2730 (61.8% fibo retracement of 2024 low to high).

Barring the near term rebound risks, we see some risks somewhat skewed to the downside for GBP. Dovish BoE split (MPC voted 6-3 to keep rates on hold at last meeting) and downgrade in growth assessment are negatives for GBP. Upcoming data would be key to watch, especially next week, CPI, PPI (15 Jan), IP (16 Jan) and retail sales (17 Jan). For this week, the data calendar is still rather empty. 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 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

Consolidation. USDJPY continued to hover near recent highs. BoJ Governor Ueda reiterated that BoJ will raise the policy rate if economic conditions continue to improve this year. He added that timing of rate adjustments will depend on the economy, inflation and financial conditions. He also highlighted that the momentum for wage hike is a key point when considering rate hikes. He has been putting a lot of focus on wages but avoided hinting the timing and pace of rate cut. The chances of a hike at the next MPC (24 Jan) is probably still live. But for now, the reluctance of BoJ and the guidance for Fed pause suggests that USDJPY may continue to face intermittent upward pressure. Elsewhere the likelihood of intervention will probably rise if there is a rapid surge in USDJPY. Any verbal intervention in the face of strong USD trend and policy inaction 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 seen at 157.80. Bullish momentum on daily chart has faded but dip in RSI also moderated. Pair may consolidation for now until a new catalyst (or hint) comes along. Resistance at 158, 158.90 levels. Support at 156.67 (76.4% fibo retracement of Jul high to Sep low), 155.70 (21 DMA) and 154 levels (50 DMA).

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

Dead Cat Bounce? AUD started the year at sub-0.62 levels as markets priced in RBA pivot while USD strength raged on. A subsequent rebound (6 Jan) occurred on the back of a Washington Post report that Trump may look at reduced form of tariffs. But this was short-lived as Trump quickly denied the story. More 2-way trading can be felt in AUD, given its high beta to market developments and RMB. Pair was last at 0.6240 levels. Daily momentum turned mild bullish while RSI rose. Rebound needs to reclaim above 0.6270 (21 DMA), 0.6360 (23.6% fibo retracement of 2024 high to 2025 low) for bulls to find traction. Failing which, AUD may revert to trading near recent lows. Support at 0.62, 0.6170/80 levels (recent low).

Near term outlook remains challenging for AUD, owing to RMB softness, US/universal tariff concerns, RBA's dovish pivot, dip in Aussie consumer confidence, contractionary PMIs. But broadly in the medium term, we are broadly constructive on the outlook of 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 time of the Feb. 17-18 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

House View Looks for MAS to Ease Policy Slightly. USDSGD traded higher into the new year amid broad USD strength and poor market liquidity. There is also some built-up in expectation that MAS may soon ease policy. We changed our house call – now looking for MAS to ease policy at the upcoming MPC by reducing the policy slope slightly but still maintain a mild appreciation stance.

CPI report for Nov saw another downside surprise. Core CPI was 1.9% (vs. 2.1% expected) while headline CPI was 1.6% (vs. 1.8% expected). Softer CPI readings were roughly in line with MAS projection for a step down in CPI print for 4Q 2024. YTD 11-month average so far 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. In 1Q 2025, household electricity and gas prices for Singapore will be decreased due to lower energy costs. US tariffs on China may be inflationary for US but can also lead to a decline in prices of global goods. On net, policymakers appear to be more confident about the progress with disinflation towards the target. Next MPC meeting will be held no later than 31 Jan 2025 (exact date is typically made known a week before). 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$NEER outlook, slight easing in the policy slope should see little impact on S$NEER given that the expectation is already priced in. On the index level, S$NEER has already retreated while % deviation from model-implied mid has decreased since Oct-2024. With that said, S$NEER may continue to weaken 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 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 138.66 (vs. peak of 140.48 in early Oct-2024) while % deviation from model implied mid was last at 0.58%. 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.

Pair was last at 1.3640 levels. Mild bullish momentum on daily chart intact but shows tentative signs of easing while RSI shows signs of easing from overbought conditions. Short term bias skewed towards corrective pullback lower. Support at 1.36, 1.3568 (21 DMA) and 1.3510 levels. Resistance at 1.3730/60 levels, 1.38.

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

Bid but Increasingly Looking Stretched. USDCNH continue to trade higher in the first few days of the new year. As of 6 Jan, USDCNY traded past 7.32 while USDCNH traded an intra-day high of 7.3647. Broad USD strength, expectations of further China rate cut, continued sell-off (4-5% down) in Chinese equity markets (weak sentiments partly owing to lack of stimulus support) as well as worries regarding US tariffs were some of the factors weighing on RMB.

Pair was last at 7.3590. Daily momentum shows signs of turning mild bullish while RSI rose towards near overbought conditions. Risks remain skewed towards the upside but we would not be surprised to see a corrective pullback in the near term. Support at 7.34, 7.3280 and 7.3030 (21 DMA). Resistance at 7.37, 7.38 levels.

Depreciation remains the path of least resistance for RMB with 1/ wider UST-CGB yield differentials amid expectations for further China rate cuts with 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 are implemented (though it has yet to be).

So far, the daily CNY fixing pattern continues to show that the policymakers are determined to maintain that "relative stability" in keeping the daily fix below 7.20. Fixing gap to Bloomberg consensus was at its widest of -1324pips (3 Jan) while the fix was more than 1200 pips lower than where spot USDCNH was trading at. Friday's fix also implied that the upper bound (+2%) for onshore USDCNY spot comes in at 7.3316. Policymakers are likely to rely on a combination of tools including daily fix and offshore funding squeeze, etc. to manage the RMB. In the near-term timeline, we continue to monitor daily fix (for any signs that policymakers may be allowing for further/measured pace of depreciation), President Trump inauguration on 20 Jan and if there are developments on tariffs while also paying attention to next FOMC (30 Jan).

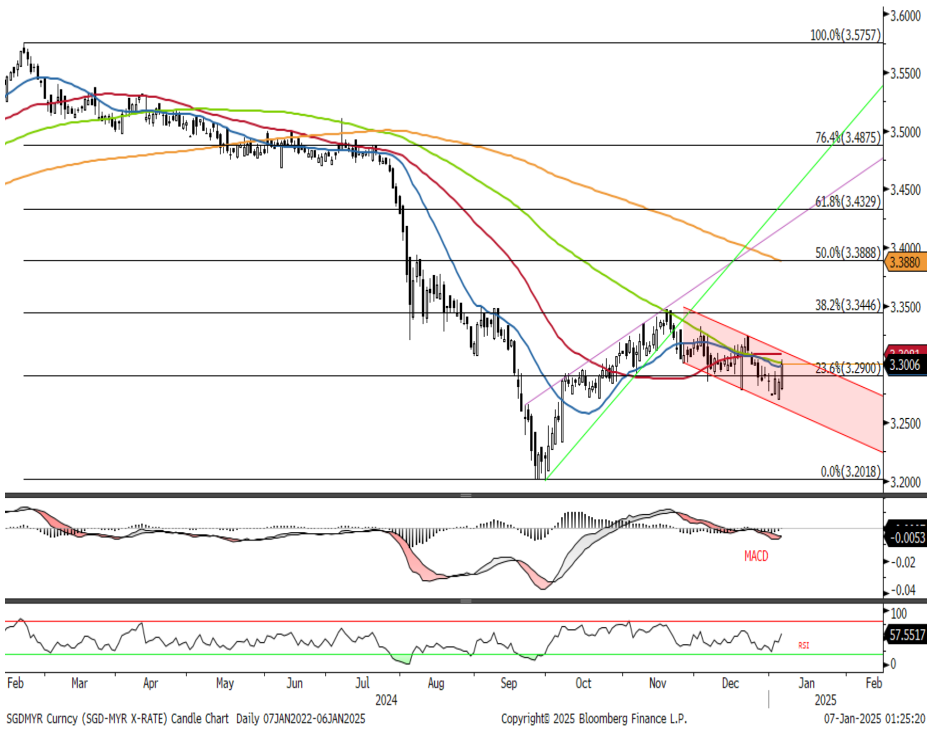
Trade Ideas

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			Policy and growth divergence between EU/ECB and UK/BOE. Target a decline towards 0.81. SL 0.8470. [LIVE]	
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

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



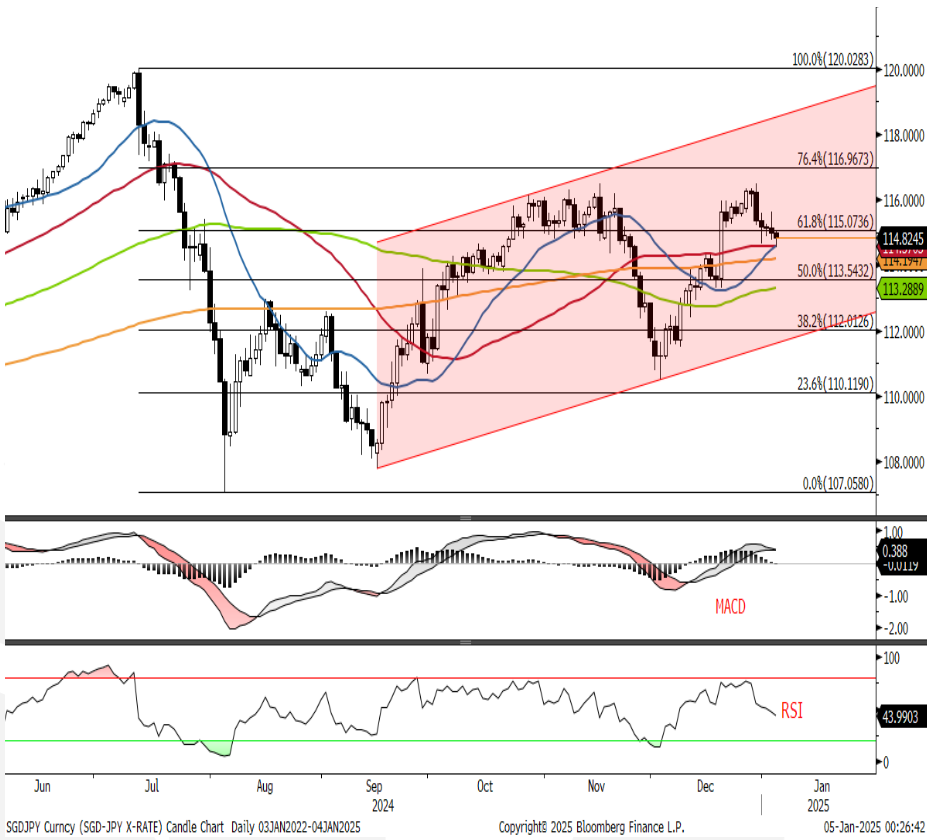
SGDMYR drifted lower last week amid SGD underperformance. Cross was last at 3.30 levels.

Mild bearish momentum shows signs of fading 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 3.3080 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: Sell Rallies Preferred



SGDJPY traded lower. Cross was last at 114.80 levels.

Bullish momentum on daily chart faded while RSI fell. Risks skewed to the downside. Favor selling rallies.

Resistance at 115.10 (61.8% fibo), 117 levels (76.4% fibo retracement of Jul high to Aug low).

Support at 114.5 (21, 50 DMAs), 113.50 (50% fibo).

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

Gold Daily Chart: Consolidation

Gold continued to trade in consolidative pattern in absence of fresh catalyst. Last seen at 2640 levels.

Daily momentum turned mild bullish while rise in RSI moderated. Consolidation likely. Resistance at 2660/70 levels (50 DMA, 23.6% fibo), 2726 levels (interim triple top).

Support at 2623 (100 DMA), 2594 (38.2% fibo retracement of May low to Oct high) and 2580 levels.

Silver Daily Chart: Conflicting Signals

Silver consolidated near recent lows. Last seen 29.62.

Bearish momentum on daily chart shows signs of fading while RSI rose. Potential bullish divergence observed on daily MACD. But there are conflicting signals as bearish crossovers appear to be in the making. We continue to monitor price action for now.

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

Resistance at 30 (38.2% fibo), 31 levels (50, 100 DMAs) and 31.85 (23.6% fibo of 2024 low to 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	154.00	152.00	151.00	150.00	149.00
EUR-USD	1.0480	1.0400	1.0350	1.0300	1.0400
GBP-USD	1.2650	1.2700	1.2750	1.2750	1.2800
AUD-USD	0.6400	0.6450	0.6500	0.6500	0.6550
NZD-USD	0.5750	0.5800	0.5850	0.5900	0.6000
USD-CAD	1.4200	1.4200	1.4300	1.4400	1.4450
USD-CHF	0.9000	0.9000	0.9100	0.9200	0.9250
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	107.10	107.31	107.55	107.84	107.15
USD-SGD	1.3600	1.3700	1.3750	1.3800	1.3820
USD-CNY	7.3000	7.3500	7.3700	7.3900	7.4000
USD-CNH	7.3200	7.3600	7.3800	7.4000	7.4100
USD-THB	34.00	34.20	34.20	34.00	33.80
USD-IDR	16000	16100	16200	16200	16300
USD-MYR	4.4800	4.5200	4.5400	4.5800	4.6000
USD-KRW	1450	1455	1470	1475	1480
USD-TWD	32.60	32.70	32.80	33.10	33.10
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	25200	25400	25500	25600	25600
EUR-JPY	161.39	158.08	156.29	154.50	154.96
EUR-GBP	0.8285	0.8189	0.8118	0.8078	0.8125
EUR-CHF	0.9432	0.9360	0.9419	0.9476	0.9620
EUR-SGD	1.4253	1.4248	1.4231	1.4214	1.4373
GBP-SGD	1.7204	1.7399	1.7531	1.7595	1.7690
AUD-SGD	0.8704	0.8837	0.8938	0.8970	0.9052
NZD-SGD	0.7820	0.7946	0.8044	0.8142	0.8292
CHF-SGD	1.5111	1.5222	1.5110	1.5000	1.4941
JPY-SGD	0.8831	0.9013	0.9106	0.9200	0.9275
SGD-MYR	3.2941	3.2993	3.3018	3.3188	3.3285
SGD-CNY	5.3676	5.3650	5.3600	5.3551	5.3546
SGD-IDR	11765	11752	11782	11739	11795
SGD-THB	25.00	24.96	24.87	24.64	24.46
SGD-PHP	42.65	42.55	42.55	42.54	42.55
SGD-VND	18529	18540	18545	18551	18524
SGD-CNH	5.3824	5.3723	5.3673	5.3623	5.3618
SGD-TWD	23.97	23.87	23.85	23.99	23.95
SGD-KRW	1066.18	1062.04	1069.09	1068.84	1070.91
SGD-HKD	5.7059	5.6715	5.6582	5.6449	5.6368
SGD-JPY	113.24	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: 7 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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