FX Weekly

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Room to Shake Out Stretched Positions

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A Relatively Busy Week. A handful of central bank policy decisions are due this week, including RBA (Today), BoC (tomorrow) and ECB, SNB (Thu). Focus is also on China's Central Economic Work Conference (CEWC) on 11-12 Dec. Expectations are building up for stimulus support after politburo vowed to stabilise property and stock markets. Officials also pledged to ramp up 'extraordinary counter-cyclical policy adjustment' to support the economy and it also announced that it will embrace a "moderately loose" strategy for monetary policy in 2025. Follow-up policy action is crucial, and bear in mind that markets are impatient. We caution that any delay in concrete policy action may setup a case for disappointment. But meantime, we remain cautiously hopeful. Stimulus support can provide support for AUD. On US, focus is on data as Fedspeaks go into blackout period. CPI (Wed), PPI (Thu) will be closely watched before FOMC (19 Dec). A 25bp cut at Dec FOMC is more or less a done deal unless CPI unexpectedly surprises to the upside. Technically for DXY, a head & shoulders pattern remains intact. A decisive break below neckline could force further unwinding of USD longs.

Will RBA Pivot? RBA meeting today (1130am SGT) is the last meeting for the year for Australia and the next meeting is not due until 18 Feb. We expect cash rate to remain on hold at 4.35% as services inflation remains sticky and labour market remains fairly tight, with unemployment rate holding around 4.1% over the last 6 months or so. Employment to population ratio, participation rate has also increased to record high, reflecting strong demand for labour. The risk is an earlier than expected dovish pivot as softer than expected 3Q GDP print last week saw markets shift expectations to fully price in a cut at Apr's meeting. There were also light chatters if RBA may even need to cut earlier at the Feb meeting. Broadly speaking, tariff worries, slowing growth momentum and anticipation for earlier RBA cuts are some factors that may continue to undermine AUD. However, there may be some factors that could see AUD shorts getting unwound. One of them is 1/ RBA shows little to no change from its hawkish rhetoric, then AUD shorts may be shaken out; 2/ China's CEWC (11-12 Dec) – if fresh stimulus support is announced; 3/ a hotter than expected Aussie labour market report on Thu; 4/ USD reverses lower.

Is ECB Pricing Too Aggressive? On Thu, ECB meeting takes centre stage. Markets have already reduced bets for 50bp cut and is now pricing just a 25bp cut. OIS-implied has also priced in back-to-back cuts for 1H next year, taking rates to below 2% in Jun 2025, or even 1.75% in July. This may have been overdone. While political risks in Europe may still weigh on EUR, but we had also flagged that many EUR negatives, such as slowing growth momentum, political fallout, aggressive ECB cut expectations, etc. are already in the price. We still do not rule out the risk of EUR short squeeze in the short term.

AxJ Positioning Bias (Reuters Poll)

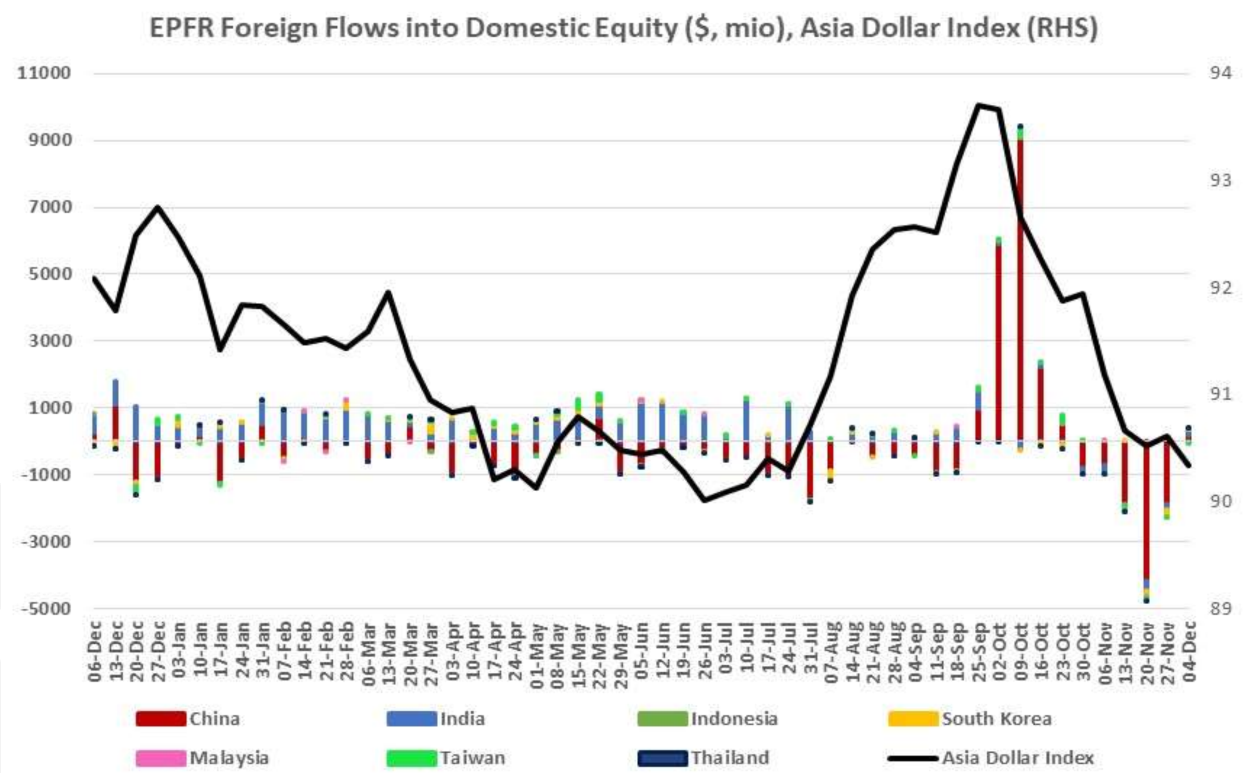
Based on Reuters survey on Asia FX positioning, all AxJs FX remain bearish. KRW, CNY, INR, PHP and SGD were amongst the most bearish. In terms of incremental bearish adjustments, SGD saw the largest increase in shorts (latest avail data did not account for last week as it is likely KRW saw biggest increase in shorts). On net basis, MYR and THB were amongst the least bearish.

	25-Jul-24	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
USD/CNY	1.07	-0.02	-0.62	-0.85	-0.67	-1.14	-0.43	0.3	1.14	1.32
USD/KRW	0.79	0.05	-0.93	-1.09	-0.9	-0.79	0.26	1.06	1.61	1.45
USD/SGD	-0.33	-0.61	-1.08	-1.26	-1.12	-1.26	-0.44	-0.03	0.8	1.12
USD/IDR	0.35	-0.02	-1.26	-1.05	-1.18	-1.08	0.04	0.59	0.81	1.03
USD/TWD	0.86	0.59	-0.7	-0.77	-0.66	-0.59	0.24	0.6	1.07	1.1
USD/INR	0.12	0.6	0.21	0.21	0.33	-0.04	0.67	0.82	0.87	1.13
USD/MYR	0.39	-0.78	-1.57	-1.46	-1.3	-1.18	-0.4	0.11	0.65	0.76
USD/PHP	0.43	-0.29	-1.03	-1	-1.1	-0.7	0.26	0.81	1.18	1.13
USD/THB	0.02	-0.57	-1.16	-1.22	-1.33	-1.45	-0.28	0.09	0.9	0.66

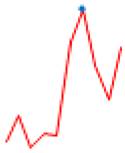
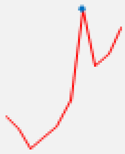
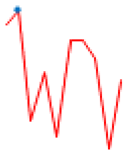
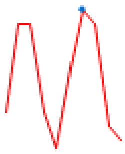
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.
Source: Reuters [latest avail: 28 Nov 2024], OCBC Research

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflow across the AXJ region showed signs of slowing, with modest inflow last week. Tariff concerns under Trump presidency remains one of the key concerns. Looking on Fed may take centre stage as markets eye dot plot guidance on trajectory of rate cut going forward. Asian FX sentiment remains soft for now.



Note: Latest data available as of 4 Dec (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**: Wholesale inventories, trade sales (Oct); **Tue:** NY Fed 1y inflation expectations; NFIB small business optimism (Nov); Unit labor costs (3Q); **Wed: CPI,** real average hourly earnings (Nov); **Thu: PPI (Nov);** initial jobless claims; **Fri:** Import, export price index (Nov)		**S: 104.00; R: 108.00**
EURUSD	**Mon:** Sentix investor confidence (Dec); **Tue:** - Nil – **Wed:** - Nil – **Thu: ECB meeting;** ECB's Lagarde speaks; **Fri:** Industrial production (Oct)		**S: 1.0300; R: 1.0800**
GBPUSD	**Mon:** BOE's Ramsden speaks; **Tue:** - Nil – **Wed:** - Nil – **Thu:** RICS house price balance (Nov); **Fri:** Monthly GDP, IP, trade, construction output (Oct); GfK consumer confidence (Dec)		**S: 1.2510; R: 1.2860**
USDJPY	**Mon:** GDP (3Q); trade (Nov); current account (Oct); **Tue:** Machine tool orders (Nov P); **Wed:** PPI (Nov); BSI large all industry/mfg (4Q); **Thu:** - Nil – **Fri:** Tankan survey (4Q); Industrial production (Oct)		**S: 146.10; R: 152.70**
AUDUSD	**Mon:** - Nil – **Tue: RBA MPC;** NAB business confidence (Nov); **Wed:** RBA's Hauser speaks; **Thu**: **Labour market report (Nov);** **Fri:** - Nil –		**S: 0.6300; R: 0.6530**
USDCNH	**Mon:** CPI, PPI (Nov); **Tue**: Trade (Nov); **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S:7.2400; R: 7.3200**
USDKRW	**Mon**: - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** Unemployment rate (Nov); **Fri:** Import, export price index (Oct)		**S: 1,400; R: 1,450**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.3240; R: 1.3490**
USDMYR	**Mon:** - Nil – **Tue:** Industrial production (Oct) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4 3600; R: 4.4500**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 15,600; R: 16,000**

Source: Bloomberg, OCBC Research

	Key Themes and Trades
DXY	***Watch CPI for Now.*** USD traded lower last Fri post-release of payrolls, unemployment report. But subsequently reversed the weakness, likely due to pockets of political concerns in Korea, Syria, Europe, etc. On Fedspeaks, there were a handful last Fri post-NFP. Fed officials like Bowman, reiterated gradualism in pace of lowering rates but she also said that it is hard to think interest rates are restrictive right now. Another FOMC member, Hammack believes that Fed is "at or near" the point where Fed should slow rate cut. Goolsbee also echoed the view that pace of rate cuts will probably slow next year. Fedspeaks go into blackout so that puts the focus on US data before FOMC next Thu (19 Dec). This week, we have CPI on Wed and PPI on Thu. A 25bp cut is more or less a done deal for Dec meeting unless US CPI unexpectedly surprises a lot to the upside. Consensus looks for US core CPI to hold steady at 3.3%. For FOMC next Thu, we would be keen to see the dot plot guidance for 2025. Fed fund futures are implying about 3 cuts for 2025, slightly less than the previous dot plot of 4 cuts that was penciled in for 2025. DXY was last at 106 levels. Daily momentum is mild bearish while decline in RSI moderated. Head and shoulders pattern appears to have formed with DXY testing the neckline (which was respected on Fri). This is typically a bearish setup. A decisive break below neckline should see bears gather momentum. Support at 105 levels (38.2% fibo retracement of Sep low to Nov high), 104.70 (50 DMA) and 104.10 (200 DMA, 50% fibo). Resistance at 106.20/30 levels (23.6% fibo, 21 DMA), 106.70 (second shoulder). Tariffs, immigration, deregulation, tax cuts, pursuing "peace" are likely some of Trump's policy priorities post-inauguration on 20th Jan 2025. Tariffs may undermine global trade, growth, sentiments and pose risks of inflation. This may derail the disinflation journey and imply fewer Fed cuts. Hawkish re-pricing alongside US exceptionalism will keep USD supported. On tariff implementation, we do not rule out tariff being used as bargaining chip to unlock foreign policies, level the playing ground. The recent Mexican episode shows that Trump's tariff threat was likely a bargaining chip to unlock other policy agenda, which in this case appears to be migration, drugs. Hence, there is a chance that tariff could come later in 2H 2025, rather than earlier. Our house view now expects one 25bp Fed funds rate cut each in December-2024, January, March, Q2-2025 and Q3-2025, adding up to 100bps of cuts in 2025. This expected profile will bring the Fed funds rate target range to 3.25-3.50% at end 2025. We look for a 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 cut. Our medium-term view still expects the USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current account are some drivers that should weigh on USD.
EURUSD	***Still Possible for EUR Short Squeeze.*** EUR saw a short squeeze last Fri post-NFP to 1.0630 before gains dissipated. This week, EUR may continue to see more volatility. On Wed, German Chancellor Scholz is expected to call for a vote of confidence and the Bundestag will vote next Monday on 16 Dec. To survive the vote, Scholz would need to receive the support of an absolute majority of 367 votes. But in the event, he fails, then Germany is likely to make way for elections on 23 Feb 2025. Far-right AfD is calling for Germany to leave the European Union, the EUR and Paris climate deal as the party prepares for early elections in Feb-2025. The concern here is the explicit language to quit EU unlike its manifesto ahead of the European parliament elections previously in Jun-2024. On Thu, ECB meeting takes centrestage. Markets have already reduced bets for 50bp cut and is now pricing just a 25bp cut. OIS-implied has also priced in back-to-back cuts for 1H next year, taking rates to below 2% in Jun 2025, or even 1.75% in July. This may have been overdone. While political risks in Europe may still weigh on EUR, but we had also flagged that many EUR negatives, such as slowing growth momentum, political fallout, aggressive ECB cut expectations, etc. are already in the price. We still do not rule out the risk of EUR short squeeze in the short term. Pair was last at 1.0560 levels. Daily momentum is mild bullish but rise in RSI slowed. Price pattern shows a classic formation of an inverted head & shoulders pattern, which is typically associated with a bullish

reversal. Neckline comes in at 1.0610/20 levels. Break-out puts 1.0670 (38.2% fibo) within reach before next resistance comes in at 1.0750/75 levels (50 DMA, 50% fibo). Support at 1.0540/50 levels (23.6% fibo, 21 DMA), 1.0460 levels.

Looking out into 2025, we remain somewhat bearish on EUR's outlook. Trump presidency will result in shifts in US foreign and trade policies, and they will 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). In Germany, the coalition government has collapsed. Pending outcome of the confidence vote (16 Dec), an election is more likely than not on 23 Feb 2025. Elsewhere, France is also without a government and a budget after PM Barnier lost the vote of confidence. As no legislative elections can be held until 1 year after the last elections that was held in July, snap elections are not possible. In the interim, Macron will need to appoint a new Prime minister soon. Meanwhile there are already calls from time to time for President Macron to resign but he has resisted, and the next Presidential election is not due until Apr 2027. Political uncertainty in Germany, France may still weigh on EUR in the interim, though we do expect this to come to pass. In terms of US foreign policy, military aid to Ukraine may dwindle when Trump takes over. He has on many occasions in the past said his priority is to end the war and stop what he described as a drain on US resources. He also declared before that he can end the war in one day, without offering specifics. Europe will have to take responsibility for its security in the interim and that would mean increasing defence spending – possibly adding to fiscal burden for some EU nations. That said, the medium-term benefits of ending the war in Ukraine may also take away supply side pressure, and perhaps normalise energy concerns (if sanctions on Russia are removed but these are likely not to materialise in the short term). 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

Data Dump This Fri. GBP rose last week as data surprised to the upside. Services PMI, construction PMI, inflation expectations and house prices came in stronger than expected. Focus this week on data dump on Fri – monthly GDP, industrial production, consumer confidence, trade data. Disappointing print may stall GBP bull's advance. GBP was last at 1.2750 levels. Daily momentum is bullish while rise in RSI moderated. An inverted H&S pattern was formed, and this is typically associated with a bullish reversal. Immediate resistance at 1.2820 (200 DMA), 1.2880 (50 DMA). Support here at 1.2730 (61.8% fibo retracement of 2024 low to high), 1.2680 (21DMA) and 1,2570 (76.4% fibo).

Over the medium term, we are slightly constructive on GBP outlook. Growth continues to hold up and likely to be further supported by UK budget while labour market remains healthy. Employment growth improved and wage growth continues to outpace headline CPI. Even as headline CPI eased, services inflation remains sticky at 5%. This supports the case for gradual pace of BoE cuts in 2025. The last MPC meeting (Nov) saw BoE putting an emphasis on making sure inflation stays close to target. This reinforces the view for a gradual approach to removing restraint. BoE member Mann believes that neutral interest rate is higher than BoE's model and as such, policy rate at 5% is less restrictive today. 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.

USDCHF

SNB MPC in Focus (Thu). Last CPI print saw a small uptick but largely, on trend basis, inflationary pressure has come off significantly from peak of 3.5% in Aug 2023 to 0.6% in Oct 2024. Imported goods and services in contributed to the disinflationary pressure though domestic services inflation held up to some extent. SNB has already cut policy rate three times this year at every quarterly meeting in clip of 25bp since March to 1%). Similarly for this meeting, expectation is for another 25bp cut this Thu. And back-to-back cut to 0% in 2025. SNB Chairman has on numerous occasions said that further interest rate reductions could be needed to maintain price stability in the mid-term". In late Nov, he even went further to say

	that SNB will re-introduce negative interest rates if necessary. He added that even though SNB did not like negative rates, SNB could use negative rates as a tool to weaken CHF. We will watch if the dovish rhetoric remains as that should limit the room for CHF to appreciate unless USD falls further. But overall, we maintain a mild bearish bias on CHF on the back of a dovish SNB, and ongoing disinflationary pressures. On the other hand, safe-haven characteristic may play up (mitigating against CHF weakness) in the event of geopolitical risk-offs or during episodes of political uncertainties in Germany, France. Pair was last at 0.8790 levels. Bearish momentum on daily chart intact but decline in RSI moderated. Consolidation likely. Support at 0.8720 (50 DMA), 0.8640 (100 DMA). Resistance at 0.8830 (200 DMA), 0.89 (61.8% fibo retracement of 2024 high to low).
USDJPY	***Sell Rallies.*** USDJPY traded higher this week after PM Ishiba told parliament that the government is not considering revising a long-standing agreement between BoJ and the government as Japan has not escaped deflation yet. He also added that BoJ's monetary policy doesn't aim to move FX. USDJPY rose. Last seen at 151.30 levels. Bearish momentum on daily chart intact but shows signs of fading while RSI rose. Near term risks skewed to the upside. But bias remains to sell rallies. Resistance at 151.30 (50 DMA), 152 levels (200 DMA) and 152.70/80 levels (21 DMA, 23.6% fibo). Support at 150.20 (38.2% fibo), 148.70 levels (100 DMA) and 148.20 (38.2% fibo retracement of Sep low to Nov high). In terms of data releases, there is a few to keep a look out for this week, including PPI on Wed and Tankan survey on Fri before BoJ MPC (19 Dec). But largely, we are looking for BoJ to carry on with policy normalization with a hike next week and into 2025. Recent uptick in base pay supports the view about positive development in labor market, alongside still elevated services inflation, better 3Q GDP (that was released yesterday morning) and expectations for 5-6% wage increases for 2025. For USDJPY, it is not just Japan or BoJ in the equation, the Fed and US data also matters. While we are of the view that broader direction of travel for USDJPY is skewed towards the downside as Fed cuts and BoJ hikes. The risk is a slowdown in pace of respective policy normalisation, especially if Fed slows pace on return of US exceptionalism. Then USDJPY moves may even face intermittent upward pressure. Looking out into 2025, we still look for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation. BoJ is also expected to uphold central bank independence and Governor Ueda had earlier said that the current political situation in Japan wouldn't stop him from lifting rates if prices and the economy stay in line with BoJ's forecast. On the data front for Japan, Tokyo core core CPI, PPI, wages rose. Recent 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 remains for one additional rate hike of 10-15bps from the BoJ before the end of 2024 and continued policy normalisation in 2025. Shifts 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	***RBA to Pivot? China Fresh Stimulus Support?*** Main focus on the calendar this week is RBA meeting (Tue) and labour market report (Thu). RBA meeting today (1130am SGT) is the last meeting for the year for Australia and the next meeting is not due until 18 Feb. We expect cash rate to remain on hold at 4.35% as services inflation remains sticky and labour market remains fairly tight, with unemployment rate holding around 4.1% over the last 6 months or so. Employment to population ratio, participation rate has also increased to record high, reflecting strong demand for labor. The risk is an earlier than expected dovish pivot as softer than expected 3Q GDP print last week saw markets shifted expectations to fully

price in a cut at Apr's meeting. There were also light chatters if RBA may even need to cut earlier at the Feb meeting.

Broadly speaking, tariff worries, slowing growth momentum and anticipation for earlier RBA cuts are some factors that may continue to undermine AUD. However, there may be some factors that could see AUD shorts getting unwound. One of them is 1/ RBA shows little to no change from its hawkish rhetoric, then AUD shorts may be shaken out; 2/ China's CEWC (11-12 Dec) – if fresh stimulus support is announced; 3/ a hotter than expected Aussie labour market report on Thu; 4/ USD reverses lower.

AUD was last at 0.6450. Daily momentum is flat while RSI rose. Bullish engulfing candlestick observed. Near term risks now skewed to the upside. Resistance at 0.6490 (21 DMA), 0.6560 levels. Support at 0.6370/80 levels, 0.6350 (2024 low).

We are broadly constructive on the outlook of AUD in the medium term. Some of the reasons underpinning the bias include: 1/ RBA keeping rates on hold for longer (last major central banks to cut rates), given still sticky inflation, stronger consumer confidence, retail sales and tight labour market; and 2/ expectations that China stabilisation story can find traction amid stimulus support, though some patience is needed. Though AU labour market remains fairly tight, there are signs 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). This adds to our conviction for RBA to calibrate monetary policy settings at some point in 2025 but there is no need for RBA to hurry into easing policies, given still tight labour market and sticky services inflationary pressures. 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

Consolidation. USDSGD consolidated in absence of fresh catalyst. Pair was last seen at 1.3400. Mild bearish momentum on daily chart intact while RSI was flat. Consolidation likely but risks skewed to the downside. Support at 1.3340 (200 DMA, 23.6% fibo), 1.33, 1.3240 (32.8% fibo retracement of Sep low to Nov high). Resistance here at 1.3420 (21 DMA), 1.3490 levels. Pair should continue to take directional cues from USD and CNY fix in absence of key data. Next set of SG data is NODX (17 Dec) and CPI (23 Dec).

S$NEER has been easing since Oct-2024 even as MAS maintained policy status quo for 2024. Downside surprise to Oct CPI report and softer EUR, RMB (negative spillover to SGD) were some of reasons behind the S$NEER's decline. That said, SGD remains strong vs. peers in the trade basket but it is less strong today (vs. than for most of the year).

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. Oct CPI report saw both headline and core CPI surprised to the downside. The sharp pullback has also led to chatters if MAS would ease policy as soon as at the next MPC in Jan-2025. We believe there is no hurry to ease amidst many moving parts – tariff threats, geopolitics – which may see price pressures return. MAS is better off monitoring further to avoid any risk of flip-flopping on policy. Moreover, MAS did not typically rush into easing policy when there was disinflation in the past, unless there is a need to fight against some unexpected shocks (oil price plunge in 2015). Hence, MAS maintaining policy status quo suggests that SGD can remain somewhat supported on trade-weighted terms. At some point in 2Q or 3Q in 2025, MAS may ease policy if core CPI does ease further. This implies that some SGD strength can continue to fade in 2025. But so long MAS band doesn't revert to neutral, the SGD could still maintain the "safe-haven" status in the region in the event of trade war scenario (i.e. may still be better supported vs. its peers). But in the event of no tariff, risk-on scenario, then SGD may underperform peers.

	Looking into our USDSGD forecast trajectory, we see a tactical window for USDSGD to pullback in 1Q 2025, premised on Fed cut cycle (2 cuts in 1Q, and 1 cut each in 2Q and 3Q 2025), expectations that China recovery to find some traction. Subsequently, USDSGD forecast is projected to skew to the upside into 2H 2025, taking into consideration potential implementation of Trump tariffs (on China/ global) and Fed pause in 4Q 2025. That said, the timing and magnitude of tariff remains highly uncertain.
USDCNH	***Watching Daily Fix, CEWC.*** USDCNH continued to drift lower, thanks to softer USD and taking cues from fixing guidance. Policymakers continue to manage the daily fix, setting it below 7.20 and at times, even lower, when USD was even trading stronger. Recent fixing pattern suggests that PBoC is doing whatever it takes to not only restraint the RMB from over-weakening but also to guide its bias and direction. Tariff may hurt RMB when it happens but that may be a story for 2025 after Trump inauguration. Ultimately, an eventual recovery in RMB would require confidence to be "repaired", economic recovery to gain better momentum and for USD to turn lower. Meantime, we would keep a look out for the CEWC meeting on 11-12 Dec. Expectations are building up for stimulus support after politburo vowed to stabilise property and stock markets. Officials also pledged to ramp up 'extraordinary counter-cyclical policy adjustment' to support the economy and it also announced that it will embrace a "moderately loose" strategy for monetary policy in 2025. Follow-up policy action is crucial, and bear in mind markets are impatient. We caution that any delay in concrete policy action may setup a case for disappointment (again). For now, we remain cautiously hopeful. Pair was last at 7.2670. Daily momentum is showing tentative signs of turning mild bearish while RSI fell. Corrective pullback not ruled out. Support at 7.2550 (21 DMA), 7.22 levels. Resistance at 7.32, 7.3450 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	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			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. [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: Downside Risk

SGDMYR fell further in line with our caution for downside risk. Cross was last at 3.2970 levels.

Daily momentum is mild bearish while RSI fell. Bearish divergence on daily MACD is playing out. Risks remained skewed to the downside.

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

Resistance at 3.32 levels (21, 100 DMAs), 3.3450 levels (38.2%).

SGDJPY Daily Chart: Sell Rallies

SGDJPY rebounded slightly last week after the sharp decline seen the week before. Cross was last at 112.65 levels.

Bearish momentum on daily chart is fading while RSI rose. Near term risk skewed to the upside but bias to sell rallies. Bearish crossover observed as 21DMA cut 200DMA to the downside.

Support at 111.40 (61.8% fibo), 110.60 levels.

Resistance at 113 (50% fibo retracement 2023 low to 2024 high), 113.90 (21, 200 DMAs) and 114.30 (50 DMA).

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

Gold Daily Chart: Consolidation With Risks Skewed to the Upside

Gold started the week on a firmer footing as USD eased broadly. Last seen at 2664 levels.

Daily momentum is mild bullish while RSI rose. Consolidation likely with risks skewed to the upside. Resistance at 2670 (50 DMA, 23.6% fibo), 2720 levels.

Support at 2630 levels (21DMA), 2585/95 levels (100 DMA, 38.2% fibo retracement of May low to Oct high).

Silver Daily Chart: A Head & Shoulders Pattern in the Making

Silver inched higher. Last seen 32.05 levels.

Daily momentum turned bullish while RSI rose. Risks skewed to the upside. But we watch if head & shoulders pattern is in the making. This is typically associated with a bearish reversal. We watch price action. Consolidation likely in 30.40 – 32.80 range.

Resistance at 32.20, 33 levels.

Support at 30.80 (21 DMA), 30.40 (100 DMA) and 30 levels (neckline).

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

Medium Term FX Forecasts

Currency Pair	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
USD-JPY	148.00	145.00	143.00	142.00	141.00
EUR-USD	1.0600	1.0600	1.0550	1.0500	1.0500
GBP-USD	1.2600	1.2700	1.2800	1.2800	1.2900
AUD-USD	0.6550	0.6650	0.6650	0.6700	0.6750
NZD-USD	0.5950	0.6000	0.6000	0.6050	0.6100
USD-CAD	1.4050	1.3900	1.4000	1.4100	1.4200
USD-CHF	0.8900	0.8800	0.8900	0.8900	0.9000
USD-SEK	10.86	10.95	10.95	10.80	10.50
DXY	105.67	105.17	105.27	105.47	105.26
USD-SGD	1.3520	1.3450	1.3500	1.3550	1.3600
USD-CNY	7.3000	7.2100	7.2600	7.2900	7.3100
USD-CNH	7.3200	7.2300	7.2800	7.3100	7.3300
USD-THB	34.50	34.50	34.20	34.20	34.00
USD-IDR	15900	15700	15700	15850	16000
USD-MYR	4.4800	4.4100	4.4400	4.4600	4.5000
USD-KRW	1390	1370	1375	1390	1405
USD-TWD	32.70	32.30	32.40	32.50	32.80
USD-HKD	7.7800	7.7700	7.7700	7.7800	7.7900
USD-PHP	58.60	58.00	58.30	58.50	58.70
USD-INR	85.00	84.70	84.90	85.10	85.20
USD-VND	25400	25200	25250	25350	25450
EUR-JPY	156.88	153.70	150.87	149.10	148.05
EUR-GBP	0.8413	0.8346	0.8242	0.8203	0.8140
EUR-CHF	0.9434	0.9328	0.9390	0.9345	0.9450
EUR-SGD	1.4331	1.4257	1.4243	1.4228	1.4280
GBP-SGD	1.7035	1.7082	1.7280	1.7344	1.7544
AUD-SGD	0.8856	0.8944	0.8978	0.9079	0.9180
NZD-SGD	0.8044	0.8070	0.8100	0.8198	0.8296
CHF-SGD	1.5191	1.5284	1.5169	1.5225	1.5111
JPY-SGD	0.9135	0.9276	0.9441	0.9542	0.9645
SGD-MYR	3.3136	3.2788	3.2889	3.2915	3.3088
SGD-CNY	5.3994	5.3606	5.3778	5.3801	5.3750
SGD-IDR	11760	11673	11630	11697	11765
SGD-THB	25.52	25.65	25.33	25.24	25.00
SGD-PHP	43.34	43.12	43.19	43.17	43.16
SGD-VND	18787	18736	18704	18708	18713
SGD-CNH	5.4142	5.3755	5.3926	5.3948	5.3897
SGD-TWD	24.19	24.01	24.00	23.99	24.12
SGD-KRW	1028.11	1018.59	1018.52	1025.83	1033.09
SGD-HKD	5.7544	5.7770	5.7556	5.7417	5.7279
SGD-JPY	109.47	107.81	105.93	104.80	103.68
Gold $/oz	2660	2690	2720	2740	2760
Silver $/oz	30.93	30.92	31.09	31.14	31.36

Source: OCBC Research (Latest Forecast Updated: 3rd December 2024)

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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