# FX Weekly

11 November 2024

## Preliminary Revision Amidst Policy Uncertainty

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**Much Uncertainty Post-Election Outcome**. USD strength in the aftermath of Trump's victory saw some adjustment. Markets appeared to be unwinding some of Trump trade post-event risk and were also re-pricing hopes of China stimulus. However, the latter may have seen some initial disappointment, leading AXJs to trade on a softer footing into NY close on Fri. Trump's threat on tariff is clearly one of the biggest risks that markets are concerned about, but we do not know how long it takes for those policies to be in place after all President inauguration only takes place on 20th Jan. And we do not know for sure if election threats/promises become reality. Did Trump really mean to impose damaging tariff on Europe or were they meant as bargaining chips to unlock foreign policy agenda. How soon will US impose tariffs on China and will tariff be as much as 60%? How much spending can Trump administration cut and borrow? These are all big questions but more importantly, they will not get answers anytime soon.

**Upward Revision to USD Forecast.** In the interim, EUR, JPY, KRW, THB, MYR, CNH may face more swings (due to higher sensitivity to market developments re US elections and China). But we also expect policymakers in the region to be more vigilant of the potential policy risks associated with Trump presidency. Hence, excessive, one-sided moves in FX may be countered to smooth volatility. Trump presidency not only brings back worries of tariffs and inflation but fiscal concerns. Trump's proposed tax cut would add $7.5tn more to US debt (according to estimates from nonpartisan nonprofit committee for responsible federal budget). The potential ballooning in US debt could stir up the narrative of de-dollarisation, adding to demand for gold at some point after corrective adjustment is done. Elsewhere, we may see further downward pressure on EUR weighed by fresh concerns of political uncertainty in Germany (Chancellor Scholz dismissed Finance Minister and called for confidence vote on 15 Jan) and ongoing concerns of Trump win on European security and exports to US (due to potential tariffs). On net, tariff threats and policy uncertainty associated with Trump presidency may keep USD supported on dips but in the event of a delay to implementing tariffs or even in the scenario it doesn't materialise, then further unwinding of Trump trade may also be likely.

**USDAXJ Trajectory Revised:** We revised our 4Q 2024 USDAXJs forecast higher (from previous forecast) to reflect recent market development post US elections. Our USDAXJ forecast trajectory for 1Q 2025 then looks for a slight stepdown from 4Q 2024, premised on Fed cut cycle (2 cuts 1Q, 1 cut each in 2Q and 3Q 2025, Fed pause in 4Q 2025). But for 2Q-3Q 2025, our USDAXJ forecast is skewed higher, taking into consideration potential implementation of Trump tariffs (on China/ global) in 2H 2025 and Fed pause in 4Q 2025.

**Bloomberg FX Forecast Ranking (3Q 2024)**

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for EUR, TWD
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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Best bank for research
OCBC Bank

**AxJ Positioning Bias (Reuters Poll)**

Based on Reuters survey on Asia FX positioning, most bets on Asian FX turned bearish. KRW and CNY were amongst the AXJs to see sharp adjustments. Bearish bets were most pronounced for KRW, INR and PHP. Least bearish bets were SGD, THB and MYR.

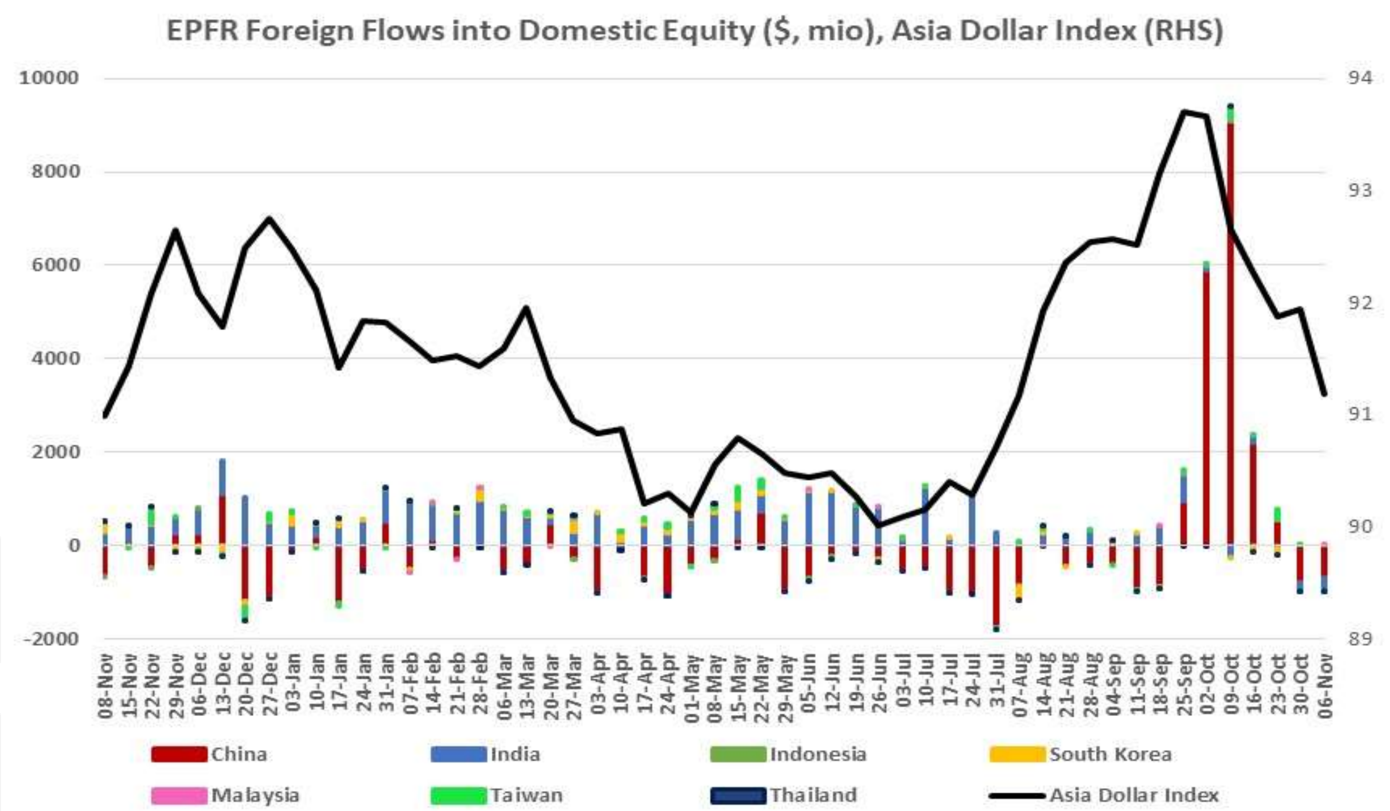
| | 27-Jun-24 | 11-Jul-24 | 25-Jul-24 | 08-Aug-24 | 25-Aug-24 | 05-Sep-24 | 19-Sep-24 | 03-Oct-24 | 17-Oct-24 | 31-Oct-24 |
|---|---|---|---|---|---|---|---|---|---|---|
| USD/CNY | 1.34 | 1.05 | 1.07 | -0.02 | -0.62 | -0.85 | -0.67 | -1.14 | -0.43 | 0.3 |
| USD/KRW | 1.28 | 0.87 | 0.79 | 0.05 | -0.93 | -1.09 | -0.9 | -0.79 | 0.26 | 1.06 |
| USD/SGD | 0.8 | 0.06 | -0.33 | -0.61 | -1.08 | -1.26 | -1.12 | -1.26 | -0.44 | -0.03 |
| USD/IDR | 1.49 | 0.73 | 0.35 | -0.02 | -1.26 | -1.05 | -1.18 | -1.08 | 0.04 | 0.59 |
| USD/TWD | 0.88 | 0.68 | 0.86 | 0.59 | -0.7 | -0.77 | -0.66 | -0.59 | 0.24 | 0.6 |
| USD/INR | 0.46 | 0.22 | 0.12 | 0.6 | 0.21 | 0.21 | 0.33 | -0.04 | 0.67 | 0.82 |
| USD/MYR | 1 | 1.03 | 0.39 | -0.78 | -1.57 | -1.46 | -1.3 | -1.18 | -0.4 | 0.11 |
| USD/PHP | 1.37 | 0.86 | 0.43 | -0.29 | -1.03 | -1 | -1.1 | -0.7 | 0.26 | 0.81 |
| USD/THB | 0.91 | 0.51 | 0.02 | -0.57 | -1.16 | -1.22 | -1.33 | -1.45 | -0.28 | 0.09 |

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: 31 Oct 2024], OCBC Research*

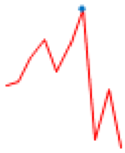
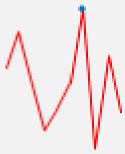
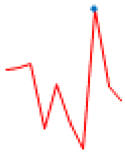
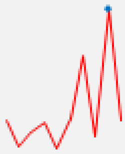
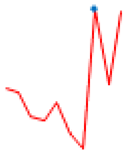
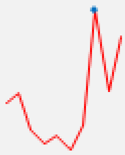
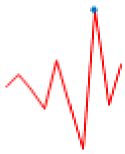
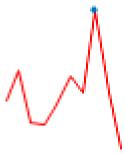
**EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index**

Asian equities saw outflow last week, led by China, India. Asian FX continued to fall amid concerns of tariffs, policy uncertainty associated with US Presidency under Trump.




Note: Latest data available as of 6 Nov (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index

*Source: EPFR, Bloomberg, OCBC Research*

| FX | Key Data and Events for the Week | 14D Trend | Support/Resistance |
|---|---|---|---|
| **Dollar** | **Mon**: - Nil –<br>**Tue:** NFIB small business optimism (Oct)<br>**Wed: CPI, real average hourly earnings,** NY Fed 1y inflation expectations (Oct); Senior Loan officer opinion survey;<br>**Thu:** PPI (Oct); initial jobless claims; Chicago PMI (Oct); Fed Chair Powell speaks;<br>**Fri**: **Retail sales**, IP (Oct); Empire manufacturing (Nov) |  | **S: 103.80; R: 105.70** |
| **EURUSD** | **Mon:** - Nil –<br>**Tue:** ZEW survey expectations (Nov); German CPI (Oct);<br>**Wed:** - Nil –<br>**Thu:** ECB minutes; GDP, employment (3Q P); IP (Sep)<br>**Fri:** - Nil – |  | **S: 1.0610; R: 1.0870** |
| **GBPUSD** | **Mon:** - Nil –<br>**Tue: Labour market report (Sep);**<br>**Wed:** - Nil –<br>**Thu:** RICS house price balance (Oct); BOE's Bailey speaks;<br>**Fri:** IP, trade, construction output (Sep); **GDP (3Q P)** |  | **S: 1.2820; R: 1.3100** |
| **USDJPY** | **Mon:** Trade, current account (Sep);<br>**Tue:** Machine tool orders (Oct P);<br>**Wed:** PPI (Oct);<br>**Thu:** - Nil –<br>**Fri: GDP (3Q P);** IP (Sep) |  | **S: 150.60; R: 156.50** |
| **AUDUSD** | **Mon:** - Nil –<br>**Tue:** **C**onsumer confidence (Nov); NAB business confidence (Oct);<br>**Wed: Wage price index (3Q);**<br>**Thu**: **Labour market report (Oct);**<br>**Fri:** - Nil – |  | **S: 0.6530; R: 0.6750** |
| **USDCNH** | **Mon:** - Nil –<br>**Tue:** - Nil –<br>**Wed:** - Nil –<br>**Thu:** - Nil –<br>**Fri: IP, FAI, retail sales**, unemployment rate, home prices (Oct) |  | **S:7.1600; R: 7.2700** |
| **USDKRW** | **Mon**: Bank lending to household (Oct);<br>**Tue:** - Nil –<br>**Wed:** Import, export price index, unemployment rate (Oct);<br>**Thu:** - Nil –<br>**Fri:** - Nil – |  | **S: 1,370; R: 1,400** |
| **USDSGD** | **Mon:** - Nil –<br>**Tue:** - Nil –<br>**Wed:** - Nil –<br>**Thu:** - Nil –<br>**Fri:** - Nil – |  | **S: 1.3100; R: 1.3400** |
| **USDMYR** | **Mon:** - Nil –<br>**Tue:** - Nil –<br>**Wed:** - Nil –<br>**Thu:** - Nil –<br>**Fri:** GDP (3Q final); Current account (3Q) |  | **S: 4 3400; R: 4.4500** |
| **USDIDR** | **Mon:** Consumer confidence (Oct);<br>**Tue:** - Nil –<br>**Wed:** - Nil –<br>**Thu:** - Nil –<br>**Fri:** Trade (Oct); External debt (Sep) |  | **S: 15,400; R: 15,800** |

*Source: Bloomberg, OCBC Research*

**Key Themes and Trades**

**DXY**

***Markets Still Adjusting Amidst Policy Uncertainty.*** USD strength in the aftermath of Trump's victory saw some adjustment. Markets appeared to be unwinding some of Trump trade post-event risk and were also re-pricing hopes of China stimulus. However, the latter may have seen some initial disappointment, leading AXJs to trade on a softer footing into NY close on Fri.

Trump's threat on tariff is clearly one of the biggest risks that markets are concerned about, but we do not know how long it takes for those policies to be in place after all President inauguration only takes place on 20th Jan. And we do not know for sure if election threats/promises become reality. Did Trump really mean to impose damaging tariff on Europe or were they meant as bargaining chips to unlock foreign policy agenda. How soon will US impose tariffs on China and will tariff be as much as 60%? How much spending can Trump administration cut and borrow? These are all big questions but more importantly, they will not get answers anytime soon.

Going back to Trump 1.0, the USD did rise after he won in Nov 2016 by over 5% to end the year, and that was due to surprise element of him winning election. This time, markets are perhaps less surprised but remains concerned about tariffs. And still sticking with Trump 1.0, over the course of the 8-9 months into 2017, DXY ended up falling over 11%. There were a number of factors underpinning what was known as the Trump slump then, including questions over Trump's ability to fulfil its pre-election promises after the government failed to pass healthcare and tax cut reforms. Delays in pro-growth Trump policies led to disappointment in US growth trajectory. Trump has also, on numerous occasions, commented on preference for a weaker dollar. During the same period, global economy enjoyed what was then described as a synchronous global economic recovery which lifted Asian exports – totally unthinkable back then. In 2017, Asian FX enjoyed one of its strongest rally (and that was during Trump era). KRW, MYR were all up between 11 and 12% before those tariffs start to hit in 2018.

We may need to wait a little longer to get more clarity on policies and for economics to play out. Crucially, will US growth outperform? Will regional growth momentum hold up? Another re-run of US exceptionalism may have upward repercussion on inflationary pressure. In this scenario, US rates and the USD may hold up for longer while AXJ FX may come under pressure, alongside policy uncertainty.

However, if global growth momentum also holds up well, then USD strength may not be broad based. In this scenario, AUD may be more resilient amongst majors as RBA is still not near the start of rate cut process while NZD may underperform, given soft patch in the economy and that RBNZ is in the midst of rate cut cycle. JPY may start to claw back earlier losses as election uncertainty in US and Japan come to pass. Policy normalisation at BoJ and Fed takes different form (Fed cut vs. BoJ hike cycle) and this should continue to underpin the broad direction to the downside. There may also be intervention risks should JPY start to behave erratically to the weak side.

In the interim, EUR, JPY, KRW, THB, MYR, CNH may face more swings (due to higher sensitivity to market developments re US elections and China). But we also expect policymakers in the region to be more vigilant of the potential policy risks associated with Trump presidency. Hence, excessive, one-sided moves in FX may be countered to smooth volatility. Trump presidency not only brings back worries of tariffs and inflation but fiscal concerns. Trump's proposed tax cut would add $7.5tn more to US debt (according to estimates from nonpartisan nonprofit committee for responsible federal budget). The potential ballooning in US debt could stir up the narrative of de-dollarisation, adding to demand for gold at some point after corrective adjustment is done. Elsewhere, we may see further downward pressure on EUR weighed by fresh concerns of political uncertainty in Germany (Chancellor Scholz dismissed Finance Minister and called for confidence vote on 15 Jan) and ongoing concerns of Trump win on European security and exports to US (due to potential tariffs). On net, tariff threats and policy uncertainty associated with Trump presidency may keep USD supported on dips but in the event of a delay to implementing tariffs or even in the scenario it doesn't materialise, then further unwinding of Trump trade may also be likely.

DXY was last at 105 levels. Daily momentum is flat while RSI rose. Resistance at 105.20 and 105.60 levels (76.4% fibo). Support at 104.60 (61.8% fibo), 103.70/80 levels (21, 200 DMAs, 50% fibo retracement of 2023 high to 2024 low), 103 levels (100 DMA, 38.2% fibo).

US election outcome will have implications on FX as shifts in fiscal, foreign and trade policies take place under Trump as President. Tariffs, immigration, deregulation, tax cuts, pursuing "peace" are likely some of the policy priorities. Tariffs may pose risks of inflation and derail the disinflation journey. This could imply lesser Fed cut as a result. Our baseline assumption is that tariff could come in 2H 2025. In view of potential inflation impact starting to emerge in the later part of 2025, our house view removes one 25bp rate cut that we previously expected for Q4-2025. We now expect 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. Taking into consideration potential implementation of Trump tariffs (on China/ global) and Fed pause in 4Q 2025, our USD profile is skewed higher in 2H 2025 (vs. previous downward sloping).

**EURUSD**

***May Bear the Brunt of Trump Policies.*** EUR underperformed most DM and Asian FX post-US elections. Trump's win will result in shifts in US foreign, trade policies. Much touted up-to-20% tariff can hurt Europe where growth is already slowing, and that US is EU's top export destination. EU-UST yield differentials have already widened and may widen further amid shifts in market expectations on ECB, Fed cut cycles. In Germany, there is risk that the current government may be falling. Chancellor Scholz dismissed Finance Minister and called for confidence vote on 15 Jan 2025. 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 and that would mean increasing defence spending – possibly adding to fiscal burden for some EU nations.

EUR was last seen at 1.0720. Daily momentum turned bearish while RSI fell. Support at 1.0670/80 levels (recent low) before 1.06 (2024 low). Breach below this support will open way for further downside towards 1.05 levels. Resistance at 1.0780, 1.0830/40 levels (21 DMA, 61.8% fibo retracement of 2024 low to high), 1.0870 (200 DMA).

We are turning slightly bearish on EUR's outlook. Fresh concerns of political uncertainty in Germany, policy uncertainties associated with Trump presidency and softer growth momentum in Euro-area are some of the factors that warrant our forecast revisions to be lowered and trajectory to be downward sloping. Current 2y EU-UST yield differentials suggest EURUSD fair value should be somewhere closer to 1.0660. Further widening amidst policy shifts may also imply a lower EUR.

**GBPUSD**

***Consolidate.*** GBP traded a touch softer last week, despite larger magnitude of decline seen in other FX including EUR, CHF. Hawkish BoE was likely one factor that kept GBP supported. Governor Bailey stressed on the need to make sure inflation stays close to target. Also, Labour government's budget may add to inflation, alongside Trump's tariff plans. These reinforced our view that the BoE may have to stick with its gradual approach on lowering rates.

Post BoE MPC last week, our rates strategist shared: BoE cut Bank Rate by 25bps to 4.75% in line with expectations. The vote was 8-1, with one member (Mann) preferring to keep the Bank Rate unchanged. MPC statement cited "continued progress in disinflation, particularly as previous external shocks have abated" as the reason. Looking ahead, BoE forecast CPI inflation to increase to around 2.5% by year-end, versus 1.7% in September due to the base effect on energy prices. The central bank estimated the impact of the Autumn Budget on inflation at 0.5 percentage point at the peak. A "gradual approach" to removing policy restraint remains appropriate. BoE's stance is consistent with our view for a hold at the December meeting, and for one 25bp cut in each quarter in 2025.

GBP was last at 1.2920 levels. Daily momentum is flat while RSI shows little signal. Consolidation likely. Support here at 1.2870 (50% fibo) and 1.2820 (200 DMA). Resistance at 1.2990/1.30 (38.2% fibo retracement of Apr low to Sep high, 21, 100 DMAs), 1.3100 levels (50 DMA). Week's data docket brings labour market data (Tue) and activity/GDP data (Fri).

We still maintain a slightly constructive outlook on GBP with a combination of less dovish BoE (than Fed) and better data out of UK – expansionary PMIs is manufacturing, services sectors, retail sales and labour market. Even as headline CPI eased, services inflation remains sticky at 4.9%. Employment growth improved and wage growth continues to outpace headline CPI. GBP remains a higher carry amongst DM FX amidst BoE's very gradual approach to easing vs. Fed's rate cut cycle. BoE has cut rate twice so far (50bps cumulatively), but the cycle may be less aggressive than Fed (so far 75bps and likely to cut once more later in Dec). The last MPC meeting (Nov) saw BoE putting an emphasis on making sure inflation stays close to target. This may imply a gradual approach to removing restraint. Earlier, 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. The risks to our outlook: a more aggressive BoE cut cycle than the Fed; faster growth slowdown in UK, energy price surge, Fed slowing down on policy normalisation and/or return of US exceptionalism. A play-up of any of these risks may warrant further revision to our FX forecasts.

**USDJPY**

***Bias for Downside Play.*** USDJPY traded lower for the week as Trump trade partially unwound post-event risk. Near term, election noises in US and Japan, policy uncertainty associated with Trump presidency is likely to cloud the outlook for JPY. But more likely than not, election uncertainty in US and Japan should come to pass, over the medium term. BoJ is 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, 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. We still look for USDJPY to fall into 1H 2025 as Fed and BoJ continue to pursue policy normalisation (which takes on the path of divergence - Fed cut vs. BoJ hike cycle). This should continue to underpin the broad direction of travel to the downside. One risk to watch is potential Trump tariff on the world as that may impact global trade, growth and pose risks to US disinflation journey and Fed policy. Any slowdown or pause in policy divergence between Fed and BoJ can affect USDJPY's direction of travel. The timing and magnitude of tariff implementation is also key. Longer wait may imply a risk at a future date while an earlier imposition may complicate near term outlook.

USDJPY was last seen at 153.30 levels. Daily momentum is mild bearish while RSI rose. Consolidation likely. Support at 151.70 levels (21, 200 DMAs), 150.70 (50% fibo). Resistance at 153.30 (61.8% fibo retracement of Jul high to Sep low), 154.80 (recent high) and 156.50 (76.4% fibo).

We revised upward our near-term forecast for USDJPY owing to recent development but maintain a downward sloping trajectory over a medium term. Our view for USDJPY to trend gradually lower is premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation amid higher services inflation and wage pressures in Japan. 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. This should continue to underpin the broader direction of travel for USDJPY to the downside. But any slowdown in pace of policy normalisation - be it the Fed or BoJ - would mean that USDJPY may still be supported on dips.

**AUDUSD**

***Driven by China, Trump Policies.*** AUD traded choppy last week but closed largely flat for the week. Initial disappointment with Chinese stimulus post-NPC weighed on AUD into NY close last Fri. Near term, the policy uncertainties associated with Trump presidency may imply swings in AUD, especially if there were any quick decision/ chatters of tariff implementation. But in the scenario that Trump tariff does not come early, and that broader equity risk sentiment remains supported, then the AUD may also find support, unless Chinese stimuli disappoint. This is another factor that will influence AUD volatility more.

AUD was last seen at 0.6580 levels. Daily momentum is mild bullish though RSI looks to head lower. 2-way trades likely in the interim. Support at 0.6570, 0.6510 levels (recent low). Resistance at 0.6630/50 levels (21, 200 DMAs), 0.6690/0.6720 levels (50, 100 DMAs).

Re RBA MPC (6 Nov), RBA kept cash rate steady at 4.35% at the Nov RBA meeting. The tone in the accompanying statement was similar to the September one, showing no indication of a pivot yet. Key highlights include (1) the RBA indicated that “underlying inflation remains too high" and does not expect inflation to sustainably return to the midpoint of its target until 2026. Notably, there has been a subtle change in language, as the RBA now refers to the "midpoint" instead of simply the "target," along with a downward revision of inflation forecasts. (2) There was mention that “A range of indicators suggest that labour market conditions remain tight”. Additionally, the paragraph discussing the labour market was slightly longer than in the previous statement. (3) The statement also mentioned “Sustainably returning inflation to target within a reasonable timeframe remains the Board's highest priority”. This suggests that the RBA will not react hastily to the recent easing in inflation. (4) The statement keeps the phrase “the need to remain vigilant to upside risks to inflation and the Board is not ruling anything in or out”. RBA’s recent rhetoric suggests that policymakers are not in a hurry to ease policies, given still tight labour market and still sticky services inflationary pressures. Recent progress with disinflation into RBA’s 2 – 3% target range also did not see any dovish shift in RBA’s tone or language. In response to a question at the Senate committee (7 Nov) on what a Trump presidency will mean for Australian economy, Governor Bullock said that it was hard to judge the inflation implications of US elections, but policymakers would be watching closely and respond as necessary. Bullock stressed that RBA had not yet changed its outlook for inflation, which is only expected to return to its target band sustainably in 2026.

We hold to our broadly constructive outlook on AUD in the medium term on the back of: 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; 2/ USD to trade on the back foot as Fed cut cycle gets underway. The case for China stabilisation story is getting some traction after China unleashed multi-pronged support measures in end-Sep but the lack of a concrete “number” has also disappointed markets. Focus next on post-NPC – if there are more concrete steps to help reinstate confidence. Hopes of China stabilisation would be a positive driver supporting AUD but disappointment can undermine too. 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 traded higher post-Trump outcome. The move higher was in line with most USD/AXJs but magnitude differs. SGD was not the weakest amongst AXJs, likely due to MAS policy stance. Pair was last at 1.3255. Daily momentum is flat while RSI rose. Consolidation likely Support at 1.3190 (50% fibo), 1.31 (38.2% fibo). Resistance at 1.3290 (61.8% fibo retracement of Jun high to Oct low), 1.3345 levels (200 DMA). Expect USDSGD to take cues from broad USD moves and sentiments re. China stimuli. Lack of follow-through on support measures post-NPC may undermine SGD.

In recently published MAS macroeconomic review, the report indicated that inflation continued to decline steadily in 3Q amid *deceleration in prices of goods and services. Lower imported fuel and food costs, due in part to the appreciating S$NEER, as well as slowing unit labour cost increases contributed to the fall in inflation.* The report continued to indicate that core and headline to average 1.5 – 2.5% for 2025, down from 2024 forecast of 2.5 – 4%. MAS maintaining status quo on policy stance means that S$NEER strength may still linger (on TWI terms) and only fade at some point, when core inflation in Singapore start to ease more. When that happens, markets can be guided to price in weaker S$NEER.

We revised our 4Q 2024 USDSGD forecast higher (from previous forecast) to reflect recent market development post US elections. Our USDSGD forecast trajectory for 1H 2025 then look for a slight stepdown from 4Q 2024, premised on Fed cut cycle (1 cut each in Jan, Mar, 2Q and 3Q 2025), and partially offset with slight MAS easing. But for 2H 2025, our USDSGD forecast is skewed higher, 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.

## Trade Ideas

| Entry Date | Trade | Entry | Close | Profit/ Loss (%) | Remarks | Exit Date |
|---|---|---|---|---|---|---|
| 13-Feb-24 | Long AUDUSD | 0.6480 | 0.6625 | 2.24 | Expect AUD to recover following the recent washout as: 1) Fed gets closer to embark on rate cuts in 2Q 2024; 2) potential case for China stabilisation on hopes of stimulus support measures; 3) uptick in commodity prices; 4) while RBA could remain on hold for longer. SL 0.6340. TP 0.6870 [Trade TP] | 06-May-24 |
| 28-Feb-24 | Short EURJPY | 163.05 | 161.35 | 1.04 | Based on the view of technical retracement for EUR and that BoJ may move earlier in Mar (JPY positive). Technically, the pair looks stretched with RSI easing from overbought conditions while bullish momentum on daily chart is fading. Room for downside to play out. Tactical opportunity to go short EURJPY targeting a move lower towards 161.35. SL at 163.65. [Trade TP] | 07-Mar-24 |
| 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] | |

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: Consolidation**

SGDMYR traded higher last week amid MYR relative underperformance. Cross was last at 3.3170 levels.

Daily momentum remains mild bullish while RSI eased. Consolidation likely.

Resistance at 3.3450 (38.2%), 3.3550 (100 DMA), 3.3890 (50% fibo).

Support at 3.2980 (21 DMA), 3.29 (23.6% fibo retracement of 2024 high to low, 50 DMA) and 3.27 levels.

**SGDJPY Daily Chart: Upmove May Slow or Reverse**

SGDJPY consolidated for the week. Cross was last at 115.16 levels.

Daily momentum turned mild bearish while RSI fell. Near term risks skewed to the downside.

Support at 114.70 levels (38.2% fibo retracement of Dec low to 2024 high), 113.70 (100, 200 DMAs), 112.90/113 (50% fibo, 50 DMA).

Resistance at 116.20 (recent high), 116.72 (76.4% fibo).

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

**Gold Daily Chart: Risk of Deeper Pullback if 50DMA Gives Way**


Gold fell, in line with our caution for corrective move lower. Bearish divergence on MACD, RSI played out. Last seen at 2684 levels.

Daily momentum turned bearish while RSI fell. Sharp decline has breached below 21DMA for the first time in over 4 months, with the next level of defense at 2643 (50 DMA). Another decisive break below that may point to deeper corrective pullback. Next support at 2594 (38.2% fibo retracement of May low to Oct high). But if 50dma proves to hold up, then gold may enter into a state of consolidation between 2640 – 2720.

Resistance at 2716 (21 DMA), 2750 levels.

**Silver Daily Chart: Risk of Further Pullback**


Silver continued to drift lower last week, dragged lower by gold. Last seen 31.30 levels.

Daily momentum turned bearish while RSI fell. Risk of further pullback.

Next support at 30.80, 30.28 (100 DMA). Break below these levels put next support at 29.95 (38.2% fibo retracement of 2024 low to high). Bigger support comes in at 28.40/50 levels (200 DMA, 50% fibo).

Resistance at 31.90 (23.6% fibo), 32.75 (21 DMA).

*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 | 153.00 | 148.00 | 146.00 | 145.00 | 144.00 |
| EUR-USD | 1.0650 | 1.0600 | 1.0550 | 1.0500 | 1.0500 |
| GBP-USD | 1.2900 | 1.3000 | 1.3000 | 1.2950 | 1.2950 |
| AUD-USD | 0.6700 | 0.6800 | 0.6850 | 0.6900 | 0.6900 |
| NZD-USD | 0.6050 | 0.6150 | 0.6200 | 0.6250 | 0.6250 |
| USD-CAD | 1.3900 | 1.3800 | 1.3850 | 1.3900 | 1.3900 |
| USD-CHF | 0.8800 | 0.8700 | 0.8750 | 0.8800 | 0.8800 |
| USD-SEK | 10.54 | 10.26 | 10.13 | 9.97 | 9.91 |
| DXY | 105.29 | 104.77 | 104.87 | 105.09 | 104.96 |
| USD-SGD | 1.3250 | 1.3150 | 1.3200 | 1.3250 | 1.3250 |
| USD-CNY | 7.2000 | 7.1500 | 7.1800 | 7.2000 | 7.2200 |
| USD-CNH | 7.2000 | 7.1500 | 7.1800 | 7.2000 | 7.2200 |
| USD-THB | 34.00 | 33.50 | 33.60 | 34.00 | 34.20 |
| USD-IDR | 15600 | 15400 | 15500 | 15600 | 15600 |
| USD-MYR | 4.4000 | 4.3400 | 4.3500 | 4.3800 | 4.4200 |
| USD-KRW | 1385 | 1355 | 1365 | 1385 | 1400 |
| USD-TWD | 32.10 | 31.80 | 31.90 | 32.00 | 32.00 |
| USD-HKD | 7.7800 | 7.7600 | 7.7700 | 7.7800 | 7.7800 |
| USD-PHP | 58.10 | 57.50 | 57.80 | 58.00 | 58.20 |
| USD-INR | 84.30 | 84.00 | 84.20 | 84.40 | 84.50 |
| USD-VND | 25200 | 25000 | 25050 | 25150 | 25150 |
| EUR-JPY | 162.95 | 156.88 | 154.03 | 152.25 | 151.20 |
| EUR-GBP | 0.8256 | 0.8154 | 0.8115 | 0.8108 | 0.8108 |
| EUR-CHF | 0.9372 | 0.9222 | 0.9231 | 0.9240 | 0.9240 |
| EUR-SGD | 1.4111 | 1.3939 | 1.3926 | 1.3913 | 1.3913 |
| GBP-SGD | 1.7093 | 1.7095 | 1.7160 | 1.7159 | 1.7159 |
| AUD-SGD | 0.8878 | 0.8942 | 0.9042 | 0.9143 | 0.9143 |
| NZD-SGD | 0.8016 | 0.8087 | 0.8184 | 0.8281 | 0.8281 |
| CHF-SGD | 1.5057 | 1.5115 | 1.5086 | 1.5057 | 1.5057 |
| JPY-SGD | 0.8660 | 0.8885 | 0.9041 | 0.9138 | 0.9201 |
| SGD-MYR | 3.3208 | 3.3004 | 3.2955 | 3.3057 | 3.3358 |
| SGD-CNY | 5.4340 | 5.4373 | 5.4394 | 5.4340 | 5.4491 |
| SGD-IDR | 11774 | 11711 | 11742 | 11774 | 11774 |
| SGD-THB | 25.66 | 25.48 | 25.45 | 25.66 | 25.81 |
| SGD-PHP | 43.85 | 43.73 | 43.79 | 43.77 | 43.92 |
| SGD-VND | 19019 | 19011 | 18977 | 18981 | 18981 |
| SGD-CNH | 5.4340 | 5.4373 | 5.4394 | 5.4340 | 5.4491 |
| SGD-TWD | 24.23 | 24.18 | 24.17 | 24.15 | 24.15 |
| SGD-KRW | 1045.28 | 1030.42 | 1034.09 | 1045.28 | 1056.60 |
| SGD-HKD | 5.8717 | 5.9011 | 5.8864 | 5.8717 | 5.8717 |
| SGD-JPY | 115.47 | 112.55 | 110.61 | 109.43 | 108.68 |
| Gold $/oz | 2720 | 2750 | 2780 | 2800 | 2820 |
| Silver $/oz | 31.63 | 31.61 | 31.77 | 31.82 | 32.05 |

*Source: OCBC Research (Latest Forecast Updated: 11th November 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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