GLOBAL MARKETS RESEARCH

FX Weekly

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FX Pricing in Political Risks

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Trump Premium Felt in Steepeners and FX. DXY started the week on a firmer footing, tracking the rise in longer-end yields. The recent US Presidential debate (28 Jun) served as a reminder how election risks in US can be fluid and polls now indicate Trump leads Biden. There were even chatters and polls saying that Biden should not seek re-election, which has been refuted by the man himself. Nevertheless, Trump's better showing over Biden added to expectations that inflation may pick up pace, yield curves will steepen further (led by longer end) and that the USD may trade at a premium. Elsewhere, seasonality trend suggests another bullish quarter for USD, though July seasonality trend may see potential pullback. This week, we are watching JOLT jobs openings (Tue), ADP employment, ISM services (Wed); FOMC minutes (Thu) and payrolls (Fri). Softer data should help to partially negate USD's upward momentum but a hotter than expected print may continue to fuel USD momentum. In terms of Fedspeaks, Powell will participate as panellist, alongside ECB's Lagarde and BCB's Campos at Sintra, an ECB event (Tue). US markets are closed on Thu for Independence Day holidays.

French Elections Enter Round 2. EUR enjoyed a relief rally on Monday morning after outcome of the first round of French legislative election saw no major surprises. Initial projections from polling companies suggest that far right Rassemblement National (RN) party was projected to get 33% and 34.2% of the vote, left wing coalition to get between 28.5% and 29.6% of the vote and Macron's centrist alliance to get between 21.5% and 22.4% of the vote. Going into round 2, some candidates may drop out of the race to prevent a vote split so as to give their ally greater chance to stop the far right from advancing. **Eyes will be on Tuesday (6pm France time), when deadline for second-round candidates to file papers closes and we will get some clarity on the run-offs (7 Jul).** Potentially, EUR may face renewed pressures if there are signs to suggest that Marine Le Pen's far right party may get an absolute majority in the National Assembly. This scenario should not be ruled out and can be more negative for EUR than a hung parliament outcome.

AXJs at Risk. Widening yield, policy rate differentials between US and Asia remains a key driver of AXJ FX volatility and weakness. According to Reuters AXJ FX positioning polls, market short position in AXJs has been on a rising trend. Shorts are highest in IDR, PHP, CNY and KRW. Softness in AXJs can persist if high for longer narrative lingers while weakness in RMB and JPY may also result in negative spillovers onto AXJ FX. Looking out, US-China trade tensions may rise, dependent on outcome of US elections in Nov-2024. Trump has threatened to impose 60% tariff on imports from China. Past experience of an escalation in US-China trade tensions suggests this can be a negative for RMB. This may result in AXJ FX facing downward pressure if RMB stability comes under threat. Elsewhere, this may benefit gold. In the interim, Asian central banks will have to rely on different measures to smooth respective FX volatility.

Bloomberg FX Forecast Ranking (1Q 2024)

By Region:
No. 7 for 13 Major FX

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

(4Q 2023)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 1 for TWD, PHP

FX-Markets Asia Awards 2024 Winner
Best bank for research
OCBC Bank

AxJ Positioning Bias (Reuters Poll)

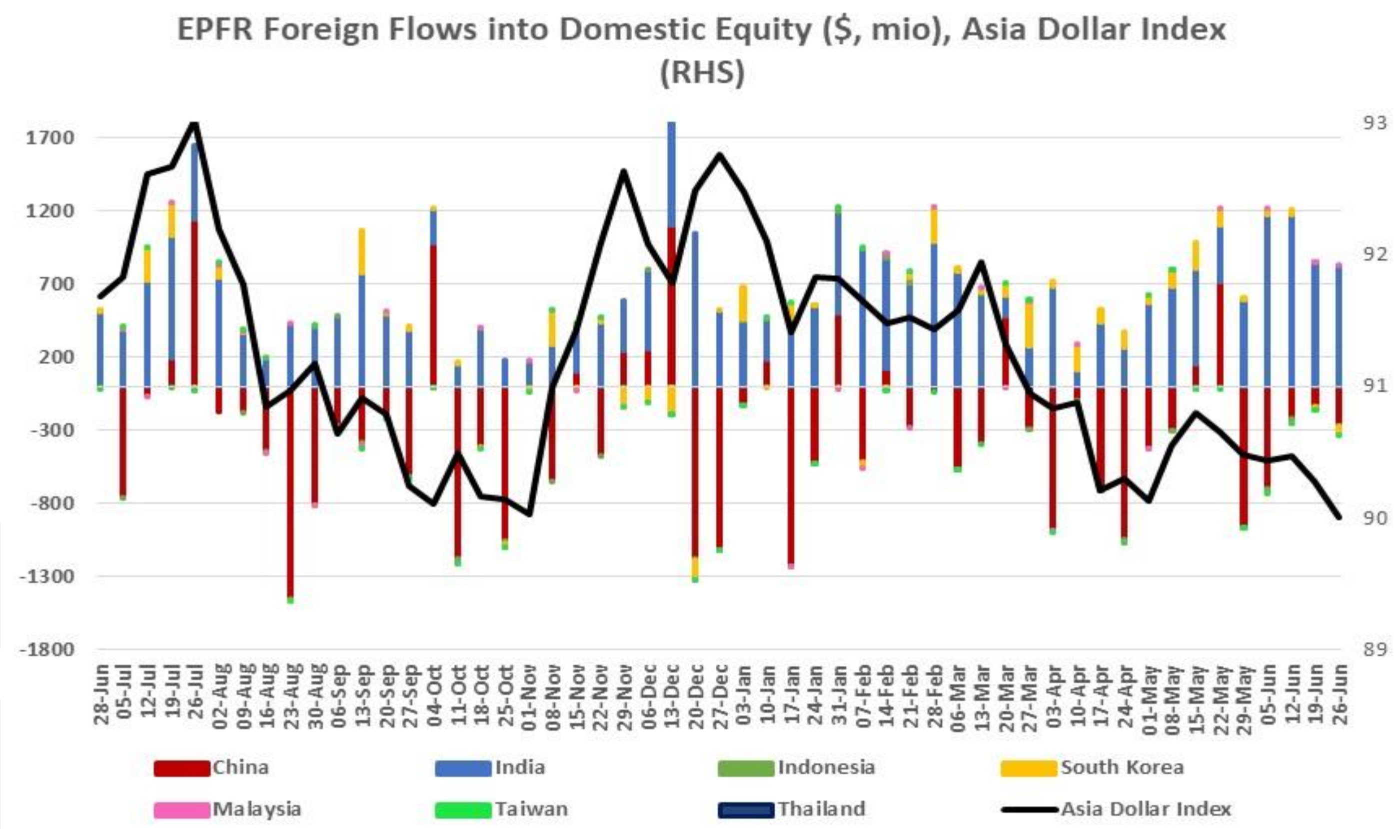
Based on Reuters survey on Asia FX positioning, bets on most AxJ FX turned more bearish. INR, IDR and SGD turned saw the most bearish bets put on (but doesn't imply these are the most bearish from a position standpoint). Amongst AxJs, bearish bets on PHP, IDR and MYR remain highest. That said, some AxJ FX turned slightly less bearish last week and that include THB and CNY. Bearish bets on INR remains the least amongst AXJs.

	22-Feb-24	07-Mar-24	21-Mar-24	04-Apr-24	18-Apr-24	02-May-24	16-May-24	30-May-24	13-Jun-24	27-Jun-24
USD/CNY	0.7	0.84	0.92	1.18	1.25	1.25	1.05	1.05	0.95	1.34
USD/KRW	0.4	0.54	0.82	1.09	1.59	1.61	0.96	0.72	0.87	1.28
USD/SGD	0.2	0.25	0.33	0.42	0.8	0.89	0.35	0.33	0.62	0.8
USD/IDR	0.2	0.53	0.6	1.13	1.32	1.39	0.96	0.94	1.22	1.49
USD/TWD	0.7	0.64	0.92	1.17	1.24	1.4	1.02	0.53	0.64	0.88
USD/INR	-0.4	-0.59	-0.54	0	0.43	0.49	0.39	0	0.37	0.46
USD/MYR	1.3	1.14	1.12	1.15	1.42	1.46	1.23	0.81	1	1
USD/PHP	0.3	0.52	0.47	0.62	1.19	1.44	1.29	1.19	1.23	1.37
USD/THB	1.1	1.05	1.13	1.35	1.28	1.39	1	1	0.92	0.91

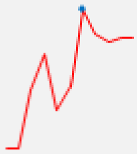
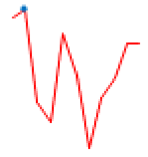
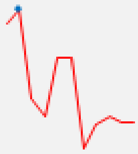
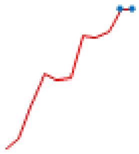
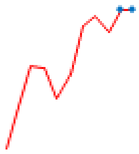
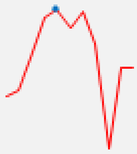
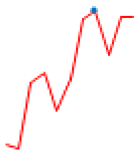
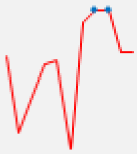
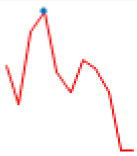
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.
Source: Reuters [latest avail: 27 Jun 2024], OCBC Research

EPFR Foreign Flows to Selected AXJS vs. Asiadollar Index

Chinese equities saw foreign outflows for a fourth consecutive week, but the pace has slowed further. Elsewhere, foreign inflows to India continued to hold up but the pace has slowed. Foreign inflows returned to Malaysia equities last week. Asian FX fell last week.



Note: Latest data available as of 26th June (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**: ISM mfg (Jun); **Tue:** JOLTS job openings (May); Fed Chair Powell speaks at Sintra; **Wed:** ADP employment (Jun); ISM services (Jun); Trade, durable goods order (May); **Thu:** FOMC minutes; **Fri**: NFP, average hourly earnings, unemployment (Jun)		**S: 104.50; R: 106.60**
EURUSD	**Mon:** Mfg PMI (Jun) **Tue: CPI estimate (Jun);** Unemployment (May); ECB's Lagarde speaks at Sintra; **Wed:** Servies PMI (Jun); PPI (May); **Thu:** German factory orders (May); **Fri:** Retail sales, German IP (May) **Sun**: **French legislative elections round 2**		**S: 1.0600; R: 1.0870**
GBPUSD	**Mon:** Mfg PMI, Nationwide house prices (Jun); **Tue:** - Nil – **Wed:** Services PMI (Jun); **Thu:** Construction PMI (Jun); 1y CPI expectations **Fri:** - Nil –		**S: 1.2460; R: 1.2800**
USDJPY	**Mon:** Tankan Mfg index (2Q); Mfg PMI, consumer confidence (Jun); **Tue:** - Nil – **Wed:** Services PMI (Jun); **Thu:** - Nil – **Fri:** Household spending (May)		**S: 158.00; R: 164.00**
AUDUSD	**Mon:** PMI Mfg, ANZ-Indeed job advertisements (Jun); **Tue:** RBA Minutes; **Wed:** PMI services (Jun); Retail sales, building approvals (May); **Thu**: Trade (May); **Fri:** FX reserves (May)		**S: 0.6500; R: 0.6720**
USDCNH	**Mon**: Caixin Mfg PMI (Jun); **Tue:** - Nil – **Wed:** Caixin Services PMI (Jun); **Thu:** - Nil – **Fri:** - Nil –		**S: 7.2800; R: 7.3200**
USDKRW	**Mon**: Trade, Mfg PMI (Jun) **Tue: CPI (Jun);** **Wed:** FX reserves (Jun); **Thu:** - Nil – **Fri:** Current account (May)		**S: 1,370; R: 1,399**
USDSGD	**Mon:** URA Private home prices (2Q); **Tue:** PMI (Jun); **Wed:** - Nil – **Thu:** - Nil – **Fri:** Retail sales (May)		**S: 1.3500; R: 1.3660**
USDMYR	**Mon:** Mfg PMI (Jun); **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** FX reserves (Jun)		**S: 4 6800; R: 4.7400**
USDIDR	**Mon:** Mfg PMI, CPI (Jun); **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** FX reserves (Jun)		**S: 16,250; R: 16,600**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Trump Risk Added to USD Momentum. DXY started the week on a firmer footing, tracking the rise in longer-end yields. The recent US Presidential debate (28 Jun) served as a reminder how election risks in US can be fluid and polls now indicate Trump leads Biden. There were even chatters and polls saying that Biden should not seek re-election, which has been refuted by the man himself. Nevertheless, Trump's better showing over Biden added to the narrative that inflation may pick up pace, yield curves will steepen further (led by longer end) and that the USD may trade at a premium. Elsewhere, seasonality trend suggests another bullish quarter for USD, though July seasonality trend may see potential pullback.

That said, recent data continued to point softer. ISM manufacturing slipped further in Jun (to 48.5 vs. 48.7 prior) while ISM prices paid decelerated (to 52.1 vs. 57 prior) and core PCE also came in softer at 0.1% m/m for May (vs. 0.3% revised). This week, we are watching JOLT jobs openings (Tue), ADP employment, ISM services (Wed); FOMC minutes (Thu) and payrolls (Fri). Softer data should help to partially negate USD's upward momentum but a hotter than expected print may continue to fuel USD momentum. In terms of Fedspeaks, Powell will participate as panellist, alongside ECB's Lagarde and BCB's Campos at Sintra, an ECB event (Tue). DXY was last seen at 105.95. Mild bullish momentum on daily chart intact while rise in RSI moderated. Resistance at 106.20, 106.50. Support at 105.20 (21, 50 DMAs), 104.80 (61.8% fibo retracement of Oct high to 2024 low). US markets are closed on Thu for Independence Day holidays.

Putting things together, we continue to observe that US exceptionalism has somewhat softened (vs. last few months when most data was still printing red hot). In particular, growing strains were seen on US consumer while the tightness in US labor market has eased. Our house view continues to expect two cuts for 2024, with the first cut happening sometime in 3Q. For the year, we do not expect a significant decline in USD but still expect USD to trend just slightly lower as the Fed is done tightening and should embark on rate cut cycle in due course. The scenario for a play-up of US-China trade tensions is becoming a real risk and should inject some uncertainty to markets, thereby implying that the downward path of USD may be bumpy and may even face intermittent USD upward pressure if US-China trade tensions escalate.

French Election Risks Not Over. EUR traded higher after outcome of the first round of French legislative election saw no major surprises. Initial projections from polling companies suggest that far right Rassemblement National (RN) party was projected to get 33% and 34.2% of the vote, left wing coalition to get between 28.5% and 29.6% of the vote and Macron's centrist alliance to get between 21.5% and 22.4% of the vote. In more than half of the 577 constituencies, 3 people qualified for the second-round runoffs. Going into round 2, some candidates may drop out of the race to prevent a vote split so as to give their ally greater chance to stop the far right from advancing. Bloomberg reported *that Jean-Luc Melenchon of the New Popular Front, an alliance of left-wing parties, said that he would encourage third-placed candidates from his group to withdraw, while Macron himself released a statement calling for "a broad, clearly democratic and republican alliance for the second round."* Some voters may also choose to adopt tactical voting (i.e. vote not to support but vote to keep the other party out or "le voteutile").

Eyes will be on Tuesday (6pm France time), when deadline for second-round candidates to file papers closes and we will get some clarity on the run-offs (7 Jul). Potentially, EUR may face renewed pressures. Markets are on the look-out on whether Marine Le Pen's far right party gets an absolute majority in the National Assembly, to allow it to pass legislation more easily. Potentially this scenario can be more negative for EUR than a hung parliament outcome. EUR was last seen at 1.0730 levels. Bearish momentum on daily chat shows signs of fading while RSI rose. Risks may seem skewed to the upside but price action on Mon proved unconvincing. 2-way risks look more likely. Support at 1.0710, 1.0660/ 70 levels (recent low). Resistance at 1.0760 (21 DMA), 1.0780 (50 DMA), 1.0810 (38.2% fibo retracement of 2024 high to low, 100 DMA).

As of writing, 10y OAT-Bund spread narrowed from record of above 80bps to 74bps but remains wide. The concern is still on potential fiscal direction far-right parties may be taking and if the 'cohabitation' outcome comes into play (when the President and PM are from opposing parties). To give it some context, even before the announcement for French snap elections, S&P had already downgraded France's credit rating to AA- from AA on the back of concerns that higher than expected deficits would push up debt. For France, its debt to GDP is around 111% and deficit to GDP is at 5.5%, much higher than the average in the euro-area of about 4% and Germany's about 2% deficit of GDP. A populist government may potentially seek to raise public spending and markets may not view this positively against the debt, deficit backdrop. France's deficit may take longer to recover and debt to GDP may grow further, risking another credit downgrade and a softer EUR.

We see near term downside risks for EUR due to political concerns but expect this to come to past once legislative elections in France is over (unless far right scores an absolute majority). For the year, we still maintain a neutral outlook for the EUR. ECB has lowered rate in June and may still continue to do so. Our house view looks for 50bps cut for the year remaining. However, the ECB is not on a preset cycle and policy making will remain data dependent. For now, it appears that July meeting is a non-event, judging from comments from ECB officials so far. Apart from monetary policy, economic stability is also important and there are signs to suggest that the economy may be stabilising (we acknowledge that French politics can pose a risk). We should continue to monitor if there are stronger data going forward as that may support EUR outlook. In addition, should China stabilisation story gather momentum in later part of the year, that can also boost Euro-area exports, growth outlook. A better growth story in Euro-area can be supportive of EUR's mild upward trajectory. Key downside risks to EUR's outlook are a materialisation of more/faster pace of ECB rate cuts and/or growth, inflation momentum in Euro-area decelerate sharply.

2-Way Trades. UK holds General election (4 Jul). So far, GBP has been fairly muted to election risks. We still caution that volatility may pick up as we get closer to election day, and this may pose 2-way risks to GBP. Labour party is largely expected to win but a surprise may undermine GBP.

GBP was last at 1.2653. Mild bearish momentum shows signs of fading while RSI rose. Rebound not ruled out but likely to see 2-way trades in absence of catalyst. Resistance at 1.2720 (61.8% fibo, 21 DMA), 1.2820. Support here at 1.2640/50 levels (50, 100 DMAs), 1.2590 (50% fibo retracement of Jul high to Oct low) and 1.2567 (200 DMA).

We still hold to a mild upward trajectory for GBP. Though BoE may soon cut rates in Aug, we do not expect an aggressive rate cut cycle and still expect BoE to keep monetary policy restrictive overall as inflationary pressures remain (services inflation at ~5.7%). A combination of mild positives, including 1/ UK demand growth proving resilient, alongside improvement in consumer sentiment, retail sales; 2/ labour market remains fairly tight should still keep GBP supported on dips. Risks to our outlook: an aggressive rate cut cycle; faster growth slowdown in UK, actual public finances turn out to be worse than expected and/or energy prices surge.

(Up)trend Remains Your Friend. USDJPY started the week marching higher to multi-decade highs of above 161 levels. The move higher tracked UST yields. There are expectations that Japanese authorities could soon intervene. While the level of JPY is one factor to consider, officials also focus on the pace of depreciation as the intent of intervention is to curb excessive volatility. Spread between implied and realised vol is widening again (1m at +3.88 vs. 2 at start of Jul). And we observed from past history that actual market intervention risks do rise if spread continues to widen. For now, authorities are only resorting to verbal intervention. Finance Minister Suzuki said that authorities are watching FX moves closely but refrain from commenting on every move.

That said, if USDJPY sees a rapid move towards 164-165 (from current spot), then actual intervention can potentially materialise. In the interim, USDJPY will look to UST yields, USD for directional cues. For USDJPY to turn lower, that would require the USD to turn/Fed to cut or for BoJ to signal an intent to normalise urgently (rate hike or increase pace of balance sheet reduction). None of the above appears to be taking place. As such, the path of least resistance for USDJPY may still be to the upside, for now.

Pair was last at 161.50. Bullish momentum on daily chart intact while RSI in in overbought conditions. Next resistance at 164, 164.90 levels. Support at 160.20, 158.10 (21 DMA), 156.90 (50 DMA).

Near term, USDJPY faces upside risks. Fed doesn't seem to be in a hurry to cut even while the BoJ is still perceived to be in no hurry to normalise. At its recent MPC (14 Jun), BoJ kept policy rate on hold and said it will reduce bond purchases without offering specifics. It will maintain their guidelines for JPY6tn a month and will defer to next meeting on bond buying plans. We had argued that the BoJ should waste no time in normalising policies as shunto wage outcome have met expectations and inflation has been on target. Nevertheless, given this Fed-BoJ policy bias divergence, the path of least resistance for USDJPY may still be to the upside for now. That said, we are still looking for BoJ to announce a 10-15bps hike at the upcoming MPC (31 Jul). Over a medium term, we expect USDJPY to trend gradually lower on expectations that the next move for Fed is a cut and that the BoJ has room to further pursue policy normalisation amid higher services inflation and wage pressures in Japan.

Elsewhere, Finance Ministry has appointed Atsushi Mimura as its new vice finance minister for international affairs, as Kanda retires (31 Jul). Mimura will also be the new Japan FX chief. Other new appointments include: Hirotsugu Shinkawa replacing Eiji Chatani as vice finance minister while Hideki Ito will replace Teruhisa Kurita as head of the Financial Services Agency. We monitor if intervention rhetoric, SOPs may change going forward.

Finding Direction. AUD held ground. Higher than expected CPI print spurred renewed bets for RBA hike. Cash rate futures now point to 78% probability of a hike by Sep MPC. While a hike is not ruled out, we think the RBA may well keep rates elevated for longer as inflation remains sticky and labour market is still-tight. Pair was last seen at 0.6650 levels. Daily momentum is flat while RSI fell. 2-way trades likely. Support at 0.6620 (50 DMA), 0.6550 (200 DMA). Resistance at 0.6700/20 levels.

We remain broadly constructive on AUD outlook on the back of: 1/ RBA likely to be on hold for longer (possibly one of the last major central banks to cut rates), given still sticky inflation, stronger consumer confidence, retail sales and tight labour market; 2/ USD to trend slightly lower towards year-end as the Fed is done tightening and should embark on rate cut cycle soon; 3/ higher commodity prices; 4/ potential case for China stabilisation story as China is sharpening its more targeted approach on real estate sector. Outside of Australia, China's recently announced measures to support its real estate markets have also boosted sentiments. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if Fed keeps restrictive environment for longer than expected; 3/ global growth outlook; 4/ any market risk-off event (i.e., potential escalation in US-China trade tension, escalation in Israel-Hamas conflict, Red Sea developments).

Risks Skewed to Upside. USDSGD continued to trade higher. Renewed pressure in JPY, RMB and the bump up in DXY were some of the catalysts undermining SGD. Weakness may linger should those drivers remain intact. Pair was last at 1.3580 levels. Mild bullish momentum on daily chart intact while RSI rose. Risks skewed to the upside. Resistance at 1.3590, 1.3620 (76.4% fibo) and 1.3670 (2024 high). Support at 1.3520/30levels (50 DMA, 61.8% fibo retracement of Oct high to Jan low), 1.35 (100 DMA) and 1.3460 (50% fibo).

This month's MAS MPC decision will be announced no later than 31 Jul. MAS core CPI remains sticky at 3.1% and we expect current policy stance to be maintained. Recent observation shows S$NEER appears to fluctuate in 1.5% to 1.9% above model-implied mid (vs. previously when the $NEER appears to fluctuate in 1.3% to 1.7%). On this note, S$NEER strength may linger and only fade at some point this year when core inflation in Singapore start to ease in 4Q. Historically there is a positive correlation between the change in S$NEER and MAS core inflation. i.e. to say if core inflation does ease materially, then there is no need for the S$NEER policy to be so tight. Looking out into our forecast horizon, we continue to expect a milder downward trajectory for USDSGD, premised on our house view for Fed to cut rate in Jul 2024 and on expectations that China economy may find some stabilisation.

We estimated the S$NEER at ~1.72% above our model-implied mid.

Marching On. USDCNH traded higher into July as policymakers were seen to relax control of its daily CNY fix, to allow for market forces to play a greater role (which in this case is depreciation). The recent USDCNY fixings followed a pattern that continued to reinforce our view that authorities are pursuing a measured pace of RMB depreciation. Change in daily fix on average was about +14.3pips (19 Jun – 2 Jul) vs. average daily change of about 5pips/day since May 2024. This attempts to put an emphasis on RMB stability but yet allow for some pressure to be released on a measured basis. We believe the Intent is not to pursue a big bang approach so as not to undermine sentiments (for fear of accelerating outflows). Higher USDCNY fix, wider CNH-CNY spread and worries of escalation in US-China trade tensions suggests there could be further weakening in RMB.

USDCNH was last at 7.3040 levels. Daily momentum is mild bullish while RSI is near overbought conditions. Risks remain skewed to the upside. Resistance at 7.31, 7.3440 (previous high in Oct 2023). Support at 7.28, 7.2770 (21 DMA).

Elsewhere, China announced third plenum will be held on 15 – 18 July to set long term policy on a wide range of economic and political issues. Economic recovery in China remains bumpy while industrial profits unexpectedly slowed. Property market has yet to recover/ stabilise despite measures. Wide UST-CGB yield differentials was also another factor that continue to weigh on RMB. Not forgetting falling rates also make RMB an attractive funding currency for carry trade elsewhere. An eventual recovery in RMB (at some point) would require confidence to be "repaired", economic recovery to gain better momentum and for USD to turn lower. Greater clarity on US-China trade tensions would also be a plus.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
08-Nov-23	Long 3m put spread USDTWD 31.5 vs 31. Pay 0.35%			Rec +1% on unwind. Net gain +0.65%	Position for potential change in political climate towards one that may bode well for cross-straits relations, exports recovery momentum and lower yields, softer USD. [Trade TP]	12 Jan 2024 (before elections)
29-Jan-24	Short EURSGD	1.4535	1.447	0.45	Risk of an earlier ECB cut, alongside still contractionary PMI readings in Europe suggest that EUR may be biased to the downside for now. MAS policy is likely to be on an extended pause into Apr MPC, given sticky core CPI outlook. ECB-MAS policy divergence to favor downside play tactically. Entered short at 1.4535. TP at 1.4130. SL at 1.4720. [Trade TP]	16-Apr-24
29-Jan-24	Short USDJPY	148.1	152	-2.63	BOJ paving way for a move, sooner rather than later. Potentially, an earlier move in Mar/ Apr should not be ruled out. Retain bias to sell USDJPY on rallies on potential Fed-BoJ policy divergence. Entered short at 148.10. TP 141. SL at 152. [SL]	10-Apr-24
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			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. [LIVE]	
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

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: Death Cross

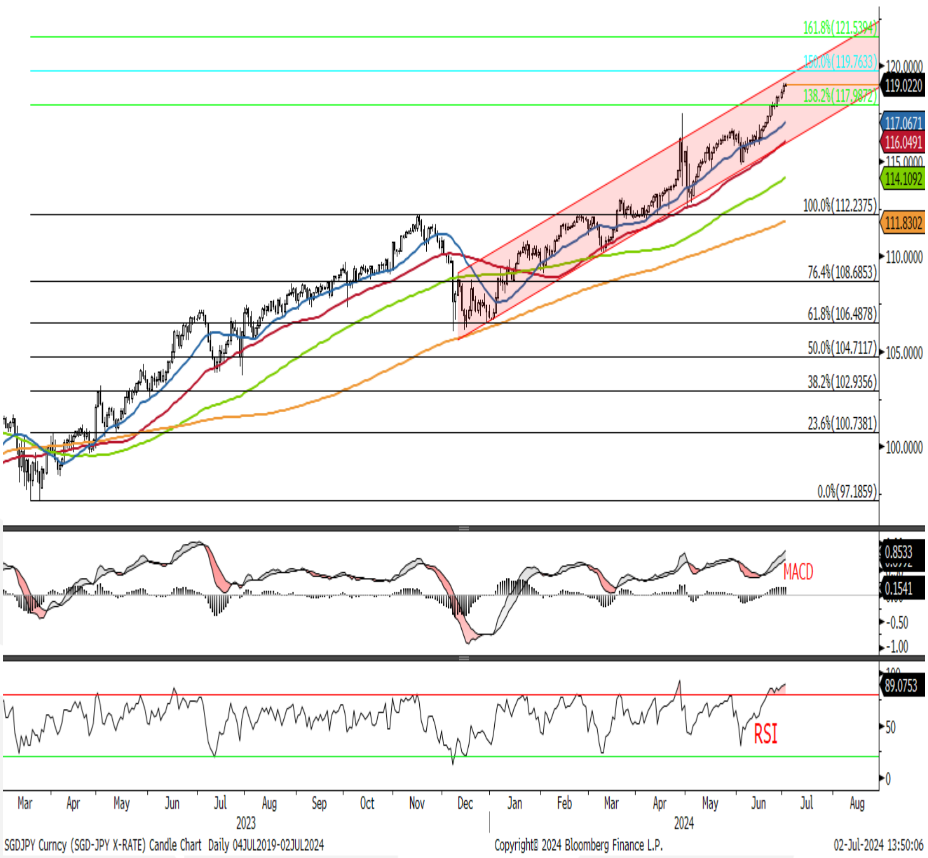
SGDMYR continued to trade with a heavy bias. Last at 3.4740 levels.

Mild bullish momentum on daily chart faded while RSI fell. Death cross formed. Bias to sell rallies.

Support at 3.47 and 3.4530 (61.8% fibo).

Resistance at 3.4830 (21 DMA), 3.49 (50 DMA) and 3.5000 (38.2% fibo retracement of Jul low to Feb high).

SGDJPY Daily Chart: Bullish Trend Channel Intact



SGDJPY continued to trade higher amid JPY underperformance. Cross was last at 119 levels.

Daily momentum is bullish while RSI rose into overbought conditions. Bullish trend channel intact.

Resistance at 119.80 (150% fibo), 120 and 121.50 levels (161.8% fibo).

Support at 118 (138.2% fibo projection from 2023 low to high), 117.05 (21 DMA), 116 (50 DMA).

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

SGDCNH Daily Chart: Sideways

SGDCNH continued to trade range-bound. Cross was last at 5.3805 levels.

Daily momentum is not showing a clear bias for now while RSI fell. Sideways trade likely to dominate for now.

Support at 5.3680 (23.6% fibo retracement of 2023 low to high), 5.3550 (50 DMA).

Resistance at 5.39, 5.40 levels.

EURSGD Daily Chart: Near Term rebound Risks; Bias to Fade

EURSGD rebounded amid SGD underperformance. Cross was last at 1.4580 levels.

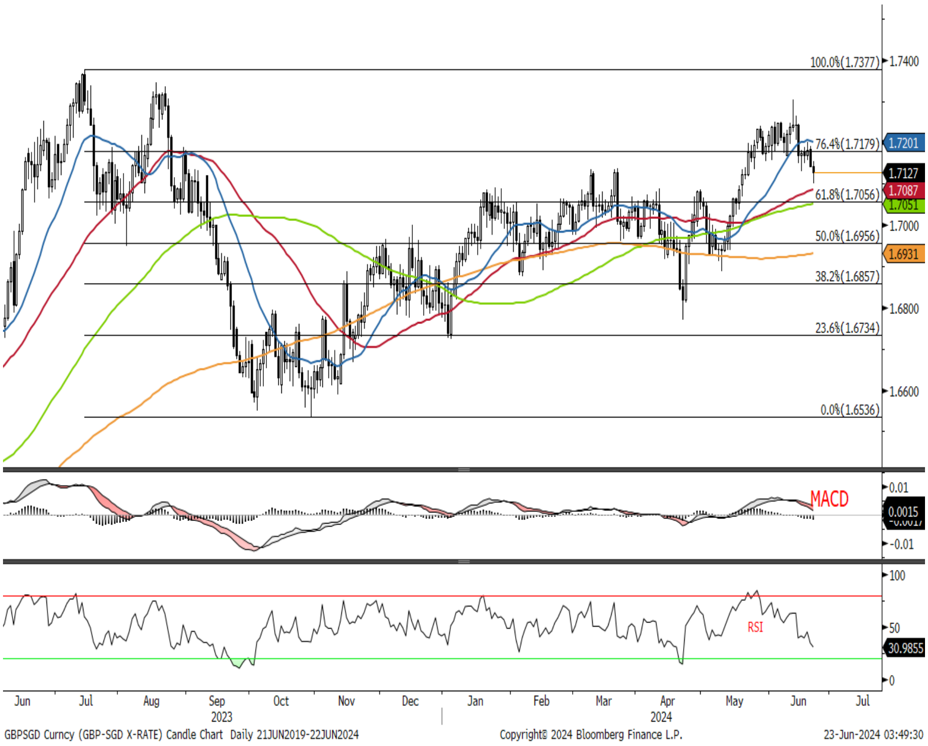
Daily momentum turned mild bullish while RSI rose. Rebound risks not ruled out but bias to sell rallies.

Support at 1.4540/80 levels (21, 50, 100 and 200 DMAs), 1.4510 (50% fibo retracement 2023 low to high), 1.4420 (61.8% fibo), 1.4365 and 1.4310 (76.4% fibo).

Resistance at 1.4600 (38.2% fibo), 1.4680 levels

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

GBPSGD Daily Chart: Corrective Pullback



GBPSGD turned lower last week. Cross was last 1.7130 levels.

Daily momentum and RSI indicators are turning bearish. Risks skewed to the downside.

Support at 1.7060/90 (61.8% fibo retracement of Jul high to Oct low, 50 DMA), 1.6960 (50% fibo).

Resistance at 1.71801.72 (76.4% fibo, 21 DMA), 1.7250 levels.

AUDSGD Daily Chart: Pullback Risks; Buy Dips Preferred

AUDSGD was a touch firmer last week. Last at 0.8990 levels.

Daily momentum is not showing a clear bias while RSI fell. Slight pullback risks to the downside not ruled out. Bias to buy dips.

Support at 0.8970 levels (21DMA), 0.8920 (50DMA, 50% fibo retracement of June high to Oct low), 0.8845/60 levels (38.2% fibo, 100, DMA).

Resistance at 0.9000/20 levels (61.8% fibo), 0.9090 (76.4% fibo).

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

Gold Daily Chart: Another Pullback Not Ruled Out

Gold traded higher in early week, but gains were reversed into late week. Last seen at 2322 levels.

Technical signals have been mixed and not-so-compelling lately.

Bearish crossover was earlier observed (21 cut 50 DMA to the downside). On the other hand, bearish momentum on daily chart shows signs of fading but RSI fell. The risk of another pullback is still not ruled out.

Support seen at 2286 levels (recent low), 2272 (38.2% Fibonacci retracement of the low to high range from 2024) and 2241 (100 DMA). Resistance at 2340/43 (23.6% fibo, 50 DMA), 2367 levels.

Range of 2240 – 2360 should hold.

Silver Daily Chart: Near Term Downside Risks

Silver was last seen at 29.55 levels.

Bearish momentum on daily chart is intact while RSI fell. Bearish divergence on RSI is playing out. Double top earlier formed (bearish reversal). Risks remain skewed to the downside for now.

Key support at 29.14 (50 DMA), 28.40 levels (38.2% fibo). Decisive break puts next support at 27.20 (50% fibo).

Resistance at 30.00/20 (23.6% fibo retracement of 2024 low to high, 21 DMA), 31 levels.

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

Medium Term FX Forecasts

Currency Pair	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
USD-JPY	159.00	157.00	154.00	152.00	149.00
EUR-USD	1.0850	1.0950	1.1000	1.1100	1.1150
GBP-USD	1.2710	1.2800	1.2800	1.2850	1.2900
AUD-USD	0.6750	0.6800	0.6850	0.6900	0.6950
NZD-USD	0.6200	0.6250	0.6300	0.6300	0.6350
USD-CAD	1.3600	1.3500	1.3400	1.3300	1.3200
USD-CHF	0.8950	0.9000	0.9000	0.9000	0.9000
USD-SEK	10.71	10.61	10.35	10.10	10.00
DXY	104.83	103.92	103.20	102.25	101.56
USD-SGD	1.3450	1.3420	1.3400	1.3350	1.3310
USD-CNY	7.3000	7.2800	7.2400	7.2200	7.2000
USD-CNH	7.3000	7.2800	7.2600	7.2400	7.2000
USD-THB	36.40	36.20	35.80	35.70	35.40
USD-IDR	16150	16050	15950	15800	15850
USD-MYR	4.6600	4.6400	4.6200	4.6000	4.6000
USD-KRW	1370	1360	1350	1340	1330
USD-TWD	32.30	31.05	31.95	31.80	31.65
USD-HKD	7.8000	7.8000	7.7900	7.7800	7.7600
USD-PHP	58.60	58.40	58.00	57.60	57.60
USD-INR	83.20	83.00	83.00	82.80	82.50
USD-VND	25200	25100	24900	24850	24700
EUR-JPY	172.52	171.92	169.40	168.72	166.14
EUR-GBP	0.8537	0.8555	0.8594	0.8638	0.8643
EUR-CHF	0.9711	0.9855	0.9900	0.9990	1.0035
EUR-SGD	1.4593	1.4695	1.4740	1.4819	1.4841
GBP-SGD	1.7095	1.7178	1.7152	1.7155	1.7170
AUD-SGD	0.9079	0.9126	0.9179	0.9212	0.9250
NZD-SGD	0.8339	0.8388	0.8442	0.8411	0.8452
CHF-SGD	1.5028	1.4911	1.4889	1.4833	1.4789
JPY-SGD	0.8459	0.8548	0.8701	0.8783	0.8933
SGD-MYR	3.4647	3.4575	3.4478	3.4457	3.4560
SGD-CNY	5.4275	5.4247	5.4030	5.4082	5.4095
SGD-IDR	12007	11960	11903	11835	11908
SGD-THB	27.06	26.97	26.72	26.74	26.60
SGD-PHP	43.57	43.52	43.28	43.15	43.28
SGD-VND	18736	18703	18582	18614	18557
SGD-CNH	5.43	5.4247	5.42	5.42	5.41
SGD-TWD	24.01	23.14	23.84	23.82	23.78
SGD-KRW	1018.59	1013.41	1007.46	1003.75	999.25
SGD-HKD	5.7993	5.8122	5.8134	5.8277	5.8302
SGD-JPY	118.22	116.99	114.93	113.86	111.95
Gold $/oz	2415.00	2445.00	2475.00	2500.00	2525.00
Silver $/oz	30.19	32.17	33.00	33.33	33.67

Source: OCBC Research (Latest Forecast Updated: 1st July 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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