GLOBAL MARKETS RESEARCH

FX Weekly

20 January 2025

Focus on Inauguration, BoJ and MAS MPCs

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Executive Action/ Orders Closely Watched. USD started the week on a softer footing as Friday phone call between President Xi and Trump supported sentiments. That said, the 60th Presidential inauguration will be closely watched. There remains quite a fair bit of expectations that tariffs may soon be announced. But tariff uncertainty remains in terms of timing, magnitude and scope of products. **Implication on markets (or USD) can be binary**. A longer delay for tariff announcement may provide a breather for risk proxies and we do not rule out USD pullback (lower). However swift implementation of tariff would undermine sentiments and provide a boost to the USD.

Reasonable Room for MAS to Ease (decision on Fri). As Singapore's disinflation journey has made good progress, we believe MAS has optionality to ease, especially if it takes on a pre-emptive stance in the face of policy transmission lag. MAS can afford to begin with reducing the slope of the policy band while still maintaining a mild appreciation stance overall. In terms of S$NEER outlook, a slight easing in the policy slope should see little impact on S$NEER as expectation is already priced in. That said, S$NEER may continue to weaken if policy outcome looks for a larger than expected easing (i.e. neutral slope, etc) or if the statement contains more dovish leaning rhetoric (implying further back-to-back easing). Hence it is worth paying attention to core CPI in the coming months, including the Dec CPI report (released on 23 Jan) to get a sense on whether the MAS easing is one-off or may ease further. Implication on USDSGD is not only dependent on policy but also highly dependent on USD trend. Given an environment of USD strength, a reduction in policy slope is expected to pose broader upside risks to USDSGD. In the event MAS decides to maintain policy status quo, then it is likely we may see a knee-jerk correction with S$NEER strengthening and a pullback in USDSGD to the downside.

Expectations for BoJ hike continues to build (decision on Fri). Markets are pricing in ~20bp hike at the upcoming MPC (vs. 11bp hike expectations at the start of the new year). The shift was due to comments from BoJ officials and a report in Japanese media that said BoJ officials see good chance of an interest rate hike next week as long as Trump administration does not trigger too many negative surprises. Last week, Governor Ueda and deputy Himino spoke about making decision whether to raise rate at the upcoming BoJ meeting. Governor Ueda also shared there are positive views on wage hikes gathering momentum. We continue to look for a hike as data supports policy normalisation. Wage growth pressure remains intact, alongside broadening services inflation. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials and this should underpin the broader direction of travel for USDJPY to the downside. That said, the risk is that 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 even face intermittent upward. A hawkish hike should see USDJPY continue its path lower while a dovish hike may suggest that USDJPY's move lower may be more constrained.

Bloomberg FX Forecast Ranking (3Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for TWD
No.4 for EUR
No. 8 for CHF

(2Q 2024)

By Currency:
No. 3 for TWD, THB
No. 8 for EUR, CHF

(1Q 2024)

By Region:
No. 7 for 13 Major FX

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

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Best bank for research
OCBC Bank

AxJ Positioning Bias (Reuters Poll)

Based on Reuters survey on Asia FX positioning, all AxJ FX remain bearish. KRW, INR, and CNY were amongst the most bearish (unchanged from the last poll). In terms of incremental bearish adjustments, most AXJs saw an increase in shorts with SGD and CNY seeing the largest increase in shorts. On net basis, THB and PHP were amongst the least bearish.

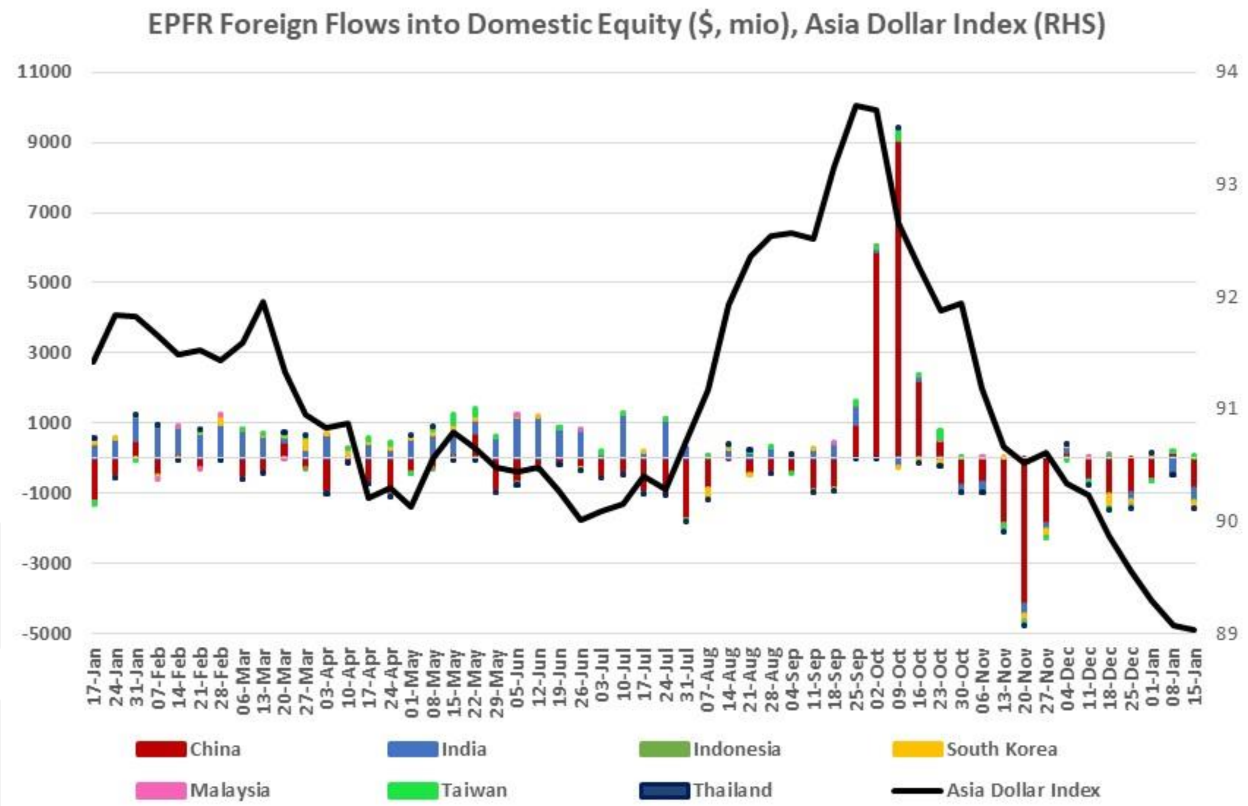
	25-Aug-24	05-Sep-24	19-Sep-24	03-Oct-24	17-Oct-24	31-Oct-24	14-Nov-24	28-Nov-24	12-Dec-24	09-Jan-25
USD/CNY	-0.62	-0.85	-0.67	-1.14	-0.43	0.3	1.14	1.32	1.15	1.65
USD/KRW	-0.93	-1.09	-0.9	-0.79	0.26	1.06	1.61	1.45	1.86	1.75
USD/SGD	-1.08	-1.26	-1.12	-1.26	-0.44	-0.03	0.8	1.12	0.83	1.34
USD/IDR	-1.26	-1.05	-1.18	-1.08	0.04	0.59	0.81	1.03	0.87	1.2
USD/TWD	-0.7	-0.77	-0.66	-0.59	0.24	0.6	1.07	1.1	0.82	1.18
USD/INR	0.21	0.21	0.33	-0.04	0.67	0.82	0.87	1.13	1.43	1.69
USD/MYR	-1.57	-1.46	-1.3	-1.18	-0.4	0.11	0.65	0.76	0.65	0.99
USD/PHP	-1.03	-1	-1.1	-0.7	0.26	0.81	1.18	1.13	0.53	0.65
USD/THB	-1.16	-1.22	-1.33	-1.45	-0.28	0.09	0.9	0.66	0.26	0.76

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: 9 Jan 2025], OCBC Research

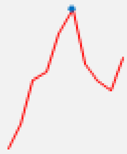
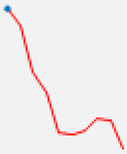
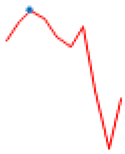
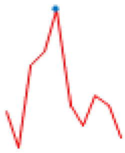
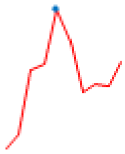
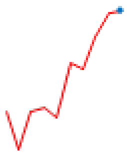
EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflow was observed across most AxJ region, including China, India and Korea. Taiwan saw mild foreign inflows. Decline in Asian FX saw a moderation in pace.



Note: Latest data available as of 15 Jan (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index

Source: EPFR, Bloomberg, OCBC Research

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: **President inauguration;** **Tue:** - Nil – **Wed:** Leading index (Dec); **Thu:** initial jobless claims; **Fri:** Prelim PMIs, Uni of Michigan sentiment (Jan); Existing home sales (Dec)		**S: 107.40; R: 111.00**
EURUSD	**Mon:** Construction output (Nov) **Tue:** ZEW survey expectations (Jan); **Wed:** ECB's Lagarde speaks; **Thu:** Consumer confidence (Jan); **Fri:** Prelim PMIs (Jan); ECB's Lagarde speaks		**S: 1.0000; R: 1.0460**
GBPUSD	**Mon:** Rightmove House prices (Jan); **Tue:** Labor market report (Nov); **Wed:** Public finances (Dec); **Thu:** CBI trades total orders, selling prices, business optimism (Jan); **Fri:** Prelim PMIs (Jan); GfK consumer confidence, CBI sales (Jan)		**S: 1.1810; R: 1.2360**
USDJPY	**Mon:** IP, core machine orders (Nov); **Tue:** - Nil – **Wed:** - Nil – **Thu:** Trade (Dec); **Fri: CPI (Dec);** prelim PMIs (Jan); **BOJ MPC**		**S: 151.50; R: 158.90**
AUDUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Leading index (Dec); **Thu:** - Nil – **Fri:** Prelim PMIs (Jan)		**S: 0.5960; R: 0.6300**
USDCNH	**Mon:** 1y, 5y LPR; **Tue**: - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S:7.3200; R: 7.3800**
USDKRW	**Mon**: - Nil – **Tue:** PPI (Dec); First 20days trade (Jan); **Wed:** Consumer confidence (Jan); **Thu:** Business survey – mfg, non-mfg (Jan); **GDP (4Q)** **Fri:** - Nil –		**S: 1,430; R: 1,480**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** CPI (Dec); **Fri:** URA home prices (4Q); IP (Dec); **MAS MPC**		**S: 1.3530; R: 1.3760**
USDMYR	**Mon:** Trade (Dec); **Tue:** - Nil – **Wed:** CPI (Dec); FX reserves (Jan); **BNM MPC** **Thu:** - Nil – **Fri:** - Nil –		**S: 4 4600; R: 4.5400**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,140; R: 16,470**

Source: Bloomberg, OCBC Research

	Key Themes and Trades
DXY	***Focus on Trump Inauguration, Executive Orders/Actions.*** USD started the week on a softer footing as Friday phone call between President Xi and Trump as well as Gaza cease-fire supported sentiments. Most equity indices in the region were up 1-2% while most Asian FX/ high-beta FX including KRW, NZD, TWD, AUD are trading better bid. That said, US presidential inauguration is next key event risk (20 Jan). At a pre-inauguration rally hours ago, Trump had promised to sign a host of executive orders on his 1st day as President. He told the crowd he "will act with historic speed and strength and fix every single crisis". Trump promised executive orders that will ramp up artificial intelligence, form the Department of Government Efficiency (DOGE), etc. Media reports indicated Trump may issue more than 200 executive actions on Monday. Admittedly, there remains quite a fair bit of **expectations that tariffs may soon be announced**. But we believe **tariff uncertainty remains in terms of timing, magnitude and scope** of products. **Implication on markets (or USD) can be binary**. - A longer delay for tariff announcement may provide a breather for risk proxies, and we do not rule out USD pullback (lower). Recall last week, there was a report saying that Trump team was considering a schedule of gradual tariffs increasing by about 2% to 5% a month (though this may still be in early stages). We also cannot rule out a case of Trump threatening with tariffs today, set a deadline, demand concessions and then cut a deal. Eventually, the endgame could be a watered-down version of tariffs and in this scenario, risk assets can rebound. - That said, a swift implementation of tariff, especially at a higher magnitude, would undermine sentiments and provide a boost to the USD. DXY was last at 109.05. Daily momentum is mild bearish while RSI fell. Risks slightly skewed to the downside. Support at 108.75 (21 DMA), 107.43 (50DMA). Resistance at 110.10, 110.90 levels. Fedspeaks go into blackout period ahead of FOMC (30 Jan). Data of interest this week includes initial jobless claims (Thu), prelim PMIs (Fri). Tariffs, immigration, deregulation, tax cuts and pursuing "peace" are likely some of Trump's policy priorities post-inauguration. Tariffs may undermine global trade, growth, sentiments and pose risks of inflation for US. This may derail its disinflation journey and imply fewer Fed cuts in 2025/26. Hawkish re-pricing alongside US exceptionalism will keep USD supported in the interim. For tariff implementation, its timing, magnitude and scope remains uncertain. We do not rule out the possibility of tariffs being used as a bargaining chip to unlock other policies and level the playing ground. The Mexican episode shows that Trump's tariff threat was likely a bargaining chip to unlock other policy agendas, which in this case appears to be migration and drugs. Hence, there is a chance that tariffs may come later in 2H 2025, rather than earlier, when other negotiations fail. The recent Washington post article and subsequent denial also highlighted the fluidity of tariffs in terms of scope. Less drastic/ targeted tariff plans may bring relief to risk assets while blanket tariffs may undermine sentiments. We still look for a mild USD pullback in 1Q 2025 as Fed is likely to lower rates but USD risks and trajectory are skewed to the upside over 2Q – 4Q 2025 as we take into consideration the potential risk of tariff implementation, inflation risks and slower pace of Fed cuts. Our medium-term view still expects the USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current accounts are some drivers that should weigh on USD.
EURUSD	***Hammer (Bullish Reversal)?*** EUR shows tentative signs of rebound this week after the USD eased on softer PPI and report that tariffs may see a gradual increase approach (though it remains early to tell what the decision on tariff is). Pair was last at 1.0290 levels. Daily momentum is flat while RSI shows signs of turning from near oversold conditions. On price action, yesterday candlestick shows a hammer pattern. This is typically associated with a bullish reversal. Elsewhere, we also observed a bullish divergence on daily RSI. While we continue to watch price action for confirmation, a near term technical rebound cannot be ruled out. Resistance at 1.0360 (21 DMA), 1.0405 (50% fibo) and 1.0470 (50 DMA). Support at 1.01, 0.9950 levels (76.4% fibo retracement of 2022 low to 2023 high). Earlier, EUR traded lower (below 1.02 at one point this week) amid USD resurgence, risk-off trades (global

bond sell-off) while ECB rhetoric remains dovish. ECB chief economist said he agreed that the direction (for policy rate) is clear. He further said that if rates remain too high for too long, it will weaken the inflation momentum in such a way that the disinflation process would not stop at 2% but could materially fall below target. He added that wage increase in 2025 is expected to be significantly lower, meaning inflation will continue to decline.

For 2025, we remain somewhat bearish on EUR's outlook: 1/ sluggish growth in the Euro-area; 2/ anticipation of ECB needing to cut more/ deeper to support growth; 3/ rise in energy costs (as cold weather depletes reserves and reduced Russian supplies) adding more pain to industrials and households; 4/ other external factors such as concerns of universal tariffs, stronger USD. Trump presidency will result in shifts in US foreign and trade policies and can have implications on EUR. Universal tariff of up to 20% tariff can hurt Europe (if implemented) as US is EU's top export destination. Over the medium term, EUR can revert to trend higher when growth stabilises, and political and policy uncertainties find some clarity.

GBPUSD

Spooked by GILT Sell-off. Recent decline in GBP shows tentative signs of stabilisation as USD strength eased broadly. GBP was last at 1.22 levels. Bearish momentum on daily chart intact but shows tentative signs of fading while RSI shows signs of rising from near oversold conditions. Broader risks remain skewed to the downside though the risk of technical rebound is not ruled out. Resistance 1.23 and 1.2370/90 levels levels (76.4% fibo retracement of 2023 low to 2024 high, 21 DMA). Support at 1.2080/ 1.2040, 1.1810 levels (2023 low).

We remain cautious on GBP outlook. Slowing economy, growing twin deficits of current account and fiscal accounts in the face of rising yields are negatives for GBP. But we are not in the camp looking for GBP to come off hard as elevated services inflation (5%) and a still healthy labour market warrant a gradual approach to removing restraint. Downside risks to our view include 1/ a more aggressive BoE cut cycle than the Fed; 2/ faster growth slowdown in UK, 3/ energy price surge; 4/ Fed slowing down on policy normalisation and/or return of US exceptionalism. A play-up of any of these risks may undermine GBP.

USDJPY

Looking for BoJ Hike. USDJPY fell, as expectations on BoJ hike continues to build. Markets are pricing in ~20bp hike at the upcoming MPC (vs. 11bp hike expectations at the start of the new year). The shift was due to comments from BoJ officials and a report in Japanese media that said BoJ officials see good chance of an interest rate hike next week as long as Trump administration does not trigger too many negative surprises. Last week, Governor Ueda and deputy Himino spoke about making decision whether to raise rate at the upcoming BoJ meeting. Governor Ueda also shared there are positive views on wage hikes gathering momentum. We continue to look for a hike as data supports policy normalisation. Wage growth pressure remains intact, alongside broadening services inflation. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials and this should underpin the broader direction of travel for USDJPY to the downside. That said, the risk is that any slowdown in pace of policy normalisation would mean that USDJPY's direction of travel may be bumpy or even face intermittent upward. A hawkish hike should see USDJPY continue its path lower while a dovish hike may suggest that USDJPY's move lower may be more constrained. Pair was last at 156.31 levels. Bearish momentum on daily chart intact but decline in RSI moderated. Consolidative trades likely for now. Support at 154.90 (50 DMA), 154.30 (23.6% fibo retracement of Sep low to Jan high) and 152.80 (200 DMA). Resistance at 157.30 (21 DMA), 158.80 (recent high).

For this year, we still look for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation (supported by data). Tokyo core core CPI, PPI, wages rose while labour market report also pointed to upward wage pressure in Japan with 1/ jobless rate easing, 2/ job-to-applicant ratio increasing; 3/ trade unions calling for another 5-6% wage increase at *shunto* wage negotiations for 2025. Wage growth pressure remains intact, alongside broadening services inflation is supportive of BoJ normalizing rates. Our house view looks for 25bp hike each in 1Q, 2Q and 3Q 2025. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials and this should underpin the broader direction of travel for USDJPY to the downside. Elsewhere, escalation in geopolitical tensions, protectionism measures may also support safe-haven demand (positive JPY). That said, any slowdown in pace of policy normalisation – be it the Fed or BoJ– would mean that USDJPY's direction of travel may be bumpy or face intermittent upward pressure.

AUDUSD

Breather for now; Watching if there Are Tariffs. AUD consolidated as markets adopt wait-and-see approach with regards to Trump inauguration and more importantly, what executive orders he will sign on day 1 and coming days. Worries of tariffs may keep sentiment pressured and AUD trading soggy. But at the same time, a less drastic approach or any delay to tariff implementation could see risk proxies take an extended breather. Long story short, AUD being a high-beta FX will be trading headlines in the near term. Pair was last at 0.6220 levels. Daily momentum is mild bullish while RSI rose. Rebound risks not ruled out. Resistance at 0.6250, 0.6320/40 levels (23.6% fibo retracement of 2024 high to 2025 low, 50 DMA). Support at 0.6130 (recent low), 0.60 psychological level.

Broadly speaking, the near-term outlook remains challenging for AUD, owing to RMB softness, US/universal tariff concerns, sentiment shifts (sell-off in global bonds), RBA's dovish pivot, dip in Aussie consumer confidence, contractionary PMIs. But in the medium term, we remain constructive on AUD. Some of the reasons underpinning the bias include: 1/ expectations for a shallower pace of RBA rate cut cycle, given still sticky inflation, and tight labour market; 2/ expectations that China stabilisation story can find traction amid stimulus support, though some patience is needed.

There is room for RBA to calibrate monetary policy settings at some point in 1H 2025. Minutes released (24 Dec) indicated that RBA is *more confident that inflation is moving sustainably toward target but it's still too soon to conclude the battle is won given a recent pick-up in consumption and a still-tight labor market.* Members noted that additional information on jobs, inflation and consumption, along with a revised set of staff forecasts, would be available by the 17-18 Feb meeting. Elsewhere, AU labour market remains fairly tight though there are signs that the tightness is fading. Other labour market surveys such as NAB employment index, ANZ job ads have been easing. This suggests that some normalising in labour market conditions could be on the cards into 1H 2025. Elsewhere, wage growth continued to ease to 2.5% for 3Q (vs. 4.1% in 2Q). The trend of wage growth moderating is expected as labour market conditions ease. RBA has also recently lowered its projection for wage price index to 3.2% for end-2025 (vs. 3.5% previous projection). Our baseline 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

MAS MPC on Fri. We see reasonable room for **MAS to ease policy at the upcoming MPC by reducing the policy scope** slightly but **still maintain a mild appreciation stance**. Softer CPI readings over the last few months were roughly in line with MAS projection for a step down in CPI print for 4Q 2024. YTD 11-month average was 2.8% vs. MAS core inflation projection to average between 2.5%–3.0% for 2024. Looking out, MAS is also projecting softer core CPI in the range of 1.5–2.5% in 2025.

While there is little need for MAS to rush to ease policy but given that the disinflation journey has made good progress, we believe **MAS now has optionality to ease,** especially if it takes on a pre-emptive stance in the face of policy transmission lag. MAS can afford to begin with reducing the slope of the policy band while still maintaining a mild appreciation stance overall

In terms of S$NEER outlook, a slight easing in the policy slope should see little impact on S$NEER as expectation is already priced in. Based on our model, S$NEER index has already retreated while % deviation from model-implied mid has decreased since Oct-2024. With that said, S$NEER may continue to weaken if policy outcome looks for a larger than expected easing (i.e. neutral slope, etc) or if the statement contains more dovish leaning rhetoric (implying further back-to-back easing). Hence it is **worth**

paying attention to core CPI in the coming months, including the Dec CPI report (released on 23 Jan) to get a sense on whether the MAS easing is one-off or may ease further. Historically, the positive correlation between the change in S$NEER and MAS core inflation shows that SGD strength can ease when core inflation eases materially. This is already happening with S$NEER retreating. Index was seen around 139.20 (vs. peak of 140.48 in early Oct-2024) while % deviation from model implied mid was last at 0.69%. The latter implies that the SGD strength over trade partners has largely faded. Expectations for MAS to ease can imply that the SGD strength seen in the past 2-3 years will continue to ease. But **so long MAS band doesn't revert to neutral, SGD could still retain some degree of relative resilience, selectively**. To add, SGD also maintains its "safe-haven" status in the region. In the event of a trade war, SGD may still be better supported vs. its peers. But in the event of no tariff and risk-on scenario, SGD may underperform its peers.

Implications on USDSGD is Dependent on USD Trend. Given an environment of USD strength, a reduction in policy slope is likely to pose broader upside risks to USDSGD. There may be some pullback, but it is likely to be shallow as markets may pre-empt another easing, if core inflation continues to ease more materially. The combination of softer RMB, JPY, risk of shallower pace of Fed cut, and milder appreciation stance suggest that USDSGD may still continue to trend higher. Overall, the fate of USDSGD is not only dependent on policy but also highly dependent on USD direction.

In the event MAS decides to maintain policy status quo, then it is likely we may see a knee-jerk correction with S$NEER strengthening and a pullback in USDSGD to the downside.

USDSGD drifted slightly lower last week amid mild USD pullback while broader risk appetite found brief respite for now. Pair was last at 1.3685. Daily momentum is mild bearish but decline in RSI moderated. Consolidation likely in the near term. Support at 1.3645 levels (21 DMA), 1.3530 (50 DMA). Resistance at 1.3760 levels, 1.38.

Looking into our USDSGD forecast trajectory, we see a tactical window for USDSGD to pullback in 1Q 2025, premised on Fed cut cycle, expectations that China recovery to find some traction amidst stimulus support. Subsequently, USDSGD forecast is projected to skew to the upside for most parts of 2025, taking into consideration potential implementation of Trump tariffs (on China/ global though timing of tariff remains uncertain) and Fed pause in 4Q 2025.

USDCNH

CNH Short Squeezed. USDCNH continued to trade softer, in line with what we have flagged earlier – brief respite amidst measures while technical observation pointed to mild bearish momentum. The move lower was further aided by the Friday phone call between President Xi and Trump, which Trump had later said that it was "a very good one" for both China and US. Both vice presidents also met over the weekend in Washington to discuss fentanyl and trade. Sentiment was supported. CSI300, HK equities printed 1% and 2% higher, respectively this morning.

USDCNH last seen at 7.3240 levels. Daily momentum is bearish bias while RSI fell. Risks are skewed to the downside. Next support at 7.2950 (50 DMA), 7.2755 (23.6% fibo retracement of Sep low to Dec high). Resistance at 7.3340 (21 DMA), 7.36 levels. A brief respite for RMB is still likely, given that policymakers have taken efforts – both onshore (via the fix) and offshore to maintain the relative stability in RMB.

Recall that over the last 2 weeks, Chinese policymakers had announced a slew of policy tweaks, including 1/ raise cross border funding from 1.50 to 1.75 (to allow for companies and FIs to raise funds overseas and help increase USD liquidity in the onshore markets); 2/ PBoC Chief Pan said to drastically raise China FX asset allocation in HK. He also said it will make use of tools including interest rates and RRR to maintain ample liquidity in the market. Priority of policy should shift to both investment and consumption from investment solely, as weak consumer demand, low prices are among economic challenges. 3/ PBoC announced that it is temporarily suspending its purchase of government bonds and plans to issue record amount of bills in HK (offshore PBoC bills) to soak up offshore liquidity. These efforts alongside 4/ steady fixing in onshore CNH (under 7.19) sent a strong signal that authorities are doing whatever it takes to maintain the relative stability in RMB. Last week, there was also a report saying that Trump team is considering gradual tariff increases – this also helped to partially remove some fears. But we acknowledged that the report is still in early stages.

While CNH may see some brief respite, these measures cannot alter the fate of RMB. The fate is such that **RMB depreciation remains the path of least resistance** amid 1/ wider UST-CGB yield differentials amid expectations for further China rate cuts while Fed may potentially slow the pace of rate cut cycle; 2/ uneven economic recovery in China and lack of stimulus support measures; 3/ markets anticipating for further RMB softness when US tariffs were implemented. Eventual recovery in RMB requires a softer USD, China economic recovery to find a better footing or foreign investors to regain confidence in Chinese assets.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
25-Apr-24	Short USDKRW	1375	1320	4.00	High for longer narrative (US rates) has been a dampener on sentiments. But since last trilateral meeting, there seems to be a psychological resistance for the USD. For the year, we still expect USD to trend slightly lower as the Fed is done tightening and should embark on rate cut cycle in due course (house looks for Jul Fed cut). Eventual re-coupling in tech/KR stocks vs FX (KRW) should return amid underlying tech/AI trend. KRW would be positioned for more gains given its high-beta characteristics and close proxy to tech and growth cycles. Start of Fed rate cut cycle and expectations for China stabilisation are other drivers that should underpin KRW's positive appeal. Entered tactical short at 1375. To take profit at 1320. SL at 1406. [Trade TP]	26-Aug-24
01-May-24	Long EURUSD	1.0661	1.09	2.24	Markets have largely priced in ECB's 75bps cuts into EUR but a growth re-rating outlook on Euro-area economy is probably not priced. And lately there are signs to suggest some signs of stabilisation in Euro-area growth. ECB's Lagarde and Bundesbank have recently spoken about signs of activity picking up pace in Germany. A better growth story in Euro-area can push back against aggressive rate cut expectations and this is supportive of EUR. Entered at 1.0661. Targeting move towards 1.0900. SL at 1.0508. [Trade TP]	04-Jun-24
12-Aug-24	Short RMB Index	98.53	98.5	0	USDCNY's decline was a function of USD leg. Faced with domestic woes, the RMB should remain weak on TWI basis. This should see RMB CFETS index fall further (i.e. short CNH vs basket trade). And a move towards 2023 low at 96 levels is not ruled out. SL 99.70. [EXIT with no P&L, given recent market development in China]	30-Sep-24
19-Aug-24	Short CHFJPY	170.1			SNB-BOJ policy divergence. SNB may turn wary of how recent CHF strength may complicate inflation objective. May press on for 3rd cut of the year and/or pursue FX intervention to weaken CHF. On the other hand, BOJ is embarking on policy normalization which is likely to continue into 2025. Also, USDJPY is more sensitive to declines in UST yield. Target 148. SL 181. [LIVE]	
23-Sep-24	Short EURGBP	0.838	0.841	-0.3	Policy and growth divergence between EU/ECB and UK/BOE. Target a decline towards 0.81. SL 0.8470. [SL]	14-Jan-25
10-Dec-24	Short USDJPY	151.5	154.7	-2.07	Bias for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation. Target a move towards 146.10. SL at 154.70. [SL]	18-Dec-24
15-Jan-25	Short SGDJPY	115.1			To express MAS-BOJ monetary policy/ inflation divergence trade. Targeting a move towards 110 levels. SL at 117.12. [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: Sell Rallies

SGDMYR continued to trade range bound last week. Cross was last at 3.2970 levels.

Daily momentum shows signs of turning mid bullish while RSI rose. Rebound risks not ruled out in the near term. Bearish trend channel still holds for now unless cross breaks above. Bias skewed towards fading rally.

Resistance at 3.3050 levels (50DMA), 3.3240 levels.

Support at 3.29 (23.6% fibo retracement of 2024 high to low), 3.27, 3.25 levels.

SGDJPY Daily Chart: Stay Short

SGDJPY fell last week amid JPY outperformance. Cross was last at 114.10 levels.

Daily momentum is mild bearish while RSI fell. Risks skewed to the downside.

(15 Jan) *Entered short in the cross with entry at 115.10, targeting a move towards 110 levels. SL at 117.12.*

Support at 113.45/60 levels (100 DMA, recent low), 112.90 (38.2% fibo).

Resistance at 114.30/50 levels (50, 200 DMAs, 23.6% fibo retracement of 2024 low to Nov-Dec double-top), 115.30 (21 DMA), 116.50 (double-top).

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

Gold Daily Chart: Compression of Moving Averages

Gold drifted higher last week. Last seen at 2703 levels.

Daily momentum is bullish but rise in RSI shows signs of slowing. Compression of moving averages observed. This typically precedes a break-out trade, though directional bias is only known on breakout. We continue to watch price action.

Resistance at 2730, 2750 levels.

Support at 2670 (23.6% fibo), 2640/45 levels (21, 50, 100 DMAs), and 2594 (38.2% fibo retracement of May low to Oct high).

Silver Daily Chart: Fade Rallies

Silver inched higher last week; last seen at 30.36.

Bullish momentum on daily chart intact while RSI fell. Bearish crossovers observed as 50DMA cuts 100 DMA to the downside and 21DMA cuts 200 DMA to the downside. Bias to sell rallies.

Resistance at 30.50/80 levels (50, 100 DMAs) and 31.85 (23.6% fibo of 2024 low to high).

Support at 30 (38.2% fibo), 29.50, and 28.41 (50% fibo).

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

Medium Term FX Forecasts

Currency Pair	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
USD-JPY	154.00	152.00	151.00	150.00	149.00
EUR-USD	1.0350	1.0280	1.0300	1.0350	1.0400
GBP-USD	1.2250	1.2200	1.2250	1.2300	1.2450
AUD-USD	0.6200	0.6250	0.6300	0.6400	0.6450
NZD-USD	0.5650	0.5700	0.5750	0.5800	0.5900
USD-CAD	1.4200	1.4200	1.4300	1.4400	1.4450
USD-CHF	0.9100	0.9100	0.9100	0.9200	0.9250
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	108.33	108.59	108.37	108.00	107.50
USD-SGD	1.3650	1.3700	1.3750	1.3800	1.3820
USD-CNY	7.3200	7.3400	7.3700	7.3900	7.4000
USD-CNH	7.3400	7.3600	7.3900	7.4100	7.4200
USD-THB	34.50	34.70	34.70	34.50	34.30
USD-IDR	16100	16150	16200	16200	16300
USD-MYR	4.4800	4.5200	4.5400	4.5600	4.6000
USD-KRW	1450	1455	1470	1475	1480
USD-TWD	33.00	33.20	33.30	33.60	33.60
USD-HKD	7.7600	7.7700	7.7800	7.7900	7.7900
USD-PHP	58.00	58.30	58.50	58.70	58.80
USD-INR	85.50	85.70	85.90	86.00	86.00
USD-VND	25300	25400	25500	25600	25600
EUR-JPY	159.39	156.26	155.53	155.25	154.96
EUR-GBP	0.8449	0.8426	0.8408	0.8415	0.8353
EUR-CHF	0.9419	0.9355	0.9373	0.9522	0.9620
EUR-SGD	1.4128	1.4084	1.4163	1.4283	1.4373
GBP-SGD	1.6721	1.6714	1.6844	1.6974	1.7206
AUD-SGD	0.8463	0.8563	0.8663	0.8832	0.8914
NZD-SGD	0.7712	0.7809	0.7906	0.8004	0.8154
CHF-SGD	1.5000	1.5055	1.5110	1.5000	1.4941
JPY-SGD	0.8864	0.9013	0.9106	0.9200	0.9275
SGD-MYR	3.2821	3.2993	3.3018	3.3043	3.3285
SGD-CNY	5.3626	5.3577	5.3600	5.3551	5.3546
SGD-IDR	11795	11788	11782	11739	11795
SGD-THB	25.27	25.33	25.24	25.00	24.82
SGD-PHP	42.49	42.55	42.55	42.54	42.55
SGD-VND	18535	18540	18545	18551	18524
SGD-CNH	5.3773	5.3723	5.3745	5.3696	5.3690
SGD-TWD	24.18	24.23	24.22	24.35	24.31
SGD-KRW	1062.27	1062.04	1069.09	1068.84	1070.91
SGD-HKD	5.6850	5.6715	5.6582	5.6449	5.6368
SGD-JPY	112.82	110.95	109.82	108.70	107.81
Gold $/oz	2670	2690	2700	2720	2740
Silver $/oz	30.34	30.74	30.68	30.91	33.01

Source: OCBC Research (Latest Forecast Updated: 15 January 2025)
Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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