FX Weekly

03 September 2024

US Labour Market Report, Asian CPIs

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USD Short Squeeze Ahead of Data Risks. DXY fell by near 3.7% at one point in Aug but has now rebounded by ~ 1.2% from its recent lows. Current level of DXY is now within the vicinity of its "fair value" relative to where 2y UST yields are though there may still be room for USD short squeeze in the near term ahead of key US data this week. As Fed's focus has shifted towards supporting labour market, we believe USD and markets will be more sensitive to raft of **US labour market-related data releases** this week. That includes ISM employment data (Tue), JOLTs job openings (Wed), ADP employment, ISM services employment (Thu), and the highlight US payrolls report on Fri. Data interpretation may be tricky this time, given that markets are already pricing in a very dovish outcome for the Fed this year (about 100bps cut; 31% probability of 50bp cut in Sep).

3 Potential Scenarios and Implication on USD. 1/ if US data comes in much better than expected. This may imply that US economy is faring better than expectations. US equities can rally, USD can go up while dovish Fed cut expectations can unwind. **2/ If US data comes in much worse than expected**. Then the soft-landing view may be in doubt. US equities are at risk of being sold off (recall the 5 Aug market crash). Risk-off trades may pressure high-beta FX, including AUD, NZD, KRW while JPY, CHF and to some extent, USD can benefit. **3/ If US data comes in largely in line with estimates – not good, not bad.** This supports soft landing story. US equities can find relief rally while USD can revert back to trading near its lows. Scenario 3 will be the least disruptive to markets.

Asia calendar is busy this week, with plenty of inflation data releases that may prompt expectations of whom may cut next. Korea releases CPI report on Tue. High base last year should see CPI print comes closer to 2%, from 2.6%. Food prices may add to upward pressure but likely to be partially mitigated by lower gasoline prices. Inflation going back to 2% should support our house view for BoK to cut rate at next MPC in Oct. Philippines and Thailand inflation reports are due on Thu. For Philippines, inflation is expected to ease lower towards 3.6% region. BSP had earlier did a pre-emptive rate cut last month ahead of the Fed. Our house view expects next cut to come in 4Q. For Thailand, consensus expects headline CPI to come in lower at 0.4%, outside of BoT's target range of 1 – 3%. BoT has earlier explained that the lower inflation print was due to energy subsidies that lowered electricity costs and retail oil prices. Without those subsidies, inflation would have been around 1.6%. Our house view looks for BoT to ease policies at next MPC in 4Q.

AxJ Positioning Bias (Reuters Poll)

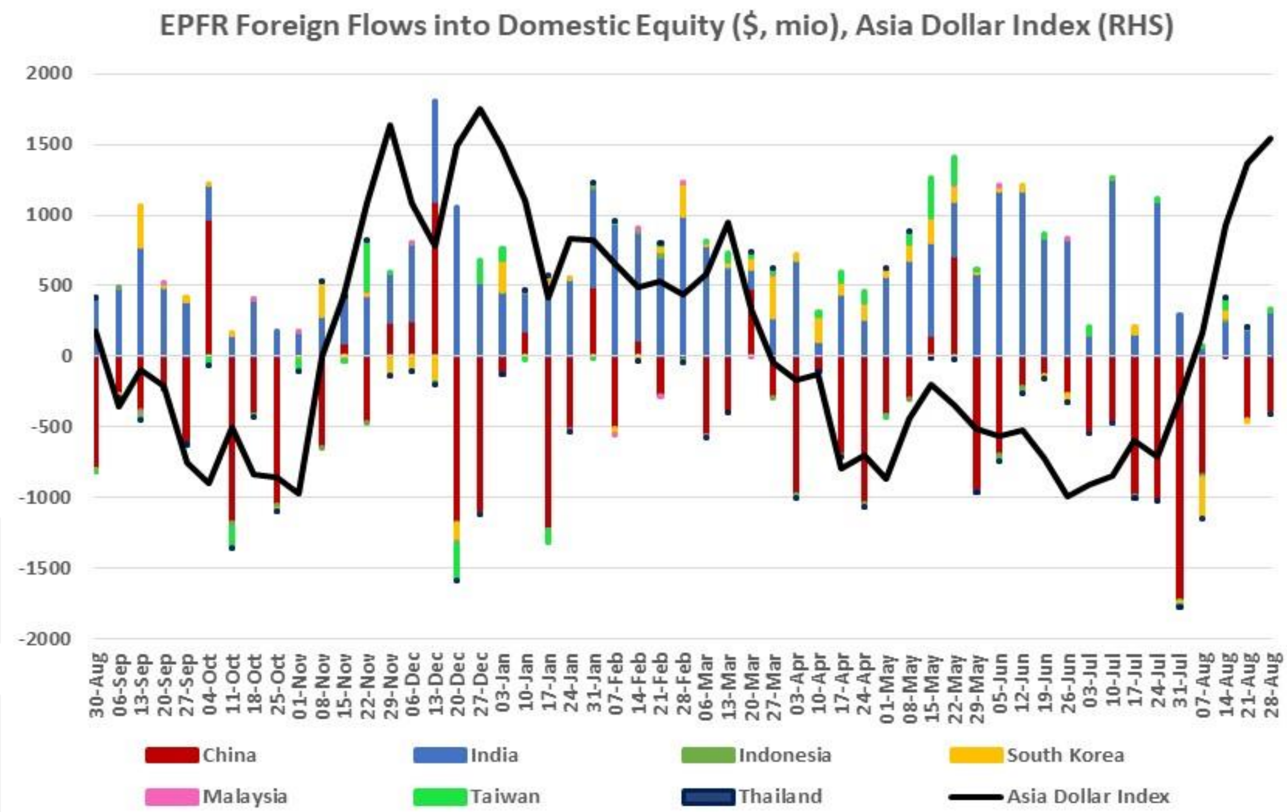
Based on Reuters survey on Asia FX positioning, bullish bets on most AxJ FX rose significantly as Fed Chair Powell signalled a dovish pivot. Amongst AxJs, MYR, IDR and THB are the most bullish. The big swing in position occurred for TWD and IDR. Bets on INR remained bearish but by less.

	18-Apr-24	02-May-24	16-May-24	30-May-24	13-Jun-24	27-Jun-24	11-Jul-24	25-Jul-24	08-Aug-24	25-Aug-24
USD/CNY	1.25	1.25	1.05	1.05	0.95	1.34	1.05	1.07	-0.02	-0.62
USD/KRW	1.59	1.61	0.96	0.72	0.87	1.28	0.87	0.79	0.05	-0.93
USD/SGD	0.8	0.89	0.35	0.33	0.62	0.8	0.06	-0.33	-0.61	-1.08
USD/IDR	1.82	1.39	0.96	0.94	1.22	1.49	0.73	0.35	-0.02	-1.26
USD/TWD	1.24	1.4	1.02	0.53	0.64	0.88	0.68	0.86	0.59	-0.7
USD/INR	0.43	0.49	0.39	0	0.37	0.46	0.22	0.12	0.6	0.21
USD/MYR	1.42	1.46	1.23	0.81	1	1	1.03	0.39	-0.78	-1.57
USD/PHP	1.19	1.44	1.29	1.19	1.23	1.37	0.86	0.43	-0.29	-1.03
USD/THB	1.28	1.39	1	1	0.92	0.91	0.51	0.02	-0.57	-1.16

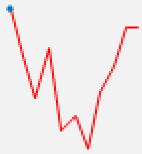
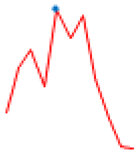
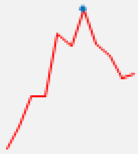
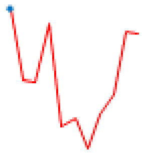
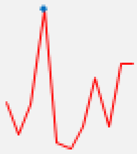
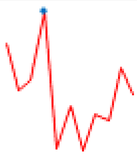
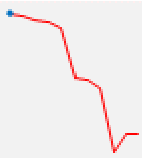
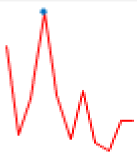
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.
Source: Reuters [latest avail: 24 Aug 2024], OCBC Research

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Foreign outflows from Chinese equities continued while foreign inflows to Indian equities picked up slowly. Inflows to Taiwan equities saw a marginal pick up. Asian FX continued its bullish run last week though the pace is showing tentative sign of slowing.



Note: Latest data available as of 28th Aug (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 – **Tue:** ISM Mfg (Aug); Construction spending (Jul); **Wed: JOLTS job openings**, durable goods orders (Jul); Beige book; **Thu:** ADP employment, ISM services (Jul); initial jobless claims (Aug) **Fri**: **NFP, unemployment rate, average hourly earnings** (Aug)		**S: 99.51; R: 102.50**
EURUSD	**Mon:** Mfg PMI (Aug); **Tue:** - Nil – **Wed:** Services PMI (Aug); PPI (Jul); **Thu:** Retail sales (Jul)**;** German factory orders (Jul); **Fri: GDP, employment (2Q);** German IP, trade (Jul)		**S: 1.1990; R: 1.1200**
GBPUSD	**Mon:** Mfg PMI (Aug); **Tue:** BRC sales (Aug); **Wed:** Services PMI (Aug); **Thu:** Construction PMI (Aug) **Fri:** - Nil –		**S: 1.3000; R: 1.3270**
USDJPY	**Mon:** Capex (2Q); PMI Mfg (Aug); **Tue:** - Nil – **Wed:** PMI services (Aug); **Thu:** Labour cash earnings (Jul); **Fri:** Household spending (Jul)		**S: 143.50; R: 148.60**
AUDUSD	**Mon:** PMI Mfg (Aug); Building approvals (Jul); **Tue:** Current account (2Q); **Wed:** PMI services (Aug); **GDP (2Q)** **Thu**: Trade (Jul); **Fri:** FX reserves (Aug)		**S: 0.6660; R: 0.6870**
USDCNH	**Mon**: Caixin PMI Mfg (Aug); **Tue:** - Nil – **Wed:** Caixin PMI services (Aug) **Thu:** - Nil – **Fri:** - Nil – **Sat:** FX reserves (Aug)		**S: 7.0700; R: 7.1400**
USDKRW	**Mon**: PMI Mfg (Aug); **Tue: CPI (Aug);** **Wed:** FX reserves (Aug); **Thu: GDP (2Q P)** **Fri:** Current account (Jul);		**S: 1,315; R: 1,345**
USDSGD	**Mon:** PMI (Aug); **Tue:** - Nil – **Wed:** - Nil – **Thu:** Retail sales (Jul) **Fri:** - Nil –		**S: 1.3000; R: 1.3130**
USDMYR	**Mon:** PMI Mfg (Aug); **Tue:** - Nil – **Wed:** - Nil – **Thu: BNM policy decision** **Fri:** FX reserves (Aug)		**S: 4 3000; R: 4.4000**
USDIDR	**Mon:** PMI Mfg, **CPI (Aug)** **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** FX reserves (Aug)		**S: 15,300; R: 15,750**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

USD to be Sensitive to Labour Market Data This Week. Key highlight was US data last week. Second reading of 2Q24 US GDP rose 3.0% QoQ saar, above the first reading of 2.8% (1Q24: 1.4%). In terms of the breakdown, consumer spending rose more than expected, providing the offset against downward revisions to government spending, investment spending, and net exports. Core PCE rose 0.2% m/m – a steady pace to May, Jun readings and in y/y terms, has been trending lower 2.6% y/y (vs. 2.7% expected). In short, easing core inflation/ 1y inflation expectations, upward revision to 2Q GDP and rise in personal spending suggests that US economy is on course for soft-landing – controlled and gradual slowdown in economic growth, without triggering a recession of economic downturn. Such a scenario remains consistent with our house call for no panic and gradual pace of Fed cut – 50bps cut for this year, starting in September. After falling by near 3.7% at one point in Aug, DXY has also rebounded by about 1.2% from its recent lows. Current level of DXY is now within the vicinity of its "fair value" relative to where 2y UST yields are. DXY was last at 101.65. Daily momentum turned mild bullish but rise in RSI moderated. We still see some risks of further short squeeze but bias to fade rallies. Resistance at 102 (21 DMA), 102.20 (23.6% fibo retracement of 2023 high to 2024 low). Support at 100.50 levels. Clean break puts 99.60 in focus.

Fed's focus has shifted towards supporting labour market, and there is a raft of **US labour market-related data releases** including ISM employment data (Tue), JOLTs job openings (Wed), ADP employment, ISM services employment (Thu), and the highlight US payrolls report on Fri. Data interpretation may be tricky this time, given that markets are already pricing in a very dovish outcome for the Fed this year (about 100bps cut; 31% probability of 50bp cut in Sep). We identified 3 possible scenarios that may impact FX and markets:

1/ if US data comes in much better than expected. This may imply that US economy is faring better than expectations. US equities can rally, USD can go up while dovish Fed cut expectations can unwind.
2/ If US data comes in much worse than expected. Then the soft landing view may be in doubt. US equities are at risk of being sold off (recall the 5 Aug market crash). Risk-off trades may pressure high-beta FX, including AUD, NZD, KRW while JPY, CHF and to some extent, USD can benefit.
3/ If US data comes in largely in line with estimates – not good, not bad. This supports soft landing story. US equities can find relief rally while USD can revert back to trading near its lows. Scenario 3 will be the least disruptive to markets.

Our view for USD to trend lower is gradually coming to fruition as Fed rhetoric turned decisively dovish. Powell's "time has come" keynote speech at Jackson Hole was clear in establishing a rate cut cycle, though he left out specifics in terms of magnitude and pace of cuts. A Fed pivot is within reach in Sep and USD should continue to trend lower. Extent of USD's decline hinges on 1/ how quick and deep the Fed cuts and 2/ how global growth pans out. That said, the US elections (Nov-2024) risk is a big known unknown. The emergence of Kamala Harris as Democratic presidential nominee after President Biden dropped out of race suggests fluid developments and remains early to call. There will be implications on FX as shifts in fiscal, foreign and trade policies may occur, depending on whether Trump or Harris is elected as the next President come Nov.

- A Trump outcome may see a play-up of US-China trade tensions 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 (i.e. long gold, short CNH).
- However, a Kamala Harris outcome is deemed to be more focused on domestic issues and could see more measured engagements with China. On this note, vols should ease, equities may retain gains and Asian/ high-beta FX may find relief.

EURUSD

Will 21DMA Continue to Hold Decline? EUR fell last week, in line with our caution that *EUR's recent run higher towards 1.12 may have run its course for now and technically, there are signs to suggest that a pullback may be on the cards.* Decline in EUR was due to softer CPI prints out of Euro-area, Germany and Spain. This adds to expectation that ECB may lower rate again at its upcoming Governing Council meeting on 12 Sep.

The focus this week is on manufacturing PMI (today), services PMI, PPI (Wed), retail sales (Thu) and GDP (Fri). ECBspeaks this week is largely quiet with Nagel tomorrow, Villeroy on Thu. It is perhaps worth mentioning that ECBspeaks lately have not been outright dovish, and officials seemed to posture for a more gradual pace when it comes to policy easing.

- Schnabel and Nagel said ECB should not lower rates too quickly.
- Holzmann said a Sep cut is not a foregone conclusion while Chief Economist Lane said that a return to 2% inflation target is not secure yet.

That said, markets have priced in nearly 25bp cut for upcoming meeting (12 Sep) and about 36bps cut for remainder of the year (another 1.5 cut). Another series of underwhelming economic print may move the needle for markets to price in a more dovish ECB and for the EUR to trade lower.

Pair was last at 1.1160 levels. Daily momentum turned mild bearish while RSI fell. Immediate support at 1.1040 (21 DMA), 1.10, 1.0930 (61.8% fibo retracement of 2024 high to low). Resistance at 1.12 (recent high) and 1.1280 (2023 high).

We still maintain a neutral outlook on EUR. Recent PMIs for the Euro-area pointed to renewed concerns on growth while industrial production, goods exports and consumer confidence remained weak. But it remains to be seen if this is a one-off summer lull or whether it represent a genuine economic downturn. Services sector still lead economic recovery in the region. While our house view looks for another 50bps cut for the year, the ECB is not on a preset cycle and policy making remains data dependent. Across the Atlantic, Fed embarking on rate cut cycle soon can further narrow EU-UST yield differentials. This can mitigate against EUR downside.

GBPUSD

Consolidation. GBP fell last week amid USD rebound. Pair was last at 1.3140. Bullish momentum on daily chart is fading while decline in RSI shows signs of moderation. Support at 1.3040 (23.6% fibo of 2024 low to high), 1.2970 (21 DMA). Resistance at 1.3260 (recent high). In absence of key data this week, consolidation likely in the near term, with USD in the driving seat for the pair.

We continue to maintain a somewhat constructive outlook on GBP on a combination of softer USD, less dovish BoE and better data out of UK – expansionary PMIs is manufacturing, services sectors, industrial production, retail sales, 2Q GDP and labour market. Even as headline CPI eased, services inflation remains sticky at 5.2%. Employment growth improved while wage growth continues to outpace headline CPI. BoE has started its rate cut cycle (1 Aug), but the cycle may be less aggressive than Fed. BoE Governor Bailey's speech at Jackson Hole suggests a no-rush mentality to easing. He said that the "second-round inflation effects appear to be smaller than we expected. But it is too early to declare victory". He also said that the BoE would "be careful not to cut interest rates too quickly or by too much". In addition, Fed embarking on rate cut cycle is another key factor that should mitigate against GBP downside. The risks to our outlook: a more aggressive rate cut cycle than the Fed; faster growth slowdown in UK, and/or energy price surge.

USDJPY

Short Squeeze Underway; Bias to Fade. USD extended its rise this week, in what looks like USD short covering ahead of US labour market data and FOMC. Pair was last at 146.80 levels. Daily momentum is bullish while RSI rose. Further upside not ruled out. Respect the momentum as we look for opportunities to lean against strength. Resistance at 147.75 (23.6% fibo retracement of 2024 high to Aug double bottom), 150.40 (38.2% fibo) and 151.1 (200 DMA). Support at 146 (21 DMA), 143.45 levels.

Over a medium term, we continue to expect USDJPY to trend gradually lower on expectations that the next move for the Fed is a cut and that the BoJ has room to further pursue policy normalisation amid higher services inflation and wage pressures in Japan. Recent Tokyo CPI also printed higher, with headline CPI rising to 2.6% YoY from 2.2% in July. Core CPI, excluding fresh food, ticked up to 2.4% YoY. Supercore CPI, which excludes fresh food and energy, increased to 1.6% YoY, up from 1.5% in July. This remains in line with our house view remains for one additional rate hike of 10-15bps by the BoJ before the end of 2024. USDJPY is also not solely about BoJ policy but also the Fed, US rates in the equation. Fed embarking on rate cut cycle will mean that Fed-BoJ policy shifts will bring about a narrowing of UST-JGB yield differentials. This should continue to underpin the broader direction of travel for USDJPY to the downside. We also noted how the recent decline in USDJPY saw a recoupling of the FX to UST-JGB yield differentials. Back during May – Jul, USDJPY had earlier traded much higher while UST yields and UST-JGB yield differentials went the other way lower. That was highly unusual. However, this anomaly has now been reset. And if we do expect USDJPY to play catchup to its historical correlation with UST-JGB yield differentials, then there is room for USDJPY to trade lower. Based on where 2y yield differentials is, our simple univariate fair value model estimates put USDJPY theoretical value at closer to 136.

AUDUSD

Pullback Risks. AUD bulls were stopped in its tracks on growth concerns in China (weaker NBS PMI seen over the weekend), softer iron ore prices while USD broadly rebounded. The move lower remains in line with our technical caution for the pullback lower. Pair was last at 0.6780 levels. Bullish momentum on daily chart is fading while RSI was flat. We remain cautious of a corrective pullback in the near term. Support at 0.6730, 0.6660. Resistance at 0.6830, 0.6870.

We hold to our broadly constructive on AUD medium term outlook on the back of: 1/ RBA being likely to 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 lower towards year-end as the Fed is done tightening and should embark on rate cut cycle soon; 3/ potential case for China stabilisation story as China is sharpening its more targeted approach on real estate sector (but much patience is needed on this front). RBA Governor Bullock said that central bank is vigilant over upside risks to inflation and won't hesitate to raise interest rates further if needed as she explained that the alternative of persistently high inflation is worse. She added that RBA does not see interest rate coming down quickly. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings (if any); 2/ if Fed delays pivot; 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).

USDSGD

Rebound. USDSGD rebounded, in line with our caution. Move higher tracked broad USD rebound. Pair was last at 1.3070 levels. Daily momentum turned mild bullish while RSI rose. Rebound is underway. Resistance at 1.3130/60 levels (21 DMA, 23.6% fibo retracement of 2024 high to low). Support at 1.30 (recent low). Further rebound not ruled out as markets adjust/ reduce shorts ahead of key data risks – US labour market.

S$NEER was last estimated at ~1.87% above our model-implied mid. Second half to date, S$NEER has been fluctuating on the stronger side of about 1.6% to 1.95% range above model-implied mid. S$NEER strength may still linger and only fade at some point when core inflation in Singapore start to ease more. Historically there is a positive correlation between the change in S$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.

We believe an easing stance can be considered when core CPI continues to ease further. This can take place by a slight reduction in policy slope, and we do not rule out a policy shift taking place as early as at the Oct MPC should core CPI eases materially more in coming months. Core inflation did ease to 2.5% in Jul but remains well above historical mean. 5y average is about 2.2% and 10y average is about 1.7%. MAS does not have an explicit inflation target, but MAS has previously indicated that a core inflation of just under 2% is close to its historical mean, and consistent with price stability in the economy. Elsewhere headline CPI saw a sequential contraction (-0.3% m/m vs. -0.2% prior).

On the implication of potential MAS policy easing on USDSGD. Our view is as follows: 1/ If there is no broad USD softness, then a slope reduction by MAS would see SGD trade weaker (i.e. USDSGD can trade higher). 2/ Given an environment of broad USD softness (if this is to persists), a slope reduction would be less clear cut on the impact on USDSGD. Firstly, MAS manages S$NEER basket (not just SGD vs USD alone but vs a list of trading partner FX, including MYR, THB, KRW, EUR, JPY, CNY, and more). Next a slope reduction in theory means SGD to appreciate less vs these currencies in the basket (not just the USD). Hence it has been our view that S$NEER strength can ease when MAS eases (or if market reacts ahead to the soft SG CPI seen last Fri). On this note, SGD can weaken vs, its trading partners' FX but if the USD is weak, then SGD may not necessarily weaken vs. USD.

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 3Q 2024 and on expectations that China economy may find some stabilisation.

USDRMB ***Rebound; 7.14 In Sight?*** USDCNH traded more than 1-year low of 7.0710 last Fri following the break below 7.10 psychological level. Market chatters of exporters caught long USD, rushing to offload after the pair broke key levels as well as month-end distortion.

But the pair has now drifted higher, alongside the broad rebound seen in the USD. Last seen near 7.1110 levels. Daily momentum shows signs of turning mild bullish while RSI shows signs of turning higher near oversold conditions. Rebound risk is not ruled out. Resistance here at 7.1120, 7.14 levels. Key support at 7.07/7.08. If broken puts next support at 7.03, 7 levels (major support). We will also pay close attention to USDCNY daily fix for gauge on how comfortable policymakers are with regards to the pace of RMB appreciation. Today's fix was set at 7.1027 even though USDCNH was trading around 7.09. This may imply that policymakers are trying to slow the pace of appreciation this time.

We had previously shared that a softer USD environment allows for RMB weakness to play out vs. its trade peers and hence CNY CFETS index can go lower. However, the recent reading was a modest uptick to 97.95 (vs. 97.89 last week) alongside the rise in DXY. This underscores our view that 1/ soft USD environment can allow for softer CNY CFETS (i.e. RMB weakness vs. other trade peers) while 2/ if the USD environment turned bullish, the CNY CFETS index may not fall after all (i.e. RMB can be weak vs USD but RMB may be calibrated to hold up vs. other trade peers). That said, we believe the latter may be temporary as policymakers are likely to still be pursuing a measured pace of RMB depreciation (from a trade perspective).

Economic recovery in China remains bumpy while property market has yet to recover despite measures. 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. One risk to watch is US elections as outcome may have implications on US-China relations.

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			Policymakers taking advantage of the softer USD environment to set a higher USDCNY fix – basically keeping RMB subdued against its trade peers but allowed to be more market-determined or even slightly weaker vs. USD. This calibrated approach will allow for RMB weakness to play out (vs trade peers) even as the broader USD trend is weaker. 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. [LIVE]	
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]	

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: Near Term Rebound

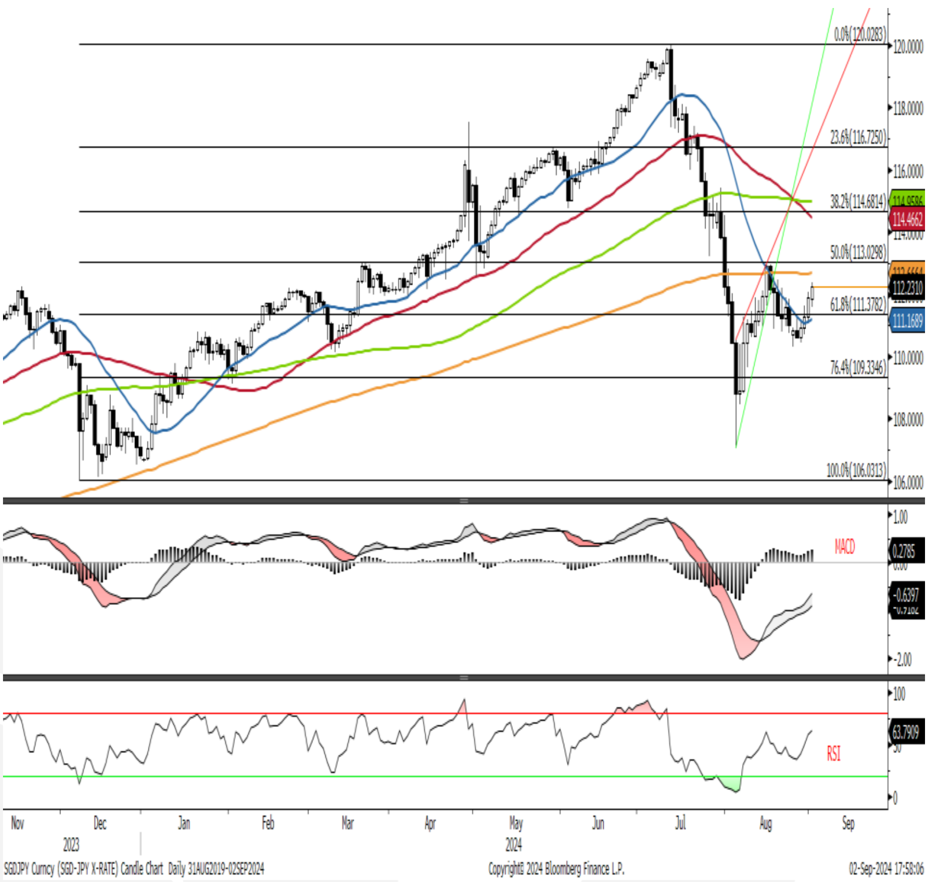
SGDMYR rebounded from recent lows. Cross was last at 3.3310 levels.

Daily momentum is showing signs of turning mild bullish while RSI rose. Cross may have found an interim bottom and we do not rule out further rebound in the near term.

Resistance at 3.35 (21 DMA), 3.37 (23.6% fibo retracement of 2024 high to low).

Support at 3.3060 (recent low).

SGDJPY Daily Chart: Upside Risk



SGDJPY rebounded. Cross was last at 112.23 levels.

Daily momentum turned mild bullish while RSI rose. Near term risks skewed to the upside.

Resistance at 112.67 (200 DMA), 113 (50% fibo retracement of Dec low to 2024 high) and 114.50 (50 DMA).

Support at 111.20/40 levels (21 DMA, 61.8% fibo), 110.40

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

SGDCNH Daily Chart: Bullish but Looking Overbought

SGDCNH turned lower last week, in line with our earlier caution for the risk of snapback. Move lower came amid CNH outperformance while SGD held steady. Cross was last at 5.4430 levels.

Daily momentum turned bearish but decline in RSI moderated. Consolidation likely from here.

Resistance at 5.45, 5.4760 (recent high).

Support at 5.4250, 5.4120 (38.2% fibo retracement of 2024 low to high)

EURSGD Daily Chart: Consolidation

EURSGD fell last week but cross remains confined to recent range. Last seen at 1.4470 levels.

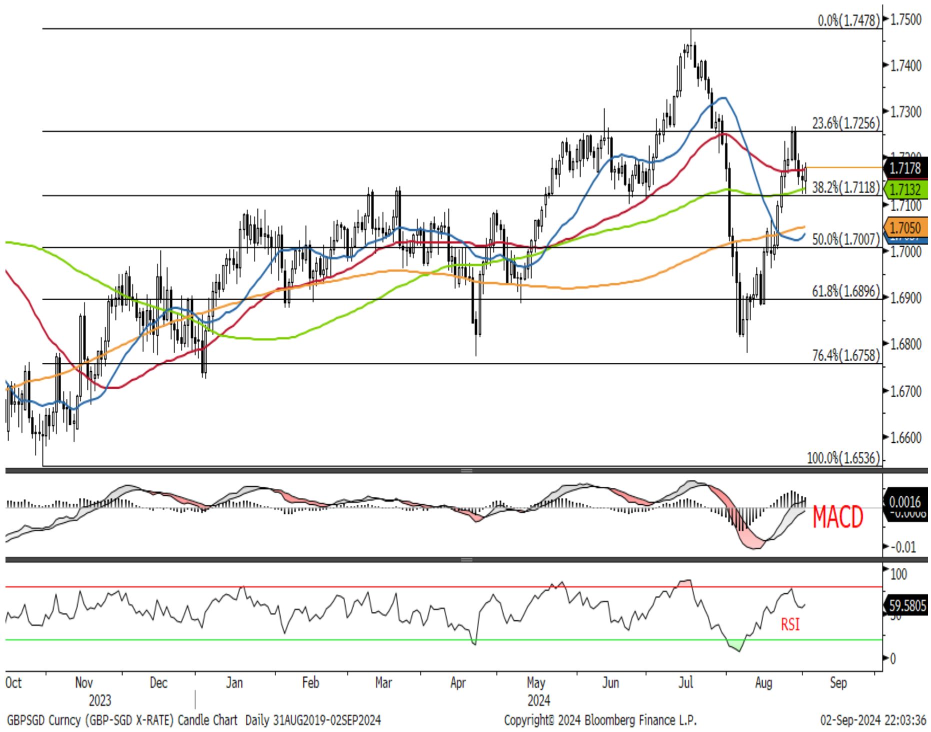
Daily momentum is mild bearish but RSI rose from near oversold conditions. Consolidation likely.

Resistance at 1.4510 (50% fibo retracement 2023 low to high, 21DMA), 1.4550/70 levels (50, 100 and 200 DMAs) and 1.46 (38.2% fibo).

Support at 1.4400/20 (61.8% fibo).

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

GBPSGD Daily Chart: Consolidation



GBPSGD eased last week. Cross was last seen at 1.7180 levels.

Daily momentum is mild bullish while RSI eased from overbought conditions. Consolidation likely for now.

Resistance at 1.7260 (23.6% fibo), 1.7310 levels.

Support at 1.7120/30 levels (38.2% fibo retracement of Oct low to Jul high, 100 DMA), 1.7040/50 levels (21, 200 DMAs) and 1.7000 levels (50% fibo).

AUDSGD Daily Chart: Pullback Risk

AUDSGD consolidated last week. Cross was last at 0.8860.

Daily momentum remains bullish while RSI rose. Still room for bulls to extend another leg higher but in need of catalyst. For now, consolidation likely with risk of pullback lower.

Next resistance at 0.8880 (50, 200 DMAs) and 0.8905/20 levels (50% fibo of 2023 Jun high to 2024 Aug low, 100 DMA).

Support at 0.8750/60 levels (21DMA< 23.6% fibo).

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

Gold Weekly Chart: Bearish Divergence?

Gold has failed to make much headway over the last 3 weeks. Last seen at 2499 levels. S

Mild bullish momentum on weekly chart shows signs of fading while RSI eased from near overbought conditions. Potential bearish divergence appears to be forming on MACD, RSI. A turn lower is technically possible.

Support at 2450 levels, 2392 (21 WMA).

Resistance at 2533 (recent high).

Silver Daily Chart: Downside Risk

Silver traded lower last week. Last seen at 28.50 levels.

Bullish momentum on daily chart shows signs of fading while RSI fell. Risks skewed to the downside.

Support here at 28.40/50 (38.2% fibo retracement of 2024 low to high, 21 DMA), 27.21 (50 % fibo) and 26.60 (200 DMA)

Resistance at 29.15 (50, 100 DMAs), 30 levels (23.6% fibo).

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

Medium Term FX Forecasts

Currency Pair	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
USD-JPY	142.00	138.00	136.00	135.00	135.00
EUR-USD	1.1050	1.1150	1.1150	1.1200	1.1250
GBP-USD	1.3150	1.3200	1.3240	1.3300	1.3350
AUD-USD	0.6700	0.6750	0.6800	0.6850	0.6900
NZD-USD	0.6100	0.6050	0.6100	0.6100	0.6150
USD-CAD	1.3600	1.3550	1.3500	1.3450	1.3400
USD-CHF	0.8600	0.8550	0.8550	0.8550	0.8500
USD-SEK	10.60	10.48	10.33	10.25	10.00
DXY	101.54	100.48	100.15	99.67	99.21
USD-SGD	1.3150	1.3120	1.3100	1.3100	1.3100
USD-CNY	7.1800	7.1700	7.1500	7.1200	7.1100
USD-CNH	7.1800	7.1700	7.1500	7.1200	7.1100
USD-THB	34.80	34.50	34.40	34.30	34.10
USD-IDR	15600	15500	15400	15300	15350
USD-MYR	4.4000	4.3700	4.3600	4.3500	4.3400
USD-KRW	1320	1310	1300	1290	1280
USD-TWD	31.80	31.50	31.30	31.20	31.20
USD-HKD	7.8000	7.8000	7.7900	7.7800	7.7600
USD-PHP	56.20	56.00	56.00	55.60	55.60
USD-INR	83.80	83.30	83.30	83.40	83.10
USD-VND	25000	24900	24700	24650	24500
EUR-JPY	156.91	153.87	151.64	151.20	151.88
EUR-GBP	0.8403	0.8447	0.8421	0.8421	0.8427
EUR-CHF	0.9503	0.9533	0.9533	0.9576	0.9563
EUR-SGD	1.4531	1.4629	1.4607	1.4672	1.4738
GBP-SGD	1.7292	1.7318	1.7344	1.7423	1.7489
AUD-SGD	0.8811	0.8856	0.8908	0.8974	0.9039
NZD-SGD	0.8022	0.7938	0.7991	0.7991	0.8057
CHF-SGD	1.5291	1.5345	1.5322	1.5322	1.5412
JPY-SGD	0.9261	0.9507	0.9632	0.9704	0.9704
SGD-MYR	3.3460	3.3308	3.3282	3.3206	3.3130
SGD-CNY	5.4601	5.4649	5.4580	5.4351	5.4275
SGD-IDR	11863	11814	11756	11679	11718
SGD-THB	26.46	26.30	26.26	26.18	26.03
SGD-PHP	42.74	42.68	42.75	42.44	42.44
SGD-VND	19011	18979	18855	18817	18702
SGD-CNH	5.46	5.4649	5.4580	5.4351	5.4275
SGD-TWD	24.18	24.01	23.89	23.82	23.82
SGD-KRW	1003.80	998.48	992.37	984.73	977.10
SGD-HKD	5.9316	5.9451	5.9466	5.9389	5.9237
SGD-JPY	107.98	105.18	103.82	103.05	103.05
Gold $/oz	2465.00	2495.00	2515.00	2535.00	2550.00
Silver $/oz	29.00	29.35	29.59	29.82	30.72

Source: OCBC Research (Latest Forecast Updated: 27th August 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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