

FX Weekly

31 January 2024

Policy Divergence Trades

Long Gold. Geopolitical developments appear to have some bearing on markets lately. White House pledged to retaliate after Iranian-backed militants killed 3 US servicemen. Oil jumped >4% (trough to peak for Fri) while safe-haven proxies, gold and CHF firmed. This week's focus: China PMIs (Wed), **FoMC (Thu, 3am SGT)** and US payrolls (Fri). For FoMC, we will be watching for clues on timing of Fed cut and guidance on QT. Softer core PCE (2.9% y/y) reinforced disinflation trend in US and if we do get a softer NFP print, USD can ease. But given geopolitical risks, we favour expressing short USD via long gold, CAD.

Tactical Short EURSGD on ECB-MAS Policy Divergence. Lagarde's pushback against early start of easing cycle was perceived as not strong enough while another ECB heavyweight, Villeroy turned dovish (indicated rate cut can happen anytime this year). Market bets have shifted in favour of an earlier cut in Apr (more than 80% priced vs. <20% probability a week ago). On net, the risk of an earlier ECB cut, alongside still contractionary PMI readings in Europe suggest that EUR may be biased to the downside for now. On the other hand, MAS policy is likely to be on an extended pause into Apr MPC. As such, S\$NEER should continue to trade bid as MAS's policy stance remains on an appreciation stance while core CPI is expected to remain sticky and fall more only from 4Q 2024. We see room for EURSGD to drift lower amid dovish ECB-still hawkish MAS policy divergence.

Sell USDJPY on Rallies. We believe BOJ is paving way for a move, sooner rather than later. Governor Ueda highlighted that policy change at meeting can happen with or without quarterly outlook. This implies that every meeting is probably *live*. Governor Ueda also commented that many businesses have decided on wages early this time and does not need all SMEs to hike wages significantly for a policy change. This also implies that BoJ decision does not necessarily have to wait till shunto negotiation is over. 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.

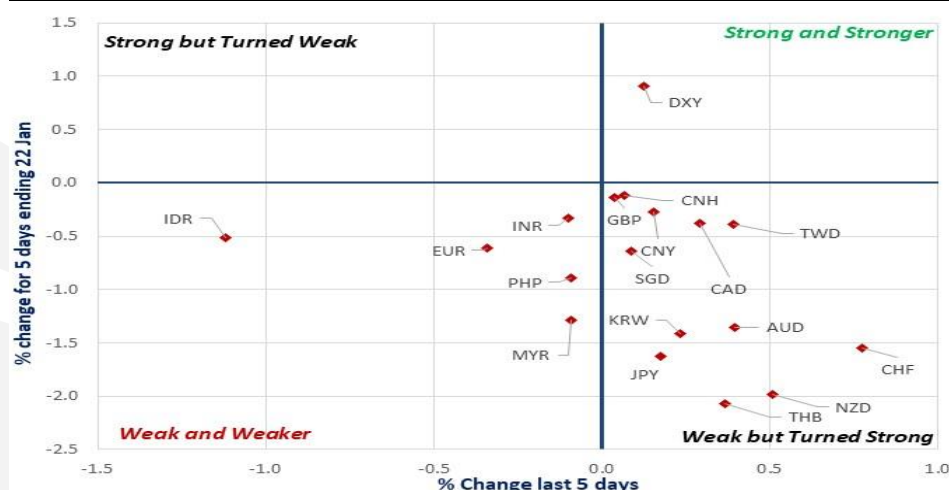
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FX – Turning or Trending – FX in Consolidation; IDR Backfooted



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (4Q 2023)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 1 for PHP
No. 2 for TWD

(3Q 2023)

By Region:
No. 7 for G10 Major FX

AxJ Positioning Bias (Reuters Poll)

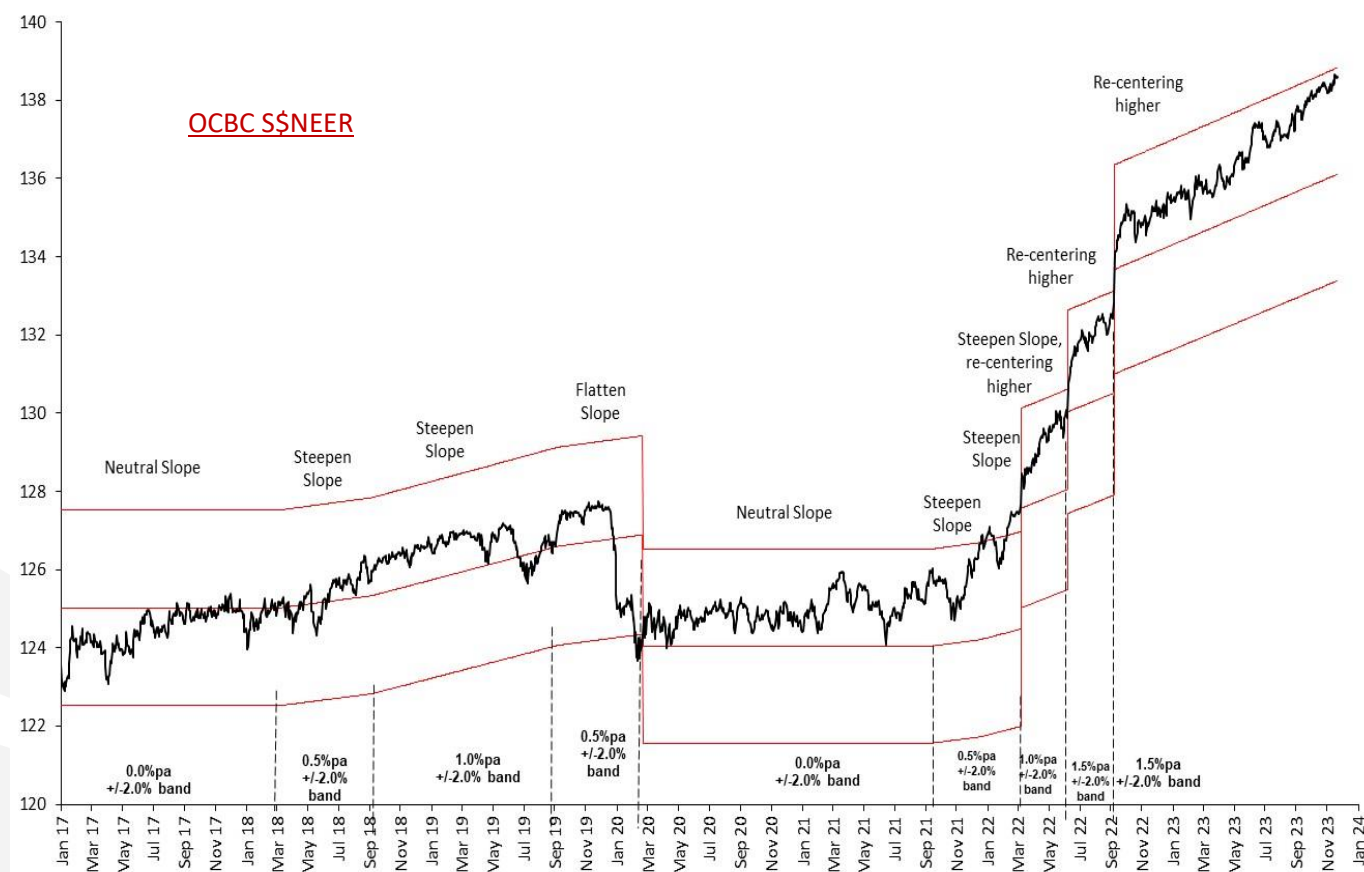
Based on Reuters survey on Asia FX positioning, bets on most AxJ FX turned more bearish as markets scaled back on aggressive Fed cut expectations. Amongst AxJs, bearish bets on THB, SGD and TWD jumped the most while bearish bets are highest on MYR. It remains a USD and negative yield differential story for MYR. Bearish bets on KRW and THB ranked the second highest amongst AxJs. INR was the only AxJ that markets have a mild bullish position on.

	21-Sep-23	05-Oct-23	19-Oct-23	02-Nov-23	16-Nov-23	30-Nov-23	14-Dec-23	11-Jan-24	25-Jan-24	Trend
USD/CNY	1.29	1.17	1.02	1.32	0.77	0.12	0.02	0.18	0.37	
USD/KRW	0.94	1.25	1.16	1.18	0.49	-0.05	-0.09	0.3	0.9	
USD/SGD	0.61	0.81	0.84	0.74	0.38	-0.07	-0.22	0.02	0.28	
USD/IDR	0.84	1	1.06	1.44	0.77	-0.05	-0.05	0.19	0.51	
USD/TWD	0.98	1.25	1.06	1.31	0.63	-0.13	-0.33	0.05	0.49	
USD/INR	1	0.92	1.21	1.35	0.82	0.63	0.34	-0.15	-0.18	
USD/MYR	1.03	1.08	0.78	1.33	1.14	0.73	0.58	0.72	1.07	
USD/PHP	0.64	0.75	0.89	0.96	0.38	-0.1	-0.22	0.09	0.5	
USD/THB	0.83	1.03	0.67	0.85	0.28	-0.1	0.16	0.03	0.9	

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: 25 Jan 2024], OCBC Research

S\$NEER Continues to Trade on the Strong Side of the Band



Source: Bloomberg, OCBC Research

Non-Commercial CME CFTC Net Positioning (in number of contracts) vs. Respective FX/USD

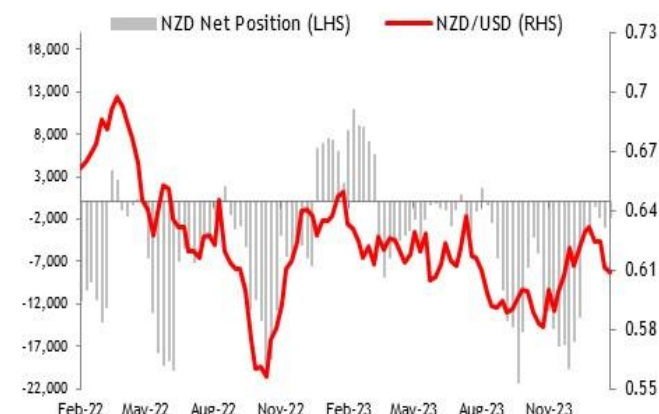
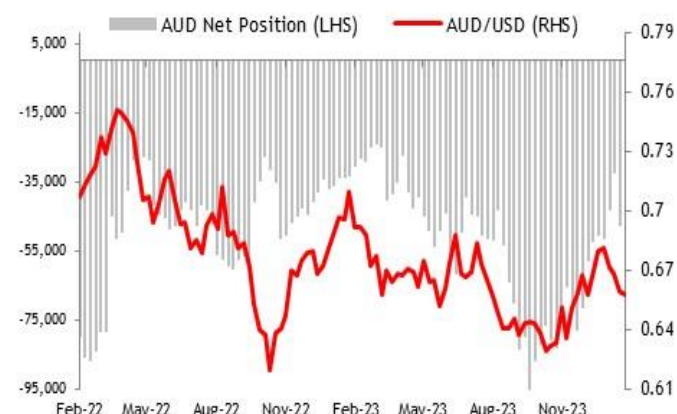
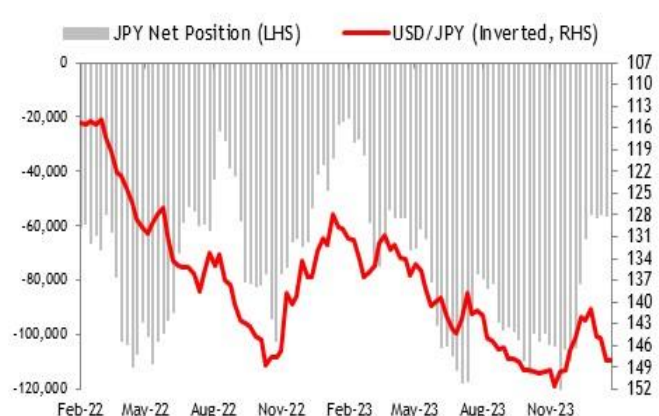
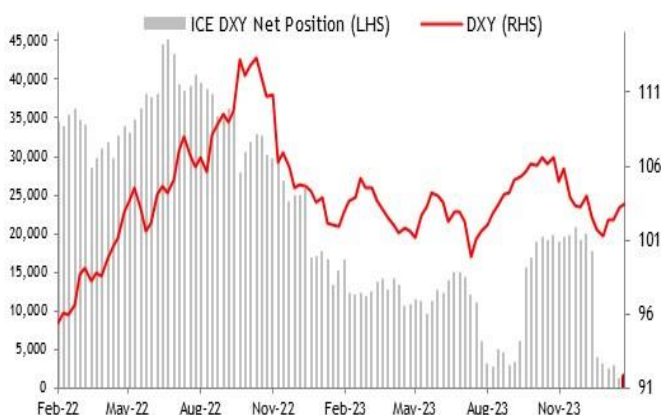
- Positioning data as of 23 Jan; Latest CFTC report issued on 26 Jan 2024; data points of the past 2Y on weekly frequency

Long DXY position rose slightly alongside the rise in DXY.

EUR longs was reduced to more than 2-month low alongside decline in EUR.






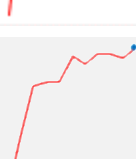

JPY shorts rose alongside the dip in JPY (vs. USD).

Short position in AUD rose alongside the pullback in AUD.



Notes: The FX positioning data for this report is part of the Commitments of Traders (COT) report published by the US Commodity Futures Trading Commission (CFTC) on every Friday (330pm ET) for data up to the Tue in the same week. Hence our FX Weekly publication will show a 1-week lag. In our report, we focus on non-commercial traders' position which is typically seen as a proxy for leveraged, speculative positioning. They can provide directional cues, used as a rough gauge to measure how stretched a position may be and provide some guide for point of inflection.

Source: US CFTC, OCBC Research

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	Mon: Dallas Fed mfg activity (Jan); Tue: Consumer confidence (Jan); JOLTS job openings (Dec); Wed: ADP, Chicago PMI (Jan); employment cost index (4Q) Thu: FoMC decision ; ISM mfg (Jan); Fri: Payrolls report , Uni of Michigan sentiment (Jan)		S: 102.15; R: 104.60
EURUSD	Mon: - Nil – Tue: Consumer confidence (Jan); GDP (4Q); Wed: - Nil – Thu: PMI Mfg, CPI estimate (Jan); unemployment rate (Dec) Fri: - Nil –		S: 1.0720; R: 1.0980
GBPUSD	Mon: - Nil – Tue: - Nil – Wed: Lloyds business barometer, nationwide house prices (Jan); Thu: PMI Mfg (Jan); BoE MPC Fri: 1y CPI expectations (Jan)		S: 1.2460; R: 1.2880
USDJPY	Mon: - Nil – Tue: Jobless rate (Dec); Wed: Retail sales, IP, housing starts (Dec); consumer confidence (Jan); Thu: PMI Mfg (Jan) Fri: - Nil –		S: 144.50; R: 149.80
AUDUSD	Mon: - Nil – Tue: Retail sales (Dec); Wed: CPI (4Q) ; private sector credit (Dec); Thu: PMI Mfg (Jan); Building approvals (Dec); import/ export price index, NAB business confidence (4Q); Fri: PPI (4Q)		S: 0.6500; R: 0.6730
USDCNH	Mon: - Nil – Tue: - Nil – Wed: NBS PMIs – mfg, non-mfg (Jan); Thu: Caixin Mfg PMI (Jan) Fri: - Nil –		S: 7.1400; R: 7.2400
USDKRW	Mon: - Nil – Tue: Retail sales (Dec); Wed: Industrial production (Dec); Thu: Trade, PMI Mfg (Jan); Fri: CPI (Jan)		S: 1310; R: 1348
USDSGD	Mon: MAS Policy decision; Tue: - Nil – Wed: Deposits & balances of residents outside SG, unemployment rate (Dec); Thu: - Nil – Fri: PMI (Jan)		S: 1.3310; R: 1.3500
USDMYR	Mon: - Nil – Tue: - Nil – Wed: - Nil – Thu: PMI Mfg (Jan) Fri: - Nil –		S: 4.6800; R: 4.7600
USDIDR	Mon: - Nil – Tue: - Nil – Wed: - Nil – Thu: PMI Mfg, CPI (Jan) Fri: - Nil –		S: 15,630; R: 15,850

Source: Bloomberg, OCBC Research

Key Themes and Trades



FoMC, NFP in Focus This Week. DXY traded little changed over the past 5 days but looking beyond the DXY index, the USD had traded lower against most currencies, including THB, CHF. Both were up 1% vs. USD. Basically, DXY level masked the real moves of USD as it was distorted by moved in EUR, which was on the whole weaker (EUR's weight is 57.6% in DXY index). Decline in USD was due to softer US data, including PCE core (last Fri), Dallas Fed mfg index as well as the pullback in UST yields after US Treasury trimmed 1Q quarterly refunding target.

US Treasury's estimates for 1Q borrowing was much lower than expected. Our rates strategist shared that the UST curve ended the session 2-6bps lower and flatter. For the January-March quarter, Treasury now expect marketable borrowing at USD760bn, lower than the previous estimate of USD816bn, largely due to projections of higher net fiscal flows and a higher beginning of quarter cash balance (TGA balance at USD769bn at end-Dec versus target of USD750bn; TGA balance rose further to USD830bn on 25 January). Market awaits the notes/bill refunding plan to be announced on Wednesday on the adjustment in coupon bond supply vis-à-vis bills supply. We suspect the reduction in borrowing needs will be skewed towards lower bills supply as after all, part of the reduction in borrowing needs is due to higher TGA balance and it would be a good opportunity for Treasury to reduce the % share of bills.

This week is heavy on data calendar with JOLT job openings, conference board consumer confidence (today); ADP employment, Chicago PMI, employment cost index, quarterly refunding plan for notes and bills (Wed); FoMC decision, ISM mfg (Thu) and payrolls report, Uni of Michigan sentiment, inflation expectations (Fri). For FoMC, we will be watching for clues on timing of Fed cut/push back against earlier easing and guidance on QT. 30d Fed fund futures implied slightly <50% probability of cut at Mar FoMC while the timing of first Fed cut is fully priced in for May FoMC. This is now in line with our house view for first Fed cut to happen in 2Q. Softer core PCE (2.9% y/y) reinforced how entrenched disinflation trend in US is and if we do get a softer NFP print, USD can ease.

USD risks are somewhat balanced entering into FoMC. Last at 103.60 levels. Bullish momentum on daily chart shows tentative signs of fading while RSI eased. Risks skewed modestly to the downside for now. Support at 103.10 (38.2% fibo), 102.6 (neckline of inverted h&s, 21DMA) and 102.20 (23.6% fibo). Resistance at 103.8 (50% fibo retracement of Nov high to Dec low) and 104.60 (61.8% fibo).

Overall, we remain biased for a moderate and soft USD profile, given softening US data and less hawkish Fed's rhetoric. More entrenched disinflation trend and further easing of labour market tightness, activity data in US should continue to see USD trade on a backfoot. We remain biased to adopt a "sell-on-rally" for USD as Fed is done with tightening for current cycle. That said, USD is not a one-way trade. As markets reduce their rate cut bets in reaction to central bank push backs, the USD would be subjected to rebound. Furthermore, USD remains a safe-haven proxy. A scenario of global, China growth momentum sputtering, global risk-off or escalation in geopolitical tensions could still see USD finding intermittent support on dips. Given the potential for Fed's pivot, the next leg of USD's decline will depend on 1/ how much more markets expect the Fed to cut (dependent on US data) and 2/ how global growth pans out. If global growth can trudge along well, alongside a more sustained exports recovery momentum seen in Asia so far, then counter-cyclical USD could further stay under pressure for the coming months ahead. Asian FX can recover on a few fronts: 1/ yield differentials to narrow in favour of Axs; 2/ trade rebound; 3/ eventual return of portfolio flows.



Short Bias. EUR continued to trade lower as markets reprice a dovish ECB. EUR was last at 1.0840 levels. Mild bearish momentum on daily chart intact while RSI slipped. Consolidation likely with bias to the downside in the interim. Support at 1.08 (50% fibo) and 1.0780 (100 DMA). Resistance at 1.0875 (38.2% fibo retracement of Oct low to Jan high), 1.0920 levels (21, 50 DMAs).

Post-ECB at the press conference (25 Jan), Lagarde's pushback against early start of easing cycle was perceived as not strong enough though she stood by her comments (made at Davos earlier) on the summer timing of rate cut. She also commented on a slight decline in wage growth and that volume of

job openings is seeing a slight reduction. Market bets have shifted in favour of an earlier cut in Apr (more than 80% priced vs. <20% probability a week ago). ECBspeak remains divided but is starting to show a dovish tilt. ECB heavyweight, Villeroy turned dovish as he indicated rate cut can happen anytime this year while Centeno continued to call for “sooner rather than later” on easing policies. Kazaks said that negative supply shocks are reason to be patient and geopolitical issues are slowing down growth. Muller said that core inflation, wage growth still elevated, and it is still too early to talk about rate cuts while Vujcic said there was no dovish tilt at the recent ECB meeting. On net, the risk of an earlier ECB cut, alongside still contractionary PMI readings in Europe suggest that EUR may be biased to the downside for now unless Fed takes on a more dovish stance at the upcoming FoMC.

Broadly for 2024, we remained neutral on EUR’s outlook. Slowing growth in Euro-area and election risks are some factors that may restrain EUR bulls. There is risk that ECB may now cut earlier than expected and this is a fresh factor that may weigh on EUR in the interim. That said, the quantum of ECB cut as anticipated by markets remain unchanged and there are tentative signs that Europe economy may be on the mend, as seen in Jan PMIs (though it remains highly tentative at this point). We see risks of EUR trading lower in 1H on risk of earlier rate cut but do not expect the quantum of cuts to be increased. So, in a way, we see EUR downside risks being front-loaded and EUR to play catch-up on gains in 2H when Fed cuts get underway. Some degree of ECB-Fed policy convergence is still possible in 2H and that should still be supportive of EUR upside trajectory. But in the next 2 quarters, we pencilled in a flat trajectory and lowered our forecasts.

Key downside risks to EUR’s outlook are an earlier than expected dovish ECB pivot (risk being played out now) and/or more dovish ECB and/or growth momentum in Euro-area continues to decelerate sharply. Meanwhile, elections in Euro-area are plenty with Portugal holding parliamentary election in Mar, Belgium and European parliamentary election in Jun, Austria in Sep, and Lithuania in Oct. Dutch election outcome (Far-Right Geert Wilders, known for anti-Islamic Euroskeptic views won most seats) is a reminder that far-right popularity may further gather traction in Europe and this may bring back fears of Euro break-up, referendum risks again. Election risk is worth keeping a close watch as the past decade has shown that rise in far-right sentiments can undermine EUR.

But there are also upside risks to our neutral outlook. While PMIs are sluggish in Euro-area, a potential turnaround cannot be ruled out. In addition, should China stabilisation story gather momentum, that can also boost Euro-area exports, growth outlook. A better growth story in Euro-area can push back against aggressive rate cut expectations and this can be supportive of EUR rebound.



Will BoE Hint? GBP continued to trade in subdued range as markets await BoE meeting (Thu). While the BoE is widely expected to keep policy rate on hold, markets will be watching out for any hints of BoE embarking on starting its rate cut cycle earlier. Markets are now pricing 56% probability of 25bps cut at May MPC (vs. <50% probability a week ago). Any hint from BoE MPC that suggests an earlier cut/ dovish tilt could send GBP bulls into hibernation. Recall at the last MPC in Dec-2023, 3 members out of 9 members voted for rate hikes while Governor Bailey said there was “some ways to go” in the fight against inflation. That said, so long the remarks from BoE officials do not sound overly dovish, we reckon the pullback may provide an attractive point for GBP bulls to re-enter. On the data front, UK economy has been fairly resilient. Services PMI is still in expansionary territory (53.8 vs. 53.4 prior) while mfg PMI though in contractionary territory, has improved (47.3 vs. 46.2 prior). Business optimism and consumer confidence were also improving while public sector net borrowing (ex-banking groups) came in much lower than expected (GBP7.8bn vs. 14.1bn expected). Overall, these positives should continue to support GBP.

GBP was last at 1.2705 levels. Momentum and RSI indicators on the daily chart are flat for now. 2-way risks ahead. Support at 1.2670 (50 DMA), 1.2590 (50% fibo retracement of Jul high to Oct low). Resistance at 1.28, 1.2880 (76.4% fibo).

Barring the risks of some near term pullback in the leadup to BoE MPC, we still see room for GBP to recover on a combination of mild positives: UK demand growth proved resilient (owing to strong labour market, falling energy prices), consumer confidence rebounding, labour market remains tight alongside higher real wages, higher participation, BOE potentially keeping rates elevated for awhile longer (yield allure) while better finances (fiscal headroom) allow for some degree of stimulus ahead of elections. Chancellor Hunt introduced measures to reduce debt, cut taxes and reward work. OBR expects UK economy to expand 0.6%, 0.7% and 1.4% in 2023, 2024 and 2025, respectively. BoE may have room to keep rates high for a little longer than the Fed and ECB. BoE's Chief Economist Huw Pill said that key price gauges (i.e., wage growth, service inflation, etc.) very elevated in UK. He also said that BoE will not relent of its fight against inflation despite signs that UK economy is softening. We still hold to a mild upward trajectory for GBP as BoE is likely to keep rates restrictive for a little longer as inflationary pressures remain, and potential BoE-Fed policy divergence may be supportive of GBP. Risk to our outlook: an earlier than expected BoE pivot; growth slowdown in UK, actual public finances turn out to be worse than expected and/or energy prices surge.

Stay Short. USDJPY traded lower, in line with our call to sell rallies. The recent move lower was due to softer UST yields, following lower than expected US Treasury's estimates for 1Q borrowing. Entered short at 148.10 (29 Jan). To take profit at 141. SL at 152. Pair was last at 147.40 levels. Bullish momentum on daily chart is fading while RSI fell. Risks skewed to the downside. Support at 146.25 (21 DMA), 146.10 (50% fibo retracement of Nov high to Dec low) and 144.70 (38.2% fibo). Resistance at 148.20, 148.80 levels before 149.20 (76.4% fibo).

While BoJ kept policy settings unchanged as widely expected at the last MPC (23 Jan), Governor Ueda's comments at the press conference did hint at a potential move. We believe BOJ is paving way for a move, sooner rather than later. Governor Ueda highlighted that policy change at meeting can happen with or without quarterly outlook. This implies that every meeting is probably live. Governor Ueda also commented that many businesses have decided on wages early this time and does not need all SMEs to hike wages significantly for a policy change. This also implies that BoJ decision does not necessarily have to wait till shunto negotiation is over. 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.

We still hold to our long-standing view for the removal of the YCC, NIRP regimes sometime before mid-2024 (soon rather than later). Inflationary pressures are broadening (though headline rose slower, services CPI rose at its fastest pace since Oct-1993 excl impact of sales tax hike); growth outlook is improving and upward pressure on wage growth remains intact. Japan business federation is calling on employers to offer wage hikes of at least 4% spring wage negotiation started, other industry unions (RENGO, UA Zensen) are calling for 5-6% wage hike. Most recently, a major Japanese broker house announced salary hike of 16% for younger staffers. Recall that for 2023, large firms belonging to Keidanren raised total pay increasing base pay for their employees by 3.99% (the biggest increase in 30 years). Recent 4Q Tankan survey for both manufacturing and non-manufacturing continued to point to further upside. All of these reinforced our expectations for a BoJ move. Back-to-back annual wage increases (by larger magnitude this year) is probably something Japanese officials are hoping for with regards to a BoJ move.

Looking out, we expect USDJPY to trade lower on the back of a moderate-to-soft USD profile (as Fed is likely to embark on rate cut and USD can fall) and on expectation for further BoJ shift towards policy normalisation amid higher services inflation and wage pressures in Japan.



Sideways. AUD traded firmer, tracking the move higher in commodity (including copper) prices, higher ASX200 (to record high) while prelim PMIs saw improvements. Manufacturing sector returned to expansionary territory (50.3 vs. 47.6 prior) while services sector saw modest improvement thought still in contractionary territory (47.9 vs. 47.1 prior). Focus this week on AU 4Q CPI (Wed) as this data print may lead to hints at upcoming RBA MPC (6 Feb) while FoMC decision could also be interest as markets watch for hints of dovish tones/pushback against easing/QT plans. Pair was last seen at 0.6620 levels.

Bearish momentum on daily chart is fading while RSI rose. We remain bias to buy dips. Resistance at 0.6640 (38.2% fibo retracement of Oct low to Dec high, 21 DMA), 0.6730 (23.6% fibo). Support at 0.6570/80 levels (50% fibo, 200 DMA), 0.6500/30 (61.8% fibo, 100 DMA) and 0.6450.

We remain broadly constructive on AUD outlook in coming months on the back of: 1/ signs that China growth may be stabilising; 2/ RBA to be on hold for longer (possibly one of the last major central banks to cut rates); 3/ a more moderate-to-soft USD profile into 2024 (as Fed nears end tightening cycle and embark on rate cut cycle in 2Q 2024); 4/ higher commodity prices; 5/ possibly warmer ties between Australia and China to support investment and trade flows benefits AUD. On AU-China relations, development has been promising. Australia PM's visit to Beijing on 6th Nov and a restart of high-level talks between Australia and China in Beijing provided a platform for senior reps from industry, government, etc to exchange perspectives across the breadth of bilateral relationship. That was the first time since early 2020 that a dialogue has been held and PM Albanese's visit was the first visit made by an Australian leader in 7 years. This represents an important step towards warmer bilateral ties. Australia is looking to work with China to lift restrictions on other Australian imports such as wine, etc. Other notable developments this year include: 1/ China imports of Australian timber resumed since mid-May (halted since late 2020 and is worth approx. A\$600mio); 2/ China lifted tariff on import of Australian barley (5 Aug), hay; 3/ China's top steelmaker and 3 central government-backed utilities have resumed coal imports from Australia in 2023; 4/ wine, crayfish, and meat are outstanding items that could potentially see restrictions lifted by Beijing. We have shared that the tourism, education, and property sectors in Australia could benefit if relations between China and Australia further warm up, and this can be a positive for AUD.

Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if Fed tightening cycle unexpectedly extends; 3/ global growth outlook – if DM's slowdown deteriorates; 4/ any market risk-off event (i.e., escalation in Israel-Hamas conflict).



Short EURSGD. In its first quarterly MPC (29 Jan), MAS maintained policy status quo as widely expected. The main highlight was that core CPI is "expected to rise in current quarter...to step down by 4Q and fall more in 2025". MAS also maintained the view that both upside and downside risks to inflation outlook remain - shocks to global energy and food commodity prices as well as any unexpected weakening in the global economy could induce a faster easing of cost and price pressures. Nevertheless, given MAS' upward expectations on core CPI profile, we believe MAS is likely to be on an extended pause well past Apr MPC.

S\$NEER continues to trade in the strong side of its band. We estimate the S\$NEER at ~1.8% above our model-implied mid and should continue to trade bid (vs. trade-weighted partner currencies) as MAS's policy stance (appreciation stance) should persist due to stickiness of core CPI while MAS projections only has core CPI falling more only from 4Q 2024 (vs. earlier projection when core CPI is expected to resume a broadly moderating trend over the year).

We can expect S\$NEER strength to fade at some point this year should core inflation in Singapore start to ease. At that point, the S\$ strength we've seen for large part of 2023 can potentially taper off against some of its major trade partners. 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. To put in context, if we get a scenario of core inflation easing further in Singapore, USD decline and sentiment is risk-on, then other currencies within the trade baskets may have more room to appreciate vs. SGD. To some extent, that scenario could possibly see low-beta SGD trade on the back foot vs. some of the currencies in its trade basket (non-USD).

USDUSD was a touch softer this week. Last at 1.3390 levels. Bullish momentum on daily chart is fading while RSI fell. Consolidation likely with slight risks to the downside. Support at 1.3390 (38.2% fibo retracement of Oct high to Dec low), 1.3360 (50 DMA) and 1.33 levels (23.6% fibo). Resistance at 1.3460 (200 DMA, 50% fibo), 1.35 (100 DMA). This week we watch clues from US quarterly refunding plans –

implications on yields and USD (Wed); FoMC (Thu) and US payrolls (Fri). Tactically, we entered into short EURSGD (29 Jan) at 1.4535 on the back of ECB-MAS policy divergence play. 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. Target to TP at 1.4130. SL at 1.4720.

Looking out into our forecast horizon, we still expect a mild downward trajectory for USDSDG, premised on our view for a moderate-to-soft USD outlook, on expectations that Fed is likely at end of tightening cycle/to embark on rate cut cycle in 2Q 2024 and on expectations that China growth has probably found a bottom.



Fix-Survey Gap to Manage RMB Expectations. USDCNH traded modestly higher despite bearish sentiments in local equities (Shenzhen composite is down >12% YTD). PBoC has continued to use the daily RMB fix to manage RMB expectations. USDCNY fix-Survey expectations remains wide at -684pips today (vs. -671pips 5d average) while fix was set relatively steady at 7.1055 (vs. 7.1097 yest). Markets are still on the lookout for more support measures, in particular targeting consumption, rate cuts following the recent 50bps RRR cut, the lowering of rates on relending funds to banks that lend to agricultural sector and small firms, allowing bank loans pledged by developers' commercial properties to be used to repay other loans and bonds as well as reports that China is considering to mobilise RMB2tn to buy onshore equity. We opined that policymakers should ride on the momentum by announcing some form of support measures for the economy targeting consumption. These, alongside the 1tn liquidity injection (RRR cut) and potential support (2tn) for equity market can help rebuild credibility and shore up investor confidence. That said, there is still a fair amount of market scepticism over how sufficient the measures are but if the plan to rescue China shares does materialise sooner rather than later, alongside other support measures, then risk proxies, including AUD, KRW can benefit while CNH could see greater relative stability. However, absence of new measures in due course can be a setback on earlier-announced measures. This will further weigh on sentiments.

USDCNH was 7.1865 levels. Daily momentum is flat while RSI slipped. Range-bound trade with slight risk to the downside likely in the interim as markets await USD cues from FoMC, NFP later this week. Resistance at 7.22, 7.24 levels. Support at 7.1810 (21 DMA), 7.1640 (50 DMA).

We expect RMB weakness to moderate as there are tentative signs of stabilisation (may be fragile for now) in China growth while there is also so much pessimism in the price. That said, any meaningful recovery in RMB would require patience. A more material recovery in RMB would require China economic activities to pick up, confidence to be "repaired" (foreign inflows to return) and USD to turn lower.

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			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. [LIVE]	
29-Jan-24	Short USDJPY	148.10			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. [LIVE]	

Note: Close level is average of 1st, 2nd and 3rd objectives for take profit scenario; TP refers to take profit; SL refers to stop-loss

Selected SGD Crosses

SGDMYR Daily Chart: Supported



SGDMYR continued to hover near recent high. Cross was last at 3.5305 levels.

Daily momentum is bullish while RSI showed signs of falling from overbought conditions. Bias still to the upside in the interim.

Resistance at 3.5380 levels (last week high), 3.55 levels.

Support at 3.5060 (21 DMA), 3.50 levels (50DMA, 23.6% fibo), 3.4780 (38.2% fibo retracement of Jul low to Dec high, 100 DMA).

SGDJPY Daily Chart: Consolidation; Bias to Sell Rallies



SGDJPY consolidated last week, in line with our call that gains may slow. Cross was last at 110.30 levels.

Bullish momentum on daily chart is fading while RSI shows signs of turning lower from near overbought conditions. Consolidation likely but bias to sell rallies.

Resistance at 110.85, 112.23 (Nov high).

Support at 109.30 levels (21, 50, 100 DMAs), 108.50 (23.6% fibo retracement of 2023 low to high).

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

SGDCNH Daily Chart: Sideways



SGDCNH was a touch firmer last week, rebounded off 200DMA. Cross was last at 5.3620 levels.

Daily momentum remains mild bearish while RSI rose. Risks skewed to the upside near term but largely should still trade sideways.

Support at 5.3440 (200 DMA).

Resistance at 5.3680 (23.6% fibo retracement of 2023 low to high, 50 DMA), 5.3790 (21 DMA) and 5.42 levels.

EURSGD Daily Chart: Tactical Short



EURSGD started to drift lower last week. Cross was last at 1.4540 levels.

Daily momentum turned mild bearish while RSI fell. Risks skewed to the downside. ECB-MAS policy divergence could still favour downside play tactically. Entered short at 1.4535. TP at 1.4130. SL at 1.4720.

Support at 1.4510 (50% fibo), 1.4420 (61.8% fibo retracement 2023 low to high) and 1.4310 levels (76.4% fibo).

Resistance at 1.46 (200 DMA), 1.4640 and 1.4720 levels (23.6% fibo).

GBPSGD Daily Chart: Consolidation; Await BoE



GBPSGD consolidated last week. Cross was last 1.7040 levels. Bullish momentum on daily chart faded while RSI was flat. Consolidation likely as we await BoE decision.

Price pattern continues to resemble a cup and handle (C&H) pattern. A rounding bottom can be seen with the low at 1.6550 levels while a handle could potentially be represented by the red bearish trend channel. This pattern is typically associated with a bullish continuation pattern.

Resistance at 1.7060 (61.8% fibo). A textbook objective of C&H pattern is about 1.73/1.74 levels.

Support at 1.6960 (50% fibo retracement of Jul high to Oct low), 1.69 levels (21 DMA).

AUDSGD Daily Chart: Mixed Technicals



AUDSGD consolidated last week, in line with our call for consolidation. Cross was last at 0.8845 levels.

Mixed technical. Bearish crossover observed (21DMA cut 50DMA to the downside). But bearish momentum on daily chart is fading while RSI rose. Consolidation likely to take hold in the interim. We look for better levels to buy dips.

Support at 0.8806 (100 DMA), 0.8750 (23.6% fibo).

Immediate resistance at 0.8845/50 levels (38.2% fibo retracement of Jun high to Oct low, 200 DMA), 0.8890 (21, 50 DMAs) and 0.8920 (50% fibo).

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

Gold Daily Chart: Upside Bias



Gold consolidated last week. Last seen at 2031 levels.

Bearish momentum on daily chart faded while RSI rose. Bias for upside play in the interim.

Resistance at 2038, 2058 levels (23.6% fibo).

Support at 2011 (38.2% fibo retracement of Oct low to Dec high), 2000 and 1973 levels (100DMA, 50% fibo).

Silver Daily Chart: Upside Risks



Medium Term FX Forecasts

FX	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
USD-JPY	140.00	138.00	136.00	135.00	134.00
EUR-USD	1.0750	1.0850	1.1000	1.1100	1.1100
GBP-USD	1.2800	1.2850	1.2900	1.3000	1.3050
AUD-USD	0.6800	0.6900	0.7000	0.7050	0.7100
NZD-USD	0.6300	0.6400	0.6500	0.6600	0.6650
USD-CAD	1.3200	1.3000	1.2800	1.2800	1.2700
USD-CHF	0.8600	0.8500	0.8500	0.8500	0.8450
USD-SEK	10.40	10.34	10.09	9.96	9.96
DXY	102.94	101.93	100.64	99.87	99.63
USD-SGD	1.3200	1.3180	1.3140	1.3090	1.3070
USD-CNY	7.1400	7.0900	7.0400	7.0300	6.9800
USD-CNH	7.1400	7.0900	7.0400	7.0300	6.9800
USD-THB	34.50	34.50	34.30	34.10	34.10
USD-IDR	15600	15550	15450	15350	15250
USD-MYR	4.6500	4.6300	4.6100	4.6000	4.5800
USD-KRW	1285	1265	1255	1240	1235
USD-TWD	30.85	30.75	30.65	30.40	30.30
USD-HKD	7.8000	7.7900	7.7800	7.7800	7.7900
USD-PHP	54.90	54.60	54.20	54.00	54.00
USD-INR	82.50	82.30	82.00	81.50	81.50
USD-VND	24200	24150	23950	23850	23700
EUR-JPY	150.50	149.73	149.60	149.85	148.74
EUR-GBP	0.8398	0.8444	0.8527	0.8538	0.8506
EUR-CHF	0.9245	0.9223	0.9350	0.9435	0.9380
EUR-SGD	1.4190	1.4300	1.4454	1.4530	1.4508
GBP-SGD	1.6896	1.6936	1.6951	1.7017	1.7056
AUD-SGD	0.8976	0.9094	0.9198	0.9228	0.9280
NZD-SGD	0.8316	0.8435	0.8541	0.8639	0.8692
CHF-SGD	1.5349	1.5506	1.5459	1.5400	1.5467
JPY-SGD	0.9429	0.9551	0.9662	0.9696	0.9754
SGD-MYR	3.5227	3.5129	3.5084	3.5141	3.5042
SGD-CNY	5.4091	5.3794	5.3577	5.3705	5.3405
SGD-IDR	11818	11798	11758	11727	11668
SGD-THB	26.14	26.18	26.10	26.05	26.09
SGD-PHP	41.59	41.43	41.25	41.25	41.32
SGD-VND	18333	18323	18227	18220	18133
SGD-CNH	5.41	5.38	5.36	5.3705	5.34
SGD-TWD	23.37	23.33	23.33	23.22	23.18
SGD-KRW	973.48	959.79	955.10	947.29	944.91
SGD-HKD	5.9091	5.9105	5.9209	5.9435	5.9602
SGD-JPY	106.06	104.70	103.50	103.13	102.52
Gold \$/oz	2065	2092	2105	2140	2160

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

Source: OCBC Research (Latest Forecast Update: 30th Jan 2024)

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