FX Weekly

05 March 2024

Slow Start to a Busy Week

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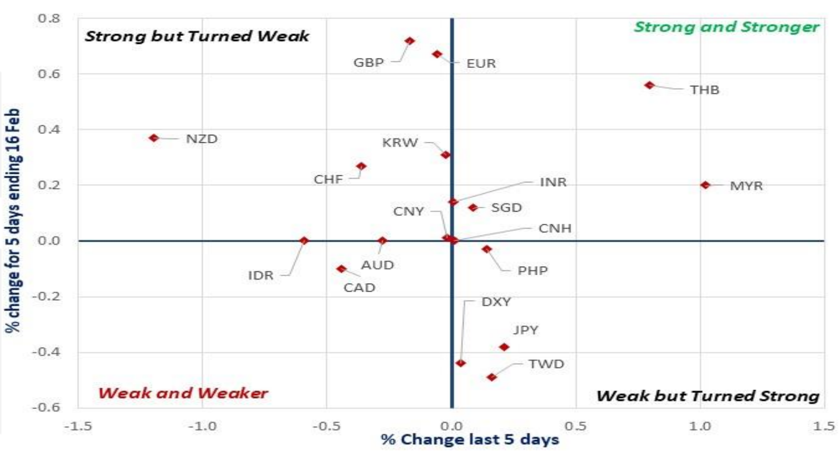
Fading US Exceptionalism. USD extended its decline this week as US growth outperformance came under scrutiny after US data surprised to the downside. ISM manufacturing disappointed while ISM new orders, employment slumped into contractionary territories. Other data including Kansas City Fed manufacturing, Chicago PMI, Uni of Michigan sentiment also fell while initial, continuing claims continued to rise. Softer data is consistent with our observation that the tightness in labour market and economic activities in US are already starting to ease. Moreover, disinflation trend remains intact.

Asynchronous Pivot. Higher real rates can be overly restrictive on the economy and that poses risks of hard landing down the road. Fed can afford to cut rates from elevated levels and gradual reduction from high levels does not imply outright accommodation but only means a less restrictive environment. Falling US rates can improve yield differential dynamics, and this can provide a breather for Asian FX including KRW, JPY and MYR. In the DM world, not all DM central banks will pivot at the same time. Asynchronous pivot will result in relative plays among some FX. Potentially, RBNZ, RBA may join the pivot party later. As such, NZD, AUD may hold up better though this also depends on broad market sentiments, China economy, etc. That week, **China NPC (5 – 11 Mar)** and **ECB meeting (Thu)** are of interest. **Tokyo CPI (Tue)** may also drive JPY volatility.

Big Week for USD. Focus is on **Powell's testimony to Congress on Wed and Thu** as well as **ADP on Wed, NFP on Fri**. We should expect Fed Chair Powell to reiterate patience and emphasize on no hurry to cut rates. However, these are known knowns and should not affect markets too much unless Powell signals more forceful pushbacks, that could lead to further hawkish repricing. For now, markets are pricing in about 90bps of cut for 2024, largely in line with Dec dot plot for 3 cuts. **Next set of dot plot projection on 21 Mar FoMC** will provide fresh clues. This week, **payrolls data on Fri may well have a bigger impact on USD** this week. Also, to note that Fedspeaks enter blackout this Fri.

FX – Turning or Trending – MYR, THB Leading Recovery



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)

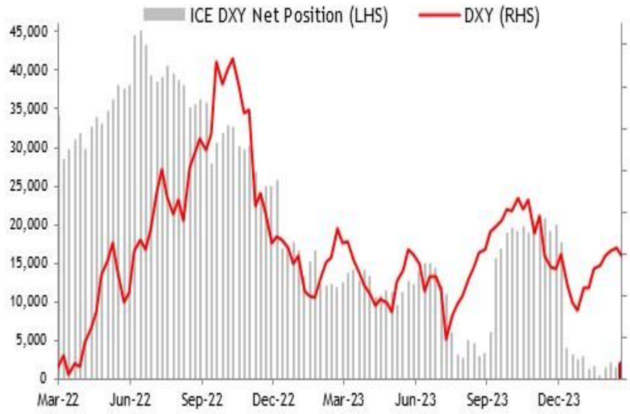
By Region:
No. 7 for G10 Major FX

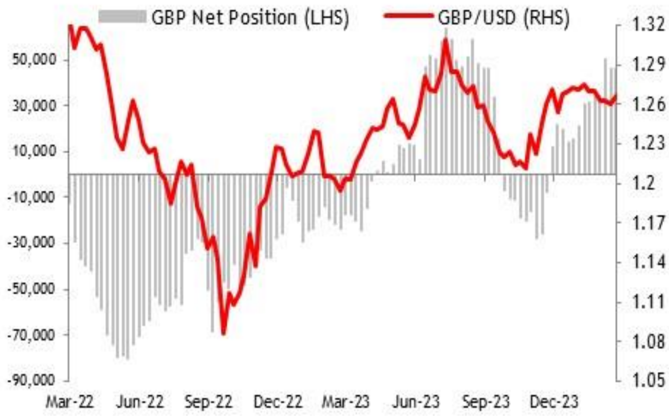
Please note that the next FX Weekly will return on 25 Mar 2024.

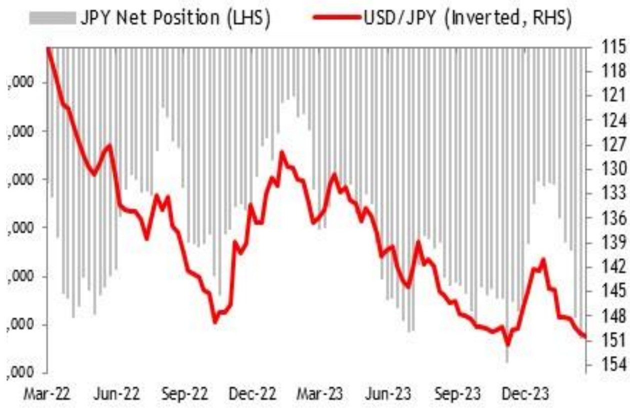
Non-Commercial CME CFTC Net Positioning (in number of contracts) vs. Respective FX/USD

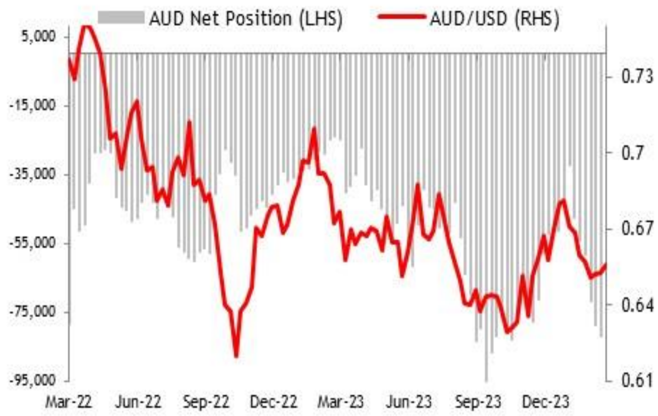
- *Positioning data as of 27 Feb; Latest CFTC report issued on 1 Mar 2024; data points of the past 2Y on weekly frequency*

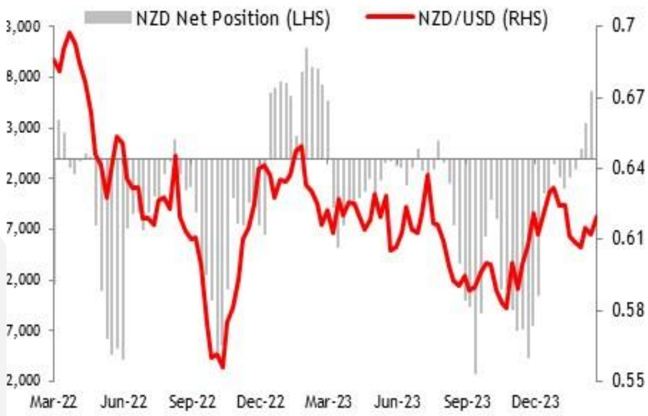
Long DXY position rose last week but this was before release of softer economic data. DXY eased.
JPY shorts continued to rise to multi-year high, but JPY refused to make fresh low (vs. USD).
AUD shorts was modestly reduced while AUD rose.
NZD long positions continued to build, alongside the rise in NZD.



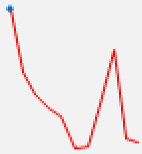
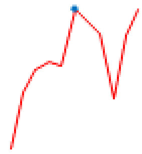
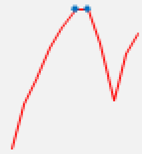
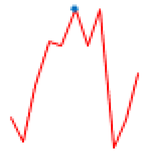
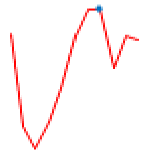
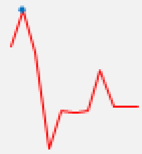
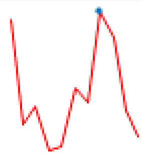
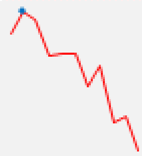
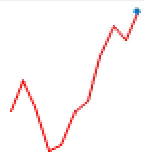








Notes: The FX positioning data for this report is part of the Commitments of Traders (COT report published by the US Commodity Futures Trading Commission (CFTC) on every Friday (330pm ET) for data up to the Tue in the same week. Hence our FX Weekly publication will show a 1-week lag. In our report, we 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**: - Nil – **Tue:** ISM services (Feb); Factory orders, durable goods (Jan); **Wed:** ADP Employment (Feb); JOLTS job openings (Jan); **Fed Chair Powell testifies before House Financial Services Committee**; **Thu:** Fed's beige book; Trade (Jan); **Powell testifies before senate banking committee**; **Fri**: NFP, unemployment rate, hourly earnings (Feb)		**S: 102.15; R: 105.10**
EURUSD	**Mon:** Sentix Investor confidence (Mar); **Tue:** Services PMI (Feb); PPI (Jan); **Wed:** Retail sales (Jan); **Thu: ECB policy decision**; **Fri:** GDP, employment (4Q)		**S: 1.0710; R: 1.0880**
GBPUSD	**Mon:** - Nil – **Tue:** Services PMI (Feb); **Wed:** Spring budget; Construction PMI (Feb); **Thu:** 1y CPI expectation **Fri:** - Nil –		**S: 1.2460; R: 1.2880**
USDJPY	**Mon:** Capex (4Q); **Tue: Tokyo CPI**, Services PMI (Feb); **Wed:** - Nil – **Thu:** Labor cash earnings (Jan); **Fri:** Current account (Jan)		**S: 146.10; R: 150.90**
AUDUSD	**Mon:** Building approvals (Feb); **Tue:** Services PMI (Feb); Current account (4Q); **Wed:** GDP (4Q); **Thu**: Trade (Jan); FX reserves (Feb) **Fri:** - Nil –		**S: 0.6460; R: 0.6730**
USDCNH	**Mon**: - Nil – **Tue:** Caixin services PMI (Feb); **Wed:** - Nil – **Thu:** Trade, FX reserves (Feb); **Sat:** CPI, PPI (Feb)		**S: 7.1600; R: 7.2460**
USDKRW	**Mon**: Industrial production (Jan); PMI Mfg (Feb); **Tue:** GDP (4Q); **Wed:** CPI, FX reserves (Feb); **Thu:** - Nil – **Fri:** Current account (Jan)		**S: 1310; R: 1348**
USDSGD	**Mon:** - Nil – **Tue:** PMI (Feb); Retail sales (Jan); **Wed:** - Nil – **Thu:** FX reserves (Feb); **Fri:** - Nil –		**S: 1.3310; R: 1.3530**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu: BNM MPC**, FX reserves **Fri:** - Nil –		**S: 4 7200; R: 4.8000**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** FX reserves (Feb) **Fri:** - Nil –		**S: 15560; R: 15,800**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Powell's Semi-Annual Testimony; Payrolls Data This Week. USD extended its decline this week as US growth outperformance came under scrutiny after US data surprised to the downside. ISM manufacturing disappointed while ISM new orders, employment slumped into contractionary territories. Other data including Kansas City Fed manufacturing, Chicago PMI, Uni of Michigan sentiment also fell while initial, continuing claims continued to rise. Softer data is consistent with our observation that the tightness in labour market and economic activities in US are already starting to ease. Moreover, disinflation trend remains intact.

True that the Fed is in no hurry to cut rate given the risk of sticky inflation and still resilient labour market. But higher real rates can be overly restrictive on the economy and that poses risks of hard landing down the road. Fed can afford to cut rates from elevated levels and gradual reduction from high levels does not imply outright accommodation but only means a less restrictive environment. Falling US rates can improve yield differential dynamics, and this can provide a breather for Asian FX including KRW, JPY and MYR. Our house view remains for Fed to embark on rate cut cycle in 2Q.

Focus this week on Powell's testimony to Congress on Wed and Thu as well as ADP on Wed, NFP on Fri. We should expect Fed Chair Powell to reiterate patience and emphasize on no hurry to cut rates. However, these are known knowns and should not affect markets too much unless Powell signals more forceful pushbacks, that could lead to further hawkish repricing. For now, markets are pricing in about 90bps of cut for 2024, largely in line with Dec dot plot for 3 cuts. Next set of dot plot projection on 21 Mar FoMC will provide fresh clues. This week, payrolls data on Fri may well have a bigger impact on USD this week. Also, to note that Fedspeaks enter blackout this Fri.

DXY was seen at 103.85 levels. Daily momentum is mild bearish while RSI fell. 2-way trades with slight bias to downside likely to continue. Support at 103.75/85 (50% fibo retracement of Nov high to Dec low, 200DMA) and 103.10/30 (38.2% fibo, 50DMA). Resistance at 104.15 (21 DMA), 104.60 (61.8% fibo) and 105 levels.

Overall, we remain biased for a moderate and soft USD profile as the Fed is done tightening and should embark on rate cut cycle in due course. Near term, the uncertainty on the timing of first Fed cut and magnitude of rate cut cycle will continue to drive 2-way risks in FX markets. US data will play a key role. 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. That said, USD is not a one-way trade. It remains a safe-haven proxy. A scenario of global, China growth momentum sputtering, global risk-off or escalation in geopolitical tensions would still see USD finding intermittent support on dips.

ECB Policy Decision on Tap This Week. EUR continued to drift slightly higher amid USD pullback while majority of recent ECBspeaks have also pointed to no hurry to cut rates. A few ECB members, including Lagarde also indicated that there are increasing signs of a bottoming-out and some forward-looking indicators pointed to a pick-up later this year. EUR was last at 1.0852 levels. Mild bullish momentum remains intact while RSI rose. Slight risks to the upside. Resistance at 1.0870/76 levels (50 DMA, 38.2% fibo retracement of Oct low to Jan high)., 1.0940 levels. Support at 1.0795 (21DMA, 50% fibo), 1.0760 levels.

Key focus this week on ECB policy decision (Thu). Our house is not expecting any change to policy rates. Focus is on staff macroeconomic projection and forward guidance for any hint of earlier rate cut. But it appears that most ECB officials are in the camp of no hurry to cut yet. Lagarde and a few ECB officials spoke about wage pressures staying strong and that salaries will become an increasingly important driver of price dynamics in coming quarters. To some extent, Lagarde and her colleagues may have bought some time on policy decision as officials want to monitor other measures, including negotiated wage data. The next data release for 1Q, will not be out until sometime in May. And this may well infer that the earliest move for ECB is not at the Mar or Apr meeting but possibly be at the Jun meeting. Markets are also pricing in ~70% chance of a 25bp cut at the Jun meeting. For the year, markets now expect about 90bps cut (vs. -160bps cut a month ago).

Broadly for 2024, we maintain a neutral outlook for the EUR. The risk of earlier and larger ECB cuts has been reduced while the economic slowdown in the Euro-area is showing tentative signs of stabilisation. The EUR may play catch-up when Fed rate cuts get underway. As such, some degree of ECB-Fed policy convergence is still possible and that should still be supportive of a mild EUR upside trajectory.

Key downside risks to EUR's outlook are a materialisation of earlier ECB rate cut cycle 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 in later part of the year, 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.

Spring Budget in Focus. Conservative party is lagging Labor party in terms of favourability ratings among the public and this brings the question if Chancellor Jeremy Hunt will try to improve popularity/ win back voters with tax cuts or bumper giveaways at the Spring Budget (Wed). At the Autumn statement (Nov-2023), Hunt announced a GBP20bn stimulus, and the highlight then was a cut to employee national insurance contribution. Some touted the upcoming Spring budget as a pre-election budget (though elections have yet to be announced) and that it risks being an inflationary one. This would make it difficult for BoE to cut rates and may well point to upside pressure for GBP in the interim.

GBP was last at 1.2665 levels. Daily momentum is not indicating a clear bias while RSI rose. Near term consolidation likely. Resistance at 1.2680 (50DMA), 1.2720 (61.8% fibo) and 1.2830 levels. Support at 1.2580/90 (50% fibo retracement of Jul high to Oct low, 200 DMA), and 1.2460 (38.2% fibo).

Overall, 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 rebounded, labour market remains tight alongside higher real wages, higher participation, upside surprise in activity data, BoE potentially keeping rates elevated for a while longer than peer (yield allure) while better finances (fiscal headroom) allow for some degree of stimulus ahead of elections. BoE may have room to keep rates high for a little longer than the Fed and ECB. 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.

Tokyo CPI in Focus; JPY Shorts at Record High. Following last week's conflicting comments from BoJ Governor Ueda and Takata on whether the price target is in sight or not, the focus shifts to Tokyo CPI (Tue). This is typically a leading indicator for nationwide inflation. Consensus looks for headline to come in at 3.1% (vs. 1.6% prior). A stronger print would be timely and encouraging for markets to engage in hawkish BoJ re-pricing in the leadup to upcoming BoJ MPC (19 Mar). This can weigh on USDJPY.

On the conflicting comments last week, Governor Ueda said that BoJ's price target was not in sight. This was in stark contrast to Takata's remarks that BoJ's price target is finally coming into sight and that the momentum is rising in this Shunto wage negotiations as many companies are offering higher than 2023 wage hikes. We still hold to our view that a BoJ move is likely to be earlier than later and that Mar move should not be ruled out. We opined that BoJ has already paved the way for an end to NIRP, but the normalisation move will be gradual and not hasty.

Pair was last at 150.20 levels. Daily momentum is mild bearish while decline in RSI moderated. Price pattern suggests that the pair has broken out of its rising wedge pattern – typically associated with a bearish reversal. Bearish divergence on MACD appears to be playing out. Bias remains for downside play. Key support at 149.90 (21 DMA) before 149.20 levels (76.4% fibo retracement of 2023 high to 2024 low). Resistance at 150.88 (interim double-top), 151.90 (2023 high). We also caution that JPY shorts are at record highs. Markets may be overly complacent and underprepared for an earlier than expected BoJ move. Sharp unwinding of JPY shorts may add to JPY overshoots.

We stick to our short USDJPY idea on the basis that BoJ has already started to pave the way for a move, possibly even as early as at Mar MPC, before Fed cuts. Inflationary pressures are broadening; growth outlook is improving and upward pressure on wage growth remains intact. Labour unions in Japan are targeting above 6% wage increase this year, much higher than the average of 4% in 2023. The potential case for a larger than previous year increase in wage growth is likely what BoJ wants to see before proceeding with getting itself out of negative interest rate policy regime. In the summary of opinions from last meeting, officials discussed prospects for ending NIRP with some members indicating conditions that would allow that move are increasing. One official cited likelihood of better results in this year's shunto and signs of improvement for the economy and inflation. This is consistent with our view that the 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.

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 in 2Q) and on expectation for earlier BoJ shift towards policy normalisation amid higher services inflation and wage pressures in Japan.

***Long Bias*.** AUD slipped last week as Jan CPI, retail sales came in slightly below estimates. But losses were partially retraced into the week's close after China PMIs came in better than expected and USD eased (on softer US data). Pair was last seen at 0.6530. Daily momentum is not showing a clear bias while rise in RSI moderated. 2-way trades likely for now. Resistance at 0.6560/70 (50% fibo, 100, 200 DMAs) and 0.6640 (38.2% fibo). Support at 0.65 (61.8% fibo retracement of Oct low to Dec high), 0.6460 and 0.6410 (76.4% fibo). We still hold to our long AUD trade. China NPC in focus this week as we keep a look out for potential stimulus/new-infra spending plans (5G telco, AI, big data, clean energy, etc.).

We remain broadly constructive on AUD outlook on the back of: 1/ RBA likely to be on hold for longer (possibly one of the last major central banks to cut rates), given still sticky inflation, stronger consumer confidence, retail sales; 2/ a more moderate-to-soft USD profile into 2024 (as Fed gets closer to embark on rate cut cycle in 2Q 2024); 3/ higher commodity prices; 4/ potential case for China stabilisation story on hopes of stimulus measures. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if Fed keeps restrictive environment for longer than expected; 3/ global growth outlook – if DM's slowdown deteriorates; 4/ any market risk-off event (i.e., escalation in Israel-Hamas conflict, Red Sea developments).

Buy Dips. NZD fell after RBNZ policy decision was interpreted as less hawkish than expected. The decision was in line with shadow board's recommendation to hold as members cited continued easing in the labour market, annual CPI inflation and the slowing in GDP growth suggest that the OCR increases to date are having the dampening effect on the NZ economy as the RBNZ intended. Pair was last at 0.6110 levels. Daily momentum is not indicating a clear bias while decline in RSI moderated. Bias to buy dips. Support at 0.6077 (200 DMA), 0.6040 (Jan low). Resistance at 0.6120/30 levels (21DMA, 23.6% fibo retracement of Dec high to Feb low), 0.6160/70 levels (50DMA, 38.2% fibo) and 0.6205 (50% fibo).

At the last MPC (28 Feb), OCR was kept on hold at 5.5%, and RBNZ indicated that most measures of inflation have declined but remains above 2% mid-point target. It also sees risks to inflation as "more balanced", helped by restrictive monetary policy and lower global growth. MPS also indicated that labour market remains tight, but labour shortages are easing due to both slowing demand for workers and increased labour supply due to high net migration. Governor Orr also highlighted that *latest data confirmed inflation is slowing.. urges patience with policy.. and warned there is always a risk of overdoing policy tightening*. He also said that OCR needs to stay at where it is this calendar year. More importantly, the updated OCR projection saw a slight downtick to 5.6% for 2024, from 5.69% previously but basically this hinted at reduced risk of a hike this year. Looking out to 2025, projections indicated chance of cut in 2Q 2025. For now, rates are likely to remain at restrictive level for sustained period to meet inflation objective. Some unwinding of Kiwi longs may still be underway but after the washout, NZD remains attractive, given yield appeal as RBNZ is likely to be one of the last amongst DM central banks to cut rates. Some degree of policy divergence with Fed is possible in 2H 2024 and eventual stabilisation in China economy should also be supportive of NZD.

Risks to Downside. USDSGD traded in subdued fashion last week in absence of fresh catalyst. Pair was last at 1.3440 levels. Mild bearish momentum on daily chart intact while RSI eased. Risks to the downside. Support at 1.3430 (100 DMA), 1.3380/90 (38.2% fibo retracement of Oct high to Dec low, 50 DMA). Resistance at 1.3460/75 (21, 200 DMAS, 50% fibo), 1.3530 (61.8% fibo).

S$NEER has started to ease from 1.85% above model-implied mid to about 1.6% in the past week or so post-CPI and IP reports. Singapore CPI unexpectedly came in weaker, with headline at 2.9% and core at 3.1% for Jan (vs. 3.8% and 3.6%, respectively while industrial production underwhelmed (-5.9% m/m for Jan vs. 3.1% expected). This CPI print was in stark contrast to prior MAS's guidance (as of Jan MPC) for core CPI to rise in current quarter. MAS-MTI joint statement indicated that core inflation is expected to pick up in February, reflecting the effects of the Lunar New Year. Thereafter, core inflation should resume a gradual moderating trend over the rest of the year as import cost pressures continue to decline and tightness in the domestic labour market eases. We had previously shared that S$NEER strength can fade at some point this year should core inflation in Singapore start to ease. 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. There will be greater scrutiny on the next CPI report (25 Mar) for signs if inflation is indeed moderating faster than expected. Another softer print could lead to further unwinding of the crowded long S$NEER trade.

Looking out into our forecast horizon, we still expect a mild downward trajectory for USDSGD, premised on our view for a moderate-to-soft USD outlook, on expectations that Fed is likely to embark on rate cut cycle in 2Q 2024 and on expectations that China economy may find some stabilisation.

Tactically, we entered into short EURSGD (29 Jan) at 1.4535 on the back of potential 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. Target to TP at 1.4130. SL at 1.4720. Cross was last seen at 1.4565 levels. We are reviewing this trade as there is a risk that S$NEER strength is slowing easing following the last CPI report and that ECB may not just pivot so soon.

Consolidation. USDMYR extended its decline this week, in line with our technical call for bearish reversal play post-double top and rising wedge pattern. Move lower was due to softer UST yields and jawboning efforts. Pair was last seen at 4.7260 levels. Daily momentum is bearish while RSI fell. Directional bias remains skewed to the downside. Support at 4.7180 (38.2% fibo). 4.7110 (50, 100 DMAs) and 4.6915 (50% fibo). Resistance at 4.7515 (23.6% fibo retracement of Dec low to Feb high), 4.7670 (21 DMA). BNM MPC in focus on Thu – expect status quo on policy – little impact on FX.

The bout of softness in the MYR was due to a mix of both external and domestic factors. But we expect this MYR weakness to be temporary and still expect MYR to retrace some of its losses. Both domestic and external factors will need to improve, and we see it coming from 3 fronts: 1/ yield differential dynamics can improve when Fed embarks on rate cut cycle; 2/ more sustained turnaround in tech downcycle can benefit Malaysia exports and MYR; 3/ eventual stabilisation in Chinese economy should further boost Malaysia's inbound tourism, trade, investments and broad sentiment. These factors can be supportive of MYR but may require some patience to fully play out.

NPC, CPPCC Meetings in Focus. Our China Economist shared that the highly anticipated two sessions will kick off today and tomorrow. The latest Politburo meeting chaired by President Xi last week has approved the draft of the Government Work Report submitted by the State Council. This meeting reaffirmed the key messages outlined during December's Central Economic Working Conference, particularly regarding the continuation of proactive fiscal and monetary policies. Additionally, a new emphasis was placed on enhancing the consistency of macroeconomic policy orientation, aiming to create a stable, transparent, and predictable policy environment. This shift indicates that China is likely to prioritize expectation management in 2024, aiming to provide clear guidance and stability to both domestic and international stakeholders.

Market observers will closely monitor seven critical areas in the upcoming two sessions, including the growth target, fiscal policy—especially the fiscal deficit and special bond targets, monetary policy, measures to stimulate consumption amidst concerns over retail sales, strategies to address the impending high youth unemployment rate due to a record number of new graduates this year, efforts to manage property market risks, and details on initiatives fostering new productive forces for high-quality development. These areas will provide crucial insights into China's economic policies and prospects, shaping investor sentiment and market dynamics moving forward.

USDCNH was little changed. USDCNH spot was last at 7.2110 levels. Daily momentum is not showing a clear bias while RSI is flat. 2-way risks. Resistance at 7.2160 (50% fibo), 7.2240 (200 DMA) and 7.2350 levels. Support at 7.1850/7.1920 levels (38.2% fibo, 50 DMA), 7.15. Markets are still on the lookout for more fiscal support measures, in particular targeting consumption, following a slew of recent measures including the larger than expected 25bps cut to 5y LPR, 50bps RRR cut, the lowering of rates on relending funds to banks that lend to agricultural sector and small firms, etc. Absence of new, follow-up measures in due course can be a setback to earlier-announced measures. This can weigh on sentiments. Policymakers should ride on the momentum by announcing some form of support measures for the economy targeting consumption. Sentiment and confidence need to be urgently repaired. 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	148.1			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]	
13-Feb-24	Long AUDUSD	0.6480			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 [LIVE]	
28-Feb-24	Short EURJPY	163.05			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. [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: Sell Rallies

SGDMYR fell in line with our call for further retracement. Cross was last at 3.5250 levels.

Bearish momentum on daily chart intact while RSI fell to near oversold conditions. Bearish divergence on MACD also played out.

Immediate support here at 3.5220 (50 DMA). Decisive break below puts next support at 3.50 (38.2% fibo retracement of Jul low to Feb high, 100 DMA) and 3.4760 (50% fibo).

Resistance at 3.5290 (23.6% fibo), 3.5450 (21 DMA).

SGDJPY Daily Chart: Double-Top

SGDJPY eased slightly. Cross was last at 111.70 levels.

Daily momentum turned slight bearish while RSI fell. Bearish divergence on daily MACD played out. Potential double top (bearish reversal). Bias for downside play.

Resistance at 112.23 (double top).

Support at 111.35 levels (21 DMA), 110 levels (50, 100 DMAs) and 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: Awaiting Break-Out

SGDCNH continued to trade sideways. Cross was last at 5.3650 levels.

Daily momentum is not showing a clear bias. Sideways trade may still dominate but watch compression of moving averages, which precede a breakout trade.

Resistance at 5.3680 (23.6% fibo retracement of 2023 low to high), 5.3730 (50DMA) and 5.40 levels.

Support at 5.3490, 5.33 levels

EURSGD Daily Chart: Sideways

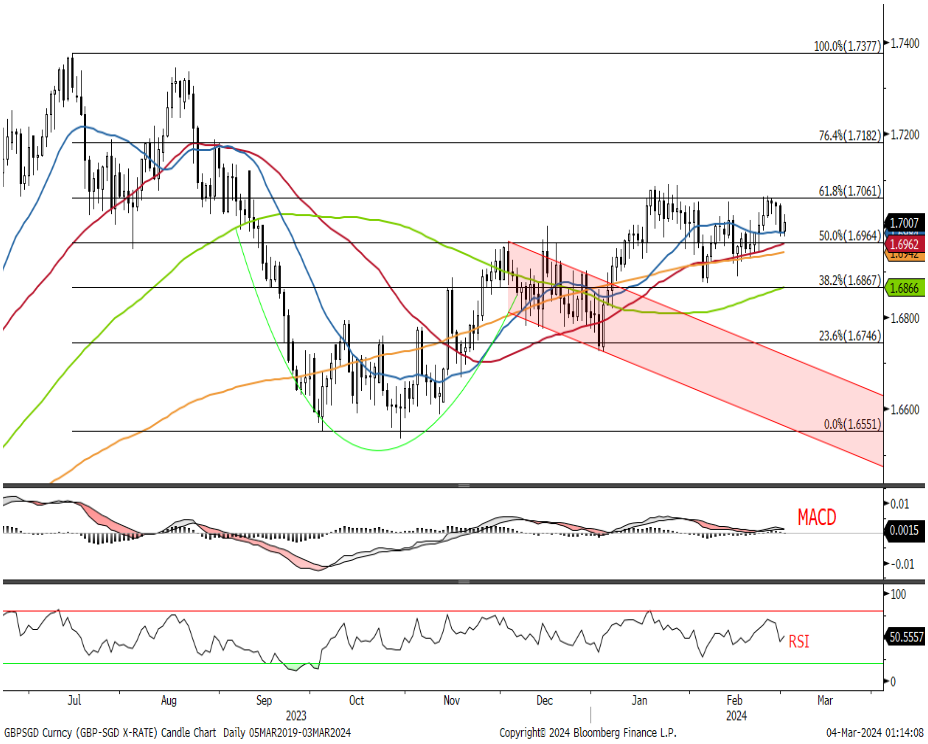
EURSGD traded range-bound last week. Cross was last at 1.4565 levels.

Daily momentum is mild bullish, but RSI eased. 2-way trade still likely.

Resistance at 1.4590/1.46 (200 DMA, 38.2% fibo), and 1.4720 levels (23.6% fibo).

Support at 1.4510/20levels (50% fibo retracement 2023 low to high, 21DMA) and 1.4420 levels (61.8% fibo).

GBPSGD Daily Chart: Sideways



GBPSGD consolidated last week. Cross was last 1.7010 levels. Daily momentum is not showing a clear bias while RSI eased. Consolidation still likely.

Key resistance at 1.7060 (61.8% fibo) before 1.7090 (previous high). Break above these levels should see bullish momentum gather traction to try higher.

But failure to break out could see the cross revert to trade lower range. Support at 1.6960/80 levels (50% fibo retracement of Jul high to Oct low, 21, 50 DMAs), and 1.6870 (38.2% fibo, 100 DMA).

AUDSGD Daily Chart: Consolidation

AUDSGD fell last week. Cross was last at 0.8770 levels.

Mild bullish momentum on daily chart faded though RSI rose. Consolidation still likely in the interim.

Resistance at 0.8815 (100 DMA), 0.8840 levels (38.2% fibo retracement of Jun high to Oct low, 50, 200 DMAs). Decisive break out can see the cross trade higher towards 0.8920 (50% fibo).

Support at 0.8750 (23.6% fibo), 0.8710 levels (near recent low) and 0.8650 levels.

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

Gold Daily Chart: Buy Dips

Gold rose sharply as softer US data saw UST yields eased into Fri NY close. Last seen at 2082 levels.

Bullish momentum on daily chart intact while RSI rose into overbought conditions. Buy dips preferred.

Support at 2058 (23.6% fibo retracement of Oct low to Dec high), 2027/34 levels (21, 50 DMAs) and 2011 (38.2% fibo).

Resistance at 2090, 2136.40 (Dec high).

Silver Daily Chart: 2-Way Trades

Silver traded a week of 2 halves – fell before reversing losses into gains. Last seen at 23.12 levels.

Daily momentum shows signs of turning mild bullish bias while RSI rose. 2-way trades still likely in the interim.

Resistance at 23.26 (200 DMA), 23.72 (38.2% fibo).

Support at 22.26 (61.8% fibo retracement of 2023 low to high), 21.9 (recent low).

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

Medium Term FX Forecasts

Currency Pair	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
USD-JPY	145.00	143.00	141.00	140.00	139.00
EUR-USD	1.0750	1.0850	1.1000	1.1100	1.1100
GBP-USD	1.2700	1.2850	1.2900	1.3000	1.3050
AUD-USD	0.6600	0.6800	0.6900	0.7000	0.7100
NZD-USD	0.6200	0.6400	0.6500	0.6600	0.6650
USD-CAD	1.3500	1.3300	1.3200	1.3100	1.3000
USD-CHF	0.8800	0.8800	0.8900	0.9000	0.9000
USD-SEK	10.50	10.27	10.09	9.96	9.96
DXY	103.86	102.74	101.58	100.78	100.57
USD-SGD	1.3400	1.3300	1.3250	1.3200	1.3160
USD-CNY	7.17	7.1200	7.0700	7.0600	7.0100
USD-CNH	7.1700	7.1200	7.0700	7.0600	7.0100
USD-THB	35.60	35.00	34.80	34.60	34.60
USD-IDR	15600	15550	15450	15350	15250
USD-MYR	4.7400	4.6900	4.6500	4.6000	4.6000
USD-KRW	1305	1285	1275	1260	1255
USD-TWD	31.00	30.90	30.80	30.55	30.45
USD-HKD	7.8200	7.8000	7.7800	7.7800	7.7900
USD-PHP	55.50	55.20	54.80	54.60	54.20
USD-INR	82.50	82.30	82.00	81.50	81.50
USD-VND	24550	24500	24300	24200	24050
EUR-JPY	155.88	155.16	155.10	155.40	154.29
EUR-GBP	0.8465	0.8444	0.8527	0.8538	0.8506
EUR-CHF	0.9460	0.9548	0.9790	0.9990	0.9990
EUR-SGD	1.4405	1.4431	1.4575	1.4652	1.4608
GBP-SGD	1.7018	1.7091	1.7093	1.7160	1.7174
AUD-SGD	0.8844	0.9044	0.9143	0.9240	0.9344
NZD-SGD	0.8308	0.8512	0.8613	0.8712	0.8751
CHF-SGD	1.5227	1.5114	1.4888	1.4667	1.4622
JPY-SGD	0.9241	0.9301	0.9397	0.9429	0.9468
SGD-MYR	3.5373	3.5263	3.5094	3.4848	3.4954
SGD-CNY	5.3507	5.3534	5.3358	5.3485	5.3267
SGD-IDR	11642	11692	11660	11629	11588
SGD-THB	26.57	26.32	26.26	26.21	26.29
SGD-PHP	41.42	41.50	41.36	41.36	41.19
SGD-VND	18321	18421	18340	18333	18275
SGD-CNH	5.35	5.35	5.34	5.3485	5.33
SGD-TWD	23.13	23.23	23.25	23.14	23.14
SGD-KRW	973.88	966.17	962.26	954.55	953.65
SGD-HKD	5.8358	5.8647	5.8717	5.8939	5.9195
SGD-JPY	108.21	107.52	106.42	106.06	105.62
Gold $/oz	2065	2092	2105	2140	2160

Source: OCBC Research (Latest Forecast Update: 1st March 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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