OCBC TREASURY RESEARCH

FX Weekly

20 March 2023

Between a 25bp Hike and a Pause

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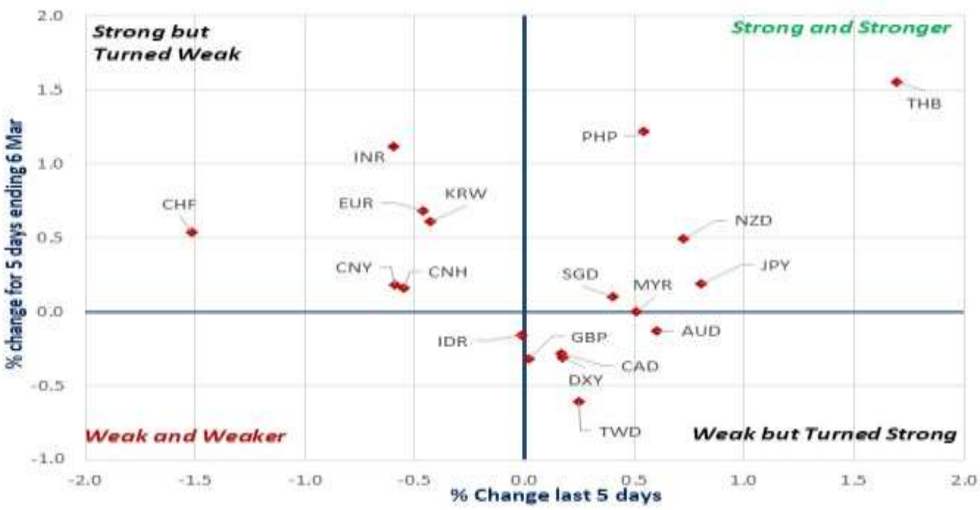
Top focus this week on FoMC decision (Thu, 2am SG time) - for the size of hike, forward guidance and dots plot. The sudden collapse of SVB, signature bank in a few days raises concerns about vulnerabilities in the banking sector to rising interest rates. Fed needs to strike a delicate balance between preserving financial stability, combating inflation and maintaining credibility. As of 17 Mar, the 30d fed fund futures implied 1/ 50bp hike at Mar FoMC is no longer priced; 2/ the 25bp hike at the upcoming FoMC is about 60% priced; 3/ a milder rate hike trajectory with terminal rate peaking just around 4.8% in May; 4/ a rate cut is not ruled out sometime in Jun. In summary, markets are pricing for "an end in sight" for Fed tightening cycle. Our **house view continues to look for a 25bp hike** at this meeting as US headline CPI at 6% remains elevated and the NFP print of 311k is still larger than expectations. We do not see a need to increase pace of tightening to 50bp as the slower rise in inflation and wage growth still suggest that the disinflation trend remains intact. Recent US data, including retail sales, CPI, PPI, durable goods, consumer confidence have also decelerated. Neither do we see a need to go to the other extreme to cut rate at this meeting. We doubt the Fed wants to send the "overly-cautious" signal to markets as the key now is to restore market confidence. We also expect the Fed to hold off hawkish forward guidance and to sound cautious, acknowledging that effects of cumulative Fed tightening is being felt in the real economy. This should argue against reverting back to aggressive tightening stance. We also expect Fed to stress on policy decision being highly dependent on data outcome. On net, a tamer Fed tightening profile should continue to support sentiments and weigh on USD. The risk is a hawkish repricing of the Fed that may temporarily lend support to the USD.

BoE, SNB, BOT and BSP Policy Decision Due This Thu. Market expectation for BoE to hike 25bp is 50-50 odds in the aftermath of bank fallouts in US and Switzerland. Recall that prior to the banking mess, a 25bp hike was almost certain. Nevertheless, our house view continues to call for a step-down in pace of hike to 25bp. SNB is likely a close call between a hold and a hike given the recent banking stress in Switzerland. Elsewhere we look for BoT and BSP to each hike 25bp.

FX – Turning or Trending – THB Top Gains



Source: Bloomberg, OCBC

AxJ Positioning Bias (Reuters Poll) and EPFR Flows

On EPFR flows, global bond market reported net outflow of $2.2bn last week, a sharp reversal from the $8.3bn inflow seen prior week. Both Developed and Emerging Markets saw inflows last week. Emerging Market reported $2.6bn of outflows, where Emerging Asia led the largest outflows of $1.8bn, while Developed Market reported inflows of $0.5bn, where North America led the largest inflows of $1.3bn. On DM equity flows, Developed Asia saw outflows slowed to $0.3bn last week vs. -$2bn the week before.

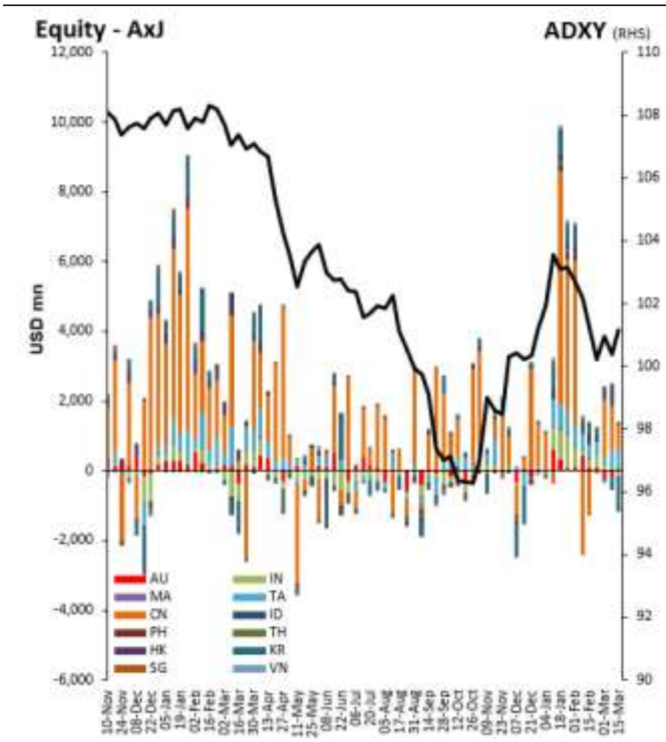
Based on Reuters survey on Asia FX positioning, bearish bets on AxJ FX extended, with KRW, TWD and SGD taking a bigger hit. Short bet on KRW is the largest followed by MYR, TWD and CNY. Contrary to bearish bets on AXJs, INR bucked the trend as shorts was reduced amid hawkish shift in RBI stance. Least bearish bets are seen in INR and THB.

	03-Nov-22	17-Nov-22	01-Dec-22	15-Dec-22	12-Jan-23	26-Jan-23	09-Feb-23	23-Feb-23	09-Mar-23	Trend
USD/CNY	1.81	0.74	0.63	0.08	-1.58	-1.29	-0.8	0.36	0.68	
USD/KRW	1.38	0.21	-0.15	-0.55	-1.39	-1.14	-0.63	0.77	1.3	
USD/SGD	0.47	-0.06	-0.3	-0.85	-1.31	-1.4	-0.72	0.21	0.65	
USD/IDR	1.57	1.06	1.08	0.92	-0.1	-1.15	-0.53	0.12	0.56	
USD/TWD	1.81	0.84	0.15	-0.22	-0.67	-0.68	-0.68	0.3	0.78	
USD/INR	1.47	1.13	0.76	0.63	0.07	-0.47	0.25	0.8	0.28	
USD/MYR	2.02	1.18	-0.02	-0.35	-0.82	-1.25	-0.64	0.49	0.78	
USD/PHP	1.36	0.89	0.33	-0.15	-0.61	-0.78	-0.4	0.33	0.42	
USD/THB	1.34	0.4	-0.16	-0.69	-1.85	-1.77	-1	0.37	0.3	

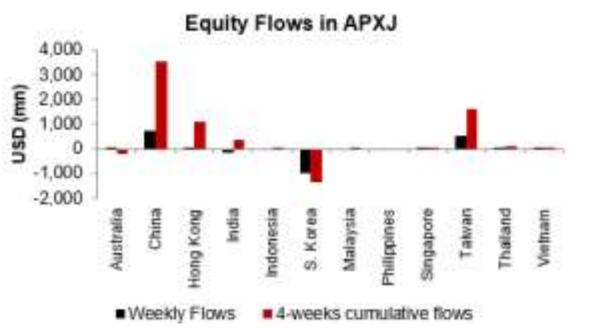
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change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

Source: Reuters [latest avail: 9 Mar 2023], OCBC

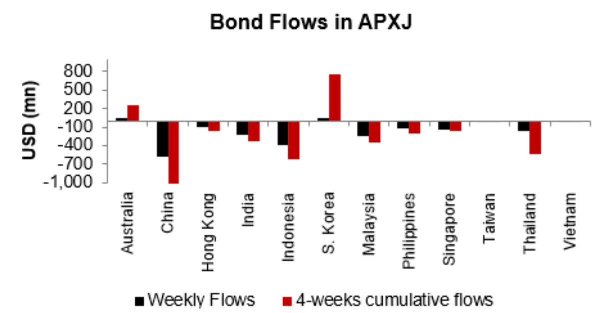
EPFR Equity Flows to AxJ vs ADXY



AxJ Equity Flows – Week vs 4w Cumulative



AxJ Bond Flows - Week vs 4w Cumulative



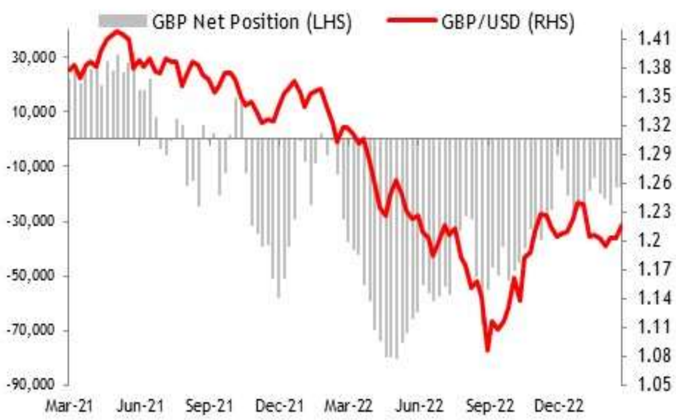
Note: Latest data available as of 15th Mar 2023 (weekly frequency).

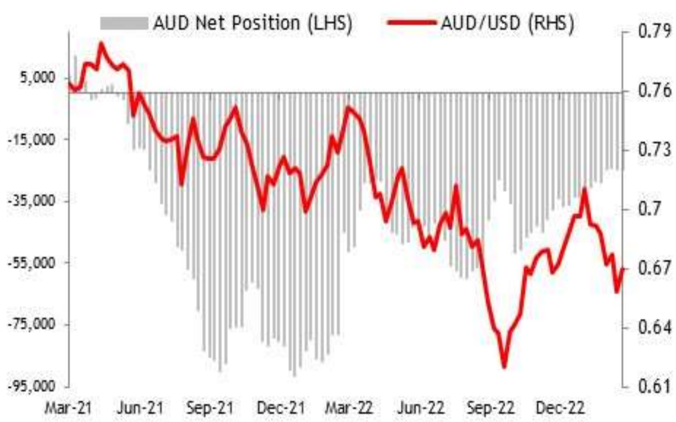
Source: EPFR, Bloomberg, OCBC

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

- *Positioning data as of 14 Mar; Latest CFTC report issued on 17 Mar 2023; data points of the past 2Y on weekly frequency*

Long DXY position sits near 20-month low with DXY trading just sub-102 levels, post-US bank fallout and in anticipation of FoMC meeting this week.
GBP shorts were pared alongside the rise in GBP.
JPY shorts increased despite strengthening of JPY. Divergence likely to reverse.





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

Source: Bloomberg, OCBC

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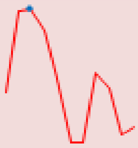
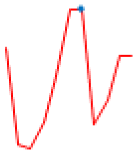
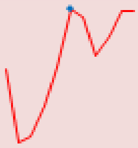
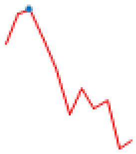
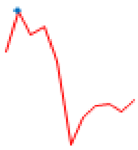
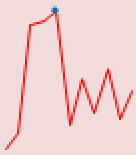
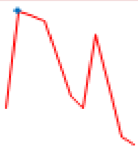
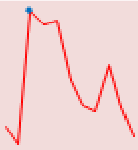
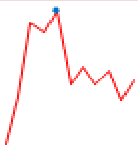
FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon:** - Nil – **Tue:** Philadelphia non-mfg activity (Mar); Existing home sales (Feb); **Wed:** - Nil – **Thu: FoMC**; CFNAI, new home sales (Feb); current account (4Q); Kansas City Fed mfg activity (Mar); **Fri**: Durable goods (Feb P); Prelim PMIs (Mar)		**S: 102.80; R: 106.15**
EURUSD	**Mon:** Trade (Jan); German PPI (Feb); **Tue:** ZEW survey expectations (Mar); Construction output (Jan); **Wed:** Current account (Jan); **Thu:** Consumer confidence (Mar); **Fri:** Prelim PMIs (Mar)		**S: 1.0460; R: 1.0780**
GBPUSD	**Mon:** Rightmove house prices (Mar); **Tue:** Public finances (Feb); **Wed:** CPI, PPI, RPI (Feb); House price index (Jan); **Thu: BoE MPC** **Fri:** GfK consumer confidence (Mar); Retail sales (Feb); Prelim PMIs (Mar)		**S: 1.1850; R: 1.2200**
USDJPY	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Machine tool orders (Feb); **Thu:** - Nil – **Fri:** CPI (Feb); Prelim PMIs (Mar)		**S: 131.30; R: 136.00**
AUDUSD	**Mon:** - Nil – **Tue:** RBA minutes; Wed: Westpac leading index (Feb); **Thu**: - Nil – **Fri:** Prelim PMIs (Mar)		**S: 0.6500; R: 0.6880**
USDCNH	**Mon**: 1y, 5y loan prime rate **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 6.8500; R: 7.0200**
USDKRW	**Mon**: - Nil – **Tue:** PPI (Feb); 1st 20 days exports, imports **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1290.00; R: 1330.00**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** CPI (Feb); **Fri:** Industrial production (Feb)		**S: 1.3320; R: 1.3590**
USDMYR	**Mon:** Trade (Feb); **Tue:** - Nil – **Wed:** FX reserves; **Thu:** - Nil – **Fri:** CPI (Feb)		**S: 4.4200; R: 4.5200**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 15,300; R: 15,550**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Sideways ahead of FoMC. DXY, UST yields have gone on a wild ride in Mar so far. Recall how Powell struck an unexpectedly hawkish tone at his testimony to Senate Banking Panel (7 Mar) – flagged the potential for larger pace of hike and a higher terminal rate – that saw 2Y UST yields going above 5% and DXY trading up to fresh high for 2023. But all was reversed in the wake of SVB collapse, followed by swift measures from US regulators. 2Y UST yields fell over 130bps at one point and the DXY traded 2% lower. Risk appetite somewhat improved. News of wall street banks agreeing to place $30bn deposits with First Republic Bank is a show of unity and brings a sense of calm to markets. Elsewhere, SNB lifeline for Credit Suisse is also helping to stabilise sentiments. That said, markets remain highly volatile. Trading narrative has shifted very rapidly from a regime of "higher rates for longer" to "flight-to-safety" then to some degree of cautious optimism. The fluidity of shifts suggests staying nimble. Renewed stresses in the banking sector outside of US would imply a wider risk-off and in this scenario, may lend USD a boost while stresses within the US banking sector would undermine USD.

Top focus this week on FoMC decision (Thu, 2am SG time) - for the size of hike, forward guidance and dots plot. The sudden collapse of SVB, signature bank in a few days raises concerns about vulnerabilities in the banking sector to rising interest rates. Fed needs to strike a delicate balance between preserving financial stability, combating inflation and maintaining credibility. As of 17 Mar, the 30d fed fund futures implied 1/ 50bp hike at Mar FoMC is no longer priced; 2/ the 25bp hike at the upcoming FoMC is about 60% priced; 3/ a milder rate hike trajectory with terminal rate peaking just around 4.8% in May; 4/ a rate cut is not ruled out, sometime in Jun. In summary, markets are pricing for "an end in sight" for Fed tightening cycle. Our **house view continues to look for a 25bp hike** at this meeting as US headline CPI at 6% remains elevated and the NFP print of 311k is still larger than expectations. We do not see a need to increase pace of tightening to 50bp as the slower rise in inflation and wage growth still suggest that the disinflation trend remains intact. Recent US data, including retail sales, CPI, PPI, durable goods, consumer confidence have also decelerated. Neither do we see a need to go to the other extreme to cut rate at this meeting. We doubt the Fed wants to send the "overly-cautious" signal to markets as the key now is to restore market confidence. We also expect the Fed to hold off hawkish forward guidance and to sound cautious, acknowledging that effects of cumulative Fed tightening is being felt in the real economy. This should argue against reverting back to aggressive tightening stance. We also expect Fed to stress on policy decision being highly dependent on data outcome. On net, a tamer Fed tightening profile should continue to support sentiments and weigh on USD. The risk is a hawkish repricing of the Fed that may temporarily lend support to the USD.

DXY fell last week. Last at 103.70 levels. Daily momentum is mild bearish while RSI shows signs of falling. Immediate support at 103.40 levels (50% fibo retracement of 2023 low to high, 50 DMA), 102.80 (61.8% fibo). Resistance at 104.55 (21 DMA), 105 (100 DMA).

We retain the view that the upside for USD may be limited as Fed tightening goes into late cycle. Broad trend of USD for 2023 remains skewed to the downside. An eventual case of slower pace of tightening across most central banks, including the Fed as well as China reopening, should help to partially mitigate against global growth concerns. A less severe global growth slowdown is supportive of pro-cyclical FX, including AxJs, AUD while counter-cyclical USD stays on the back foot. That said, USD decline is not a one-way street. There will be instances of intermittent and sporadic USD upticks as USD still retain a yield advantage and the Fed is still tightening (but at slower pace). The risk of USD rebound could be amplified if Fed turns up the pace of rate hike to 50bps.

Range-Bound. ECB delivered a well-flagged 50bp hike at its last meeting (16 Mar), with deposit rate and MRO rising to 3% and 3.5% respectively. Lagarde shared that a "large majority" of ECB policymakers supported the decision as inflation is likely to remain too high for too long and policymakers aren't wavering on their commitment to combat inflation. ECB also drops forward guidance as Lagarde emphasized the importance of data-dependence on policy rate decisions. There will be 2 more inflation readings before the next ECB meeting (4 May). Our rates strategist shared that ECB's approach is to attain price stability mainly via policy rate adjustment, and financial stability via various tools that can "provide liquidity support to the euro are financial system if needed". APP monthly decline has stayed as planned (EUR15bn per month till end Jun), and the intention to reinvest the principal payments from maturing securities under the PEPP until at least end 2024 has also remain intact. We continue to see room for the ECB to quicken QT pace under APP after June. On ECB speaks, Holzmann said ECB may need to increase rates by more than 100bps before it peaks above 4%, while Rehn said euro-area inflation remains too fast and does not appear to be easing enough.

Pair was last at 1.0680 levels. Daily momentum and RSI are not showing a clear bias at this point. Likely to trade sideways ahead of FoMC event risk later this week. Resistance at 1.0680 (23.6% fibo), 1.0730 (50 DMA) and 1.0790 levels. Support at 1.0630 (21 DMA), 1.0570 (100DMA) and 1.0460 (38.2% fibo retracement of Sep low to Feb high).

We remained neutral-to-mild-constructive on EUR's outlook. European Commission said that the EU economy is set to avoid recession even though headwinds persist. The commission also revised inflation forecast lower for 2023 and 2024. Softer energy prices (gas prices fell 85% since Aug and now trades around 14 months low of under EUR50/MWh) also helped as it improves the overall outlook. Businesses, households and government finances can cope better. Hawkish ECB rhetoric is another factor that can mitigates against further worsening in EU-UST yield differentials and provide some support to EUR. On net, we opined some recession fears in Euro-area, energy woes and geopolitical concerns remain. Key risks to watch that may weigh on EUR outlook include (1) EU's growth momentum from here; (2) whether there will be further escalation in Russian-Ukraine tensions – poses risks to energy and inflation or would there be a ceasefire scenario; (3) if USD strength returns with a vengeance (i.e. global risk-off or Fed resumes aggressive tightening); (4) if ECB unexpectedly signals a dovish tilt.

Close Call for BoE Decision. Market expectation for BoE to hike 25bp is less than 50% priced in the aftermath of bank fallouts in US and Switzerland. Recall that prior to the mess, a 25bp hike looked almost certain. Our house view continues to call for a step-down in pace of hike to 25bp, from 50bp previously. This is in consideration of the 2 key points out of the last MPC: 1/ that labour market conditions have loosened and MPC mentioned lags in monetary policy transmission and expect previous hikes to have an increasing impact on the economy – a sign that BoE may consider calibrating its pace of hike soon; 2/ MPC removed their earlier guidance that "it was willing to respond forcefully to inflation". Instead, the MPC now says there "if there is more persistent price pressure, then further tightening would be required".

GBP firmed for the week on improved risk appetite as central banks in US and Switzerland swiftly announced backstops. Pair was last at 1.2175 levels. Daily momentum turned mild bullish while RSI rose. Slight risk to the upside but overall conviction is not strong at this point. Resistance at 1.22, 1.2260 before 1.2450 levels. Support at 1.2050 (21, 100 DMAs), 1.18 levels.

OBR said in its report that the economic and fiscal outlook for UK had "brightened somewhat" since the previous forecast in Nov. It also noted that *"The near-term economic downturn is set to be shorter and shallower; medium-term output to be higher; and the budget deficit and public debt to be lower. But this reverses only part of the costs of the energy crisis, which are being felt on top of larger costs from the pandemic. And persistent supply-side challenges continue to weigh on future growth prospects,"* The OBR also forecast that UK would not enter a technical recession in 2023, as was previously anticipated. Inflation is also predicted to decline to just 2.9% by end 2023, from 10.7% (4q 2022).

We remained neutral in our outlook on GBP as UK growth outlook may not be as bad as feared, while softer energy prices offer relief with government finances, businesses, and households. 4Q GDP confirmed that UK narrowly avoided entering a technical recession. Earlier, a UK think tank, National Institute of Economic and Social Research (NIESR) predicted that UK is likely to avoid a recession this year. The think tank predicts the economy will grow by just 0.2% this year, and 1% in 2024. Its forecast is slightly more optimistic, in contrast to others, such as IMF, which has earlier said that the UK is likely the only major economy to shrink in 2023 and BoE, which expects UK economy to contract this year and 1Q 2024 as high energy prices and higher borrowing costs weigh on spending. The OBR is the latest to join the bandwagon in not expecting a technical recession for UK this year. That said, stagflation concerns remain and UK still need to undergo a painful but necessary phase of fiscal consolidation. On net, a moderate-to-soft USD profile allows for GBP to recover though weaker domestic fundamentals (stagflation, consumer squeeze, etc.), and the risk of BoE turning less hawkish may still limit the extent of GBP's recovery going forward.

Downside Bias. USDJPY extended its decline last week, breaking out of its 132- support as UST yields slumped and UST-JGB yield differentials narrowed sharply from +511bps to 422bps. Elsewhere, banking stresses in US and Switzerland continued to see demand for safe-haven proxies, including JPY. Pair was last at 131.85 levels. Daily momentum is bearish while RSI fell towards near oversold conditions. Cautious of rebound risks from low/ near oversold levels. Resistance at 132.60 (50% fibo, 50 DMA) and 135.40 (21, 100 DMAs. 23.6% fibo). Next support at 131.30 (61.8% fibo), 129.75 (76.4% fibo). Our tactical short USDJPY entry at 137 (9 Mar) targeting a move towards 132.50, 131.30 objectives remain intact. SL at 138.30. Key focus this week is FoMC as the risk of a hawkish repricing of Fed may lend support to the pair.

We still expect BoJ to proceed with policy normalisation at some stage amid higher pressure on prices, wages. Labor unions at major Japanese companies are demanding average wage increase of 4.49% per month (as of 1 Mar). This is the highest pay increase expectations from labour unions since 1998. We believe the "shunto" wage negotiations is a key input into BoJ policy deliberation process. There is no pressure on new BoJ Governor Ueda as he comes across as a moderate and stable pair of hands when it comes to policy decision making. Committee may do a policy assessment before committing to any decision and that puts 28 Apr or perhaps even 16 Jun MPC in focus. Possibly, a move/ tweak to policy stance could come on 16 Jun instead. Our house view continues to look for a removal of YCC regime. Sustained rise and broadening inflationary pressures supports our bias for an abolishment of YCC and or exit from NIRP. Overall, we expect USDJPY to trade lower on the back of a moderate-to-soft USD profile (as Fed tightening stretches into late cycle and that USD can fall when peak is priced) and expectation for further BoJ shift towards policy normalisation amid higher inflationary pressures in Japan.

Stay Long; But Watch Out for Contagion Risks. AUD continued to inch cautiously higher on signs of sustained risk-on momentum as regulators have been quick with providing backstops and that help to patch up confidence crisis for now. Elsewhere better than expected AU employment numbers last week kept the pair supported. We see room for AUD to rise should broad market confidence stabilise further. No more negative news of bank fall outs and a tamer Fed tightening trajectory will be pre-requisites for AUD to stay supported. Nonetheless we remain watchful as high-beta FX such as AUD, KRW can be subjected to sell-off on any signs of contagion or global risk off.

AUD was last at 0.6695 levels. Daily momentum turned mild bullish while RSI rose. Potential falling wedge pattern maybe playing out - typically associated with bullish reversal. Key resistance at 0.6720 (21 DMA) needs to be taken out decisively for bulls to gather traction. Next resistance at 0.6760/80 levels (38.2% fibo, 100, 200 DMAs) and 0.6870 (50 DMA). Support at 0.6660 levels (50% fibo), 0.6550 (61.8% fibo retracement of Oct low to Feb high) and 0.64 levels (76.4% fibo). Our tactical long AUD at 0.6570 (entry 10 Mar), target a move towards 0.70, 0.7160 objectives remain in play. SL at 0.64.

Beyond the near term and looking out, we still favour AUD to trade higher on the back of China reopening, possibly warmer ties between Australia and China, room for RBA to tighten and amid a more moderate-to-soft USD profile. On AU-China relations, recent development has been promising. Chinese ambassador to Australia Xiao Qian had said that relations with Australia had a “turnaround” and a “very positive year”. Australia PM Albanese is anticipating Beijing trip this year as talks resume. Earlier this year, China has effectively ended a ban on Australian coal. This is a positive for commodities and AUD. China’s top steelmaker and 3 central government-backed utilities have been given the green light to resume coal imports from Australia. The easing of import ban could just be the beginning of more to come. Tourism, education and property sectors in Australia could benefit if relations between China and Australia further warm up. Key downside risk factors that may affect AUD view are 1/ extent of CNH swings; 2/ if USD strength or aggressive Fed tightening returns; 3/ global growth outlook – if DM’s slowdown turn severe; 4/ market risk-off event.

Range. USDSGD continued to drift lower as risk appetite improved while UST yields slumped on dovish Fed repricing. This week, US FOMC is eyed (Thu). We keep a look out if markets have gotten ahead to price in an overly dovish Fed as unwinding of bets could lend some support for USDSGD. This week on Thu, SG publishes CPI data. This is the final set of CPI data before MAS policy decision is out in a few weeks’ time. Persistent inflationary pressures could solidify MAS’s case for another tightening.

Pair was last at 1.3425 levels. Bullish momentum on daily chart shows faded while RSI fell. Bearish divergence observed on daily MACD and RSI. Near term risks skewed to the downside. Support at 1.3375 (23.6% fibo retracement of 2022 high to 2023 low), 1.3320 (50 DMA). Resistance at 1.35 (100 DMA), 1.3590 levels (38.2% fibo). S$NEER is 1.18% above model-implied mid.

We retain a slight bullish outlook on SGD due to resilient macro-fundamentals, China reopening optimism (supportive of sentiments and regional growth) and a moderate-to-soft USD profile. The case for further MAS tightening in Apr is still plausible if inflationary pressures in Singapore continue. On SGD relative value play, we maintain our bias for short S$ vs. long A$, KRW, JPY and THB.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss	Remarks	Exit Date
03-Oct-22	Short AUDNZD	1.141	1.1143	2.34%	RBNZ-RBA policy divergence. First target at 1.12 met. Targeting next objective at 1.1050. Shift SL to 1.1360. [Trade TP earlier at 1.1085]	19-Oct-22
04-Oct-22	Short AUDJPY	94.6	92.9	1.80%	Tentative signs of market stresses. First objective at 92.1 met. Targeting next objective at 90.50. Move SL to 93.70 (17 Oct). [Trade tripped SL in NY time]	17-Oct-22
27-Oct-22	Short CADJPY	107.3	104.9	2.24%	Tentative signs of market stresses.Target a move towards 105.75, 104.20 and 102.70 objectives. SL at 110.70. [TP trade earlier given that JPY leg appreciated larger and faster than expected]	14-Nov-22
20-Dec-22	Short NZDUSD	0.6345	0.63125	0.51%	Softer activity outlook, business confidence and consumer confidence in NZ undermined NZD. Short NZDUSD, targeting a move lower towards 0.6280 (first objective met) before 0.62 (second objective). SL moved to 0.6345 from 0.6385 [Trade tripped SL]	28/12/2022
20-Dec-22	Long AUDNZD	1.0555	1.074667	1.82%	Tactical long AUDNZD on bullish divergence, targeting a move towards 1.0650 (first objective met), 1.0725 (second objective met) and 1.0865. SL at 1.0475 [Trade TP]	04/01/2023
09-Mar-23	Short USDJPY	137			look for a removal of YCC regime. Sustained rise and broadening inflationary pressures supports our bias for an abolishment of YCC and or exit from NIRP. Moderate-to-soft USD profile(as Fed tightening stretches into late cycle and that USD can fall when peak is priced) should also support USDJPY lower. Targeting move towards 132.50, 131.30 objectives. SL at 138.30. [LIVE]	
10-Mar-23	Long AUDUSD	0.6570			Favor AUD to trade higher on the back of 1/ China reopening story; 2/ possibly warmer ties between Australia and China; 3/ room for RBA to tighten. Target a move towards 0.70, 0.7160 objectives. SL at 0.64 [LIVE]	
	Buy gold on dips				Expect gold to rebound from current 2023-low levels when Fed peak/ tightening is priced. Buy gold on dips towards 1804 levels. Target a move towards 1855, 1890 objectives. SL at 1775.	

Note: Close level is average of 1st, 2nd and 4rd objectives for take profit scenario.

Selected SGD Crosses

SGDMYR Daily Chart: Bearish Divergence?

SGDMYR was last at 3.3410 levels.

Mild bullish momentum on daily chart faded while RSI fell. Potential bearish divergence seen on MACD and RSI. Room for the cross to ease lower.

Support at 3.3285 (61.8% fibo), 3.3080 (50% fibo retracement of 2022 high to Dec low), and 3.2875/3.29 (38.2% fibo, 50DMA).

Resistance here at 3.3540 (76.4% fibo), 3.3620 levels.

SGDJPY Daily Chart: Room for Decline

SDGJPY extended its decline, in line with our call for a bearish reversal. Cross was last at 98.23 levels.

Daily momentum is bearish while RSI fell. Rising wedge pattern (typically associated with a bearish reversal) is playing out. Still looking for further downside.

Support at 97.70, 96.70 (2023 low).

Resistance at 98.95 (23.6% fibo retracement of Oct high to Dec low), 100.35 (38.2% fibo).

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

SGDCNH Daily Chart: Risks to the Downside

SGDCNH did trade as low as 5.0760 (13 Mar) but subsequently reversed losses into the week's close. Cross was last at 5.1350 levels

Mild bearish momentum shows signs of fading while RSI rose. Slight risks to the upside.

Resistance at 5.1530 levels (23.6% fibo retracement of Jul low to Nov high), 5.17 and 5.20 levels.

Support remains at 5.0800 levels (38.2% fibo), 5.0550 levels.

EURSGD Daily Chart: Reverting Back to Range

EURSGD traded a high of 1.4474 (13 Mar) before turning lower for the week amid SGD outperformance. Cross was last at 1.4300 levels.

Daily momentum is not showing a clear bias, while RSI is flat. Consolidation likely. Resistance at 1.4380 (38.2% fibo retracement of 2022 high to low), 1.45, 1.4580 (50% fibo).

Support at 1.4260 (100 DMA), 1.4190 (200 DMA) and 1.4130 levels (23.6% fibo).

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

GBPSGD Daily Chart: Need a Clean Break of 200 DMA for Bulls to Gather Momentum

GBPSGD firmed; last at 1.6340 levels.

Daily momentum is mild bullish bias while RSI rose. Slight risks to the upside.

Resistance at 1.6350 (200 DMA). 1.6420 (recent high), 1.6550 levels.

Support at 1.6160/70 (21, 50 DMAs), 1.6035 (38.2% fibo) and 1.5820 (50% fibo retracement of Sep low to Dec high).

AUDSGD Daily Chart: Room for Rebound

AUDSGD rebounded. Cross was last at 0.8985 levels.

Bearish momentum on daily chart intact is fading while RSI rose from oversold conditions. Potential falling wedge (typically associated with a bullish reversal) appears to be playing out. Rebound risks ahead.

Resistance at 0.9025 (61.8% fibo), 0.9090 (50% fibo), 0.9140/55 levels (50, 100 DMAs, 38.2% fibo retracement of Oct low to Jan high).

Support at 0.8940 (76.4% fibo), 0.8880 and 0.8810 levels.

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

Medium Term FX Forecasts

FX	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
USD-JPY	135.00	132.00	130.00	127.00	125.00
EUR-USD	1.0600	1.0800	1.0900	1.1000	1.1000
GBP-USD	1.2200	1.2300	1.2400	1.2600	1.2600
AUD-USD	0.6900	0.7000	0.7100	0.7200	0.7200
NZD-USD	0.6200	0.6300	0.6400	0.6500	0.6600
USD-CAD	1.3300	1.3100	1.3000	1.3000	1.2900
USD-CHF	0.9400	0.9300	0.9200	0.9100	0.9100
USD-SEK	10.400	10.200	10.200	10.000	9.9000
DXY	104.26	102.46	101.50	100.33	100.00
USD-SGD	1.3350	1.3300	1.3250	1.3100	1.3050
USD-CNY	6.9000	6.8000	6.7000	6.6500	6.6000
USD-CNH	6.9000	6.8000	6.7000	6.6500	6.6000
USD-THB	35.200	35.000	34.800	34.600	34.200
USD-IDR	15200	15150	15050	15000	15000
USD-MYR	4.4200	4.4000	4.3800	4.3600	4.3200
USD-KRW	1280.0	1265.0	1255.0	1245.0	1240.0
USD-TWD	30.500	30.400	30.300	30.200	30.100
USD-HKD	7.8400	7.8400	7.8300	7.8100	7.8000
USD-PHP	55.200	55.000	55.000	54.900	54.800
USD-INR	82.000	81.900	81.500	81.000	81.000
USD-VND	23800	23700	23500	23400	23200
EUR-JPY	143.10	142.56	141.70	139.70	137.50
EUR-GBP	0.8689	0.8780	0.8790	0.8730	0.8730
EUR-CHF	0.9964	1.0044	1.0028	1.0010	1.0010
EUR-SGD	1.4151	1.4364	1.44425	1.4410	1.4355
GBP-SGD	1.6287	1.6359	1.6430	1.6506	1.6443
AUD-SGD	0.9212	0.9310	0.9408	0.9432	0.9396
NZD-SGD	0.8277	0.8379	0.8480	0.8515	0.8613
CHF-SGD	1.4202	1.4301	1.4402	1.4396	1.4341
JPY-SGD	0.9889	1.0076	1.0192	1.0315	1.0440
SGD-MYR	3.3109	3.3083	3.3057	3.3282	3.3103
SGD-CNY	5.1685	5.1128	5.0566	5.0763	5.0575
SGD-IDR	11386	11391	11358	11450	11494
SGD-THB	26.367	26.316	26.264	26.412	26.207
SGD-PHP	41.348	41.353	41.509	41.908	41.992
SGD-CNH	5.1685	5.1128	5.0566	5.0763	5.0575
SGD-TWD	22.846	22.857	22.868	23.053	23.065
SGD-KRW	958.80	951.13	947.17	950.38	950.19
SGD-HKD	5.8727	5.8947	5.9094	5.9618	5.9770
SGD-JPY	101.12	99.248	98.113	96.947	95.785
Gold $/oz	1840.0	1850.0	1860.0	1880.0	1900.0

Source: OCBC Research Forecasts (Unchanged as of 27 Feb 2023)

OCBC TREASURY RESEARCH

FX Weekly

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