OCBC TREASURY RESEARCH

FX Weekly

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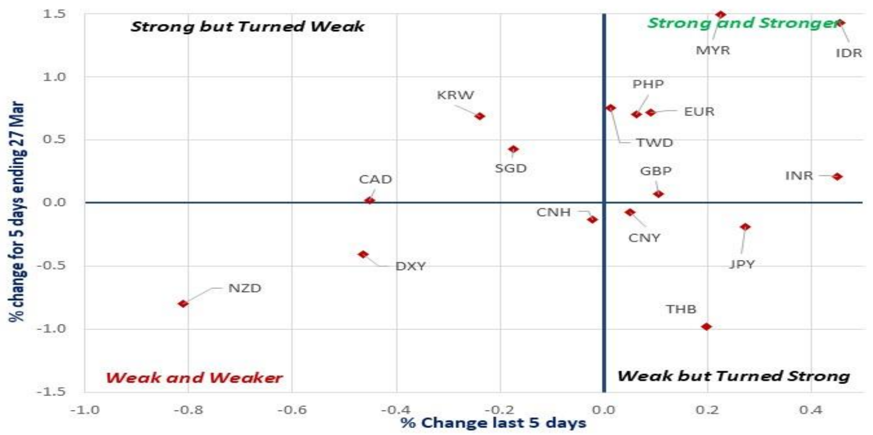
Shifting Narratives; Little Conviction

Focus Shifts to US CPI Next. Decline in USD somewhat moderated last week as market interprets bad US data as bad for sentiments; demand for USD. Softer US data, including the slump in ISM manufacturing into contractionary territories, softer factory orders and rising concerns of US commercial real estate sector added to fears of US recession. Even the IMF warned that its 5Y outlook for global growth will be weakest since 1990. While US payrolls report last Fri still suggests a strong labour market, the jobs outlook may not be as rosy going forward given US bank failures/stresses and credit tightening seen in the last 2 weeks of Mar. Slowing growth momentum/ recession narrative can undermine risk proxies and result in demand for USD but we argued that if growth momentum outside US (i.e. rest of the world) holds up, then pro-cyclical FX can remain resilient while USD stays on the back foot. In addition, a tamer Fed hike trajectory or pause in tightening should also be a factor weighing on USD. On this, we watch US CPI on Wed. Near term, we see various FX plays: (1) tactical long AUDNZD; (2) tactical short gold; (3) potential short squeeze in USDJPY towards 133.80.

Markets 3-Way Split on Upcoming MAS Policy Decision (14 Apr). We expect an upward recentring of the policy band as core inflation remains elevated and is expected to remain high while there are also risks of upward pressure to oil and food prices. Bear in mind, Singapore imports more than 90% of our food from more than 170 countries and region. Some degree of relative SGD strength can help to reduce imported inflation. A re-centring of policy band upwards would open up room for S$NEER appreciation and with S$NEER trading just ~0.6ppts away from our model-implied upper bound, this move can operationally help to alleviate some intervention pressure. If history was a guide, steepening of the slope option was typically adopted when both headline and core CPI surprised to the upside and is expected to remain elevated. We don't seem to be in this state. To some extent, a steepening move also appeared to be adopted in the early phases of tightening cycle. But in current setting, we are probably closer to the end of tightening cycle. On the other hand, we do agree to some extent that a policy pause should not be ruled out given there are signs that global and Singapore headline CPI may seem to have peaked, alongside sharp decline seen in prices of food, energy and freight costs. But this is not our base case as upside risks to food and oil prices remain intact and it may be a little too early to concur that the inflation fight is over.

FX – Turning or Trending – IDR, MYR Leading Gains; NZD Slips



Source: Bloomberg, OCBC

AxJ Positioning Bias (Reuters Poll) and EPFR Flows

Based on Reuters survey on Asia FX positioning, bearish bets on AxJ FX were trimmed. In particular, shorts in IDR, TWD and SGD were trimmed the most. Positioning for SGD and IDR somewhat turned bullish. Amongst AxJs, bearish bets remain in KRW, followed by INR and MYR. Positioning appears generally flat in CNY, TWD, PHP and THB.

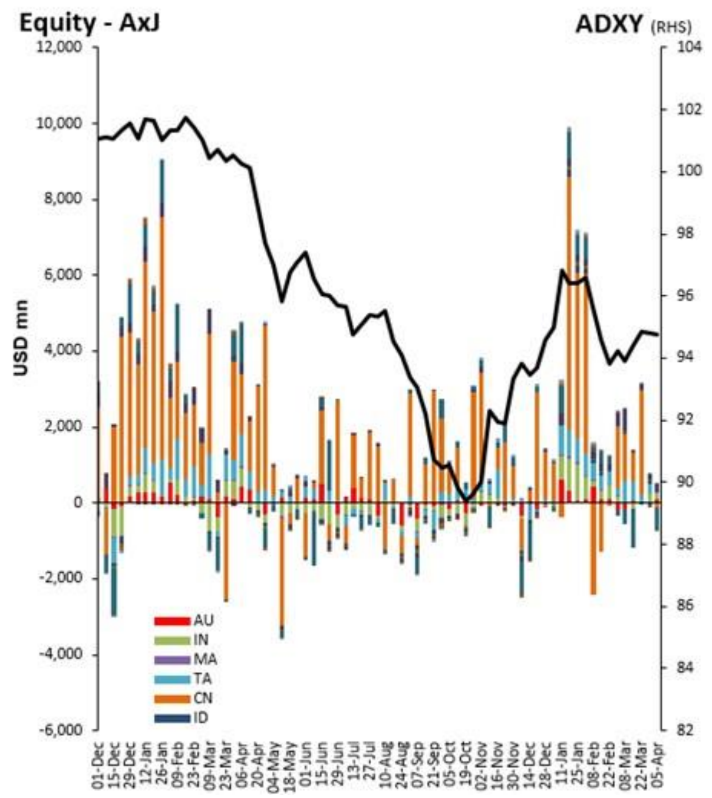
On EPFR flows, global bond market saw a surge of net inflow of $14.0bn, up from $2.4bn the week before. Developed markets saw inflows rose to $14.0bn, up from $3.2bn while outflows from Emerging Markets slow to $0.13bn, from $0.78bn of outflows. Emerging Asia outflows accelerated to -0.28bn, down from $0.14bn in prior week. On DM equity flows, Developed Asia saw outflows of $0.75bn from $0.23bn the week before.

	01-Dec-22	15-Dec-22	12-Jan-23	26-Jan-23	09-Feb-23	23-Feb-23	09-Mar-23	23-Mar-23	06-Apr-23	Trend
USD/CNY	0.63	0.08	-1.58	-1.29	-0.8	0.36	0.68	0.17	0.04	
USD/KRW	-0.15	-0.55	-1.39	-1.14	-0.63	0.77	1.3	0.87	0.56	
USD/SGD	-0.3	-0.85	-1.31	-1.4	-0.72	0.21	0.65	0.16	-0.39	
USD/IDR	1.08	0.92	-0.1	-1.15	-0.53	0.12	0.56	0.74	-0.26	
USD/TWD	0.15	-0.22	-0.67	-0.68	-0.68	0.3	0.78	0.63	-0.03	
USD/INR	0.76	0.63	0.07	-0.47	0.25	0.8	0.28	0.58	0.3	
USD/MYR	-0.02	-0.35	-0.82	-1.25	-0.64	0.49	0.78	0.74	0.29	
USD/PHP	0.33	-0.15	-0.61	-0.78	-0.4	0.33	0.42	0.36	0.08	
USD/THB	-0.16	-0.69	-1.85	-1.77	-1	0.37	0.3	0.37	-0.06	

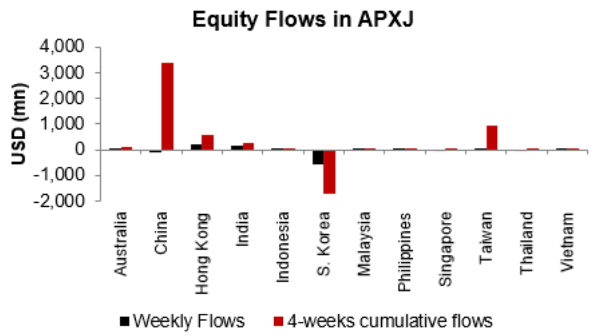
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change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

Source: Reuters [latest avail: 6 Apr 2023], OCBC

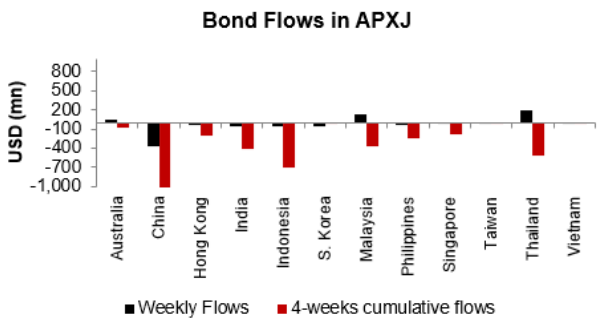
EPFR Equity Flows to AxJ vs ADXY



AxJ Equity Flows – Week vs 4w Cumulative



AxJ Bond Flows - Week vs 4w Cumulative



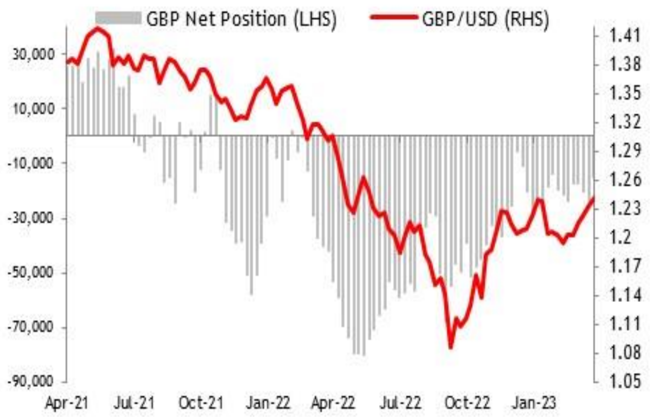
Note: Latest data available as of 5th Apr 2023 (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index

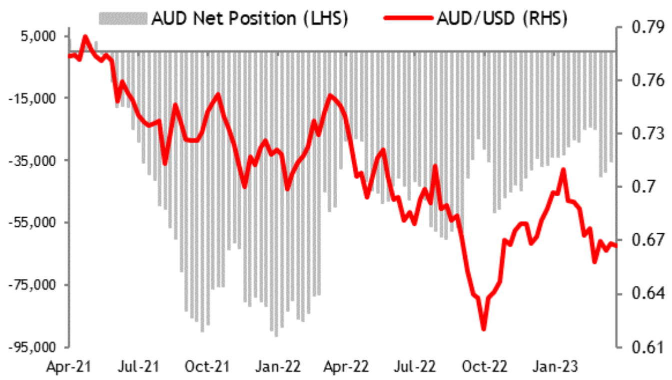
Source: EPFR, Bloomberg, OCBC

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

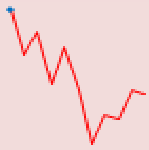
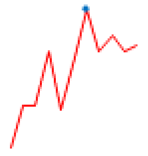
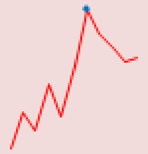
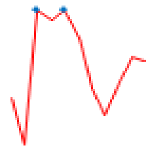
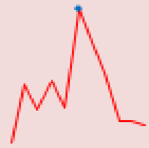
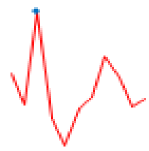
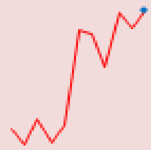
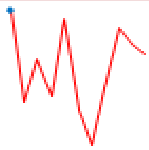
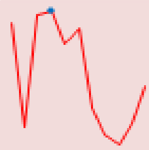
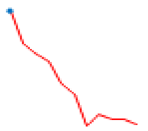
- *Positioning data as of 4 Apr; Latest CFTC report issued on 7 Apr 2023; data points of the past 2Y on weekly frequency*

Long DXY position was modestly added alongside moderating pace of DXY decline.
EUR longs moderated from record high while EUR was seen to ease from near 1.10-levels last week.
GBP shorts was reduced last week, alongside rise in GBP.
NZD and AUD shorts continued to see modest reduction while respective currencies traded subdue of WoW change.





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

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon:** Wholesale trade sales, inventories (Feb); **Tue:** NFIB small business optimism (Mar); **Wed:** CPI, real average weekly earnings (Mar); **Thu:** FoMC minutes; PPI (Mar) **Fri**: Retail sales, import/ export prices, IP (Mar); Uni of Michigan sentiment (Apr P)		**S: 102.00; R: 104.00**
EURUSD	**Mon:** - Nil – **Tue:** Sentix investor confidence (Apr); Retail sales, IP (Feb) **Wed:** - Nil – **Thu:** German CPI (Mar F); German current account (Feb) **Fri:** French CPI (Mar F)		**S: 1.0610; R: 1.0930**
GBPUSD	**Mon:** - Nil – **Tue:** BRC sales (Mar); **Wed:** - Nil – **Thu:** Monthly GDP, construction output, trade IP (Feb) **Fri:** - Nil –		**S: 1.2110; R: 1.2450**
USDJPY	**Mon:** Current account, Trade (Feb); Consumer confidence (Mar); **Tue:** Machine tool orders (Mar); **Wed:** PPI (Mar); core machine orders (Feb) **Thu:** - Nil – **Fri:** - Nil –		**S: 131.30; R: 135.00**
AUDUSD	**Mon:** - Nil – **Tue:** Consumer confidence (Apr); Business confidence (Mar); Wed: - Nil – **Thu**: Labor market report (Mar); Inflation expectations; **Fri:** - Nil –		**S: 0.6550; R: 0.6780**
USDCNH	**Mon**: - Nil – **Tue:** CPI, PPI (Mar); **Wed:** - Nil – **Thu:** Trade (Mar) **Fri:** - Nil –		**S: 6.8200; R: 6.9400**
USDKRW	**Mon**: - Nil – **Tue:** BoK policy decision; **Wed:** Unemployment rate (Mar); **Thu:** Import, export price index (Mar) **Fri:** - Nil –		**S: 1290.00; R: 1330.00**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** GDP (1Q); MAS Policy decision		**S: 1.3200; R: 1.3450**
USDMYR	**Mon:** - Nil – **Tue:** Industrial production (Feb) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.3950; R: 4.4800**
USDIDR	**Mon:** FX reserves (Mar) **Tue:** Consumer confidence (Mar) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 14,900; R: 15,100**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Still Looking to Fade USD Strength. Market narrative continues to shift quickly, without any clear conviction. From trading Fed's end-in-sight to recession worries, and potentially the focus could shift back to inflation theme this week. US CPI and PPI are due on Wed, Thur, respectively this week while China, India are also reporting CPI this week. Today, a few trading centres in HK, UK, AU and NZ are still closed for easter Monday.

In the currency space, decline in USD somewhat moderated last week as market appears to interpret bad US data as bad for sentiments; demand for USD. In the FX space against the USD, high-beta FX including AUD, NZD and KRW underperformed (on 5d change) while safe-haven proxies including, gold, CHF and JPY were amongst the outperformers. Softer US data, including the slump in ISM manufacturing into contractionary territories, softer factory orders and rising concerns of US commercial real estate sector have added to fears of US recession. Bloomberg recession probability for US within 6 months has risen to 99%. Even the IMF last Fri warned that its 5 year outlook for global growth will be weakest since 1990. In particular, IMF chief emphasized on a strong point - that the ongoing war in Ukraine is a potent threat to world prosperity and it "risks wiping out the peace dividend we have enjoyed for the past three decades, adding also to frictions in trade and finance".

While US payrolls report last Fri still suggests a strong labor market, the outlook may not be as rosy going forward given US bank failures/stresses and credit tightening seen in the last 2 weeks of Mar. Commercial bank lending fell nearly $105mio in the 2 weeks ended 29th Mar since 1973. Pullback in total lending was broad and included fewer real estate loans, commercial and industrial loans. These are consistent with Fed statement that *recent banking stresses could result in tighter credit conditions for households and businesses and it is likely to "weigh on economic activity, hiring, and inflation".* Focus shifts to inflation data next: CPI (Wed); PPI (Thu) as well as retail sales (Fri) – as an indication on activity. FoMC minutes is also expected on Thu. These data could add to conviction if Fed may pause or still proceed with hike at next FoMC (3 May). For now, 30d Fed fund futures implied a 70% chance of a 25bp hike and also a final hike before pencilling in a cut sometime in Sep FoMC. Slowing growth momentum/ recession narrative can undermine risk proxies and result in demand for USD but we argued that if growth momentum outside US (i.e. rest of the world) holds up, then pro-cyclical FX can remain resilient while USD stays on the back foot. In addition, a tamer Fed hike trajectory or pause in tightening should also be a factor weighing on USD. A more entrenched disinflation trend should help to reinforcing this narrative. While we do not rule out the risk of a near term bounce in USD, we are biased to fade rallies (if any).

DXY was last at 102.1 levels. Bearish momentum on daily chart shows signs of fading while RSI is rising. Near term risks skewed to the upside. Resistance at 102.80 (61.8% fibo), 103.40 levels (50% fibo retracement of 2023 low to high, 50 DMA) and 103.95 (38.2% fibo). Support here at 102, 101.50 and 100.85 levels (2023 low).

Elsewhere, we also see potential tactical opportunities for: (1) long AUDNZD as the flush out of stale longs last week provided attractive entry point to go long. Motivation is on the back of RBNZ nearing end of hiking cycle while RBA may still have room to tighten. Move higher can target objectives around 1.0780, 1.0850. Support at 1.0620, 1.0580 levels; (2) tactical short gold on bearish divergence, evening star bearish reversal pattern. Decline may target 1978, 1962 levels but any reversal back before previous high of 2032/35 levels will nullify the tactical short view; (3) potential short squeeze in USDJPY towards 133.80, following a double-bottom.

On a medium-term basis, we keep to our view for a moderate-to-soft USD profile as Fed tightening goes into late cycle, with an "end-in-sight" potentially on the horizon. A more entrenched disinflation trend would also support the "end-in-sight" view and likely to the USD to trade softer. 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. Assuming that bank contagion risk is limited, a less severe global growth slowdown will also be supportive of pro-cyclical FX, including AxJs, AUD while counter-cyclical USD stays on the back foot. That said, we do not expect a one-way street for USD's decline. There will be instances of intermittent and sporadic USD upticks as USD still retain a yield advantage and is a safe haven proxy to some extent. The risk of USD rebound could occur if markets unwind its overly dovish repricing of the Fed or a broader market sell-off ensues. On this risk, we continue to watch price-related data closely.

Double-Top in the Making? EUR's attempt to trade 1.10-handle failed last week. Pair was last at 1.0905 levels. Bullish momentum on daily chart shows signs of fading while RSI turned lower. Price action somewhat suggests a potential double-top in the making at around 1.10 levels. Failure to take out previous high of 1.1033 (2 Feb high) would suggest a potential bearish reversal. Near term risks skewed to the downside. Support at 1.0810 (21 DMA), 1.0680 levels (23.6% fibo retracement of Sep low to 2023 high, 100 DMA). Resistance at 1.0980 (previous high) before 1.1030 levels (2023 high).

We are mild-constructive on EUR's outlook on the back of still hawkish ECB and resilient Euro-area growth. 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. On ECB speaks, Lagarde said that core inflation "still significantly" too high while Villeroy said ECB may still have "a little way to go" on rate hikes. Guindos added that underlying price pressures will stay elevated even as headline CPI slows. Panetta said there are sectors where "input costs are falling while retail prices are increasing and profits are also increasing… so this is enough to be worried as a central banker that there could be an increase in inflation due to increasing profits". In summary, elevated core CPI validates ECB's resolve to fight inflation while hawkish ECB speaks continue to suggest that **ECB remains one of the remaining hawks, if not the only DM hawk** on the streets. Looking on, data dependence will be key on future policy rate decisions as ECB had dropped forward guidance. On net, we opined some recession fears in Euro-area, banking sector concerns, energy woes and geopolitical concerns remain but resilient growth, hawkish ECB and potentially a moderate-to-soft USD profile should support EUR's recovery. 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); (4) if ECB unexpectedly signals a dovish tilt; (5) if Euro-area banking sector comes under scrutiny.

Need a Close Above 1.2450 to Solidify GBP Bulls. GBP traded as high as 1.2525 last week before easing under 1.2450. Pair was last at 1.2418 levels. Mild bullish momentum on weekly, daily chart intact though daily RSI shows signs of turning lower. While we are constructive on GBP's outlook, we opined GBP needs to close above its previous key double-top resistance at 1.2450 for bulls to gather traction. Failing which, the pair could be prone to corrective pullback especially if USD manages a rebound this week. Support at 1.2280 (21 DMA), 1.2160 (50, 100 DMAs). Resistance at 1.2450, 1.2525 (previous high). Decisive break past these levels can see GBP mount a challenge towards 1.2650 levels.

We are slightly neutral-mild constructive in our GBP outlook as UK growth outlook may not be as bad as feared, BoE is still somewhat hawkish, domestic credibility is restored, post-Brexit EU-UK relations are on the mend while softer energy prices offer relief with government finances, businesses, and households. Release of 4Q GDP also confirmed that UK narrowly avoided entering a technical recession. OBR said in its report that the economic and fiscal outlook for UK had "brightened somewhat" since the previous forecast in November. 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). 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. Even the BoE, which had earlier expected UK economy to contract this year and 1Q 2024 (due to high energy prices and higher borrowing costs weigh on spending) is the latest to join the bandwagon in not expecting a recession. BoE Governor Bailey recently said that while rates should not be taken to the 2008 peak, he stressed how the UK banking system is in a sound position and that inflation remains the key focus, and that further rate hikes are possible if inflationary pressures persist. On net, a moderate-to-soft USD profile, tentative signs of improvement in growth outlook, fading Brexit concerns should allow for GBP to recover though pockets of concerns in some aspects of domestic fundamentals (stagflation risk, consumer squeeze, etc.), and the risk of BoE turning less hawkish remain and may at times restraint GBP's recovery.

Room for Bounce. USDJPY traded a week of 2 halves, falling in early week but erasing earlier losses into NY close last Fri. Moves continued to mirror UST yields and last Fri yields rose after US payrolls report suggested that a 25bp hike for Fed is still not ruled out. Pair was last at 132.15 levels. Daily momentum shows tentative signs of turning mild bullish while RSI is rising. Near term risks skewed to the upside. Resistance at 132.60 (21 DMA, 50% fibo retracement of 2023 low to high) ,133.80 (38.2% fibo, 100 DMA), 135.40 levels (23.6% fibo). Support at 131.30 (61.8% fibo) and 129.75 (76.4% fibo). We caution for rebound risks but bias to take this opportunity on rallies to fade into.

Looking out, we still expect BoJ to proceed with policy normalisation at some stage amid upward pressure on prices, wages. Japan's Keidanren business lobby which represents 1,494 companies in Japan (as of Apr 2022) said that the average increase sealed at the conclusion of the wage talks this year was the "biggest in about 30 years". Earlier, Japan's largest union (UA Zensen), which is the largest industrial union in Japan with 18 unions under its umbrella has unveiled that it has sealed a 5.28% average pay increase with employers during annual wage negotiations while other Japanese corporates such as sumco (silicon wafer maker) said it would implement up to 6% wage increase, Oriental Land (operator of Disneyland/sea) reported raising wages by ~7%. We believe the "shunto" wage negotiations is a key input in BoJ policy deliberation process. 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 June instead. Our house view continues to look for a removal of YCC regime. Sustained rise and broadening inflationary pressures supports our bias for the removal 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 pause or pivot comes into play) and expectation for further BoJ shift towards policy normalisation amid higher inflationary pressures in Japan.

Tactical Bias for Long AUDNZD. AUD traded the higher in early week but gains were entirely pared into the week's close. AUD was last at 0.6672 levels. Mild bullish momentum on daily chart is fading but the decline in RSI shows signs of moderating. Near term risks still 2-way with little conviction at this point/ in absence of fresh catalst. Support at 0.6610, 0.6550/70 levels. Resistance at 0.6750/80 levels (200 DMA, 38.2% fibo retracement of Oct low to Feb high). Our tactical long AUD at 0.6570 (entry 10 Mar), target a move towards 0.70, 0.7160 objectives remain in play though we acknowledge the risks of corrective pullback. SL remain at 0.64.

Last Tue, RBA kept cash rate unchanged at 3.6% but RBA Governor Lowe said that Apr's pause does not imply rate hikes are over and pointed to policy dependent on data flow. We still see room for RBA to tighten. On the other hand, RBNZ surprised by raising rates 50bp taking OCR to 5.25% last Wed. RBNZ's stance was that near term inflationary pressures have increased and inflation is still too high and persistent. Hence MPC agreed that OCR needs to be at a level that will reduce inflation and inflation expectations to within the target range over the medium term. The 50bp hike in OCR now brings RBNZ tightening cycle closer to an end. Recall that last quarterly MPS puts terminal rate at 5.5%.

As a result of the divergence in RBA-RBNZ policies, **AUDNZD** fell to more than 4-month low of 1.0588 last week. We saw this as a healthy flush out of stale long position. With a cleaner position now, we see tactical opportunity to re-load long AUDNZD from sub-1.06 levels, for better risk-reward. Support at 1.0620 (76.4% fibo), 1.0560 levels. Resistance at 1.0720 (21 DMA), 1.0780 (50% fibo retracement of Dec low to Feb high, 100DMA) and 1.0850 (38.2% fibo).

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, and a more moderate-to-soft USD profile (as Fed nears end tightening cycle). 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 deteriorates; 4/ any market risk-off event.

Await MAS Policy Decision. USDSGD traded range-bound last week in absence of fresh catalyst while markets continue to keep an eye on MAS policy decision. As of 6 April, S$NEER is trading ~1.3% above model-implied mid. Pair was last at 1.3295 levels. Bearish momentum on daily chart shows signs of fading but rise in RSI moderated. Range-bound trade still likely. Resistance at 1.3350/70 levels (21, 50 DMAs, 23.6% fibo retracement of 2022 high to 2023 low), 1.3400 levels (100 DMA) and 1.3450 (23.6% fibo). Support at 1.3230/40 (recent low), 1.32 and 1.3160 levels (76.4% fibo).

MAS policy decision is scheduled for release on 14 Apr (Fri, 8am SG time), alongside the release of 1Q Advanced GDP. There are various options the MAS can go about setting its policy – either by recentring policy bank upwards, increasing the policy slope, widen the trading band or basically, do nothing by keeping policy stance status quo, which based on current setting is already on an appreciating path. Reuters poll on banks and our telegram poll on subscribers of our channel are fairly consistent, as about 65-70% of respondents expect MAS to tighten. From the Reuters poll on bank analysts looking for tightening, the response for increasing the slope and recentring upwards are about 50-50. This demonstrates how **3-way split the markets are on this particular MPC**.

We are calling for an upward recentring of the policy band as core inflation remains elevated and is expected to remain high while there are also risks of upward pressure to oil and food prices. Bear in mind, Singapore imports more than 90% of our food from more than 170 countries and region. Some degree of relative SGD strength can help to reduce imported inflation. A re-centring of policy band upwards would open up room for S$NEER appreciation (basically against a basket of currencies) and with S$NEER trading just ~0.6percentage points away from our model-implied upper bound, this move can operationally help to alleviate some intervention pressure. Potentially, we believe policymakers can replay the playbook of Apr 2011 policy decision by re-centring to below prevailing level. This can mitigate against risk of over-tightening and somewhat signal a “step-down” in pace of tightening but yet still achieve some degree of SGD appreciation.

If history was a guide, steepening of the slope option was typically adopted when both headline and core CPI surprised to the upside and is expected to remain elevated. We don’t seem to be in this state. To some extent, a steepening move also appeared to be adopted in the early phases of tightening cycle. But in current setting, we are probably closer to the end of tightening cycle. On the other hand, we do agree to some extent that a policy pause should not be ruled out given there are signs that global and Singapore headline CPI may seem to have peaked, alongside sharp decline seen in prices of food, energy and freight costs. But this is not our base case as upside risks to food and oil prices remain intact and it may be a little too early to concur that the inflation fight is over.

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 as inflationary pressures in Singapore remain elevated. 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-Dec-22
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-Jan-23
09-Mar-23	Short USDJPY	137	131.9	3.72%	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. [Trade TP]	22-Mar-23
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]	

Note: Close level is average of 1st, 2nd and 3rd objectives for take profit scenario.

Selected SGD Crosses

SGDMYR Daily Chart: Break Below 50DMA Needed for Bears to Return

SGDMYR was a touch softer last week. Cross was last at 3.31 levels.

Daily momentum remains mild bearish while RSI fell. Bearish divergence on MACD and RSI is likely still intact. Still look for the cross to drift lower.

Support at 3.3060/80 (50% fibo retracement of 2022 high to Dec low, 50 DMA), 3.2875/90 levels (38.2% fibo, 100 DMA).

Resistance at 3.3270/85 (61.8% fibo, 21 DMA), 3.3540 levels (76.4% fibo).

SGDJPY Daily Chart: Consolidation with Bias to Sell Rallies

SDGGDJPY eased; amid SGD underperformance. Cross was last at 99.40 levels.

Daily momentum is turning flat but RSI rose. Some consolidative price action is expected, with bias to sell rallies.

Resistance at 100.35/55 levels (38.2% fibo retracement of Oct high to Dec low, Fri high), 101.50 (50% fibo).

Support at 98.95 (23.6% fibo), 97.10 (recent low) and 96.70 (2023 low).

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

SGDCNH Daily Chart: Slight Risk to Downside

SGDCNH Continued to trade a week of 2-halves, rising in early week before turning lower. Cross was last at 5.1720 levels

Mild bullish momentum on daily chart intact but shows signs of fading while RSI is falling. Risks to the downside.

Support remains at 5.1530 levels (23.6% fibo retracement of Jul low to Nov high), 5.0800 levels (38.2% fibo), 5.0550 levels.

Resistance at 5.18 and 5.20 levels.

EURSGD Daily Chart: Buy Dips

EURSGD drifted higher amid EUR holding gains while SGD underperformed last week. Cross was last at 1.4505 levels.

Daily momentum is showing a mild bullish bias while RSI is flat. Consolidation likely though bias to buy dips. Support at 1.4410 (21 DMA), 1.4330 (50, 100 DMAs) and 1.4185 (200 DMA).

Resistance here at 1.4510, 1.4580 (50% fibo retracement of 2022 high to low).

.

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

GBPSGD Daily Chart: Risk of Pullback

GBPSGD traded higher, in line with our call for break-out trade (convergence of moving averages). Cross was last at 1.6510 levels.

Mild bullish momentum on daily chart intact but RSI fell. Slight risks to the downside in the near term though we maintain bias to buy dips.

Support at 1.6390 (21 DMA) before 1.6310 levels (23.6% fibo retracement of Sep low to Dec high, 100, 200 DMAs) and1.6230 (50 DMA).

Resistance at 1.6570, 1.6750 levels.

AUDSGD Daily Chart: Buy Dips Preferred

Rise in AUDSGD proved short-lived as the cross reversed gains into NY close last Fri. Cross was last at 0.8870 levels.

Mild bullish momentum on daily chart intact while RSI fell. Potential bullish divergence could be forming on MACD, RSI. Rebound not ruled out.

Key resistance at 0.8920/40 (21 DMA, 76.4% fibo). Break puts next resistance at 0.9025 (61.8% fibo retracement of Oct low to Jan high) and 0.9090 (50% fibo).

Support at 0.8850, 0.8810 levels (Oct low).

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

Medium Term FX Forecasts

FX	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
USD-JPY	130.00	128.00	125.00	124.00	122.00
EUR-USD	1.1000	1.1100	1.1200	1.1200	1.1300
GBP-USD	1.2400	1.2500	1.2600	1.2600	1.2700
AUD-USD	0.7000	0.7100	0.7200	0.7200	0.7300
NZD-USD	0.6300	0.6400	0.6500	0.6600	0.6700
USD-CAD	1.3400	1.3200	1.3200	1.3100	1.3000
USD-CHF	0.9100	0.9000	0.9000	0.8900	0.8900
USD-SEK	10.200	10.200	10.000	9.900	9.9000
DXY	101.21	100.19	99.180	98.920	98.040
USD-SGD	1.3250	1.3150	1.3040	1.3000	1.3000
USD-CNY	6.8000	6.7000	6.6500	6.6000	6.5800
USD-CNH	6.8000	6.7000	6.6500	6.6000	6.5800
USD-THB	35.000	34.800	34.600	34.200	34.200
USD-IDR	14920	14850	14800	14750	14720
USD-MYR	4.4000	4.3800	4.3600	4.3200	4.3000
USD-KRW	1285.0	1275.0	1265.0	1260.0	1255.0
USD-TWD	30.400	30.300	30.200	30.100	30.000
USD-HKD	7.8500	7.8400	7.8300	7.8200	7.8200
USD-PHP	54.000	54.000	53.900	53.800	53.500
USD-INR	82.000	81.500	81.000	81.000	80.800
USD-VND	23400	23200	23200	23000	23000
EUR-JPY	143.00	142.08	140.00	138.88	137.86
EUR-GBP	0.8871	0.8880	0.8889	0.8889	0.8898
EUR-CHF	1.0010	0.9990	1.0080	0.9968	1.0057
EUR-SGD	1.4575	1.4597	1.4605	1.4560	1.4690
GBP-SGD	1.6430	1.6438	1.6430	1.6380	1.6510
AUD-SGD	0.9275	0.9337	0.9389	0.9360	0.9490
NZD-SGD	0.8348	0.8416	0.8476	0.8580	0.8710
CHF-SGD	1.4560	1.4611	1.4489	1.4607	1.4607
JPY-SGD	1.0192	1.0273	1.0432	1.0484	1.0656
SGD-MYR	3.3208	3.3308	3.3436	3.3231	3.3077
SGD-CNY	5.1321	5.0951	5.0997	5.0769	5.0615
SGD-IDR	11260	11293	11350	11346	11323
SGD-THB	26.415	26.464	26.534	26.308	26.308
SGD-PHP	40.755	41.065	41.334	41.385	41.154
SGD-CNH	5.1321	5.0951	5.0997	5.0769	5.0615
SGD-TWD	22.943	23.042	23.160	23.154	23.077
SGD-KRW	969.81	969.58	970.09	969.23	965.38
SGD-HKD	5.9245	5.9620	6.0046	6.0154	6.0154
SGD-JPY	98.113	97.338	95.859	95.385	93.846
Gold $/oz	1920.0	1930.0	1950.0	1980.0	2000.0

Source: OCBC Research Forecasts as of 3rd April 2023

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