GLOBAL MARKETS RESEARCH

FX Weekly

18 September 2023

Christopher Wong
FX Strategist
+65 6530 4367
ChristopherWong@ocbc.com

Global Markets Research
Tel: 6530-8384

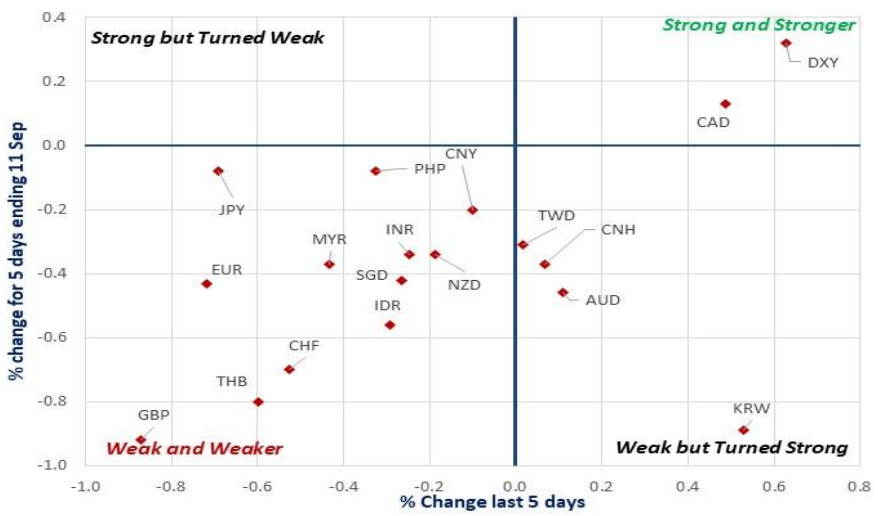
FX Tread Water ahead of Central Bank Decision

Fed's Dot Plot Matters. Our view on Fed remains unchanged – that the Fed is done with tightening for current cycle as inflation pressure is already coming off and real rates at 2% (more than 10y high) is already restrictive. One big uncertainty is still Fed rate cut trajectory in 2024 and that remains one of the key catalysts driving FX volatility. Recent US CPI print was largely within expectations and alongside inflation expectations, continued to point to disinflation trend. We watch this week's FoMC (21 Sep 2am SG time), when the dot plot will be refreshed. That could perhaps give markets some clarity if the fed is done with tightening for this cycle and perhaps offer more insight into rate cut expectations for 2024.

BoE to Hike; BoJ to Hold. BoE MPC takes place on Thu. Market expectations for a hike has eased slightly due to earlier comments from BoE Governor Bailey and softer GDP print. We still expect a 25bp hike at upcoming MPC as wage growth remains red hot and core CPI remains elevated. That said, GBP could still trade on the back foot amid BoE nearing end of tightening cycle while stagflation concerns returned. For BoJ, we expect policy status quo for now. Markets could revert back to trading USDJPY higher as currency pair is still largely a story of yield differentials and with Treasury yields still higher and UST-JGB yield differentials still wide/ widening, the USDJPY may continue to trade higher. This puts focus on potential *leaning against the wind* activities, should pace of rise becomes one sided and excessive.

Pause for BI, BSP and CBC. Our Economists look for BI to keep policy rate on hold at 5.75% as inflation remains under control and focus shifts to supporting growth. For CBC, we look for central bank to keep policy rate on hold at 1.875% as core inflation showed signs of subsiding. On BSP, our base case looks for a hold but to some extent, we do not rule out the risk of a hike, as inflation reaccelerated to above its 2 – 4% band. Respective FX performance is highly dependent on FoMC policy outcome. In a scenario where rates stay high for longer and oil prices stay elevated, Asian FX could be exposed to further downward pressure.

FX – Turning or Trending – North Asian FX Turning



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (2Q 2023)

By Currency:
No.1 for PHP
No. 2 for IDR, VND, TWD, CAD

By Region:
No. 4 for Asia FX
No. 7 for G10 Major FX

AxJ Positioning Bias (Reuters Poll) and EPFR Flows

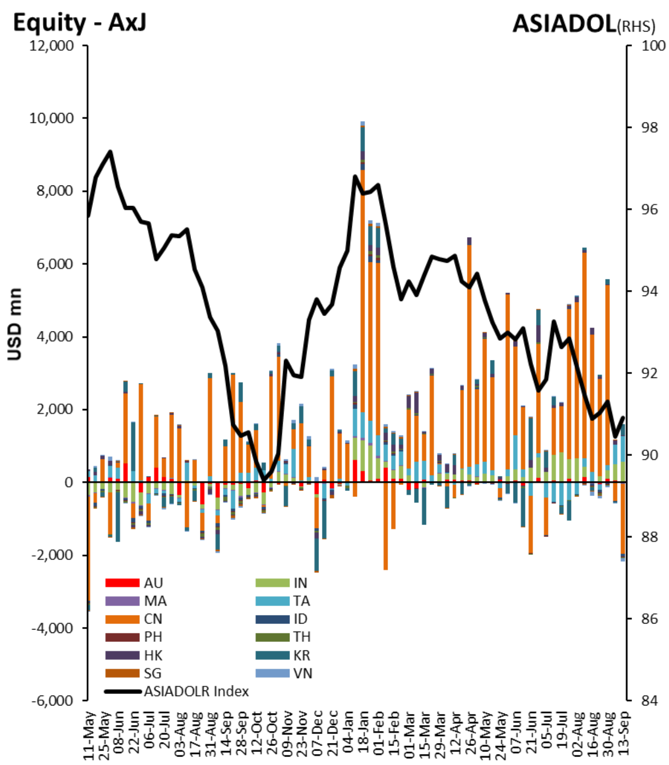
Based on Reuters survey on Asia FX positioning, bearish bets on most AxJ FX have somewhat scaled back slightly. That said, bearish bets on CNY, KRW, TWD remain the largest while bearish bet on SGD remains the lowest. To some extent, bearish bets on PHP and MYR saw the most reduction, while bearish bets on KRW picked up.

On EPFR flows, global bond market reported net inflows of $4.9bn last week, an increase from prior week's outflows of $4bn. Developed Market saw inflows while Emerging Market saw outflows of $0.96bn, where Emerging Asia led the largest outflows at $0.54bn. On DM equity flows, Developed Asia saw inflows at $0.35bn last week, a reversal from prior week's outflows of $0.2bn.

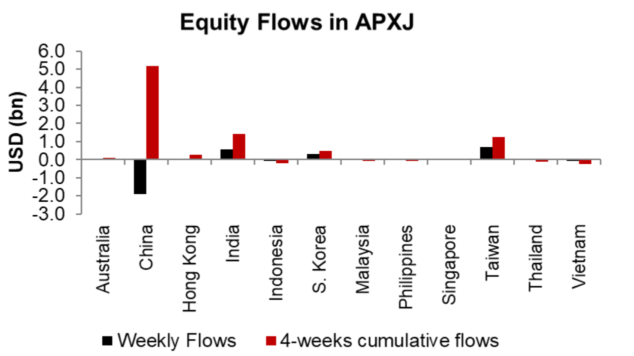
	18-May-23	01-Jun-23	15-Jun-23	29-Jun-23	13-Jul-23	27-Jul-23	10-Aug-23	24-Aug-23	07-Sep-23	Trend
USD/CNY	1.27	1.88	1.59	1.74	1.33	0.77	0.74	1.42	1.28	
USD/KRW	0.88	0.68	-0.03	0.29	0.12	0.19	0.68	0.79	1.01	
USD/SGD	0.19	0.73	0.17	0.5	0.62	-0.22	0.28	0.34	0.3	
USD/IDR	-0.27	0.23	-0.33	0.3	0.52	-0.14	0.6	0.77	0.65	
USD/TWD	1	0.7	0.68	0.72	1.13	1.17	1.12	1	0.95	
USD/INR	0.11	0.48	-0.24	-0.14	0.1	-0.06	0.62	0.84	0.79	
USD/MYR	1.1	1.77	1.64	1.85	1.77	1.15	0.98	1.18	0.86	
USD/PHP	1.12	1.08	0.74	0.29	0.26	0.14	0.75	0.92	0.55	
USD/THB	-0.5	0.45	0.25	1.03	0.73	0.15	0.49	0.5	0.57	

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: 7 Sep 2023], OCBC Research

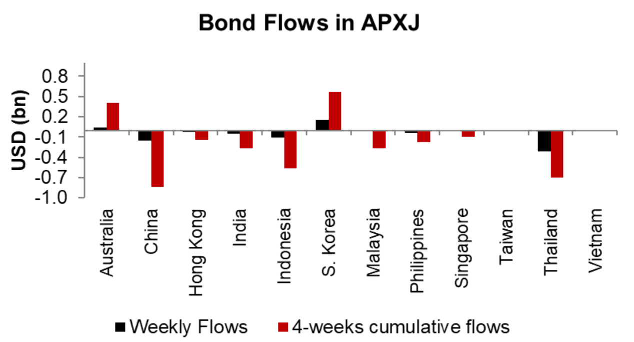
EPFR Equity Flows to AxJ vs ASIADOL



AxJ Equity Flows – Week vs 4w Cumulative



AxJ Bond Flows - Week vs 4w Cumulative



Note: Latest data available as of 13th Sep 2023 (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index
Source: EPFR, Bloomberg, OCBC Research

GLOBAL MARKETS RESEARCH

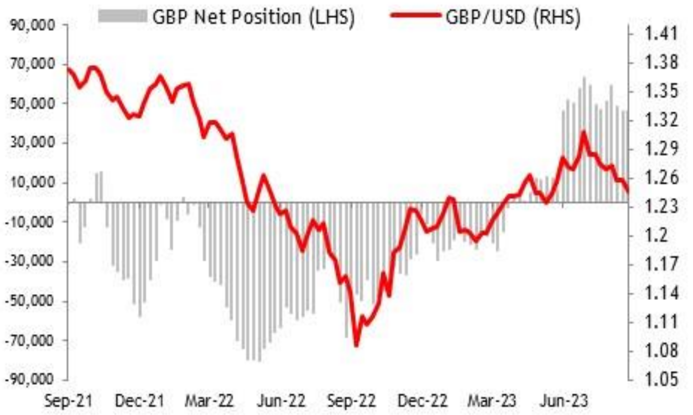
FX Weekly

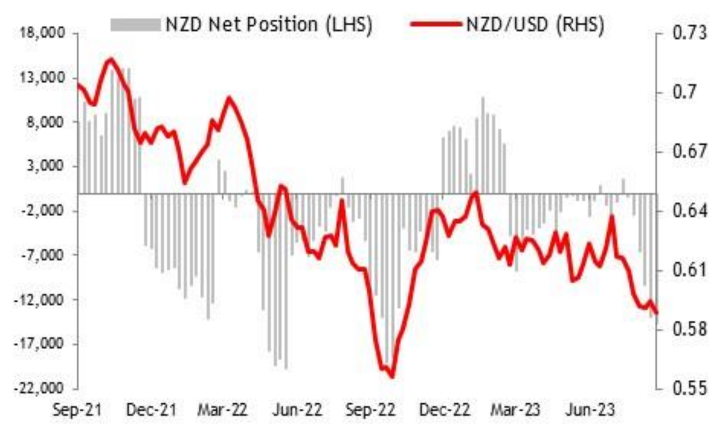
18 September 2023

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

- *Positioning data as of 9 Sep; Latest CFTC report issued on 15 Sep 2023; data points of the past 2Y on weekly frequency*

Long DXY position continue to rise slightly from multi-month low, alongside the rebound in DXY.
EUR and GBP longs reduction continued last week, alongside decline in EUR and GBP, respectively.
JPY shorts increased, alongside JPY depreciation (vs. USD).
NZD shorts further increased, alongside NZD depreciation.

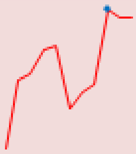
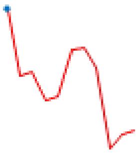
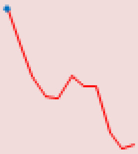
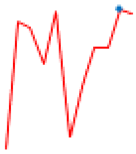
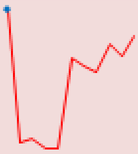
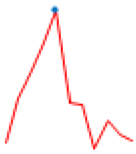
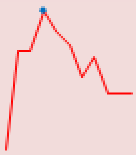
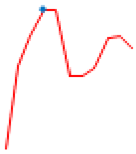
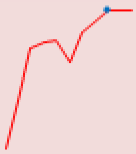
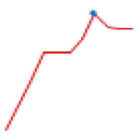




Notes: The FX positioning data for this report is part of the Commitments of Traders (COT report published by the US Commodity Futures Trading Commission (CFTC) on every Friday (330pm ET) for data up to the Tue in the same week. Hence our FX Weekly publication will show a 1-week lag. In our report, we 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 Weekly

18 September 2023

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: NAHB housing market index (Sep); **Tue:** Building permits, housing starts (Aug); **Wed:** - Nil – **Thu: FoMC decision**; Existing home sales (Aug); Philly Fed business outlook (Sep); current account (2Q); **Fri**: Prelim PMIs (Sep)		**S: 102.80; R: 106.00**
EURUSD	**Mon:** - Nil – **Tue:** Current account, CPI (Aug) **Wed:** Construction output (Jul); German PPI (Aug); **Thu:** Consumer confidence (Sep); **Fri:** Prelim PMIs (Sep)		**S: 1.0620; R: 1.0880**
GBPUSD	**Mon:** Rightmove house prices (Sep); **Tue:** - Nil – **Wed:** CPI, PPI, RPI (Aug); house price index (Jul); **Thu: BoE MPC;** Public finances (Aug); **Fri:** Retail sales (Aug); Prelim PMIs, GfK consumer confidence (Sep)		**S: 1.2300; R: 1.2750**
USDJPY	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Trade (Aug); **Thu:** - Nil – Fri: CPI (Aug); Prelim PMIs (Sep); **BoJ MPC**		**S: 145.00; R: 149.00**
AUDUSD	**Mon:** - Nil – **Tue:** RBA minutes; **Wed:** Westpac leading index (Aug); **Thu**: - Nil – **Fri:** Prelim PMIs (Sep)		**S: 0.6280; R: 0.6560**
USDCNH	**Mon**: - Nil – **Tue:** - Nil – **Wed:** 1y, 5y Loan prime rate; **Thu:** - Nil – **Fri:** - Nil –		**S: 7.2400; R: 7.32sgd00**
USDKRW	**Mon**: - Nil – **Tue:** - Nil – **Wed:** PPI (Aug); **Thu:** 1st 20days Exports, Imports **Fri:** - Nil –		**S: 1310.00; R: 1340.00**
USDSGD	**Mon:** NODX (Aug); **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.3550; R: 1.3680**
USDMYR	**Mon:** - Nil – **Tue:** Trade (Aug) **Wed:** - Nil – **Thu:** - Nil – **Fri:** CPI (Aug); FX reserves (Sep)		**S: 4 6500; R: 4.7000**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu: BI MPC** **Fri:** - Nil –		**S: 15,200; R: 15,450**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Watch Dot Plot. DXY rose for a 9th consecutive week as it remains a dominant driver. Rates stay high for longer (policy divergence) and relative US growth resilience are factors that continue to underpin support for the USD. But looking beyond the DXY headline, the USD strength tells a different story. From 5-day % change perspective, USD strength was more pronounced vs. EUR, GBP, JPY (monetary policy divergence) and THB (hit by rising oil prices) but the USD underperformed against commodity-linked FX, including AUD, CAD, and North Asian FX, including KRW, TWD and CNH. Better than expected China activity data may have helped to stabilise sentiments.

Looking on, FoMC this Thu (2am SG time) is of top focus. Our view on Fed remains unchanged – that the Fed is done with tightening for current cycle as inflation pressure is already coming off, alongside inflation expectations and that real rates at 2% (more than 10y high) is already restrictive. The one big uncertainty is still Fed rate cut trajectory in 2024 and that remains one of the key drivers of FX volatility. Dot plot will be of interest as it would contain expectations for 2026 for the first time but more importantly, the refreshed dot may offer some clarity on whether the Fed is done with tightening for this cycle and perhaps offer more insight into rate cut expectations for 2024. **A less hawkish dot plot may lead to dovish re-pricing and that can weigh on USD. But even if we get a scenario of no-change to dot plot, the USD may not necessarily be boosted as markets have already unwound their prior dovish bets to be aligned with the Jun dot plot.**

Recent Fed speaks (prior to Fed's blackout) also somewhat suggest Fed officials are not obsessed with hiking rates: 1/ Goolsbee said that Fed debate is shifting to how long to keep rates elevated at current position and not about how high rates should go; 2/ Williams said that officials need to parse through data to decide on how to proceed on interest rates. Recently, Chicago Fed researchers shared in a study that "policy tightening that's already been done is sufficient to bring inflation back near Fed's target by middle-2024 while avoiding a recession". Estimates from the Chicago Fed model (from D'Amigo and King 2023) shows that *although the majority of the effects on output and inflation have already occurred, the policy tightening that has already been implemented will exert further restraint in the quarters ahead, amounting to downward pressure of about 3 percentage points on the level of real gross domestic product (GDP) and 2.5 percentage points on the Consumer Price Index (CPI) level. Tightening effects on the labor market manifest more slowly, so more than half the policy impact on total hours worked is yet to come.*

DXY was last at 105.30 levels. Bullish momentum on weekly, daily chart intact while RSI rose towards near overbought conditions. Hanging man candlestick pattern observed again last Fri – signals a potential bearish reversal – as we watch price action in coming sessions for confirmation. In addition, we watch if bearish divergence pattern does play out. Resistance here at 105.30, 105.90 levels (2023 high). Support at 104.25/40 (76.4% fibo, 21DMA), 103.50 levels (61.8% fibo retracement of 2023 high to low) and 102.70/80 levels (50, 100, 200 DMAs).

On net, we retain our view for a moderate-to-soft USD profile as Fed is likely done with tightening for this cycle. But as rates remain high for longer in the interim, any USD dips may be shallow for now as a dovish pivot is still yet in sight. The point of USD inflection would come when market narrative shifts into trading the expectations for "more rate cuts in 2024" and this is highly dependent on how data pans out. A more entrenched disinflation trend and more material easing of labour market tightness, activity data should bring about the shift and for the USD to trade softer. For now, USD still retain a significant yield advantage and is a safe haven proxy to some extent. As such, there will still be some room for USD upticks especially if global, China growth momentum stay subdued.

USD to Drive Direction. EUR traded a "buy on rumor, sell on fact" into ECB meeting last week. Near term, stagflation concerns in EU and ECB at end of tightening cycle may continue to weigh on EUR. That said with ECB behind us, EUR's outlook would also depend on how USD, USTs trade and FoMC decision on Thu may offer some guidance. EUR was last 1.0660 levels. Mild bearish momentum on daily chart intact while RSI is near oversold conditions. 2-way trades likely until we get clarity on Fed's direction at FoMC next week. But in the interim, EUR may well trade on the back foot, even from a cross perspective. Support at 1.0630 levels. Resistance at 1.0780, 1.0830 levels (200 DMA, 23.6% fibo retracement of Jul high to Sep low).

At the last meeting (14 Sep), ECB hiked rate 25bp, as we expected (non-consensus call) but ECB also somewhat signaled that ECB is likely done with rate hikes. Accompanying statement noted that key interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target. On ECB speaks, Kazaks warned that betting on ECB to cut rate in 1H2024 would be a mistake… wage growth in Eurozone has not yet peaked and it is unclear how quickly underlying inflation will retreat. Holzmann and Vasle argued that another hike cannot be excluded while Lagarde earlier said that ECB has not decided, discussed or even pronounced rate cuts. Our rates strategist indicated that this is a strong hint that there will be a long period of pause, if not an end, to rate hikes. Regarding APP, the statement simply describes what has been happening, that "the Eurosystem no longer reinvests the principal payments from maturing securities." Hence, passive QT continues. APP maturity (which will be the QT amounts) is relatively heavy in October at an estimated EUR52.2bn, but smaller at EUR17.5bn in November and EUR8.6bn in December. A quickening in QT pace before year-end would require active bond sales and/or rundown in PEPP holdings which does not appear to be the near-term plan. Going into H1-2024, maturity averages EUR30.7bn a month which represents a quicker pace than in the Jul-Dec 2023 period even if ECB keeps passive QT. That said, the current policy to reinvest the principal payments from maturing securities under PEPP until at least end-2024 looks somewhat dovish and risk is this end-2024 timeline will be brought forward.

We are neutral on EUR's outlook as growth in Euro-area looks to slow while ECB tightening cycle is likely near its end. With Fed potentially closer to a pivot as early as 1Q 2024 vs. ECB in 2H 2024), some degree of convergence in ECB-Fed monetary policies is still likely and that could still marginally be supportive of a mild upward trajectory into 2024. The key risks to EUR's outlook are an earlier than expected dovish ECB pivot and/or growth momentum in Euro-area continues to decelerate sharply.

25bp Hike Likely. GBP traded lower amid weaker GDP print while USD strength persisted. Pair was last at 1.2385 levels. Bearish momentum on daily chart intact while RSI fell. Risks skewed to the downside. Support at 1.2310 (61.8% fibo retracement of 2023 low to high) and 1.2120 (76.4% fibo). Resistance at 1.2430 (200 DMA), 1.2585 (21DMA), 1.2630/50 levels (38.2% fibo, 100 DMA). At the same time, we observed a potential falling wedge, which may point to bullish reversal at some point. We watch price action for confirmation.

Even as probability of hike has eased slightly (likely due to earlier comments from Bailey), we still see a 25bp hike as the likely outcome this week at BoE MPC (Thu). Wage growth data remains hot (8.5% vs. 8.2% expected) while inflation though has eased (6.9% for core CPI), remains way above its inflation target. To recap, BoE Governor Bailey earlier said that rates are probably "near the top of the cycle" with a "definitely a substantial amount of transmission to come" from past rate hikes. This seemed to suggest that BoE is of the view that monetary policy transmission lag may take longer and past hikes have yet to be entirely felt in the economy. So, in a way, the BoE may potentially pause and assess at some point, rather than letting rates go higher.

We are neutral on GBP outlook as UK growth momentum shows signs of deceleration while BoE tightening cycle may be approaching its end soon. Near term, GBP may stay under pressure amid strong USD environment and that UK growth momentum shows signs of slowing. But looking out, we still hold to a mild upward trajectory for GBP as BoE is still on a tightening path (but likely less hawkish than before) and potential BoE-Fed policy convergence may still be supportive of GBP. Risk to our outlook is the pockets of concerns in some aspects of domestic fundamentals (i.e. over-tightening into recession, consumer squeeze, etc.) that could still restrain GBP's recovery to some extent.

Ueda's Miscommunication? USDJPY resumed its rise after a media report (late last week) suggested that BoJ officials saw a discrepancy between what Governor Ueda said in a Yomiuri interview (9 Sep) and market reaction. To recap, Ueda was thought to have hinted on the possibility of having enough information by year-end to determine whether wages will keep rising and markets took cues of Ueda's reference to lifting NIRP amongst options available. Now BoJ officials say that the remark was a general statement rate than a policy signal. We did caution in our last FX Weekly that *it remains too soon to tell if a BoJ move is imminent, or one has to wait till next year for the shift.*

BoJ MPC takes place this Fri – we expect policy status quo. Focus is likely on PM Kishida's new cabinet and economic package that should come next month to help public buffer against rising living cost. PM Kishida said that he will take steps so wage growth consistently exceeds inflation by "several percentage points". And with potential snap election coming up, it is likely the BoJ will be less inclined to tighten policy that could risk hurting consumption, and in turn jeopardise PM Kishida's plans or political career. Latest poll from NHK shows 43% of respondents disapproved of Kishida's leadership while 36% approved.

With no imminent BoJ shift, markets could revert back to trading USDJPY higher. Currency pair is still largely a story of yield differentials and with Treasury yields still higher and UST-JGB yield differentials still wide/ widening, the USDJPY may continue to trade higher. This puts focus on potential *leaning against the wind* activities, should pace of rise becomes one sided and excessive.

Pair was last at 147.85 levels. Bullish momentum on weekly chart intact while RSI rose. Interim risks skewed to the upside. Resistance at 148.50, 149.10 before 152 levels. Support at 146.70 (21 DMA) and 144 (50 DMA).

Our house view still expects both the YCC, NIRP regimes to be removed over time, depending on how fast JGB yields, inflationary, wage pressures rise over time and how sustained the rise is. We do note that inflationary pressures are broadening; growth outlook is improving and upward pressure on wage growth remains intact. Core-core inflation (strips away fuel and food) is now running at over 40year high of 4.3% and both nationwide and Tokyo CPIs show that price pressures are broadening. These reinforce our view for a BoJ shift at some point this year. Recent policy move: To recap, BoJ slightly loosen its control on YCC by allowing for greater flexibility in its monetary policy. To be sure, there is no change in its key parameters – still target 0% yield on 10y JGB with band at +-0.5%. The tweak is that BoJ will offer to purchase 10-year JGBs at 1% through fixed-rate operations. This effectively increases BoJ's tolerance by a further 50bps (one way) and basically suggests there may be some room for JGB yields to rise (but limited at 1%).

Beyond the near term, 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 on expectation for further BoJ shift towards policy normalisation amid higher inflationary and wage pressures in Japan.

Room for Gains. AUD drifted higher, following tentative signs of improvement in China data and relative stability seen in RMB. On China data, industrial production, retail sales rebounded in Aug; exports and imports data last week saw its pace of deceleration slowing; CPI returned to positive, and PPI fell less than expected while August credit data also rebounded significantly from July numbers and also exceeded market expectations. On RMB, persistent measures to deter RMB short sell flows have managed to buy some time. We had also insisted that AUD should stand to benefit when China stabilisation comes into play. That said, we have to say that data improvement remains tentative and it remains too early to tell if data improvement in China can be sustained. This requires further monitoring.

AUD was last at 0.6450 levels. Mild bullish momentum on daily chart intact while RSI rose. Upside risks seen. Resistance at 0.6490 levels (23.6% fibo retracement of Jul high to Aug low) and 0.6550/70 (38.2% fibo, 50 DMA). Support at 0.6430 (21 DMA), 0.6365 (previous low), 0.6280 levels.

Looking out, we still favour AUD to trade higher on of expectations that China growth could stabilise at some point, possibly warmer ties between Australia and China, and a more moderate-to-soft USD profile (as Fed nears end tightening cycle and embark on rate cut cycle in 2024). On AU-China relations, development has been promising. The latest was a restart of high level talks between Australia and China in Beijing, providing a platform for senior reps from industry, government, etc to exchange perspectives across the breadth of bilateral relationship. This is the first time since early 2020 that a dialogue has been held and is an important step towards warmer bilateral ties. Other developments include: 1/ China imports of Australian timber resumed since mid-May (halted since late 2020 and is worth approx. A$600mio); 2/ China lifted tariff on import of Australian barley (5 Aug); 3/ China's top steelmaker and 3 central government-backed utilities have resumed coal imports from Australia earlier this year; 4/ wine, crayfish, hay, and meat are outstanding items that could potentially see restrictions lifted by Beijing; 5/ Australia PM could visit President Xi in Beijing soon. We have shared that the tourism, education, and property sectors in Australia could benefit if relations between China and Australia further warm up, and this can be a positive for AUD.

Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if USD strength or Fed tightening cycle unexpectedly extends; 3/ global growth outlook – if DM's slowdown deteriorates; 4/ any market risk-off event.

Range-Bound. USDSGD traded sideways, near elevated levels last week. High for longer rate environment kept USD broadly supported while JPY weakness persisted. RMB strengthened but caution remains. Pair was last at 1.3638 levels. Daily momentum and RSI indicators are not showing a clear bias. Support at 1.3580 (21 DMA) and 1.3550 (23.6% fibo retracement of Jul low to Aug high). Resistance at 1.3660, 1.37 levels.

Near term, we await clarity on FoMC outcome (Thu) for USD direction while RMB, JPY moves will have a bearing on SGD. Domestically, NODX softness and slowing growth momentum (recall that MTI narrowed full year growth forecast to 0.5% to 1.5%, from 0.5% to 2.5% previously, citing China's slowing recovery and global demand downturn as the main factors) suggest SGD softness.

We still expect a mild downward trajectory for USDSGD over the forecast horizon owing to moderate-to-soft USD view (on Fed likely at end of tightening cycle) and premised on assumption that China growth to find a bottom in 2H. On MAS policy, our base case is still for MAS to maintain policy status quo at the October meeting. We still think it may be too early to call for MAS easing at the Oct MPC as inflationary risks remain. Previous periods of El Nino saw food prices surged and Singapore imports more than 90% of our food from more than 170 countries and region. Though MAS/MTI had lowered full year headline inflation forecast from 5.5-6.5% to 4.5-5.5%, MAS/MTI noted that both upside and downside risks remain, including fresh shocks to global commodity prices and a more persistent-than-expected tightness in the domestic labour market. That said, we do not rule out possibility of a slope reduction if core inflation slows more than expected.

Sideways; Watching FoMC Too. We opined that a lot of bad news is in the price of RMB (peak pessimism) and in response, policymakers have also stepped in with support measures that could potentially bear fruit over time. Tentatively, recent China economic data is showing some signs of improvement – IP, retail sales rebounded in Aug; exports and imports data last week saw its pace of deceleration slowing; CPI returned to positive, and PPI fell less than expected while August credit data (aggregate financing and new RMB loans) also rebounded significantly from July numbers and also exceeded market expectations. Potentially more support measures, such as rate cut, real estate support measures could also be on the way. And if policymakers can address the confidence, sentiment channels, then the recent gains seen in RMB may have room to go especially when there is so much pessimism. Focus this week on China 1y, 5y LPR (Wed) and FoMC decision (Thu). Meantime, we should expect China to continue with its strong fix to reinforce a consistent message that it will not tolerate excessive overshoot (recall PBoC held FX mechanism meeting in Beijing 11 Sep and said that it resolutely put an end to FX market as it vows FX stability).

We continue to monitor if these early signs of data improvement and PBoC warning can further translate into more meaningful pullback in USDCNH. For RMB to stabilise fundamentally and recover would still require China economic activities to pick up, confidence to be “repaired” (foreign inflows to return) and USD to turn lower (dependent on timing of Fed pivot). The first two would require policymakers to urgently address economic issues, including its real estate sector (developer defaults, bankrupts, falling demand, etc.), LGFV debt (default risks), shadow banking sector (Zhongrong Trust) and to swiftly implement policies.

USDCNH was last at 7.2950 levels. Bearish momentum on daily chart shows signs of fading while RSI shows signs of rising. Near term risks skewed to the upside. Resistance at 7.2970 (21 DMA), 7.32 and 7.3750 (previous high). Support at 7.26 levels, 7.2460 (50 DMA).

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	0.685	4.26%	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 [Trade TP]	20-Jun-23
17-May-23	Short USDTHB	34.2	34.75	-1.61%	Favor THB to strengthen on the back of Fed pause, a proxy for China reopening trade (to benefit TH inbound tourism), softer oil prices. Sell rally USDTHB towards 34.20. Target a move towards 33.50, 33.1 objectives. SL at 34.75 [SL].	29-May-23
11-Aug-23	Long CADSGD	1.0040	0.9980	-0.60%	Long energy vs. short SGD on potential MAS easing, RMB and JPY softness. Target move towards 1.01, 1.0140 objectives. SL at 0.9980. [SL]	23-Aug-23
23-Aug-23	Long AUDUSD	0.6433			Expectations of China growth stabilisation, warmer ties between China and Australia, Fed near end tightening cycle. Target move towards 0.67. SL at 0.6280. [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: Sideways with risks slightly skewed to downside

SGDMYR traded sideways last week. Cross was last at 3.4360 levels.

Bullish momentum on daily chart remains intact while RSI eased. Range-bound trade may press on but with risks slightly skewed to the downside.

Support at 3.4320 (21 DMA), 3.4160/70 (23.6% fibo retracement of 2023 low to high, 100DMA). If broken, cross may trade lower towards 3.3760 (38.2% fibo).

Resistance at 3.44, 3.45 levels.

SGDJPY Daily Chart: Watch Triple Top

The move lower lacked follow-through as the cross subsequently drifted higher as JPY underperformance resumed. Cross was last at 108.40 levels.

Daily momentum and RSI indicators are not showing a clear bias. 2-way trade likely.

Resistance at 108.60 (previous high, triple top). Breakout may put next resistance at 109.80 - 110.

Support at 108 (21DMA, trendline support), 106.90 (50DMA) and 105.90 (23.63% 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: Watch 100DMA

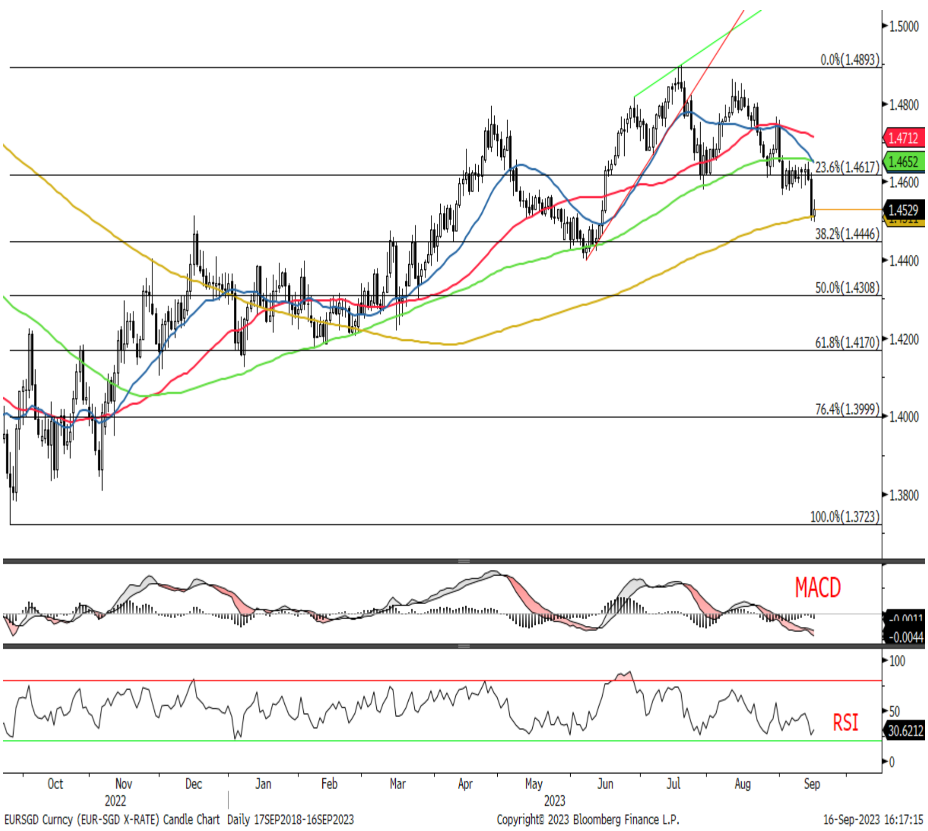
SGDCNH fell last week amid CNH outperformance. Cross was last at 5.34 levels.

Daily momentum turned bearish while RSI fell. Risks skewed to the downside.

Key support at 5.3330 levels (100 DMA), 5.3120 (38.2% fibo retracement of 2023 low to high).

Resistance at 5.3680 (23.6% fibo), 5.3820 levels (50 DMA).

EURSGD Daily Chart: Consolidate



EURSGD fell after breaking out of its pennant patter last week. Cross was last at 1.4530 levels.

Bearish momentum on daily chart intact but decline in RSI moderated. May see the cross consolidate around current levels.

Support at 1.4510 (200 DMA), 1.4450 levels (38.2% fibo retracement of 2022 low to 2023 high). Break below puts next support at 1.44, 1.4310 (50% fibo).

Resistance at 1.4620 levels (23.6% fibo) and 1.4650 (21, 100 DMAs).

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

GBPSGD Daily Chart: Downside Bias

GBPSGD fell last week as key support at 1.70 was broken. Cross was last at 1.6880 levels.

Daily momentum is bearish while RSI fell toward near oversold conditions.

Next support at 1.6805 (38.2% fibo retracement of 2023 low to high), 1.6660 (200 DMA).

Resistance at 1.7020 (100 DMA, 23.6% fibo), 1.7090 levels (21 DMA).

AUDSGD Daily Chart: Momentum Slows

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

Daily momentum is mild bullish while rise in RSI show s signs of moderation. Rebound pressure may be stalling for now.

Support at 0.8730 (21 DMA), 0.8660/70 levels (triple bottom), 0.86 levels.

Resistance at 0.88 (23.6% fibo retracement of Jun high to triple bottom), and 0.8890 (38.2% fibo).

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

Gold Daily Chart: 2-Way Trades ahead of FoMC

Gold saw early week's decline reversed into last week's close. Cross was last seen at 1924 levels.

Daily momentum is not showing a clear bias while RSI rose. 2-way trades likely ahead of FoMC.

Support at 1920 (21, 200 DMAs), 1905 and 1891 (38.2% fibo retracement of 2022 low to 2023 high).

Resistance at 1932 (50 DMA), 1946 (100DMA), 1957 levels (23.6% fibo).

Near term, we expect 1905 - 1935 range to hold ahead of FoMC. Looking out, we remain bias for further upside.

.

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

Medium Term FX Forecasts

FX	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
USD-JPY	144.00	141.00	137.00	136.00	135.00
EUR-USD	1.0900	1.1000	1.1040	1.1100	1.1200
GBP-USD	1.2600	1.2700	1.2800	1.2800	1.2800
AUD-USD	0.6550	0.6650	0.6800	0.6900	0.7000
NZD-USD	0.6000	0.6100	0.6200	0.6200	0.6300
USD-CAD	1.3400	1.3200	1.3100	1.3000	1.2800
USD-CHF	0.8900	0.8900	0.8900	0.8900	0.8800
USD-SEK	10.5000	10.3500	10.1000	9.9000	9.8000
DXY	103.01	101.88	101.00	100.43	99.59
USD-SGD	1.3500	1.3360	1.3320	1.3300	1.3280
USD-CNY	7.1800	7.1100	7.0500	7.0000	6.9500
USD-CNH	7.2000	7.1200	7.0500	7.0000	6.9500
USD-THB	34.800	34.600	34.400	34.400	34.200
USD-IDR	15350	15100	14850	14820	14800
USD-MYR	4.6200	4.5800	4.5400	4.5000	4.5000
USD-KRW	1295.0	1275.0	1265.0	1260.0	1255.0
USD-TWD	32.000	31.700	31.500	31.500	31.300
USD-HKD	7.8400	7.8200	7.8100	7.8000	7.8000
USD-PHP	56.600	56.200	55.900	55.600	55.200
USD-INR	82.500	82.000	82.000	81.800	81.500
USD-VND	24000	23600	23400	23400	23300
EUR-JPY	156.96	155.10	151.25	150.96	151.20
EUR-GBP	0.8651	0.8661	0.8625	0.8672	0.8750
EUR-CHF	0.9701	0.9790	0.9826	0.9879	0.9856
EUR-SGD	1.4715	1.4696	1.4705	1.4763	1.4874
GBP-SGD	1.7010	1.6967	1.7050	1.7024	1.6998
AUD-SGD	0.8843	0.8884	0.9058	0.9177	0.9296
NZD-SGD	0.8100	0.8150	0.8258	0.8246	0.8366
CHF-SGD	1.5169	1.5011	1.4966	1.4944	1.5091
JPY-SGD	0.9375	0.9475	0.9723	0.9779	0.9837
SGD-MYR	3.4222	3.4281	3.4084	3.3835	3.3886
SGD-CNY	5.3185	5.3219	5.2928	5.2632	5.2334
SGD-IDR	11370	11302	11149	11143	11145
SGD-THB	25.778	25.898	25.826	25.865	25.753
SGD-PHP	41.926	42.066	41.967	41.805	41.566
SGD-CNH	5.3333	5.3293	5.2928	5.2632	5.2334
SGD-TWD	23.704	23.728	23.649	23.684	23.569
SGD-KRW	959.26	954.34	949.70	947.37	945.03
SGD-HKD	5.8074	5.8533	5.8634	5.8647	5.8735
SGD-JPY	106.67	105.54	102.85	102.26	101.66
Gold $/oz	1920.0	1955.0	1980.0	2000.0	2020.0

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

Source: OCBC Research (Latest Forecast Update: 28th Aug 2023)

Global Markets Research & Strategy

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
herberthtwong@ocbcwh.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee
Credit Research Analyst
MengTeeChin@ocbc.com