FX Weekly

05 February 2024

FX Vols Rising

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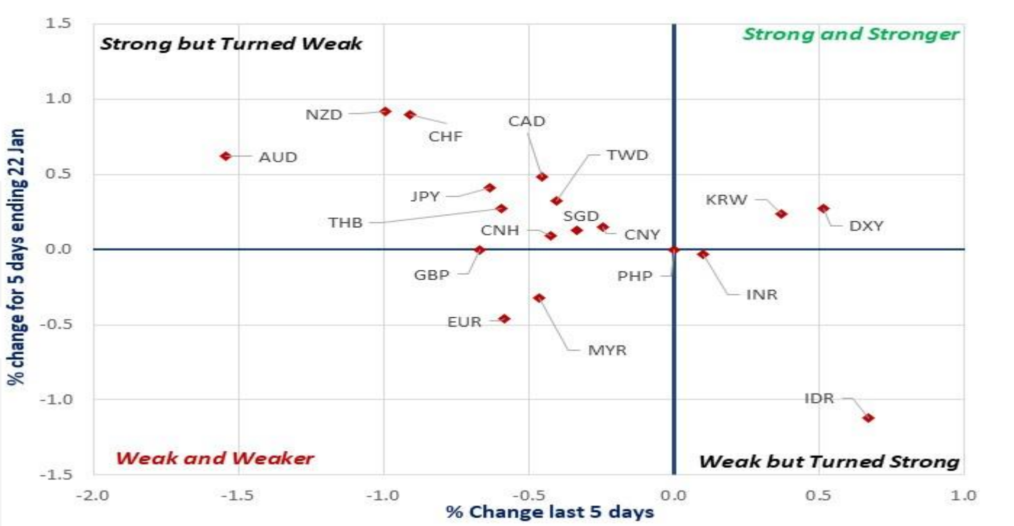
Blockbuster Payrolls Report or Devil In the Details? 353k jobs were added to the US economy in Jan with job gains seen broadly across different industries while the past 2 months of NFP even saw an upward revision of +126k and wage gain jumped to 3 month high (+4.5% y/y vs. 4.1% prior). But devil may be in other details. A measure of unemployment that includes discouraged workers and those holding part-time jobs (U-6) rose to 7.2%. Average working week hours remains on a downtrend, falling to 34.1h, from 34.3h while retail trade saw a decline in hours worked per week to 29.1 hours. This is the lowest data print since 2006, BLS household survey also indicated that employment fell 31k. Recall last week, ADP employment fell sharply, employment for ISM services remains below 50 while employment cost index also fell. On net, there were some contradictory signals in the labour market report that is worth monitoring further.

Cautious Sentiments. Apart from UST yields resuming its uptick as Fed succeeds in push back against aggressive rate cut bets, the relentless sell-off in Chinese equities (Shenzhen composite down 22% YTD) and geopolitical concerns (US, UK strikes against Houthi targets as well as in Iraq, Syria, tit-for-tat risks) may continue to weigh on sentiments. As such, USD may stay supported in the interim. For AXJs, we won't rule out central banks engaging in leaning against the wind activities to smooth excess volatilities and any one-sided moves.

RBA's Tone in focus on Tue. Recent data print from AU labour market, CPI and retail sales were softer than expected. These should leave room for RBA to keep policy rate on hold at 4.35%. Key focus is to watch the tone of RBA. We expect RBA to keep to its hawkish tone as inflation remains well above its target range of 2-3%. House view remains for RBA's first hike to occur in 4Q. Meantime, broader drivers such as USD strength and sentiments on China, geopolitics will take precedence in determining AUD's direction. Technically, we are also cautious of a head and shoulders pattern, with AUD below the neckline at 0.6540 levels. Bearish playout could risk AUD at 0.6230. We continue to monitor price action.

FX – Turning or Trending – EUR Softer



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (4Q 2023)

By Region:
No. 7 for 13 Major FX

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

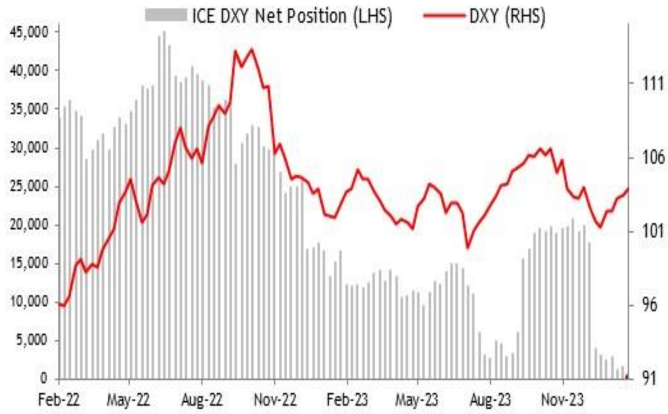
(3Q 2023)

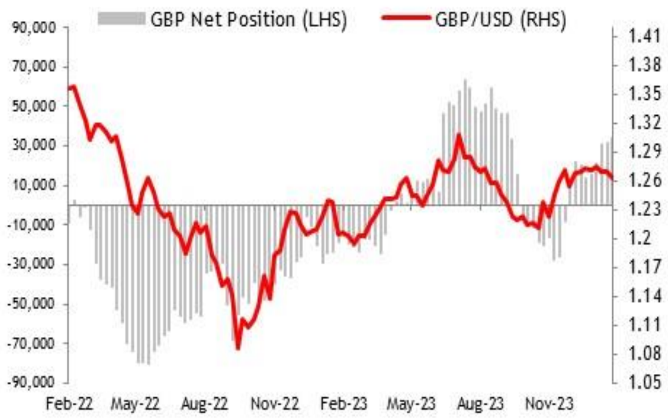
By Region:
No. 7 for G10 Major FX

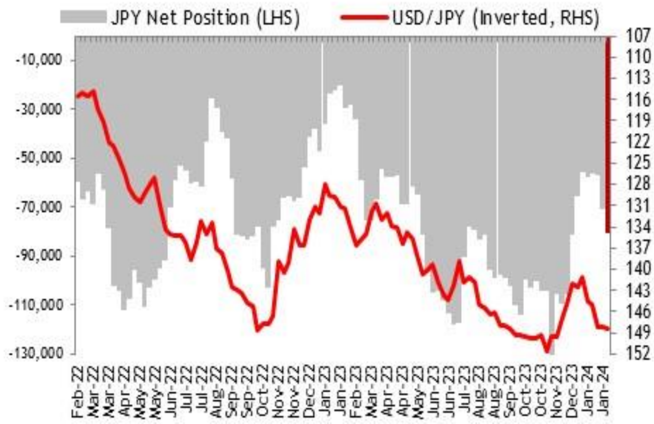
Non-Commercial CME CFTC Net Positioning (in number of contracts) vs. Respective FX/USD

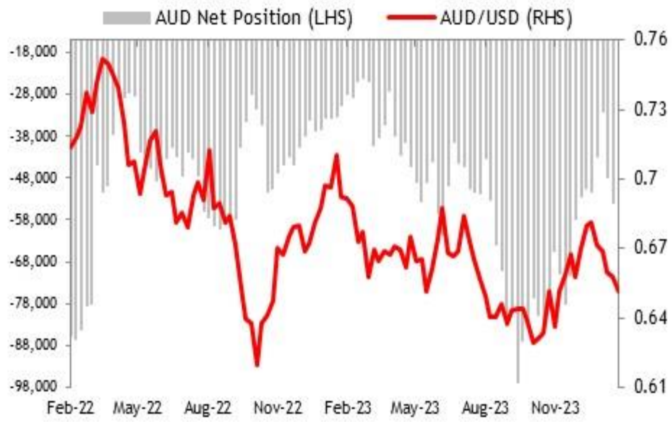
- *Positioning data as of 30 Jan; Latest CFTC report issued on 2 Feb 2024; data points of the past 2Y on weekly frequency*

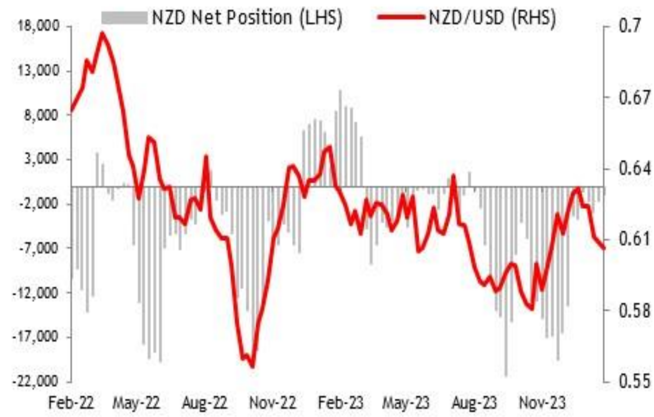
Long DXY position eased further but this was before the NFP release (Fri), which could have seen USD longs being put on.
GBP longs continued to rise while GBP fell. Price-volume divergence typically does not last; one of it should correct.
JPY shorts continued to rise alongside the dip in JPY (vs. USD).
Short position in AUD rose alongside the pullback in AUD.



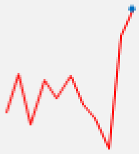
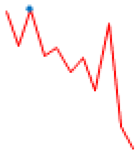
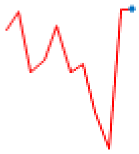
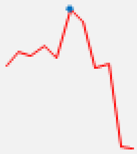
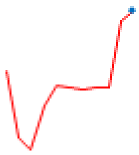
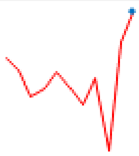
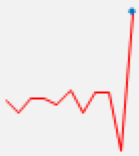
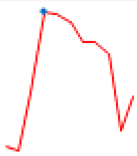








Notes: The FX positioning data for this report is part of the Commitments of Traders (COT report published by the US Commodity Futures Trading Commission (CFTC) on every Friday (330pm ET) for data up to the Tue in the same week. Hence our FX Weekly publication will show a 1-week lag. In our report, we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

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: ISM services (Jan); **Tue:** Senior loan officer opinion survey on bank lending practices. **Wed:** Trade (Dec) **Thu:** Continuing claims (Jan); jobless claims (Feb); **Fri:** - Nil –		**S: 102.15; R: 104.60**
EURUSD	**Mon:** - Nil – **Tue:** ECB's 1y, 3y expectations, retail sales (Dec); **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.0720; R: 1.0980**
GBPUSD	**Mon:** Services PMI (Jan); BoE's Pill speaks; **Tue:** Construction PMI (Jan); **Wed:** - Nil – **Thu:** RICS house price (Jan); BoE's Mann speaks; **Fri:** - Nil –		**S: 1.2460; R: 1.2880**
USDJPY	**Mon:** Services PMI (Jan); **Tue:** Labour cash earnings (Dec); **Wed:** - Nil – **Thu:** Current account, trade (Jan) **Fri:** - Nil –		**S: 146.10; R: 150.20**
AUDUSD	**Mon:** Services PMI (Jan); Trade (Dec); **Tue:** Retail sales (4Q); **RBA policy decision;** **Wed:** FX reserves (Jan); **Thu:** - Nil – **Fri:** - Nil –		**S: 0.6460; R: 0.6730**
USDCNH	**Mon**: Caixin PMI services (Jan); **Tue:** - Nil – **Wed:** FX reserves (Jan); **Thu:** CPI, PPI (Jan) **Fri:** - Nil –		**S: 7.1600; R: 7.2460**
USDKRW	**Mon**: FX reserves (Jan); **Tue:** - Nil – **Wed:** Current account balance (Dec); **Thu:** - Nil – **Fri:** - Nil –		**S: 1310; R: 1348**
USDSGD	**Mon:** PMI (Jan); Retail sales (Dec); **Tue:** - Nil – **Wed:** FX reserves (Dec); **Thu:** - Nil – **Fri:** - Nil –		**S: 1.3310; R: 1.3530**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Industrial production (Dec); **Thu:** FX reserves (Jan) **Fri:** - Nil –		**S: 4 7000; R: 4.7800**
USDIDR	**Mon:** GDP (4Q); **Tue:** - Nil – **Wed:** FX reserves (Jan) **Thu:** - Nil – **Fri:** - Nil –		**S: 15,630; R: 15,850**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Little Tier-1 Data; Plenty of Fedspeaks Lined Up. DXY extended its run higher this week. Blockbuster NFP report last Fri and Powell's interview on 60 Minutes on Sunday confirms that the Fed is not in a hurry to cut rates. This led to a pushback in market bets via timing of first Fed cut and a reduction in magnitude of Fed cut. Elsewhere, FX vols are on the rise as relentless sell-off in Chinese equities (Shenzhen composite down 22% YTD), geopolitical concerns (US, UK strikes against Houthi targets as well as in Iraq, Syria, tit-for-tat risks) continued to weigh on sentiments. DXY was last at 104 levels. Bullish momentum on daily chart intact while RSI rose. Risks skewed to the upside. Resistance at 104.33 (100 DMA), 104.63 (61.8% fibo). Support at 103.86 (50% fibo retracement of Nov high to Dec low), 102.90/103.10 (38.2% fibo, 21, 50DMAs) and 102.20 (23.6% fibo). This week, there is little tier-1 data. Focus will be on senior loan officer opinion survey and Fedspeaks on 13 separate occasions, including Goolsbee, Bostic tonight.

353k jobs were added to the US economy in Jan with job gains seen broadly across different industries while the past 2 months of NFP even saw an upward revision of +126k and wage gain jumped to 3 month high (+4.5% y/y vs. 4.1% prior). **But devil may be in other details**. A measure of unemployment that includes discouraged workers and those holding part-time jobs (U-6) rose to 7.2%. Average working week hours remains on a downtrend, falling to 34.1h, from 34.3h while retail trade saw a decline in hours worked per week to 29.1 hours. This is the lowest data print since 2006, somewhat suggesting that employers chose to reduce hours rather than outright layoff. The recent planned UPS layoffs involving 12,000 staff, though announced, has yet to take place and will take several months to. Hence this is not captured in the data yet. BLS household survey also indicated that employment fell 31k. Recall last week, ADP employment fell sharply, employment for ISM services remains below 50 while employment cost index also fell. On seasonality pattern, the NFP for Jan 2023 also saw a bumper reading of +482k before seeing downward revision in subsequent months. On net, there were some contradictory signals in the labour market report that is worth monitoring further. But for now, USD may stay supported in the interim owing to strong US data as well as Powell's recent interview on CBS' 60 Minutes about the danger of moving too soon on rate cuts (i.e. no hurry to cut rates).

Key message out of FOMC (1 Feb) is that **Fed endorses pivot but is in no hurry to cut**. Fed also appears to adopt a calibrated, gradualism approach in framing its statement. For instance, markets were focused on whether the phrase "additional policy firming" will be excluded. Indeed, it was excluded but replaced with a new line that says it won't be appropriate to cut rates until the committee has gained greater confidence that inflation is moving sustainably towards 2%. Essentially, this means the Fed has concluded tightening and the next course of action is rate cut when conditions are satisfied. This is pretty much a similar narrative as Fed cut cycle is upon us, but the Fed can afford time for now. Though it seems that Mar meeting may not be live, Powell did mention that a continuation of good inflation data (i.e. inflation coming off) could move up the time frame, keeping the door to a Mar cut slightly ajar. Data-dependence remains key and should continue to drive USD volatility around data releases. Next CPI data is out on 13 Feb. And by Mar FOMC, the Fed would have 2 more sets of CPI readings to assess if they have gained better confidence that inflation is moving to target. In the 60 Minutes interview aired on Sun (but recorded on Thu), Fed Chair Powell reiterated the same message – 1/ that Fed will proceed carefully with interest rate cuts this year and likely will move at a considerably slower pace than the market expects; 2/ "the time is coming" for cuts but perhaps not yet and Fed will update the outlook at the Mar meeting. Overall, the comments reassert that Fed is not in a hurry thanks to resilient data. 30d Fed fund futures implied 78% chance of 25bp hike at May FOMC while markets are pricing in about 120bps cut for whole of 2024. This is considerably a smaller quantum of rate cut as compared to start of the year, when markets were expecting 150bps of cut.

Overall, we remain biased for a moderate and soft USD profile as the Fed is done tightening for currency cycle and should embark on rate cut cycle in due course. Softer core PCE inflation data for December 2023 (2.9% y-o-y) and gradual easing of the tightness in the US labour market are pointing in the right direction (in terms of data). More entrenched disinflation trend and further easing of labour market tightness, activity data in US should continue to see USD trade on a backfoot. We remain biased to adopt a "sell-on-rally" for USD. That said, USD is not a one-way trade. It remains a safe-haven proxy. A scenario of global, China growth momentum sputtering, global risk-off or escalation in geopolitical tensions would still see USD finding intermittent support on dips.

Short Bias. EUR extended its decline, in line with our call for a short bias on EUR. The recent round of EUR's decline was largely due to USD strength as stronger than expected US data and Powell's comments reinforced the point that Fed is in no hurry to cut rates. We retain our short bias view on the EUR. Economic activity remains lacklustre in Euro-area (contractionary PMIs for January while 4Q GDP growth stagnated). There is a growing risk that the ECB may cut rate earlier than expected and this is a fresh factor that may weigh on the EUR in the short term. Lagarde's pushback against an early start of the easing cycle at the post-ECB press conference on 25 Jan was perceived as not strong enough while ECB rhetoric has taken a dovish tilt. Market pricing has shifted in favour of an earlier cut in April (> 70% probability). Elsewhere, election risk in Europe is another factor that may undermine the EUR from time to time.

EUR was last at 1.0780 levels. Mild bearish momentum on daily chart intact while RSI fell. Risks to the downside. Support at 1.0770, 1.0715 (61.8% fibo). Resistance at 1.0795 (50% fibo), 1.0875 (38.2% fibo retracement of Oct low to Jan high).

Broadly for 2024, we remained neutral on EUR's outlook. Slowing growth in Euro-area, risk of earlier ECB cut, and election risks are some factors that may weigh on EUR in 1Q. But there is room for EUR to play catch-up thereafter when Fed rate cuts get underway. Some degree of ECB-Fed policy convergence is still possible and that should still be supportive of a mild EUR upside trajectory. Elsewhere, though economic activities in Europe remain subdued and there are tentative signs that Europe economy may be on the mend, as seen from Jan PMIs (though it remains highly tentative at this point).

Key downside risks to EUR's outlook are a materialisation of earlier ECB rate cut cycle and/or growth momentum in Euro-area continues to decelerate sharply. Meanwhile, elections in Euro-area are plenty with Portugal holding parliamentary election in Mar, Belgium and European parliamentary election in Jun, Austria in Sep, and Lithuania in Oct. Dutch election outcome (Far-Right Geert Wilders, known for anti-Islamic Euroskeptic views won most seats) is a reminder that far-right popularity may further gather traction in Europe and this may bring back fears of Euro break-up, referendum risks again. Election risk is worth keeping a close watch as the past decade has shown that rise in far-right sentiments can undermine EUR. But there are also upside risks to our neutral outlook. While PMIs are sluggish in Euro-area, a potential turnaround cannot be ruled out. In addition, should China stabilisation story gather momentum in later part of the year, that can also boost Euro-area exports, growth outlook. A better growth story in Euro-area can push back against aggressive rate cut expectations and this can be supportive of EUR rebound.

Corrective Pullback; Buy Dips. GBP started the week on a softer footing, and this was largely due to fresh round of USD strength, on the back of a strong payrolls report and pushback against earlier cut from Fed Chair Powell. Pair was last at 1.2612 levels. Momentum turned slight bearish while RSI fell. Price action shows that GBP may be breaking out of its symmetrical triangle to the downside. Risks skewed to the downside for now. Support at 1.2590 (50% fibo retracement of Jul high to Oct low), 1.2560 (200 DMA) and 1.2460/80 levels (38.2% fibo, 100 DMA). Resistance at 1.2680 (50DMA), 1.2720 (61.8% fibo).

At the last meeting (25 Jan), MPC voted 3-way split with 6 on hold, 2 still looking for hike (vs. 3 previously) and 1 looking for a cut (previously none). MPS dropped guidance that "further tightening would be required" and instead reiterated that rates would need to remain restrictive for sufficiently long to return inflation to the 2% target. BoE still projects inflation to be higher with 2026 at 2.3% (still above BoE's target of 2%). This suggests that BoE may not be as dovish. Even though BOE is likely done with tightening for current cycle, rates may remain elevated for a while. In comparison to other DM central banks like Fed and ECB, we still expect BOE to be one of the laggards in terms of starting its rate cut cycle. Potential policy divergence should still favour GBP upside on this pullback. On the data front, UK economy has been fairly resilient. Services PMI is still in expansionary territory (53.8 vs. 53.4 prior) while mfg PMI though in contractionary territory, has improved (47.3 vs. 46.2 prior). Business optimism and consumer confidence were also improving while public sector net borrowing (ex-banking groups) came in much lower than expected (GBP7.8bn vs. 14.1bn expected). These positives should continue to support GBP.

Overall, we still see room for GBP to recover on a combination of mild positives: UK demand growth proved resilient (owing to strong labour market, falling energy prices), consumer confidence rebounded, labour market remains tight alongside higher real wages, higher participation, BOE potentially keeping rates elevated for a while longer (yield allure) while better finances (fiscal headroom) allow for some degree of stimulus ahead of elections. Chancellor Hunt introduced measures to reduce debt, cut taxes and reward work. OBR expects UK economy to expand 0.6%, 0.7% and 1.4% in 2023, 2024 and 2025, respectively. BoE may have room to keep rates high for a little longer than the Fed and ECB. We still hold to a mild upward trajectory for GBP as BoE is likely to keep rates restrictive for a little longer as inflationary pressures remain, and potential BoE-Fed policy divergence may be supportive of GBP. Risk to our outlook: an earlier than expected BoE pivot; growth slowdown in UK, actual public finances turn out to be worse than expected and/or energy prices surge.

Sell Rallies. USDJPY had traded lower for most of last week until the release of blockbuster US payrolls report last Fri that saw USDJPY trade higher. The move mirrored the rise in UST yields. Stronger US payrolls report and subsequently, Powell's interview on 60 Minutes (Mon SGT) basically pushed back hopes of a Mar cut. Pair was last at 148.40 levels. Daily momentum is flat while rise in RSI paused. 2-way trade likely. Resistance at 149.20. Support at 147.50 (61.8% fibo), 146.10 (50% fibo retracement of Nov high to Dec low). Bias to sell rallies.

We stick to our short USDJPY idea on the basis that BoJ has already started to pave the way for a move, possibly even as early as at Mar MPC, before Fed cuts. Labor unions in Japan are targeting above 6% wage increase this year, much higher than the average of 4% in 2023. The potential case for a larger than previous year increase in wage growth is likely what BoJ wants to see before proceeding with getting itself out of negative interest rate policy regime. In the summary of opinions from last meeting, officials discussed prospects for ending NIRP with some members indicating conditions that would allow that move are increasing. One official cited likelihood of better results in this year's shunto and signs of improvement for the economy and inflation. This is consistent with our view that the BoJ is paving way for a move, sooner rather than later. Governor Ueda highlighted that policy change at meeting can happen with or without quarterly outlook. This implies that every meeting is probably live. Governor Ueda also commented that many businesses have decided on wages early this time and does not need all SMEs to hike wages significantly for a policy change. This also implies that BoJ decision does not necessarily have to wait till shunto negotiation is over. Potentially, an earlier move in Mar/Apr should not be ruled out. Retain bias to sell USDJPY on rallies on potential Fed-BoJ policy divergence.

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

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

Watch RBA's Tone. This week, RBA is in focus on Tue. Recent data print from labour market, CPI and retail sales were softer than expected. These should leave room for RBA to keep policy rate on hold at 4.35%. Key focus is to watch the tone of RBA. We are expecting RBA to keep to its hawkish tone as inflation remains well above its target range of 2-3%. House view remains for RBA's first hike to occur in 4Q. But meantime, broader drivers such as USD strength and sentiments on China will take precedence in driving AUD's direction. Technically, we are also cautious of a head and shoulders pattern, with AUD below the neckline at 0.6540 levels. Bearish playout could risk AUD at 0.6230. We continue to monitor price action here.

AUD was not spared the brunt of the sell-off owing to USD resurgence while Chinese sentiment slumped. Pair was last seen at 0.6520 levels. Mild bearish momentum on daily chart is fading while RSI fell to near oversold conditions. Support seen at 0.65 (61.8% fibo retracement of Oct low to Dec high), 0.6460 and 0.6410 (76.4% fibo). Resistance at 0.6540 (100 DMA), 0.6570 (50% fibo, 200 DMA) and 0.6640 (38.2% fibo). We look for better levels on dips to buy into.

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

Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings; 2/ if Fed keeps restrictive environment for longer than expected; 3/ global growth outlook – if DM's slowdown deteriorates; 4/ any market risk-off event (i.e., escalation in Israel-Hamas conflict, Red Sea developments).

An Inverted Head & Shoulders (Bullish Setup)? USDSGD consolidated near highs of recent range as Powell's pushback against earlier rate cut cycle received the blessing of strong US data while broader market sentiments remained cautious (owing to continued sell-off in Chinese equities and geopolitical concerns in Middle East). Pair was last at 1.3450 levels. Daily momentum turned mild bullish while RSI rose. Inverted head and shoulders (h&s) observed. This is typically associated with a bullish reversal. Completion of h&s pattern puts objective at 1.3760. Technical risks are skewed to the upside for now. Immediate resistance at 1.3460/80 (100, 200 DMAs, 50% fibo). Break out puts next resistance at 1.3530 (61.8% fibo), 1.3620 (76.4% fibo). Support at 1.3380/90 (38.2% fibo retracement of Oct high to Dec low, 21DMA), 1.3345 levels (50 DMA) and 1.33 levels (23.6% fibo).

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

S$NEER continues to trade in the strong side of its band. We estimate the S$NEER at ~1.75% above our model-implied mid and should continue to trade bid (vs. trade-weighted partner currencies) as MAS's policy stance (appreciation stance) should persist due to stickiness of core CPI while MAS projections only has core CPI falling more only from 4Q 2024 (vs. earlier projection when core CPI is expected to resume a broadly moderating trend over the year). We can expect S$NEER strength to fade at some point this year should core inflation in Singapore start to ease. At that point, the S$ strength we've seen for large part of 2023 can potentially taper off against some of its major trade partners. Historically there is a positive correlation between the change in S$NEER and MAS core inflation. i.e., to say if core inflation does ease materially, then there is no need for the S$NEER policy to be so tight. To put in context, if we get a scenario of core inflation easing further in Singapore, USD decline and sentiment is risk-on, then other currencies within the trade baskets may have more room to appreciate vs. SGD. To some extent, that scenario could possibly see low-beta SGD trade on the back foot vs. some of the currencies in its trade basket (non-USD).

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

Tactically, we entered into short EURSGD (29 Jan) at 1.4535 on the back of ECB-MAS policy divergence play. Risk of an earlier ECB cut alongside still contractionary PMI readings in Europe suggest that EUR may be biased to the downside for now. MAS policy is likely to be on an extended pause into Apr MPC, given sticky core CPI outlook. ECB-MAS policy divergence to favor downside play tactically. Target to TP at 1.4130. SL at 1.4720.

Fix-Survey Gap to Manage RMB Expectations. PBoC continued to deploy the same old playbook of using the daily RMB fix to manage RMB expectations. USDCNY fix-survey expectations is growing at -983pips today (vs. -751pips 5d average) while fix was set relatively steady at 7.1070 (vs. 7.1043 5d average).

USDCNH traded a touch higher but not by much despite bearish sentiments in local equities (Shenzhen composite is down >22% YTD). NDRC was said to launch action plan to attract and utilise foreign investments but the lack of details (time of launch, etc.) spooked confidence. This is despite the RMB1tn liquidity released today via 50bps RRR cut. Markets are still on the lookout for more fiscal support measures, in particular targeting consumption, rate cuts following the 50bps RRR cut, the lowering of rates on relending funds to banks that lend to agricultural sector and small firms, allowing bank loans pledged by developers' commercial properties to be used to repay other loans and bonds as well as reports that China is considering to mobilise RMB2tn to buy onshore equity. We cautioned that China risk doing too little, too late and recent efforts will be in vain. Absence of new, follow-up measures in due course can be a setback to earlier-announced measures. This will further weigh on sentiments. Policymakers should ride on the momentum by announcing some form of support measures for the economy targeting consumption. Sentiment and confidence need to be urgently repaired. Any meaningful recovery in RMB would require patience. A more material recovery in RMB would require China economic activities to pick up, confidence to be "repaired" (foreign inflows to return) and USD to turn lower.

USDCNH was 7.22 levels. Daily momentum is turning mild bullish while RSI rose. Upside risks ahead. Resistance at 7.2290 (100 DMA), 7.2460 (61.8% fibo retracement of Nov high to Jan low). Support at 7.1910 (21 DMA), 7.1680 (50 DMA) and 7.1480 (23.6% fibo).

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss	Remarks	Exit Date
08-Nov-23	Long 3m put spread USDTWD 31.5 vs 31. Pay 0.35%			Rec +1% on unwind. Net gain +0.65%	Position for potential change in political climate towards one that may bode well for cross-straits relations, exports recovery momentum and lower yields, softer USD. [Trade TP]	12 Jan 2024 (before elections)
29-Jan-24	Short EURSGD	1.4535			Risk of an earlier ECB cut, alongside still contractionary PMI readings in Europe suggest that EUR may be biased to the downside for now. MAS policy is likely to be on an extended pause into Apr MPC, given sticky core CPI outlook. ECB-MAS policy divergence to favor downside play tactically. Entered short at 1.4535. TP at 1.4130. SL at 1.4720. [LIVE]	
29-Jan-24	Short USDJPY	148.10			BOJ paving way for a move, sooner rather than later. Potentially, an earlier move in Mar/ Apr should not be ruled out. Retain bias to sell USDJPY on rallies on potential Fed-BoJ policy divergence. Entered short at 148.10. TP 141. SL at 152. [LIVE]	

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

Selected SGD Crosses

SGDMYR Daily Chart: Double-Topped?

SGDMYR continued to trade near recent high but refused to break new highs. Cross was last at 3.5320 levels.

Daily momentum is bullish but shows signs of fading while RSI eased from overbought conditions. Not ruling out retracement risks to the downside.

Resistance at 3.5380 levels (last week high), 3.5420 (last week high), 3.55 levels.

Support at 3.5150 (21 DMA), 3.5000/40 levels (50DMA, 23.6% fibo), 3.4780 (38.2% fibo retracement of Jul low to Dec high, 100 DMA).

SGDJPY Daily Chart: Upside Risks In the Interim

SGDJPY had traded a touch softer for most of the week, but blockbuster NFP report released Fri reversed earlier decline into NY close. Cross was last at 110.50 levels.

Bullish momentum on daily chart faded but RSI rose. Risks now skewed to the upside.

Resistance at 110.85, 112.23 (Nov high).

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

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

SGDCNH Daily Chart: Near Term Upside Risks

SGDCNH drifted higher last week. Cross was last at 5.3740 levels.

Daily momentum faded while RSI rose. Risks skewed to the upside near term.

Resistance at 5.3750 (21, 50 DMAs), 5.40 and 5.42 levels.

Support at 5.3680 (23.6% fibo retracement of 2023 low to high), 5.3480 (200 DMA).

EURSGD Daily Chart: Tactical Short

EURSGD traded lower last week, in line with our short EURSGD trade idea. Cross was last at 1.4485 levels.

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

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

Resistance at 1.4540 (100 DMA), 1.46 (200 DMA), 1.4640 and 1.4720 levels (23.6% fibo).

GBPSGD Daily Chart: Corrective Pullback

GBPSGD eased last week. Cross was last 1.6965 levels. Daily momentum turned mild bearish while fell. Risks skewed to downside for now.

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

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

Support at 1.6960 (50% fibo retracement of Jul high to Oct low), 1.6920 levels (50, 200 DMAs) and 1.6870 (38.2% fibo).

AUDSGD Daily Chart: Soft; Entering Oversold Soon

AUDSGD fell last week. Cross was last at 0.8745 levels.

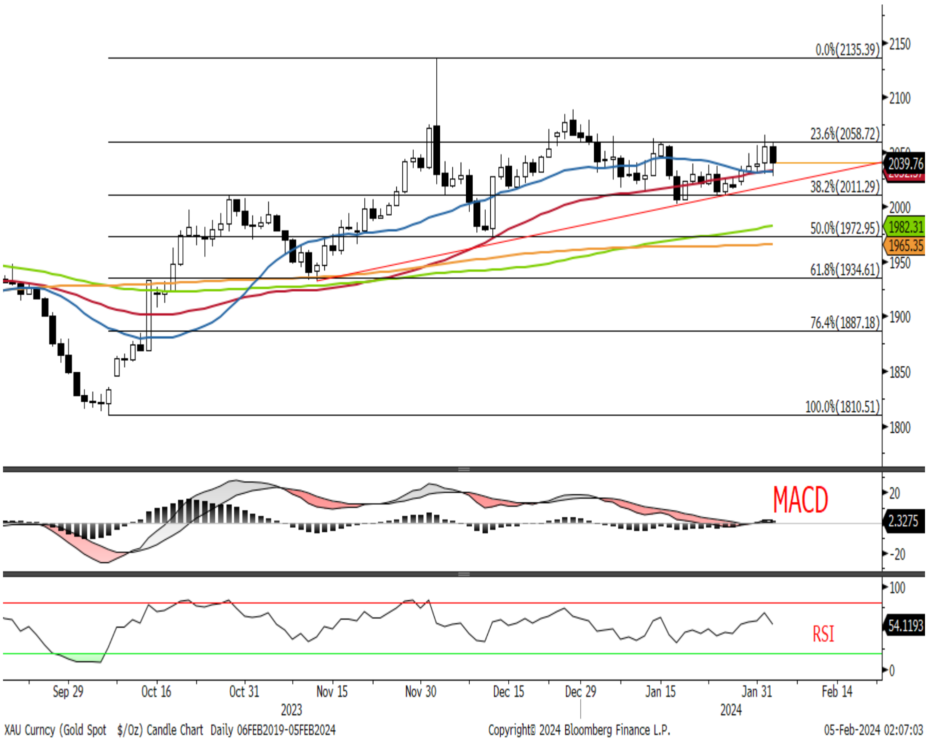
Bearish momentum on daily chart while RSI fell. Bearish crossover observed (21DMA cut 50DMA to the downside). Downside play in the interim while we look for better levels to buy dips.

Support at 0.8640, 0.86 (Oct low).

Resistance at 0.8810 (100 DMA), 0.8845/50 levels (38.2% fibo retracement of Jun high to Oct low, 21, 200 DMAs), before 0.8920 (50% fibo).

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

Gold Daily Chart: Downside Risk Near Term; Buy Dips



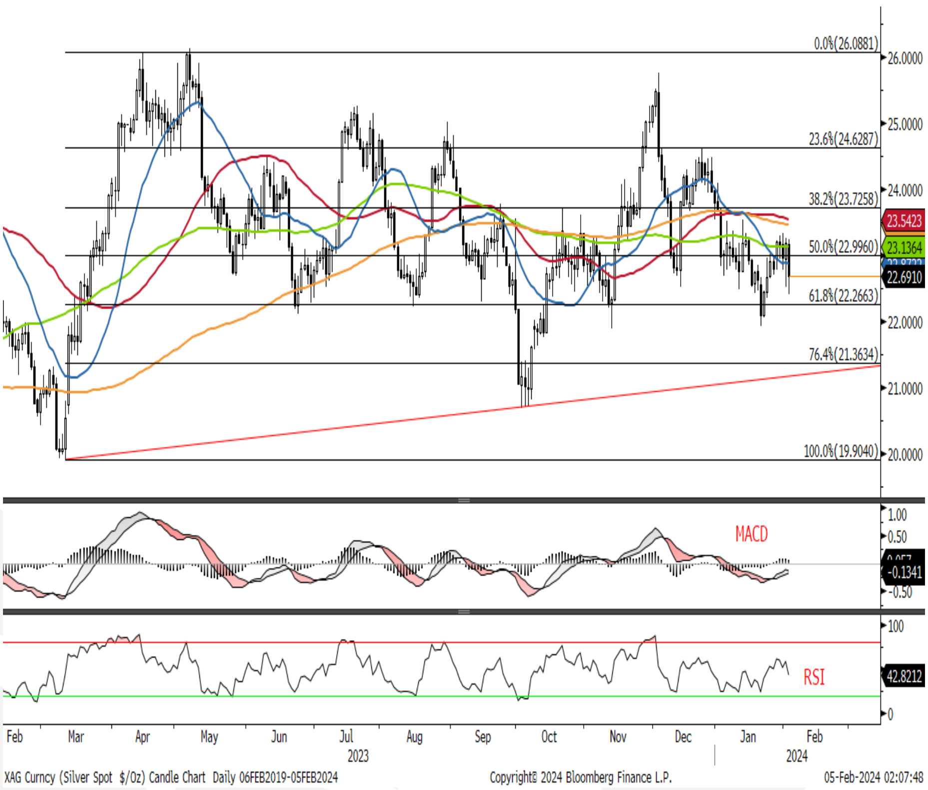
Gold did trade higher for most of last week, touching a high of 2065.50 at one point before easing post-NFP report. Cross was last seen at 2039 levels.

Mild bullish momentum shows signs of fading while RSI fell. Risks skewed to the downside in the interim. Buy dips preferred.

Support at 2032, 2011 (38.2% fibo retracement of Oct low to Dec high), 2000 and 1973 levels (50% fibo).

Resistance at 2058 (23.6% fibo), 2078 levels.

Silver Daily Chart: Sideways



Silver eased modestly lower last week. Last seen at 22.69 levels.

Mild bullish momentum on daily chart faded while RSI fell. Risks skewed to the downside for now though recent range should hold.

Resistance at 23.00/13 levels (50% fibo retracement of 2023 low to high, 100 DMA). Decisive break can see XAG trade higher towards 23.50/60 levels (50, 200 DMAs).

Support at 22.26 (61.8% fibo) and 21.90 (recent low).

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

Medium Term FX Forecasts

FX	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
USD-JPY	140.00	138.00	136.00	135.00	134.00
EUR-USD	1.0750	1.0850	1.1000	1.1100	1.1100
GBP-USD	1.2800	1.2850	1.2900	1.3000	1.3050
AUD-USD	0.6800	0.6900	0.7000	0.7050	0.7100
NZD-USD	0.6300	0.6400	0.6500	0.6600	0.6650
USD-CAD	1.3200	1.3000	1.2800	1.2800	1.2700
USD-CHF	0.8600	0.8500	0.8500	0.8500	0.8450
USD-SEK	10.40	10.34	10.09	9.960	9.960
DXY	102.94	101.93	100.64	99.87	99.63
USD-SGD	1.3200	1.3180	1.3140	1.3090	1.3070
USD-CNY	7.1400	7.0900	7.0400	7.0300	6.9800
USD-CNH	7.1400	7.0900	7.0400	7.0300	6.9800
USD-THB	34.50	34.50	34.30	34.10	34.10
USD-IDR	15600	15550	15450	15350	15250
USD-MYR	4.650	4.630	4.610	4.600	4.580
USD-KRW	1285	1265	1255	1240	1235
USD-TWD	30.85	30.75	30.65	30.40	30.30
USD-HKD	7.800	7.790	7.780	7.780	7.790
USD-PHP	54.90	54.60	54.20	54.00	54.00
USD-INR	82.50	82.30	82.00	81.50	81.50
USD-VND	24200	24150	23950	23850	23700
EUR-JPY	150.50	149.73	149.60	149.85	148.74
EUR-GBP	0.8398	0.8444	0.8527	0.8538	0.8506
EUR-CHF	0.9245	0.9223	0.9350	0.9435	0.9380
EUR-SGD	1.4190	1.4300	1.4454	1.4530	1.4508
GBP-SGD	1.6896	1.6936	1.6951	1.7017	1.7056
AUD-SGD	0.8976	0.9094	0.9198	0.9228	0.9280
NZD-SGD	0.8316	0.8435	0.8541	0.8639	0.8692
CHF-SGD	1.5349	1.5506	1.5459	1.5400	1.5467
JPY-SGD	0.9429	0.9551	0.9662	0.9696	0.9754
SGD-MYR	3.5227	3.5129	3.5084	3.5141	3.5042
SGD-CNY	5.4091	5.3794	5.3577	5.3705	5.3405
SGD-IDR	11818	11798	11758	11727	11668
SGD-THB	26.14	26.18	26.10	26.05	26.09
SGD-PHP	41.59	41.43	41.25	41.25	41.32
SGD-VND	18333	18323	18227	18220	18133
SGD-CNH	5.41	5.38	5.36	5.3705	5.34
SGD-TWD	23.37	23.33	23.33	23.22	23.18
SGD-KRW	973.48	959.79	955.10	947.29	944.91
SGD-HKD	5.9091	5.9105	5.9209	5.9435	5.9602
SGD-JPY	106.06	104.70	103.50	103.13	102.52
Gold $/oz	2065	2092	2105	2140	2160

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair
Source: OCBC Research (Latest Forecast Update: 30th Jan 2024)

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