GLOBAL MARKETS RESEARCH

FX Weekly

25 February 2025

Fading US Exceptionalism vs. Trump Threats

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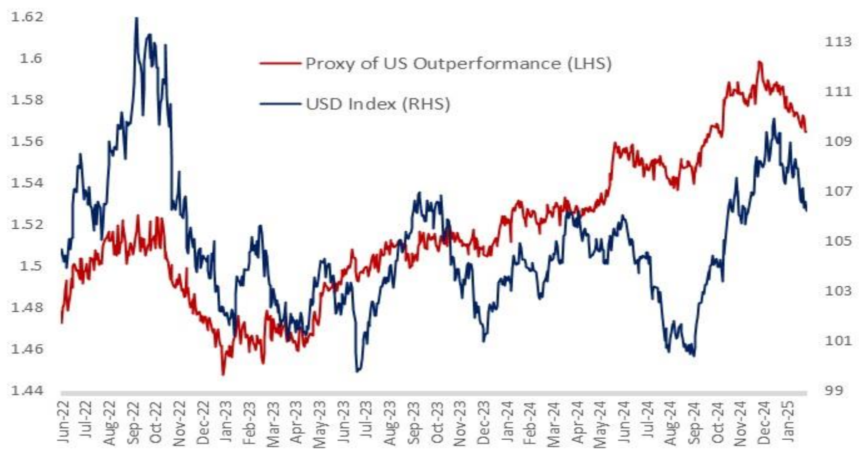
Watch US Core PCE This Fri. USD continued to trade lower, taking cues from the precipitous drop in UST yields. Trump also mentioned that a "new trade deal with China is possible". This helped to dragged USD/AxJs lower. Elsewhere, US data has also come in softer – leading index, services PMI, university of Michigan sentiment, retail sales – casted doubts on US exceptionalism. Our proxy measure of US exceptionalism (the ratio of S&P 500 to MSCI world; chart below) has been easing, albeit from elevated levels – a sign that US exceptionalism is not holding up as much as markets hoped. As US exceptionalism fades, USD has room to trade softer. This week's focus is on US core PCE (Fri). A softer print may further weigh on the USD. That said, Trump administration's memorandum to limit Chinese investments, toughen Biden's chip controls over China and Trump's comments that tariffs scheduled to hit Canada and Mexico (4 Mar) are "on time" and "moving along very rapidly" serve as an unsettling reminder that Trump threats remain. This may warrant some caution on risk-taking.

Favour Short SGD-Crosses. USDSGD has fallen for 3 consecutive weeks, tracking the broader decline in USD and UST yields while also mirroring strength seen in JPY, RMB and even EUR. S$NEER also strengthened to over 1.5% above model-implied at one-point last week; last seen at about 1.45%. Singapore's CPI came in softer than expected for Jan – both headline (1.2% YoY) and core CPIs (0.8% YoY). The softer CPI print added to expectations that MAS may ease its monetary policy again at its next MPC in Apr. Historically, the positive correlation between the change in S$NEER and MAS core inflation shows that SGD strength can ease when core inflation eases materially. We reckon the recent strengthening in S$NEER should fade. Favor short SGD crosses. Potentially a long NZDSGD play can be considered, riding on RBNZ nearing end of rate cut cycle with next cut a step-down to 25bp/ clip, improvement in China sentiments (NZD as a higher beta play) and NZD shorts at extreme levels (may unwind if there are further good news or USD stays under pressure).

DXY Trading Lower, as US Exceptionalism Fades



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (3Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for TWD
No.4 for EUR
No. 8 for CHF

(2Q 2024)

By Currency:
No. 3 for TWD, THB
No. 8 for EUR, CHF

(1Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for EUR
No. 4 for TWD
No. 5 for GBP

AxJ Positioning Bias (Reuters Poll)

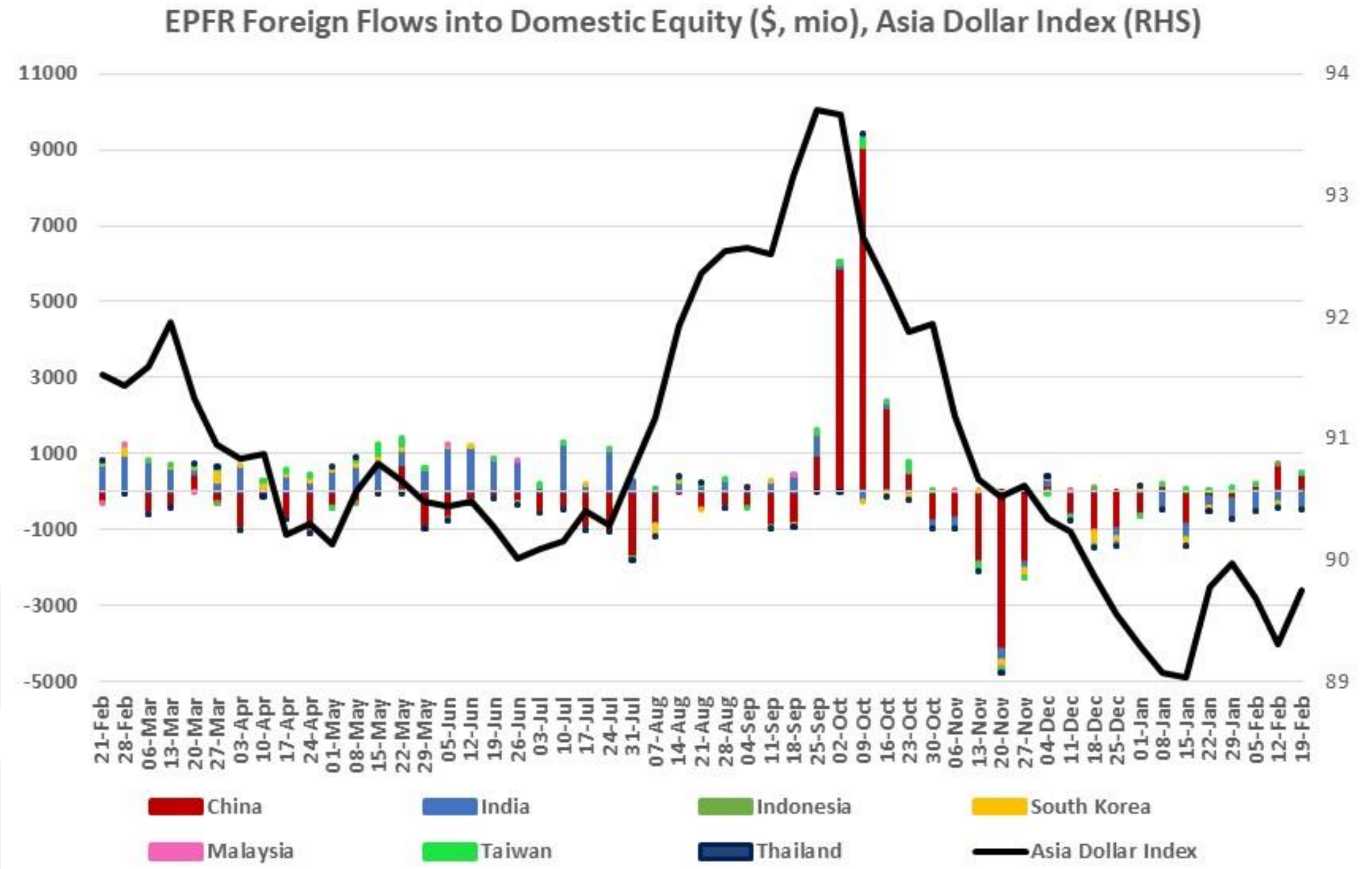
Based on Reuters survey on Asia FX positioning, AxJ FX remains bearish overall, but the extent of bearishness has started to decrease. INR and PHP saw the largest decrease in bearishness. That said on net basis, INR and IDR remain the most bearish. THB positioning turned flat (small bullish) while SGD and PHP were on net, least bearish.

	03-Oct-24	17-Oct-24	31-Oct-24	14-Nov-24	28-Nov-24	12-Dec-24	09-Jan-25	23-Jan-25	06-Feb-25	20-Feb-25
USD/CNY	-1.14	-0.43	0.3	1.14	1.32	1.15	1.65	1.33	1.15	0.88
USD/KRW	-0.79	0.26	1.06	1.61	1.45	1.86	1.75	1.04	1.01	0.83
USD/SGD	-1.26	-0.44	-0.03	0.8	1.12	0.83	1.34	1.11	0.86	0.31
USD/IDR	-1.08	0.04	0.59	0.81	1.03	0.87	1.2	1.5	1.25	1.06
USD/TWD	-0.59	0.24	0.6	1.07	1.1	0.82	1.18	1.01	1.14	0.59
USD/INR	-0.04	0.67	0.82	0.87	1.13	1.43	1.69	1.78	1.98	1.22
USD/MYR	-1.18	-0.4	0.11	0.65	0.76	0.65	0.99	1.01	0.62	0.37
USD/PHP	-0.7	0.26	0.81	1.18	1.13	0.53	0.65	0.77	0.93	0.31
USD/THB	-1.45	-0.28	0.09	0.9	0.66	0.26	0.76	0.54	0.23	0.02

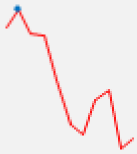
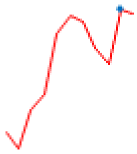
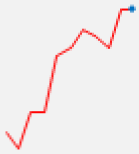
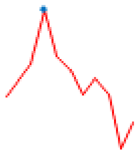
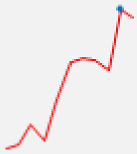
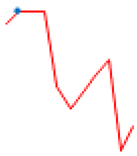
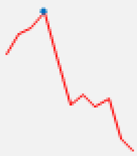
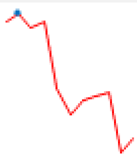
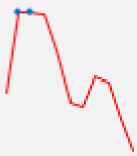
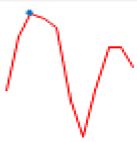
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 20 Feb 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

China and Taiwan continued to see net foreign equity inflow. India and Thailand equities continues to see mild foreign outflows. Asian FX continued to build on momentum in its recover after the delay in reciprocal tariffs, re-rating of Chinese tech stocks and tentative signs of a peace deal in Ukraine, adding to risk-on sentiment.



Note: Latest data available as of 19 Feb (weekly frequency); ASIADOL index refers to Bloomberg Asia dollar index
Source: EPFR, Bloomberg, OCBC Research

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: CFNAI (Jan); Dallas Fed mfg activity (Feb); **Tue:** Richmond fed mfg, conf board consumer confidence (Feb); **Wed:** New home sales (Jan); **Thu:** GDP (4Q); Durable goods (Jan P); **Fri:** core PCE, personal income, spending (Jan); Chicago PMI, Kansas City Fed mfg activity (Feb)		**S: 105.10; R: 109.50**
EURUSD	**Mon:** CPI (Jan); German IFO (Feb); **Tue:** German GDP (4Q); **Wed:** - Nil – **Thu:** Consumer confidence (Feb); **Fri:** ECB 1y, 3y CPI expectations (Jan); German CPI (Feb)		**S: 1.0250; R: 1.0700**
GBPUSD	**Mon:** - Nil – **Tue:** CBI reported sales (Feb); **Wed:** - Nil – **Thu:** - Nil – **Fri:** Nationwide house prices (Feb)		**S: 1.2400; R: 1.2760**
USDJPY	**Mon:** - Nil – **Tue:** PPI services (Jan); **Wed:** - Nil – **Thu:** - Nil – **Fri: Tokyo CPI (Feb);** IP, retail sales, housing starts (Jan)		**S: 149.20; R: 155.00**
AUDUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** CPI (Jan); **Thu**: Private capex (4Q); **Fri:** - Nil –		**S: 0.6300; R: 0.6540**
USDCNH	**Mon:** - Nil – **Tue**: - Nil – **Wed:** Home prices (Jan); **Thu:** 1y, 5y loan prime rate **Fri:** - Nil – **Sat**: NBS PMIs – mfg, non-mfg (Feb)		**S:7.2200; R: 7.3200**
USDKRW	**Mon**: - Nil – **Tue: BOK MPC;** **Wed:** - Nil – **Thu:** External debt (4Q); **Fri:** - Nil – **Sat**: Trade (Feb)		**S: 1,416; R: 1,460**
USDSGD	**Mon:** CPI (Jan); **Tue:** - Nil – **Wed:** Industrial production (Jan); **Thu:** - Nil – **Fri:** Deposits and balances of residents outside Singapore (Jan)		**S: 1.3300; R: 1.3560**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.3700; R: 4.4800**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,140; R: 16,400**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

A Softer Core PCE Can Weigh on USD but Trump Threats May Support. USD rebounded after 3 consecutive weeks of decline due to a range of reasons including the sharp pullback in UST yields and push-back on the timeline of tariff implementation, etc. Last week, US Treasury Secretary told Bloomberg TV in an interview that any move to boost the share of longer-term treasuries in government debt issuance is some ways off, given elevated inflation and Fed's QT. On Fedspeaks, Bostic said that he expects Fed will lower rates twice in 2025 though uncertainty around that projection has risen. Fed's Goolsbee downplayed a report that pointed to a jump in CPI expectations. He mentioned that the jump was only for 1 month of data and would need a few more months of similar high print for that to count. He still sees rates declining after a period of uncertainty. Trump also mentioned that a "new trade deal with China is possible", helping to drag USD/AxJs lower. Elsewhere, US data has also come in softer – leading index, services PMI, university of Michigan sentiment, retail sales – casted doubts on US exceptionalism. This also reinforces our view that the Fed cut cycle can still continue and we still see up to 3 cuts this year. Our proxy measure of US exceptionalism (the ratio of S&P 500 to MSCI world) has been easing, albeit from elevated levels – a sign that US exceptionalism is not holding up as much as markets had hoped. As US exceptionalism fades, USD can trade softer.

However, Trump administration's memorandum to limit Chinese investments, toughen Biden's chip controls over China and Trump's comments that tariffs scheduled to hit Canada and Mexico next month are "on time" and "moving along very rapidly" serve as an unsettling reminder that Trump threats remain. For instance, the 25% tariff on Canada and Mexico comes into effect on 4 Mar; 25% tariff on all steel and aluminium imports will come into effect on 12 Mar and reciprocal tariffs is likely on 2 Apr. Tariff imposition on these dates can undermine sentiments and lead to spikes in the USD, unless the implementation dates are rolled back again. Trump's administration rolled out a memorandum telling a key government committee (Committee on Foreign Investment in the United States) to limit Chinese investment on tech, energy and other strategic American sectors. It also called on Mexican officials to place their own levies on Chinese imports. Additionally, US also proposed fees on Chinese-built ships entering US ports. It also proposed that the US government should also review a 1984 tax deal with China that frees individuals and companies from double taxation.

Focus this week on core PCE (Fri) – softer print can weigh on USD. That said, there may also be some caution in the lead up to early Mar, when Trump's threats and the 25% tariff on Mexico and Canada may come into effect (4 Mar).

DXY was last at 106.60. Daily momentum is bearish but decline in RSI seemed to slow near oversold conditions. Bias remains skewed to the downside though we are also cautious of spikes. Support at 106.30/40 levels (100 DMA, 38.2% fibo retracement of Oct low to Jan high), 105.50 and 105.20 (50% fibo). Resistance at 107.50/80 levels (21DMA, 23.6% fibo), 108.00 (50 DMA).

The delay in tariff implementation, the prospect of peace talks in Ukraine, weaker US economic indicators (such as retail sales, services PMI), and a re-rating of Chinese tech stocks (thanks to DeepSeek, Xi's meeting with private sector business leaders) have created a favourable environment for risk assets to recover while the USD retreats. **But tariff concerns have yet to go away**. Until we get further clarity on the trade relief/truce, markets are likely to continue to trade USD with 2-way risks. Our medium-term view still expects the USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current accounts are some drivers that should weigh on USD.

Earlier, we noted that trade friction in Trump 1.0 primarily involved the US and China, whereas in Trump 2.0, it appears to be a broader conflict between the US and the rest of the world. This time, nations including China and Europe seem to be employing both retaliatory strategies and counter-negotiation tactics simultaneously. It would be premature to draw definitive conclusions about the future dynamics of trade friction and negotiations, but we cannot dismiss the possibility that the USD could weaken if the trade conflict escalates between the US and the rest of the world. This outcome will depend on various factors, including global economic performance, individual monetary policies, and the scope, intensity, and duration of trade disputes.

EURUSD

Pause in Bullish Momentum. German election results were consistent with the poll's prediction. CDU/CSU won with 28.5% of votes, with AfD at 20.8% and SPD at 16.41%. While there were no major surprises out of elections with CDU/CSU winning and its leader wanting to form a coalition government fast, the formation of a coalition government may take up to months. Furthermore, the second place AfD party and left-wing party Die Linke won enough seats to potentially block any debt brake reforms. The government formation and mixed election results may complicate policy making with regards to budget and fiscal spending. EUR's recovery may have run its course for now. Looming risk of US tariffs on Europe, Ukraine peace uncertainty leading to EU fiscal burden may constraint the room for EUR upside. Markets may also be cautious of dovish ECB outcome at the next Governing Council meeting (6 Mar) and prefer to lighten positions. EUR was last seen at 1.0470 levels. Bullish momentum on daily chart shows signs of fading though still intact while RSI was flat. Sideways trade likely. Support at 1.0420 (21 DMA, 23.6% fibo), 1.0390 (50 DMA). Resistance at 1.0540/70 levels (100 DMA, 38.2% fibo retracement of Sep high to Jan low).

We had turned neutral (vs. bearish previously) on EUR's outlook, due to recent developments: 1/ hope for a Ukraine peace deal (can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 2/ Europeans trying to avert a full-fledged trade war with the US via negotiations. European Commissioner for Trade and Economic Security, Maroš Šefčovič said that Brussels is ready to discuss "anything" to avoid Trump's threatened tariff on European exports. He mentioned that Brussels is willing to reduce its substantial surplus in goods and services with the US which reached €50 billion last year and has also signalled that the EU is ready to reduce its 10% tariff rate on cars, which is four times higher than the rate imposed by the US. He also indicated that the EU could boost purchases of US goods such as LNG and soybeans. He was last in Washington to negotiate. 3/ Tentative signs that China's recovery may start to gain better footing.

That said, there are still plenty of downside risks to EUR: 1/ US reciprocal or other specific type of tariff on EU may come within weeks and such announcement (depending on severity) may weigh on EUR. 2/ Europe will have to take responsibility for its security/ Ukraine peace, and that would mean increasing defence spending – possibly adding to fiscal burden for most EU nations. 3/ Existing EUR negatives such as stagnation in the Euro-area, and ECB needing to cut more/ deeper to support growth. Hence 2-way trades with neutral outlook bias are likely. Over the medium term, EUR can revert to trend higher when growth stabilises, political, geopolitical concerns and policy uncertainties find some clarity.

GBPUSD

Consolidation. GBP bullish run stalled, in line with our caution that the *recent bull run may stall.* There is no tier-1 data for UK this week, putting focus on BoEspeaks. Huw Pill will speak tonight, followed by Dhingra (Wed), Ramsden (Thu). Last week, BoE's Pill told Reuters that he is cautious about further rate cuts. He said that BoE had more work to do to bring down inflation and that policymakers "can't just remove all restriction overnight, cut rates aggressively, etc".

GBP was last at 1.2625. Bullish momentum on daily chart shows signs of fading while RSI is flat. May see consolidation. Support at 1.2610 (38.2% fibo retracement of Sep high to Jan low), 1.2510 (21 DMA). Resistance at 1.2680, 1.2770/90 levels (50% fibo, 200 DMA).

We remain cautious on GBP outlook. Stagflation risk, dovish BoE, growing twin deficits of current account and fiscal accounts in the face of rising yields are negatives for GBP. In a Bloomberg TV interview post-MPC in Jan, BoE Governor Bailey said markets should not over-interpret the vote split but to read the minutes pretty carefully this time. He also emphasized that the vote split is not a communication tool. MPS continues to guide for gradual and careful easing, which is in line with our house view for 25bp cut each quarter. Downside risks to our view include 1/ more aggressive BoE cut cycle than the Fed; 2/ tariff hit from US; 3/ Fed slowing down on policy normalisation and/or return of US exceptionalism. A play-up of any of these risks may undermine GBP.

USDJPY	***Bias to Sell Rallies.*** USDJPY continued to trade lower below 149 at one point on Monday before the short squeeze. Falling UST yields, hawkish BoJspeaks and higher than expected CPI print last Fri continue to point to a divergence in Fed-BoJ policies. Narrowing of UST-JGB yield differentials should continue to underpin the broader direction of travel to the downside. Last Fri, Governor Ueda's comments commented on buying bonds nimbly if yields rise sharply, serving as a reminder that BoJ is watching markets closely and policymakers can step in if there is any "excessive volatility" in the bond space. Later on, he also said that yields reflect economic recovery and a rising price trend – consistent with BoJ Takata's earlier comments. Ueda also reiterated that BoJ will raise rates if economic conditions improve as expected. On the other hand, tariff uncertainty remains as reciprocal tariffs may affect Japan. This may pose some uncertainty for JPY's near-term outlook. For automobiles, Japanese cars are amongst the top 5 most popular in US. On agricultural products, Japan has a high tariff rate of >200% for rice and >20% for meat. The risk is a direct tariff hit on Japanese goods that can potentially put a downward pressure on JPY. However, it appears that Japan is attempting to seek exemptions with regards to Trump's proposed reciprocal tariffs. Ministry of Foreign Affairs Takeshi Iwaya also raised the issue of automobile tariffs and sought exclusion from the 25% tariff all steel and aluminium imports at the Munich Security Conference last Fri. A successful exemption of Japanese goods will be supportive of JPY gains. Pair was last at 149.50 levels. Daily momentum is bearish while RSI is near oversold conditions. Bias remains to sell rallies. Resistance at 150.50, 151.50 (38.2% fibo retracement of Sep low to Jan high). Support at 149.20 (50% fibo), 148.80 before 147 (61.8% fibo). Overall, we still look for USDJPY to trend lower, premised on the Fed cut cycle while the BoJ has room to further pursue policy normalisation (supported by economic data, including upbeat GDP, signs of potential increase in wages, etc.). Wage growth pressure remains intact, alongside broadening services inflation. Tokyo core core CPI, PPI, wages rose while labour market report also pointed to an upward wage pressure in Japan with jobless rate easing. Trade unions are also calling for another 5-6% wage increase at the shunto wage negotiations for 2025. Several Japanese corporates have already indicated their intention to raise wages by >5% this year. SMBC is looking to raise wages by about 8%. Fast retailing (Uniqlo) announced it will raise starting pay for new employees by 10% and 5% for other employees, while companies in other sectors such as Meiji Yasuda Life Insurance Co. and Hoshino Resorts Co., Ltd announced raising wages by 5% and 5.5% on average respectively. Suntory Holdings is looking to raise monthly wages by about 7% in 2025 for the third straight year. These anecdotal evidence points to another year of solid wage increase, meeting the pre-requisite for BoJ to continue with hiking rates. Earlier, BoJ's Tamura said that policy rate should be raised to at least around 1% by the second half of this fiscal year. He also added that the neutral rate is at least 1%, and the rate at 0.75% would still be clearly negative in real terms, and there would still be some distance to a level where the rate would cool the economy. Divergence in Fed-BoJ policies should bring about further narrowing of UST-JGB yield differentials, underpinning the broader direction of travel for USDJPY to the downside. That said, the risk is that any slowdown in pace of policy normalisation – be it the Fed or BoJ – would mean that USDJPY's direction of travel may be bumpy or even face intermittent upward.
AUDUSD	***Corrective Pullback Not Ruled Out.*** AUD's recent rise met with resistance at 100DMA and has since corrected lower. Last at 0.6340 levels. Bullish momentum on daily chart is fading while RSI fell. Near term risks skewed to the downside. Support at 0.6320 (23.6% fibo retracement of 2024 high to 2025 low), 0.6260/90 levels (21, 50 DMAs). Resistance at 0.6420/40 levels (38.2% fibo, 100 DMA). Last week (18 Feb), RBA cut its OCR by 25bps as expected, citing restrictive financial conditions "which is weighing on demand and is helping to bring down underlying inflation". The tone of the statement is somewhat balanced but still underscores our view that the rate-cutting cycle is likely to be a shallow one. RBA opined that "the labour market has remained strong" and revised down unemployment rate to 4.2% from 4.4% previously anticipated. Labour cost growth has eased but remains high. At the press conference, Governor Bullock emphasised that the decision to cut rates "do not imply that future rate cuts along the lines suggested by the market are coming" and later described market pricing as

"unrealistic". She mentioned that the board will need more data that inflation is continuing to decline. RBA reiterated that they would highly prioritise "sustainably returning inflation to target" and cautioned that "disinflation could stall, and inflation would settle above the midpoint of target range". Overall, we continue to view RBA rate cut cycle as shallow and, is in a no-hurry-to-cut type of easing path.

We remain constructive on AUD outlook. Some of the reasons underpinning the bias include: 1/ expectations for a shallower pace of RBA rate cut cycle given sticky inflation and tight labour market; 2/ expectations that China's stabilisation story can find traction and re-rating of Chinese tech stocks (support risk sentiments). But AUD can still trade choppy when tariff concerns re-surface (negative for broad market sentiment) and if China optimism falls flat. Key downside risk factors that may affect AUD outlook are 1/ extent of CNH swings (if any); 2/ if Fed under-delivers/pauses rate cuts; 3/ global growth outlook turning sour; 4/ any market risk-off event (i.e., potential escalation in US-China trade tension, commodity or tech sell-off if they were to persist beyond mere position adjustment and geopolitics).

USDSGD

Tactical Short S$NEER. USDSGD had fell for 3 consecutive weeks, tracking the broader decline USD and UST yields while also mirroring strength seen in JPY, RMB and even EUR. S$NEER also strengthened to over 1.5% above model-implied at one-point last week. Last seen at about 1.45%. Singapore's CPI came in softer than expected for Jan – both headline (1.2% YoY) and core CPIs (0.8% YoY). Softer core CPI was driven by lower inflation across all broad core CPI categories while for headline, the easing in price pressure was due to a moderation in accommodating inflation in addition to the fall in core inflation. In the joint MAS-MTI CPI statement, it was noted that *unit labour costs are projected to rise gradually as nominal wage growth eases and productivity increases. At the same time, enhanced government subsidies for essential services such as public healthcare, pre-school education and public transport will continue to dampen services inflation.* It also indicated that *imported inflation is expected to remain moderate, reflecting favourable supply projections in key food commodity markets and forecasts of declines in global oil prices.* Softer CPI print is likely to add to expectations that MAS may ease monetary policy again at its next MPC in Apr. This should also dampen the recent strength observed in the S$NEER. Favor short SGD crosses. Potentially a long NZDSGD play can be considered, riding on RBNZ nearing end of rate cut cycle with next cut a step-down to 25bp/ clip, improvement in China sentiments (NZD as a higher beta play) and NZD short at extreme levels (may unwind if further good news are released or USD stays under pressure). On the other hand, there is room for SGD strength to fade should MAS eases policy again. Entry at 0.7665, targeting move towards 0.80. SL below 0.7550.

USDSGD was last seen at 1.3330 levels. Daily momentum is mild bearish while RSI is near oversold conditions. Support here at 1.3320, 1.3270 levels (50% fibo). Resistance at 1.3380/90 levels (38.2% fibo retracement of Sep low to Jan high), 1.3430 (100 DMA) and 1.3520 (23.6% fibo).

At the last MPC meeting (24 Jan), MAS **announced it will reduce the slope of the S$NEER policy band slightly**. This means that the **SGD's rate of appreciation against trade partners is reduced but still on a gradual appreciation**. Our model estimates the slope is reduced to 1% pa., down from 1.5%. While there was a slight calibration in MAS policy stance via slope reduction, the overall policy stance remains on a modest and gradual appreciation path. Going forward, it is worth paying attention to core CPI in the coming months to get a sense on whether the MAS easing is one-off or may ease further. Expectations for MAS to ease can imply that the SGD strength (on TWI terms) seen in the past 2-3 years will continue to ease. But as long the policy band does not revert to neutral, SGD could still retain some degree of relative resilience, selectively against trade partners.

Looking into our USDSGD forecast trajectory, we see a tactical window for USDSGD to pullback in 1Q 2025, premised on Fed cut cycle, expectations for China's recovery to find some traction amidst a re-rating of Chinese tech stocks. Subsequently, USDSGD forecast is projected to skew to the upside for most parts of 2025, taking into consideration the risks of Trump tariffs (on China/ global though timing of tariff remains uncertain) and Fed pause in 4Q 2025.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
01-May-24	Long EURUSD	1.0661	1.09	2.24	Markets have largely priced in ECB's 75bps cuts into EUR but a growth re-rating outlook on Euro-area economy is probably not priced. And lately there are signs to suggest some signs of stabilisation in Euro-area growth. ECB's Lagarde and Bundesbank have recently spoken about signs of activity picking up pace in Germany. A better growth story in Euro-area can push back against aggressive rate cut expectations and this is supportive of EUR. Entered at 1.0661. Targeting move towards 1.0900. SL at 1.0508. [Trade TP]	04-Jun-24
12-Aug-24	Short RMB Index	98.53	98.5	0	USDCNY's decline was a function of USD leg. Faced with domestic woes, the RMB should remain weak on TWI basis. This should see RMB CFETS index fall further (i.e. short CNH vs basket trade). And a move towards 2023 low at 96 levels is not ruled out. SL 99.70. [EXIT with no P&L, given recent market development in China]	30-Sep-24
19-Aug-24	Short CHFJPY	170.1	166.7	2.03	SNB-BOJ policy divergence. SNB may turn wary of how recent CHF strength may complicate inflation objective. May press on for 3rd cut of the year and/or pursue FX intervention to weaken CHF. On the other hand, BOJ is embarking on policy normalization which is likely to continue into 2025. Also, USDJPY is more sensitive to declines in UST yield. Target 148. SL 181. [Trade TP]	10-Feb-25
23-Sep-24	Short EURGBP	0.838	0.841	-0.3	Policy and growth divergence between EU/ECB and UK/BOE. Target a decline towards 0.81. SL 0.8470. [SL]	14-Jan-25
10-Dec-24	Short USDJPY	151.5	154.7	-2.07	Bias for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation. Target a move towards 146.10. SL at 154.70. [SL]	18-Dec-24
15-Jan-25	Short SGDJPY	115.1	113.8	1.13	To express MAS-BOJ monetary policy/ inflation divergence trade. Targeting a move towards 110 levels. SL at 117.12. [TP]	03-Feb-25
25-Feb-25	Long NZDSGD	0.7665			Riding on RBNZ nearing end of rate cut cycle with next cut a step-down to 25bp/ clip, improvement in China sentiments (NZD as a higher beta play) and NZD short at extreme levels. On the other hand, there is room for SGD strength to fade should MAS eases policy again.	

Note: TP refers to take profit; SL refers to stop-loss. Trade can take profit or stopped earlier than indicated levels, depending on market conditions.

Selected SGD Crosses

SGDMYR Daily Chart: Sell Rallies

SGDMYR traded range-bound last week. Cross was last at 3.3030 levels.

Daily momentum is mild bullish but shows signs of fading while RSI fell. Risks skewed to the downside.

Support at 3.2980 (100 DMA), 3.2860/ 3.29 (21, 50 DMAs) and 3.2720 (23.6% fibo).

Resistance at 3.3150 (38.2% fibo retracement of Jul high to Sep), 3.3320 and 3.35 levels (50% fibo, 200 DMA).

SGDJPY Daily Chart: Room to Drift Lower

SGDJPY continued to trade lower last week, in line with our caution for downside risks. Move lower was due to JPY outperformance.

Cross was last at 111.70 levels.

Daily momentum shows signs of turning bearish and RSI fell. Room for downside to play out. Support at111.30, 110.70 (61.8% fibo) and 110 levels.

Resistance at 112.90, 113.50 (21 DMA), 114.30/40 levels (50, 100, 200 DMAs, 23.6% fibo retracement of 2024 low to Nov-Dec double-top).

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

Gold Daily Chart: May Face Correction Lower

Gold continued to trade near recent highs but failed to find momentum to test higher at this point. Last seen at 2936 levels.

Bullish momentum on daily chart faded while RSI shows tentative signs of coming off. We continue to caution for the near-term risk of a slowdown in bullish.

Resistance at 2942 (previous high), 2960 levels.

Support at 2930, 2860 (23.6% fibo retracement of May low to Oct high), 2821 levels (21 DMA) and 2805 (38.2% fibo).

Silver Daily Chart: Pullback Likely

Silver rose was last at 32.45 levels.

Bullish momentum on daily chart shows signs of fading while RSI eased. Friday price action exhibited bearish engulfing candlestick, typically associated with near term bearish reversal. Pullback likely in the interim.

Support at 31.85 (21 DMA), 31.25 levels (100 DMA), 30.8 (50 DMA) and 30 levels (38.2% fibo retracement of 2024 low to high).

Resistance at, 33.20/40 (recent high).

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

Medium Term FX Forecasts

Currency Pair	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
USD-JPY	152.00	150.00	149.00	148.00	147.00
EUR-USD	1.0400	1.0400	1.0450	1.0500	1.0520
GBP-USD	1.2400	1.2350	1.2400	1.2450	1.2450
AUD-USD	0.6350	0.6400	0.6450	0.6500	0.6550
NZD-USD	0.5750	0.5800	0.5850	0.5900	0.5950
USD-CAD	1.4300	1.4300	1.4400	1.4500	1.4350
USD-CHF	0.9000	0.8950	0.8920	0.8900	0.8900
USD-SEK	11.00	10.94	10.89	10.83	10.83
DXY	107.71	107.52	107.11	106.70	106.38
USD-SGD	1.3450	1.3500	1.3550	1.3600	1.3600
USD-CNY	7.2500	7.2800	7.3200	7.3500	7.3400
USD-CNH	7.2600	7.3000	7.3400	7.3600	7.3400
USD-THB	34.00	34.20	34.20	34.30	34.30
USD-IDR	16100	16150	16200	16200	16300
USD-MYR	4.4200	4.4400	4.4600	4.4800	4.5000
USD-KRW	1440	1445	1460	1465	1465
USD-TWD	32.60	32.80	32.90	33.20	33.20
USD-HKD	7.7600	7.7700	7.7800	7.7900	7.7900
USD-PHP	58.00	58.30	58.50	58.70	58.80
USD-INR	87.00	87.20	87.40	87.50	87.50
USD-VND	25400	25400	25500	25600	25600
EUR-JPY	158.08	156.00	155.71	155.40	154.64
EUR-GBP	0.8387	0.8421	0.8427	0.8434	0.8450
EUR-CHF	0.9360	0.9308	0.9321	0.9345	0.9363
EUR-SGD	1.3988	1.4040	1.4160	1.4280	1.4307
GBP-SGD	1.6678	1.6673	1.6802	1.6932	1.6932
AUD-SGD	0.8541	0.8640	0.8740	0.8840	0.8908
NZD-SGD	0.7734	0.7830	0.7927	0.8024	0.8092
CHF-SGD	1.4944	1.5084	1.5191	1.5281	1.5281
JPY-SGD	0.8849	0.9000	0.9094	0.9189	0.9252
SGD-MYR	3.2862	3.2889	3.2915	3.2941	3.3088
SGD-CNY	5.3903	5.3926	5.4022	5.4044	5.3971
SGD-IDR	11970	11963	11956	11912	11985
SGD-THB	25.28	25.33	25.24	25.22	25.22
SGD-PHP	43.12	43.19	43.17	43.16	43.24
SGD-VND	18885	18815	18819	18824	18824
SGD-CNH	5.3978	5.4074	5.4170	5.4118	5.3971
SGD-TWD	24.24	24.30	24.28	24.41	24.41
SGD-KRW	1070.63	1070.37	1077.49	1077.21	1077.21
SGD-HKD	5.7695	5.7556	5.7417	5.7279	5.7279
SGD-JPY	113.01	111.11	109.96	108.82	108.09
Gold $/oz	2850	2870	2880	2900	2920
Silver $/oz	32.39	32.80	32.73	32.95	33.18

Source: OCBC Research *(Latest Forecast Updated: 18 February 2025)*
Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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