FX Weekly

29 July 2024

Central Banks, NFP, PMIs and AU, EU CPIs

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A busy week ahead, with central bank decisions due for BoJ (Wed), Fed and BoE (Thu). There is also China PMI (Wed), manufacturing PMIs for the region and DM (Thu). Not forgetting ADP employment (Wed) and NFP report (Fri). Also of interests, would be CPI reports for Europe and Australia (Wed).

AU CPI an Event Risk for AUD. AUD underperformed most FX lately as global growth concerns (led by Europe and China) re-surfaced, alongside the sell-off in commodities and tech/Asian equities. This week's focus is on AU inflation (Wed). In particular trimmed mean staying above or around 4% would mean that inflation has well exceeded RBA's inflation target range for around 10 quarters. A re-acceleration in CPI should put pressure on RBA to tighten at its upcoming MPC (6 Aug). While AUD momentum remains bearish, oversold RSI and inverted hammer pattern cautions for the risk of near-term corrective rebound.

USDJPY May Still Trade Choppy Near Term ahead of BoJ and FOMC Event Risks this Wed and Thu, respectively**.** Markets are expecting BoJ hike and a taper of its bond purchase program. The combination of BoJ policy normalisation and Fed possibly cutting rate in due course is a case of monetary policy convergence and should underpin USDJPY downside. The risk is that BoJ fails to live up to expectations and USDJPY risks a sharp correction upwards.

FOMC Should Lay the Groundwork for Sep Cut. USD bears would face disappointment if Fed restraints guidance especially when a few Fed officials, including Christopher Waller, Mary Daly and Powell have started to soften their rhetoric and the Sep cut is already fully priced. Perhaps the **bigger driver for the USD would be ISM mfg (Thu)** and **payrolls report (Fri).** Softer print should weigh on USD but upticks would aid USD rebound.

BOE MPC (1 Aug): Markets See 50-50 Chance of Cut. We will be keeping a close watch on how BoE calibrates its statement to hint at future rate cuts. GBP rose above 1.30 briefly 2 weeks ago but has since failed to maintain altitude. With GBP at current levels and bullish CFTC position at record high, we do not rule out the near-term risk of corrective pullback lower.

GBP Longs at Record High; Negative Surprise Risks a Sharp Snapback

Bloomberg FX Forecast Ranking (1Q 2024)

By Region:
No. 7 for 13 Major FX

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

(4Q 2023)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 1 for TWD, PHP

Winner FX Markets Asia Awards 2024
Best bank for research
OCBC Bank

AxJ Positioning Bias (Reuters Poll)

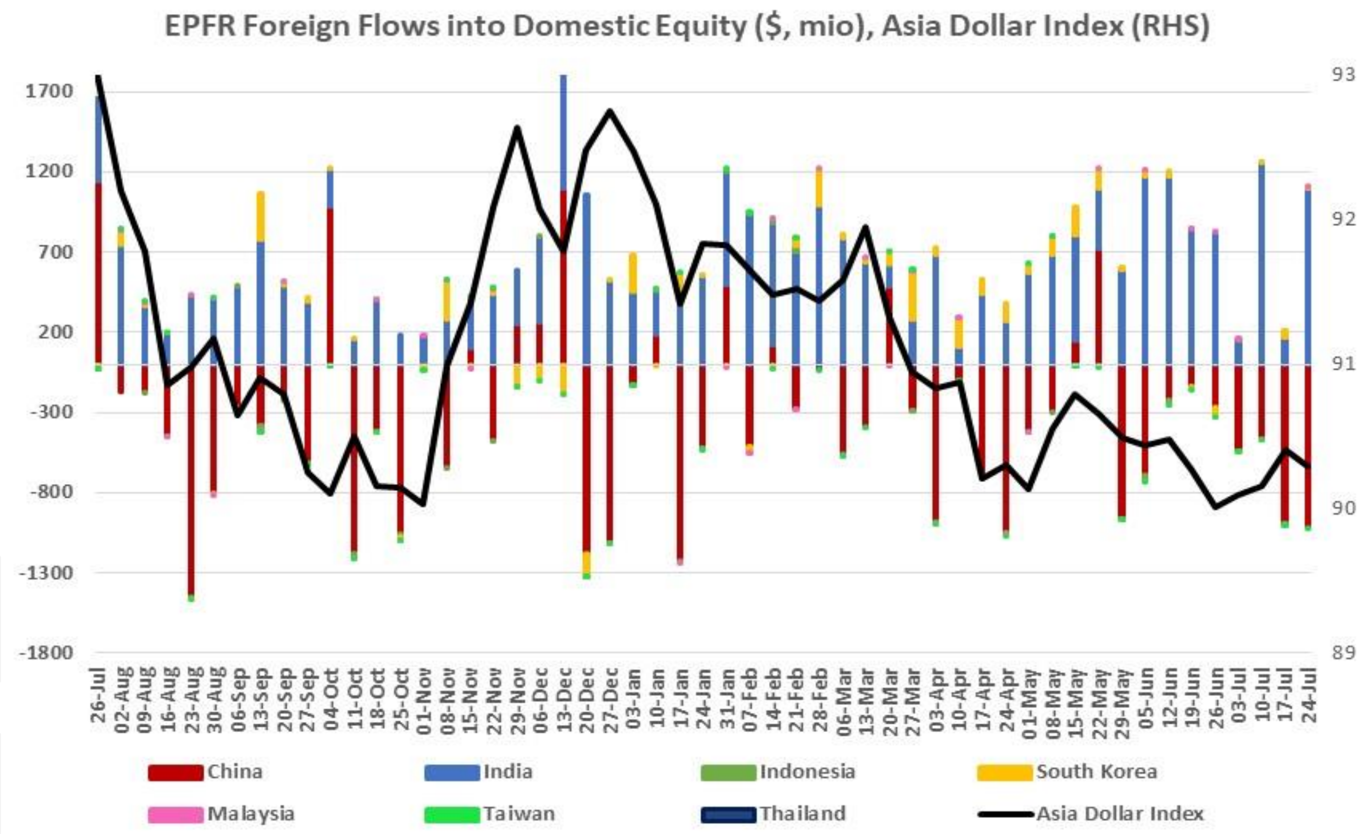
Based on Reuters survey on Asia FX positioning, bets on AxJ FX turned mixed. Only shorts in CNY and TWD grew while shorts in other AXJs, including MYR and THB saw the largest reduction. Amongst AxJs, bearish bets on THB and INR are the least while SGD turned net long.

	21-Mar-24	04-Apr-24	18-Apr-24	02-May-24	16-May-24	30-May-24	13-Jun-24	27-Jun-24	11-Jul-24	25-Jul-24
USD/CNY	0.92	1.18	1.25	1.25	1.05	1.05	0.95	1.34	1.05	1.07
USD/KRW	0.82	1.09	1.59	1.61	0.96	0.72	0.87	1.28	0.87	0.79
USD/SGD	0.33	0.42	0.8	0.89	0.35	0.33	0.62	0.8	0.06	-0.33
USD/IDR	0.6	1.13	1.32	1.39	0.96	0.94	1.22	1.49	0.73	0.35
USD/TWD	0.92	1.17	1.24	1.4	1.02	0.53	0.64	0.88	0.68	0.86
USD/INR	-0.54	0	0.43	0.49	0.39	0	0.37	0.46	0.22	0.12
USD/MYR	1.12	1.15	1.42	1.46	1.23	0.81	1	1	1.03	0.39
USD/PHP	0.47	0.62	1.19	1.44	1.29	1.19	1.23	1.37	0.86	0.43
USD/THB	1.13	1.35	1.28	1.39	1	1	0.92	0.91	0.51	0.02

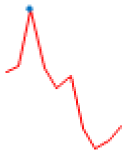
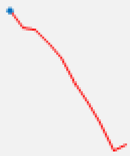
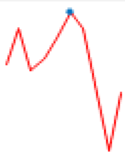
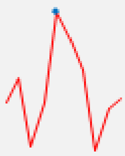
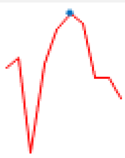
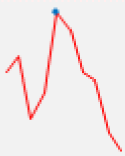
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.
Source: Reuters [latest avail: 25 Jul 2024], OCBC Research

EPFR Foreign Flows to Selected AXJ Equities vs. Asiadollar Index

Chinese equities continued to see sizeable outflows while foreign inflows to India picked up. Foreign inflows to Malaysia equities returned last week. Rebound momentum in Asian FX slowed last week.



Note: Latest data available as of 24th July (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**: Dallas Fed mfg activity (Jul); **Tue:** JOLTS job openings (Jun); Conf B. consumer confidence (Jul); **Wed:** Chicago PMI, ADP employment (Jul); Pending home sales (Jun); **Thu: FOMC decision;** ISM mfg (Jul); **Fri**: **NFP, unemployment, hourly earnings (Jul);** Durable goods (Jun)		**S: 103.20; R: 105.80**
EURUSD	**Mon:** - Nil – **Tue:** EU, German GDP (2Q); Consumer confidence (Jul); **Wed: CPI estimate (Jul P);** **Thu:** Mfg PMI (Jul); Unemployment rate (Jun); **Fri:** - Nil –		**S: 1.0720; R: 1.0950**
GBPUSD	**Mon:** CBI reported sales (Jul); **Tue:** - Nil – **Wed:** Lloyds Business barometer (Jul); **Thu:** Mfg PMI, nationwide house price (Jul); **BoE Policy;** **Fri:** - Nil –		**S: 1.2630; R: 1.3000**
USDJPY	**Mon:** - Nil – **Tue:** Jobless rate (Jun); **Wed:** Retail sales, IP, housing starts (Jun); **BOJ Policy;** **Thu:** PMI Mfg (Jul); **Fri:** - Nil –		**S: 151.10; R: 156.80**
AUDUSD	**Mon:** - Nil – **Tue:** Building approvals (Jun); **Wed:** Retail sales (Jun); **CPI (2Q);** house price (Jul); **Thu**: PMI Mfg (Jul); Import/export price (2Q); Trade (Jun); **Fri:** PPI (2Q)		**S: 0.6510; R: 0.6640**
USDCNH	**Mon**: - Nil – **Tue:** - Nil – **Wed: NBS mfg, non-mfg PMI (Jul);** **Thu:** Caixin PMI Mfg (Jul) **Fri:** - Nil –		**S: 7.2000; R: 7.2930**
USDKRW	**Mon**: - Nil – **Tue:** - Nil – **Wed:** Industrial production (Jun); **Thu:** Trade, PMI Mfg (Jul); **Fri: CPI (Jul)**		**S: 1,365; R: 1,395**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Unemployment rate (Jun); **Thu:** - Nil – **Fri:** PMI (Jul)		**S: 1.3320; R: 1.3500**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** Mfg PMI (Jul) **Fri:** - Nil –		**S: 4 6300; R: 4.6900**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** PMI Mfg, CPI (Jul) **Fri:** - Nil –		**S: 16,100; R: 16,500**

Source: Bloomberg, OCBC Research

Key Themes and Trades

Fed Guidance, Payrolls Report. DXY traded sideways near recent lows last week. Focus this week on JOLTS report (Tue), ADP employment (Wed), FOMC, ISM mfg (Thu) and payrolls report (Fri). Markets will keep a look out on whether the tightness in labour markets continue to ease and on FOMC, what the guidance may be.

The upcoming FOMC (1 Aug 2am SGT) is expected to lay the groundwork for a Sep cut especially with data coming softer and Fed's rhetoric turning less hawkish. For example, Fed Chair Powell noted "quite a bit of progress" towards cooler inflation, Christopher Waller said that "getting closer to the time when a cut in policy rate is warranted", Goolsbee said that "we are on a path to 2%" inflation and "if you just hold the rates where they are while inflation comes down, you are tightening". Fed's Mary Daly has earlier spoken about the Beveridge curve where further slowing could lead to rising joblessness. Former Fed official Dudley called for lower rate as soon as at upcoming FOMC. USD bears would face disappointment if Fed restraints dovish guidance. That said, the bigger driver for USD would be on payrolls report and the next few inflation readings – to get a sense of the possible extent of rate cuts. Another surprise for the USD would be an unexpected Fed cut at the upcoming FOMC.

DXY traded a subdued range. Last seen at 104.31. Bearish momentum on daily chart faded but rise in RSI moderated. Bearish crossover observed earlier as 21 DMA cuts 50, 100 DMAs to the downside. Support at 103.98 (50% fibo), 103.65 (recent low) and 103.20 (38.2% fibo). Resistance at 104.80/90 (61.8% fibo retracement of Oct high to 2024 low, 21, 50, 100 DMAs), 105.40 levels.

In summary, the US exceptionalism narrative has softened more (vs. last few months when most data was still printing red hot). In particular, financial strains on US consumer continues to grow while the tightness in US labour market is easing. Additionally Fed officials have acknowledged progress with disinflation and increasingly are more concerns about the softening labour market. These put a Fed pivot within reach in 2H 2024. Our house view continues to expect two cuts for 2024, with the first cut happening sometime in 3Q. For the year, we still expect USD to trend lower as Fed is done tightening and should embark on rate cut cycle in due course. Extent of USD's decline hinges on 1/ how quick Fed cuts and 2/ how global growth (outside US) pans out. US elections (Nov-2024) is a big known unknown. There will be implications on fiscal, foreign and trade policies. The play-up of US-China trade tensions is one of such risk and should inject some uncertainty to markets, thereby implying that the downward path of USD may be bumpy and may even face intermittent USD upward pressure if US-China trade tensions escalate.

2-Way Trades. EUR fell for a second consecutive week after prelim PMIs, ZEW survey data comes in softer than expected while ECB is open for another cut in Sep. Pair was last at 1.0860 levels. Mild bearish momentum on daily chart intact while RSI rose. 2-way trades likely. Support at 1.0860 (21 DMA), 1.0810 (38.2% fibo retracement of 2024 high to low, 100 DMA). Resistance at 1.0870 (50% fibo), 1.0940 levels (61.8% fibo). This week, we keep a look out on 2Q GDP (Tue), CPI estimates (Wed). Stronger than expected print should underpin support for EUR.

For the year, we still maintain a neutral outlook for the EUR. ECB has lowered rate in June and is expected to cut again in Sep. Our house view looks for another 50bps cut for the year remaining. However, the ECB is not on a preset cycle and policy making will remain data dependent. Apart from monetary policy, economic stability is also important and there are signs to suggest that the economy may be slowing, alongside lingering uncertainty in French politics. We should continue to monitor if there are stronger data going forward as that may support EUR outlook. 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 be supportive of EUR's mild upward trajectory. Key downside risks to EUR's outlook are a materialisation of more/faster pace of ECB rate cuts and/or growth, inflation momentum in Euro-area decelerate sharply.

Cautious of Technical Correction; BOE in Focus. GBP rose above 1.30 briefly 2 weeks ago but has since failed to maintain altitude. With GBP at current levels and bullish CFTC position at record high, we do not rule out the risk of corrective pullback lower. Focus should shift towards inflation outlook and BoE policy though 1 Aug MPC is likely to be a close call. OIS implied suggests 50-50 chance of a cut. We will be keeping a close watch on how BoE calibrates its statement to hint at future rate cuts. Swifties are making their presence felt as Eras tour came to UK in June. Services, core inflation held steady at 5.7% and 3.5%, respectively. BoE had earlier expected services CPI to fall to 5.1%. Elsewhere labour market shows no signs of stress at the moment. Employment growth improved. Wage growth may have dipped to 5.7% from 5.9% but remains well above headline CPI at 2%. While BoE may soon cut rates, we do not expect an aggressive rate cut cycle and still expect BoE to keep monetary policy restrictive overall as inflationary pressures remain (services inflation at ~5.7%). Notwithstanding technical correction, our bias for GBP remains somewhat positive. Risks to our outlook: an aggressive rate cut cycle; faster growth slowdown in UK, actual public finances turn out to be worse than expected and/or energy prices surge.

GBP was last at 1.2865. Daily momentum turned bearish while RSI fell. Risk of pullback. Support at 1.2850 (21 DMA), 1.2780 (50 DMA) and 1.2680 (100 DMA). Resistance at 1.2980, 1.3040 (recent highs).

Take Cues from Fed, BoJ This Week. Recent decline in USDJPY shows tentative signs of taking a pause but the decline has also seen a recoupling of USDJPY back to UST-JGB yield differentials. During the period of May - Jul, USDJPY has gone one way higher while UST-JGB yield differentials narrowed – a de-coupling of its traditionally positive correlation – which was unusual. The recent sharp decline in USDJPY has somewhat reset that anomaly. And if we do expect USDJPY to play catchup to the historical correlation with UST-JGB yield differentials, then USDJPY may still have room to trade lower. This would require Fed-BoJ monetary policy bias to converge further and faster (i.e. Fed to cut and BoJ to tighten more). We reckon this would happen at some stage but may proceed slowly (for now) instead. Hence, more patience is required for USDJPY to head lower.

Ahead of BoJ and FOMC event risks this Wed and Thu, respectively, USDJPY may continue to trade choppy. Markets are expecting BoJ hike and a taper of its bond purchase program. The combination of BoJ policy normalisation and Fed possibly cutting rate in due course is a case of monetary policy convergence and should underpin USDJPY downside. The risk is that BoJ fails to live up to expectations and USDJPY risks a sharp correction upwards.

USDJPY was last seen at 153.75. Bearish momentum on daily chart intact while RSI fell into near oversold conditions. Cautious of rebound risks for USDJPY from oversold conditions but at the same time, JPY shorts remain at record and uncertainty may see continued unwinding of stretched short position in JPY. Support at 153.66 (61.8% fibo retracement of 2024 low to high), 151.60 (200DMA) and 151.10 (50% fibo). Resistance at 155.50 (100 DMA), 156.80 (76.4% fibo).

Near term, USDJPY may face technical upside risks especially if BoJ disappoints again. But over a medium term, we expect USDJPY to trend gradually lower on expectations that the next move for Fed is a cut and that the BoJ has room to further pursue policy normalisation amid higher services inflation and wage pressures in Japan. We had argued that the BoJ should waste no time in normalising policies as shunto wage outcome have met expectations and inflation has been on target. We are still looking for BoJ to announce a 10-15bps hike at the upcoming MPC (31 Jul). Convergence in Fed-BoJ monetary policies should help underpin USDJPY downside. On this note, we look for opportunity to fade rallies in due course.

Sell-off Overdone; Watch CPI Data This Week. AUD underperformed most FX, including USD as global growth concerns (led by Europe and China) re-surfaced, alongside the sell-off seen in commodities and tech/Asian equities. This week's focus zooms in on retail sales and inflation (Wed). In particular trimmed mean staying above or around 4% would mean that inflation has well exceeded RBA's inflation target range for around 10 quarters. A re-acceleration in CPI should put pressure on RBA to tighten at the 6 Aug MPC.

AUD fell nearly as much as 4% at one point between 12 and 25 Jul. Last seen at 0.6550 levels. Daily momentum remains bearish, but RSI shows signs of turning higher from oversold conditions. Risk of corrective rebound is not ruled out in the near term though gains may also be restraint due to ongoing equity sell-off and growth concerns. Inverted hammer observed – typically associated with bullish reversal. Resistance at 0.6570 (50% fibo retracement of Oct low to Dec high), 0.6640 (38.2% fibo). Support at 0.6500/15 levels (61.8% fibo, recent low), 0.6450 levels.

We remain broadly constructive on AUD medium term 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), given still sticky inflation, stronger consumer confidence, retail sales and tight labour market; 2/ USD to trend lower towards year-end as the Fed is done tightening and should embark on rate cut cycle soon; 3/ potential case for China stabilisation story as China is sharpening its more targeted approach on real estate sector (but much patience is needed on this front). 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; 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).

Consolidation. Moves in USDSGD post-MAS decision was largely muted. USDSGD trades near recent lows, owing to recent decline in USDJPY and USDRMB. Speculations of Fed closer to a pivot, undertaking a larger cut at the Sep FOMC or even an outside chance of a cut next week were some factors weighing on USDSGD. More importantly, moves in RMB (watch the fixings going forward), JPY will be key while FOMC guidance and NFP data (Fri) will be some of the key data/event risks to keep a look out on for USDSGD directional bias in the near term. Softer USDCNH, USDJPY and a softer than expected NFP report may help USD and USDSGD trade lower in coming sessions.

Pair was last seen at 1.3430 levels. Daily momentum is flat but RSI fell. Consolidation still likely. Support at 1.3410, 1.3390 (38.2% fibo retracement of Oct high to Jan low) and 1.3360. Resistance at 1.3460 (200 DMA, 50% fibo), 1.35 levels (50, 100 DMAs).

MAS Review: As widely expected, MAS kept monetary policy settings unchanged for the 5th consecutive meeting, maintaining the prevailing rate of appreciation in the S$NEER policy band. MAS' view is for core inflation remains unchanged: to **step down more discernibly in 4Q 2024 and into 2025**. MPS **continued to caution for 2-way risks to the inflation outlook**. **Official full-year headline CPI forecast was lowered to average 2 – 3% for 2024**, down from previous projection of 2.5 – 3.5% while MAS core inflation forecast remains unchanged at 2.5-3.5%. **We believe an easing stance can be considered when core CPI eases more.** This can take place by a slight reduction in policy slope, and we do not rule out a policy shift taking place as early as at the Oct MPC should core CPI eases materially more in coming months.

Core inflation did ease to 2.9% in Jun but remains well above historical mean. 5y average is about 2.2% and 10y average is about 1.7%. MAS does not have an explicit inflation target, but MAS has previously indicated that a core inflation of just under 2% is close to its historical mean and consistent with price stability in the economy. In the MPS, there was mention about sequential pace of price change, which has declined to an annualized rate of 2.1% in 2Q. To add, MAS expects sequential inflation to be lower in 2H of 2024, compared to 1H. (para 8 of MPS). Markets, including ourselves would have to be a bit more patient for further progress in disinflation trend, before policy easing can occur. We continue to monitor inflation readings in coming months.

Post-MAS, S$NEER was estimated at ~1.9% above our model-implied mid, largely steady from the past few sessions. YTD, S$NEER has been fluctuating on the stronger side of about 1.3% to 1.9% above model-implied mid (and most recently closer to 1.9%). S$NEER strength may still linger and only fade at some point this year when core inflation in Singapore start to ease more in coming months. Historically there is a positive correlation between the change in S$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.

Looking out into our forecast horizon, we continue to expect a milder downward trajectory for USDSGD, premised on our house view for Fed to cut rate in 3Q 2024 and on expectations that China economy may find some stabilisation.

Watching the Fix. USDCNH traded 900pips lower at one-point last week amid an unwinding of funding currency trades in short JPY, CNH. On USDRMB, we continue to watch daily fixings to gauge policymakers' appetite and intentions with regards to RMB. Friday's fixing of -51pips (vs. the day before fix) was in line with market expectations for -50 to -60pips. The relatively steady fixing showed that policymakers did not ride on the sharp gains in CNH to set a much lower USDCNY fix so as to amplify another leg down. Instead, the steady fix despite large gains in CNH suggests that policymakers have not changed their stance in pursuing a relatively steady RMB albeit with a measured pace of RMB depreciation, and some 2-way variability. Over the past few weeks, policymakers have tinkered with rate cuts, possibly in response to the bout of poor data seen of late (sub-5% GDP, sluggish retail sales, below-50 PMIs). But on the currency front, the approach to using daily fixing to manage RMB expectations has been consistent and it appears there is no imminent plan to change the approach for now. On this note, it is worth monitoring fixing pattern, CNH-CNY spread in the context of broader FX moves, China data and Fed policy. This week, the focus is on NBS PMIs (Wed). An above-50 reading for manufacturing and non-manufacturing PMIs will be helpful for risk sentiments.

USDCNH was last at 7.2635 levels. Mild bearish momentum observed on daily chart but RSI shows signs of turning higher. 2-way risks to persist. YTD bullish trend channel remains intact. We would need a series of lower lows to indicate a breakout of the bullish trend. But for now, price action does not indicate so. Support at 7.2260/7.2300 (200 DMA, 38.2% fibo), 7.20 (50% fibo retracement of 2024 low to high) and 7,1730 (61.8% fibo). Resistance at 7,2750 (50 DMA), 7.2840 (21 DMA) and 7.30.

Economic recovery in China remains bumpy while property market has yet to recover/ stabilise despite measures. Relatively wide UST-CGB yield differentials (10y at 200bps) was also another factor that continue to weigh on RMB. Not forgetting falling rates still makes RMB an attractive funding currency for carry trade elsewhere though we note that rising vol may undermine carry trade. An eventual recovery in RMB (at some point) would require confidence to be "repaired", economic recovery to gain better momentum and for USD to turn lower. Greater clarity on US-China trade tensions would also be a plus.

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	1.447	0.45	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. [Trade TP]	16-Apr-24
29-Jan-24	Short USDJPY	148.1	152	-2.63	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. [SL]	10-Apr-24
13-Feb-24	Long AUDUSD	0.6480	0.6625	2.24	Expect AUD to recover following the recent washout as: 1) Fed gets closer to embark on rate cuts in 2Q 2024; 2) potential case for China stabilisation on hopes of stimulus support measures; 3) uptick in commodity prices; 4) while RBA could remain on hold for longer. SL 0.6340. TP 0.6870 [Trade TP]	06-May-24
28-Feb-24	Short EURJPY	163.05	161.35	1.04	Based on the view of technical retracement for EUR and that BoJ may move earlier in Mar (JPY positive). Technically, the pair looks stretched with RSI easing from overbought conditions while bullish momentum on daily chart is fading. Room for downside to play out. Tactical opportunity to go short EURJPY targeting a move lower towards 161.35. SL at 163.65. [Trade TP]	07-Mar-24
25-Apr-24	Short USDKRW	1375			High for longer narrative (US rates) has been a dampener on sentiments. But since last trilateral meeting, there seems to be a psychological resistance for the USD. For the year, we still expect USD to trend slightly lower as the Fed is done tightening and should embark on rate cut cycle in due course (house looks for Jul Fed cut). Eventual re-coupling in tech/KR stocks vs FX (KRW) should return amid underlying tech/AI trend. KRW would be positioned for more gains given its high-beta characteristics and close proxy to tech and growth cycles. Start of Fed rate cut cycle and expectations for China stabilisation are other drivers that should underpin KRW's positive appeal. Entered tactical short at 1375. To take profit at 1320. SL at 1406. [LIVE]	
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

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: Downside Risk

SGDMYR resumed decline last week after a period of consolidation. Cross was last at 3.4660 levels.

Daily momentum is mild bearish while RSI fell towards near oversold conditions. Risk of snapback not ruled out but bias modestly skewed to the downside for now. Bearish trend channel intact.

Support at 3.46, 3.4530 (61.8% fibo).

Resistance at 3.4760 (50% fibo), 3.4830 (50 DMA) and 3.5000 (38.2% fibo retracement of Jul low to Feb high).

SGDJPY Daily Chart: Risk of Corrective Rebound; Bias to Sell Rallies

SGDJPY fell sharply after hitting an all-time high of above 120 (11 Jul). The move lower was in line with our caution that fatigue may be setting in for SGDJPY bulls. Cross was last at 114.50 levels.

Bearish momentum on daily chart intact while RSI is in oversold conditions. Risk of corrective retracement to the upside not ruled out after a sharp plunge. But bias skewed towards selling on rallies.

Support at 114.10, 113 (50% fibo retracement of Dec low to Jul high) and 112.60 (200 DMA).

Resistance at 115.15 (100 DMA), 116.72 (23.6% fibo) and 117 levels (50 DMA).

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

SGDCNH Daily Chart: Consolidation

SGDCNH fell last week. Cross was last at 5.4090 levels.

Daily momentum shows signs of turning mild bearish while RSI rose. Consolidation likely.

Resistance at 5.4150, 5.4220 (76.4% fibo retracement of 2023 high to 2024 low) and 5.4290 (recent high)

Support at 5.39 (50 DMA), 5.3830 (50% fibo) and 5.3710 (200 DMA).

EURSGD Daily Chart: Stuck to Recent Range

EURSGD fell last week. Cross was last at 1.4580 levels.

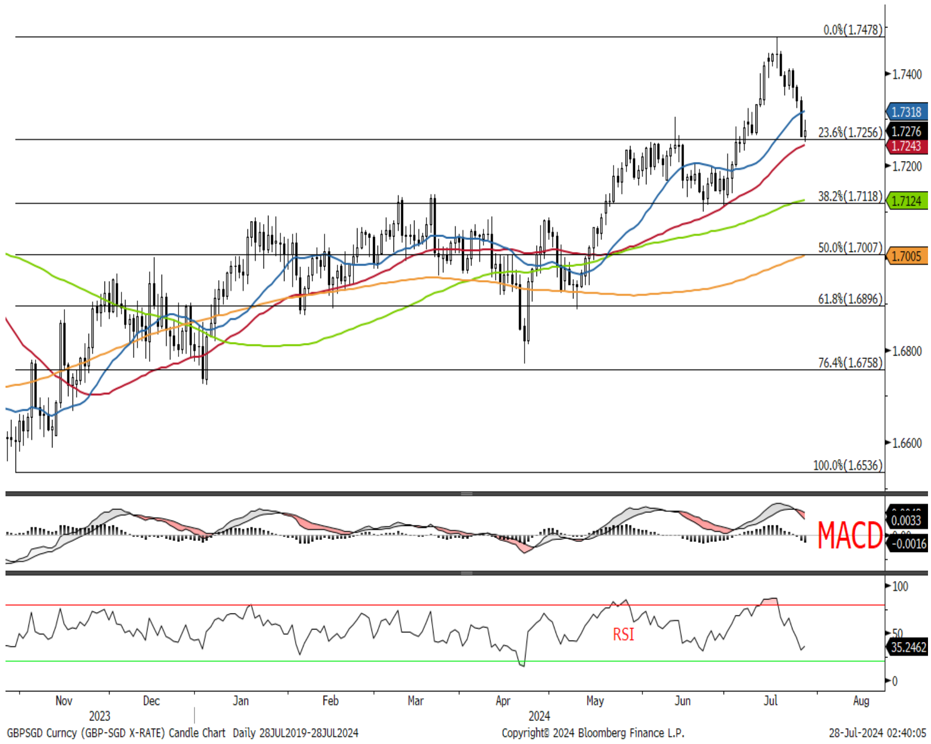
Daily momentum is mild bearish while decline in RSI slowed. Consolidation likely.

Resistance at 1.46 (38.2% fibo), 1.4660 and 1.4720 (23.6% fibo).

Support at 1.4550/60 levels (200DMA, recent low), 1.4510 (50% fibo retracement 2023 low to high).

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

GBPSGD Daily Chart: Extension of Decline Not Ruled Out



GBPSGD fell after hitting more-than 2year high of 1.7478 (17 Jul). Last seen at 1.7280 levels.

Daily momentum shows signs of turning mild bearish while RSI fell. Extension of the decline not ruled out.

Support at 1.7240 (50 DMA). 1.7120 (38.2% fibo retracement of Oct low to Jul high, 100 DMA) and 1.70 (50% fibo, 200 DMA).

Resistance at 1.7320 (21 DMA), 1.74 levels.

AUDSGD Daily Chart: Retracement Likely

Our caution for *mind the rising wedge (bearish reversal)* played out. Cross hit a high of 0.9138 before turning lower. Last at 0.8790.

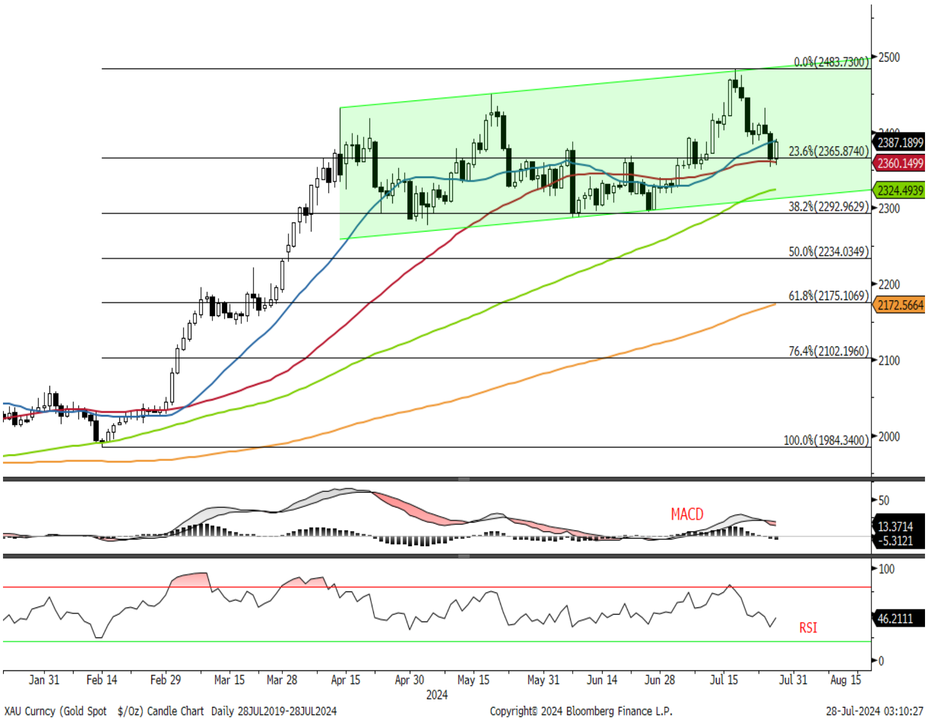
Bearish momentum on daily chart intact for now but RSI showed tentative signs of turning higher from oversold conditions. Rebound not ruled out.

Resistance at 0.8845/70 levels (38.2% fibo retracement of Jun high to Oct low, 200 DMA), 0.8920 (100DMA, 50% fibo).

Support at 0.8750 (23.6% fibo, recent low), 0.8710 levels.

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

Gold Daily Chart: Consolidate on Higher Grounds



Gold printed a high of 2483 (17 Jul), on rising hopes of imminent Fed cut and Trump trade but gains were somewhat reversed as hopes of imminent Fed cut faded while Trump trade unwound. Last seen at 2387.20 levels.

Daily momentum is turning bearish but decline in RSI slowed. Consolidation likely.

Support at 2360 (50DMA), 2340 (100 DMA) and 2292 (38.2% fibo retracement of 2024 low to high).

Resistance at 2388 (21 DMA), 2425 levels.

Silver Daily Chart: Near Term Rebound Not Ruled Out

Silver fell. Last seen at 27.92 levels.

Daily momentum is bearish but RSI shows tentative signs of turning from near oversold conditions. Rebound risks not ruled out in the near term.

Resistance at 28.46 (238.2% fibo retracement of 2024 low to high, 100 DMA), 30 levels (23.6% fibo, 21, 50 DMAs).

Support at 27.21 (50 % fibo), 25.90 (61.8% fibo, 200 DMA).

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

Medium Term FX Forecasts

Currency Pair	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
USD-JPY	158.00	155.00	152.00	150.00	148.00
EUR-USD	1.0850	1.0950	1.1000	1.1100	1.1150
GBP-USD	1.2710	1.2800	1.2800	1.2850	1.2900
AUD-USD	0.6700	0.6750	0.6800	0.6850	0.6900
NZD-USD	0.6000	0.6050	0.6100	0.6100	0.6150
USD-CAD	1.3800	1.3700	1.3600	1.3500	1.3400
USD-CHF	0.8850	0.8850	0.8820	0.8800	0.8800
USD-SEK	10.64	10.48	10.33	10.25	10.00
DXY	104.80	103.76	103.07	102.19	101.52
USD-SGD	1.3450	1.3420	1.3400	1.3350	1.3310
USD-CNY	7.3000	7.2800	7.2600	7.2400	7.2000
USD-CNH	7.3000	7.2800	7.2600	7.2400	7.2000
USD-THB	36.10	35.90	35.50	35.40	35.10
USD-IDR	16200	16100	16000	15900	15950
USD-MYR	4.6600	4.6400	4.6200	4.6000	4.6000
USD-KRW	1370	1360	1350	1340	1330
USD-TWD	32.60	32.35	32.15	32.10	31.95
USD-HKD	7.8000	7.8000	7.7900	7.7800	7.7600
USD-PHP	58.60	58.40	58.00	57.60	57.60
USD-INR	83.50	83.30	83.30	83.10	82.80
USD-VND	25200	25100	24900	24850	24700
EUR-JPY	171.43	169.73	167.20	166.50	165.02
EUR-GBP	0.8537	0.8555	0.8594	0.8638	0.8643
EUR-CHF	0.9602	0.9691	0.9702	0.9768	0.9812
EUR-SGD	1.4593	1.4695	1.4740	1.4819	1.4841
GBP-SGD	1.7095	1.7178	1.7152	1.7155	1.7170
AUD-SGD	0.9012	0.9059	0.9112	0.9145	0.9184
NZD-SGD	0.8070	0.8119	0.8174	0.8144	0.8186
CHF-SGD	1.5198	1.5164	1.5193	1.5170	1.5125
JPY-SGD	0.8513	0.8658	0.8816	0.8900	0.8993
SGD-MYR	3.4647	3.4575	3.4478	3.4457	3.4560
SGD-CNY	5.4275	5.4247	5.4179	5.4232	5.4095
SGD-IDR	12045	11997	11940	11910	11983
SGD-THB	26.84	26.75	26.49	26.52	26.37
SGD-PHP	43.57	43.52	43.28	43.15	43.28
SGD-VND	18736	18703	18582	18614	18557
SGD-CNH	5.43	5.4247	5.42	5.42	5.41
SGD-TWD	24.24	24.11	23.99	24.04	24.00
SGD-KRW	1018.59	1013.41	1007.46	1003.75	999.25
SGD-HKD	5.7993	5.8122	5.8134	5.8277	5.8302
SGD-JPY	117.47	115.50	113.43	112.36	111.19
Gold $/oz	2415.00	2445.00	2475.00	2500.00	2525.00
Silver $/oz	30.19	32.17	33.00	33.33	33.67

Source: OCBC Research (Latest Forecast Updated: 29th July 2024)

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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