

FX Weekly

05 May 2025

USD Sell-off Shifts Focus to Asian FX

**TWD, MYR Leading Gains.** Hopes of a US-China dialogue (though it may still be early days) and signs of progress on possible trade deals (likely US with India first) have reinforced the de-escalation thematic. This in turn helped to stabilise sentiment, aiding the rebound in procyclical FX while safe haven proxies, including long positions in JPY, CHF and gold unwound. FX laggards (such as TWD and IDR) prior to Liberation Day started to play catch up on gains to DM FX as USD's decline also breached key supports in several USDAXJs, in turn hastening the pace of USD sell-off in AxJ space. Over a 5-day percentage change (vs USD), TWD was up 8.5% while KRW, MYR and IDR were up 2.5 – 4%. Even USDCNH, USDKRW and USDSGD broke below 7.20, 1,400 and 1.30, respectively. Further traction may be possible if the de-escalation momentum carries on and broad USD softness permeates. We were previously projecting a mild degree of USDAXJ upside over the forecast trajectory, but we now think the risks are somewhat tilted to the downside, assuming tariff de-escalation continues with tariff impact on regional growth largely manageable (i.e. no sharp recession), softer USD trend to manifest and Fed to resume easing cycle in due course. Focus this week on US ISM services (Mon); FOMC, BoE, BNM MPCs (Thu); China CPI, PPI (Sat).

The **faster-than-expected pace of TWD appreciation** late last week caught many market participants off guard, prompting a rush to convert USD into local currency. The plunge in USDTWD spot from ~32.50 only found some support around 29.6. Recent gains in the TWD have been catalysed by prospects of dialogue between US and China, absence of FX support and thin market liquidity while there were chatters of TWD strength to pre-empt any accusations of currency manipulation during US-TW trade negotiations. Domestic real money players were probably under-hedged and to mitigate the cost of complacency, they may need to raise USD hedge ratios. These factors may see the pair trade under pressure. Key spot support at 29.5, if broken may see sell-off extend.

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**Bloomberg FX Forecast Ranking (1Q 2025)**

By Currency:  
 No. 2 for THB  
 No. 3 for SGD  
 No. 9 for CHF

**(3Q 2024)**

By Region:  
 No. 7 for 13 Major FX

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

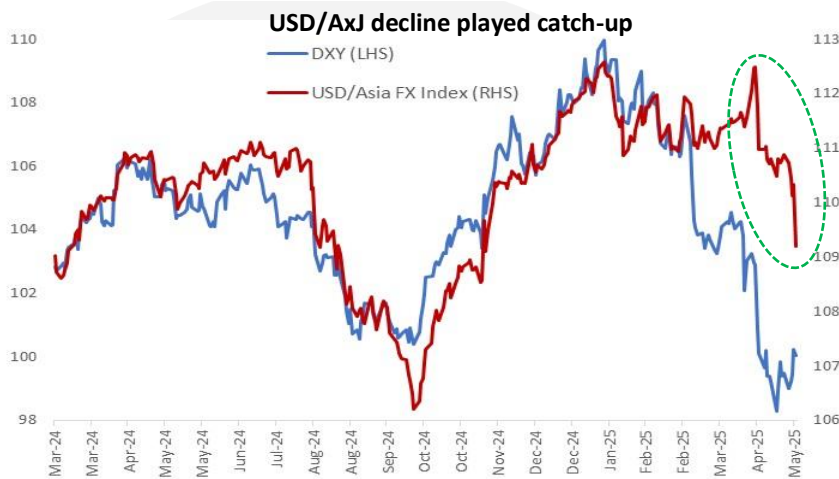
**(2Q 2024)**

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



Note: USD/Asia FX index is the inverse of Bloomberg ASIADOL index \*10000  
 Source: Bloomberg, OCBC Research

## AxJ Positioning Bias (Reuters Poll)

Based on Reuters survey on Asia FX positioning, more AxJ FX turned bullish. PHP, SGD and THB were most bullish amongst AxJs while IDR and CNY remain bearish on net. Even as positioning in IDR and CNY were bearish, bearish bets in these FX were pared back. In terms of the magnitude of change, TWD, MYR and SGD saw the largest increase in bullish bets.

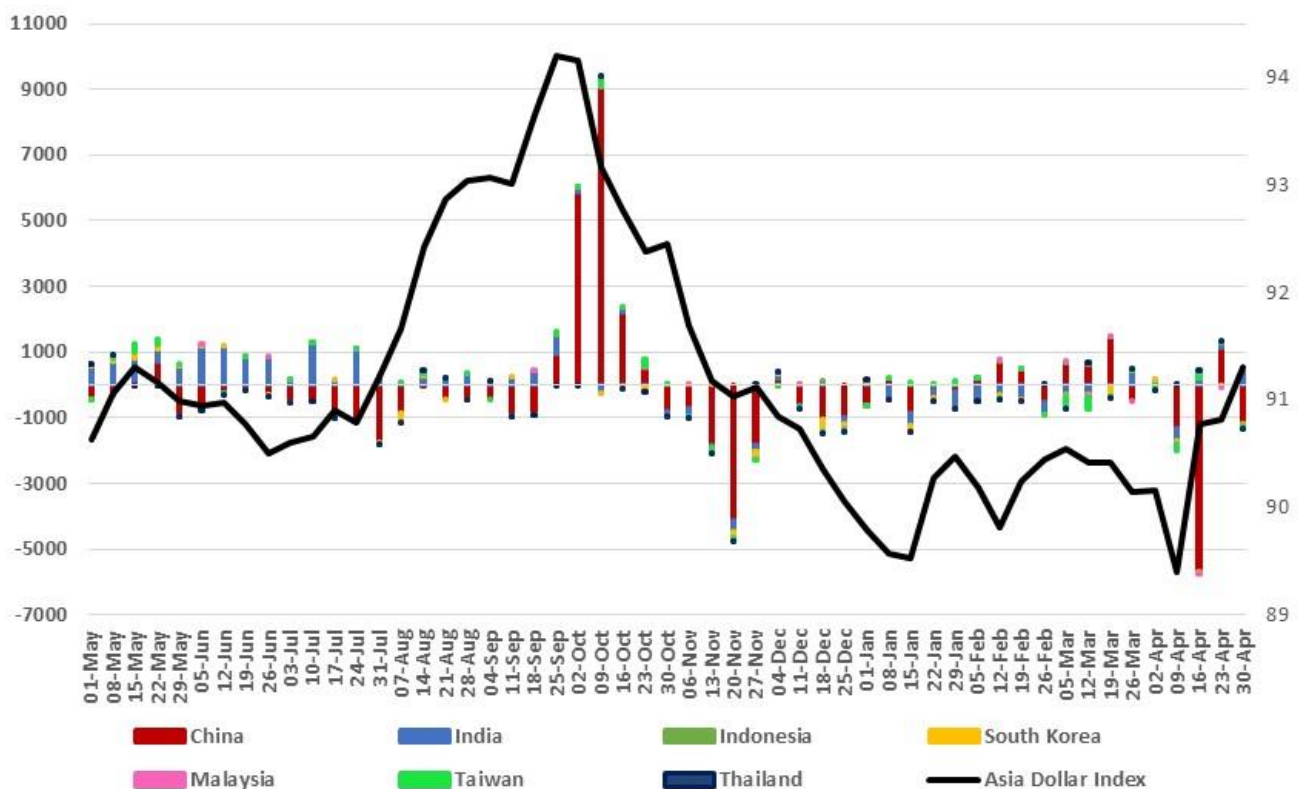
	12-Dec-24	09-Jan-25	23-Jan-25	06-Feb-25	20-Feb-25	06-Mar-25	20-Mar-25	03-Apr-25	17-Apr-25	01-May-25	Trend
USD/CNY	1.15	1.65	1.33	1.15	0.88	0.77	0.24	0.47	0.57	0.2	
USD/KRW	1.86	1.75	1.04	1.01	0.83	1	0.72	1.13	0.19	0.06	
USD/SGD	0.83	1.34	1.11	0.86	0.31	0.34	0.15	0.54	-0.26	0.67	
USD/IDR	0.87	1.2	1.5	1.25	1.06	1.36	0.97	1.2	1.33	1.27	
USD/TWD	0.82	1.18	1.01	1.14	0.59	0.71	0.85	1.14	0.06	0.53	
USD/INR	1.43	1.69	1.78	1.98	1.22	1.47	1.09	0.01	-0.2	0.58	
USD/MYR	0.65	0.99	1.01	0.62	0.37	0.45	0.42	0.33	0.04	-0.4	
USD/PHP	0.53	0.65	0.77	0.93	0.31	0.2	0.13	0.15	-0.65	1.02	
USD/THB	0.26	0.76	0.54	0.23	0.02	0.48	0.08	0.4	-0.3	0.61	

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: 1 May 2025], OCBC Research.









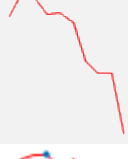

## EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity inflows continued for India but outflows were seen in most other countries. Notably, China, saw outflows while South Korea and Taiwan saw modest outflows. Asian FX strengthened significantly as USD softness shifts focus.

EPFR Foreign Flows into Domestic Equity (\$, mio), Asia Dollar Index (RHS)



Note: Latest data available as of 30 Apr 2025 (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	<b>Mon:</b> ISM services (Apr); <b>Tue:</b> Trade (Mar); <b>Wed:</b> - Nil – <b>Thu:</b> <b>FOMC decision</b> ; initial jobless claims <b>Fri:</b> - Nil –		S: 97.50; R: 101.00
EURUSD	<b>Mon:</b> Sentix investor confidence (May); <b>Tue:</b> Services PMI (Apr); PPI (Mar); ECB informal retreat in Portugal; <b>Wed:</b> Retail sales (Mar) <b>Thu:</b> - Nil – <b>Fri:</b> - Nil –		S: 1.1200; R: 1.1600
GBPUSD	<b>Mon:</b> - Nil – <b>Tue:</b> Services PMI (Apr); <b>Wed:</b> Construction PMI (Apr); <b>Thu:</b> <b>BoE MPC</b> <b>Fri:</b> - Nil –		S: 1.3200; R: 1.3500
USDJPY	<b>Mon:</b> - Nil – <b>Tue:</b> - Nil – <b>Wed:</b> PMI Services (Apr); <b>Thu:</b> - Nil – <b>Fri:</b> Cash earnings (Mar)		S: 141.00; R: 147.00
AUDUSD	<b>Mon:</b> PMI services (Apr); <b>Tue:</b> Building approvals (Mar); <b>Wed:</b> FX reserves (Apr); <b>Thu:</b> - Nil – <b>Fri:</b> - Nil –		S: 0.6250; R: 0.6550
USDCNH	<b>Mon:</b> - Nil – <b>Tue:</b> Caixin PMI services (Apr); <b>Wed:</b> - Nil – Nil – <b>Thu:</b> Trade (Apr); <b>Fri:</b> - Nil – <b>Sat:</b> <b>CPI, PPI (Apr)</b>		S: 7.2100; R: 7.3000
USDKRW	<b>Mon:</b> - Nil – <b>Tue:</b> - Nil – <b>Wed:</b> - Nil – <b>Thu:</b> FX reserves (Apr); <b>Fri:</b> Current account (Mar)		S: 1,380; R: 1,440
USDSGD	<b>Mon:</b> Retail sales (Mar); <b>Tue:</b> PMI (Apr); <b>Wed:</b> FX reserves (Apr); <b>Thu:</b> - Nil – <b>Fri:</b> - Nil –		S: 1.2860; R: 1.3150
USDMYR	<b>Mon:</b> - Nil – <b>Tue:</b> - Nil – <b>Wed:</b> - Nil – <b>Thu:</b> <b>BNM meeting</b> ; IP (Mar); FX reserves (Apr) <b>Fri:</b> - Nil –		S: 4.2200; R: 4.3600
USDIDR	<b>Mon:</b> GDP (1Q); <b>Tue:</b> - Nil – <b>Wed:</b> - Nil – <b>Thu:</b> FX reserves (Apr); <b>Fri:</b> Consumer confidence (Apr)		S: 16,200; R: 16,700

Source: Bloomberg, OCBC Research

## Key Themes and Trades

**DXY**

**Mixed Path; Await FOMC.** Taking stock, USD underperformance this year has been driven by a confluence of factors – from tariff uncertainty to the erosion of US exceptionalism, and more recently, reports that Trump considered removing Fed Chair Powell. Although the threat was walked back, such remarks risk undermining investor confidence, politicising monetary policy, and casting doubt on the USD’s status as a safe haven. Nevertheless, the recent mild rebound in the DXY reflected signs of a de-escalation in tariff rhetoric and a more conciliatory tone on trade. China’s Ministry of Commerce said that China is currently evaluating the possibility of trade talks with the US but urges the US to show sincerity and should be ready to remove unilateral tariffs. The Ministry also noted that the US have recently sent messages to China through relevant parties, hoping to start talks with China. There was also an unconfirmed list that China has started to exempt some US goods (131 items including pharmaceuticals, industrial chemicals worth \$40bn) from tariffs. Hopes of a US-China dialogue (though it may still be early days) and signs of progress on possible trade deals (likely US with India first) have reinforced the de-escalation thematic. This in turn helped to stabilise sentiment, aiding the rebound in procyclical FX while safe haven proxies, including long positions in JPY, CHF and gold, as well as G3 majors such as EUR and GBP unwound.

FX laggards (such as TWD and IDR) prior to Liberation Day started to play catch up on gains to DM FX as USD’s decline also breached key supports in several USDAXJs, in turn hastening the pace of USD sell-off in AxJ space. Over a 5-day percentage change (vs USD), TWD was up 5.5% while KRW, MYR were up 2.8% and IDR was up 2.4%. Even USDCNH, USDKRW and USDSGD broke below 7.21, 1,400 and 1.30, respectively last Fri. Further traction is possible if the de-escalation momentum carries on and broad USD softness permeates. We were previously projecting a mild degree of USDAXJ upside over the forecast trajectory, in consideration of the potential implication of tariffs on global growth. But we are turning less convinced and now see the risks as somewhat tilted to the downside, assuming tariff de-escalation continues further with tariff impact on regional growth largely manageable (i.e. no sharp recession), softer USD trend to manifest and Fed to resume easing cycle in due course. That said, given such a rapid and relatively outsized move last week, we should expect some calm to be restored (i.e. slowdown in the pace of USDAXJ selloff) as market liquidity should improve this week, and markets reassess trade talk optimism.

This week is also somewhat busy on data/event calendar, with US ISM services (Mon); FOMC, BoE, BNM MPCs (Thu); China CPI, PPI (Sat) scheduled. FOMC is without dot plot guidance and expectations are for Fed to stay on hold. A relatively resilient labour market (especially as NFP surprised with +177k increase) and renewed focus on price stability justifies the Fed to keep policy rate on hold.

DXY was last at 100 levels. Daily momentum turned bullish but recent rise in RSI slowed. Immediate resistance at 100.25 (21 DMA). Decisive break puts next resistance at 100.80 (23.6% fibo retracement of 2025 peak to trough), 102 (38.2% fibo) and 102.70 (50 DMA). Support at 98.90, 97.90 levels (2025 low).

Over the forecast horizon, we continue to expect USD to trade weaker as USD diversification trend takes centre-stage in the immediate term while Fed cut cycle potentially comes into focus in 2H 2025. Markets are increasingly focused on how Trump’s policies (especially tariffs) are hurting the US economy, US assets and USD. Furthermore, relative growth matters. If growth in the US slumps while growth for the rest of the world holds up, USD may end up weaker over time. USD may also trade softer against AxJs and antipodeans if broad USD weakness permeates and tariff impact on global growth (outside US) is more manageable than feared. That said, risks can quickly turn and procyclical FX, including AxJ may weaken if tariff shocks hurt global growth significantly.

More fundamentally, markets are also questioning USD’s status as a reserve currency and a safe haven. The rise in US protectionist measures have significantly heightened economic policy uncertainty, which in turn challenges USD’s status as the world’s primary reserve currency. US national debt is more than \$36trn and the recent report from US Congressional Budget Office highlighted that US debt will rise from 100% to 156% of GDP in 30 years. Interest as a share of GDP will also increase to 5.4%, from a record 3.2% this year. Although the USD is not likely to be displaced in the short term, the global financial landscape (relating to the rise of EMs/ geopolitical realignment, increased usage of alternative payment

systems, etc.) is gradually evolving. Reallocation flows (out of US assets, USD) or proactive hedging (to reduce USD FX exposure) can weigh on the USD. A transition to a more diversified reserve currency regime (over time) can erode USD's strength in the medium term. Our medium-term view still expects USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current accounts as well as de-dollarisation trends are some drivers that should weigh on USD.

## EURUSD

**Bearish Continuation If 21 DMA Gives Way.** EUR traded lower last week as USD short covering continued. Hopes of US-China tariff de-escalation saw further unwinding in stretched USD shorts vs EUR longs and other safe-haven proxies. National level CPI reports saw some deceleration in Germany and France. Several ECB officials continue to weigh further cuts, despite ECB already cutting rates 7 times in this cycle. Rehn and Simkus signalled they are open to lower rates towards 1.5%. Villeroy argued that "there is currently no inflationary risk in Europe" and that "there won't be extra inflation" because of tariffs. "That is a strong guarantee — neither this year nor next year," he said, adding that "we still have a gradual margin for interest rate cuts." ECB Chief Economist Lane said that there is no reason to say that a 25bp move is always the default although he would not pre-commit to any rate path. He also warned that EUR's strength is weighing on the region's economic recovery via disinflation. Muller also said there is a possibility that policy might have to be "a bit more accommodative" if trade uncertainty proves more damaging for growth. Separately, ECB is considering changing its monetary policy strategy to enable more nimble responses to price shocks as the global environment becomes increasingly volatile. This will be discussed at an informal retreat on 6-7 May in Portugal.

EUR was last seen at 1.13 levels. Daily momentum turned bearish though recent decline in RSI slowed. On price pattern, it appears that a head and shoulders pattern may be in the making. This can be associated with a bearish reversal. We continue to watch for signs of continuation/rejection. Key support here at 1.1280 (21 DMA, neckline). Break puts next support at 1.1235 (23.6% fibo retracement of 2025 low to high), 1.1030 levels (38.2% fibo). Resistance at 1.1430, 1.1570 levels (recent high).

Notwithstanding the risk of a pullback in the near term, we remain constructive on EUR's outlook due to recent developments: 1/ German/European spending plans lending a boost to growth; 2/ signs of a Ukraine peace deal (that can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 3/ prospects of ECB cut cycle nearing its end while there is room for Fed to cut; 4/ China's economic growth showing tentative signs of stabilisation; 5/ EU leaders making efforts to identify concessions it is willing to make to secure partial removal of US tariffs; 6/ **signs of portfolio flows and reserve diversification that may favour alternative reserve currencies such as the EUR.** Also, the main factors that previously constrained reserve managers' allocation to EUR was the European sovereign debt crisis in 2011, the era of negative rates in EU, and limited availability of EUR-denominated bond papers. Today, these issues are no longer a hurdle. The EUR today is in a better position to benefit from a potential reduction in USD dominance in trade flows, international payments, reserve diversification and FX turnover.

## GBPUSD

**BoE MPC – Markets Look for 25bp Cut.** GBP turned lower after failing to break past the double top around 1.3430/40 levels. Unwinding of short USD trade vs. major FX, another contractionary print on mfg PMI and expectations for BoE to cut rate at upcoming MPC (Thu) are the factors behind GBP softness. Pair was last at 1.3270 levels. Daily momentum shows signs of turning mild bearish while RSI fell. Support at 1.3250, 1.3180 (21 DMA) and 1.3120 (76.4% fibo retracement of Sep high to Jan low). Resistance at 1.3350, 1.3430/40 levels (double top).

We remain neutral on the GBP outlook. Stagflation risk (rising prices, business cost pressure and slowing growth), tariff risks, risk of BoE turning more dovish and growing twin deficits of current and fiscal accounts are negatives for GBP. On the other hand, the persistent USD softness may overwhelm other GBP-negative factors.

## USDJPY

**Sell Rallies.** USDJPY rebounded off multi-month lows. This rebound can be attributed to 1/ tariff de-escalation narrative finding some momentum (unwinding of safe haven trade); 2/ Bessent-Kato meeting (25 Apr) saw no mention of FX levels (unwinding of JPY long) while 3/ BoJ Governor Ueda's comments



post-BoJ meeting (1 May) was interpreted as less haste to tighten monetary policy for now. Governor Ueda said it remains extremely uncertain how countries will develop their trade policies and how such policies will affect overseas economic and price trends. He also expected the price trend improvement to stall temporarily. BoJ also downgraded its assessment on growth and inflation, and further put risk to both growth and inflation to the downside (vs. upside for inflation in the previous assessment). That said, Ueda did say that BoJ will raise the policy rate when policymakers become more confident in the outlook. He also added that the delay in the price target timing does not mean that there will be a delay in hikes. Overall, we still expect BoJ to get back to normalising interest rates at some point (when tariff uncertainty finds some clarity). Even as BoJ is on hold, we believe the Fed could lower rates at some point in 2Q 2025. The Fed-BoJ policy divergence should continue to underpin broader direction of travel for USDJPY to the downside.

Pair was last at 144.90 levels. Daily momentum is mild bullish while recent rise in RSI shows signs of slowing. Hanging man pattern formed last Fri may point to bearish reversal. Maintain bias to sell rallies. Resistance at 145.40/50 levels, 146.70 (50 DMA) and 147.20 (38.2% fibo). Support at 144.40 (23.6% fibo retracement of 2025 high to low), 143.80 (21 DMA) and 141.60 levels.

More broadly, we continue to look for USDJPY to trend lower, premised on USD sell-off story and Fed-BoJ policy divergence at some point (Fed rate cut cycle while the BoJ has room to further pursue policy normalisation). Wage growth, broadening services inflation and upbeat economic activities in Japan should continue to support BoJ policy normalisation although tariff uncertainty may temporarily delay policy normalisation in the near term. Fed-BoJ policy divergence should bring about further narrowing of UST-JGB yield differentials, in turn underpinning the broader direction of travel for USDJPY to the downside.

## USDCAD

**Downward biased.** Expectations that US- China trade tensions will ease, coupled with the weakening of the broader US dollar, is fuelling the strength of the Canadian dollar (CAD). On the domestic front, optimism surrounding the upcoming meeting between the newly elected Prime Minister Carney and President Trump is also supporting the CAD. This important meeting, scheduled for Tuesday, May 6, will focus on trade relations and the overall bilateral relationship.

Prime Minister Carney stated the meeting would center on trade matters and the overall relationship between Canada and the US. He has described that the discussions will be “difficult yet constructive” and warned that people should not expect an immediate resolution to the trade war. To date, the US have imposed tariffs on Canadian steel, automobiles, and various other products. Canada has countered by implementing its own levies on a range of US-manufactured goods.

On the data front, February's GDP data presents a mixed economic picture for Canada. While the month-over-month GDP figure contracted by 0.2%, the year-over-year growth rate reached 1.6%. Both figures fell short of market consensus. Weaker oil and gas production, likely due to adverse weather conditions, contributed to the monthly decline. However, other sectors showed resilience, and Statistics Canada projects a 0.1% GDP rebound in March.

In the near term, CAD strength at this point is likely more to work with sentiment tone as well as oil and commodities market more broadly. The April employment report, due on Friday, will be a key release this week. Another set of weak employment figures could further pressure the Bank of Canada (BoC) to cut its policy rate by 25bps in June. However, despite swaps market pricing in two additional rate cuts this year, we think the BoC's scope for further easing may be limited given the persistent trade and tariff uncertainties, as previously highlighted by BoC Governor Macklem. Given the recent shift in price action and the evolving medium-term narrative, the current consolidation phase could pave the way for further declines in the USDCAD.

Technical undertone remains bearish with interim support is seen at 1.3800 before the next at 1.3740 and 1.3560. Resistance at 1.3900 before 1.4100/10.

## AUDUSD

**Facing Tests of Resistance.** AUD continued to inch modestly higher, riding on the softer USD theme while hopes of US-China trade talks supported sentiments. Elsewhere, Australia held its election and PM Albanese won a second 3-year term. Earlier there were concerns over S&P's warning that Australia's AAA rating is at risk as election pledges result in larger structural deficits, debt and interest costs. The government has dismissed those concerns. Treasurer Chalmers reassured the public at a press conference (last week) that the A\$10 billion (\$6.39 billion) in commitments made by PM Albanese's centre-left Labor party had been "more than offset" by improvements in the budget.

Pair was last at 0.6460 levels. Daily momentum is bullish while RSI rose. Risks skewed to the upside. Resistance here at 0.6460 (200 DMA). Break-out puts next resistance at 0.6550 (61.8% fibo). Support at 0.6430 levels (50% fibo retracement of 2024 high to 2025 low), 0.6310/20 levels (21, 50 DMAs), 0.6160 (23.6% fibo).

AUD, a high beta FX, is typically exposed to swings in RMB, equity sentiments and global growth prospects. Recent development was the de-escalation narrative and a much softer USD. These factors helped AUD to trade higher. It is possible that AUD continues to trend higher should USD softness persist, but we still highlight some challenges ahead. Global growth worries remain amid trade friction (though hopes of a de-escalation reduces this risk for now) while the uncertain outlook may also prompt the RBA to cut more than earlier expected (market pricing over 100bps cut this year vs. 76bp cut at the start of Apr).

## USDSGD

**May Consolidate Near Recent Lows.** USDSGD continued to trade near recent lows as markets re-assess the tariff developments and a softer USD. Hopes of a US-China dialogue (though it may still be early days) and signs of progress on possible trade deals (likely US with India first) have reinforced the de-escalation thematic. Safe haven trades unwound while AxJ FX enjoyed a significant lift last week (more so last Fri likely aided by thin market liquidity as well). USDCNH fell to near 6-month low of below 7.19 at one point while USDSGD broke below 1.30. Further traction may be possible if de-escalation momentum carries on and broad USD softness permeates. That said, given a relatively outsized move lately, we do not rule out the near-term risk of a slowdown in the pace of USDSGD selloff as markets reassess trade talk optimism. With S\$NEER trading near the upper bound of its band (+1.6% above model-implied mid), we may see room for SGD to trade softer against its trade peers, if tariff de-escalation momentum and softer USD trend continue to play out.

Pair fell to a low of 1.2912 last Fri before rebounding into NY close. Last at 1.30 levels. Mild bearish momentum on daily chart intact while RSI fell to near oversold conditions. Support at 1.2910 (recent lows), 1.2790 (2024 low). Resistance at 1.3050, 1.3150 (23.6% fibo retracement of 2024 low to 2025 high).

We were previously projecting a mild degree of USDSGD upside over the forecast trajectory for rest of 2025, but we are re-assessing latest development and now think the risks are somewhat tilted to the downside, assuming tariff de-escalation continues with tariff impact on regional growth largely manageable (i.e. no sharp recession), softer USD trend to manifest and Fed to resume easing cycle in due course. In consideration of recent developments, we calibrated the forecasts for USDSGD slightly lower. We will continue to pay close attention to 1/ tariff developments – whether de-escalation optimism has momentum to carry on; 2/ broad USD trend – if the weakness continues; 3/ RMB movements – in particular China's economic recovery and RMB fixing trend; 4/ the extent of EUR's recovery – in light of defence spending plans impact on growth, ECB cut cycle and Ukraine peace dividend (if any). Positive developments on these fronts (i.e. stronger recovery in EUR, RMB and weaker USD) can pose risks to our USDSGD forecasts.

Recap of last MPC 14 Apr: MAS reduced policy slope slightly and will continue with policy of modest and gradual appreciation of the S\$NEER policy band. This implies that the rate of SGD appreciation vs basket of trade peers will be reduced. Policy move was well within our expectations. The accompanying MPS noted that *prospects for global trade and GDP growth dimmed in early April. The US has imposed tariffs on imports from most countries in the world, with some of these countries announcing retaliatory tariffs. Economies that levy duties on imports will likely experience an increase in costs and this will weigh on*

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their aggregate demand. At the same time, exporting countries which have been hit by tariffs will be confronted with a weaker demand and pressure to lower prices for their output. In addition, global financial conditions have tightened as asset markets have begun repricing risks in the global economy. These factors will exert widespread and potentially reinforcing drags on production, trade and investments in Singapore's major trading partners. Global growth is expected to weaken this year, with trade possibly moderating to a greater extent. It also indicated that amid the weakening external outlook, Singapore's output gap will turn negative. Consequently, imported and domestic cost pressures will remain low, and MAS Core Inflation is forecast to stay well below 2%. The risks to inflation are tilted towards the downside. Looking on, MAS downgrades to growth and inflation projections for 2025 alongside a highly uncertain external environment suggests that the door remains open for further easing, should macroeconomic conditions deteriorate further. But at this point, it may be too early to jump the gun as the impact of tariff hit on growth remains highly uncertain.

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**USDTWD**

**Pace of Decline Likely to Moderate.** USDTWD's decline last Fri was historic (largest one day gain since 1988) and the decline continued this morning (>4% move). The massive gains have been catalysed by prospects of a dialogue between US and China, poor market liquidity and absence of FX support. Faster-than-expected pace of TWD appreciation had caught many market participants off guard, prompting a rush to convert USD into local currency. There were also market chatters that it may be a deliberate attempt ahead of US-TW trade talks. We believe CBC's recent tolerance for TWD appreciation likely reflects a broader policy recalibration rather than just a tactical move tied to trade negotiations with US. That said, Taiwan remains on the US Treasury's currency monitoring list, and allowing the TWD to strengthen (in line with other FX) could help pre-empt any accusations of currency manipulation especially at a time where Taiwan's role in global chip supply chains is under the spotlight. A more market-determined TWD ahead of negotiations may also be helpful during trade talks. For exporters, particularly those who hoarded USD, may face margin pressures if USDTWD continue to fall. For real money account, the sharp drop in USDTWD last week underscores the cost of complacency (for those under-hedged). If USD softness persists, we expect hedge ratios to be raised more proactively.

Looking ahead, the momentum behind TWD strength may have legs if the broader de-escalation narrative holds, if tariff implication on growth proves more manageable than feared, and if broad-based USD weakness permeates. But given the sharp decline of >8% for USDTWD (5-day change), we will not rule out participants "hoping" to see any bounce in USD. Any disappointment would again see another wave of USD selling in the pair. Spot last seen at 29.85 levels. Daily momentum is bearish but RSI is deeply oversold. 29.50/60 in the spot will be the next key support to watch. Decisive break may trigger further sell-off. Next support at 29.10, 28.90 levels. Resistance at 30.3, 30.65 levels.



## 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. <a href="#">[Trade TP]</a>	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. <a href="#">[EXIT with no P&amp;L, given recent market development in China]</a>	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 3 <sup>rd</sup> 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. <a href="#">[Trade TP]</a>	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. <a href="#">[SL]</a>	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. <a href="#">[SL]</a>	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. <a href="#">[TP]</a>	03-Feb-25
25-Feb-25	Long NZDSGD	0.7665	0.755	-1.50	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. Entry at 0.7665, targeting move towards 0.80. SL below 0.7550. <a href="#">[SL]</a>	04-Apr-25
05-May-25	Short CHFJPY	174.7			Long CHF (safe haven) position should have room to unwind if de-escalation narrative further gain traction. On the other hand, policy divergence between SNB-BOJ may still underpin the direction of travel to the downside. Target move towards 166. SL: 178.5 <a href="#">[LIVE]</a>	
05-May-25	Short SGDKRW	1072.2			An expression of short S\$NEER, riding on tariff de-escalation narrative. High-beta KRW may have more room to catch-up on gains while much gentler slope in S\$NEER policy band implies that SGD may appreciate less than trade peers. A proxy trade for short S\$NEER. Target move towards 1015. SL: 1105 <a href="#">[LIVE]</a>	

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: Corrective Pullback May Slow



SGDMYR extended its decline as MYR strength overwhelmed. Cross was last at 3.2870 levels.

Daily momentum is bearish while RSI fell sharply into oversold conditions. Directional bias skewed to the downside though we are cautious of technical bounce given oversold RSI.

Support at 3.2780 (upward sloping support), 3.2720 (23.6% fibo) and 3,25 levels.

Resistance at 3.30/3.31 (100, 200 DMAs), 3.3150 (38.2% fibo retracement of Jul high to Sep) and 3.3240 (50 DMA).

### SGDJPY Daily Chart: Rebound Momentum Like to Moderate



SGDJPY rebounded sharply last week as JPY longs unwound, and SGD strengthened. Cross was last seen at 111.60 levels.

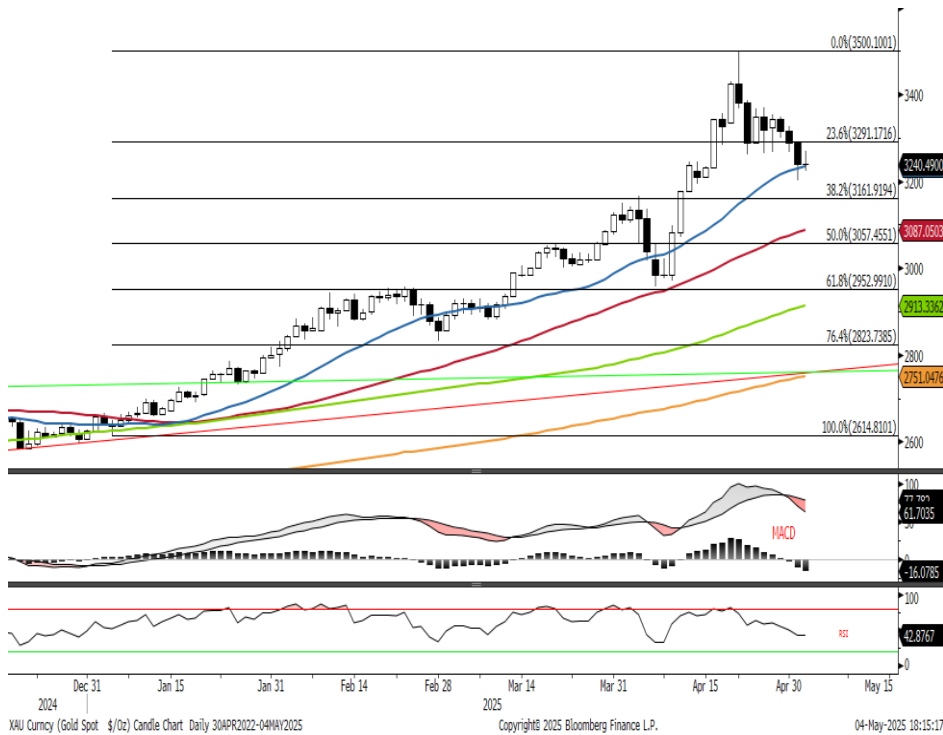
Daily momentum turned bullish while RSI rose to near overbought conditions.

Immediate resistance at 111.80 (50% fibo retracement of 2025 high to low), 112.40/50 levels (100, 200 DMAs) and 112.90 (61.8% fibo).

Support at 110.70 (38.2% fibo), 110.44 (50 DMA) and 109.00/30 levels (21 DMA, 23.6% fibo).

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

## Gold Daily Chart: Watching 21 DMA as a Break May Open Room for Further Pullback



Gold extended its corrective pullback last week as tariff de-escalation saw profit taking on safe haven trade. Last seen at 3240 levels.

Daily momentum in bearish while RSI eased lower.

Key support here at 3237 (21DMA). A decisive break may open room for further downside towards 3162 (38.2% fibo), 3087 (50 DMA).

Resistance at 3290 (23.6% fibo), 3360, 3500 (recent all time high).

## Silver Daily Chart: Risks to the Downside



Silver drifted lower last week. Last seen at 32 levels.

Bullish momentum on daily chart faded while RSI fell. Risks skewed to the downside.

Support at 31.80/90 levels (100 DMA, 23.6% fibo retracement of 2024 low to high), 31 (200 DMA) and 30 levels (38.2% fibo).

Resistance at 32.60 (50 DMA), 33.70 and 34.50.

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

## Medium Term FX Forecasts

Currency Pair	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
USD-JPY	142.00	141.00	139.00	139.00	138.00
EUR-USD	1.1300	1.1400	1.1500	1.1550	1.1600
GBP-USD	1.3300	1.3450	1.3500	1.3500	1.3550
AUD-USD	0.6400	0.6500	0.6600	0.6650	0.6650
NZD-USD	0.5950	0.6000	0.6050	0.6100	0.6150
USD-CAD	1.3850	1.3800	1.3750	1.3750	1.3700
USD-CHF	0.8250	0.8200	0.8150	0.8100	0.8100
USD-SEK	9.95	9.88	9.79	9.57	9.50
DXY	99.86	99.04	98.22	97.86	97.41
USD-SGD	1.2950	1.2920	1.2890	1.2850	1.2820
USD-CNY	7.2400	7.2200	7.2000	7.1800	7.1600
USD-CNH	7.2400	7.2200	7.2000	7.1800	7.1600
USD-THB	33.00	32.80	32.60	32.60	32.50
USD-IDR	16550	16500	16400	16350	16350
USD-MYR	4.2500	4.2400	4.2200	4.2000	4.1800
USD-KRW	1390	1360	1350	1340	1330
USD-TWD	30.40	30.00	29.80	29.60	29.50
USD-HKD	7.7500	7.7500	7.7500	7.7500	7.7500
USD-PHP	55.80	55.60	55.20	55.00	54.80
USD-INR	84.50	84.30	84.20	84.00	83.80
USD-VND	25970	25900	25850	25750	25650
EUR-JPY	160.46	160.74	159.85	160.55	160.08
EUR-GBP	0.8496	0.8476	0.8519	0.8556	0.8561
EUR-CHF	0.9323	0.9348	0.9373	0.9356	0.9396
EUR-AUD	1.7656	1.7538	1.7424	1.7368	1.7444
EUR-SGD	1.4634	1.4729	1.4824	1.4842	1.4871
GBP-SGD	1.7224	1.7377	1.7402	1.7348	1.7371
AUD-SGD	0.8288	0.8398	0.8507	0.8545	0.8525
AUD-NZD	1.0756	1.0833	1.0909	1.0902	1.0813
NZD-SGD	0.7705	0.7752	0.7798	0.7839	0.7884
CHF-SGD	1.5697	1.5756	1.5816	1.5864	1.5827
JPY-SGD	0.9120	0.9163	0.9273	0.9245	0.9290
SGD-MYR	3.2819	3.2817	3.2739	3.2685	3.2605
SGD-CNY	5.5907	5.5882	5.5857	5.5875	5.5850
SGD-IDR	12780	12771	12723	12724	12754
SGD-THB	25.48	25.39	25.29	25.37	25.35
SGD-PHP	43.09	43.03	42.82	42.80	42.75
SGD-VND	20054	20046	20054	20039	20008
SGD-CNH	5.5907	5.5882	5.5857	5.5875	5.5850
SGD-TWD	23.47	23.22	23.12	23.04	23.01
SGD-KRW	1073.36	1052.63	1047.32	1042.80	1037.44
SGD-HKD	5.9846	5.9985	6.0124	6.0311	6.0452
SGD-JPY	109.65	109.13	107.84	108.17	107.64
Gold \$/oz	3200	3310	3420	3520	3600
Silver \$/oz	32.65	33.78	34.90	37.05	37.89

Source: OCBC Research (Latest Forecast Updated: 5 May 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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