

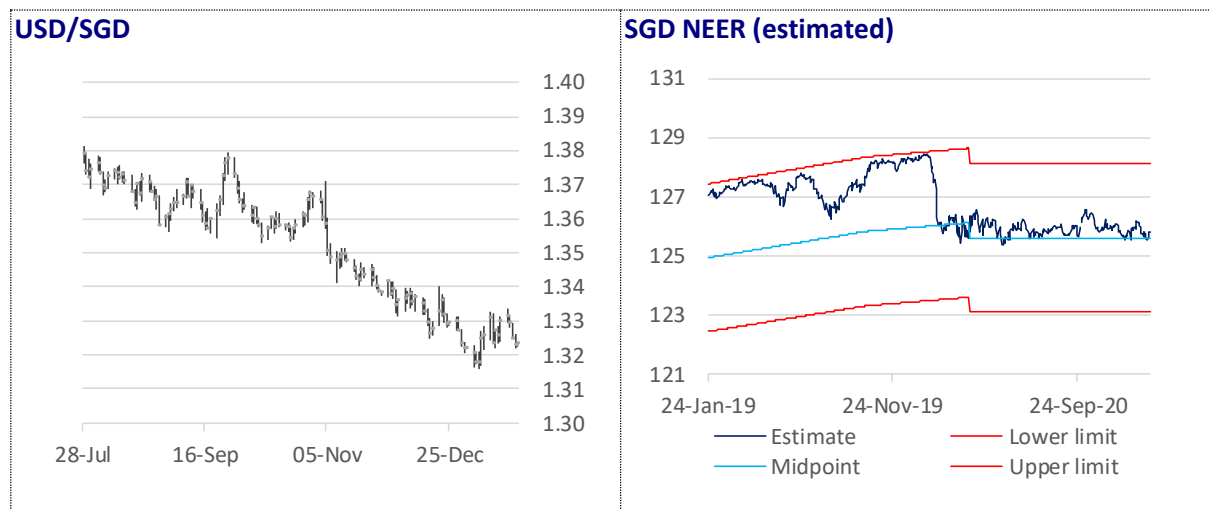
Global Markets Research

Currency Outlook

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Source: Bloomberg, HL Bank

1-Week Outlook – SGD Neutral-to-Bullish

USD/SGD has been trending lower since the 18 January high of 1.3336. After US President inauguration and some major central bank meetings, focus will likely turn back to fundamentals. For the week ahead, focus turns to Singapore inflation (we forecast both headline and core at 0% y/y from -0.1%). A weak print may increase expectations of MAS easing policy, which is negative for the SGD. Industrial production is likely to stay supportive of growth, in our view.

We now turn **slightly bullish** on the currency, expecting modest gains against the dollar in the week ahead. Covid-19 vaccination rates are rising globally, that should gradually help lift confidence in economic rebound. Still, the recent community cases in Singapore and warnings that Singapore may tighten activity regulations may stem strong SGD gains. For USD/SGD, we eye weekly support of 1.3162 (close to 6 January low). Resistance at 1.3360.

1-Month Outlook – SGD Neutral-to-Bullish

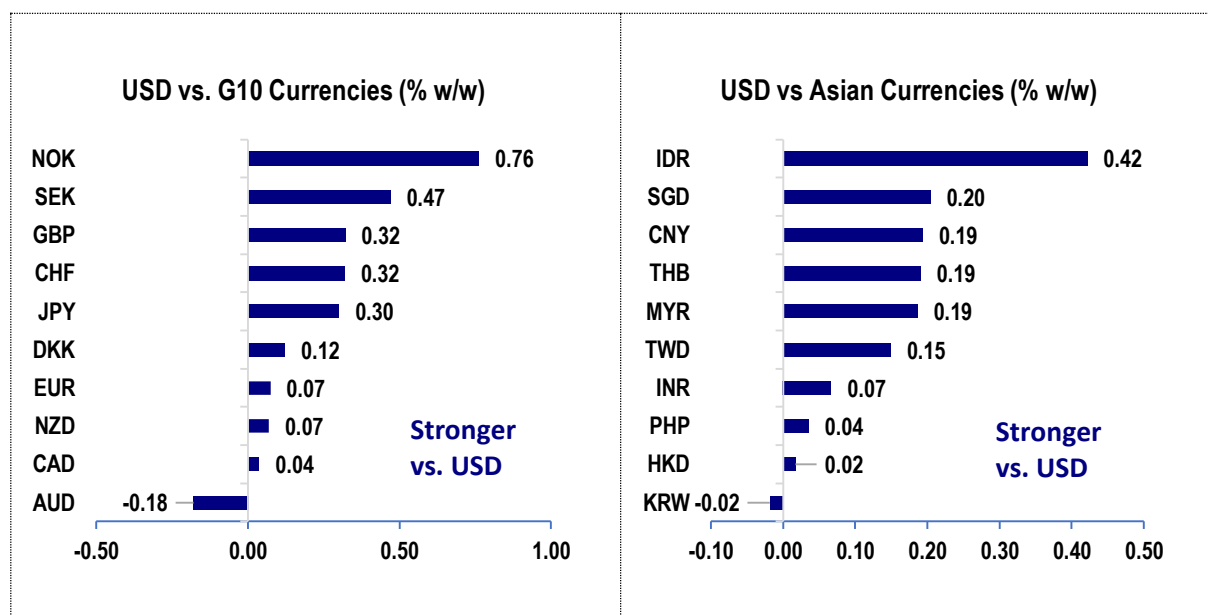
We taper our bullishness for the SGD. Dollar weakness is likely to continue after near-term volatility. Asian FX are likely to catch up with prior G10 rallies in the coming months, as the recovery broadens. We expect upcoming data for Singapore (from December) to be positive, supported by Singapore’s domestic tourism initiatives and Phase 3 of the reopening. The risk for SGD weakness may still stem from the raging pandemic in some developed and Asia economies.

The SGD NEER has weakened to the middle of the policy band in January, according to our estimates. We see some recovery to the upper-half of the policy band by February. This implies a neutral-to-bullish view compared to other G10 currencies like the EUR and JPY.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3162	1.3200	1.3228	1.3360	1.3400

Weekly Look Ahead

USD: The dollar has weakened after peaking on 18 January. Overall, DXY was down by 0.12% w/w (15 to 21 January). US inauguration and some executive orders by President Biden helped stabilise expectations against event risks, that he will push his agenda ahead. This comes as retail sales fell below expectations and initial jobless claims came off slightly from previous week. We are **neutral-to-bearish** on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings. Markets will likely anticipate whether Fed will keep its bullets for now, similar to other major central banks. Also PMI data for January can show whether economic deterioration worsened.



EUR: EUR/USD recovered from a low of 1.2054 on 18 January, to close 21 January at 1.2164. Still it underperformed vs other G10 currencies, in line with our view. This came as ECB held off from easing further, despite expecting a dip in economic activity. However, ECB is seeking new gauges by March for data on whether to increase support. We stay **neutral** on the EUR, as market attention may turn to fundamentals after recent recovery in risk sentiments. Focus is on PMIs and confidence indices. We see resistance at 1.2349, and a pullback to 100-day MA of 1.1942 as a bearish trend signal.

GBP: GBP outperformed other G10 currencies, with GBP/USD breaking the 1.37 big figure on 21 January. Levels are highest since May 2018, post-Brexit. We are **neutral-to-bullish** on the GBP. Anticipate weekly range of 1.3490-1.3800. We see some stretched levels close to 1.38 big figure, particular as market turn attention away from sentiments to fundamentals. Focus is on Covid-19 situation and PMI figures.

JPY: USD/JPY progressively came off after 19 January's high around 104.00. Thursday's close brought pair to 103.50, after Bank of Japan kept policy settings unchanged. Governor Kuroda said that it is important to keep the yield curve low after the pandemic. We are **neutral** on the JPY for the coming week, in an environment of slight dollar weakness. We watch for range of 103.00-104.40, with a breakaway signalling at some momentum either way.

AUD: AUD/USD rebounded from a low of 0.7659 on 18 January and peaked around 0.7780 on 21 January. Markit Composite PMIs came in strongly at 56 in January, from 56.6 a month ago We are **neutral-to-bullish** on the AUD for the week ahead. We still see focus towards the 0.78-0.80 range, supported by the rally in commodity prices. Support at 0.7650. For the week ahead, data focus is on CPI, where markets expect some stability.

MYR: USD/MYR traded on a steadier note within the 4.03-4.45 big figures for most part of the week before closing at a low of 4.0290 yesterday. Renewed USD weakness amid vaccine and stimulus optimism in the run-

up to President Biden inauguration dominated the larger markets. MYR also broke away from its cautious trading after BNM decision to maintain OPR and neutral policy tone on Wednesday and strengthened further on Thursday, resulting in a 0.2% gain w/w. We are **slightly bullish on MYR** in a holiday-shortened week ahead anticipating an improvement in risk sentiments with major event risks behind us. FOMC meeting will unlikely spring any surprises.

CNH: USD/CNH has progressively come off since the 18 January peak of 6.5074. Pair however rebounded slightly since the 6.4600 low by Friday open. We are **neutral-to-bullish** on USD/CNH (6.4400-6.5000) from market optimism and dollar resurgence. We expect gradual downward trend from PBOC allowance, and fundamentals.

NZD: NZD/USD recovered in line with dollar weakness since 18 January. We are **neutral-to-bullish** on NZD in line with Aussie developments. Weekly resistance to watch for is 0.7320, and support at 0.7100.

CHF: USD/CHF stayed range bound since 11 January, mostly within 0.8840-0.8920. Pair however is in a downtrend since 20 January. We are **neutral** on CHF (eyeing 0.8930 resistance and 0.8800 support), driven by USD volatility. CHF is likely to underperform other G10 currencies, in line with JPY performance.

CAD: USD/CAD underperformed other G10 currencies on high base last Thursday's close, rebounding after a low of 1.2590 on 21 January. We are **neutral-to-bullish on the CAD**, supported by energy prices. However, gains may look stretched, favouring some stability around 1.2550-1.2730 range.

FX Forecasts

FX	1Q-21	2Q-21	3Q-21	4Q-21
DXY	88.50	89.00	88.50	87.50
USD/CAD	1.2550	1.2600	1.2400	1.2300
EUR/USD	1.2450	1.2400	1.2450	1.2550
GBP/USD	1.3850	1.3750	1.3850	1.4000
USD/CHF	0.8700	0.8750	0.8700	0.8650
AUD/USD	0.7800	0.7700	0.7800	0.7950
NZD/USD	0.7300	0.7250	0.7350	0.7450
USD/JPY	102.50	103.50	103.00	101.00
USD/MYR	3.90	3.95	3.90	3.88
USD/SGD	1.3050	1.3100	1.3000	1.2850
USD/CNH	6.350	6.400	6.350	6.250

Policy Rate (%)	1Q-21	2Q-21	3Q-21	4Q-21
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
BOC	0.25	0.25	0.25	0.25
ECB	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10
SNB	-0.75	-0.75	-0.75	-0.75
RBA	0.10	0.10	0.10	0.10
RBNZ	0.25	0.25	0.25	0.25
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75
MAS	-	Hold	-	Hold
PBOC	Hold	Hold	Hold	Hold

Technical Support / Resistance Levels

	S2	S1	Prev. Close	R1	R2
USD/CAD	1.2500	1.2600	1.2637	1.2848	1.3000
EUR/USD	1.2000	1.2068	1.2164	1.2350	1.2400
GBP/USD	1.3490	1.3580	1.3733	1.3760	1.3800
USD/CHF	0.8770	0.8850	0.8853	0.8950	0.9000
AUD/USD	0.7420	0.7600	0.7764	0.7810	0.7850
NZD/USD	0.7000	0.7050	0.7216	0.7280	0.7320
USD/JPY	101.19	102.71	103.50	104.45	105.00
USD/MYR	3.9800	3.9957	4.0290	4.0580	4.0700
USD/SGD	1.3162	1.3200	1.3228	1.3360	1.3400
USD/CNH	6.4000	6.4300	6.4653	6.5000	6.5230

2021 Central Bank Meetings/Announcements

Central Bank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Federal Reserve (FOMC)	27		17	28		16	28		22		3	15
Bank of Canada (BOC)	20		10	21		9	14		8	27		8
European Central Bank (ECB)	21		11	22		10	22		9	28		16
Bank of England (BOE)		4	18		6	24		5	23		4	16
Swiss National Bank (SNB)			25			17			23			16
Reserve Bank of Australia (RBA)		2	2	6	4	1	6	3	7	5	2	7
Reserve Bank of New Zealand (RBNZ)		24		14	26		14	18		6	24	
Bank of Japan (BOJ)	21		19	27		18	16		22	28		17
Bank Negara Malaysia (BNM)	20		4		6		8		9		3	
Monetary Authority of Singapore (MAS)				Apr						Oct		

Source: Bloomberg, HL Bank

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