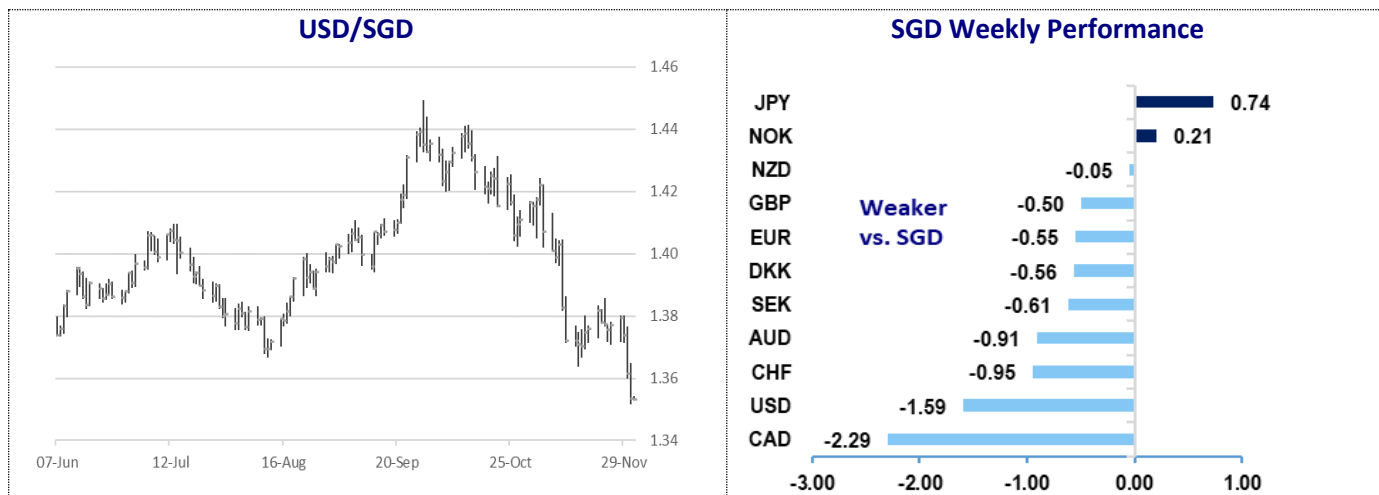


Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

1-Week Outlook – SGD Slightly Bullish

SGD was seen trading on firmer ground this week, appreciating 1.6% w/w against the USD at 1.3535. Gradual SGD appreciation in early week picked up steam after Powell’s dovish hint, pushing USD/ SGD down two big figures from 1.37 to 1.35. We remain slightly bearish on USD/SGD (1.34-1.36) in anticipation of continuous USD weakness while upcoming Singapore retail sales data, if surprises on the downside pointing to increasing signs of a slower Singapore economy, could limit the downside in USD/SGD.

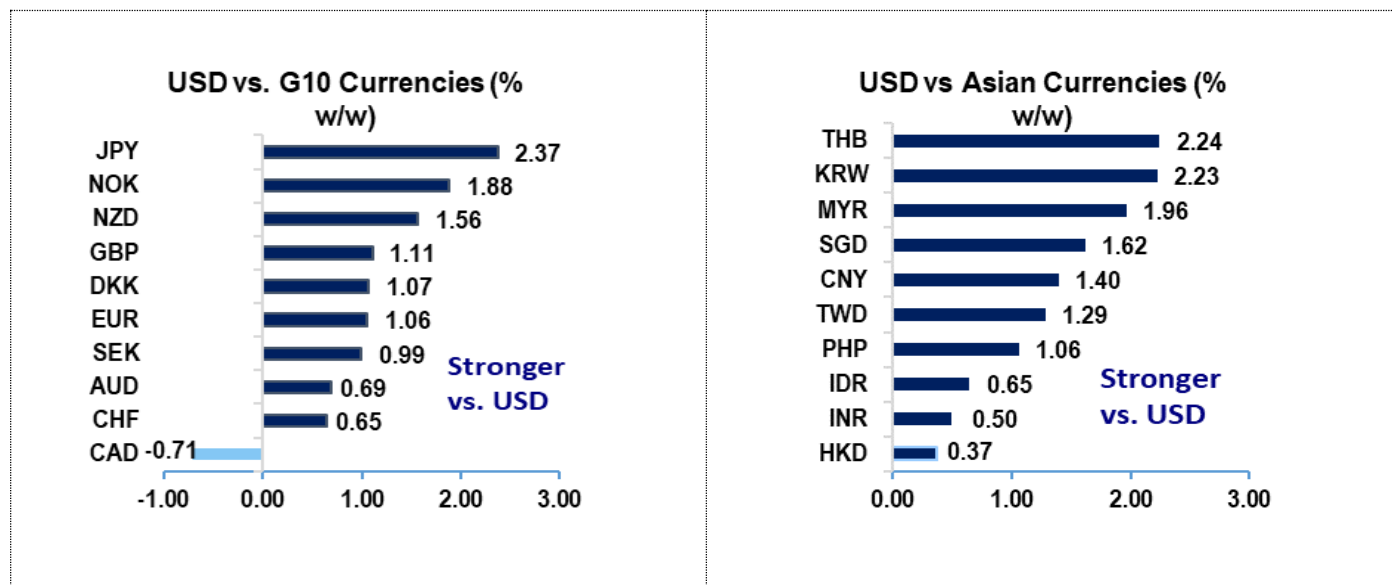
1-Month Outlook – SGD Neutral-to-Slightly Bullish

SGD may trade on a firmer note in the month ahead on prospect of a softer USD as the Fed pivots towards slower pace of policy tightening. That said, hawkish Fed speaks calling for higher than projected terminal rate as well as call for rates to stay higher longer in 2023 and even 2024, shall limit the downside in the greenback, more so if the upcoming Fed dot plot were to paint a “higher for longer” rate scenario. Meanwhile, prospects of a slowing Singapore economy given its dependence on the global economy, is expected to cap bullishness in the SGD.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3420	1.3495	1.3535	1.3600	1.3640

Weekly Look Ahead

USD: The Dollar Index went through some volatile trade largely in the 106-107 handle this week trailing various Fed speaks especially Fed Williams and Bullard, but nothing compared to Fed Chair Powell's hint on smaller rate hike in December, that prompted further selling pressure on the USD. The Dollar Index closed out the week 1.3% lower at 104.73, just a tad off its week-low of 104.66. As mentioned last week, we believe Fed rate hike bets supporting the USD is diminishing suggesting weaker USD outlook ahead. We are **Bearish** on USD with the DXY potentially trading in a range of 102-105 next week with milder swings in the absence of Fed speaks and lesser market-moving data other than ISM services, durable goods orders, PPI, and Uni Michigan consumer confidence.



Source: Bloomberg, HL Bank

EUR: The EUR strengthened further to 1.0520 against a weaker USD as at Thursday's close, up 1.1% w/w. Expectations for a less hawkish Fed rate hike path have dented USD bulls, benefitting the EUR as a result although the Eurozone fundamentals continued to lag behind that of the US. EUR/ USD is turning technically less bearish and positive momentum indicator is building up, hence our **Bullish** view on the pair, eyeing a range of 1.04-1.07 in the week ahead. There will be more data check from the region including 3Q GDP print, retail sales and PMI services.

GBP: Closely tracking the broad FX market moves, USD and EUR in particular, the GBP was seen range trading in the earlier part of the week, around the 1.19-1.20 levels before the Powell-triggered swing to as high as 1.2310. The pair has since pulled back to the 1.22 handle, settling the week 1.1% w/w stronger at 1.2247. Outlook for GBP/ USD is **Bullish** in our view but we may see more modest move in the week ahead with both the USD and GBP likely turning a tad more cautious ahead of the FOMC and BOE meetings, on 15-December. Still, we expect a higher range of 1.21-1.25 for the pair next week.

JPY: The JPY continued to outperform other majors, posted the biggest weekly gain against the USD (+2.4% w/w to 135.33). Mirroring other majors, Powell's speech was the game changer. USD/ JPY failed to hold on to the 138-140 ranges after Powell's strong signal for slower rate hike in December, plunging to a week low of 135.05. Weekly outlook for USD/ JPY is Slightly Bearish likely in a range of 133-138. While there are a number of key Japanese data on the deck (3Q GDP, leading index, Eco Watcher surveys), overall market sentiments and USD movement will remain the key driver.

AUD: The Australian Dollar advanced further to 0.6811 as at Thursday's close, strengthening a further 0.7% w/w (prior +1.2%). Aussie performance this week was somewhat hindered by a softer than expected CPI print down under, that could provide leeway for further downshift in RBA rhetoric. China's Covid-related issues have also had some impact on the Aussie. We continue to expect **Slight Bullishness** in AUD/ USD eyeing a range of 0.67-0.69. RBA policy meeting will be key risk, where a 25bps rate hike is expected. 3Q GDP and services index are also on the deck.

- **MYR:** Ringgit continued to gain grounds, strengthening further by 2.0% w/w to 4.4065 against the USD as at Thursday's close. MYR also appreciated against most majors and was the third best performing currency among its regional peers, only behind the THB and KRW. USD/ MYR was seen holding on to the 4.48-4.50 ranges in early week before the sharp move lower to 4.45 and subsequently to the 4.40 handle (weekly range of 4.4018-4.5130). Weekly outlook is **Bearish** as recent sharp retreat has increased bearishness in the pair. We expect a range of 4.35-4.45 in the week ahead, amid USD weakness and paring of event risk locally.

House View and Forecasts

FX	4Q-22	1Q-23	2Q-23	3Q-23
DXY	100.00	98.00	96.04	96.04
USD/CAD	1.32	1.30	1.28	1.28
EUR/USD	1.08	1.10	1.11	1.11
GBP/USD	1.25	1.26	1.27	1.27
AUD/USD	0.69	0.70	0.72	0.72
NZD/USD	0.66	0.67	0.68	0.68
USD/JPY	133	130	128	128
USD/MYR	4.36	4.31	4.28	4.28
USD/SGD	1.33	1.32	1.30	1.30
USD/CNY	7.00	6.95	6.80	6.80

Policy Rate (%)	4Q-22	1Q-23	2Q-23	3Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00
BOC	3.75	3.75	3.75	3.75
ECB	2.75	2.75	2.75	2.75
BOE	3.25	3.25	3.25	3.25
RBA	3.10	3.10	3.10	3.10
RBNZ	4.25	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	2.75	3.00	3.00	3.00
MAS	-	Tighten	-	Hold
PBOC	Ease	Ease	Hold	Hold

2022 Central Bank Meetings/Announcements

Central Bank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Federal Reserve (FOMC)	26		16		4	15	27		21		2	14
Bank of Canada (BOC)	26		2	13		1	13		7	26		7
European Central Bank (ECB)		3	10	14		9	21		8	27		15
Bank of England (BOE)		3	17		5	16		4	15		3	15
Reserve Bank of Australia (RBA)		1	1	5	3	7	5	2	6	4	1	6
Reserve Bank of New Zealand (RBNZ)		23		13	25		13	17		5	23	
Bank of Japan (BOJ)	18		18	28		17	21		22	28		20
Bank Negara Malaysia (BNM)	20		3		11		6		8		3	
Monetary Authority of Singapore (MAS)				14						Oct		

Source: Bloomberg, HL Bank

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