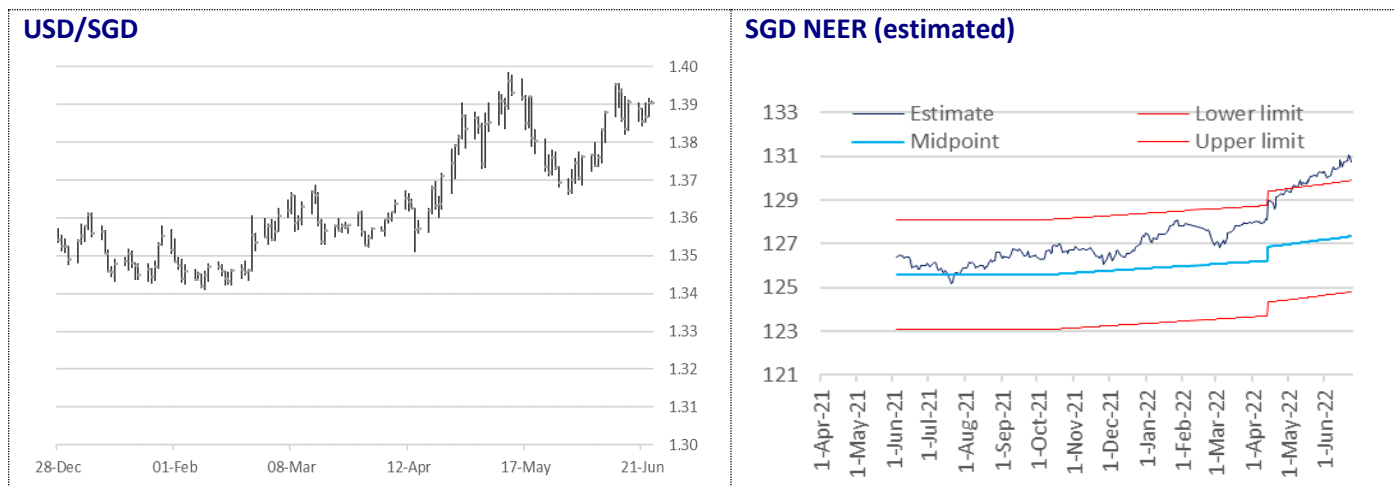


Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg, HL Bank. Note: SGD NEER: Singapore Dollar Nominal Effective Exchange Rate

1-Week Outlook – SGD Slightly Bearish

SGD remained under selling pressure for the third consecutive week, weakening 0.5% w/w against the USD to 1.3903 (prior 1.3834) as at Thursday’s close, just slightly below the week’s high of 1.3918. Trading in the pair has been choppy with swings seen in intraday trading through the week although it has been hanging on to the 1.38-1.39 levels. Outlook for USD/SGD is **Slightly Bullish** next week in anticipation of USD bulls, likely edging up to a higher range of 1.38-1.40.

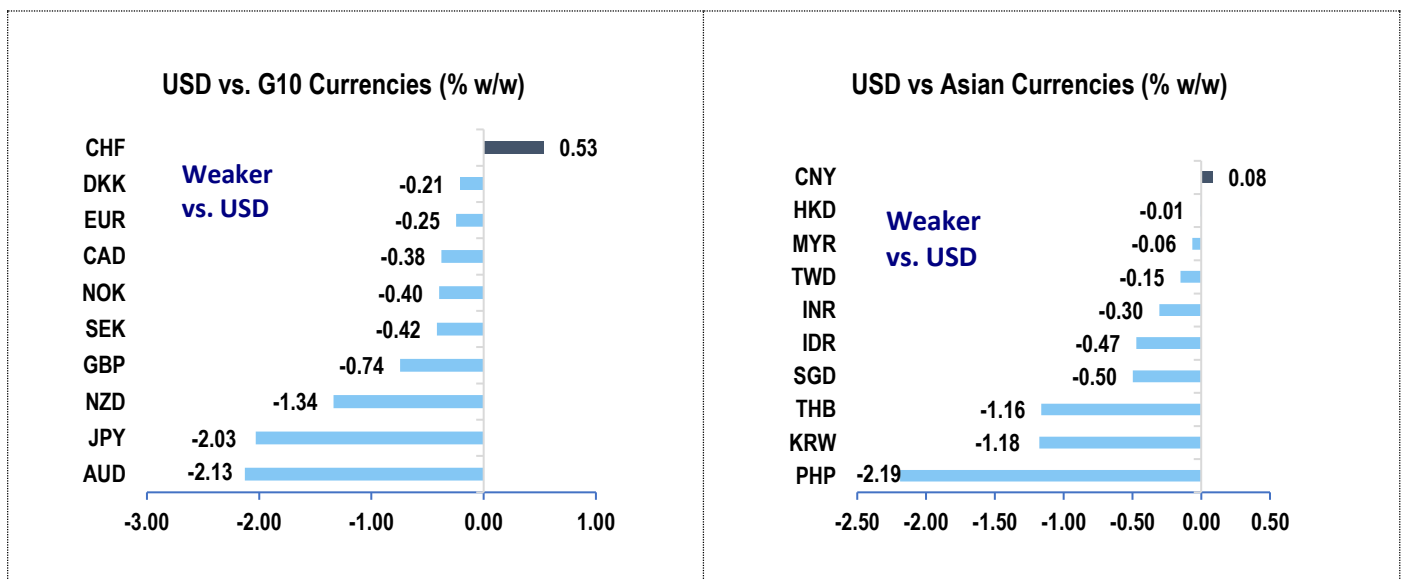
1-Month Outlook – SGD Neutral

We expect SGD to trade on a neutral note in the month ahead. USD strength may still prevail following the more hawkish than expected Fed guidance, with the latest guidance from Fed Chair Powell and FOMC minutes pointing to possibility of 50-75bps rate hike at the upcoming FOMC meetings. In addition, lingering geopolitical risks will support safety bids in the USD. On the other hand, the SGD will be supported by the removal and relaxation of Covid safe management measures effective 29-March, which is expected to boost mobility and economic activities. Sustained growth prospects in the Singapore economy are expected to allow MAS to maintain its gradual currency appreciation policy, although risk of a pause may keep a lid on SGD bulls.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3665	1.3710	1.3903	1.3950	1.4000

Weekly Look Ahead

USD: The Dollar Index continued to rally for a third consecutive week, strengthening a further 0.8% w/w to 104.43 as at yesterday's close. DXY largely hovered at the 104 handle despite seeing volatile intraday moves and within a low of 103.83 and a high of 105.09 in the week. The Dollar Index remains fundamentally and technical **Bullish**, likely eyeing a range of 103-106 in the week ahead. There continue to be Fed speaks but we believe Powell's testimony to the Congress the last two days reiterating commitment to fight inflation despite acknowledging recession risks will continue to uphold demand for the greenback. Key data watch would be core PCE, ISM manufacturing, durable goods orders, as well as some housing data.



Source: Bloomberg, HL Bank

EUR: EUR weakness continued into a third straight week, on the back of extended USD bulls reinforced by the Fed rhetoric. While the ECB is set to raise rates in July, prospects of widening gap with the US could suppress the EUR. Increasing signs of a slowdown in the Euro region's economy could also limit the pace and quantum of ECB policy normalization. We are however **Neutral to Slightly Bearish** on EUR/USD next week (1.04-1.06), given the overall market sentiments which still favour the USD. There may be more noises coming from the ECB Forum next week, in addition to CPI print, jobless rate and economic sentiments, but we expect the pair to primarily remain USD-driven.

GBP: Depreciation in the GBP was seen extended into the fourth straight week, weakening by another 0.7% vs the USD to 1.2260 as at Thursday's close. The sterling has lost four big figures from 1.26 to 1.22 currently and looks on track to reach our end-2Q's forecast of 1.21 and eventually the 1.20 key level. UK growth indicators have been on a softening bias but further pick-up in May CPI to 9.1% y/y will likely reinforce expectations for further BOE rate hikes, hence limited downside in the sterling. We therefore expect the pair to trade on a **Neutral** note potentially in a range of 1.22-1.24 next week. PMI, mortgage approval and final print of 1Q GDP are key releases in the pipeline next week.

JPY: The rebound in the JPY in the preceding week proved shortlived as it weakened against the USD again this week. USD/JPY was seen trading in a range of 132.17-136.71 (prior 131.50-135.59) and settled 2.0% w/w higher at 134.95 on Thursday's close. The stable May's CPI and core CPI is a stark contrast to continued price acceleration seen in other major economies, which nonetheless supports BOJ's policy divergence with the world. JPY outlook will likely remain **Bearish** amid policy divergence. We eye a range of 134-137 in USD/JPY in the week forward, largely driven by market sentiments and USD movement.

AUD: AUD weakened against the greenback for the third consecutive week, and turned out to be the worst performing G10 currencies as risk sentiments took a beating amid recession talks, overshadowing the “expected hawkishness” in RBA minutes which signaled consideration for a 25-50bps hike at the next meeting in July. The Aussie fell 2.1% w/w vs the USD at 0.6897 on Thursday, closing out the week below the 0.70 handle for the first time in six weeks, and just a tad above its week’s low of 0.6869. The pair remains technically **Bearish** and negative momentum is increasing, likely eyeing a range of 0.67-0.70 next week. Australian retail sales data next week will offer some insights to the impact of higher inflation on consumers.

MYR: USD/MYR extended its upward move but demonstrated relatively good resiliency against its Asian peers, only underperformed the CNY and HKD. The pair traded mainly around the 4.40 big figure through the week (a range of 4.3945-4.4080), before closing at 4.4060 on Thursday, up 0.06% w/w. USD/MYR outlook is expected to maintain a **Neutral-to-Bullish** bias keeping within familiar ranges of 4.39-4.42 in the week ahead, on the back of sustained USD strength.

House View and Forecasts

FX	2Q-22	3Q-22	4Q-22	1Q-23
DXY	106	108	105	103
USD/CAD	1.31	1.32	1.30	1.28
EUR/USD	1.02	1.00	1.01	1.03
GBP/USD	1.21	1.20	1.22	1.24
AUD/USD	0.69	0.68	0.69	0.70
NZD/USD	0.62	0.62	0.63	0.63
USD/JPY	133	135	133	132
USD/MYR	4.38	4.40	4.38	4.35
USD/SGD	1.39	1.40	1.38	1.37
USD/CNY	6.73	6.75	6.73	6.72

Policy Rate (%)	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
BOC	1.00	1.50	2.00	2.00
ECB	-0.50	0.00	0.50	0.50
BOE	1.25	2.00	2.00	2.00
RBA	0.85	1.60	1.60	1.60
RBNZ	1.50	1.75	2.00	2.00
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.50	2.75	2.75
MAS	Tighten	-	Tighten	-
PBOC	Hold	Hold	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

General Disclaimer by the Bank

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained in this report does not constitute the provision of investment advice and is not to be regarded as an offer to sell or a solicitation of an offer to buy with respect to the purchase or sale of any of the financial instruments mentioned in this report and/or to participate in any trading strategy. This report will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by HL Bank to be reliable and in good faith, but no warranties or guarantees, representations are made by HL Bank with regard to the accuracy, completeness, correctness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HL Bank or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected in this report may change without notice and the opinions do not necessarily correspond to the opinions of HL Bank. HL Bank does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient in the event that any matter stated in this report, or any opinion, projection, forecast, valuation or estimate in this report, changes or subsequently becomes inaccurate. The information contained in this report may be incomplete, condensed and it may not contain all material information concerning the company or currency referred to in this report.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter nor will any liability be accepted for any loss whatsoever that may arise from any use and/or reliance on this report. HL Bank may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities or currencies mentioned in this report. The past performance of financial instruments is not indicative of future results. The value of and the income that is produced by the financial instruments mentioned in this report may fluctuate so that an investor may get back less than originally invested. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described in this report would yield favorable investment results. Recipients should seek the advice of their independent financial advisor before taking any investment decision based on any recommendations that may be contained in this report. Any recommendation that may be contained in this report does not consider the specific investment objectives, financial situation, suitability and the particular needs of a particular customer. This report is for the information of the addressee only and is not to be taken in substitution for the exercise of judgment by the addressee who should obtain separate independent legal or financial advice.

Past performance does not always indicate future performance or future results. The value of any investment or income from any investment may go up as well as down. All investments involve an element of risk including the potential to lose the entire amount that is invested.

HL Bank may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HL Bank endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HL Bank does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced, copied, duplicated or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HL Bank. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient agrees to be bound by all limitations contained in this report.

This report is being distributed in Singapore by HL Bank (Company registration number S56FC1182L) to Accredited Investors, Expert Investors or Institutional Investors, as defined in the Securities and Futures Act (Chapter 289 of Singapore). HL Bank is an Exempt Financial Adviser, as defined in the Financial Advisers Act (Chapter 110 of Singapore), and regulated by the Monetary Authority of Singapore. HL Bank is a branch of Hong Leong Bank Berhad, a limited liability company incorporated in Malaysia. HL Bank holds a full bank license in Singapore. Hong Leong Bank Berhad is also a member of the Hong Leong Group Malaysia.