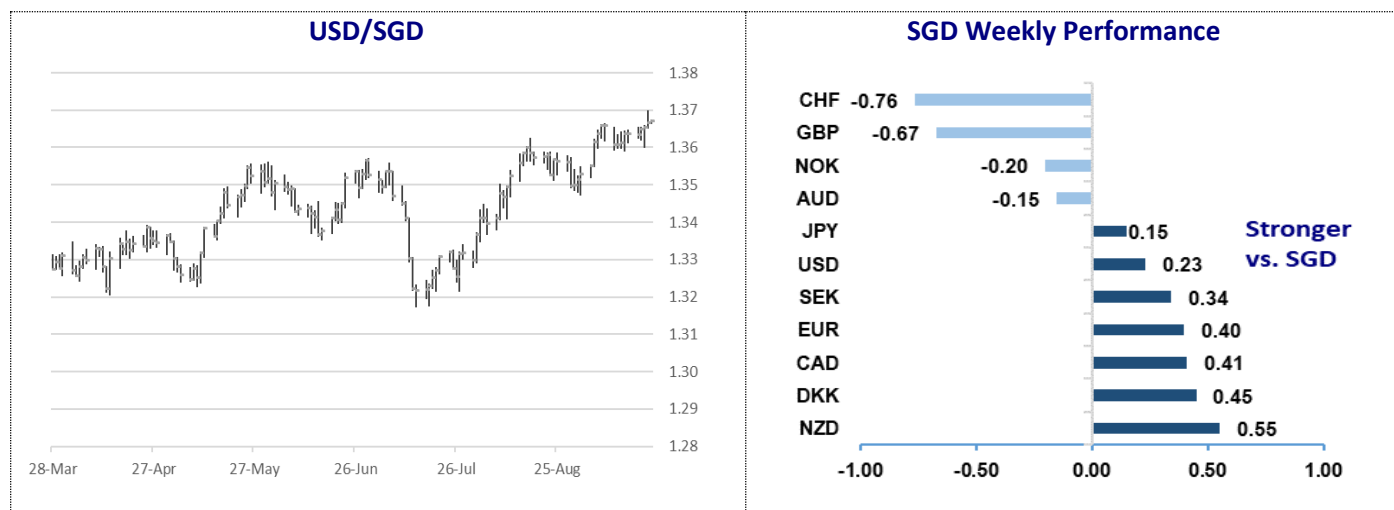


22 September 2023

Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

1-Week Outlook – USD/ SGD Neutral-to-Slightly Bearish

The SGD traded lower this week, falling by 0.2% w/w to 1.3666 vs the USD (prior: +0.2%), after non-oil domestic exports unexpectedly contracted for the month of August, led by a decline in exports to the US. The SGD was a mixed bag against the other G10 currencies and major Asian peers, led by gains against CHF (+0.8%) and KRW (+0.8%), but retreating versus NZD (-0.6%) and HKD (-0.3%). We remain **Neutral-to-Slightly Bearish** on the USD/ SGD here, with a probable trading range of 1.35-1.38 for the week ahead. Singapore CPI and industrial production numbers for August are due to be released next week.

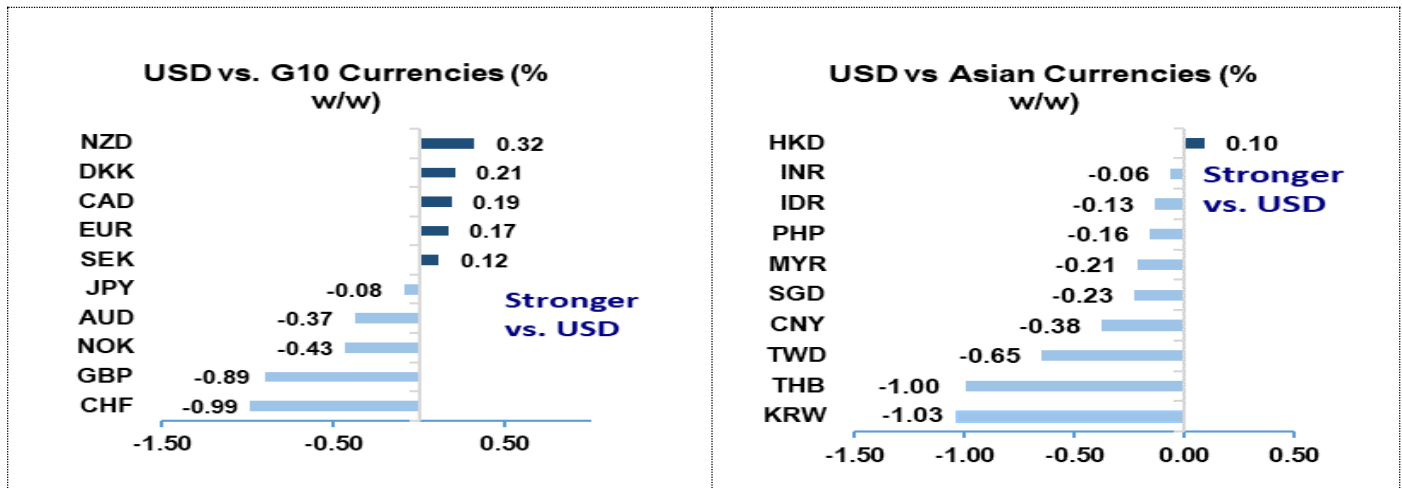
1-Month Outlook – USD/ SGD Neutral-to-Slightly Bearish

The USD/SGD outlook is neutral-to-slightly bearish in our view, amid expectations for eventual USD consolidation as the end of the Fed tightening cycle becomes more visible. There are tentative signs growth in the US economy and labour market are losing their resiliency, although for now, both seem to remain healthy. Recent price reports also continued to reaffirm that inflation is tapering off, and although this has been somewhat slower than what the Fed had previously anticipated, these receding price pressures should allow the Fed to be on hold for now we think, and further assess the lagged impact of their policy action thus far. Coupled with concerns over tightening financial conditions, this should exert pressure on sentiment and the USD at large. On the domestic front, recent data releases reaffirmed prospects of a slowing Singapore economy, and has prompted MAS to maintain its SGD NEER policy band at its April meeting. We continue to expect SGD NEER band to be maintained for the rest of the year on below trend growth.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3468	1.3560	1.3635	1.3685	1.3790

Weekly Look Ahead

USD: The US dollar was little changed this week, with the DXY inching lower to close Thursday at 105.36 from 105.41 a week ago, even as the Fed signaled a possible further hike this year and maintained their hawkish tone amidst leaving rates unchanged during their policy meet. We are **Neutral-to-Slightly Bearish** on the USD for the coming week, with the DXY expected to trade in a range of 103–107. The coming week will see the release of the preliminary US PMI's for September, as well as house price and home sales data, consumer confidence, durable goods orders, and the 3rd reading of 2Q GDP.



Source: Bloomberg, HL Bank

EUR: The EUR traded higher this week, advancing by 0.2% w/w (prior: -0.5%) against the greenback to 1.0661 as of Thursday's close, even as Eurozone CPI was revised down a notch from its preliminary estimate. We are **Neutral** on EUR/ USD for the week ahead and foresee a possible trading range of 1.05-1.08. Domestically, some key data in the week ahead, with the preliminary Eurozone Sep PMI's due for release, as are the economic confidence numbers and the preliminary CPI estimate for September, which will provide more clues as to the state of the Eurozone economy in 3Q.

GBP: GBP fell for a third week running, heading lower by 0.9% w/w (prior: -0.5%) versus the USD to close at 1.2298 as of Thursday, after the Bank of England opted to leave rates unchanged in a split 5-4 vote, partially due to the larger than expected decline in UK CPI for August, on both the headline and core level, that was released a day prior to the BOE policy meet. We are **Neutral** on the Cable next week, with a likely trading range of 1.21-1.25. Due for release in the week ahead are UK August retail sales, the preliminary September PMI's, as well as the Nationwide house price report.

JPY: The Japanese Yen fell versus the USD for a 3rd straight week, declining by 0.1% (prior: -0.1%) to close at 147.59, versus 147.47 a week ago, after Japanese exports fell for a second consecutive month in August, suggesting that growth in 3Q may be weaker than expected. We remain **Slightly Bearish** on the USD/ JPY next week and expect a likely trading range of 144 -149. The Bank of Japan stood pat as expected, but they are likely to continue to prepare the market from an eventual move away from negative rates. Quite a bit of data due too in the coming week, with Tokyo CPI, the unemployment rate, retail sales, industrial production, housing start and consumer confidence all due for release.

AUD: The AUD declined this week, falling by 0.4% w/w (prior: +1.0%) against the USD to 0.6416, even as the minutes of the recent RBA meeting revealed that the RBA considered a rate hike, but chose to pause to further assess the lagged effects of their previous tightening, and expressing concern about the trajectory of the Chinese economy. We are **Neutral-to-Slightly Bullish** on AUD/ USD in the week ahead, and foresee a probable trading range of between 0.63-0.66. Next week sees the release of Australian CPI and retail sales for August, both of which will be closely watched in view of the upcoming RBA meeting in the following week.

MYR: USD/ MYR rose for a third straight week, advancing by 0.2% w/w (prior: +0.1%) to 4.6933, after the August trade data showed a smaller than expected trade surplus for the month, driven by a larger than expected annual decline in exports. Against the rest of the G10 universe and major Asian peers, the MYR was mixed, led by gains against GBP (+1.3%) and THB (+0.8%), but losing ground versus the NZD (-0.3%) and HKD (-0.3%). We are **Neutral-to-Slightly Bearish** USD/ MYR in the coming week, and expect a trading range of 4.62-4.72. August CPI later today is the only major release in the coming week, where the market expects a steady reading at 2.0% y/y.

House View and Forecasts

FX	3Q-23	4Q-23	1Q-24	2Q-24
DXY	102	101	100	99
USD/CAD	1.31	1.30	1.28	1.27
EUR/USD	1.11	1.12	1.14	1.12
GBP/USD	1.29	1.31	1.33	1.30
AUD/USD	0.67	0.68	0.68	0.69
NZD/USD	0.62	0.62	0.63	0.63
USD/JPY	141	139	136	133
USD/MYR	4.69	4.64	4.60	4.55
USD/SGD	1.35	1.34	1.33	1.33
USD/CNY	7.16	7.07	6.99	6.90

Policy Rate (%)	3Q-23	4Q-23	1Q-24	2Q-24
Fed	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
BOC	5.00	5.00	4.75	4.25
ECB	4.50	4.50	4.50	4.25
BOE	5.25	5.25	5.25	4.75
RBA	4.10	4.35	4.35	4.35
RBNZ	5.50	5.50	5.50	5.25
BOJ	-0.10	-0.10	-0.10	-0.10
BNM	3.00	3.00	3.00	3.00
MAS	-	Hold	-	Hold
PBOC	Ease	Ease	Hold	Hold

2023 Central Bank Meetings/Announcements

Central Bank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Federal Reserve (FOMC)		1	22		3	14	26		20		1	13
Bank of Canada (BOC)	25		8	12		7	12		6	25		6
European Central Bank (ECB)		2	16		4	15	27		14	26		14
Bank of England (BOE)		2	23		11	22		3	21		2	14
Reserve Bank of Australia (RBA)		7	7	4	2	6	4	1	5	3	7	5
Reserve Bank of New Zealand (RBNZ)		22		5	24		12	16		4	29	
Bank of Japan (BOJ)	18		10	28		16	28		22	31		19
Bank Negara Malaysia (BNM)	19		9		3		6		7		2	
Monetary Authority of Singapore (MAS)				Apr						Oct		

Source: Bloomberg, HL Bank

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