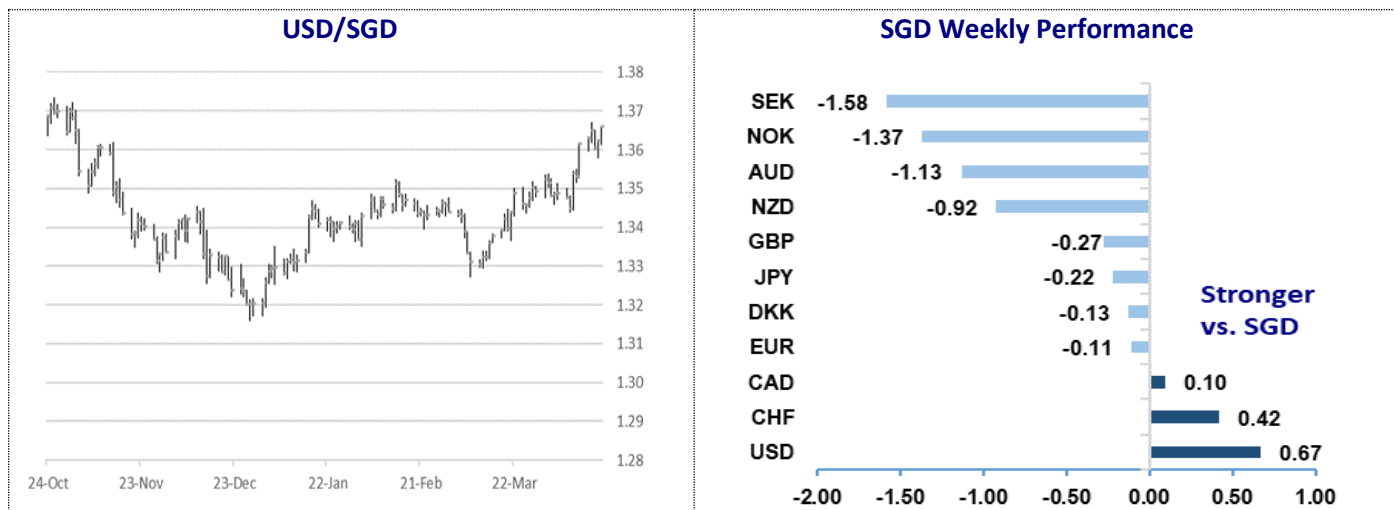


Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

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

SGD traded lower against the USD this week, declining by 0.7% (prior: -0.3%) to 1.3622 from 1.3531 the week before, amidst the advanced reading of 1Q Singapore GDP coming in lower than expected, and an unexpected monthly fall in non-oil domestic exports for March. Versus other G10 pairs, the SGD was stronger across except against the CAD and CHF, while against major regional currencies, the SGD was mixed for the week, with gains seen versus IDR (+1.4%) and PHP (+0.6%), but losing ground versus the CNH (-0.8%) and HKD (-0.8%). We are **Neutral-to-Slightly Bearish** on the USD/ SGD here, and see a probable trading range of 1.3500 – 1.3725 for the coming week. March CPI numbers will make headlines in the week ahead, with the market expecting inflation to moderate further for the month.

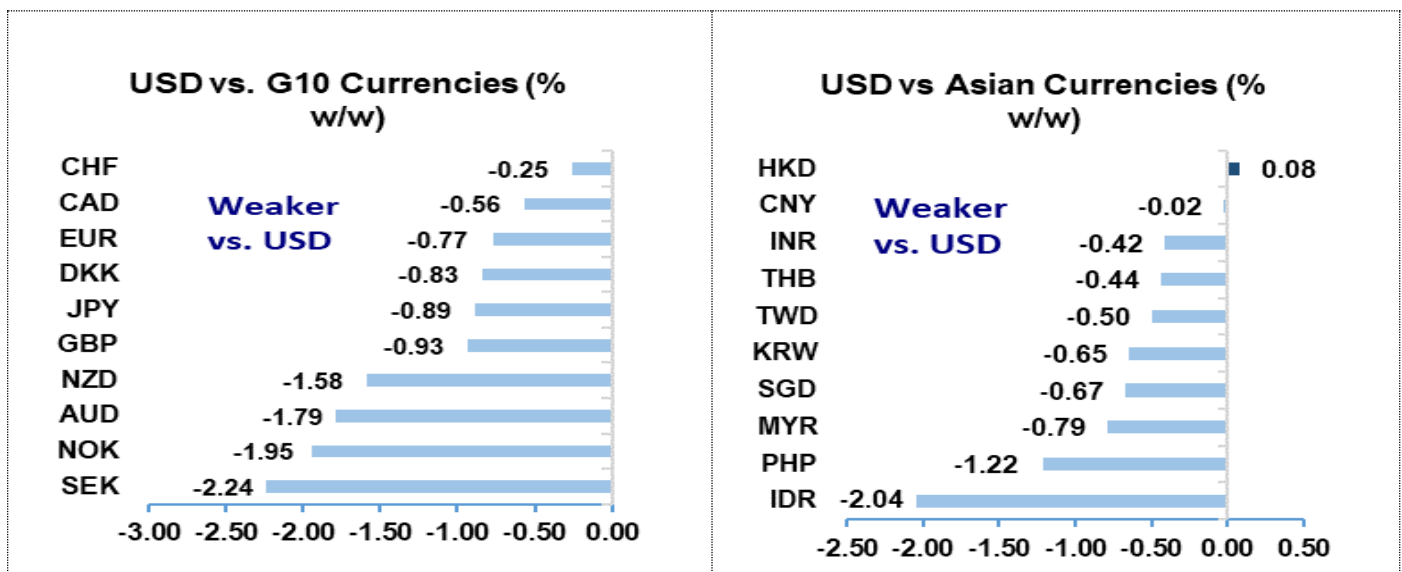
1-Month Outlook – USD/ SGD Neutral-to-Slightly Bearish

The USD/SGD outlook is neutral-to-slightly bearish in our view as the pair is veering into overbought territory, with its recent rise after the market dialled back expectations of the magnitude and timing of rate reductions by the US Fed this year, with only 1-2 cuts currently priced into the futures market for 2024. The March FOMC statement showed some discord about the timing of the first rate cut, and economic data continues to point to a resilient economy, underpinned by a labour market that continues to remain surprisingly robust. The path of disinflation continues to remain uneven, and with the latest US CPI numbers in March coming in hotter than expected, we believe that the Fed is only likely to start cutting rates in the 3rd quarter of 2024. On the domestic front, recent data releases reaffirmed prospects of a recovering Singapore economy, with indications that the E&E cycle and exports are recovering although still vulnerable at this juncture. Domestic demand is expected to moderate as the effects of the post-pandemic boost fade, and the next stage of higher GST kicks in. MAS maintained its SGD NEER policy band at its April meeting, and we continue to expect SGD NEER band to be maintained in the near future.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3480	1.3545	1.3622	1.3670	1.3745

Weekly Look Ahead

USD: The USD was higher in trading this week for a second week running, with the DXY rising by 0.8% w/w (prior: +1.1%) to 106.15 as of Thursday's close from 105.28 the week before, after US retail sales for March came in much stronger than anticipated, leading to a reassessment of the timing and magnitude of Fed cuts. Fed Chair Powell also came out with some hawkish comments which added to the bullish tone for the USD, with futures markets now signaling a full cut only by the November FOMC meeting. We are **Neutral-to-Slightly Bearish** on the USD for the week ahead, and see a probable trading range of 104.50 – 107.50. Another busy week ahead of us, with the preliminary US PMIs for April, advanced 1Q US GDP, and the core PCE reading for March headlining the economic releases for the week, amidst the blackout period for the May FOMC beginning this weekend.



Source: Bloomberg, HL Bank

EUR: EUR traded lower this week for a second week running, losing ground by 0.8% w/w (prior: -1.0%) against the greenback to 1.0643 amidst the final reading of Eurozone March CPI coming in as per the initial flash estimates, confirming that inflation continues to moderate in the Eurozone, both at the headline and core level. The latest ZEW investor survey for April showed that sentiment improved further for the month, leading to some optimism of a brighter growth outlook ahead. We are **Neutral-to-Slightly Bullish** on the EUR/USD for the week ahead, and see a possible trading range of 1.0550 - 1.0800. The week ahead sees the release of preliminary consumer confidence and Eurozone PMI numbers for April, amidst the scheduled publication of ECB's latest Economic Bulletin, which will be closely watched amidst increasing expectations that they will begin reducing rates in June.

GBP: GBP continued to fall this week for a second straight week, descending by 0.9% w/w (prior: -0.7%) against the USD to settle at 1.2436 as of Thursday's close, amidst UK CPI numbers continuing to moderate in March, both at the headline and core level, albeit not by as much as market expectations. Adding to the downward pressure on the Sterling was a poor March employment report, which showed an unexpected reduction in the amount of payrolled employees for the month. We are **Neutral-to-Slightly Bullish** on the Cable here, and see a likely trading range of 1.23 – 1.26 for the coming week. The week ahead sees the scheduled release of UK March retail sales numbers, alongside the preliminary UK PMIs for April, and the CBI monthly report on orders and sales. There will also be some scheduled speeches by BoE officials to look out for, which may offer clues as to the path of monetary policy this year.

JPY: JPY was weaker for a second straight week, declining by 0.9% (prior: -1.3%) against the USD to 154.64 from 153.27 the week before amidst a strong USD backdrop, and core machine orders for February domestically surging by a lot more than what was anticipated. We are **Slightly Bearish** on USD/ JPY for the week ahead, with the pair continuing to trade in overbought territory, and foresee a likely trading range of 152 – 156. After March CPI came in slightly softer than expected this morning, the coming week also sees the release of Japanese PMI numbers for April, as well as PPI

and department store sales numbers for March, before the BoJ meets to decide on rates and release their latest quarterly forecasts next Friday.

AUD: The AUD depreciated in trading this week, plunging by 1.8% w/w (prior: -0.8%) against the USD to settle at 0.6421 as of Thursday's close, as the Australian economy unexpectedly lost jobs for the month of March, with a slight uptick seen in the unemployment rate. We are **Neutral** on AUD/ USD in the week ahead, with a likely trading range of 0.6300 - 0.6550 seen for the pair. Australian CPI numbers for March, and for 1Q as a whole, are due to be reported on in the coming week and will be closely watched for clues as to the path of monetary policy this year. Preliminary Australian PMI numbers for April are also scheduled for release.

MYR: USD/MYR rose in trading for a fifth consecutive week, appreciating by 0.8% w/w (prior: +0.2%) to 4.7855 as of Thursday's close, amidst a strong USD backdrop and a quiet domestic front with an absence of economic releases for the week. Against the other G10 currencies, the MYR was stronger across the board, but versus major regional currencies the MYR was mixed, gaining versus IDR and PHP but losing ground against the CNH and HKD. We are **Neutral-to-Slightly Bearish** on USD/ MYR for the week ahead, and see a likely trading range of 4.75 – 4.80 for the pair. Domestically, this week sees the release of March's export numbers and Malaysia advanced 1Q GDP later today, as well as CPI reading for March in the following week.

House View and Forecasts

FX	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103.44	102.41	101.38	100.37
USD/CAD	1.34	1.33	1.31	1.30
EUR/USD	1.09	1.10	1.08	1.07
GBP/USD	1.27	1.28	1.27	1.25
AUD/USD	0.66	0.67	0.67	0.68
NZD/USD	0.60	0.61	0.62	0.62
USD/JPY	148	145	142	140
USD/MYR	4.68	4.63	4.56	4.49
USD/SGD	1.34	1.32	1.31	1.30
USD/CNY	7.15	7.08	6.97	6.87

Policy Rate (%)	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	4.75-5.00	4.50-4.75	4.50-4.75
BOC	4.75	4.50	4.00	3.75
ECB	4.25	3.75	3.50	3.50
BOE	5.25	4.75	4.50	4.50
RBA	4.35	4.35	4.10	4.10
RBNZ	5.50	5.25	4.75	4.25
BOJ	0-0.10	0-0.10	0-0.10	0-0.10
BNM	3.00	3.00	3.00	3.00
MAS	Hold	Hold	Hold	Hold
PBOC	Hold	Hold	Hold	Hold

2024 Central Bank Meetings/Announcements

Central Bank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Federal Reserve (FOMC)	31		20		1	12	31		18		7	18
Bank of Canada (BOC)	24		6	10		5	24		4	23		11
European Central Bank (ECB)	25		7	11		6	18		12	17		12
Bank of England (BOE)		1	21		9	20		1	19		7	19
Reserve Bank of Australia (RBA)		6	19		7	18		6	24		5	10
Reserve Bank of New Zealand (RBNZ)		28		10	22		10	14		9	27	
Bank of Japan (BOJ)	23		19	26		14	31		20	31		19
Bank Negara Malaysia (BNM)	19		9		3		6		7		2	
Monetary Authority of Singapore (MAS)	Jan			Apr			Jul			Oct		

Source: Bloomberg, HL Bank

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