

Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

**1-Week Outlook – USD/ SGD Neutral-to-Slightly Bullish**

SGD traded lower against the USD this week for the first week in three, declining by 1.1% (prior week: +0.7%) to 1.2974 from 1.2832 the prior week, amidst the PMI and Electronic Sector Index registering improvements in September from the month before, suggesting a strong close to the quarter for the Singaporean economy in 3Q. Against the other G10 pairs and major regional currencies, the SGD was mixed for the week, rising the most against the GBP (+1.1%) and MYR (+1.0%), but retreating versus the TWD (-1.1%) and CAD (-0.4%). For the coming week, we remain **Neutral-to-Slightly Bullish** on the USD/SGD, and foresee a likely trading range of 1.2850– 1.3125. The week ahead sees the release of the Singapore retail sales report for August, and the October MAS monetary policy statement and advanced 3Q GDP could also be forthcoming during the week.

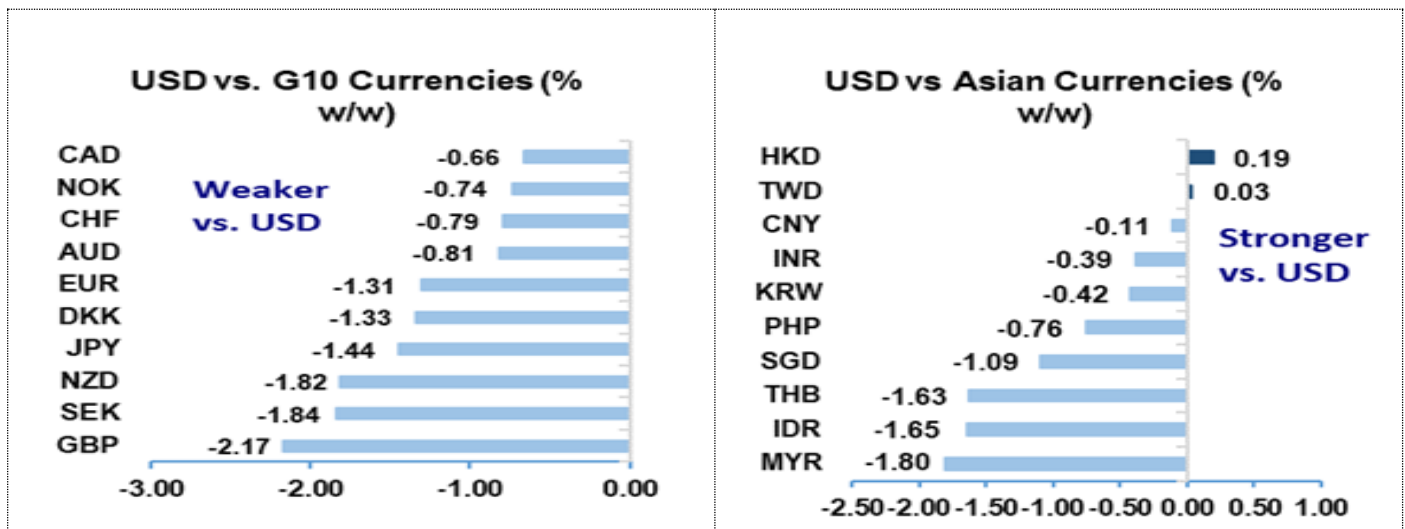
**1-Month Outlook – USD/ SGD Neutral-to-Slightly Bullish**

The USD/SGD outlook is neutral-to-slightly bullish in our view. Although the USD likely to continue to remain on the back foot with Fed cuts now underway, a lot has been priced in in terms of future economic weakness and rate moves with the recent fall in the greenback, and a corrective bounce is likely to be forthcoming. The latest Fed dot plot released during the September FOMC points towards two further 25bps cuts for 2024, while the futures markets has priced in nearly three further 25bps reductions for the remaining two FOMC meetings for the year. Economic data has been weakening of late, with the labour market showing signs of a more pronounced cooling but the unemployment rate edged lower in the most recent monthly US labour market report and remains very low historically. Inflation has been slowing down at a quicker pace recently and continues to edge lower towards the Fed’s target rate, and the more forward looking indicators show a mixed picture for the economy, with weakness seen on the manufacturing front whilst the services sector continues to hold up. Geopolitical tensions in the Middle East have taken a more serious turn of late, which could lend some support to the USD. On the domestic front, recent data releases have been positive, with Singapore 2Q GDP being affirmed at 0.4% q/q in the final release versus expectations of a revision lower, and while exports for August came in lower than expected, that was after July’s bumper number, and electronic exports continued their strong showing. MAS maintained its SGD NEER policy band at its July meeting, and we continue to expect SGD NEER band to be maintained in the near future.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.2820	1.2905	1.2974	1.3047	1.3125

## Weekly Look Ahead

**USD:** The DXY was firmer in trading this week for the first week in three, climbing by 1.4% w/w to 101.99 (prior: -0.1% w/w) from 100.56 the previous week, as the greenback caught a safe haven bid from a sharp escalation in tensions in the Middle East, and US labour market data for the week suggested that the job market remains healthy, with JOLTS and ADP both coming in north of expectations. We continue to be **Neutral-to-Slightly Bullish** on the USD for the week ahead, and see a probable trading range of 100.75 – 103.50 for the DXY. An eventful week lies ahead, with the US monthly employment report for September and the CPI indices for the month scheduled for release, both of which will be closely watched for more clues as to the path of monetary policy going forward. The Fed is also due to release the FOMC meeting minutes of the Sep 18 meeting, which may give us more insight into the Fed's thinking when they kicked off their rate reduction cycle with a 50bps cut in the Fed Funds Rate.



Source: Bloomberg, HL Bank

**EUR:** EUR fell in trading this week against the USD, declining by 1.3% w/w to 1.1031 (prior: +0.1% w/w) from 1.1177 the prior week, amidst Eurozone economic confidence for September registering a larger than anticipated fall and flash CPI for the common currency area receding on both the headline and core level, opening up the possibility of further ECB cuts, with futures markets pointing to a 95% chance of a reduction (prior week: 68%) at the next ECB meeting in a fortnight. We continue to be **Neutral-to-Slightly Bearish** on the EUR/USD for the week ahead and see a possible trading range of 1.0900 – 1.1150 for the pair. A quieter week lies ahead, with only Eurozone August retail sales and the latest monthly Sentix investor confidence scheduled for release.

**GBP:** GBP was weaker in trading this week against the greenback for the first week in three and was the worst performer in the G10 space, tumbling by 2.2% w/w to 1.3124 (prior: +1.0% w/w) from 1.3415 the prior week, amidst a strong USD backdrop and comments from Bank of England Governor Andrew Bailey, who suggested that the Bank of England could take a more aggressive approach to lowering interest rates. Futures markets continue to expect an interest rate cut at the next BoE meeting in November, with a 25bps reduction fully priced in. We are **Neutral** on the Cable for the coming week and see a likely trading range of 1.2975 - 1.3275. Domestically, not much in the way of economic data, with only the UK construction PMI and RICS House Price Balance for September due.

**JPY:** JPY was weaker in trading this week for a third week on the trot, descending by 1.4% w/w against the USD to 146.93 (prior: -1.5% w/w) from 144.81 the week before, after comments from the Japanese Prime Minister that Japan was not ready for more interest rate hikes, amidst generally more positive domestic data for the week, with Japanese

retail sales for August coming in stronger than expected, and the Tankan survey for 3Q coming in nearly stronger across the board, boding well for the Japanese economy going forward. We are **Neutral** on USD/ JPY for the coming week and see a probable trading range of 144.50 – 149.50. The week ahead sees the release of Japanese labour earnings and household spending numbers for August, as well as PPI and preliminary machine tool orders for the month of September.

**AUD:** AUD declined for the first week in three, falling by 0.8% w/w (prior: +1.2% w/w) to 0.6840 as of Thursday’s close from 0.6896 the week before, amidst a better than expected outcome for Australian retail sales for August. The odds of a RBA cut inched slightly lower, with the futures market pricing a 64% chance of a cut by the RBA this year (prior week: 71%). We are **Neutral-to-Slightly Bearish** on AUD/USD for the coming week and see a possible trading range of 0.6700 - 0.6950. The week ahead sees the release of the RBA minutes of their September policy meeting, which will be closely watched on more clues as to the path of policy going forward, with household spending, and consumer and business confidence numbers also on the table.

**MYR:** The MYR traded lower against the USD this week for the first week in four, declining by 1.8% w/w to 4.2218 from 4.1458 the week before (prior: +1.4% w/w), amidst a safe haven bid for the USD as the geopolitical temperature rose in the Middle East, and a slight deterioration in September for the S&P Global Malaysia Manufacturing PMI. Against other G10 pairs and major regional currencies, the MYR corrected after a stellar week the week before, and was pretty much weaker across the board. We remain **Neutral-to-Slightly Bullish** on USD/ MYR for the week ahead and see a likely trading range of 4.18 - 4.27, as the pair continues to correct from oversold conditions. It will be rather quiet on the economic data front domestically in the coming week, with nothing due before the industrial production numbers for August next Friday.

### House View and Forecasts

FX	4Q-24	1Q-25	2Q-25	3Q-25
DXY	101.56	100.54	99.53	99.04
USD/CAD	1.36	1.34	1.33	1.31
EUR/USD	1.11	1.12	1.13	1.14
GBP/USD	1.33	1.35	1.36	1.37
AUD/USD	0.68	0.69	0.70	0.71
NZD/USD	0.62	0.63	0.64	0.64
USD/JPY	146	142	138	135
USD/MYR	4.25	4.20	4.15	4.10
USD/SGD	1.31	1.29	1.27	1.25
USD/CNY	7.12	7.03	6.94	6.85

Policy Rate (%)	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.00-5.25	4.50-4.75	4.25-4.50	4.00-4.25
BOC	4.50	4.00	3.75	3.50
ECB	4.00	3.75	3.50	3.25
BOE	5.00	4.75	4.50	4.25
RBA	4.35	4.35	4.10	3.85
RBNZ	5.50	5.00	4.75	4.50
BOJ	0.25	0.25	0.40	0.40
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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