

Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

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

SGD descended against the USD in trading for a second week running, losing ground by 1.1% w/w to 1.3613 (prior: -0.6% w/w) from 1.3469 the week before, as the strong bid tone in the USD outweighed the positive export data domestically for November, which saw large rebounds in non-oil domestic exports and electronic exports. Against the other G10 currencies and major regional peers, the SGD was a mixed bag, advancing the most against JPY (+2.0%) and IDR (+1.2%), but losing the most ground versus the SEK (-0.9%) and INR (-0.8%). For the coming week, we are **Neutral-to-Slightly Bearish** on the USD/SGD with the pair starting to trade in overbought territory, seeing a possible trading range of 1.3475 – 1.3725 for the pair. The week ahead sees the release of Singapore CPI numbers as well as industrial production for the month of November.

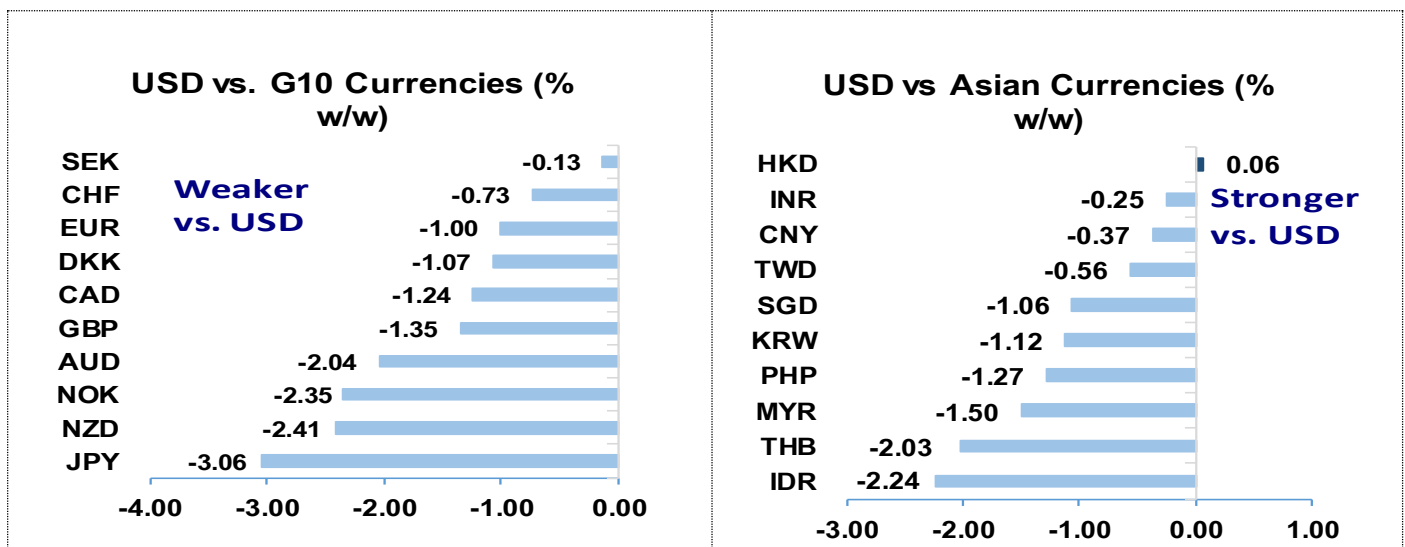
1-Month Outlook – USD/SGD Neutral

The USD/SGD outlook is neutral in our view. The greenback has performed decently of late, buoyed by the results of the US election victory by Donald Trump. With the Republicans recapturing the Senate and House as well, the currency has benefitted from the expected pro-growth policies of the incoming administration, and the impact it is likely to have on inflation and Fed policy down the road. The Fed reduced its policy rate by 25bps at the November FOMC meet, and expectations are for a further cut in December, with Fed Chair Powell mentioning that the election results would not affect policy considerations in the near-term. US economic data has been mixed of late, with the latest employment report for October showing a tepid pace of job growth which could partially be as a result of the hurricane and labour strike, but September retail sales was better than expected in a strong end to the consumer for 3Q. Inflation has continued to steadily edge lower towards the Fed’s target rate, and the latest ISM indices continue to paint a mixed picture for the economy, with weakness seen on the manufacturing front whilst the services sector continues to demonstrate resiliency. On the domestic front, MAS maintained its SGD NEER policy band at its October meeting with the central bank expecting growth for 2024 as a whole at the higher end of its 2-3% forecast, and we continue to expect SGD NEER band to be maintained in the near future. Recent data releases have been mixed, with final 3Q GDP seeing an upward revision from the advanced estimate, but retail sales in October missed estimates and exports for the month unexpectedly fell, weighed down by a large decline in pharmaceutical exports. The latest PMI and Electronic Sector index in November saw a rise from the month before, which bodes well for the growth outlook.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.3468	1.3535	1.3613	1.3675	1.3745

Weekly Look Ahead

USD: The USD firmed in trading this week for a second straight week, with the DXY rising by 1.4% to 108.41 (prior: +1.2% w/w) from 106.96 the prior week, after the US Federal Reserve reduced its policy rate by 25bps and signalled a more gradual pace of rate reductions going forward, with the latest quarterly dot plot indicating only two cuts pencilled in for next year, from the four cuts that the Fed signalled three months back. We are **Neutral-to-Slightly Bearish** on the greenback for the week ahead, seeing a possible trading range of 106.75 – 109.75 for the DXY, with the threat of a looming government shutdown likely to be in focus with the Fed decision now behind us. The coming week sees the release of the November PCE indexes along with the personal income and spending numbers, as well as the preliminary durable goods orders for November, and the latest consumer confidence numbers.



Source: Bloomberg, HL Bank

EUR: EUR declined against the USD this week for a second consecutive week, falling by 1.0% w/w (prior: -1.1% w/w) to 1.0363 from 1.0468 the week before amidst a strong USD backdrop, despite better than expected preliminary Eurozone PMI numbers for December, which saw an unexpected surge in the services sector number into expansionary territory. We are **Neutral-to-Slightly Bullish** on the EUR/USD for the week ahead, and see a probable trading range of 1.0250 -1.0525. It will be a rather uneventful week on the economic data front as we approach the Christmas season, with only the preliminary Eurozone consumer confidence numbers due for release.

GBP: GBP also fell against the USD for a second straight week, declining by 1.4% w/w to 1.2502 (prior: -0.7% w/w) from 1.2673 the week before amidst the Bank of England leaving its policy rate unchanged during the week in a 6-3 majority decision (with the 3 dissenters preferring a 25bps reduction) and stronger than expected wage growth numbers for October, which could complicate the expected reductions in the BoE's policy rate going forward. We are **Neutral-to-Slightly Bullish** on the Cable for the coming week, and see a likely trading range of 1.2400 – 1.2675 for the currency pair. UK retail sales for November will be the key economic release for the week ahead, which also sees the release of the latest CBI industry sales report and the final release of UK 3Q GDP.

JPY: JPY descended against the USD for the second week running, plunging by 3.0% w/w to close at 157.44 (prior: -1.7% w/w) from 152.63 the week before, making it the worst performer for the week among G10 currencies, amidst the Bank of Japan leaving its policy rate unchanged at 0.25% in a majority vote, with the sole dissenter preferring to hike instead, which could signal that the BoJ is getting closer to another rate hike. We are **Neutral-to-Slightly Bearish** on USD/JPY for the coming week, eyeing a possible range of 154 – 160. After the national CPI numbers for November came out mostly in line with expectations this morning, the rest of the week ahead sees the release of department store sales numbers for November, and housing starts and services PPI for the month.

AUD: AUD declined against the USD in trading for a fourth consecutive week, retreating by 2.0% w/w to 0.6239 (prior: -1.3% w/w) from 0.6369 the week before, amidst a strong USD backdrop and the preliminary Australian PMIs for December declining from the readings the month before. We are **Slightly Bullish** on AUD/USD for the week ahead with the currency pair now deep in oversold territory, foreseeing a likely trading range of 0.6125 – 0.6400. The minutes of the December RBA policy meeting will be the focus for the coming week, which could provide more clues on the path and timing of monetary policy moves in the year ahead.

MYR: The MYR fell against the USD for a second consecutive week, plunging by 1.5% w/w to 4.5057 (prior: -0.3% w/w) from 4.4383 the week before, amidst better than expected domestic export numbers for November, with trading in the pair being driven by a strong USD backdrop after the US FOMC signalled a more gradual pace of rate reductions going forward. Against the other G10 currencies and major regional peers, the MYR was mixed, gaining versus the JPY (+1.4%) and AUD (+1.2%) but losing ground against the CNY (-1.1%) and GBP (-0.8%). For the week ahead, we are **Neutral-to-Slightly Bearish** on USD/MYR with the pair now hovering in overbought territory, and foresee a likely trading range of 4.46 -4.54. It will be pretty quiet in the week ahead, with the only economic data release scheduled being the November CPI that is due later this afternoon.

House View and Forecasts

FX	4Q-24	1Q-25	2Q-25	3Q-25
DXY	105.78	105.51	103.40	102.37
USD/CAD	1.39	1.39	1.36	1.35
EUR/USD	1.05	1.05	1.07	1.08
GBP/USD	1.28	1.28	1.31	1.32
AUD/USD	0.65	0.66	0.67	0.68
NZD/USD	0.59	0.59	0.61	0.61
USD/JPY	153	153	148	146
USD/MYR	4.40	4.40	4.30	4.26
USD/SGD	1.33	1.33	1.31	1.29
USD/CNY	7.21	7.19	7.08	7.01

Policy Rate (%)	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00
BOC	3.75	3.25	3.00	3.00
ECB	3.00	2.75	2.50	2.25
BOE	4.75	4.50	4.25	4.00
RBA	4.35	4.35	4.10	3.85
RBNZ	4.75	4.50	4.00	3.75
BOJ	0.25	0.50	0.50	0.50
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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