Maybank

3 December 2015

FX Outlook: 2016

Juggling Policy Divergence, RMB Adjustments and Trade Downshift

- Divergence (Policy and Asset Prices); Global Trade downshift; and Potential yuan adjustments will be key themes in 2016.
- Pace of Fed tightening is a key FX focus in 2016. In an environment of a global trade downshift, as long as growth between G7 and EM does not diverge too much and too fast, EM will be in a comfortable position. Concerns about yuan adjustments in 2016 could also continue to add to currency volatility. There is downside risk for EM if growth fails to pick up with the risk of worsening debt sustainability a possibility affecting EM FX.
- Expect USD to be supported. EUR and JPY to stay soft as risk sentiments remains supported. USD/AXJs to see further upside for currencies with signs of weak domestic demand, lower fiscal capacity and potential idiosyncratic risks.

Summary

Macro themes in 2016 will continue to be driven next year by a number of key factors. First the pace of the Fed tightening will be a key focus in asset price discovery process. It is likely to lead to continued FX volatility in 2016 at specific intervals. The Fed is likely to reiterate data dependency and gradual tightening rhetoric over the course of next year. Overall US macro policy base case may not be overly hawkish and softer China transitional growth should continue to retain EM growth concerns. There could be potentially downside risks for EM if growth fails to pick up and if debt sustainability concerns emerge from rates increases. The dollar should remain supported from 2Q 2016 onwards. 1Q is likely to see some weakness following expectations of additional stimulus from the ECB, seeing some mild rally in risk proxy currencies suich as AUD. Historically, the dollar tends to soften within 6 months following the first rate hike. Furthermore the next rate hike is only expected in end 2Q 2016.

Second, the extent of global trade downshift and falling global trade elasticities has an impact on the currency outlook next year. Nominal exchange rate volatility might be accentuated if extent of the “expenditure-switching effect” is small due to the falling trade elasticities. The smaller the effect of exchange rate changes on relative prices, and hence on relative demands, the larger the exchange-rate change is required to reach equilibrium. As such, we expect next year to see further exchange rate adjustments if this falling trade elasticities continue. As the markets try to normalise next year, “expenditure reflation” - first phase in the recovery from a slump before the stage of full employment and inflation is reached - requires an increase in total expenditure on goods and services. This phase of reflation, and eventual investment recovery we think will be slower this time round.

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Third, China becoming more market determined will have impact on a portion of global currencies. The combination of capital account liberalization and weak fundamentals at the moment simply implies downside pressure for the yuan. With domestic individuals and corporates likely keener (and even encouraged) on investing in overseas assets as opposed to domestic assets, a more liberalized capital account is likely to see more outflows and concomitantly, weaker yuan.

We expect the dollar index to come in at around 98-102 range next year. Generally, affected by (1) the pace of Fed hikes; (2) US growth trajectory and (3) continued central bank monetary policy divergence moves from Japan (potentially more printing) and Eurozone (ECB further QE in 2016).

EUR is expected to face further downside pressure over the next 3 - 6 months amid further monetary easing, as ECB remains worried about subdued inflation. Beyond 6 months, we expect EUR to stabilize around 1.04 levels and gradually inch higher towards 1.08 into 2016-end, as monetary easing slows amid a pick-up in inflation off the back of oil prices stabilizing.

JPY weakness should continue in the near term as stimulus remains (though no further easing measures from the BOJ are expected) and on the imminent Fed fund rate lift-off. In 2016, the risk environment could reverse and lift the JPY higher. The slowdown in global growth and potential US political uncertainty could encourage safe-haven/flight-to-quality plays that could push the JPY higher. Target JPY to end-2015 and -2016 at around 124 and 120 respectively.

In 2016, we expect USD to remain supported and as such we are broadly bullish on the USD & GBP (but with some short term weakness for GBP). We remain negative on low yielding currencies such as the JPY and EUR. Both are expected to remain remain soft as risk sentiment continues in 2016. Risk proxies like AUD could be supported on dips, unless commodity prices decline sharply (worse case scenario).

We are cautious on Asia EM FX. As long as growth differentials between G7 and EM does not diverge too much and too fast, EM will be in a comfortable position. The downside for EM would be worsening debt sustainability arising from rates increase. If G7 growth picks up too fast and inflation rises, not translating into external demand, there will be risks for EM. Domestic demand support remains strongest for Philippines. China yuan depreciation scenario in 2016 remains a concern and may add to volatility on EM FX.

USD/AXJs should still see further upside. We remain bearish on currencies with signs of weak domestic demand, lower fiscal capacity and with uncertain sovereign credit situation as well as those with potential idiosyncratic risks in 2016.

Our FX outlook is based on the assumption that oil prices will remain soft at an average price of US$50-60/bbl for 2016. The soft oil outlook is positive for Asia and is expected to help boost consumption. However, the softness could help worsen or improve fiscal balance of some regional economies. We also assume a total of 75bps over the next 5 quarters (two 25 bps in 2016, end 2Q and end 4Q) from the start of a hike in Dec 2015. Overall, softer oil and a gradual pace of US rate hike could help offset any potential US rate hike (expected around end 3Q 2015) and higher US dollar to some extent.

USD: Dollar View Remains

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
USD Index	**99.73** (99.49)	**101.73** (100.75)	**101.63** (98.03)	**99.81** (96.73)	**98.00** (96.32)

Previous Forecast in Parenthesis

Motivation: We remain mildly bullish on the 2016 dollar outlook. The DXY is currently at 100.14 (as at 30 Nov 2015 @11.30am). Firmer US data and rising expectations of the Fed rate hike in Dec 2015 have been supporting the USD. Further developments out of Eurozone with rising market expectations of an ECB easing in 1Q has led to some changes in EUR and GBP, thus affecting the DXY to some extent via the interest differential perspective. We continue to expect a gradual pace of Fed tightening in 2016 and hence should not see excessive US strength but a rather supported USD. We expect the dollar to strengthen in 1Q towards 102, before moderating in the rest of 2016 and end 2016 at around 98.00, barring no global shocks.

Oil remaining soft could be dollar positive. Global crude oil prices and commodity prices is likely to remain soft and in tight range. Limited upside in long-term interest rates, partly driven by concerns in the global macro outlook could help offset any shocks to the US real economic growth. This remains dollar positive.

Likelihood of a Fed rate hike and rising 2-year rate differentials to support USD. The trade weighted dollar should be stronger if not for the Fed's signaling inconsistencies in between FOMC announcements and lack of 2016 policy forward guidance. In the medium term, there could still be USD trade weighted support as the 2-year rate differentials will rise further from current 0.922 levels (30 Nov 2015).

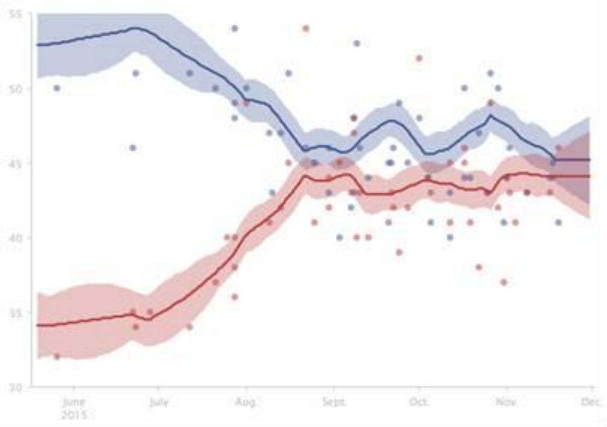
The recent US economic development supports a medium-term USD bullish view and we continue to expect the USD to strengthen across the board as the US growth gathers momentum in 2016 with pick up in the housing markets, a modest pick-up in inflation and wages and a further improvement in labor market conditions. Thus far, stronger private consumption continues to underpin the US recovery, as households benefitted from lower oil prices, steady employment growth and modest wage increases. Even as new home sales volumes reached a post crisis high in 2015 and inventories for homes available for sale have been pared back, gross fixed capital formation or investment as continued to disappoint. On a sectoral basis, US economic activity seems to have been driven more by services rather than manufacturing which has a higher import content. Our economics team sees **US GDP growth likely to come in at 2.4 % this year and 2.3% in 2016.**

The strong dollar has also led to the ongoing deceleration in US production and net exports. These developments suggest that the moderate recovery in the US may not generate large positive spillovers for the rest of the world including the trade oriented Asian economies. Conversely, weakening growth in emerging market economies may restrain US economic activity somewhat.

Core PCE inflation has also not risen significantly even as headline unemployment rate has fallen to 5.1%. Both CPI and core CPI will likely remain on an uptrend in 2016 close to the Fed's 2% long-term target but weighed by lower energy prices, stronger dollar and food inflation. Other labour market developments, such as decline on labour force participation rate and muted wage growth suggest some slack still remains. Taking that into consideration any policy moves will be gradual and unlikely to derail growth.

Fiscal sustainability risk continues to weigh on the outlook which will likely be marred by political wrangling, particularly before the Nov 2016 presidential election. In the long term, an improved US economy and manufacturing sector, US shale oil and gas production may improve the US current account leading to dollar support but this is likely to be long drawn and may probably begin only in 2016/2017.

Nov 2016 US General Elections: Trump vs. Clinton



Dollar Index: Next resistance at 101.80 before 109

Note: The HuffPost Model tracks 51 polls from 17 pollsters; last updated as of 8 Nov

Source: Huff Post, Bloomberg, Maybank FX Research

EUR: Downside Pressure to Persist; But No Free-Fall

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
EUR/USD	1.0800 (-)	1.0400 (1.0600)	1.0400 (1.0800)	1.0600 (1.1000)	1.0800 (1.1200)

Previous Forecast in Parenthesis

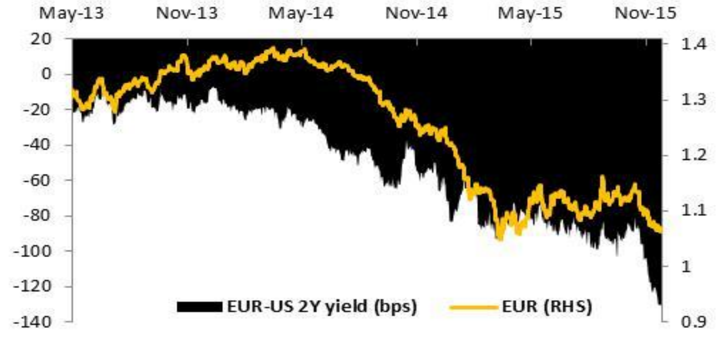
Motivation: Near term weakness (over the next 3 - 6 months) in the EUR, given explicit and concerted comments from ECB officials to *do all it takes* to achieve its mandate of getting inflation back towards 2% target, pursue price stability so as to contribute to economic growth and job creation. But we caution that EUR movements remain inversely correlated to asset price movements. Together with seasonality trends and over-stretched EUR short positioning, EUR could be exposed to upside risks towards end-2015. Looking out beyond 6 months, we expect EUR to stabilize around 1.04 levels and gradually inch higher towards 1.08 into 2016-end, as monetary easing slows amid a pick-up in inflation off the back of oil prices stabilizing.

ECB to cut deposit rate cut at the 3 Dec meeting by about 10-20bps, and further ECB "verbal intervention" - that it stands ready to unleash unorthodox monetary easing - as ECB remains worried about subdued inflation (+0.1% y/y in Oct 2015). But we do not think there is a need for ECB to rush into expending its monetary policy tools at the Dec meeting unless there is a sudden deterioration in risk sentiment (which is not our base line scenario). Looking into 1Q 2016, we see a high likelihood of ECB announcing further monetary easing via an extension of duration and expanding its asset purchase size. Persistent market expectation for ECB to act and monetary policy divergence between ECB and Fed will continue to weigh on the EUR/USD.

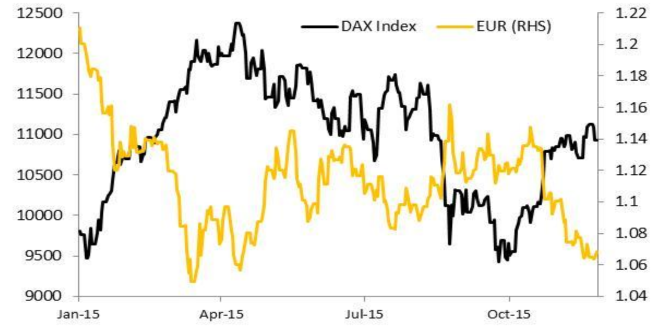
While downside risk on the EUR may persist, we do not envisage a free-fall scenario on a few reasons: 1) EUR moves are inversely correlated with risk assets – that means EUR like most "low yielding currencies" (i.e. JPY, CHF) will be supported if risk sentiment worsens (risk aversion flows); 2) Market remains net short EUR with "sell EUR on rally" one of the *popular* trade. This suggests that stretched positioning poses an upside risk should position be unwound; 3) EUR still enjoy a double surpluses in broad balance of payment (BBoP) and current account and this should in theory lead to low unemployment, higher wages, higher inflation and eventually lead to EUR strength. But right now this transmission mechanism is missing unless labor market reforms take shape.

Although economic growth has yet to recover to pre-GFC levels, there are signs (via activity data and forward indicators) that conditions could be stabilizing. Bright spot is in domestic demand, which is expected to benefit from ongoing improvement in financial conditions, weaker EUR and softer oil prices. Other concerns we may have are debt and structural unemployment remain high and could weigh on long-term growth potential.

Growing monetary policy divergence to weigh on EUR



Inverse correlation between EUR and risk proxies remain intact



Source: Bloomberg, Maybank FX Research

GBP: Positive Outlook and Patiently Waiting for BoE

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
GBP/USD	**1.5300** (1.5600)	**1.5600** (1.5800)	**1.5800** (1.6000)	**1.6000** (1.6200)	**1.6200** (-)

Previous Forecast in Parenthesis

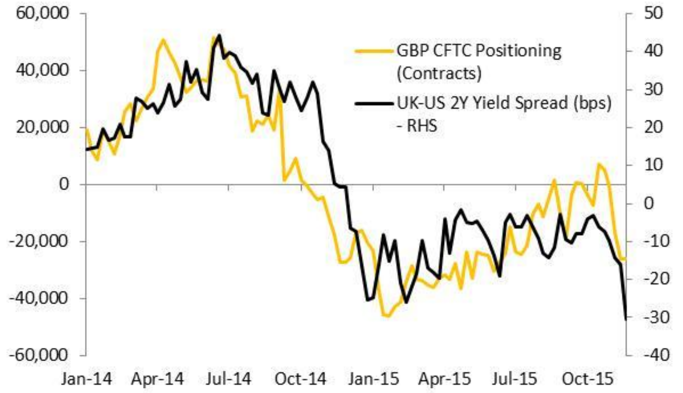
Motivation: Remain positive in GBP outlook over the forecast horizon, notwithstanding some near term weakness towards 1.48-1.50 levels in the next 2-3 weeks before rebounding. Ongoing economic recovery warrants a shift in monetary policy stance at some point in 1H 2016. This will result in monetary policy divergence between BoE and other G7 majors (ECB, BoJ, RBA, RBNZ - which are expected to remain on an easing bias next year). But before that happens, we caution that GBP could face some downside pressure towards 1.48-1.50 levels amid further monetary policy divergence between Fed and BoE. Looking into 2016, downside risk to our outlook includes a slower than expected pick-up in inflation and EU referendum (over Britain's future in EU) which could potentially take place in mid-2016 instead of 2017.

Ongoing economic recovery remains intact, supported by domestic demand and solid labor market. UK is still enjoying its longest streak of continuous growth since falling into GFC in 2008, supported by resilient domestic demand. Labor market continues to improve with unemployment rate falling to 7-year low of 5.4% while wage growth remains on an uptrend.

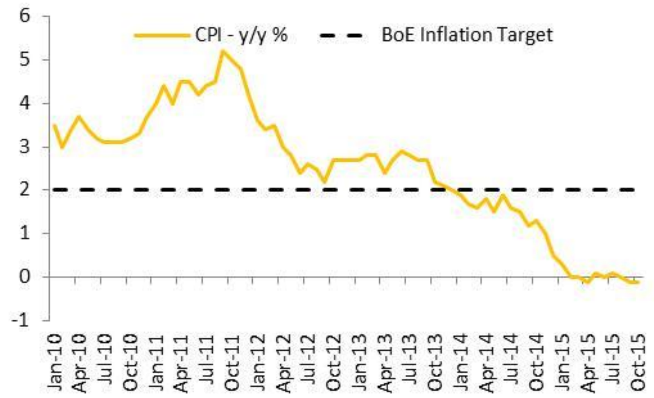
A shift in BoE stance from dovish to hawkish is expected in 1H 2016, and this is expected to lend strength to GBP (interest rate differentials). With market currently pricing a rate hike only sometime in late 2016 - early 2017 (we are more optimistic than consensus), this suggests that the market could be underpricing upside risks. Moreover, CFTC positioning (although this can be fickle) for GBP showed short exposure have re-emerged since Oct 2015, and this reflects a bearish bias in the currency. Taken together, this could pose further upside risks when market rebuilds expectation for BoE to tighten. That said, we believe BoE will continue to be cautious (via dovish talks) to prevent any excessive GBP strength, from derailing economic recovery efforts. As such we do not expect BoE to jump the queue ahead of Fed.

Risks to our GBP outlook are inflation stays low for longer; growth/activity data loses momentum; government borrowing blow-up risks and *Brexit* risks. *Brexit* could pose risk to UK's growth prospects via trade, financial channels and exert downside pressure on GBP. CPI inflation remains subdued (Oct inflation at -0.1% y/y) and could pose a "delay risk" for BoE to make a shift in its monetary policy stance.

GBP short positioning and yield differential suggests upside risk in GBP is underpriced



Subdued inflation poses a 'delay risk' in BoE monetary policy stance



Source: Bloomberg, Maybank FX Research

AUD: Volatile Range Trading Has Begun

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
AUD/USD	**0.70**	**0.74**	**0.70**	**0.68**	**0.70**

No Change from Previous Forecast

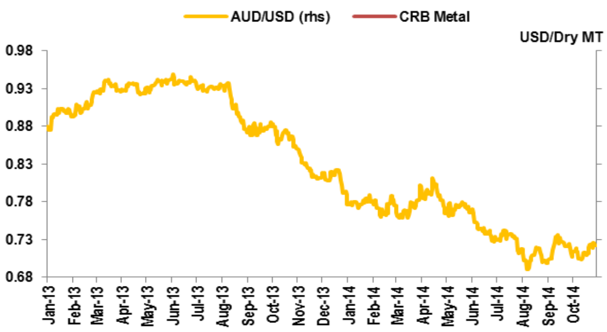
Motivation: We see intermittent spikes on fiscal and monetary boosts from China, keeping AUD in a volatile range with no directional bias for the currency. AUD has been trading in a volatile range within 0.69-0.74 since the start of Sep. The nascent signs of bottoming that we had identified at that point of time has started to play out. Growth is likely to remain sub-par with benefits of a cheaper dollar not entirely feeding through into the economy. Just as we do not expect much upsides to growth, we do not see serious deterioration in the economy as well and the current cash target rate at 2.00% will remain appropriate for the rest of 2016. Key swingers are still China's growth prospects and commodity though much of the commodity slump has been in the price of the AUD.

Growth is below trend. The main driver of growth has been from the household consumption, underpinned by the surprisingly resilient labour market. Downside risks exist as we eye the mortgage rates which have crept higher and its impact on private consumption. Meanwhile, the 3Q CAPEX numbers reveal little positive sentiments from the corporates with lower spending projections made for the year ahead as compared to those made at this time last year. The silver lining in the cloud is the fact that projections made are still higher than those made in the previous quarter, across industries. The cheapened Australian dollar has increased visitor arrivals in Aug and Sep and lower AUD to improve export oriented corporate earnings. An improvement on those fronts, along with a possible upturn in global demand could aid in economic rebalancing towards non-mining sectors.

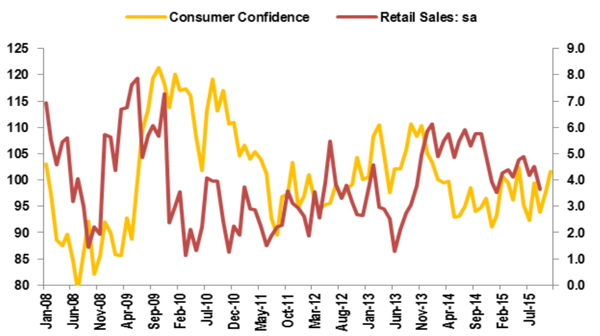
Sluggish Commodities – Priced In. AUD has been adjusting to the decline in the terms of trade. Much of the commodity slump has been priced in when AUD touched a low of 0.6896 in early Sep. We think the biggest part of the commodity slump (metals and coal) have priced in the drop in demand for China. Even as China stabilized, prices are likely to remain sluggish capping AUD. Expect fiscal measures and possibly more synergies in the One Belt One Road plan that could produce intermittent spikes in the AUD.

RBA To Retain Easing Bias For a Long While. Given the downside risks to growth, RBA is likely to retain an easing bias to growth for most of 2016. A key reason is the fact that we do not see immediate dangers of serious economic deterioration. Australia requires a structural improvement in the economy rather than greater monetary accommodation. Businesses lack the confidence to invest because they have not seen the demand for their goods and services. That could come as the full benefits of a cheaper AUD feeds into the real economy along with a possible improvement in global demand.

Sluggish Commodity is in the Price



Private Consumption Not at Risk of Deterioration



Source: Bloomberg, CEIC, Maybank FX Research

NZD: Turning More Bearish

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
NZD/USD	0.6400 (0.6100)	0.5900 (-)	0.6100 (0.6200)	0.6200 (0.6500)	0.6300 (0.6700)

Previous Forecast in Parenthesis

Motivation: We turned more bearish on the NZD, due to a combination of factors including high risk of current account deficit widening further, declining ToT amid weakening demand, moderating growth outlook, benign inflation, soft dairy prices for longer and growing divergence of monetary policy between Fed and RBNZ. As such, we revised lower our FX forecasts from 2Q to end-2016 to reflect our bias. However we raised our FX forecasts for 4Q 2015 given the recent build-up in NZD long position, which saw the concomitant move in NZD spot.

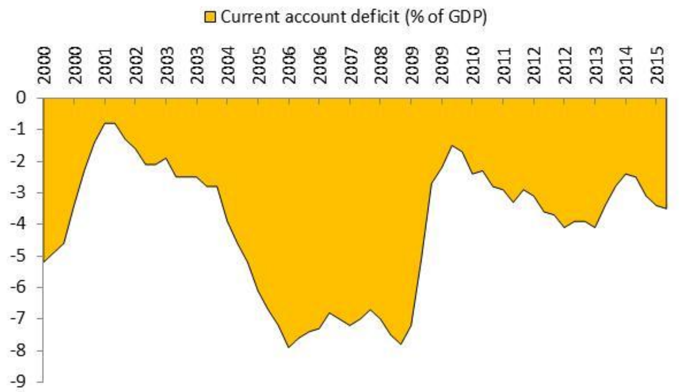
Current account deficit has widened to levels not seen since 2013, and could potentially widen further from current -3.5% of GDP (as of 2Q) given the downshift in trade (NZ experienced 8 trade deficits YTD), and together with falling terms of trade (ToT), this could re-assert further downside pressure on the NZD.

NZ continues to experience a period of structurally low inflation, especially with inflation still near 15-year lows and wage inflation remains benign near 2010 levels. To make matters worse, dairy prices is still on a decline since 2014 highs and remains well below its 5-year average. Dairy prices are expected to remain low for longer until global dairy over-supply and under-demand dynamics adjust. This is unlikely to happen soon, especially with deregulation of US and EU dairy markets (which seen a flush of dairy supply) while demand remains soft as China demand has yet to recover due to rise in domestic production and build-up in inventory while sanctions in Russia also reduce demand.

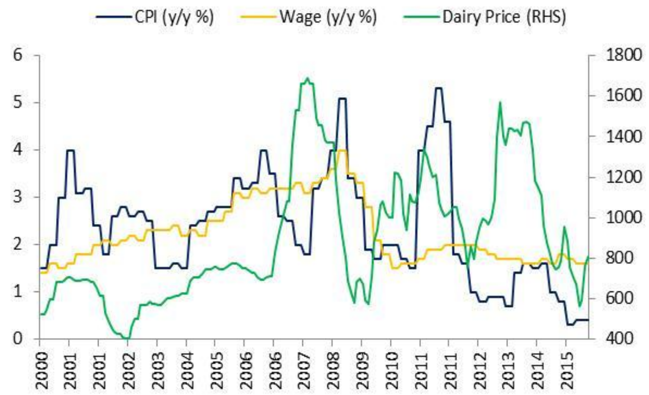
Growth outlook is expected to moderate further in 2016 as rebuilding activity in Canterbury (post-2010 earthquake) peaked and sluggish dairy prices continue to weigh on exports. Recent domestic data have also disappointed – both manufacturing and services PMIs slipped and unemployment rate inched higher. The only bright spots are in services and construction sectors – which have continued to hold up amid accommodative monetary conditions, strong surge in migrant numbers and tourist arrivals.

Growing divergence in monetary policies between Fed and RBNZ will exert downside pressure on the NZD. We expect RBNZ to cut OCR to record lows of 2.5% (from 2.75% currently), as early as in Dec 2015 meeting. With NZD position still net long, there is even bigger risk for further NZD downside.

Current account deficit expected to widen further



Prices remain subdued at multi-year lows



Source: Bloomberg, Maybank FX Research

JPY: Lifts From No Further BOJ Easing, Safe-Haven Plays

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/JPY	124 (-)	122 (125)	124 (125)	122 (125)	120 (125)

Previous Forecast in Parenthesis

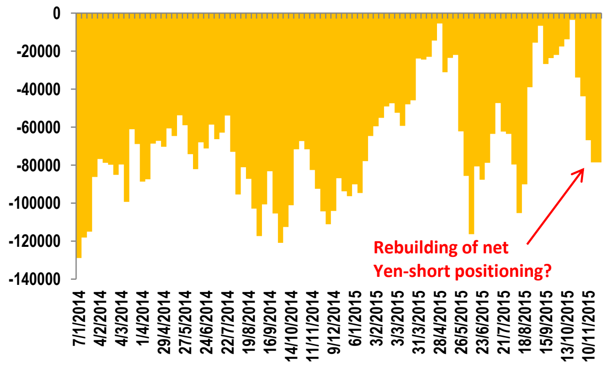
Motivation: We are positive on the JPY outlook in 2016 as we no longer expect any further additional easing measures from the BOJ. Near-term weakness in the JPY by year-end is possible as reflected in market positioning (increase in net JPY-shorts) in anticipation of the Fed lift-off in Dec. This should encourage further fund outflow in search of higher returns, which could prove transitory as China-led global growth and US political risks weigh on the pair. The riskier global environment in 2016 could lead to a flight to quality/safe-haven plays that could weigh on the USD/JPY.

No additional BOJ easing measures are expected in 2016, given the optimistic outlook for the economy as well as the extension of the timing of hitting the 2% inflation target to the latter half of FY 2016, i.e. into 1Q 2017. As well, any bounce in the USD/JPY above the 125-levels could undermine both SMEs' and consumers' confidence, and this could be politically unpalatable especially ahead of the **Upper House election (for half of the 242 seats) in early 2016 summer**. A risk to this outlook though could come from the ECB should it decide to add to its existing QE measures, which could pressure the EUR/JPY lower. A drop in the EUR/JPY below the 125-levels to lows not seen for the past two years could elicit a response from the BOJ.

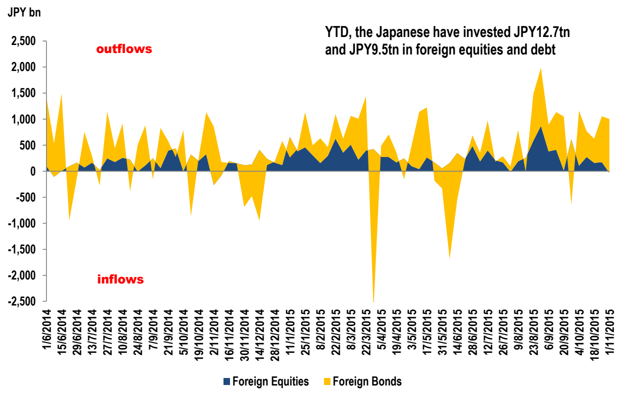
The market continues to position for further JPY weakness ahead as reflected in the latest positioning data where net JPY-short increased to 78611 contracts in the first four weeks of Nov vs. 3639 on 15 Sep. The positioning is likely in anticipation of the Fed lift-off in Dec that should intensify their policy divergence and encourage greater outflows from Japan in search of higher yields. This suggests downside risks to the JPY ahead but the slide lower might not be as large as in the early part of 2014 given the relatively smaller number of contracts compared to Jan 2014. Thus further USD/JPY upmoves should be capped around the 124-levels by year-end.

Deteriorating global risk environment could see flight to quality/safe-haven plays to Japanese assets. The ongoing ultra-loose monetary policy of the BOJ as well as the continued outflow of Japanese funds overseas in search of higher returns to keep the USD/JPY supported. However, risk sentiments could deteriorate in 2016 on a China-led global slowdown and political uncertainty from the US presidential elections in Nov 2016. The resultant negative impact on the Nikkei could drag the USD/JPY along with it, given the positive correlation between the two. Thus, the deteriorating global risk environment could see investors fleeing to safer and higher quality assets, particularly Japanese assets and weigh on the USD/JPY.

Net Yen Short Positioning Is Being Rebuilt



Portfolio Outflows Should Keep USD/JPY Supported



Source: Bloomberg, CEIC, Maybank FX Research

CNY: More Market-Determined = Weaker

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/CNY	6.40 (-)	6.45 (-)	6.60 (-)	6.80 (-)	6.70 (6.80)

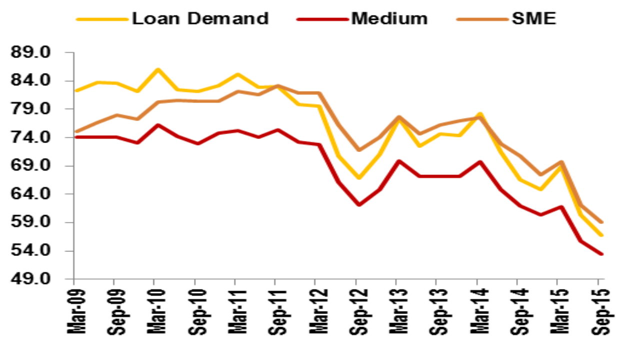
Previous Forecast in Parenthesis

Motivation: We are biased towards a weaker CNY outlook in 2016. China will enter the next half of the decade with lower growth targets, high debt and a more market determined yuan. Fragile fundamentals are likely to keep domestic investors keen on overseas investment. Overseas loans and trade credit outflows will rise as China loosens its control over capital account. Upmove of the USDCNY will be checked by sporadic interventions. We see a low risk of another outright devaluation. Current account surplus could prevent the yuan from depreciating more than 7% from the current value of around 6.40. Expect the peak to be reached at 6.80 around the 3Q of next year, against the USD as we expect rate hike speculations to spur another round of dollar dominance before inching lower again towards 6.70 by the end of the year. Eyes are on the annual NPC and CPPCC in Mar for growth targets.
Lower growth targets, cracks seen in Consumer. Overcapacity issues will remain until One Belt One Road takes flight along with AIIB. That should keep manufacturing sector under pressure. China's consumers have become the pillar of growth but we are concerned about the fall in loan demand index for non-mfg and consumer sentiment. State Council should lower growth targets. Fragile fundamentals would continue to see domestic investors prefer overseas assets. Corporates have also been encouraged to seek higher yielding infrastructure investments overseas that could soak up excess production at home and boost exports.

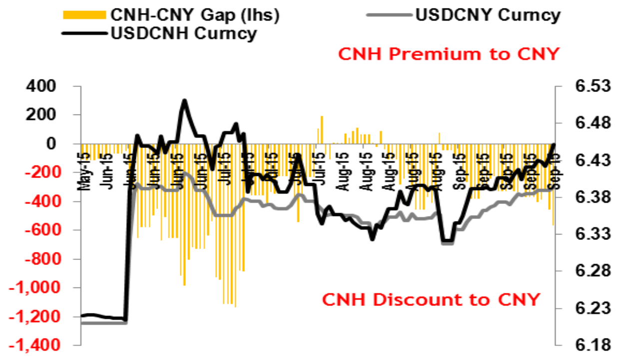
Of high debt, fiscal reforms, social reforms. Total debt ratio of China is 250-300% of its GDP but China will not deleverage much in 2016. Yet, interest rates must be kept low for corporates to refinance their debt and engage in productive investment. We look for at most another interest rate cut of 25bps to 4.10%. RRR can be cut in intervals by another 200 bps to 15.0% (the low seen during the 2008 crisis period). Fiscal stimulus is key. Expect more local government debt to be converted to municipal bonds and more public private partnerships to crowd in private investment, alleviating the burden of the local governments. That should usher in social reforms.

Capital account liberalization - Slowly But Surely. The FX reform on 11 Aug has successfully converged with the daily USDCNY reference rate to spot prices but USDCNY is still trading at a discount to USDCNH. This gap could persist. Administrative measures have been imposed to discourage speculative bets on yuan depreciation. We expect capital account liberalization to proceed at a piece-meal pace. The State Council has pledged complete capital account liberalization by 2020 and the One Belt, One Road goal that will propel China to be one of the biggest net global creditors.

Falling Appetite for Credit



CNH-CNY Gap Is Likely to Persist



Source: Bloomberg, CEIC, Maybank FX Research

KRW: Dragged by Structural Downshift in Global Trade

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
USD/KRW	1150 (-)	1120 (-)	1140 (-)	1160 (-)	1180 (-)

No Change from Previous Forecast

Motivation: We maintain a bearish bias in KRW especially from 2Q - 4Q 2016. Risk of economic recovery stalling (dragged by sluggish exports, which could be structural in nature), risk sentiment (KRW remains high beta currency) and growing monetary policy divergence between Fed and BoK are some of the factors that could exert downside pressure on the KRW. But we see some near term respite (1Q 2016) in USDKRW, possibly towards 1120 on a combination of drivers including supported risk sentiment as global central banks are still keeping monetary conditions accommodative and a cyclical recovery in Korea supported by domestic demand amid effects of government supplementary budget measures and low policy rate for longer. That said we continue to caution that risk sentiment remains fickle and USDKRW can trade in a volatile and wide range.

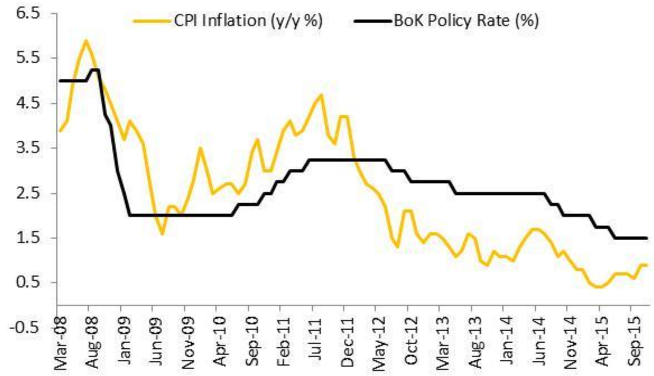
Structural downshift in global trade will burden Korea's growth outlook. Exports have seen the sharpest decline (-15.9% y/y in Nov) and longest stretch of consecutive declines (11 months in a row) since 2009. This is a drag on Korea's economy especially when exports of goods and services make up about 50% of Korea's GDP. To make matters worse, Korea is highly dependent on China as its export destination (Export dependency on China stands at about 25%), and exports to China have been on a downtrend in 2H 2015. We expect slowdown in China demand to persist and this could add to Korea's exports woes, weigh on its growth outlook, and negatively impact KRW.

Domestic demand is expected to partially mitigate KRW's negative outlook. Investments and consumption (both household and government) are expected to lead the cyclical recovery over 4Q 2015 – 1Q 2016 amid government supplementary budgets and accommodative monetary conditions.

Monetary policy rate is expected to remain low, for longer, as inflation (at 0.9% y/y in Oct) remains well below BoK's target range of 2.5 – 3.5%. The inflation target is due for review in mid-Dec 2015. We expect the target range to be lowered towards 2 – 3% for 2016-18. We expect inflation to remain subdued (lowest pace for 16 years) due to low oil prices and low demand-pull inflationary pressures. BoK is expected to maintain a "wait-and-watch" stance and keep policy rate on hold at 1.5% for 2016 amid a cyclical recovery in 1Q 2016. Risk is tilted towards a cut in 2H 2016 should growth and inflation fail to pick up. KRW could is expected to face further downside pressure leading into subsequent FOMC meetings in 2016 (USD positive).

Structural Downshift in Korea Exports to weigh on growth and KRW outlook

BoK policy rate to remain low, for longer amid subdued inflation outlook



Source: Bloomberg, Maybank FX Research

SGD: External & Domestic Challenges To Persist

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/SGD	1.4200 (-)	1.4100 (1.39)	1.4200 (-)	1.4400 (-)	1.4700 (-)

Previous Forecast in Parenthesis

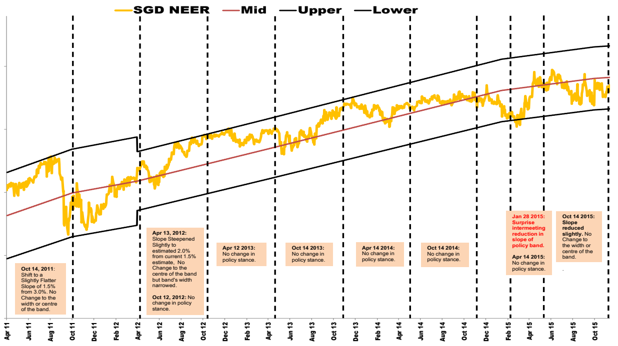
Motivation: The outlook for the SGD remains dim in 2016 even though no further moves by the MAS are expected. Upside moves to the USD/SGD are expected given the SGD remains overvalued as reflected by our UIP model. Downside risks from domestic and external headwinds should put downside pressures on the USD/SGD, though downside should be limited by the persistent balance of payments surpluses.

Hurdles to further MAS policy adjustments remain high after the two easing moves in 2015 that sent the USD/SGD higher above the 1.40-levels currently from the 1.32-levels in early 2015. These moves were unlikely made to support growth but likely due to the changing outlook for inflation given the steady drop in the global oil prices. More easing could come in 2016 if growth underperforms significantly due to some risk event and/or should the pick-up in core inflation continue to stall. For now, core inflation is predicted to tick higher next year due to the fading effects of lower oil prices and the budgetary measures, which should allow the MAS to maintain its “modest and gradual appreciation” stance in 2016.

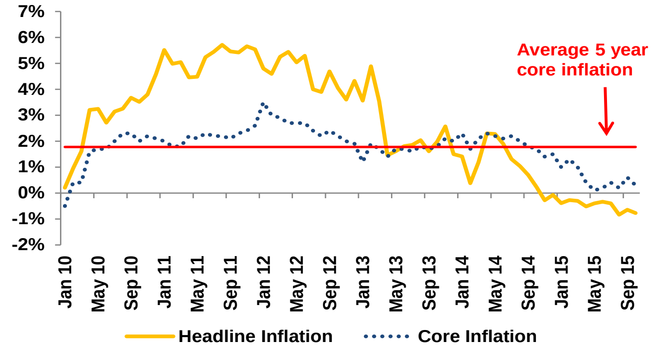
Climb in domestic interest rates could portend further upside risks to the USD/SGD. Our uncovered interest parity (UIP) model, which suggests that the SGD remains overvalued, could see further upside adjustments to the current levels of the spot USD/SGD. The expectations of a Fed fund rate hike in Dec are likely to drive the pair higher. The adjustment is already taking place as reflected in the uptick in the 3M SIBOR to around the 1.07%-levels, though this was off the year’s high of 1.14% (end-Sep), but which was still significantly above the 0.4% seen at the start of the year. This rapid jump in the interest rate suggests the potential for further USD/SGD upside ahead.

Risks to the SGD are to the downside as domestic and external headwinds weigh on the economy. Domestically, the ongoing restructuring of the economy away from reliance on foreign labour towards productivity-driven growth has resulted in the economy underperforming. Still soft global crude oil prices should be beneficial to the domestic economy Externally, the sluggish global growth outlook driven by a slowdown in China, the imminent lift-off in the Fed fund target rate, as well as the uncertainty arising from the US presidential election could intensify risk, stir a flight to safety and lead to greater volatility in the FX markets. However, back-stopping the currency is the strong persistent balance of payments surpluses that should limit any SGD sharp decline.

MAS On Hold - SGD NEER To Stay Below The Mid-Point



Higher Core Inflation in 2016 But Could Still Be Well Below Its 5-Year Average



Source: Bloomberg, CEIC, Maybank FX Research

MYR: The Bottom is Nearing

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q2016
USD/MYR	4.2000 (4.3500)	3.9500 (4.1000)	4.1000 (4.2500)	4.1500 (4.3000)	4.1500 (4.3000)

Previous Forecast in Parenthesis

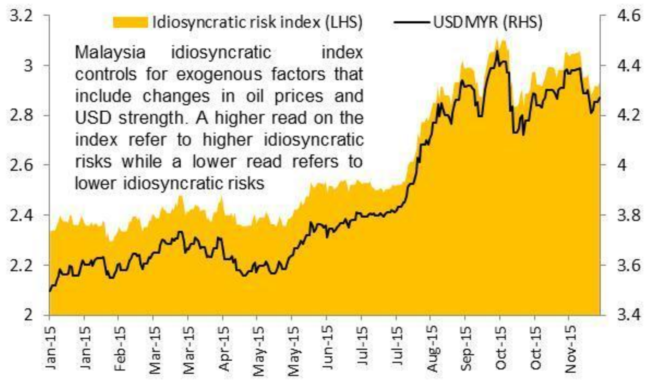
Motivation: We see limited weakness in the MYR and are slightly more optimistic than street estimates on a combination of drivers including, slowly dissipating concerns of domestic issues, relative stability in oil prices (as compared to previous rapid declines in 2014-2015), and these are supporting investor sentiment. We also expect domestic demand to remain resilient (despite some softness) and this is expected to help offset some of the sluggish external demand concerns. Near term outlook for portfolio flows have stabilized and further improvement will help mitigate the negativity surrounding MYR. To add, MYR has fallen by more than 25% (vs. USD) since end-2014, and USD long positioning in the pair could be at over-stretched levels. Unwinding of USD-longs, given an improvement in domestic sentiment could exacerbate the downside move further. In light of the above factors, we revised our USDMYR forecasts lower over the forecast horizon to reflect our optimism.

We continue to reiterate that Ringgit weakness is temporary and is not a reflection of underlying fundamentals (which remain intact). We expect to see some stability returning to Ringgit over the next year or so as political/contingent liability risk subsides, fiscal consolidation/reforms gains traction and oil prices stabilize at lower levels (upside risk on MYR given that Malaysia budget assumes oil price at low of $48/bbl; MBB forecast: $53/bbl).

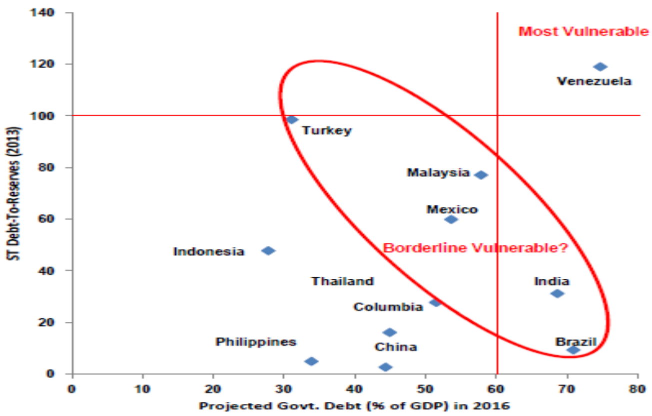
We noted recent shifts in Malaysia's declining dependence in commodities as its net commodity exports are much lower as a share of GDP compared to those of other major EM producers. Malaysia's terms of trade is also somewhat stable. We believe the weaker ringgit could help the competitiveness of Malaysia's manufacturing exports (which account for 60% of total good exports). Thus from both a price and output effect perspective, we would expect the weaker ringgit to be a net positive for the medium term growth outlook.

MYR is not immune to external development. Its high short term external debt and falling FX reserves will continue to weigh on the MYR, should downside risks to EM growth worsens. Malaysia's dependence on foreign fund flows as well as relatively high foreigner ownership of MGS (~46%) are also other sources of vulnerability and could pose downside pressure on MYR, in times of market stresses amid any risk of rapid pace of Fed tightening (not our base line scenario).

Idiosyncratic risks will drive MYR direction



MYR is not immune to external development



Source: Bloomberg, Maybank FX Research

IDR: Weighed By Rate Cuts In 2016

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/IDR	14000 (14500)	14000 (14100)	14200 (-)	14400 (-)	14500 (-)

Previous Forecast in Parenthesis

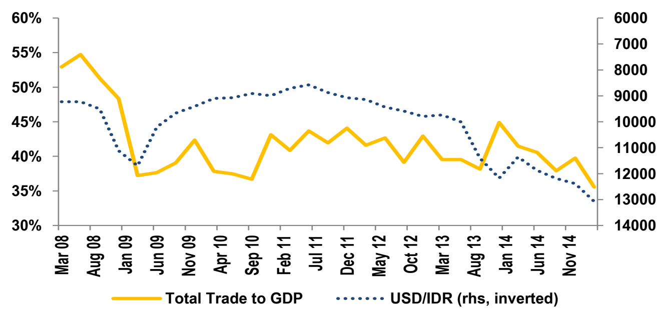
Motivation: The IDR will continue to remain under pressure in 2016 as both domestic and external challenges persist. No rate cut is expected at end-2015 as BI is likely to wait until policy clarity in the US and China becomes clearer. However, two rate cuts are likely in 2016 to complement the series of stimulus measures announced by the government to support the underperforming economy. Meanwhile, the positive carry on government debt that has so far encouraged foreign fund inflows could reverse as these funds seek better returns elsewhere. Risks are thus to the upside for the USD/IDR in 2016.

BI has room to cut rates but is unlikely to do so until policy direction in the US and China is clearer. This is despite expected improvement in the current account deficit, the strengthening of the IDR against the USD since end-Sep and continued moderation in inflation, and political pressure. We believe the central bank should remain on hold in 2015, unless risks sentiments deteriorate significantly. In 2016, the Fed's gradual pace of rate hikes should provide more breathing space for monetary easing, even as the current account deficit bounces back above 2% of GDP. Higher domestic borrowing cost and sluggish growth amid a more benign inflationary environment should prompt the BI to cut the policy rate at least once each in 1H and 2H. These adjustments should weigh on the IDR.

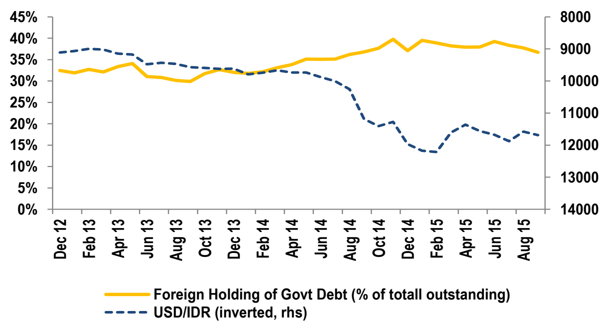
Sub-par macro-fundamentals to persist. Despite the series of measures announced as part of the government's stimulus programme, the outlook for the economy does not look too bright. The economy is expected to expand by just 5.0% in 2016, just marginally improving from this year's expected 4.8%. Execution risks as well as downside risks to growth from the sluggish global environment, particularly the slowdown in China and continued weakness in commodity prices could negatively impact trade and temper growth prospects ahead. These should constrain real GDP below its ten-year average of 5.8% in 2016. The sub-par fundamentals should lift the USD/IDR higher next year.

Portfolio flows into government debt could reverse in 2016 as foreign investors seek higher returns elsewhere. So far, the positive carry from government debt has led to foreign funds adding a net IDR75.8tnn to their outstanding holding of government debt year-to-date. Downside risks come from a China-led global slowdown and when the Fed begins their rate normalization, which could trigger another round of 'bond tantrum'. In the led up to the FOMC meeting in Sep, where expectations was for a Fed fund rate lift-off, market had positioned itself by removing a net IDR14.2tnfrom their holding of government debt in the three-months to Sep. We could see more of such outflows in 2016 that could weigh on the IDR.

Worsening Terms Of Trade Lifting USD/IDR Higher



Fed Rate Hikes Raises Risk of Funds Outflow



Source: Bloomberg, CEIC, Maybank FX Research

PHP: Political Uncertainties To Weigh

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/PHP	**47.50** (47.00)	**48.00** (47.00)	**48.00** (47.00)	**47.80** (46.80)	**47.80** (-)

Previous Forecast in Parenthesis

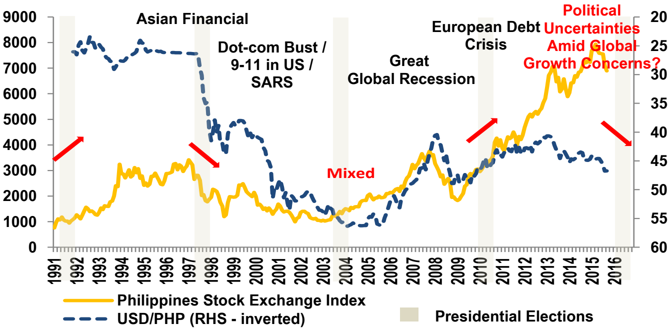
Motivation: We remain bearish on the PHP due to the upcoming presidential and general elections in May 2016, and risks from the El Nino weather phenomenon and possible slowdown in overseas remittances from the weak global economy. The possible bright spot preventing the further depreciation of the PHP against the USD is the BSP keeping rates on hold for 2016. This should act as a backstop for the PHP amid FX market volatility.

Policy rate adjustments by the BSP are unlikely given strong economic fundamentals. Strong current account surpluses, outperforming economic growth (above 5%), healthy import-cover ratio and short-term debt-to-reserve (18.3 months and 6.1 times respectively) make it unnecessary for the central bank to provide added support to the economy. Instead, we expect the BSP to keep its ammunition dry for a rainy day. In fact, unlike most of its regional peers, the BSP has kept its overnight borrowing rate steady so far in 2015. Even the political uncertainty from the presidential election in May 2016 is unlikely to move the BSP. Moreover, the uncertainty in the FX markets from the imminent US Fed lift-off and hikes thereafter should also discourage the central bank from cutting its policy rate anytime soon. Thus, this should provide the PHP with support amid uncertainties from the global economy led by a slowdown in China and domestic general elections.

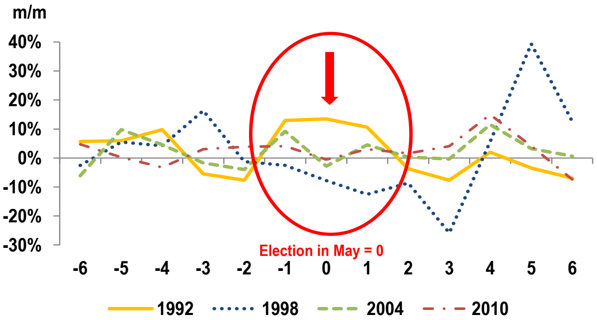
Key risk in 2016 to the PHP is the upcoming presidential and general elections. Examination of the election trends on flows and the domestic currency showed that investors generally are not enthusiastic of the presidential election as incumbents are constitutionally barred from running for a second term. This is particularly true for the upcoming election as there is no certainty that President Aquino's business-friendly policies and reforms would survive beyond his term of office especially if his favoured-candidate fails to win the election. Thus, the equity market is likely to be the main victim of political uncertainties up to six-months after the elections and the outflows should weigh on the PHP as well. Consequently, this could see the USD/PHP climb higher in 1H 2016.

Further risks to our PHP outlook stems from the El Nino weather phenomenon and the possible tapering of overseas remittances from the global slowdown. The El Nino weather phenomenon is expected to be severe in 2H 2016 and could lead to floods and droughts, negatively affecting crops and hence agricultural export earnings and domestic inflation. Sluggish global growth particularly in the G3 could slow the remittances, and put downward pressure on private consumption - the mainstay of economic growth.

Political Uncertainties Supportive Of USD/PHP



Election Year Tends To Be Unfavourable To Equities



Source: Bloomberg, CEIC, Maybank FX Research

THB: Downside Pressure From Domestic Concerns

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/THB	35.80 (37.00)	35.50 (37.30)	36.00 (37.50)	36.50 (37.70)	36.50 (-)

Previous Forecast in Parenthesis

Motivation: We continue to expect further upside to the USD/THB in 2016 due to the continued underperformance of the economy, despite the stimulus package. In addition, political uncertainty could weigh on investor sentiments and could put downward pressure on the THB. However, the THB weakness is unlikely to be as severe as its regional peers due to the central bank holding its policy rate steady as well as it persistent current account surpluses.

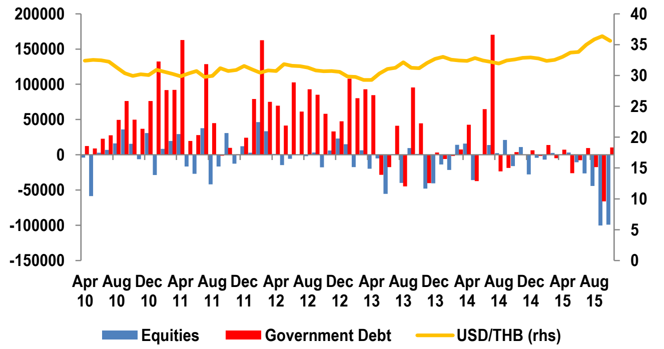
No rate adjustments are expected for the rest of the year and in 2016 because the concomitant weakness in the THB from a rate cut is unlikely to be a panacea to the kingdom's export woes as global demand remains soft; the imminent US Fed fund rate normalization in Dec has almost closed the window to a rate cut; and fiscal policy is a more effective tool to stimulate the economy than lower borrowing rates. This should help to keep the THB supported against the USD in 2015 and 2016. A possible risk to our policy rate outlook is rate hikes in 2016 to stem portfolio outflows in search of higher yields. While this is not our base case, such a move could be supportive of the THB and weigh on the USD/THB in 2016.

Domestic growth should rebound but remain below its 5-year average of 3.9%, supported by the stimulus package. The economy is likely to gain more traction in 2016 though due to the accelerated government spending and the on-going stimulus spending programme of THB54bn. There is unlikely to be a sharp rebound as these should only partially mitigate the drag on the economy from the external environment, increasing downside risks to the THB.

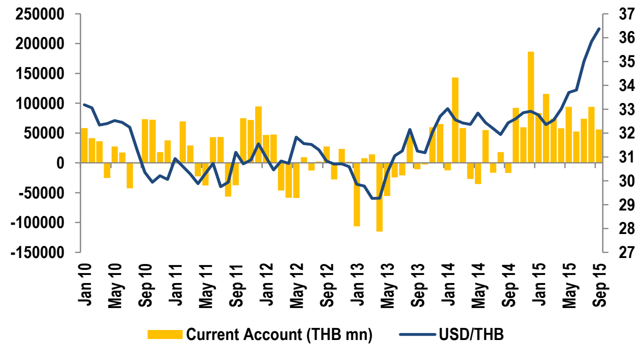
Domestic politics remain a key risk despite the current calm. Underlying political tensions could re-emerge as the drafting of the constitution gets underway again. The planned referendum in 2Q 2016 on the draft constitution could become a referendum on PM Prayuth and the junta instead. No matter which way the referendum goes, the only certainty is that the tenure of the un-elected PM Prayuth and his government could be prolonged. The political uncertainty arising from all of these could weigh on investor sentiments in 2016 and put downside pressure on the THB.

The current account surplus has strengthened to levels not seen in the past 10 years, due largely to the larger contraction in imports compared to exports. However, the surpluses could shrink in 2016 as imports rise on the stimulus package and exports continues to be weighed by the sluggish global economy led by a China-slowdown. This should put downward pressure on the THB.

Portfolio Outflows Weighing On The USD/THB



Current Account Could Shrink In 2016



Source: Bloomberg, CEIC, Maybank FX Research

INR: Of Politics, Inflation and Fed Normalization

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/INR	67.00 (-)	66.50 (64.50)	67.50 (65.00)	68.00 (66.00)	67.00 (-)

Previous Forecast in Parenthesis

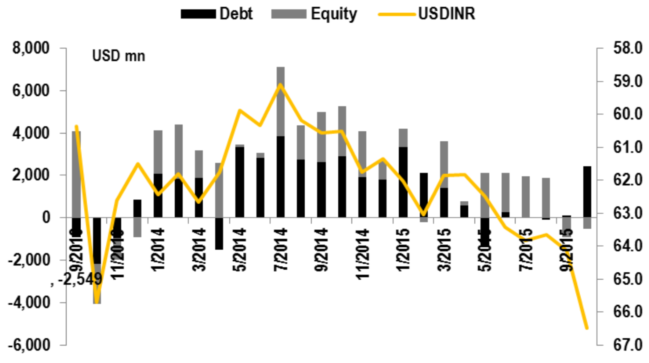
Motivation: Rupee will be at the whims of more election jitters in 2016 with 5 state elections due this year. We see rupee weakness exacerbate in 2H as we anticipate renewed concerns of further Fed hikes then. The run up into the Fed rate hike and apprehension over the current winter parliamentary session and its implications on Modi's GST have seen USD753.1mn of debt and USD434.6mn of equity outflow within Nov alone. In the year ahead, inflation could return on fading base effects, potential global stabilization and El Nino. That should keep RBI on hold for a while, especially after the central bank frontloaded rate cuts in Sep. Sluggish oil prices will continue to benefit private consumption which should have concomitant buffer for the rupee.

Gathering the Political Will. Perhaps the biggest setback of the year for PM Modi was the loss of Bihar election (243 assembly seats out of 4120). There are five more elections in 2016 with 824 more assembly seats at stake. The West Bengal state election will be the litmus test (294 seat). While we are hopeful for BJP to nail the elections this year that should pave the way for the rest of the economic reforms, the presence of elections and the uncertainties of his political progress usually brings fluctuations in the rupee. The election dates are not revealed yet but the confluence of more Fed hikes could take USDINR towards 68.00 sometime in 3Q.

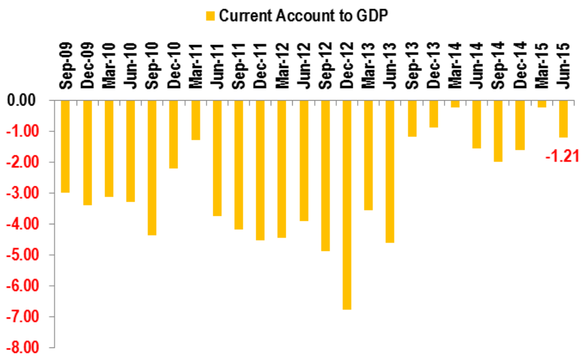
Inflation is Coming. The deflationary global environment had given India the room to frontload rate cuts to boost growth. However, rising food prices amid intensifying El Nino, fading base effects as well as possibly firmer oil prices could raise inflationary pressures in the months ahead, closing the window for further rate cuts. That is still unlikely tilt the RBI towards a rate hike given the absence of private investment. That leaves mild downside risk to the rupee, albeit with support from private consumption starts to provide formidable boost to the economy and as the remnant effects of the rate cuts come through. Another risk to our view is unexpected spikes in oil that could widen India's CAD.

The Pace of Fed Normalization Matters. The rise of the dollar in 2015 had market players pulling out of emerging markets' Asia. Rupee was also weakened, albeit still one of the most resilient in the region. We are watchful of the pace of Fed rate hikes next year and its impact on India's debt, one of the highest in the region.

More Portfolio Swings Ahead



Sluggish Oil Keeps CAD Suppressed



Source: Bloomberg, CEIC, Maybank FX Research

VND: External Headwinds Ahead

Forecast	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/VND	22500 (-)	22750 (22500)	23000 (22750)	23210 (23000)	23450 (23300)

No Change from Previous Forecast

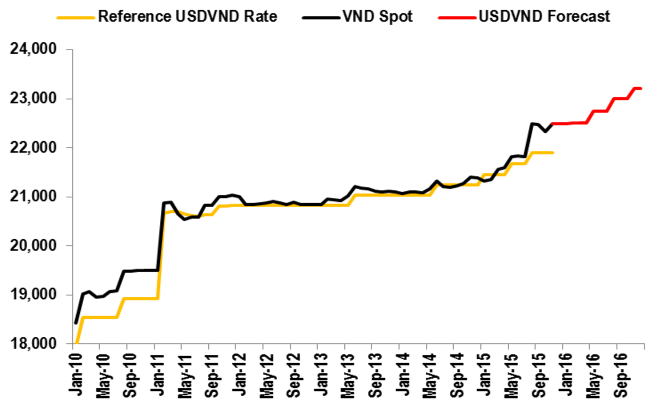
Motivation: The VND is likely to be devalued 4 times next year as we expect slower growth, tightening Fed and weaker CNY. Upside pressure to the USDVND will dominate, especially dragged by the weaker yuan. However, fading base effects and impact of El Nino imply that price pressure could increase this year and that could limit the amount of VND devaluation to 4%.

Headwinds to Growth Remain. We see signs of softening aggregate demand with some deceleration seen in retail sale, exports growth and even imports growth. VND is unlikely to find support from a mild trade deficit. PMI-mfg has been hovering around the benchmark 50.0-level. FDI continues to flow into key sectors – agriculture, forestry and fishery, manufacturing, electricity, gas, air con supply and real estate, which should support growth. Expect sluggish commodity to check price pressures which could rise this year, support private consumption and allow SBV room to devalue the VND around three times next year. Vietnam targets 6.5-7% growth for 2016-2020.

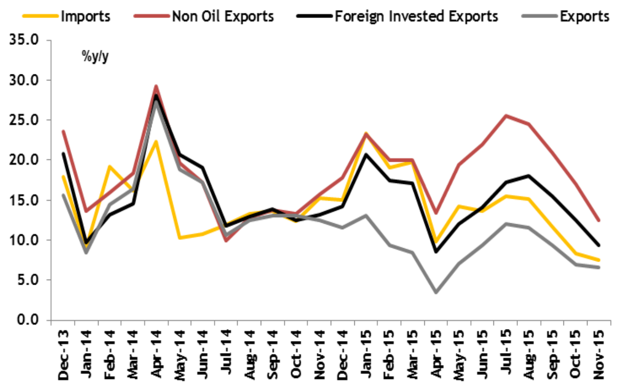
Bending to external pressures of the yuan… Yuan weakness in 2016 should add substantial depreciation pressure to the VND as what we had seen in 2015. SBV was the first to react to the yuan devaluation on 11 Aug for fear of losing exchange rate competitiveness. While we expect another 6% depreciation in the yuan, the SBV might not depreciate the VND accordingly given a likely rise in inflation. Risks are tilted towards a cut for its policy rates as SBV remains growth-focused. We expect at most a 50bps cut to the refinancing-rate to 6.00%. However, the other goal of anti-dollarization also means that the domestic interest rate should not be lowered so as not to discourage residents from holding the VND. The VND will also be susceptible to pressures to the downside

As well as the Fed… The VND will also be at the mercy of the Fed. A cumulative 50bps hike on two separate occasions (2Q and 4Q) from the Fed should be enough to take the USDVND towards 23450.

USDVND - Risks to the Upside



Imports And Exports Slow



Source: Bloomberg, CEIC, Maybank FX Research

Global and Regional FX Outlook & Risks

	ASEAN Debt Risks	A Slower China	Further Easing in DM	Rangy Oil with Upside Risk	TPP	Fiscal Capacity	Domestic Demand	EL Nino	2016 Outlook
USD TWI	Negative	Negative	Positive	Positive	Positive	Negative	Positive	Positive	Positive
EUR	Positive	Positive	Negative	Neutral	Neutral	Positive	Positive	Neutral	Negative
GBP	Negative	Negative	Positive	Neutral	Neutral	Negative	Positive	Neutral	Positive
JPY	Positive	Negative	Negative	Negative	Positive	Positive	Positive	Neutral	Positive
CNY	Negative	Negative	Neutral	Neutral	Negative	Positive	Neutral	Neutral	Negative
KRW	Negative	Negative	Neutral	Neutral	Positive	Negative	Positive	Neutral	Negative
AUD	Negative	Negative	Positive	Positive	Neutral	Negative	Neutral	Negative	Neutral
NZD	Negative	Negative	Neutral	Neutral	Positive	Positive	Neutral	Negative	Negative
MYR	Negative	Negative	Positive	Positive	Positive	Neutral	Neutral	Negative	Neutral
SGD	Negative	Negative	Positive	Negative	Positive	Positive	Negative	Positive	Negative
IDR	Negative	Negative	Positive	Positive	Neutral	Negative	Positive	Negative	Neutral
PHP	Negative	Negative	Positive	Negative	Negative	Positive	Positive	Negative	Negative
THB	Negative	Negative	Positive	Negative	Negative	Positive	Neutral	Negative	Negative
INR	Negative	Neutral	Positive	Negative	Neutral	Neutral	Neutral	Negative	Negative
VND	Negative	Negative	Positive	Positive	Positive	Neutral	Neutral	Negative	Negative

Source: Maybank FX Research

denotes Positive; denotes Negative; denotes Neutral

2016 FX Outlook Summary

Currency	Direction/ Bias	Motivation
DXY	Mild Bullish	Remain mildly bullish on the 2016 dollar outlook. Firmer US data and rising expectations of the Fed rate hike in Dec 2015 have been supporting the USD. We continue to expect a gradual pace of Fed tightening in 2016 and hence should not see excessive US strength but a rather supported USD.
EUR/USD	Bearish	EUR is expected to face further downside pressure over the next 3 - 6 months amid further monetary easing, as ECB remains worried about subdued inflation. Beyond 6 months, we expect EUR to stabilize around 1.04 levels and gradually inch higher towards 1.08 into 2016-end, as monetary easing slows amid a pick-up in inflation off the back of oil prices stabilizing.
GBP/USD	Bullish	Remain positive in GBP outlook over the forecast horizon, notwithstanding some near term weakness towards 1.48-1.50 levels in the next 2-3 weeks before rebounding. Ongoing economic recovery warrants a shift in monetary policy stance at some point in 1H 2016. This will result in monetary policy divergence between BoE and other G7 majors.
AUD/USD	Neutral	We see intermittent spikes on fiscal and monetary boosts from China, keeping AUD in a volatile range with no directional bias for the currency. Key swings are still China's growth prospects but much of the commodity slump is in the price.
NZD/USD	Bearish	Bearish on the NZD, due to high risk of current account deficit widening further, declining ToT amid weakening demand, moderating growth outlook, benign inflation, soft dairy prices for longer and growing divergence of monetary policy between Fed and RBNZ.
USD/JPY	Bearish	Positive on the JPY in 2016 as no additional easing measures is expected from the BOJ. Near-term weakness by end-2015 is possible as reflected in market positioning (increase in net JPY-shorts) in anticipation of the Fed lift-off in Dec. This should encourage further fund outflow in search of higher returns but could be transitory as China-led global growth and US political risks weigh on the pair. The riskier global environment in 2016 could lead to a flight to quality/safe-haven plays that could weigh on the USD/JPY.
USD/KRW	Bullish	Maintain a bearish bias in KRW. Risk of economic recovery stalling (dragged by sluggish exports, which could be structural in nature), risk sentiment (KRW remains high beta currency) and growing monetary policy divergence between Fed and BoK are some of the factors that could exert downside pressure on the KRW. But in the near term (to 1Q 2016), KRW could see some respite due to supported risk sentiment (global monetary conditions remain accommodative) and cyclical recovery amid budget and monetary stimulus efforts.
USD/CNY	Bullish	We are biased towards a weaker CNY outlook in 2016. China will enter the next half of the decade with lower growth targets, high debt and a more market determined yuan. Prevailiing current account surplus will keep CNY from depreciating more than 7% of current level of around 6.4.
USD/SGD	Bullish	Outlook for the SGD remains dim in 2016 even though no further moves by the MAS are expected. Upside moves to the USD/SGD are expected given the

		SGD remains overvalued as reflected by our UIP model. Downside risks from domestic and external headwinds should put downside pressures on the USD/SGD, though downside should be limited by the persistent balance of payments surpluses.
USD/MYR	**Mild Bullish**	Still see MYR weakness but likely to be limited on a combination of drivers including, slowly dissipating concerns of domestic issues, relative stability in oil prices and relatively resilient domestic demand (to offset some external demand concerns).
USD/IDR	**Bullish**	IDR to remain under pressure in 2016 as both domestic and external challenges persist. No rate cut is expected at end-2015 as BI is likely to wait until policy clarity in the US and China becomes clearer but two rate cuts are likely in 2016 to complement the series of stimulus measures announced by the government to support the underperforming economy. The positive carry on government debt that has so far encouraged foreign fund inflows could reverse as these funds seek better returns elsewhere. Risks are thus to the upside for the USD/IDR in 2016.
USD/PHP	**Bullish**	Remain bearish on the PHP due to the upcoming presidential and general elections in May 2016, and risks from the El Nino weather phenomenon and possible slowdown in overseas remittances from the weak global economy. Possible bright spot preventing the further depreciation of the PHP against the USD is the BSP keeping rates on hold for 2016, which acts as a backstop for the PHP amid FX market volatility.
USD/THB	**Mild Bullish**	Expect further upside to the USD/THB in 2016 due to the continued underperformance of the economy, despite the stimulus package. Political uncertainty could weigh on investor sentiments and put downward pressure on the THB. Move lower is unlikely to be as severe as its regional peers due to the central bank holding its policy rate steady as well as it persistent current account surpluses.
USD/INR	**Mild Bullish**	INR will be at the whims of more election jitters in 2016 with 5 state elections due this year. We see rupee weakness exacerbate in 2H as we anticipate renewed concerns of further Fed hikes then. Sluggish oil prices will continue to benefit private consumption which should have concomitant buffer for the rupee.
USD/VND	**Bullish**	The VND is likely to be devalued 4 times next year as we expect slower growth, tightening Fed and weaker CNY. Upside pressure to the USDVND will dominate, especially dragged by the weaker yuan. However, fading base effects and impact of El Nino imply that price pressure could increase this year and that could limit the amount of dung devaluation to 4%.

Source: Maybank FX Research

2016 Asian Monetary Policy Summary

	Policy Measure	Direction/Bias	Maybank Expectations 2016
JPY	Monetary Base	Easing Bias	No additional measures are expected as the BOJ expects the 2% inflation target to be achieved in 2H FY 2016.
CNY	1-Yr Lending Rate	Easing	Expect at most another 25 bps cut to 1Y lending rate, a most direct way to lower cost of financing. RRR to be lowered by 200bps in intervals to support liquidity conditions.
KRW	Base Rate	Easing Bias	BoK is expected to maintain a “wait-and-watch” stance and keep policy rate on hold at 1.5% for 2016 amid a cyclical recovery in 1Q 2016. Risk is tilted towards a cut in 2H 2016 should growth and inflation fail to pick up.
SGD	Exchange Rate	Easing Bias	Hurdles remain high for additional moves by the MAS as core inflation should tick higher and growth is not expected to tank in 2016.
MYR	O/N Policy Rate	Neutral	Expect BNM to keep policy rate on hold at 3.25% for 2016 as BNM sought to maintain accommodate monetary policy to support domestic demand. BNM likely to focus on market liquidity which is in line with moves to encourage “onshoring” of local corporates currency earnings and deposits.
IDR	O/N Reference Rate	Easing	Two rate cuts are expected - once each in 1H and 2H 2016 - to reduce domestic borrowing cost and spur growth amid a more benign inflationary environment.
PHP	O/N Reverse Repo	Neutral	No policy rate adjustments are likely given its the strong economic fundamentals, including current account surpluses, outperforming economic growth, healthy import-cover ratio and short-term debt-to-reserve ratio.
THB	1-Day Repo Rate	Easing Bias	No rate adjustments are expected in 2016 as a weak THB is not seen as a panacea for its export woes; given the imminent Fed fund rate hike; and BoT's views that fiscal policy is more appropriate than monetary policy to stimulate the economy.
INR	Policy Repo Rate	Easing Bias	We do not see further interestrate adjustments amid rising inflation risks and still decent growth prospects.
VND	Refinancing Rate	Easing Bias	Expect SBV to lower refinancing rate by 50bps to 6.00% to support investment and consumption.

Source: Maybank FX Research

2016 FX Forecasts

	End Q4-15 f	End Q1-16 f	End Q2-16 f	End Q3-16 f	End Q4-16 f
USD/JPY	124.00	122.00	124.00	122.00	120.00
EUR/USD	1.0800	1.0400	1.0400	1.0600	1.0800
GBP/USD	1.5300	1.5600	1.5800	1.6000	1.6200
AUD/USD	0.7000	0.7400	0.7000	0.6800	0.7000
NZD/USD	0.6400	0.5900	0.6100	0.6200	0.6300
USD/SGD	1.4200	1.4100	1.4200	1.4400	1.4700
USD/MYR	4.2000	3.9500	4.1000	4.1500	4.1500
USD/IDR	14000	14000	14200	14400	14500
USD/THB	35.80	35.50	36.00	36.50	36.50
USD/PHP	47.50	48.00	48.00	47.80	47.80
USD/CNY	6.40	6.45	6.60	6.80	6.70
USD/HKD	7.77	7.80	7.80	7.80	7.80
USD/TWD	32.90	33.30	33.40	33.40	33.50
USD/KRW	1150.00	1120.00	1140.00	1160.00	1180.00
USD/INR	67.00	66.50	67.50	68.00	67.00
USD/VND	22500.00	22750.00	23000.00	23210.00	23450.00
EUR/CNY	6.91	6.71	6.86	7.21	7.24
EUR/MYR	4.54	4.11	4.26	4.40	4.48
SGD Crosses	**End Q4-15 f**	**End Q1-16 f**	**End Q2-16 f**	**End Q3-16 f**	**End Q4-16 f**
100 JPY/SGD	1.1452	1.1557	1.1452	1.1803	1.2250
EUR/SGD	1.5336	1.4664	1.4768	1.5264	1.5876
GBP/SGD	2.1726	2.1996	2.2436	2.3040	2.3814
AUD/SGD	0.9940	1.0434	0.9940	0.9792	1.0290
NZD/SGD	0.9088	0.8319	0.8662	0.8928	0.9261
SGD/MYR	2.9577	2.8014	2.8873	2.8819	2.8231
SGD/IDR	9859	9929	10000	10000	9864
SGD/THB	25.21	25.18	25.35	25.35	24.83
SGD/PHP	33.45	34.04	33.80	33.19	32.52
SGD/CNY	4.51	4.57	4.65	4.72	4.56
SGD/JPY	87.32	86.52	87.32	84.72	81.63
SGD/HKD	5.47	5.53	5.49	5.42	5.31
SGD/TWD	23.17	23.62	23.52	23.19	22.79
SGD/KRW	809.86	794.33	802.82	805.56	802.72
SGD/INR	47.18	47.16	47.54	47.22	45.58
Other Crosses	**End Q4-15 f**	**End Q1-16 f**	**End Q2-16 f**	**End Q3-16 f**	**End Q4-16 f**
EUR/CNY	6.91	6.71	6.86	7.21	7.24
EUR/MYR	4.54	4.11	4.26	4.40	4.48
JPY/MYR	3.39	3.24	3.31	3.40	3.46
MYR/HKD	1.85	1.97	1.90	1.88	1.88
MYR/CNY	1.52	1.63	1.61	1.64	1.61
GBP/MYR	6.43	6.16	6.48	6.64	6.72
AUD/MYR	2.94	2.92	2.87	2.82	2.91
NZD/MYR	2.69	2.33	2.50	2.57	2.61
MYR/JPY	29.52	30.89	30.24	29.40	28.92
MYR/IDR	3333	3544	3463	3470	3494
MYR/INR	16.02	15.95	16.36	16.84	16.46
MYR/KRW	297	284	278	280	284
MYR/PHP	11.31	11.59	12.15	11.71	11.52

Source: Maybank FX Research; * 30 Nov 2015.
*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

Disclaimers

Published by:

Malayan Banking Berhad

(Incorporated in Malaysia)

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