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# FX Annual Outlook 2018

## Of Synchronised Recovery, Policy Normalisation and Flattening Yield Curves

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### Key Themes

**Investment Recovery and Stabilisation in Commodity Prices Support MYR, THB, IDR and AUD**

Synchronous global economic recovery which started in 2017 benefited Asian exports and could extend into investment recovery in 2018. This should benefit MYR and THB while sustained signs of stabilization in energy prices should support commodity-linked currencies such as MYR, IDR and AUD for 2018.

**Monetary Policy Normalisation - How Soon**

Monetary policy normalisation or monetary stimulus withdrawal by G4 central banks (if becomes disorderly) could tighten financial conditions and weigh on Asian FX and risk assets including equity and debt markets. But our base case remains for gradual but differing pace of policy normalisation.

**Of Flattening Yield Curves and Inflation**

The possibility of the flattening of the yield curve (led by faster pace of increase in the front end) with risk of inversion towards 2H 2018 should not be ruled out. Accompanied rise in volatility could lead to unwinding of short vol-long carry trades

### Summary

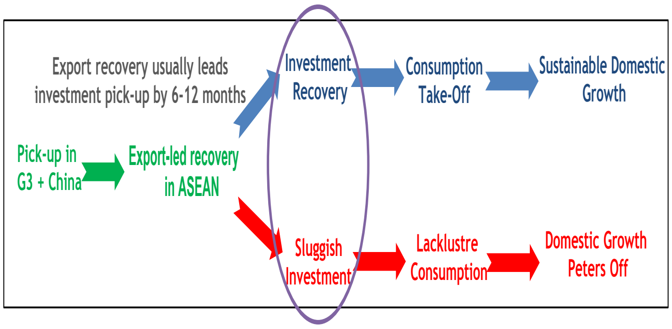
FX themes in 2018 will be driven by three key factors. First, synchronous global economic recovery which started in 2017 and benefited Asian exports so far, could extend into investment recovery in 2018. Revival in private investments could benefit MYR and THB. In addition, there are also sustained signs of stabilisation in energy prices amid extension of OPEC production cuts, steady demand and falling stockpiles. Commodity-linked currencies such as MYR, IDR and AUD should benefit.

Second, monetary policy normalisation or monetary stimulus withdrawal by G4 central banks (if becomes disorderly) should tighten financial conditions and weigh on Asian FX and risk assets including equity and debt markets. This matters even more when valuations are perceived to be overstretched. Bond prices in particular could come under pressure when interest rates are tightened too quickly. FX markets will also feel the repercussion. Amongst Asian FX, THB, JPY, MYR and SGD are most vulnerable to increases in 10Y USTs. Losses in Asian FX may however be mitigated if the respective Asian central banks have monetary policy space to tighten its monetary policies in tandem, and this is conditional on price pressures and economic growth. Given the differing pace of monetary policy normalisation, in terms of relative value plays on G7 FX, we are broadly bullish on AUD, GBP, NZD, EUR but bearish on JPY.

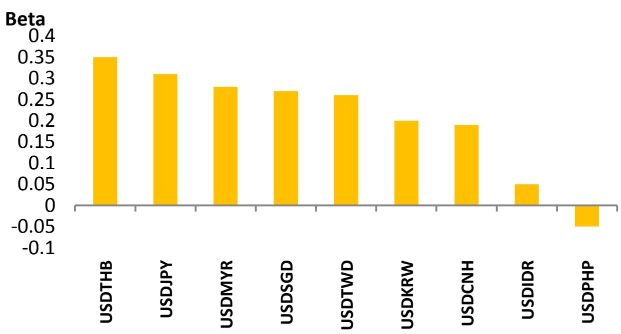
Third, reflationary pressures will be an important theme. While prices pressures may pick up pace due to potential of rising oil/commodity prices, we caution that still-low productivity and technology disruption could delay upward pressures on prices. As such, the possibility of the flattening of the yield curve (led by faster pace of increase in the front end) with risk towards inversion towards 2H 2018 should not be ruled out in the environment of still subdued outlook on inflation expectations and Fed on track to raise rates thrice next year. This may trigger talks of recession risks in 2019 or a moderation in economic growth momentum.

The timing when the sentiment shifts matters because an inverted yield curve has somewhat proved to be a reliable indicator of an impending recession. Historically the last 5 episodes of UST yield curve inversion since late-1970s were followed by a US recession with a lag of around 12 – 24 months. Bank earnings and real economy tend to suffer when spread between short and long term bond yield shrink. 2Y10Y UST yield spread was last seen around +53bps, levels not seen in more than a decade. The last time 2Y10Y spread was at that level and still compressing was in April 2005, about two-and-a-half years before the GFC began in 2007. To add, potential risk for sharper pace of Fed rate hikes in 2018 and signs of possible China export slowdown may lead to the risk of flattening or inverted yield curve coming in earlier than mid-2018. Volatility could spike and this could lead to unwinding of short vol-long carry trades and demand for safe-haven plays such as JPY and CHF while AXJs in particular KRW, SGD and THB (highly sensitive to UST yield increases and early FX gainers in 2017 so far) could be vulnerable to reversal.

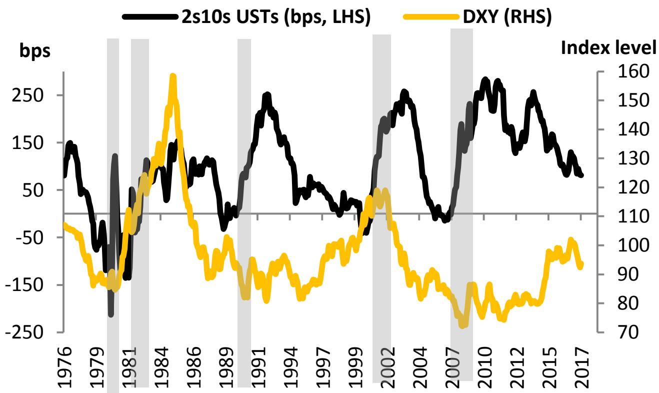
**Investment Recovery Should Lift Growth and ASEAN FX**



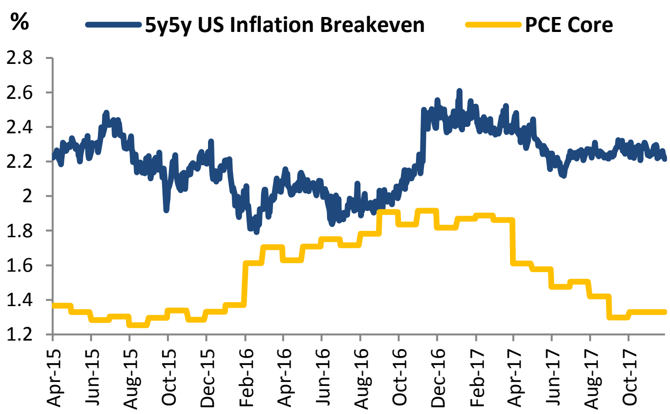

**THB, JPY and MYR Most Sensitive to 10Y UST Changes**




**Flattening Yield Curves vs. USD**




**US Inflationary Expectations Remain Subdued**




*Source: Bloomberg, CEIC, Maybank FX Research & Strategy*

## USD: Beholden to Fiscal Impulse & Policy Normalisation Pace

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q2018 |
|---|---|---|---|---|---|
| **USD Index** | **95.00** (94.78) | **95.18** (94.78) | **94.10** (93.81) | **93.02** (92.80) | **92.31** (92.10) |

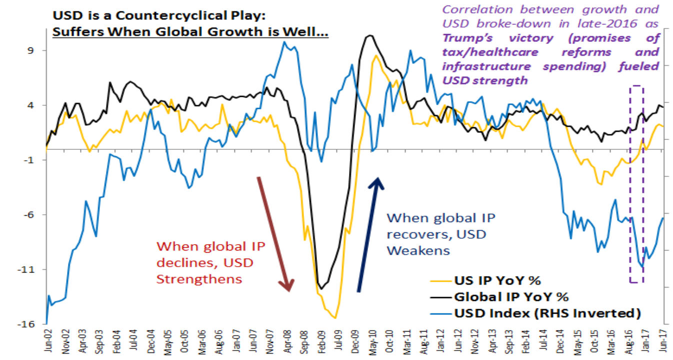
*Previous Forecast in Parenthesis*

**Motivation: Broad USD downtrend is likely to remain in place for 2018** but we do not rule out bouts of USD strength in early part of 2018. The environment of monetary policy continuity in US (gradual pace of rate increases), still subdued inflationary pressures, and synchronised global economic recovery forms our base case for USD to be softer. In addition the 78-month USD rally cycle (as seen in 1978 and 1995 episodes) appear to suggest that the current rally which begun in 2011 may be running out of steam and broad downtrend over the next 80 - 100 months may already have started. But in the short term (2 – 4 months), we do not rule out USD upside risks on material progress with US tax reforms (could be passed before end-2017). Fiscal impulse could set up the case for markets to re-align rate hike expectations with the Fed rate hike trajectory. This poses upside risks for US rates and USD in the near term. Furthermore potential repatriation flows could be an additional factor supporting USD and we expect this upside risk to be front-loaded in the year.

**USD countercyclical play may give way to idiosyncratic Factors.** USD typically underperforms when global growth momentum picks up and our Economist expects 2018 to be a year of sustained economic momentum. However we caution that correlation trades are hardly one way and there are instances that they can break down owing to idiosyncratic factors, sentiment shifts, etc. Take for example post-Trump victory in Nov-2016 saw subsequent USD strength (lasted for few months) amid global economic growth pick-up. We see such risk of correlation break-down playing out in 2018 especially if tax reforms are implemented before end-2017 and fiscal impulses via higher business investments, higher consumer spending and/or surge in US corporates' repatriation (Trump claimed $4tn cash is held offshore). This could pose USD upside risk in the early part of 2018.

**Inflation matters in pace of Fed's policy normalisation.** Subdued inflationary expectations (owing to globalization and technology disruptions on supply chain) for now and Powell's appointment as next Fed Chair should reinforce Fed's gradual pace of policy normalisation (3 hikes in 2018) however we do not rule out the case of inflation picking up pace in future as commodity prices (crude oil, base metals) appeared to have bottomed and could rise further if synchronized economic recovery broadens and extend into capex recovery. Furthermore US fiscal impulse could lead to upward pressures on inflation and wage growth. This could see markets re-align their expectations with Fed on rate hike trajectory (market current expects 47bps rate increases vs. Fed dots projection of 75bps for 2018) and provide support for the USD. FoMC will also seek 3 new appointments in 2018 and this poses risk for Fed to lean more to the hawkish spectrum – another upside risk for UST yields and USD.

**USD Countercyclical Play May Give Way to Idiosyncratic Factors**




**78-Month USD Rally Cycle Suggests the Broad Downtrend May Already Have Begun?**


*Source: Bloomberg, Maybank FX Research & Strategy*

## EUR: ECB Policy Normalisation to Play Catch Up with Fed

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q2018 |
|---|---|---|---|---|---|
| EUR/USD | 1.1700 (--) | 1.1700 (--) | 1.1800 (--) | 1.2000 (--) | 1.2100 (--) |

*No Change from Previous Forecast*

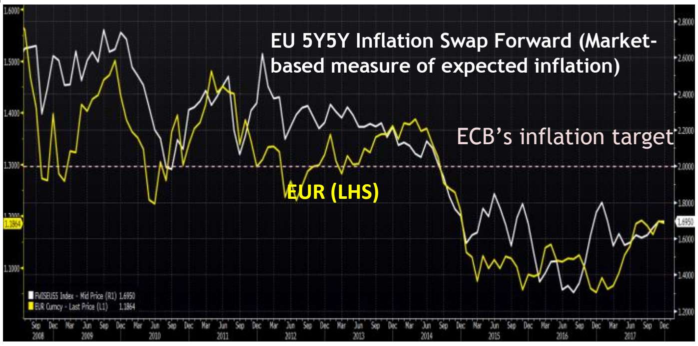
**Motivation:** We maintain **a medium term positive outlook on the EUR** on growing demand for EUR as a share of world FX reserves and sustained signs of economic recovery broadening in Europe, supported by private consumption, business sentiment, construction investment, sizeable current account surplus (3% of GDP) and export recovery amid still-easy financing conditions. However EUR could face some temporary downside pressures due to political risks in Europe (Germany without a coalition government, Italy to hold elections latest by May-2018, etc.) and widening EU-UST yield differentials (on potential Fed-ECB divergence). We expect EUR to strengthen meaningfully from mid-2018 as ECB policy normalisation plays catch up with Fed (policy divergence to convergence). While EUR has had a wide trading range of 1.0340 – 1.2090 for 2017, we expect a range of 1.14 - 1.25, with risks skewed to further upside especially in the event EU core inflation picks up pace earlier than expected.

**Recent political development in Europe may potentially have wider implication for EUR.** While it remains uncertain how Spanish (Catalonia crisis) and German politics (Merkel unable to form coalition government at time of writing) will evolve, one thing that seems worrisome is the recent rise in support for right-wing parties in Europe in particular AfD party (far-right) rose to become the third largest party in German Bundestag, Austria's new coalition government leans to the right, Catalan crisis which sees the risk of breakaway from Spain, and Italy's rich Lombardy, Veneto and Sicily regions calling for more autonomy. Italy is also expected to call for General elections no later than May 2018 (election uncertainty is another driver that could weigh on EUR). Risk of return to populism policies could undermine the stability of the Euro-club, pose risks to financial markets and weigh on the EUR.

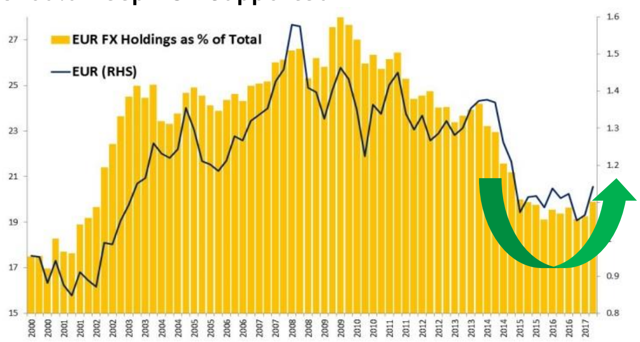
**ECB policy normalisation is likely to play catch up with the Fed from 2H 2018.** From Jan – Sep 2018, ECB will reduce its monthly purchase to EUR30bn (down from current pace of EUR60bn). Though ECB left the asset purchase program open-ended, we do not expect ECB to extend monetary easing beyond Sep-2018. We expect ECB to taper asset purchases to zero thereafter and potentially begin to tighten rates in 1Q 2019 as core inflation gradually picks up pace over the course of 2018. This should lead markets to re-price their expectations for hawkish ECB and put upward pressure on the EUR. The risk to our outlook is that core CPI rises much faster than expected – our EUR forecast would be subjected to upward revisions.

**IMF data showed a pick-up in EUR as a share of global central bank reserves (19.9%).** The current level remains relatively low by historical high of 28% (3Q 2009). We believe global central banks' demand for EUR should continue to pick up as 17-consecutive quarters of Euro-area recovery continues and broadens. This should continue to keep EUR supported.

**Sustained pickup in inflationary pressures should put upward pressure on EUR**




**Growing Demand for EUR as share of FX Reserves should Keep EUR Supported**




*Source: Bloomberg, Maybank FX Research & Strategy*

## GBP: Near Term Uncertainty Should Give Way to Recovery

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q2018 |
|---|---|---|---|---|---|
| GBP/USD | 1.3200 (--) | 1.3200 (--) | 1.3400 (--) | 1.3600 (--) | 1.3800 (--) |

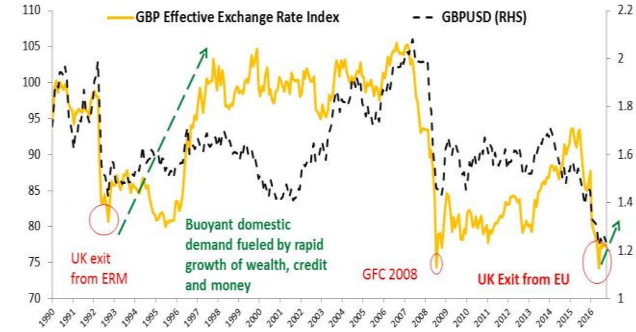
*No Change from Previous Forecast*

**Motivation: GBP's near term outlook should contain a great deal of variability** driven by Brexit negotiation uncertainty, risk of further deceleration in growth momentum, household spending and risk of slowdown in foreign inflows and business investments. Current phase of Brexit negotiation (EU citizens' rights, Ireland's borders and UK's "divorce bill to EU) needs to be agreed by both EU and UK before the UK is allowed to progress towards trade talks with the EU (phase 2). The UK is expected to leave the EU officially on 29 Mar 2019 (11 pm GMT) and the timeline appears to run the risk of being delayed. We do not expect UK to progress smoothly on its negotiation with EU as EU is expected to make the process challenging so as to set a precedence/warning for other European cities (as recent election outcome suggests populist parties which campaigned on anti-EUR, anti-immigration are regaining support). Delay in Brexit negotiation timeline brings about uncertainty and is expected to weigh on GBP. But with most bad news being priced in, material progress with Brexit negotiation tends to see an asymmetric rally in GBP. We do not rule out a wide trading range of 1.28 – 1.42 for the GBP in 2018, with more upside risk priced in for end-2018.

We **maintain our medium term (12 month) bias that GBP could trade higher from current levels towards 1.38 – 1.42 levels**. GBP is perceived to be undervalued from both historical and fundamentals perspective. Our fair value model estimates GBP at 1.38 levels). The 20% or so depreciation post-Brexit should help the UK economy to rebalance and grow sustainably over time - current account deficit should narrow, exports should become more competitive and tourism and education receipts should pick up further. Past experience of UK leaving the ERM back in 1992 saw a period of consolidation at historical lows for GBP, before the eventual move higher in the following years, where GBP TWI traded above 100-levels in 1998 (from the lows of 80 in 1993-1996) due to buoyant demand fueled by rapid growth of wealth, credit and money. If history is a guide (assuming UK manages the transition well and correct its imbalances), GBP may start to climb higher. Though there are concerns of bank jobs leaving London to Frankfurt, etc., there are also reports of job creation in the technology sector (Google, Facebook, Apple, etc), growth in business start-ups (led by professional, scientific and technical sector) and increase in R&D expenditure by UK businesses.

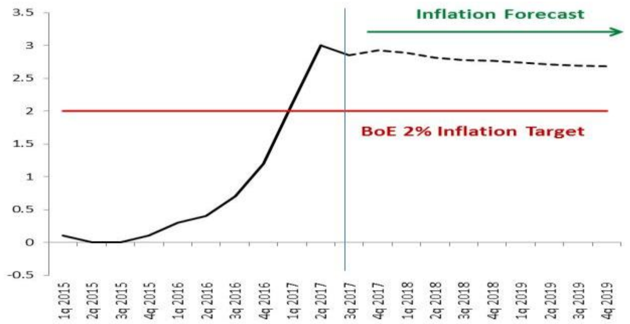
**BoE could raise rates by another 25bps to 0.75% in Aug-2018,** as inflation (3% y/y in Oct) remains persistently above BoE's 2% inflation target. BoE's Carney has indicated that 2 more rate hikes over the next 3 years are required to get inflation down towards BoE's target. UK OIS is penciling in 66% chance of next rate hike sometime in Aug-2018. Our inflation forecast expects inflation to ease away from 3% and trend lower towards 2.5% in end-2018. Real yield should inch higher and support the GBP.

**1992 Episode of UK Leaving ERM saw a period of Consolidation for GBP before Eventual Recovery**




*Source: Bloomberg, Maybank FX Research & Strategy*

**Another 25bps Hike as Inflation is Likely to Remain Above BoE's 2% target for 2018**



## AUD: Temporary Weakness before Strength Catches Up

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| AUD/USD | 0.7700<br>(--) | 0.7900<br>(--) | 0.8100<br>(--) | 0.8300<br>(--) | 0.8300<br>(0.8500) |

*Previous Forecast in Parenthesis*

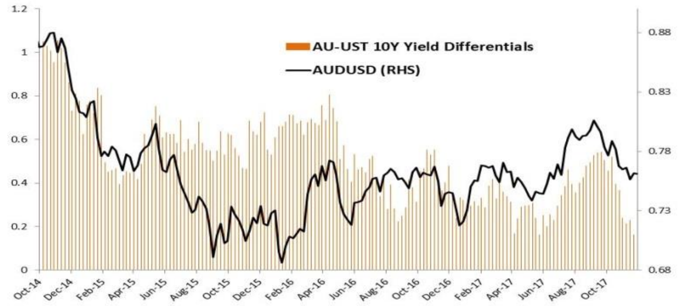
**Motivation: We are constructive of AUD outlook** but expect **near term downside pressure to dominate over the next 2 - 3 months**. Political uncertainty (Turnbull coalition government is without a majority for time being), AUD losing its status as high yielder currency amongst G7 (due to continued compression of AU-UST yields), RBA's benign outlook on wage growth (results in market pricing in zero rate increases for 2018) and seasonal trends point to weaker AUD for Nov-Dec are some of the factors clouding AUD's outlook in the near term. We do not rule out AUD heading towards 0.74 – 0.75 but weakness is likely to reverse into 1Q – 3Q 2018 underpinned by Australia's economic recovery story, strong labor market conditions and demand for hard commodities including iron ore, copper to pick up pace after winter months. Synchronous global economic recovery should also lead to capex growth, support risk sentiment and cyclical proxy plays including the AUD.

**We think RBA could raise rates sooner than market expects**. Though there is little market expectation (30-day futures are only pricing in 25bps rate hike in 2Q 2019) for RBA to tighten monetary policy for the time being, given slow pace of wage growth and concerns in household debt, we think an eventual shift in expectation should re-ignite demand for AUD. RBA Governor Lowe had shared that rise in global interest rates would over time be expected to flow through to Australia. Recall that US is in the midst of tightening interest rates (4 hikes so far and possibly one more in Dec-2017 and potentially two more in 2018 – our house view), Canada is also in the midst of tightening cycle (which started in Jul-2017 and has already raised rates by 50bps) and the UK has recently joined in the bandwagon raising rates by 25bps in Nov-2017. Our study which takes into account monetary transmission lags, current and forecasted inflation trajectory to reach RBA inflation median target suggests that RBA is slightly behind the curve in tightening. A combination of faster pick-up in wage growth, Australia inflation reaching its median target of 2.5% (range is 2 – 3%), steady economic growth in Australia, firmer commodity (base metals) prices amid synchronous recovery in global economy including China should lead to RBA tightening interest rate in due course. We do not rule out first rate hike to come as early as May-2018.

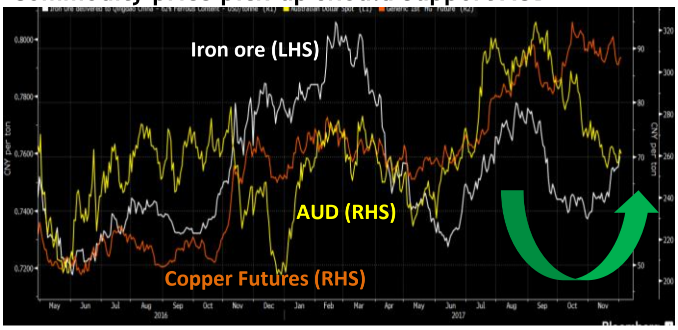
Furthermore, **Australia's economic growth is expected to continue to recover** as drag from falling mining investments come to an end and increase in resource exports continues. Outlook for non-mining investment has improved and business conditions are at high level. RBA expects growth to average around 3% over the next few years. This will be slightly faster than the current estimate of trend growth and should lead to a gradual decline in employment rate, and pick-up in wages growth. Demand for industrial metals (copper, nickel, etc.) amid shift in global demand for Electric Vehicles (uses approx. 4 times more copper than petrol-car) could be another additional factor supporting AUD.

**Downside risks to our outlook** include synchronous economic recovery falters, China growth slows down much more than moderation and that Fed's pace of tightening diverges (at a faster pace) from RBA's neutral stance.

**Re-widening of AU-UST Yield Spread Will Support AUD**




**Commodity price pick-up should Support AUD**




*Source: Bloomberg, CEIC, Maybank FX Research & Strategy*

## NZD: Neutral Outlook with Focus on Policy and RBNZ Changes

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q2018 |
|---|---|---|---|---|---|
| NZD/USD | 0.6800 (--) | 0.6800 (--) | 0.7100 (--) | 0.7200 (--) | 0.7200 (--) |

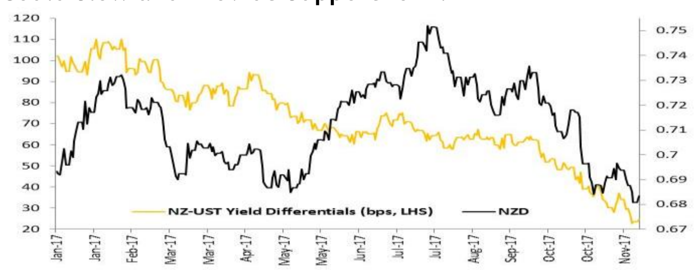
*Previous Forecast in Parenthesis*

**Motivation:** We **turned neutral on NZD outlook (from bearish).** We believe the bulk of NZD weakness in response to surprise Labor victory and potential changes in RBNZ mandate has been reflected in the price. Uncertainty on government policies relating to immigration, trade and RBNZ mandate review remains – as new government led by Labour and NZ First is likely to be more inward looking; expected to focus on a nationalist agenda and we do not rule out downside risks to NZ growth forecast, business confidence, disruption to foreign capital inflows and slower pace of immigration increase – and could weigh on NZD but we think downside from here may be limited. RBNZ mandate review may see potential upside surprise. We expect NZD to trade within 0.65 – 0.75 range for 2018, penciling in more upside pressure towards 2H 2018 on RBNZ rate hike expectations, government policy uncertainty to subside and global synchronous recovery to keep agri-commodities (dairy prices) supported. Our model estimates NZD fair value to be at 0.72 levels.

**Ongoing review and potential reforms to the 1989 Reserve Banking Act is a key risk to watch** but this may have the potential to become a positive risk. Finance Minister Robertson is considering a dual mandate of targeting full employment and price stability. He had previously said that broader objective (dual mandates) may lead to different decisions on interest rate which would include lower rates. PM Jacinda had previously looked for unemployment to fall towards 4% (vs. 4.6% for 3Q). This could imply that timing of first rate hike could be delayed. 10Y NZ-UST yield spread has already narrowed to near-historical lows of +60bps; further compression (Fed tightening vs RBNZ easy policy) could weigh on the currency. Acting Governor Spencer steps down in Mar-2018 and it remains uncertain who helms the leadership (if he is dovish or hawkish-inclined). True that RBNZ mandate is under review and there is some expectation of low policy rates for longer, the potential consideration for employment, output and financial stability as well as greater tolerance for inflation to stay low & stable (hence more flexibility in inflation targeting) suggests that RBNZ is growing more patient with low inflation and that other factors – employment, output and financial stability meeting objective could well become the push factors to raise rates. We believe this may slow NZ-UST yield spreads from compressing further and possibly provide a support for NZD. We expect the central bank to begin raising rates in 3Q-4Q 2018 as inflation is expected to pick up further towards end-2018.

NZ growth outlook was projected to average 3.1% per year over the next 4 years but the **basis for such projection – tourism, immigration, high terms of trade and fiscal surplus could come under pressure**. An inward-looking agenda honoring its pre-election campaigns could bring about policy discontinuity in particular to immigration (Labour party promised to reduce net migration by up to 30,000/ year while NZ First party campaigned to reduce net migration to 10,000 per year) and trade (Green party top vote against bringing revised TPP into effect).

**NZDUSD Driven by NZ-UST Yield Differentials; Compression Could Slow and Provide Support for NZD**




**Synchronous global economic recovery may mitigate some downside pressure on NZD**


*Source: RBNZ, Maybank FX Research & Strategy*

## JPY: Weighed By Monetary Policy Divergence

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USDJPY | 115 (--) | 117 (--) | 115 (--) | 116 (--) | 116 (--) |

*No Change from Previous Forecast*

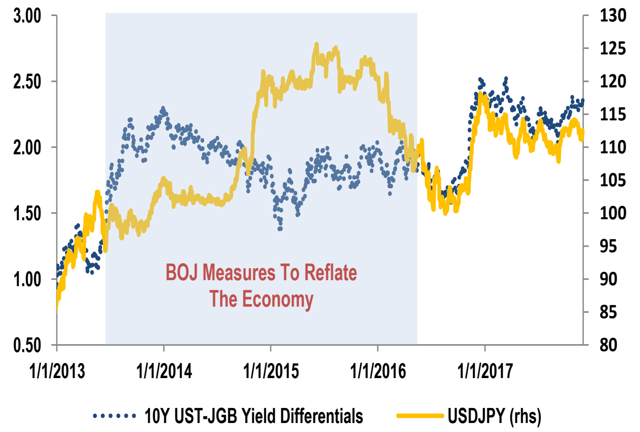
**Motivation: We maintain our negative outlook for the JPY** as the currency remains underpinned by the BOJ's ongoing ultra-loose monetary policy. BOJ's policy of expanding the monetary base plus controlling the yield curve (short-term rates at -1%, 10Y yield at around zero percent) that began in Sep 2016 weighs on JGB yields across the curve. This policy is expected to continue until the central bank inflation target of 2% is achieved sometime in FY 2019 (i.e. Apr 2019-Mar 2020). Meanwhile, UST yields are projected to climb higher especially in the next three months or so on the back of US tax reforms and modest Fed rate hike trajectory. Thus yield differentials between UST and JGB should continue to widen at least in the near term, spurring outflows in search of higher returns abroad, pointing to downside pressure on the JPY.

**Further BOJ measures are unlikely in 2018** given that the economy is on a steady recovery path even as inflation remains subdued. This though does not does not prevent the BOJ pursuing further measures should inflation fails to gain significant traction. Possible measures that the BOJ could unleash its next wave of easing measures, including cutting interest rate further to -0.3% (from -0.1% currently). Any moves are likely when BOJ governor Kuroda's term of office ends in Apr 2018. Nevertheless, additional easing measures are not our base case.

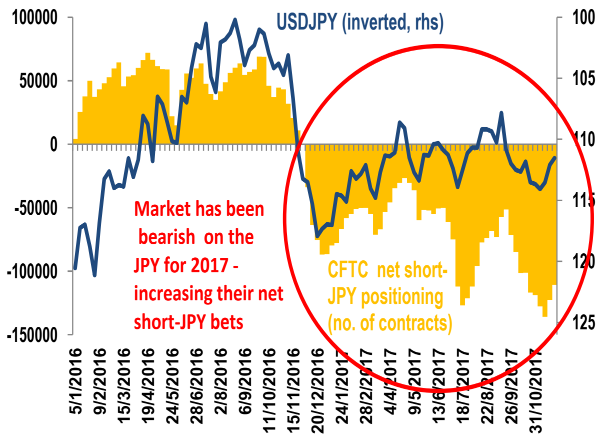
**Market positioning is still for JPY weakness ahead.** Recent CFTC data suggests that market continues to be net short-JPY. As of the week of 28 Nov, contracts for short-JPY positions were cut to 150,433 contracts, while those for long-JPY positions were pared to 39,793 contracts, resulting in net short-JPY contracts at 110,640. This though is a moderation from the recent peak in net short-JPY positioning of 135,999 contracts in the week of 14 Nov. Given UST yield curve steepening and BOJ ultra-easy policy, net short-JPY bets are likely to be increased ahead. Rising net short-JPY bets should lift the USDJPY even higher from current levels, particularly in 1Q 2018. Our model estimates suggest that the JPY is at the upper bound of the ±1 standard deviation of the fair value point (109.02).

**Moderation in JPY weakness cannot be discounted.** We caution that the JPY may not weaken significantly for the most part of 2018. This is because the extension of global cyclical recovery, compounded by US tax reforms, amid subdued inflation and low market volatility does not favour the USD (countercyclical play). Softer USD could partially mitigate the downside pressure on the JPY and prevent the JPY from more aggressive slippages.

**Widening 10Y UST-JGB Yield Differentials Weighs On JPY**




**Market Is Priming For Further JPY Weakness**




*Source: Bloomberg, CEIC, Maybank FX Research*

## CNY: Internal Tightening, External Liberalizing

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USD/CNY | 6.60 (--) | 6.65 (--) | 6.60 (--) | 6.60 (--) | 6.55 (--) |

*No Change from Previous Forecast*

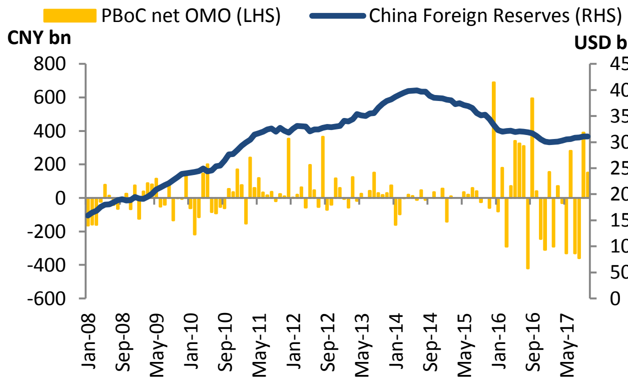
**Motivation: We look for the USDCNY to consolidate coming to the end of 2017, before going higher towards 1Q on CNY weakness** as the quality transition will hurt developers and many listed companies, along with environmental curbs that further stoke inflation. However, the real question comes in towards 2Q 2018; whether the deleveraging efforts and regulatory clampdown would hurt growth or financial markets. The deleveraging has started to bite in the corporate bond market rout this month, followed by a spill-over effect on Chinese equities. The CNY has however remained rather resilient over the course of turbulence. Expect the USDCNY to trade within range of 6.60-6.65 in early 2018. **Moving forward into the end of 2018, we see the improved sentiment that China play on global trade to be the main backdrop for the stronger CNY, suggesting pair to go lower to 6.55 levels.**

**Advancing with Trade and Technology.** The move comes as China can be seen prospering in an opportune moment as America retraces itself from globalisation, all pointing towards significant strength in the CNY over the longer term. With Xi's 2049 visionary agenda, we envisage China to advance in leading Asian and G7 partners on trade and technology (AI & online payment systems). China has rolled out plans to slash import taxes on a wide range of consumer goods, making them more affordable. However, growth in China can still be expected to slow in the coming months as the country transitions towards a high-quality economy, coming from regulatory reforms to clampdown in pollution.

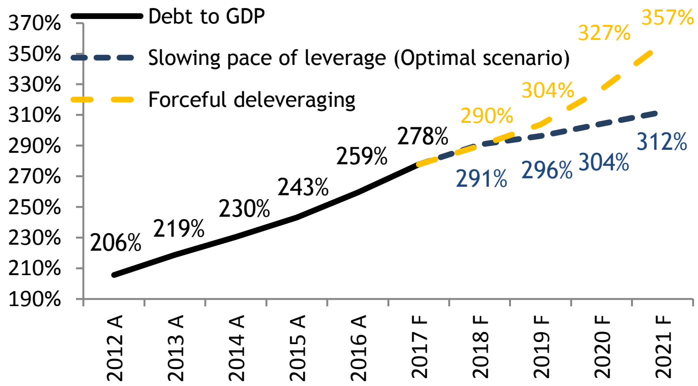
**Slowing Pace of Credit Growth.** PBoC's Zhou has warned on the imminence of financial risk. We see the market's view of deleveraging campaign as more of de-risking, slowing pace of credit growth agenda. With corporate debt accounting for a substantial amount of total debt, expect policymakers to shift their focus to corporate debt, state lending (LGFVs), and "shadow banking". Furthermore, we see the RRR cuts to be implemented in Jan 2018 by policymakers not as a monetary policy reform or credit boost, but to allow room for banks to shift OBS items back to on to their B/S to tighten on shadow credits. With tighter credit, small/lower quality companies could be easily squeezed out; either forced to shut down or merge with state-owned companies, supporting the USDCNY higher in the nearer term.

**Financial Markets.** Since the conclusion of the 19th National Congress, we have been seeing sweeping rules on reforms that could shape the regulatory structure that the PBoC is shifting to, all pointing towards a more market oriented currency albeit with tight regulation in place. Moving forward, we could still see the PBoC maintaining their "prudent and neutral" stance on monetary policy, along with continued open market operations (OMO), however gradually intervening less.

**Expect OMO to continue or be reduced in 2018**




**Leverage Expected to Slow, Not be Reduced**




*Source: Bloomberg, Maybank FX Research & Strategy*

## KRW: Beneficiary of Export Recovery but No One Way Bet

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USD/KRW | 1098 (1142) | 1118 (1140) | 1100 (1130) | 1090 (1120) | 1090 (1110) |

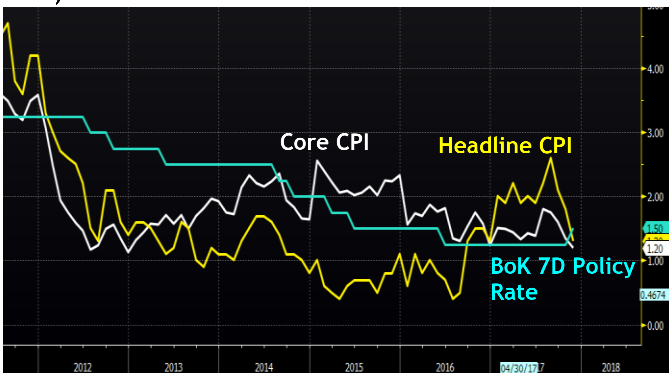
*Previous Forecast in Parenthesis*

**Motivation: We expect KRW to remain supported** as synchronised global economic recovery and rising demand for information technology products like semiconductors, OLED continues to bode well for Korean exports, benefitting trade-dependent currencies such as KRW. Strong growth momentum - fastest pace in 7 years (owing to robust exports recovery and government spending), improving labour market conditions, current account surplus (5.7% of GDP and surplus is in its 66th consecutive month), easing geopolitical tensions in Korean peninsula, signs that China-Korea relations are improving (to bode well for inbound tourism), rising inflation towards BoK's 2% inflation target and rising expectation for BoK to raise rate are other domestic factors supporting a more promising outlook on the currency. We do however caution that FX direction is unlikely to be one-way especially given KRW's high sensitivity to risk sentiment (equity prices), UST yields and geopolitics (N. Koreans' missile launches, etc.). We still expect a wide trading range of 1060 - 1150 for 2018 but relatively narrower than 2017 range of 1076 - 1208 and a lower average of 1099 (as compared to 1138 for 2017). Our model estimates USDKRW fair value at 1098 levels.

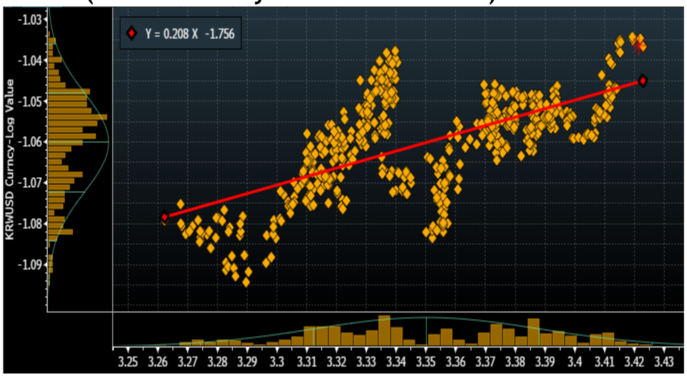
**Korean exports growth is rising at the fastest pace** out of the world's top 10 exporters. YTD Sep 2017, Korean's exports grew at 18.5% y/y, outpacing US and China. Korea's exports to GDP stands at around 40% and electronics, machinery, cars makes up about 50% of Korea's total exports. Synchronous global economic recovery and rising demand for information technology products should continue to bode well for Korean exports over the next 3 - 6 months. One key risk that could disrupt Korea's exports momentum could be the FTA between Korea and US (KORUS). Trump had previously criticized the KORUS for its large trade deficit and have asked for renegotiation and even threatened to scrap the KORUS. Most recently Trump has recommended imposing tariffs on Korean washing machines. Korea is currently considering filing a complaint to WTO. To put in perspective, Korea's annual car exports to US jumped 800% through the implementation of KORUS from 2011 to 2016. Rise in protectionism could threaten Korean exports and heighten tensions. These could impede gains on KRW.

**BoK could tighten policy rate again** in 2Q-3Q 2018 from 1.5% if demand-induced price pressures picks up pace amid reacceleration in growth momentum. We believe BoK is monitoring if inflationary pressures from the demand side picks up. So far the jump in headline CPI above 2% for 3Q (and has since eased) was due to seasonal factors (heavy rain, summer heatwave and recent incident relating to contaminated eggs) while core inflation has so far remained subdued at 1.2% for Nov. But come 2018, minimum wage will increase by 16%, its largest magnitude of increase since 2001. Wage pass-through may have positive impact on consumption spending and growth.

**Pick-up in Core Inflation (possibly from minimum wage hike) Could Lead to Another BoK Rate Hike**




**KRW May Come Under Pressure if Equity Prices Correct Lower (KRW Positively Correlated to Risk)**




*Source: Bloomberg, Maybank FX Research & Strategy*

## SGD: Upside Risks From Investment Recovery

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USDSGD | 1.3500 (1.3700) | 1.3600 (1.3750) | 1.3400 (1.3650) | 1.3350 (1.3600) | 1.3250 (1.3580) |

*Previous Forecast in Parenthesis*

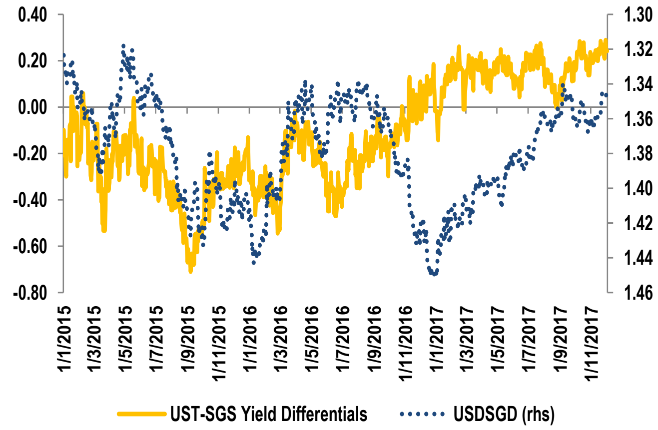
**Motivation:** The SGD has been relatively resilient in 2017, having appreciated nearly 7.2% against the USD so far this year. The appreciation in the SGD is likely to extend into 2018, underpinned by the ongoing synchronous cyclical global recovery. The cyclical export recovery is likely to serve as catalyst for a private investment recovery as firms expand capacity to meet rising domestic and global demand. Economies like Singapore where private investment is historically highly correlated with trade should benefit. This should lift domestic growth even higher in 2018. **We are thus bias to long SGD** as it stands to gain from any extension in the synchronous global recovery.

**Near-term risks to this view are the prospects of UST yields and USD rising** that should weigh on the SGD. UST yields could rise with the passage of the US tax reform bill in the Senate. The final reconciled bill could spur further flows away from UST and into equities, lifting UST yields even higher. Given the sensitivity of USDSGD to moves in 10Y UST yield, this is likely to widen the yield differentials between UST and SGS and could spark an outflow back into US assets. This should put downside pressure on the SGD. At the same time, market may not have been fully priced in the Fed trajectory for 2018 and that leaves room for further USD upside. We believe this could last at least into the end of 1Q 2018.

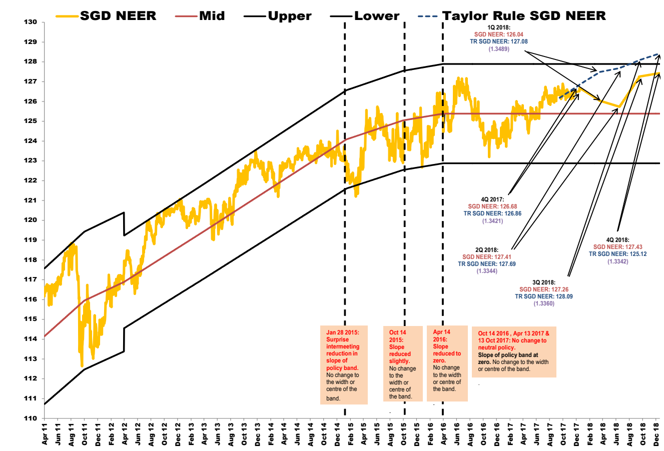
**Support for the SGD should also come from MAS normalisation of policy in 2018.** MAS has maintained its zero appreciation policy for the past two years to alleviate pressures on growth amid benign inflation. With growth now back towards potential (the government is projecting growth to come in a 1.5-3.5% in 2018) and core inflation on the uptick, we believe that the zero appreciation stance has outlived its usefulness. Our estimates for the SGD NEER using the Taylor Rule show that the SGD NEER is expected to strengthen ahead. Our analysis suggests that normalising policy by shifting to a 'slight appreciation bias' would be more appropriate. Extending the neutral policy could exacerbate the upside pressure on inflation. This analysis reinforces our view that MAS is likely to normalize policy at its Apr 2018 meeting.

**SGD is currently fairly-valued.** Our estimate of the medium term fair value range of USDSGD (using the BEER approach taking into consideration a reflation proxy, interest rate differentials and current account differentials) show that USDSGD fair value is at 1.3450 with a range of 1.2583 for the lower bound and 1.4316 for upper bound (based on 1 standard deviation). Based on our FX Tracking model, the current level of SGD is within our fair value range estimates and is approximately fairly valued to the fair value point estimate.

**Widening 10Y UST-SGD Yield Differentials Could Lift The USDSGD Higher**




**Taylor Rule Points To SGD NEER Strength Ahead - Shift To Slight Appreciation Bias Appropriate**




*Source: Bloomberg, CEIC, Maybank FX Research & Strategy*

## MYR: Catch-Up Year?

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q2018 |
|---|---|---|---|---|---|
| USD/MYR | **4.1000** (4.1700) | **4.0500** (4.1500) | **4.1200** (4.1800) | **4.0500** (4.1400) | **3.9500** (4.0200) |

*Previous Forecast in Parenthesis*

**Motivation:** We **maintain a positive outlook on the Ringgit** on the back of improving domestic factors amid favourable external environment. Some of these domestic factors include (1) sustained growth pick-up backed by consumption, investment and exports; (2) BNM initiatives (Apr-2017) to deepen and broaden domestic financial markets were positive steps to restore foreign investors' confidence and (3) BNM's hawkish shift in guidance (9 Nov) could suggest a potential rate increase (our house view for 25bps hike as early as in May-2018). General election (likely to be held within the next 6 months) could lend further support for Ringgit. Typically Malaysian equities, MYR tend to strengthen in the lead-up to elections due to rising confidence. Sustained current account surplus and rising FX reserves to retained imports & short-term debt should also provide an anchor for Ringgit.

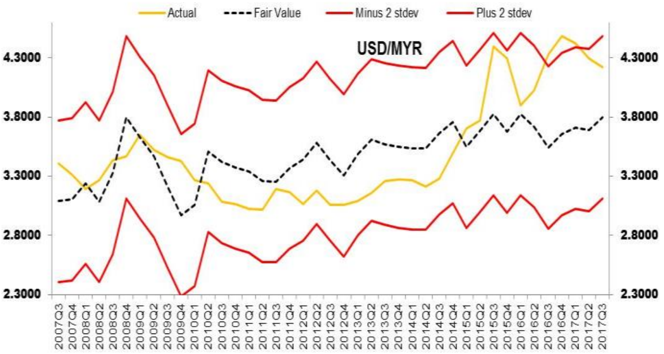
Current external environment of monetary policy continuity and still subdued inflationary pressures in US as well as synchronous global economic recovery should continue to bode well for robust exports recovery and benefit countries that are trade-dependent including the MYR. An extension of crude oil production cut into end-2018 amid steady demand should lend further support for oil prices and Ringgit.

We reiterate our long-standing bias that the Ringgit remains fundamentally undervalued (by about 9%). Our fair value model which takes into account the relative differentials in interest rates, inflation, current account and a reflation proxy variable (defined as the change in the ratio of MSCI World index to JPM Global Aggregate Bond Index) estimates USDMYR at 3.80 levels. Based on BIS data, MYR REER is about 10% undervalued relative to its 10-year average. We had previously said that Ringgit weakness was temporary and was not a reflection of underlying fundamentals. We believe stability is gradually returning to Ringgit as political/ contingent liability risk subsides, fiscal consolidation gains traction (budget deficit expected to be cut further to -2.8% of GDP vs. 3% of GDP in 2017), oil prices continue to stabilize and uncertainty subsides.

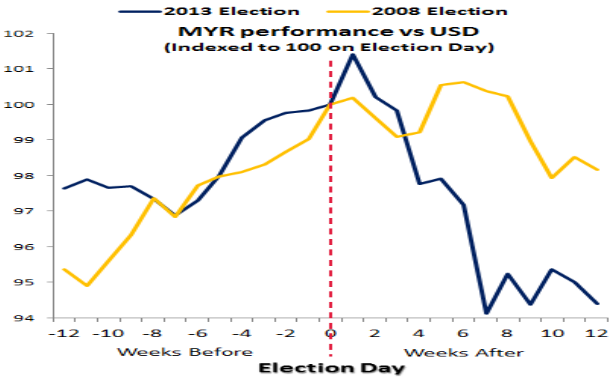
The key risks to our outlook are (1) sharp rise in UST yields due to more aggressive than expected Fed policy normalisation could lead to foreign outflows and weigh on Ringgit and (2) risk-off plays/ rise in vols (uncertainty) arising out of synchronous recovery stalling, swings in crude oil and/or palm oil prices to the downside may weigh on Ringgit.

The key dates in 2018 are (1) 1H Potential Malaysia General Elections (GE has to be held no later than Aug-2018); (2) May - Potential first rate hike by BNM; and Oct – Malaysia Budget.

**Our Fair Value Model Estimates Suggest USDMYR at 3.80 Level**




**MYR Typically Strengthens Into Election**




*Source: Bloomberg, Maybank FX Research & Strategy*

## IDR: Supported By Positive Macroeconomic Fundamentals

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| **USDIDR** | 13600<br>(--) | 13700<br>(--) | 13600<br>(--) | 13600<br>(--) | 13500<br>(--) |

*No Change from Previous Forecast*

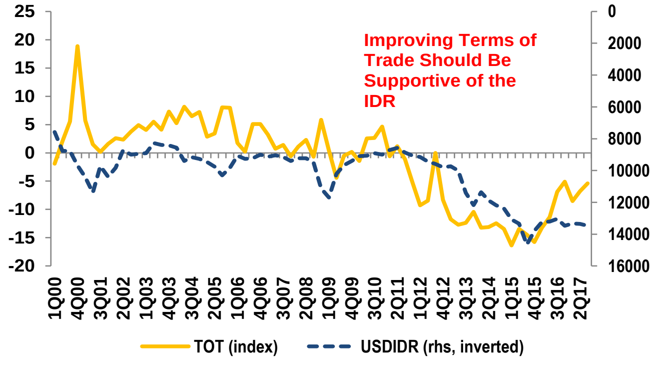
**Motivation:** The IDR may not have been the outperformer among ASEAN currencies in 2017, but it has held its own among its peers so far in 2017 supported by carry trade plays. Carry trade plays though may not persist into 2018 as UST yield could rise on US tax reforms and risk of repricing of Fed rate hike expectations. Still, several factors should continue to be supportive of the IDR in 2018, including the cyclical global recovery. This cyclical global recovery has lifted demand for commodities, pushing up prices of commodities key to the region (such as oil, CPO, coal) and to Indonesia. This should continue to improve the term of trade helping to lift growth and the IDR. The recovery in commodity prices should also reignite investment in commodities, adding to President Jokowi's planned USD400bn infrastructure spending programme over the remainder of his term. **We are thus positive of the IDR in 2018.**

**Improving macroeconomic fundamentals should also be supportive of the IDR.** The central bank expects the current account deficit (CAD) to come in at below 3% of GDP in 2018, higher than the CAD of 1.7% expected in 2017. Though some downside pressure on the IDR could come from the deteriorating current account deficit (CAD), we believe these pressures should dissipate as the deficit can be attributed to likely strong capital goods import for infrastructure needs. More importantly, consistent efforts led by Finance Minister Sri Mulyani to rein in waste and more effective use of resources. All of these should work in tandem to push forward the President's USD400bn infrastructure building programme. In addition, the possibility of a S&P credit rating upgrade to BBB (from BBB-) in (expected in latter part of) 2018 highlights the progress Indonesia has made, including paring its twin (fiscal and current account) deficits. An upgrade would be positive for the IDR as it should lead to a repricing of Indonesian assets and spur greater inflows.

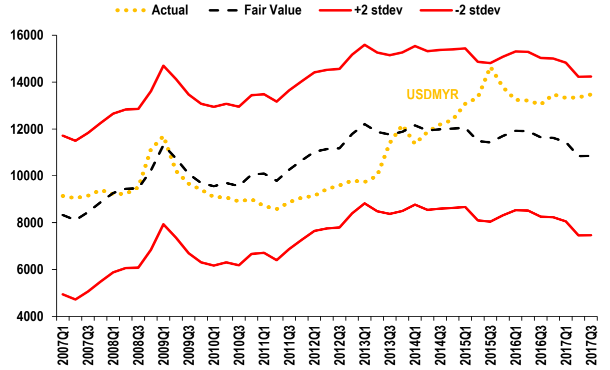
**BI has room to adjust monetary policy but is likely to keep policy easy for longer.** After the two rate cuts so far in 2017 to spur credit growth and hence economic growth, firmer inflation has ended the current easing cycle of the BI. Still, BI is in no rush to normalise policy in order to allow growth to gain traction but is also unlikely to cut policy rate further unless growth tanks. We expect BI to normalise policy and raise rate sometime in 2Q 2018 and this should be supportive of the IDR.

**IDR is 25% undervalued vs. our fair value estimates**. Our model, which takes into consideration a reflation proxy, interest rate differentials and current account differentials, shows that the USDIDR fair value is at 10850. This suggests the current level of the IDR is about 25% undervalued relative to the fair value point estimate. Improving economic fundamentals should gradually lift the IDR back towards its fair value.

### Rising Commodity Should Prove Favourable To Terms Of Trade & Weigh On The USDIDR




### IDR Is Fundamentally Undervalued




*Source: Bloomberg, CEIC, Maybank FX Research & Strategy*

## PHP: From Laggard To Outperformer?

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USDPHP | 50.50<br>(52.00) | 51.00<br>(52.00) | 50.50<br>(51.80) | 50.50<br>(51.50) | 50.00<br>(51.00) |

*Previous Forecast in Parenthesis*

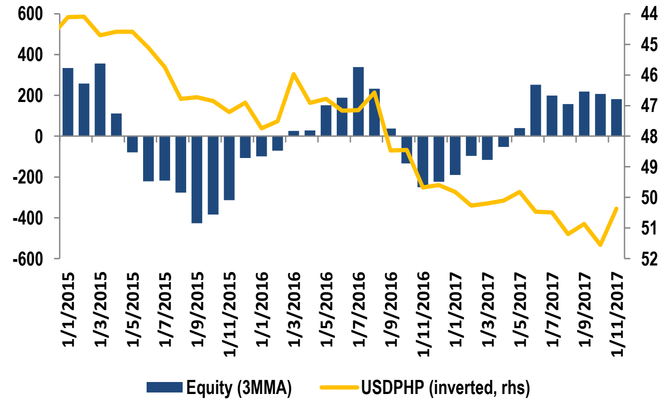
**Motivation: We are bias to long the PHP** as a confluence of factors has triggered a change in perception about the PHP and contributed to its stronger showing since the end of Oct. These factors should extend into 2018 and could see the PHP move from being a laggard to an outperformer in the ASEAN FX space. Key among these factors is the synchronous cyclical export recovery, led by demand for electronics, which had added sparkle to the already hot economic performance of the Philippine economy. The extension of the cyclical export recovery into 2018 should keep domestic exports and growth supported. This in turn should be supportive of the PHP in 2018. Note though the current account deficit remains an albatross to the PHP and could mitigate gains. Our model (based on a reflation proxy, interest rate and current account differentials) estimates for the current USDPHP fair value at 46.39, suggesting the current PHP level is 9% undervalued.

**Policy rate is poised to rise in 2018** as the BSP has turned hawkish on inflation. Inflation is expected to accelerate in 2018 underpinned by strong outperformance of the economy and the implementation of the domestic tax reform bill that could come into effect in 1Q 2018. Consequently, the BSP has upwardly revised up its 2018 inflation forecast to 3.4% compared to 3.2% previously, which is at the upper half of the BSP's inflation target range of 2-4%. This should put the Philippines among the economies to tighten monetary policy in 2018. Our economic team is looking for two 25bp hikes in 2018, possibly in 2Q and 3Q. These upward adjustments in policy rates should be supportive of the PHP.

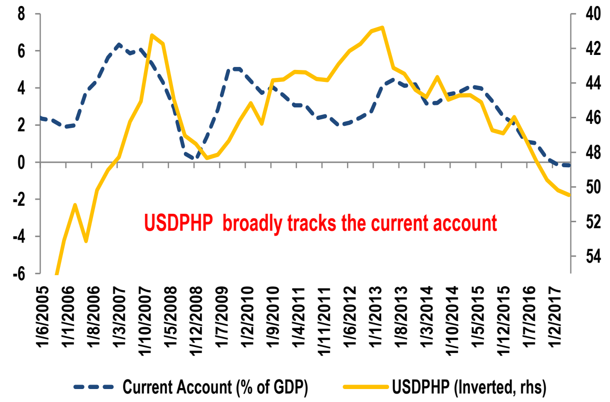
**Tax reforms could kick-start the next phase of investment-led growth.** Optimism has risen following the Senate's passage of its tax reform bill at the end of Nov as it brought tax reforms closer to fruition. The bill now heads to a bicameral committee to reconcile differences between the two bills enacted by the two houses of Congress. Should the reconciliation be completed within the next three weeks, the bill can become law and be implemented by Jan 2018. The tax reform should generate revenues that would be used to fund the government's ambitious PHP8tn infrastructure programme that includes new roads, railways, bridges and airports. This should lift investor confidence and spur both portfolio and FDI inflows. In turn, these should keep the PHP supported.

**PHP could also find support from portfolio inflows into the Philippine stock market in 2018.** This is premised on favourable valuations in the stock market after the sell-off in the equity market between Aug 2016 and Mar 2017. Based on our analysis of the Cyclical-Adjusted P/E (CAPE) ratio, equities in the Philippines are relatively cheaper (as reflected by the estimated P/E ratios minus their 10-year average P/E ratios) compared to regional peers and this should attract even greater inflows into Philippines equities and lift the PHP higher.

**Foreign Inflows Into Equities Lifting PHP Higher**




**Current Account Deficits Remains A Drag On PHP**




*Source: Bloomberg, Maybank FX Research & Strategy*

## THB: Political Headwinds Could Threaten In 2H 2018

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| **USDTHB** | **32.80** (33.50) | **33.00** (34.00) | **33.00** (33.70) | **33.50** (34.00) | **34.00** (34.50) |

*Previous Forecast in Parenthesis*

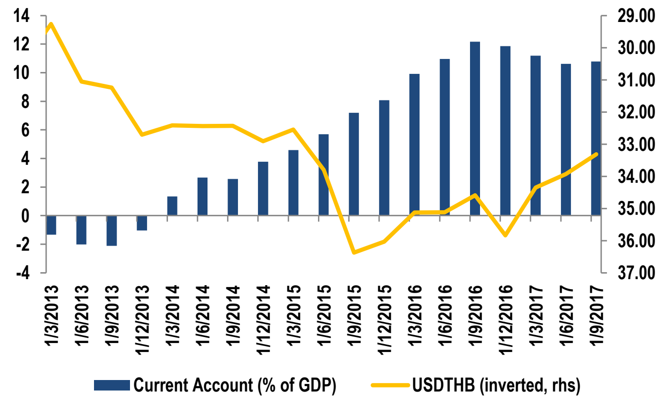
**Motivation:** A new era has dawned on Thailand with the cremation of the late HM King Bhumibol and the ascension of HM King Maha Vajiralongkorn to the throne. The THB has not disappointed thus far. The THB has been the best performer in ASEAN after the MYR, having risen by about 9% so far this year. Supporting the THB into 2018 is its strong persistent current account surpluses as well as the cyclical global recovery that has boosted exports. Private investment in Thailand is historically highly correlated to trade and the current cyclical export recovery should bolster private investment recovery and provide another leg up for the economy and hence the THB in 2018. In addition, implementation of infrastructure projects including the Eastern Economic Corridor could deliver upside surprises to domestic demand and growth. This in turn would be a boon for the THB in 2018. Our model (based on a reflation proxy, interest rate and current account differentials) pins the current fair value estimates for USDTHB at 34.42.

**Persistent current account surpluses should continue to back-stop the THB.** Persistent and double-digit surpluses in the current account distinguishes Thailand from its regional peers (with the exception of Singapore), making its assets relatively more attractive, particularly its debt. This can be seen in the USD9.63bn of foreign inflows into debt since the start of the year, which more than offset the sell-off of USD0.69bn in equities YTD. The persistent surplus should keep the THB supported especially in the face of headwinds ahead.

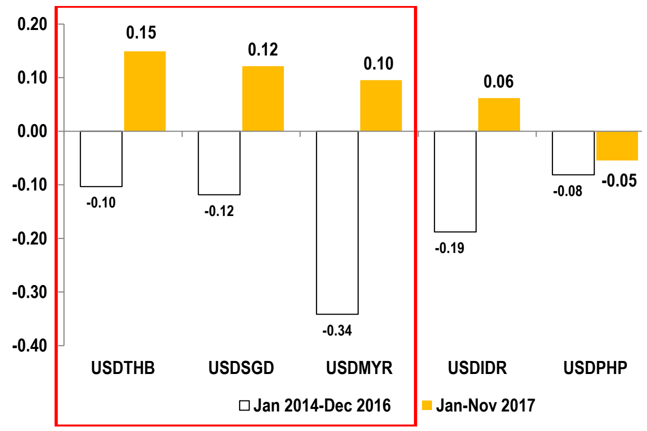
**Downside risk to THB in the near-term on sensitivity to UST yields.** UST yields are poised to rise with the passage of the US tax reform bill in the Senate. The finalized bill is likely to spur further flows away from UST and into equities, lifting UST yields even higher. At the same time, market repricing of Fed rate hike expectations should also bolster US yields. Given the sensitivity of USDTHB to moves in 10Y UST yield, rising yields in the next three months or so should widen the yield differential between 10Y UST and 10Y Thai debt, sparking a fund outflow back into US assets. This should put downside pressure on the THB in 1Q 2018.

**Domestic politics is a key risk to the THB outlook in 2H 2018.** The current calm in the political arena can be attributed to the year-long mourning period for the late HM King Bhumibol as well as to laws that prevent public political discourse. The pushing back of the general elections to Nov 2018 instead of 1H 2018 should extend the existing political calm for now. The actual date of the Nov elections will only be announced in Jun 2018 once the necessary organic laws governing the elections are passed. We expect simmering tensions to resurface then, raising political temperatures in the run-up to the elections. This could potentially impact sentiments, keeping foreign investors on the sideline until political uncertainty dissipate and thus should keep the THB weighed in 2H 2018.

**Current Account Surpluses Supportive Of THB**




**USDTHB Most Sensitive To UST Yields**




*Source: Bloomberg, CEIC, Maybank FX Research & Strategy*

## INR: Spotlight Recovery

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USD/INR | 65.00 (--) | 66.00 (--) | 64.50 (--) | 65.00 (--) | 65.00 (--) |

*No Change from Previous Forecast*

**Motivation: We are positive but cautious on the INR**. The INR could potentially regain strength over the longer term as reforms seem to take effect after a year of implementation. This view comes supported with Moody's upgrade that focused on India's economic recovery, overturning most of the negative expectations of India's growth prospects. Moreover, the potential for credit growth spurred by the bank recapitalization programme is seen to further assist lending and expansion. India was the fastest growing EM in 2016 (GDP y/y 8%). Though unlikely to remain at those levels, it is still possible for GDP to be sustained near 7% levels as the drag caused by GST and demonetization programme fades. **In short, we expect the INR to face certain headwinds and uncertainties in the short-term upheaval period, weakening towards 66.00 levels. However, in the longer term, there is plenty of room to be positive on the INR.**

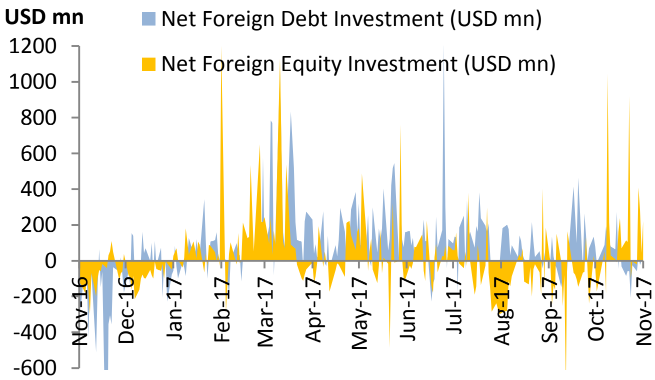
**Ratings Upgrade Turns Table of Expectations.** Moody's upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3, while changing the outlook on the rating to stable from positive. This comes as expectation that economic and institutional reforms will gradually decrease the government's debt burden over time; toning down the current negative fiscal outlook. The result of the upgrade could see a potential boost in foreign inflows to Indian assets. Furthermore, the upgrade benefits local companies seeking to borrow funds abroad, as the higher ratings lower borrowing costs. Both instances are potential chargers for economic recovery and the INR.

**A Signal for Credit Expansion.** India's recent bank recap programme should break the vicious cycle of NPLs, weak bank's b/s, and slower credit. The programme is said to not have any huge effects on the current fiscal deficit as it is based on bond issue funding. However, we caution on its high expectation of success as we still see it as a form of financial engineering; the banks will still be sitting on potential loan losses. Despite these issues, credit growth can probably be certain on this renewed sentiment.

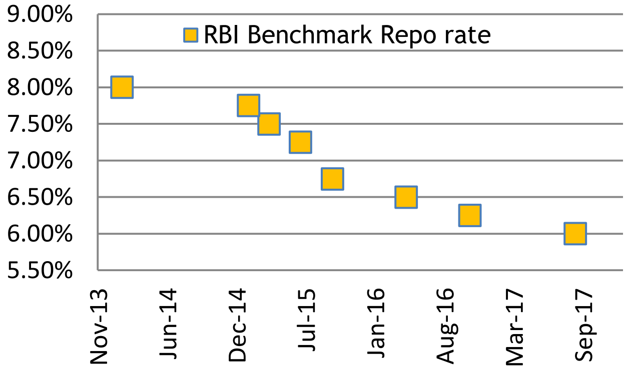
**Inflation Closing Up.** RBI's balancing act on policy rates seems to have successfully settled inflation to hover near its median target rate of 4% in 2017. After cutting rates 7$^{th}$ time since 2014, further cuts seem unlikely as lower oil prices and potential FDI flows could support the economy. We could see interest in INR carry trades to continue through 2018.

**Key Event Risks.** Expect INR to fluctuate into state elections in months of Feb, Apr, and Nov. PM Modi's coalition is likely to preserve its position as reform takes effect. However, slight political or economic misgivings could send the INR wayward because of fragility in confidence.

**Inflow of Funds may Continue as Sentiment Rises**




**RBI has been Cutting Policy Rates since 2014**




*Source: Bloomberg, Maybank FX Research & Strategy*

## VND: Guided by USD & CNY

| Forecast | 4Q 2017 | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 |
|---|---|---|---|---|---|
| USD/VND | 22760 (--) | 22780 (22730) | 22730 (22780) | 22700 (--) | 22500 (--) |

*Previous Forecast in Parenthesis*

**Motivation:** We see the VND to fairly track movements the USD and CNY coming into the year of 2018. **Nonetheless, expect the USDVND to be weighed downwards into 2018 on USD weakness.** GDP has grown, however together with a widening fiscal deficit. Manufacturing (especially in electronics) has been the main driver of trade and GDP. The VND remains in a bright spot that can also be seen benefiting from China's quality growth transition as more foreign investments could be guided towards the Vietnam instead as near term prospects remain promising. Moreover, high level of foreign reserves allows for stabilization of currency when needed. **We could see the VND weaken as US tax reforms and repatriation effects dawns. Through 2018, expect the VND to stabilize to 22500 levels as trade cycle picks up.**

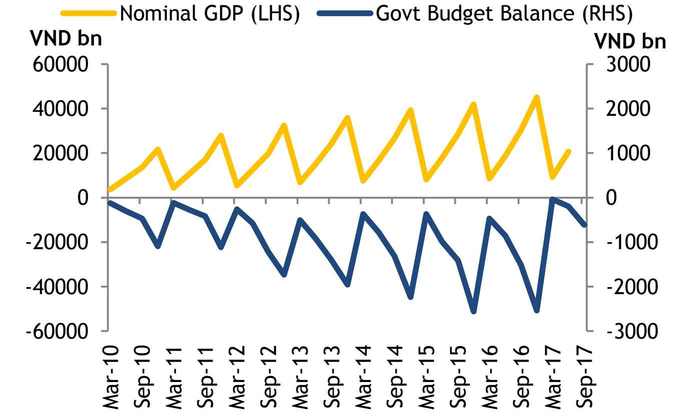
**In lockstep with regional peers.** As one of Asia's fastest growing economy, we see little barriers that constrain the country from keeping up with other Asian economies. With the partial agreement on CPTPP (after the US left), trade is expected to remain robust. However, expect inflows to slow as the smartphone cycle cools towards the start of the year, along with increased auto sales from the ASEAN tariff exemptions.

**Slowly but Surely** reducing stake in local companies. So far, equity stakes of major companies have been or is in process of being sold off. Taking advantage of the booming equity markets this year (both Hanoi and Ho Chi Minh Indices are up by roughly 40% this year), the cash-strapped government continues to encourage greater foreign ownership and internationalization with its equitisation programme, raising cash support its currently wide fiscal deficit. This would definitely boost further capital movements and FDIs into the economy.

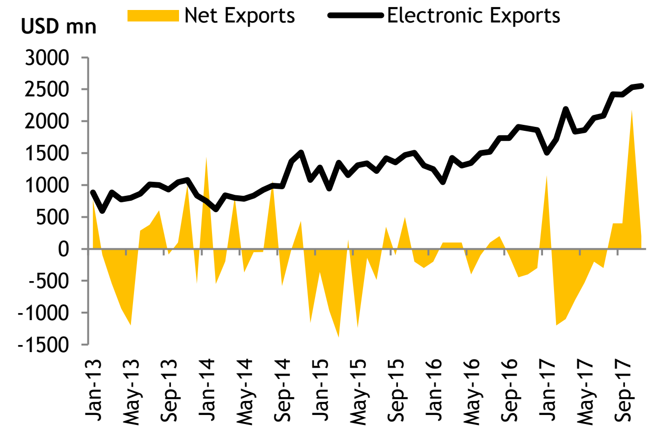
**Keeping the currency stable.** Foreign reserves remain higher in 2017. After a series of devaluations in 2015, the SBV moved to a more market-based framework for setting the currency, adjusting the dong reference rate on a daily basis. The increase in remittances from Vietnamese living abroad also helped boost foreign reserves, allowing for better stability of the VND.

**Key Risks.** Vietnam's GDP still remains under its target of 6.7%, suggesting possibility for further monetary easing. Coupled with its widening budget deficit, watch for possible weakness on the VND amid a monetary easing which might lead to an unwanted accelerated buildup in inflation.

**GDP Increasing amid a Widening Budget deficit**




**Electronics becoming Main Driver of Net Exports**




*Source: Bloomberg, Maybank FX Research & Strategy*

## FX Forecasts

| | End Q4-17 | End Q1-18 | End Q2-18 | End Q3-18 | End Q4-18 |
|---|---|---|---|---|---|
| USD/JPY | 115 | 117 | 115 | 116 | 116 |
| EUR/USD | 1.1700 | 1.1700 | 1.1800 | 1.2000 | 1.2100 |
| GBP/USD | 1.3200 | 1.3200 | 1.3400 | 1.3600 | 1.3800 |
| AUD/USD | 0.7700 | 0.7900 | 0.8100 | 0.8300 | 0.8300 |
| NZD/USD | 0.6800 | 0.6800 | 0.7100 | 0.7200 | 0.7200 |
| USD/SGD | 1.3500 | 1.3600 | 1.3400 | 1.3350 | 1.3250 |
| USD/MYR | 4.1000 | 4.0500 | 4.1200 | 4.0500 | 3.9500 |
| USD/IDR | 13600 | 13700 | 13600 | 13600 | 13500 |
| USD/THB | 32.80 | 33.00 | 33.00 | 33.50 | 34.00 |
| USD/PHP | 50.50 | 51.00 | 50.50 | 50.50 | 50.00 |
| USD/CNY | 6.60 | 6.65 | 6.60 | 6.60 | 6.55 |
| USD/HKD | 7.80 | 7.80 | 7.80 | 7.80 | 7.80 |
| USD/TWD | 30.20 | 30.40 | 30.30 | 30.10 | 30.00 |
| USD/KRW | 1098 | 1118 | 1100 | 1090 | 1110 |
| USD/INR | 65.00 | 66.00 | 64.50 | 65.00 | 65.00 |
| USD/VND | 22760 | 22730 | 22780 | 22700 | 22500 |
| DXY Index | 95.00 | 95.18 | 94.10 | 93.02 | 92.31 |
| SGD Crosses | End Q4-17 | End Q1-18 | End Q2-18 | End Q3-18 | End Q4-18 |
| 100 JPY/SGD | 1.1739 | 1.1624 | 1.1652 | 1.1509 | 1.1422 |
| EUR/SGD | 1.5795 | 1.5912 | 1.5812 | 1.6020 | 1.6033 |
| GBP/SGD | 1.7820 | 1.7952 | 1.7956 | 1.8156 | 1.8285 |
| AUD/SGD | 1.0395 | 1.0744 | 1.0854 | 1.1081 | 1.0998 |
| NZD/SGD | 0.9180 | 0.9248 | 0.9514 | 0.9612 | 0.9540 |
| SGD/MYR | 3.0370 | 2.9779 | 3.0746 | 3.0337 | 2.9811 |
| SGD/IDR | 10074 | 10074 | 10149 | 10187 | 10189 |
| SGD/THB | 24.30 | 24.26 | 24.63 | 25.09 | 25.66 |
| SGD/PHP | 37.41 | 37.50 | 37.69 | 37.83 | 37.74 |
| SGD/CNY | 4.89 | 4.89 | 4.93 | 4.94 | 4.94 |
| SGD/HKD | 5.78 | 5.74 | 5.82 | 5.84 | 5.89 |
| SGD/TWD | 22.37 | 22.35 | 22.61 | 22.55 | 22.64 |
| SGD/KRW | 813 | 822 | 821 | 816 | 838 |
| SGD/INR | 48.15 | 48.53 | 48.13 | 48.69 | 49.06 |
| MYR Crosses | End Q4-17 | End Q1-18 | End Q2-18 | End Q3-18 | End Q4-18 |
| EUR/MYR | 4.80 | 4.74 | 4.86 | 4.86 | 4.78 |
| JPY/MYR | 3.57 | 3.46 | 3.58 | 3.49 | 3.41 |
| MYR/HKD | 1.90 | 1.93 | 1.89 | 1.93 | 1.97 |
| MYR/CNY | 1.61 | 1.64 | 1.60 | 1.63 | 1.66 |
| GBP/MYR | 5.41 | 5.35 | 5.52 | 5.51 | 5.45 |
| AUD/MYR | 3.16 | 3.20 | 3.34 | 3.36 | 3.28 |
| NZD/MYR | 2.79 | 2.75 | 2.93 | 2.92 | 2.84 |
| MYR/IDR | 3317.07 | 3382.72 | 3300.97 | 3358.02 | 3417.72 |
| MYR/INR | 15.85 | 16.30 | 15.66 | 16.05 | 16.46 |
| MYR/KRW | 267.80 | 276.05 | 266.99 | 269.14 | 281.01 |
| MYR/PHP | 12.32 | 12.59 | 12.26 | 12.47 | 12.66 |

Source: Maybank FX Research as of 7 Dec 2017

*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

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