MACRO | FX RESEARCH | Global

Maybank

Jan 29, 2016

FX Monthly

2016, Issue I: Adapting to the China and Oil Odd-Curveballs

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Key themes[1]

- First, US Fed timeline for eventual future rate hike depends on assessment of economic outlook but a Fed move becoming irrelevant to markets. US growth recovery remains on track but recent global developments out of China and volatile market activity may potentially affect the number of hikes in 2016. Key US events: Jan NFP on 5 Feb; ISM Manufacturing on 1 Feb; Dec Factory orders 4 Feb; Jan retail sales and industrial production on 12 and 17 Feb respectively; Jan CPI inflation on 19 Feb; Jan new home sales on 23 Feb; Oct durable goods on 25 Feb.

- **Second, the 2% inflation target has been pushed back to 1H FY 2017 (by Sep 2017) due to oil and negative interest rate has weakened JPY**. The easing bias is clear and intermittent threats of further easing will keep USDJPY supported on dips. On tap is preliminary 4Q15 GDP on 15 Feb. Note that Governor Kuroda will speak in Tokyo on 3 Feb. JGB auctions in Feb: 10-year (2 Feb), 30-year (9 Feb), 5-year (18 Feb), 1-year (17 Feb) and 20-year (16 Feb).

- **Third, subdued core inflation, QE is expected in 1Q March, and structural headwinds in the Euro-area (high debt, possible fiscal slippages, slow reform, etc.) will continue to weigh on the Euro.** But, funding currency status and large current account surplus the Euro-area has over its peers (UK, US) suggest there could even be scope for capital outflow without the Euro coming under intense pressure. We do not rule out the possibility of ECB announcing further monetary easing via extension of duration or expanding its asset purchase plan in 1Q 2016, especially if inflation do not pick up and EM growth deteriorates further. And this is expected to weigh on the EUR in 1Q 2016. 4Q Advanced GDP out of Euro-area, Germany, France (12 Feb); ECB minutes (18 Feb); flash Feb PMIs out of Europe (22 Feb); HICP inflation (25 Feb). There is no ECB meeting in Feb.

- **Fourth, ongoing reforms in China policies to address domestic, financial, and growth issues continue amid RMB internationalisation efforts.** The immense amount of liquidity injected exerts greater downside pressure on the CNY. With the economy still under pressure from severe overcapacity, market players remain very bearish on the CNY. We may see another round of yuan depreciation after Chinese New Year, timed after the NPC and CPPCC set the annual targets that should lift the USDCNY. Jan PMI-mfg on 1 Feb, accompanied by the Caixin version. Foreign reserves for Jan will be due on the 7th. Liquidity numbers are due from 10th-15th. Trade data is on the tap on the 15th, followed by inflation on the 18th. Thereafter, eye are on the NPC and the CPPCC at the start of Mar.

- **Fifth, FX, equity, oil volatility have risen and stabilized by end Jan but has the potential to rise again.** AXJs may see a respite in 1Q on cautious optimism as global monetary conditions remain accommodative but we remain cautious from 2Q 2016 onwards as interest rate rises start to pick up pace in US. That could call EM debt sustainability into question and trigger risk-off sentiment and portfolio outflows. USD/AXJs is expected to see further upside from 2Q onwards. We remain bearish on currencies with signs of weak domestic demand, lower fiscal capacity and potential idiosyncratic risks in 2016. Within the Asia FX space, we continue to see growth and monetary policy divergence and this give rise to relative value trades In particular we favor PHP, INR and MYR over THB, IDR, SGD and CNY.

[1] Underlined words represent new developments in the FX themes.

G7 Global Overview

USD: Mild dollar momentum in 2016 likely

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q2016
USD Index	**101.44** (101.73)	**101.34** (101.63)	**99.54** (99.81)	**97.63** (98.00)

Previous Forecast in Parenthesis

- **Motivation for the FX View: Motivation:** We remain mildly bullish on the 2016 dollar outlook. The DXY is currently at 99.20 (as at 29 Jan 2016 @12.00pm). Firmer US data and 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 101, 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 further Fed rate hikes in 2016 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.
- **Growth and Inflation Outlook:** FOMC dots projection (as of Dec 2015) shows **2016 growth being nudged higher at 2.4% from 2.3%.** Fed maintained its view that the economy is expanding at moderate pace; household spending, business fixed investment are increasing at solid rates and housing sector continues to improve while net exports remains soft. This outlook lends justification for the recent rate hike in Dec 2015.
- Core PCE inflation has also not risen significantly even as headline unemployment rate has fallen to 4.7%. Inflation remains low and factors such as depressed crude oil price may cause it to remains well off its 2% target. Fed's preferred measure of inflation, the private consumption expenditure (PCE) deflator, was 0.4% YoY as of Nov 2015, and Fed currently forecasts inflation to accelerate from 0.4% in 4Q 2015 to 1.6% in 4Q 2016, 1.9% in 4Q 2017in "justifying" its current FFR guidance.
- **Monetary Policy Forecast:** The first FOMC meeting of 2016 ended with the target fed funds rate (FFR) unchanged at 0.25%-0.50% after last month's 25bps hike. Post-liftoff hikes remain "data-dependent" and "event-driven", causing divergence between Fed's guidance and market expectations. **We maintain our call for no more than two hikes totaling 50bps this year.**

- Fed kept the target FFR at 0.25%-0.50% at its 26-27 Jan 2016 FOMC meeting after raising it by 25bps at 15-16 Dec 2015 FOMC meeting. The decision was not surprising given the tumultuous start to 2016 for the global economy and financial market, indicating the influence of external event on Fed's decision. This is confirmed by FOMC statement which stated the **Fed is "closely monitoring global economic and financial developments and is assessing their implications for the labour market and inflation, and for the balance of risks to the outlook".** Fed's is currently guiding for an average of +95.8bps p.a. hikes in 2016-2018 based on the "dots plot" chart updated at last month's FOMC meeting i.e. +100bps hikes in 2016, +100bps hikes in 2017and +87.5bps hikes in 2018.

- In contrast, markets have toned down expectations on FFR hikes post-liftoff. As per the market-implied forward rate, FFR is expected to increase by an average of +31bpsp.a. in 2016-2018 i.e. +23bps in 2016, +35bps in 2017 and 2018 respectively. This suggests market now only sees a single hike of +25bps this year, followed by between +25bps and +50bps p.a. in the following two years. Previously, the market-implied forward rate indicates an average of +50bps p.a. hikes in 2016-2018. Based on latest probabilities of FFR hike, the single hike this year may take place in 2H 2016.

- The next FOMC meeting is on 15-16 Mar 2016. If Fed sticks to its current guidance of +100bps hike this year, this implies +25bps increase per quarter. There are eight FOMC meetings per year and two FOMC meetings per quarter. So by simple arithmetic logic, the first +25bps increase in 2016 should occur at the 15-16 Mar 2016 FOMC meeting.

- But if there are no changes in FFR in the next FOMC meeting, eyes will be on Fed's quarterly updates on its "dots plot" chart and macroeconomic forecast –especially inflation. **The absence of FFR hike at the next FOMC meeting will underscore Fed's "data-dependent" interest rate policy decision.** In particular, within the context of its dual mandate of maximum employment and stable prices (i.e. 2% inflation rate), **inflation will be key in post-liftoff FFR path** as job market condition continue to improve.

- **Latest Fiscal and External Balance Outlook: 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.

- **Key domestic events and issues to watch in Feb 2015:** Key US events: Aug NFP on 5 Feb; ISM Manufacturing on 1 Feb; Dec Factory orders 4 Feb; Jan retail sales and industrial production on 12 and 17 Feb respectively; Jan CPI inflation on 19 Feb; Jan new home sales on 23 Feb; Oct durable goods on 25 Feb.

- **Technical Outlook:** DXY regained some losses over the past month, owing to BoJ renewed monetary easing via negative interest rates. We had cautioned that a rising wedge formation is possibly playing out, and this is typically a bearish reversal. Daily momentum and stochastics are indicating a mild bearish bias. Support at 98.85 (50 DMA, 50% fibo retracement of Dec high to low) has now been broken; next support at 98.50 levels (38.2% fibo) before 98 levels (23.6% fibo). Resistance at 99.72 (76.4% fibo).

EUR: ECB Easing is Not Done Yet

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

Previous Forecast in Parenthesis

- **Motivation for the FX View:** We **reiterate our bearish bias for the EUR**. We **do not think ECB is done with monetary easing, especially after recent ECB meeting** (Jan 21), which offered clues that further easing could come in the next meeting on 10 Mar. We think **another 10bps cut to the -0.30% deposit rate should be a given.** There could be risk of further technicality adjustment to asset purchase program. ECB will be careful in its forward guidance leading to the meeting as it does not want to risk another situation where it overbuilt expectation and under-delivered them (Dec ECB meeting). **ECB's chief mandate is to get inflation back towards 2% target, or risk losing credibility**. With inflation outlook still benign at this point (+0.2% y/y in Dec), we believe ECB may need to unleash more monetary stimulus, and this should see **downside pressure on the EUR dominating towards the next ECB meeting**.
- While downside pressure on the EUR may persist, we **do not envisage a free-fall scenario towards parity** as **EUR moves remain inversely correlated with risk assets -** that means EUR like most "low yielding currencies" (i.e. JPY, CHF) tends to be supported if risk sentiment worsens (i.e. risk aversion flows). **Short squeeze in EUR towards 1.0950-1.1050 cannot be ruled out over the next 2-3 weeks** as market reduces pares back expectation for Fed to tighten anytime soon. We re-calibrated our EUR forecasts slightly higher in light of recent development.
- We wish to add a **caution to our view above**. EUR has enjoyed an inversed correlation with risk assets since early-2015 when monetary policy divergence between ECB and Fed took place (ECB embarked on QE while Fed tapered QE and moved into tightening). **Recent observation revealed that the correlation coefficient has been less significant as compared to 2015. This is due to growing expectation for Fed to hold off tightening**, for time being. The **inverse relationship between EUR and risk asset may cease to exist if correlation coefficient falls further.** We will monitor developments here.
- **Growth and Inflation Outlook:** Economic growth has yet to recover to pre-GFC levels, but there are some early 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 which remain high and could weigh on long-term growth potential.
- Euro-area 3Q GDP grew 0.3% q/q (vs. 0.4% in 2Q). **Activity data appears to suggest that growth may still hold up.** While Euro-area composite PMI slipped for Jan (+53.5 vs 54.3 in Dec), it remains in expansionary territory. Other surveys - consumer

confidence and ZEW survey were both stronger than expectation and previous quarter averages.

- **Euro-area inflation is expected to remain near zero or re-enter negative territories amid lower energy prices. 5y5y inflation swap rate (a measure of inflation expectations) is currently around 1.55, somewhere close to its lowest level since Jan 2015 (where ECB first embarked on QE).** Dec headline inflation was +0.2% (vs. +0.1% in Nov). Core inflation continued to hold steady at +0.9%. Looking ahead we expect inflation to gradually pick up from end-year off the back of oil prices stabilizing, and continued pick-up in demand.

- **Monetary Policy Forecast:** With inflation outlook still benign (+0.2% y/y in Dec), and recent comments from ECB's Draghi at the last ECB meeting in Jan, we believe ECB is preparing to unleash more monetary stimulus at its next meeting on 10 Mar. In particular **ECB's Draghi said the Governing Council is concerned about the renewed strong decline in oil prices and market volatility, and now sees downside risks.** Draghi added that it is **necessary to review and possibly reconsider its monetary policy stance** at its upcoming meeting. He also emphasized that **ECB credibility could be in jeopardy if ECB does not stand ready to act on monetary policy.** Towards the end of the ECB Q&A session (21 Jan), Draghi stressed that "today's message has the unanimous backing of the Governing Council and emphasized again the renewed downtrend in core inflation.

- To recap, ECB cut deposit rate by 10bps to -0.30%, extended its asset purchase program by 6months out to Mar 2017 and expanded the list of eligible bonds for purchase under the APP program at its Dec ECB meeting. **We expect at least another 10bps cut to deposit rate. We are not ruling out deposit rate cut of larger magnitude if Draghi is able to convince the Governing Council. There could be risk of further technicality adjustment to asset purchase program which could include expanding the monthly purchase size and/or extending further the APP program.**

- **Latest Fiscal and External Balance Outlook:** The government deficit ratio is projected to decline to 1.5% in 2017, from 2.1% of GDP in 2015. Projected government debt ratio is projected to decline gradually to 88.4% in 2017, from 91.5% of GDP in 2015.

- Euro-area current account surplus widened to EUR26.4bn in Nov, from EUR25.6bn in Jul, on seasonally-adjusted basis.

- **Key domestic events and issues to watch**: 4Q Advanced GDP out of Euro-area, Germany, France (12 Feb); ECB minutes (18 Feb); flash Feb PMIs out of Europe (22 Feb); HICP inflation (25 Feb). There is no ECB meeting in Feb.

- **Technical Outlook:** EUR has been trading sideways for the month of January, albeit with some slight bias to the upside as we write (end-month post FOMC which saw a weaker USD). We continue to reiterate that EUR appears to be trading in a triangle formation - horizontal trading pattern. Directional bias is gradually shifting to mild upside bias as indicated by daily momentum. Near term support at 1.08 (upward sloping trend-line support from Dec to Jan lows); resistance at 1.0970 levels (100 DMA), 1.1060 (200 DMA).

GBP: Pounded by Brexit (Over)-Panic

Forecast	1Q 2015	2Q 2016	3Q 2016	4Q2016
GBP/USD	**1.4600** (1.5600)	**1.4600** (1.5800)	**1.5000** (1.6000)	**1.5500** (1.6200)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** We **lower our GBP forecast by a large margin**, in light of **recent sell-off relating to *Brexit* fears intensifying much earlier than we initially expected, general risk-negative sentiment driven by renewed oil price weakness and a mix of slower than expected wage growth pick-up and benign inflation** (which is keeping the BoE sidelined for longer than expected). We **maintain our view that UK will vote to remain in EU, but uncertainty around the EU referendum date and ongoing negotiations of UK's relationship with EU will add to volatility and weigh on GBP.** We are also of the view that Brexit panic could be overdone and GBP may stage a short-term technical rebound towards 1.45 levels over the next 2 weeks. Meantime interim support at 1.4080 levels; if broken could see further downside towards 1.38 levels.
- We had flagged that *Brexit* risks pose risk to UK's growth prospects and exert downside pressure on GBP. But this **risk came much earlier than expected. Recent polls (Mid Dec 2015) showed that 47% is in favor of leaving the EU;** 38% voted to remain in EU while 14% remain undecided. ***Brexit* panic triggers fear of BoP crisis especially when UK current account deficit is already large (-4.7% of GDP as at 3Q 2015) while FDI and portfolio inflows could possibly slow** (on *Brexit* deferring inward investments).
- While there may be concerns, **question arises if these panic are overdone (GBP has fallen more than 7% since mid-Dec), especially when the exact date of the EU referendum remains unknown at this point.** Some details before the EU referendum that have caused much market volatility - UK PM Cameron is attempting to **re-negotiate UK's relationship with the EU which include restricting benefits for EU migrants and this has met with opposition from the majority of EU leaders including Germany's Merkel and France's Hollande**. Negotiations are still ongoing and **EU Summit on 18-19 Feb is the earliest date a deal might be reached, and June 2016 may well then be the earliest date the EU referendum could take place** (vs. early 2017). Failing which, the next EU summits are scheduled to take place in Mar and Jun, and that infers an EU referendum to be held only from 2H 2016 or even in early-2017. The **longer the delay in firming a date, the more uncertainty and escalated volatility there would be and these will add to further downside pressure on the GBP.**
- And in the **worst case scenario that UK votes to exit EU, we do not rule out further downside pressure towards 1.30 levels and beyond**, given a toxic combination of repercussion including possible risk of BoP crisis (current account deficit is unlikely to be financed by FDI and portfolio inflows as the latter two are expected to slow or even stop); business, investors and consumer

confidence are expected to dip; MNC HQs could relocate/ pullout capital/investment (FDI from EU to UK at 62% past 10 years and 76% of EU FDI goes into UK financial services) and trade relations with EU could be strained (UK's total trade with EU totaled 51% between Jan and Aug 2015).

- **But our base-case scenario is for UK to vote to remain in EU, as the cost associated with the break-up is too high.** That said, uncertainty around the EU referendum date and ongoing negotiations of UK's relationship with EU will add to volatility and weigh on GBP.
- Apart from *Brexit* risks weighing on GBP, we wish to add that general risk-negative sentiment, driven by **falling oil prices have also weighed on GBP. Correlation between brent prices and GBP are significantly positively correlated, with a coefficient of +0.86. This suggests that falling oil prices have a negative bearing on GBP** despite UK being a net oil importer. And we believe the transmission channel comes via portfolio and investment flows as 17% of FTSE100 are energy and materials-related, and to-date, these sectors have seen some of the biggest declines.
- **Growth and Inflation Outlook: 3Q final read was revised lower** from advanced estimates: +0.45% q/q; 2.1% y/y (vs. 0.5% q/q; 2.3% y/y), due to gross capital formation. **Consumer spending remains the main driver of growth** (household consumption rise 0.9% q/q in 3Q).
- **UK PMI picture continued to point to an expansion albeit some continued signs of losing momentum** - Dec Services PMI slipped slightly (55.5 in Dec vs. 55.9 prior) and manufacturing PMI also fell (51.9 in Dec vs. 52.5 prior). Construction PMI rose (57.8 vs 55.3 prior).
- Latest employment report reflected a mixed picture with unemployment rate falling to 5.1% (3 months to Nov); but wage growth moderating to 2% (from 2.4%).
- In the Nov Quarterly Inflation Report the **MPC has revised down the inflation outlook given recent falls in oil and other commodity prices.** BoE **expects CPI inflation to remain below 1% into 2H 2016** (well below its medium term target of 2%). BoE expects inflation to return to target in around 2 years.
- Meanwhile modest pick-up was seen in Dec headline inflation (+0.1% m/m from flat in Nov), due to surge in air fares; while core inflation also accelerated to 1.4% in Dec (from 1.2% prior).
- **Monetary Policy Forecast:** A benign inflation outlook (at 0.2% y/y in Dec remains far from BoE's medium term target of 2%) and slower than expected pick-up in wage growth are expected to keep BoE on the sidelines for longer than expected. **We had initially expect BoE to hike sometime as early as 1Q 2016, but given recent market and financial development (inflation outlook, oil/commodity price declines and *Brexit* risks), we think a hike may only come in 4Q 2016.**
- At the last BoE meeting on 14 Jan, BoE MPC voted 8 - 1 to keep policy rate on hold at 0.5%; and the MPC was unanimous in keeping asset purchase program at GBP375bn, as expected. There was not much surprise from the decision and minutes. Minutes was perceived as neutral. Near-term outlook on inflation and growth appear slightly weaker than expected. Mention was made to weakening wage growth. **BoE Carney commented (in meeting with UK lawmakers on 26 Jan) that conditions for rate increase**

are not yet in place (referring to slower than expected wage growth and benign inflation outlook).

- **Latest Fiscal and External Balance Outlook:** UK budget deficit narrowed more than expected in Dec on higher receipts. Public sector net borrowing (excl public sector banks) fell GBP4.3bn to GBP7.5bn. This was 12.9% lower from a year ago. Improvement in public finances raise offs of the government achieving its 2015/16 public finance targets.

- UK's current account deficit remains wide at -4.7% if GDP (as at 3Q). But it has gone down owing to improvement in foreign income. The Office for Budget Responsibility expects the current account deficit to narrow in the coming years. That said a large current account deficit could pose risk to balance of payment crisis should FDI/portfolio inflows slow.

- **Key domestic events and issues to watch:** EU Summit on 18-19 Feb will be key to watch for any deal relating to re-negotiation of UK relationship with EU and that could set some clarity on EU referendum. Blockbuster Thursday on 4th Feb where BoE MPC decision, meeting minutes, Feb quarterly inflation report and press conference will all take place. Jan CPI inflation (16 Feb); Dec employment report (17 Feb); and 4Q prelim GDP (25 Feb) will also be closely watched.

- Technical Outlook: GBP nose-dived since mid-Dec from 1.52-handle to a low of 1.4080 (Jan 21). Move came amid ongoing concerns of *Brexit*. We think this move down may seem technically stretched. While weekly momentum remains bearish bias, daily chart suggests possibly pullback. Support remains at 1.4080 (Jan lows) before 1.38 levels, while resistance is at 1.4350/60 levels (23.6% fibo and downward sloping trend-line resistance from Dec to Jan). Break above 1.4350/60 could see weak GBP-shorts (positions) getting flushed further towards 1.4520 (38.2% fibo).

AUD: High Bar For A Cut

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
AUD/USD	0.74	0.70	0.68	0.70
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No Change from Previous Forecasts

- **Motivation for the FX View:** Before the year had barely started, AUDUSD already made new 7-year low of 0.6827, dragged by the fall in Chinese equities, Renminbi and concomitant declines in base metal prices. Range-trading has since been shifted lower towards 0.68-0.72 from previous 0.69-0.74 seen last quarter on renewed concerns over China's economic slowdown and its impact on commodity supply glut. We had not anticipated China to allow such a rapid depreciation in the yuan at the start of the year. We see technical rebound in AUD from current levels of around 0.70 and risk on to keep AUD supported. We maintain our AUD forecast at 0.74 for 1Q.

- Medium term, we have seen signs of bottoming for the economy as well as for the AUD. Household consumptions are underpinned by strong hiring sentiments, low interest rates, cheaper oil prices. Exports growth continues to stabilize, albeit on base effects with exports contracting only -0.43%y/y (sa) in Aug. Over the past few months, cheaper AUD has boosted Australia's tourism industry. Terms of trade are still on the decline, weighed by the decline in base metal prices. As such, Australia still needs more time before a more sustainable recovery takes hold as we note low wage growth and a lack of capital expenditure. Expect AUD to remain choppy within 0.68-0.72 in the near-term. We see potential for the AUD to touch the lower bound of this range (0.68) by 2Q as rate hike expectations build for the Fed as well as another round of yuan depreciation. That said, AUD has also likely priced in much of the fall in commodities and moderate dollar strength. Existing headwinds should keep AUD volatile around 0.70 for the rest of 2016. We do acknowledge some upside risks for the AUD should CAPEX show significant improvement, especially in the non-mining sector. OIS data even indicates a rise in market expectations for a rate cut in Jan - a rate cut that we do not see. That constitutes another upside risk for the AUD once investors pare back expectations.

- **Growth and Inflation Outlook:** Apart from the slump in Chinese equities, the Renminbi, iron ore and copper prices, domestic data has been less than helpful for the AUD. Commodity index clocked a larger decline for Dec, trade deficit was a tad wider than expected in Nov, building approvals contracted 12.7%m/m, much more than the expected -3.0%. Even the labour numbers registered a decline, albeit a small one for Dec. However, we also note the sustained improvement in capacity utilization, steady credit growth, a resilient labour market that has exceeded market expectations. While expectations of exports sales for the next three months are still lackluster, the same survey also revealed that sales revenue to rise in the next three months. This is in line with the rise in tourist arrivals and visitor spending throughout 2015, a direct boost from the cheaper AUD.

- Inflation is subdued but Australia is certainly not at the risk of slipping into deflation. 4Q CPI slowed less than expected to 0.4%q/q from previous 0.5%. Year on year, the headline quickened to 1.7% from previous 1.5%. The food, alcohol and clothing component picked pace while that of housing, health, transportation and communication components slowed and even registered contractions. The breakdown suggests that the tradable component has contributed to the rise in the headline compared to the non-tradable suggesting that the latest inflation is more to do with the cheaper AUD than anything else.

- Australia's transition from an economy that is dependent on mining investment to one that is more diversified is still expected to be gradual. The mining (investment) cliff is taken into account by RBA's growth projection for 2016 at 2-3%. 2015 GDP is projected to be around 2.5% with key drivers from stronger net exports from the resource sector, household consumption and non-mining business investment. Slack in the labour market still remains and may even be less sanguine than what recent employment numbers suggest. In addition, business conditions and confidence data also do not suggest a lot of optimism yet. Hence, while there are signs that we are bottoming, we do not expect a lift-off in the economy in the near-term.

- **Monetary Policy Forecast:** Expect RBA to remain comfortable with the current level of cash rate at 2.0%. Prevailing interest rates have been supportive of consumption and borrowing. Retail sales, a proxy for household consumption is still supported at around 4.3%y/y in Nov. Higher mortgage rates have clearly not crimped on private consumption. While wage growth is expected to be low, unemployment rate is projected to remain steady or even biased to the downside given the lower growth rate of the labour force. Our most compelling reason for RBA to stand pat is that there is precious ammunition for RBA to squander and marginal returns from additional rate cuts have been diminishing. The bar for the next cut is high and we see no action this year.

- **Latest Fiscal and External Balance Outlook:** The MYEFO was released on 15 Dec. 2015/16 budget deficit was revised higher to A$37.4bn from A$35.1bn in May. For 2016/17, the deficit is now higher at A$33.7bn. Growth forecast is lowered to 2.5% for 2015/16, in line with RBA. Iron ore price is revised lower to A$39/tonne from A$48 in the May budget.
- Current account deficit narrowed to -A$18.1bn in 3Q from A$20.5bn in the quarter prior, seasonally adjusted. That was mainly due to the improvement in trade balance of goods and services account which saw a narrower deficit of around A$5.3bn as exports volume was boosted by the cheaper AUD.
- **Key domestic events and issues to watch:** RBA sets cash rate target on 2 Feb, after the summer break. Key data includes Jan labour report on the 18th and 4Q CAPEX on the 25th. TD Securities inflation for Jan is due on 1 Feb. Dec building approvals are due on 3 Feb, Dec retail sales is out on the 5th, along with the Statement on Monetary Policy. Jan NAB business conditions/confidence are due on the 9th. Westpac consumer confidence for Feb is due on the 10th.

Technical Outlook: AUDUSD had recovered above the 0.70 just before month end, boosted by tentative risk-on. MACD on the weekly chart is at zero. Recent 7-year low was not accompanied by greater bearish momentum. We still see support on dips as recent slides lack conviction. The bullish divergence on the weekly chart suggests that the 0.75-figure beckons ahead of the next at 0.7865 (38.2% fib retracement of the 2014-2016 sell-off).

NZD: Doors Re-Opened For Further Easing

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q2016
NZD/USD	0.6100 (0.6400)	0.6100 --	0.6300 (0.6200)	0.6600 (0.6300)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** We remain **bearish on the NZD.** This is due to a combination of factors **including RBNZ explicit bias for further easing and weaker NZD** (as export prices remain soft), **benign inflation outlook**, **challenging dairy market dynamics**, high risk of **current account deficit widening**, **further downside risk to growth outlook** over the next few months amid weak growth and rising uncertainty in EM countries including China. We **revised downwards our 1Q forecast, in light of recent RBNZ statement** (28 Jan) and **marginally revised upwards our NZD forecast in 4Q to reflect potential improvement** to growth, inflation and possibly the dairy sector as supply-demand imbalance corrects gradually.

- **Growth and Inflation Outlook: Economy is estimated to have expanded by slightly less than 2% for 2015**, following 2.5% growth in 2014. 3Q GDP grew +0.9%, (up from +0.4% in 2Q), supported by manufacturing and retail spending which offset dairy production declines. On y/y basis, the economy expended 2.3% (weakest print since late-2013).

- **Growth outlook is expected to moderate in the near term** 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 PMI 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. RBNZ expects GDP growth to pick up to 2.2% this year. That said RBNZ cautioned in its recent statement (28 Jan) that there are **many risks around the outlook - prospects for global growth, particularly around China, global financial market conditions, dairy prices, low inflation (due to falling fuel prices), net immigration, and pressures in the housing market.**

- NZ continues to **experience a period of structurally low inflation**, especially with inflation still near 16-year lows and wage inflation remains benign near 2010 levels. 4Q headline CPI inflation dipped into negative territories (-0.5% q/q), from 0.3% in 3Q, mainly due to falling fuel and vegetable prices. This is the lowest level since 1999. To compound problems, dairy prices remain 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.

- **Monetary Policy Forecast:** At the last RBNZ MPC meeting on 28 Jan, RBNZ kept OCR on hold at 2.5%, as widely expected (after cutting OCR by 25bps in Dec). RBNZ's **accompanying statement maintained its desire for further depreciation in the NZD** given ongoing weakness in export prices. **RBNZ also said that some further policy easing may be required over the coming year** to ensure that future average inflation settles near the middle of the target range. It **now expect annual CPI inflation to take longer than expected (initially expected to be early-2016) to return within the target range of 1 - 3%.** We now see increasing likelihood of RBNZ lowering the OCR by another 25bps before 1H 2016.

- **Latest Fiscal and External Balance Outlook:** 3Q current account deficit widened again to -NZD4.75bn, from -NZD$1.2bn in 2Q. For 12 months ending 30 Sep, current account deficit stood at 3.3% of GDP.

- The **fiscal outlook continues to improve.** The **government posted the first budget surplus since 2008**, fulfilling its pledge to balance the books in 2014-15 financial year. Obegal (Operating balance before gains and losses) saw a surplus of NZD414mil in the fiscal year ending Jun 2015 (vs. -NZD2.9bn last year). Government forecasts show the operating balance broadly in balance over the next few years, before rising rapidly in 2018/19

- **Key domestic events and issues to watch**: 4Q Labor report (3 Feb) which we will pay attention to wage growth; Jan BusinessNZ Mfg PMI (11 Feb); 4Q PPI (18 Feb); Jan trade (26 Feb). There is no RBNZ MPC meeting in Feb; the next meeting is in 10 Mar. GDT auction will take place on 2nd and 16th of Feb.
- **Technical Outlook:** NZD turned lower after failing to break above its previous resistance at 0.6890 levels (Oct high). This level has now formed an interim double-top formation. Weekly momentum and stochastics indicators are showing signs of bearish bias. First support seen at 0.6430 levels (lows in Nov and Jan), 0.6350 (Jan low), 0.61 levels. Rallies towards 0.6550 remain a sell.

JPY: Sunk by Negative Rates

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USDJPY	120 (116)	122 (117)	120 (120)	119 (122)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** Since the beginning of the year, the USDJPY has declined by 1.6% and has touched a low of 115.98 (20 Jan) not seen since 24 Aug 2015. Though the downside risks to the USDJPY continue to hover in the background, the recent BOJ addition to its easing measures should support the pair ahead.
- The BOJ surprises on 29 Jan 2016 by adopting negative interest rates. It encompasses a three-tier system on financial institutions' current accounts which includes positive rate for existing current account balances, zero rate for required reserves and -0.1% for outstanding balance in excess of these values. The latest move, which is meant to lower real interest rates to spur spending and investment, is JPY-negative with the USDJPY making a rapid climb back above the 120-levels on 29 Jan.
- More importantly, the governor in his press conference said that the BOJ "can ease now in quality, quantity, and rates". This opens up the possibility of further measures by the BOJ should the 2% inflation target, which is now postponed to 1H of FY2017 from 2Q FY2016, fail to gain traction. Consequently, the USDJPY bounced to near 121.50-highs and has settled around the 120-121 figure thereafter. The easing bias is clear and USDPJPY should remain supported around 120 for the rest of the year, on intermittent threats of further easing.
- Still, even the current ultra-loose monetary policy of the BOJ that has kept bond yields at historic lows (below 0.2%) has not deterred investors fleeing from riskier markets or seeking safer-assets to move into JGBs. Yields of JGBs have fallen by 0.85-8.95bp broadly across most tenor except for the shorter end since the start of the year. The flight to the JGBs has weighed on the USDJPY to date as a result. The continued inflow into JGBs should risk sentiments sour could push the JPY back below the 120-levels.
- **Growth and Inflation Outlook:** Recent data releases suggest that growth is likely to remain lackluster. Industrial production

rebounded by 1.7% y/y in Nov from -1.4% in Oct, but this was due to base effects. On a seasonally-adjusted m/m, industrial production continued to slip lower by -1.4% in Dec from -0.9% in Nov. Core machine orders – an indicator of future capital spending by private companies – moderated to 4.3% y/y in Nov after spiking 22.5% in Oct. Wage growth appears to have stalled, in tandem with the weak economy, expanding by 0% in Nov from 0.7% in Oct and could be a drag on retail sales, which had fallen by 2.5% y/y in Nov.

- Inflationary pressures remained elusive with both headline and core inflation (headline CPI less food) – BOJ's key gauge of inflation – still hovering near flat at 0.2% y/y in Dec. Given the slump in global oil prices, lackluster domestic growth and muted wage growth, the risks have increased that the 2% inflation target might not be met by the latter half of FY 2016 and a postponement of the timing could be in the cards. Still, another gauge favoured by the central bank - core-core inflation, i.e. headline inflation less food and energy prices – continues to hover around the 1.0% levels (Dec: 0.8%), which lessens concerns that inflationary pressures were absence.

- **Monetary Policy Forecast:** The BOJ surprised markets on 29 Jan by imposing negative interest rates. It adopts a three-tier system on financial institutions' current accounts which includes positive rate for existing current account balances, zero rate for required reserves and -0.1% for outstanding balance in excess of these values. The latest move was meant to lower real interest rates to spur spending and investment.

- In addition, the 2% inflation target is now postponed to 1H of FY2017 from end FY2016, taking into account low oil prices. Governor Kuroda stressed that negative rates is just an additional monetary tool and not a signal that its asset purchases can no longer be expanded. Although the central banker highlighted that the BOJ policy is not meant to target any level of FX rates, USDJPY bounced to near 121.50-highs and settled around the 120-121 figure thereafter. The easing bias is clear and USDPJPY should remain supported around 120 for the rest of the year, on intermittent threats of further easing.

- **Latest Fiscal and External Balance Outlook:** The government's ongoing fiscal consolidation efforts do not seem to be enough. Latest forecasts from the Cabinet Office hints of the government missing its goal of achieving a primary balance surplus by FY 2020. Even assuming the government moves ahead with raising the sales tax to 10% in Apr 2017 as planned, the primary deficit under the "economic revitalization" (assumes growth of more than 2%) and "baseline" (growth assumed 1%) scenarios still shows primary balance deficits of 1.7-2.1% in FY 2018 and 1.1-2.35 in 2020 respectively. Thus, the Abe government has its job cut out for it for the next year to find new sources of revenue and to trim expenditure to meet its FY 2020 targets.

- The current account surplus narrowed slightly to JPY1.14tn in Nov from JPY1.46tn in Oct, underpinned by a larger deficit in the goods and services account as well as the slightly slower primary income surplus. The narrower current account surplus did not stop the overall balance of payments (BoP) from ballooning to JPY5.49tn in Nov from Oct's JPY0.79tn, underpinned by the spike in the financial account to JPY2.75tn in Nov from just JPY0.40tn in Oct. This was largely due to the gains in portfolio flows of JPY1.81tn in Nov from Oct's –JPY4.21tn.

- **Key domestic events and issues to watch:** On tap is preliminary 4Q15 GDP on 15 Feb. Note that Governor Kuroda will speak in Tokyo on 3 Feb. JGB auctions in Feb: 10-year (2 Feb), 30-year (9 Feb), 5-year (18 Feb), 1-year (17 Feb) and 20-year (16 Feb).

- **Technical Outlook:** USDJPY rallied to near 121.50 highs upon the announcements of negative interest rates before settling around 120.50 as we write. We see rangy actions within 116-125 and watch the oscillators to flag overstretched positions. Pair is now rising from its oversold position, according to stochastic. The clearance of 121.20 (50-DMA)-resistance gives way towards the next at 123.80 ahead of the next at 125.90. Supports are seen at 118.50 ahead of 116.40.

CNY: Not Weak Enough

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/CNY	6.60 (6.45)	6.75 (6.60)	6.75 (6.80)	6.70 (6.80)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** We have been biased towards a weaker CNY outlook for this year and that has come to fruit much swifter than we realized. USDCNY was allowed to rise from 6.50-6.60 within the first week of trading via its fixing. Offshore yuan rallied to a high of 6.7618 before offshore intervention brought it down towards the 6.56 levels, closing the gap with onshore yuan. USDCNY was last seen around 6.5780 and we continue to see more upsides for this pair towards 6.75 by 2Q. We think PBOC might allow CNY to trough around the level which should place the RMB index around 98. There has been increasing concerns over outflows and sporadic news of foreign banks suspended from foreign exchange business in China, more administrative clamps on offshore yuan lending. PBOC has even started to collate data on yuan short-selling. In the meantime, the Lunar New Year celebrations loom and outflows render the domestic yuan liquidity even tighter than what was seen in the past years. PBOC had injected CNY485bn liquidty via OMO. The central bank also has plans to arrange CNY600-800bn of mid-term liquidity support to meet the festive demand and these could be done via MLF, SLF and PSL. Offshore yuan liquidity is kept tight by regular interventions and a newly imposed reserve requirement on offshore accounts of participating banks with onshore institutions.

- The immense amount of liquidity injected exerts greater downside pressure on the CNY. With the economy still under pressure from severe overcapacity, market players remain very bearish on the CNY. Only reinstatement of certain capital controls and intermittent intervention could keep the yuan “stable” against the USD, as what we have seen in the last two weeks of Jan. These are, in our eyes, temporary measures, as it buys time to boost aggregate demand, reduce excess output and improve the efficacy of its monetary policy. We see another round of yuan depreciation after Chinese New Year, timed after the NPC and CPPCC set the annual targets that should lift the USDCNY to peak around 6.75 before easing off towards the end of the year as the supply side reforms to get rid of excess steel, coal take effect.

- Our monthly Maybank vulnerability score (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) showed the score for China has improved slightly to 5.2 from the previous 5.3. This was due to an improvement in its fiscal score relative to its regional peers.
- **Growth and inflation outlook:** China's GDP for the FY2015 slowed to 6.9%y/y from the previous 7.3%. 4Q GDP missed estimates with an expansion of 6.8%, slowing from the previous 6.9%. The print matched the "approximate 7%" growth target set for 2015. The rest of the activity data released also showed a synchronized deceleration. Factory output also missed consensus with a print of 5.9%y/y, lower than the already slower expectations at 6.0%. Pace of investment also decelerated with Non-rural FAI at 10.0%y/y vis-à-vis the previous 10.2%. Private consumption provided little comfort as retail sales slowed to 11.1%y/y from previous 11.2%. Our economic team expects growth to decelerate further to 6.6% in 2016.
- **Monetary Policy:** Instead of the RRR cut, PBOC has resorted to other forms of liquidity injections via SLO, MLF, PSL and SLF. These lending facilities are typically activated as and when the central bank deem necessary and serve to be more targeted than a broad-based RRR. However, recent injections including the CNY410bn MLF and CNY465bn in OMO are meant to meet festive demand. We continue to expect another interest rate cut of 25bps and RRR to be cut in intervals by another 200bps.
- Supply side reforms imply reform to its monetary policy as well. PBOC is in the midst of establishing an interest rate corridor and has mentioned to use the SLF rates as the ceiling of the interest rate corridor. Moving forward, the central bank has to ensure the transmission mechanism of future rate cuts to be filtered down to the SMEs before there can be significant breakthroughs in its exchange rate policy.
- **Latest Fiscal and External Balance Outlook:** Supply side reforms also apply to its fiscal plan for 2016. The central economic work conference indicated that tax levels could be lowered. We continue to expect fiscal stimulus. In fact, Vice FinMin Zhu Guangyao said the threshold of 3% implies that there is still room for expansionary fiscal policy. In 2014, the budget deficit came to 2.1% of GDP.
- The 32Q current account surplus widened to US$60.3bn from the previous US$730bn in 2Q15. Financial accounts have been recording significant outflows especially via currency and deposit, loans and trade credit. These details reveal that corporates and residents have been keen on buying foreign assets in the first two quarters of the year. CNY will continue to remain under pressure amid greater portfolio outflows though there could be some buffer from the current account surplus.
- **Key domestic events and issues to watch:** Onshore markets are away for Lunar New Year from 7-13 Feb. Jan PMI-mfg is in focus on 1 Feb, accompanied by the Caixin version where markets continue to monitor growth momentum in the manufacturing sector. Foreign reserves for Jan will be due on the 7th. Liquidity numbers are due from 10th-15th. Trade data is on the tap on the

15th, followed by inflation on the 18th. Thereafter, eyes are on the NPC and the CPPCC at the start of Mar.

- **Technical Outlook:** USDCNH was last seen around 6.6180, having crept higher from its low of 6.5650 in Jan. Pressure is to the upside though momentum indicators flag a bearish divergence of this pair, possibly towards the 6.55 region (50-DMA). Next support is seen at 6.4858 (61.8% Fibonacci retracement of the Nov-Jan upmove). Monthly chart still shows uptrend and we expect some retracements before this uptrend is resumed. For USDCNY, this pair has been little moved around 6.56-6.57 for most of Jan. Bearish momentum is gaining on the pair as well. Support is seen around the 6.50.

KRW: Possible Short Term Respite; Bearish Bias Overall

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q2016
USD/KRW	1170 (1140)	1190 (1160)	1210 (1180)	1220 (1200)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** We raised our USDKRW forecasts, given recent market development caused by heightened volatility arising out of renewed oil price decline and China rout in early-Jan**. But for the next few weeks out to 1Q, we continue to see possible respite, possibly towards 1160-70 levels** as risk sell-off appears overdone, global central banks are expected to keep monetary conditions accommodative to support sentiment and a cyclical recovery in Korea supported by domestic demand amid effects of government supplementary budget measures, waning effect of MERS and low policy rate for longer.
- **We continue to maintain a bearish bias in KRW especially for 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.
- **Structural downshift in global trade is expected to burden Korea's growth outlook.** Exports have seen the sharpest decline (-7.9% in 2015) since 2009. This is a **drag on Korea's economy especially where 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.**
- **Our monthly Maybank Vulnerability score** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for S.Korea improved to 6.7 (from 6.9 in Nov). The improvement was due to inflation and fiscal account.

- **Growth and Inflation Outlook: BoK lowered 2016 GDP growth to 3% (from 3.2%), owing to China slowing demand.** For 2015, the economy expanded 2.6% (a touch softer than its previous forecast of 2.7%). While external demand remains a drag, **domestic demand in particular consumer spending was the main driver and is likely to remain so for the year.** Private consumption was up 1.5% in 4Q, its best quarterly rise since 4Q 2009.
- **BoK expects 2016 inflation to rise 1.4%** (vs. previous expectation of 1.7%). For 2015, inflation averaged 0.7%, well below its forecast of 0.9% and target of 2%. For Dec 2015, headline inflation jumped to its highest level (1.3% y/y) in 16 months as demand for services and agricultural prices rose amid cyclical recovery in consumption. In the near term, demand side pressures may continue to counter renewed oil price weakness. Looking out, CPI inflation is expected to gradually rise, owing to base effects on oil prices.
- **Monetary Policy Forecast:** We continue to **expect the BoK to maintain its accommodative monetary stance,** for longer, so as to support economic recovery and **to see a re-alignment of CPI on the new set of inflation target (2% for next 3 years).**
- **We expect the BoK to keep policy rate on hold at 1.5% at its upcoming meeting on 16 Feb.** against an environment of sluggish external demand conditions and sustained improvement in domestic demand. No hike expected in the interim so as not to derail economic recovery efforts. **The risk of BoK cutting policy rate could return if the pick-up in domestic demand fails to gather further momentum.**
- At the last MPC meeting (15 Oct), BoK kept policy rate on hold at historical low of 1.5%, as widely expected. **BoK statement remains largely unchanged from previous - remains optimistic on the recovery in domestic demand but continued to express concerns on persistent decline in exports. Statement noted that** *in view of external economic conditions, BoK MPC Board judges the uncertainties surrounding the growth path to be high.*
- **Latest Fiscal and External Balance Outlook:** Current account surplus narrowed to \$6.75bn in Nov, from \$7.35bn in Oct. This is the lowest level since May 2015, and is due to falling export receipts. Current account surplus is projected to continue; and to be around 7% of GDP for 2015.
- According to the Public Finance 2015 report issued by National Assembly Budget Office, fiscal deficit for 2016 is expected to widened to -2.3% of GDP. Sovereign debt to GDP is expected to climb to 40% of GDP for 2016.
- **Key domestic events and issues to watch:** S. Korea releases Jan exports (1 Feb); CPI inflation numbers (2 Feb); BoK meets on 16 Feb; Mar Business Survey Manufacturing (29 Feb).
- **Technical Outlook:** USDKRW staged a rally, rising from 1160-handle (end-Dec) to a high of 1210-handle (mid-Jan) as risk sentiment took a turn for the worse (driven by China stock rout, CNY fixing and renewed oil price weakness below US\$30/bbl. Pair has since eased off highs. We remain cautious if the pair is overdone to the upside. Daily momentum is indicating a mild bearish bias. Suggest tactical sell on rallies towards 1215 (recent high) with a tight stop-loss at 1225, targeting objective at 1180 (50 DMA).

SGD: No Respite From Domestic and External Challenges

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USDSGD	1.4300 (1.3900)	1.4450 (1.4200)	1.4700 (1.4400)	1.4750 (1.4700)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** Since the start of the year, the USDSGD has climbed higher by 0.3%, one of the worst performers so far in the region after the Philippines. The pair touched a multi-year high of 1.4444 (11 Jan) before reversing course and edging lower below the 1.43-handle. Deteriorating risk appetite over concerns about global growth, possible further adjustments in the CNY and increasing speculation of a MAS move, even possibly another intermeeting move are keeping the pair supported above the 1.40-levels. All of these are being manifested in the mixed government bond yields, which were up by 7.10-25.25bp at the shorter end and down by 20.86-22.93bp at the longer end.
- Data out so far has not given rise to any optimism and this has increased expectations of a move by MAS at its Apr policy meeting. We do not think it is necessary for another intermeeting move. We believe that the hurdles to further MAS policy adjustments are still high after the two easing moves in 2015. We expect MAS to move only if there is another change in the inflationary outlook because of the recent oil prices moves, which stalls a recovery in core inflation and/or growth slumps significantly due to a risk event. Another intermeeting move seems unlikely at this point given that MAS has reiterated its forecast for core inflation this year amid uncertainty in global oil prices. However, further easing at its next scheduled meeting cannot be ruled out and this should keep the SGD heavy going into the Apr meeting.
- Our uncovered interest parity (UIP) model continues to suggest that the SGD is overvalued and that there could be further upside adjustments to the current levels of the spot USD/SGD. The continued expectations of further Fed fund rate hikes in 2016 are likely to drive the pair higher. The adjustment so far has seen the 3M SIBOR jump to a new 5-year high of 1.254% at the point of writing from the 0.4%-levels seen at the start of 2014. This is already impacting mortgages rates, which has started to rise in line with the climb in funding costs. The rapid jump in the interest rates suggests the end to the USD/SGD upmoves is yet in sight and a higher USD/SGD is to be expected ahead.
- Domestic and external headwinds, which are weighing on the economy, are proving challenging to the USDSGD. Domestically, the ongoing restructuring of the economy away from reliance on foreign labour towards productivity-driven growth has resulted in the economy underperforming, offsetting any benefits from lower oil prices. External headwinds, including the sluggish global growth outlook driven by a slowdown in China, the possibility of further hikes in the Fed fund target rate, as well as the uncertainty arising from the US presidential election, are likely to

intensify risk, stir a flight to safety and lead to greater volatility in the FX markets and weigh on the currency. Even the strong persistent balance of payments surpluses are unlikely to keep the USDSGD from climbing above the 1.47-levels by end-2016.

- **Our monthly Maybank Vulnerability score:** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for Singapore held steady at 4.0 with the increase in inflation risks mitigated by the decrease in yield risk. This should supportive of the intrinsic value of the SGD. Our model shows that the SGD NEER continues to hover below the mid-point. The SGD NEER is now (@ 9.00am, 29 Jan 2016) hovering around 1.7% below the midpoint of the policy band. (topside: 1.3724, mid 1.4009, floor: 1.4293, current: 1.4248).

- **Growth and Inflation Outlook**: Advanced estimates for 4Q15 showed the economy rising by 2.0%, an improvement over 3Q's upwardly revised 1.8%, due to the pick-up in services and construction (3.2% and 2.2% y/y respectively) that mitigated the continued weakness in manufacturing (-6.0% y/y). Based on the flash estimates, the economy expanded 2.1% in 2015, a tad higher than our economic team's forecast of 2.0%. Since then, the contraction in Dec industrial production by 7.9% y/y, which puts industrial production at -6.7% for 4Q, suggested that full-year GDP growth could be revised lower from the flash print of -6.0%, ceteris paribus. Looking ahead, our economic team is maintaining their 2016 growth forecast of 2.0% as they believe that service and construction will continue to expand underpinned supportive macroeconomic policies, including easy monetary policy, possible expansionary fiscal policy and reversals in the property cooling measures.

- Headline inflation continued to fall but at a slower pace of -0.6% y/y in Dec (Nov: -0.8%) due to the stronger pick-up in the cost of petrol and overall prices of services. Core inflation edged up 0.3% y/y in Dec from Nov's 0.2% on higher services inflation (up 0.9% y/y in Dec from 0.7% in Nov). For the full-year, headline and core inflation averaged -0.5% and +0.5% respectively. Importantly, while MAS/MTI are uncertain of global oil prices outlook in 2016, they maintain their forecast of -0.5% to 0.5% for headline and 0.5-1.5% for core "at this stage" for this year. Our economic team is expecting mild lift to inflation of 0.5% for 2016, up from -0.5% in 2015, which is at the upper end of the MAS/MTI forecast of -0.5-0.5%. Core inflation forecast for 2016 remains at 0.5-1.5%.

- **Monetary Policy Forecast:** After two easing moves in 2015, our base case remains for the MAS to stay on its current course of a 'modest and gradual appreciation' of the SGD NEER policy band. Other policy variables like the width of the policy band and the level at which it is centered is likely to be kept unchanged. The mild slope adjustment at its Oct 2015 meeting leaves the MAS with further room to calibrate its monetary policy should the need arises. Given the current market volatility due to global growth concerns and fear of more CNY adjustments, there is increasing speculation that the MAS could move on policy at its Apr meeting. While this is not our base case, the risks of such a move have definitely increased, especially after comments by MAS/MTI that "there is significant uncertainty over the outlook for average global oil prices for the year as a whole. We expect MAS to move only if there is another change in the inflationary outlook because of the recent oil prices moves, which stalls a recovery in core inflation and/or growth slumps significantly due to a risk event. We continue to expect the SGD NEER to trade below the mid-point of the policy band given a weak growth path, normalization in domestic property prices and ongoing restructuring of the economy amid a slowdown in the global economy.

- The climb in the USD/SGD above the 1.40-levels continues to be supportive of the upward trajectory in domestic interest rates. With dollar funding rate remaining on the uptick in 2016, given our house expectations of two Fed rate hike this year, domestic interest rates is still poised to accelerate ahead. We have already seen the 3-month SIBOR climbing to a five-year high of 1.254% at the point of writing from the 0.4% levels at the start of the year. The rapid climb in interest rates is impacting mortgages rates, which has started to rise in line with the climb in funding costs. We expect the 3-month SOR & SIBOR at 1.75% and 1.64% respectively by end-1Q 2016 and 2.55% and 2.44% respectively by end-2016.
- **Latest Fiscal and External Balance Outlook:** Latest available data showed the current account surplus narrowing slightly to SGD22.7bn in 3Q 2015 from SGD23.2bn in 2Q, underpinned once again by a smaller surplus in the goods & services account. The overall balance of payments surplus narrowed significantly to just SGD0.5bn in 3Q (2Q: SGD2.7bn) as a result of greater portfolio outflows of SGD19.6bn (vs. 2Q's -SGD12.2bn).
- **Key domestic events and issues to watch:** Of note will be final 4Q15 GDP print will be released sometime on 19-25 Feb.
- **Technical Outlook:** USDSGD eased off multi-year high of 1.4440 levels since mid-Jan to trade near 1.42 levels at time of writing. Daily momentum and stochastics are indicating a bearish bias. Next support at 1.4170 (50 DMA, 38.2% fibo retracement of Oct low to Jan high), 1.4090 (50% fibo) before 1.39 levels (200 DMA). Upside could be capped at 1.4280 (23.6% fibo), 1.4440 (Jan high).

MYR: Weakness Gradually Dissipates

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

Previous forecast in parenthesis.

- **Motivation for the FX View:** We stand convicted to our call - that we see **limited weakness in the MYR** and we acknowledged that our view could be slightly more optimistic than street estimates. This comes off the back of a combination of drivers including, gradually dissipating domestic issues, a positive recalibrated budget, relative stability in oil prices (which are helping to support sentiment), and to some extent, less impetus for Fed to tighten. 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.

- **That said we revised our USDMYR forecast higher from previous but still kept it lower than where market was trading. The upward revision was to take into consideration the recent sell-off in risk assets in early-Jan,** driven by China stock rout, CNY rapid depreciation and renewed oil price weakness (which have now stabilized above US$30/bbl).
- **We also revised upwards 2Q forecast as we now see increasing risk of BNM cut to OPR by 50bps, sometime around mid-2016. This is driven by recent BNM meeting which was somewhat dovish-sounding and had unexpectedly cut the SRR by 50bps to 3.50% to boost liquidity.** The 50bps cut in SRR came amid slump in deposit growth, rising loan-deposit (LDR) ratio and the recent upward pressures in market interest rates, namely the 3-month KLIBOR, fixed deposit rates, Base Rate/Base Lending Rate. The move will release about MYR6b liquidity into the banking system. Further SRR cuts cannot be ruled out. A return to the record low of 1% during the 2009 recession in the aftermath of the Global Financial Crisis will free up MYR30b in liquidity, which incidentally is equivalent to the dropin total deposit from its peak in Apr 2015 and Nov 2015 (latest available data), and will have a more material impact on market interest rates.
- **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. **Hence lowering our USDMYR forecast for 2H to reflect the bias.**
- Our Fixed Income Research team view for 10Y MGS yield – expect that 10y MGS yield to average 4% in 1Q, with a target of 4.25% by end-2016. Near term outlook for portfolio flows seems to have stabilized. Total debt securities net received +MYR1.2b of foreign flows in December bringing total foreign holdings higher to MYR214.8b (Nov: MYR213.6b). This marked the 4th consecutive month of inflows with a cumulative gain of MYR17b. As a result, 2015 full-year foreign outflow from debt securities was repaired to -MYR11.1b from a low of -MYR28b in Aug 2015. By instruments, MGS and PDS netted in a total of MYR3.9b which is more than sufficient to offsetMYR2.6b outflows from discount instruments. The foreign ownership of MGS remained resilient, inching up to MYR162.1b/47.7% from MYR159b/47.3% in November. On discount instruments, the -MYR2.6b MoM foreign outflows was maturity-driven and the foreign holdings of discount instruments stood at MYR27b/92.6% end-Dec 2015.
- Malaysia's foreign reserves was rebuilt to USD95.3b (Nov: USD94.6b) with a MoM increase of USD0.7b, but wrapped up the year with a YoY decline of USD20.7b from USD116b at the beginning of 2015.
- Our fair value model estimates USD/MYR to be in the range of 3.50. The current exchange rate's 80 sen or so deviation from fair value is due to the rapid decline in oil prices (around 50% decline since Jun 2014), USD strength (> 20% gain in the DXY since Jul 2014), domestic concerns (falling revenue and narrowing current account surplus arising from the decline in oil prices).
- **Our monthly Maybank vulnerability score** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for Malaysia

improved slightly to 4.7 in Jan (vs. 4.9 in Nov). This was due to slight improvement in PE valuation and fiscal account.

- **Growth and Inflation Outlook:** Malaysia's GDP expanded moderated by 4.7% in 3Q, compared to 4.9% in 2Q, on private sector demand. For 2016, Malaysia expects the economy to expand by 4 – 4.5% (trimmed from 4 – 5%).
- **Headline inflation picked up marginally** to +2.7% YoY in Dec 2015 (Nov 2015: +2.6% YoY).But core inflation picked up further to +5.3% YoY in Dec 2015 (Nov 2015: +5.1% YoY), indicating persistently strong underlying inflationary pressures. Full-year 2015 inflation came in at +2.1%, a tad lower than our earlier forecasts at +2.2%, held down by the current soft global crude oil prices. We maintain our 2016 inflation forecast at +3.0% to +3.5%. The upward inflationary pressures will be sustained by factors such as further adjustments in domestic subsidies and other controlled prices, the impact of weak MYR on imported prices and costs, as well as the 11%-15% increase in Minimum Wages effective 1 July 2016.
- **Monetary Policy Forecast:** BNM left overnight policy rate unchanged at 3.25%, but **unexpectedly cut the Statutory Reserve Requirement (SRR) Ratio to 3.50%** (from 4.00%), effective 1 Feb 2016. at the recent MPC meeting (21 Jan).
- The Monetary Policy Statement (MPS) sounded somewhat "dovish" given BNM's assessment that growth will moderate this year after expanding by about 5% last year amid increased downside risk, while the upward pressures on inflation is expected to peak by 1Q 2016 and moderate thereafter.
- The 50bps cut in SRR came amid slump in deposit growth, rising loan-deposit (LDR) ratio and the recent upward pressures in market interest rates, namely the 3-month KLIBOR, fixed deposit rates, Base Rate/Base Lending Rate. The move will release about MYR6b liquidity into the banking system. Further SRR cuts cannot be ruled out. A return to the record low of 1% during the 2009 recession in the aftermath of the Global Financial Crisis will free up MYR30b in liquidity, which incidentally is equivalent to the drop in total deposit from its peak in Apr 2015 and Nov 2015 (latest available data), and will have a more material impact on market interest rates.
- We now see **possibility of OPR cut by 25bps this year, which could take place around mid-2016.** Our eyes are on the 18-19 May and 12-13 July MPC meetings. By then, the leadership transition at BNM in terms of a new Governor is done, 1Q 2016 GDP is out (by mid-May 2016) and BNM can see whether inflation is moderating post-1Q 2016 as expected.
- **Latest Fiscal and External Balance Outlook:** According to the latest revised budget (released 28 Jan), the government aims to maintain its 2016 fiscal deficit at 3.1% of GDP via a series of restructuring steps (operating and development expenditures cuts) that are expected to save the government MYR9bn. Malaysia's fiscal and broader economic outlook could still be under pressure from weaker commodity prices in 2016. The revised Budget has adjusted lower its oil price assumption to US$30-35/bbl (from $48/bbl). Downside pressure on rating agencies' 'Stable' outlook could arise in 2H 2016 if oil price averages below US$30/bbl as that may trigger projection of fiscal revenue shortfall.

- Exports grew for the six consecutive month in Nov 2015 albeit slower by +6.3% YoY (Oct 2015: +16.7% YoY; Maybank-KE: +13.2% YoY; consensus: +12.0% YoY). Imports rebounded by+9.1% YoY (Oct 2015: -0.4% YoY; Maybank-KE: +14.1% YoY; consensus: +12.0% YoY), continuing the volatile trend of alternating between YoY growth and declines since July 2015. Trade surplus remained healthy at +MYR10.2b(Oct 2015: +MYR12.2b). Trade surplus stayed above +MYR10b for the third time in four months. Net external demand should be "GDP-accretive" in 4Q 2015 to partially offset the softness in domestic demand. For 2016, we expect export and import growth of 3.5% and 4.7% respectively to result in a +MYR79.4b trade surplus, reflecting "relatively better" commodity prices after the plunge in 2015, and the double-sided effect of weaker average MYR per USD (2016E: 4.13; 2015: 3.91) on export competitiveness and import costs.
- External reserves rose to USD95.3b at end-Dec 2015 from USD94.9b (MYR421.6b) at mid-Dec 2015 and USD94.6b at end-Nov 2015. While Full-year 2015 reserves may have dropped by -USD20.7b, reserves has actually stabilized since Aug 2015 after falling in the first seven months. The latest count is equivalent to 8.5 months of retained imports and 1.1x of short-term external debt. Part of the stabilization and improvement in the external reserves in recent months may be attributed to the repatriation of overseas investment income by the Government-linked companies and investment funds. In Nov 2015, PM said GLCs are expected to repatriate MYR627m from overseas by Dec 2015. The country's second largest pension fund KWAP (civil service retirement fund) is planning to sell an office building in London worth GBP270m (MYR1.7b).
- **Key domestic events and issues to watch:** Trade balance and FX reserves on 5 Feb; Dec IP on 11 Feb; 4Q GDP on 18 Feb; FX reserves (as of mid-Feb) on 22 Feb and Jan CPI on 24 Feb.
- **Technical Outlook:** USDMYR continues to test lower amid oil volatility easing off highs and oil prices managing to hold on to $30-handle. Weekly, daily momentum and stochastics are bearish bias. Near term support at 4.2430 (previous lows), before 4.20. If both support give way, we could be eyeing next support at 200 DMA (4.0650 levels). Resistance remains at 4.31 levels (50, 100 DMAs), 4.3420 (50% fibo).

IDR: Rate Cuts to Weigh

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USDIDR	14000 (14100)	14200 --	14400 --	14500 --

Previous Forecast in Parenthesis

- **Motivation for the FX View:** The IDR will continue to remain under pressure in 2016 as both domestic and external challenges persist. Easing monetary policy should continue to be supportive of the USDIDR. We expect one more rate cut by 1H 2016 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 or when global risks sentiments sour. Risks are thus to the upside for the USD/IDR in 2016 and we expect the pair to grind above the 14000-levels in 2016.

- The Jan move by BI to ease monetary policy is unlikely to be a one-off move nor the start of an aggressive easing cycle. We expect one more rate cut to be front-loaded in 1H 2016 to support the economy, even possibly by end-1Q. This rate cut will add to its rate cut in Jan (that was the first since Mar 2015) and complement the series of stimulus measures already announced by the government. Together, these measures should provide support for the economy in the face of economic uncertainties. The forward market is currently pricing in more upside to the USDIDR in the 1-month, 3-month and 12-month ahead, which suggests that this rate cut will not be the last. The fact that the forward points are not as aggressive seems to imply that the market is not expecting too many rate cuts ahead. For now, we continue to expect at least one more rate cut that should drive the USDIDR towards 14500 by the end of 2016.
- In addition, the economy continues to suffer from a persistent current account deficit (CAD). The improvement in the CAD in 2015 is expected to be transitory given that infrastructure spending is expected to take off with an increase demand for imported capital and material likely and stall any improvement in the CAD. The BI expects the CAD to rise to 2.6-2.7% of GDP this year, up from 2% in 2015. At the same time, the economy also has a persistent fiscal deficit, which could limit the fiscal room for the government to manoeuver should the economy cool down further. Moreover, 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 sub-par fundamentals should be supportive of a USD/IDR climb higher towards 14500 by year-end.
- Weakish global sentiments have so far not been detrimental to equities. In fact, foreign funds have purchased a net USD1.3bn in equities so far this year, almost erasing all the losses (USD1.6bn) of 2015. Still, further deterioration in risk appetite amid concerns of a global economic slowdown together with the possibility of further Fed fund rate hikes this year in Dec could sour investor sentiments and a reversal in the equity market, which could keep the USD/IDR even higher from current levels.
- So far, the positive carry from government debt has led to foreign funds adding a net IDR19.28tn to their outstanding holding of government debt year-to-date. Downside risks come from a China-led global slowdown and further hikes in the Fed rate hikes, which could trigger another round of 'bond tantrum'. The optimistic outlook for Indonesian government bonds might not last should the Fed continue to hike rates or should the global economy turn for the worst ahead. We could see more of such outflows in 2016 that could weigh on the IDR.
- We have tweaked our 1Q16 USDIDR forecast slightly to take into account the recent market developments but have generally maintained our forecast for the rest of the year.
- **Maybank vulnerability score** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for Indonesia deteriorated to 5.7 from 5.2, underpinned by the increase in fiscal risks, which offset the slight improvement in inflation risks. This should weigh on the intrinsic value of the IDR.

- **Growth and Inflation Outlook:** The economic outlook continues to be hazy with the economy with the sluggish global environment and continued weakness in commodity prices a drag. Even the nine stimulus packages have not yet had a big impact yet. Consumer sentiments remained weak as reflected by the continued contraction in motorcycles and cars sales, which fell by 17.6% and 16.1% respectively in 2015. There was no relief from the external front with exports and imports contracting by 14.6% and 19.9% in 2015, a larger fall from 2014's -3.6% and -4.5%. BI is expecting the economy to expand by 5.2-5.6% in 2016 but our economic team is not as optimistic, anticipating growth of just 5.0% for the full-year. 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 should negatively impact consumer spending and trade, and temper growth prospects ahead. These should constrain real GDP below its ten-year average of 5.8% in 2016.

- Headline inflation rose by just 3.35% y/y in Dec, the fifth consecutive months of moderation. The easing inflation was due lower food prices (4.93%), housing (including electricity, gas and fuel) cost (3.34%) and transport cost (-1.53%). Core inflation, slipped for the third straight month to 3.95% y/y in Dec. For the full-year, headline and core inflation averaged 6.38% and 4.89% in 2015 compared to 6.42% and 4.53% in 2014. Though headline inflation is easing, it continues to hover well-above BI's inflation target of 3-5%. Our economic team expects the low global oil prices and falling global commodity prices to keep prices in check. They expect headline and core inflation to average 4.56% and 3.68% by end-2016.

- **Monetary Policy Forecast:** After prepping the ground for the possibility of a rate cut in Dec 2015, BI finally took the plunged and cut its key policy rate by 25bp to 7.25% for the first time since it last cut rates in Mar 2015. Meanwhile, the Deposit Facility or FASBI and the Lending Facility rates were also cut by 25bp to 5.25% and 7.75% respectively. The rate cut came amid a terrorist bombing in Jakarta that left at least seven people dead. The key motivator of these cuts was to lower borrowing cost to spur economic activity to lift economic growth after real GDP underperformed in 4Q 2015 and inflation remained benign. We expect at least one more cut to come by 1H 2016, possible by 3Q, to front load its rate cut to complement the nine government stimulus packages so far. This is because a token move is unlikely to provide much support for the economy. On the flipside, aggressive cuts are likely to accentuate USDIDR weakness amid deteriorating risk appetite on global growth concerns. Given that the first rate cut after nearly a year in a holding pattern suggests that the easing cycle in Indonesia has just begun. However, we do not expect the BI to be overly-aggressive in its rate cuts to maintain the stability of the IDR amid global uncertainty.

- **Latest Fiscal and External Balance Outlook:** The budget deficit is expected to come in at 2.8% of GDP in 2015. This is slightly better than the 2.9% budget deficit that the government was preparing for. For 2016, the government has set a target of 2.15% of GDP. Already the government has raised IDR63tn in prefunding in 2015 for the 2016 budget.

- As discussed earlier, the BI expects the current account deficit (CAD) to improve to 2% of GDP in 2015. In the first 3 quarters of 2015, the CAD had narrowed to 1.92% of GDP from 3.22% of GDP in the same period in 2014. This suggests then that BI is expecting some upside to the CAD in the last quarter of 2015. The narrower CAD was due a slightly improvement in the goods and services account that offset the deterioration in both the primary and secondary accounts. The BI expects the CAD to rise to 2.6-2.7% of GDP in 2016 likely due to the expected take-off in infrastructure spending. Our economic team is more benign and expects the CAD to rise by 2.45% of GDP by end-2016.

- **Key domestic events and issues to watch**: 4Q15 and 2015 GDP is on tap sometime on 5-7 Feb, while BI will meet for the first time this year on 17 Feb to decide on monetary policy.
- **Technical Outlook:** USDIDR gapped lower amid supported risk sentiment sparked off by BoJ easing via negative interest rate (29 Jan). Weekly, daily momentum indicators suggest a bearish bias. Next support at 13670 (200 DMA) before 13565 (Dec lows). Resistance at 13890 (100 DMA).

PHP: Politics to Dominate in 1H2016

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USDPHP	48.00 --	48.00 --	47.80 --	47.80 --

No Change from Previous Forecast

- **Motivation for the FX View**: We continue to be bearish on the PHP due to the political uncertainty from the upcoming presidential and general elections in May this year, and from risks emanating from the El Nino weather phenomenon and possible slowdown in overseas remittances as global economy stalls. 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. So far this year, the PHP has been the worst performer among its regional peers. YTD, it is down 1.35% against the USD.
- 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. Even the political uncertainty from the presidential election in May 2016 is unlikely to move the BSP. Moreover, the uncertainty in the FX markets further Fed fund rate hikes should also discourage the central bank from adjusting 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 to the PHP this year is the May 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, the USD/PHP could climb higher in 1H 2016 towards the 48-figure before coming off in 2H once there is better clarity of the new president's economic policies and goals.

- Already we are seeing foreign funds fleeing the equity market. YTD, foreign funds have sold off a net USD90.35mn in equities though this is small compared to the USD1.19bn sold off for the whole of last year. Still, uncertainty from upcoming elections, from Fed policy and concerns about global growth should continue to weigh on equities. This sell-off, should it be prolonged like last year, could keep the USDPHP elevated in 2016. However on the flipside, investors have been piling into government debt as seen in their yields mostly lower (except for the 7Y, 10Y and 25Y) by 17.14-95.33bp since the start of the year, given the likely outperformance of the economy vis-à-vis its regional peers and the likelihood that the BSP will stay the course and stand pat on its policy rate.
- Further risks to the USDPHP 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.
- Our monthly **Maybank vulnerability score** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for Philippines held steady at 4.7, with the improvement in fiscal risks balanced out by increase in inflation risks. This should be supportive of the intrinsic value of the PHP.
- **Growth and Inflation Outlook**: GDP rose at its fastest pace of 6.3% y/y in 4Q15 (3Q: 6.1%; cons.: 5.9%) on the back of strong private consumption and investment spending (up 6.4% and 13.5% y/y respectively). For the full-year, the economy expanded by 5.8% lower than 2014's 6.1%, dragged lower by weak external demand. Our economic team maintains its GDP growth forecast of 7% for 2016 underpinned by election-related spending, front-loading of government projects and continuing improvement in external demand.
- After moderating for eight months, inflationary pressures have begun to pick up again in Nov and Dec with headline inflation up by 1.1% and 1.5% y/y respectively. Lifting prices higher was the elevated food prices, moderating decline in housing cost and the climb in transport cost. Core inflation, which takes away certain food and energy items, continues to climb higher, rising to 1.8% and 2.1% y/y in Nov and Dec from 1.5% in Oct. For the full-year, headline and core inflation have averaged 1.4% and 2.0% y/y respectively with the headline inflation still coming in well-below the BSP's target of 2-4%. Nevertheless, the central bank

continues to expect inflation to grind higher despite the slumping oil prices, maintaining their target of 2-4% for 2016-18.

- **Monetary Policy Forecast:** The BSP kept its key policy rate at 4% for overnight borrowing (reverse repurchase) in 2015, while the SDA rate was left unchanged at 2.5%. The economy remains healthy, but inflationary pressures remain muted. Still, the central bank governor has highlighted that lower interest rates were not needed to support the economy, preferring to leave the heavy lifting to fiscal policy. The Philippines remains the only economy where rate hikes are more likely than a cut, though this is not our base scenario for now. In light of the recent market development and expected upside risks from the El Nino weather phenomenon that could impact staple food and cash crops in 2016, risks are finely balanced for now with the BSP mostly likely to hold the policy rates at current level for the rest of the year.
- **Latest Fiscal and External Balance Outlook:** The fiscal position of the government returned to back to the black for only the fourth time this year with a surplus of PHP6.03bn in Nov, helped by stronger revenue vs. expenditure. This surplus came after two months of fiscal deficits in Sep and Oct. Revenue was PHP177.5bn vs. expenditure of PHP171.4bn. Nevertheless, year-to-date the government continues to run a budget deficit of PHP46.6bn, which is less than the PHP73.1bn deficit recorded in 2014. The deficit is not surprising given that the government has accelerated spending to lift economic growth in 2015.
- The overall balance of payments (BoP) was back in a surplus of USD0.48bn in Dec after slipping into a USD0.14bn deficit in Nov. jumped back into a surplus in Sep. The BoP recorded a surplus of USD219mn in Sep after slipping into a deficit of USD450 in Aug. On a quarterly basis, the BoP surplus bounced back higher to USD800mn in 4Q15 from USD123mn in 3Q. For 2015, the BoP recorded a surplus of USD2.62bn, almost reversing all the deficit of USD2.86bn for the whole of 2014.
- **Key domestic events and issues to watch:** BSP meets for the first time in 2016 on 11 Feb to decide on monetary policy.
- **Technical Outlook:** USDPHP bucked the trend, tracking other USD/AXJs lower since mid-Jan as bearish sentiment stemming from China stock rout, CNY depreciation, oil price decline dissipates. Pair was last at 47.67 levels at time of writing. Daily momentum and stochastics are indicating a bearish bias. Key support to watch at 47.45 (50% fibo retracement of Dec low to Jan high). Break below suggests further downside towards 47-levels (100 DMA). We are cautious of any false break below.

THB: Still Beset By Domestic and External Woes

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/THB	36.50 --	37.00 --	37.50 --	37.50 --

No Change from Previous Forecast

- **Motivation for the FX View:** We continue to expect further upside to the USD/THB in 2016 despite the slide in the pair after hitting the year's high of 36.420. So far the THB has been the second best performer in the region, rising by 0.7% against the USD. We expect the continued underperformance of the economy, despite the stimulus package, to be supportive of the pair ahead. 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 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; and further rate hikes by the US Fed, which cannot still in the cards. In addition, fiscal policy is a more effective tool to stimulate the economy than lowering borrowing rates. This should help to keep the THB supported against the USD in 2016 as yield differentials between the US and Thailand encourages portfolio outflows. A possible risk to our policy rate outlook is rate hikes in 2016 to stem portfolio outflows in the wake of the Fed's rate normalization. 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 politics remain a key risk despite the current calm. Underlying political tensions could re-emerge as the drafting of the constitution gets underway again with a planned referendum on the draft constitution expected by 2Q this year. However, even if the draft constitution is rejected, the national election that must be held by Jul 2017 as written in the roadmap will go forward according to PM Prayuth. No matter which way the referendum and/or the national election goes, the only certainty is that the tenure of the un-elected PM Prayuth and his government is likely to be prolonged. The political uncertainty arising from all of these could weigh on investor sentiments in the lead up to referendum and put downside pressure on the THB.
- 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 this year as the government accelerates spending and pushes forward with its THB54bn stimulus spending programme. There is unlikely to be a sharp rebound as these should only partially mitigate the drag on the economy from the external environment. This should put downward 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 too could put downward pressure on the THB. Taken together, we expect the increase downside risks to the THB to lift the USD/THB towards the 37-figure by 2Q and then continue to rise before settling to hover around 37.50 by year-end.
- **Our Maybank vulnerability score** (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for Thailand deteriorated to 4.4 from 4.3 on the back of an deterioration in yield and PE valuation risks, which offset the improvement in inflation risks. This is likely to weigh on the intrinsic value of the THB.
- **Growth and Inflation Outlook:** The economy is beginning to show signs of turning around. Real GDP rose by 1.0% q/q sa. in 3Q after hovering around the 0.3%-levels for the past two quarters. On a y/y basis, the economy expanded by 2.9% in 3Q, just a tad higher than 2Q's 2.8%. The stronger performance in 3Q can be attributed to the stimulus spending programme as well as rising tourist arrivals, which offset the weak domestic and external demand. Ongoing stimulus measures and the continued improvement in tourist arrivals is expected to underpin growth in 2016. Consequently, the Finance Ministry is now expecting real GDP growth to come in at 3.7% in 2016, an improvement over the expected 2.8% growth in 2015. The Finance Ministry's prediction is in contrast to the BoT, which expects growth to expand by only 3.5%.
- Headline and core inflation both moderated in Dec to -0.85% and +0.68% y/y respectively from Nov's -0.97% and +0.88% respectively. The mild improvement in headline inflation was attributable to a moderate drop in transport costs (Dec: -5.22% y/y vs. Nov: -6.12%). Going forward, the weak THB as well as slumping oil prices are likely to keep inflationary pressure muted, though the low base effect could mitigate some of these downside pressure. The BoT expects head and core inflation to average 0.8% and 0.9% respectively, while the Commerce Ministry estimates inflation to rise by 1-2% this year, in line with economic recovery.
- **Monetary Policy Forecast:** The BoT has been on hold for most of 2015 after cutting the policy rate twice in Mar and Apr. We expect the central bank to remain on hold in 2016 as further cuts to the policy rate is in the cards as further cuts would bring the rate to levels that were last seen during the Asian Financial Crisis. At the same time, as reiterated by BoT governor Veerathai Santiprabhob, there is no need to cut the policy rate as fiscal stimulus is providing support to the economy. That said, the governor pointed out that policy remains accommodative and that the central bank has room to cut rates if needed as headline inflation remains below the central bank's target range of 1-4%.
- **Latest Fiscal and External Balance Outlook:** The government expects FY2017 budget deficit to come in at THB390bn with expenditure totaling THB2.72tn and revenue at THB2.33tn, underpinned by nominal GDP growth of 6% in 2016. The government said that public debt will not exceed 50% of GDP in 2016. Recent data showed that public debt rose to 44.52% of GDP

in Nov from Oct's 43.8%, mainly due to borrowing to fund the budget deficit.

- The current account surplus widened to USD4.88bn in Dec from Nov's USD3.00bn from USD2.16bn in Jul, due largely to a larger trade surplus of USD3.22bn compared to Nov's USD2.09bn and the jump in the surplus in the income account to USD1.66bn from US0.91bn in Nov. Despite the larger surplus in the current account, the overall balance of payments (BoP) remained in a deficit of USD0.66bn in Dec, an improvement from Nov's USD0.85bn deficit. For the full-year, the current account surplus was USD34.8bn, more than doubled that of 2014's USD15.42bn.
- **Key domestic events and issues to watch:** BoT meets for its first monetary policy meeting on 3 Feb. 4Q15 GDP will be released on 16 Feb.
- **Technical Outlook:** USDTHB has reversed its up-move and looks on track to end the month lower. Pair was last seen at 35.70. Price action suggests a bearish flag formation in the making. Weekly momentum and stochastics are bearish bias; break below 35.64 (23.6% fibo of Apr low to Oct high) could see further down-move towards 35.00 (38.2% fibo). The magnitude of projection is equivalent to the first decline from Oct high to low.

INR: Slides with Risk and Political Clout

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/INR	67.00 (64.50)	68.00 (65.00)	68.50 (66.00)	67.50 (67.00)

Previous Forecast in Parenthesis

- **Motivation for the FX View:** USDINR rallied to 68-ish highs and hovered around there as we write near the end of Jan, backed by equity outflows. As of 25 Jan, foreign investors have sold U$1.7bn of equities, month-to-date. This was in tandem with equities in the region, including South Korea, Taiwan, Thailand and Indonesia. The sell-off in A-shares affected the global equities and triggered outflows from EM Asia. The rupee seems increasingly sensitive to risk appetite, despite stronger fundamentals. The sharp depreciation in the Renminbi also contributed to a sense of caution that belies intermittent rallies in the equity markets as investors remained on tenterhooks for the next "policy surprise" from PBOC.
- Rupee will still be at the whims of more election jitters this year with 5 state elections due. We see technical potential for USDINR to retrace towards the 67.00 towards end Mar 2016 with weak risk appetite keeping this pair supported on dips. Pair is dependent on whether the government will approve the GST reform and growth momentum. The government has been promising investors GST reforms and high growth this year and while growth drivers are still decent, uncertainties on the political will to push through much-needed reforms could keep USDINR supported on dips. Expect USDINR to head back towards the 68-figure by 2Q and then towards 68.50 before easing back

towards 67.50 as we expect dollar strength to taper towards the end of the year.

- Our Maybank vulnerability score (using 9 economic and market variables: GDP, Yield, Politics, Current Account, Inflation, Fiscal, Equity Valuation, Population, Reserves) for India had a slight deterioration to 4.4 from 4.3 due to poorer score for inflation relative to regional peers.
- **Growth and Inflation Outlook:** High frequency data suggest that growth slowed towards the end of 2015. The external sector remained weak with another decline for exports by -24.4%y/y in Nov compared to previous -17.5%. Meanwhile, output from the agriculture sector is expected to be affected by deficient rainfall during the monsoon season. Even the industrial output which has had robust growth showed signs of moderations in Nov. Industrial production fell 3.2%y/y for Nov, weighed by the contraction in output from the manufacturing sector.
- In the meantime, sluggish energy prices continue to cap oil import bill. Imports fell -30.3%y/y, a steeper decline compared to previous -21.1%. As a result, trade deficit widened much less than expected to $9.78bn from previous $9.77bn. CPI edged higher to 5.61%y/y from previous 5.41%. The headline was underpinned by the uptick in fuel and light, housing and clothing and footwear. Inflationary pressures have trended higher since the lows in Jul but the central bank is on course to meet the target of 6% for CPI by Jan
- Looking forward, we do not expect the recent moderation in industrial output to be extended for the rest of the FY15/16. The industrial outlook survey conducted during Oct-Dec 2015 reveals “moderate increase in optimism in the overall business situation”. There was however, marginal reduction in optimism on employment and profit margin and marginal increase in optimism for production, order books, capacity utilization and overall business situation. Household consumption will continue to be a strong pillar of support while the government and central bank strive to crowd in private investment with reform measures.
- **Monetary Policy Forecast:** RBI is on course to meet its target of 6% inflation by this month and this target is gradually lowered towards 4% by Mar 2018. The Reserve Bank has frontloaded the rate cuts in 2015 to boost growth amid external headwinds though it has noted in its statement that less than half of the cumulative policy repo rate reduction of 125bps has been transmitted by banks. Since last Sep, the policy rates have been kept unchanged.
- Risks of rebounds in oil prices and lower inflation target could mean decreasing scope for the central bank to deliver another cut to repo rate. While we do not think RBI will act on 2 Feb given ample liquidity conditions and inflation uptrend, we see possibility of another cut within the first half of the year, should oil prices stabilize around the current levels and as growth has not gained as much momentum as expected.
- **Latest Fiscal and External Balance Outlook:** Foreign investors sold USD1.7bn of equity whilst adding USD114.8bn of debt in Jan (as of 28 Jan). Emerging markets have seen capital outflow and Indian equities were not spared from the risk-off. We continued to expect capital account to remain somewhat buffered by India’s high yielding assets. Current account deficit widened to $8.2bn from previous $6.1bn because of the higher trade deficits,

underscoring the fact that external sector remains a constraint on growth.

- Recent growth momentum has faltered and the government is currently more focused on growth rather than fiscal consolidation. The latter may take a backseat. In addition, the target of disinvestment for fiscal 2015/2016 was set at Rs69,500 crore and the government is likely to miss this target again. It remains to be seen whether the GST bill will be approved by the parliament. The fiscal deficit is supposed to be lowered from 4% of GDP to 3.9% for 2015/16 and then towards 3.5% in 2016/17. The budget 2016-17 will be presented on Feb 29. Moody's said that India's credit profile will not be impacted by a mild slide in its fiscal deficit target as fiscal consolidation efforts is expected to continue.
- **Key domestic events and issues to watch:** India has Jan PMI-mfg due on 1 Feb, followed by RBI's rate decision on 2 Feb. 4Q GDP numbers are due on the 8th followed by Jan trade numbers pm 10-15th. Dec industrial production and Jan CPI are both due on the 12th, WPI on the 15th. Finance Minister will present the budget for fiscal year 2016/2017 on 29 Feb.
- Technical Outlook: USDINR seems to be ending the month on a high, last seen around 68.10. We see bearish divergence for this pair, on the daily chart. That could pull USDINR back towards the 67-figure (50% fibo retracement of the Dec-Jan upmove) or even the 66.80-level (50-DMA). We also detect bearish divergence on the weekly and monthly chart. Correction could thus be sharp. Next resistance is seen around 68.845.

VND: Supports from FDI

Forecast	1Q 2016	2Q 2016	3Q 2016	4Q 2016
USD/VND	22500 --	22750 --	23000 --	23300 --

No change from previous forecast

- **Motivation for the FX View:** VND strengthened by 1% since the start of the year after SBV revamped its exchange rate policy. Director General Bui Quoc Dung of Monetary Policy Department introduced a new method of exchange rate management. Since 4 Jan, SBV has been announcing the fixing value of the USDVND exchange rate with daily adjustments, with the aim of managing it in a "more flexible manner in accordance with commercial and international investment background". The rates will reflect the market forces on the exchange rate - the demand of the dong from businesses, FDI flow. SBV wants to focus on stabilizing the forex market, appreciating the VND and stabilizing the macro-economy as well as supporting the economic growth. USDVND has been on the downmove since, last seen at 22,250.
- To explain the strength of the dong that bucks the trend of its regional peers, the currency was boosted by a healthy flow of FDI of around USD1bn seen in Jan, which has also kept momentum since Sep 2015. The FDI inflows was however, negated by USD53.6bn of portfolio outflows seen in Jan, spurred by the withdrawal of PM Nguyen Tan Dung and President Truong Tan Sang from the Party Central Committee for the 2016-2020 term. The

Communist Party re-lected General Secretary Nguyen Phu Trong to a second term. The five year economic plan has stressed the need to ensure "equal access" to credit, land and other resources. The tone of the plan suggests that SOE reforms are likely to continue but we continue to keep an ear out for details on the five-year plans.

- Medium term, Vietnam is set to become the star of the Trans Pacific Partnership and the key sector to benefit is its apparel, footwear, agro-forestry and seafood exports. However, benefits in terms of export earnings could only be felt as early as end 2016 as the agreement has to be ratified by member countries and political obstacles in US, Australia and Canada may delay the process. In the meantime, foreign invested enterprises have already begun to increase capital expenditure to increase its capital and production capacity. That could provide more support to the VND.
- We hold our view for USDVND trend towards 22500 in in 1Q of 2016 and USDVND to head higher for the rest of 2016 on the back off dollar strength to around 23000. We acknowledge downside risks to our forecast after the change in foreign exchange management.
- **Growth and Inflation Outlook:** Growth quickened to 6.68%y/y for the whole year from 6.5% in Jan-Sep. This is in line with government's target of 6.5-7% growth for 2016-2020. The acceleration in growth for 4Q was broad-based with industry/construction growing 9.6% for the full year. Manufacturing grew 10.6% while that of electricity and gas expanded 11.4% from 11.3% in Jan-Sep.
- Industry output seems to be a bright spot as PMI-mfg improved to 51.3 from previous 49. That gives some comfort that the manufacturing sector is still expanding, bucking the trend of the region. This suggests that softer industrial production print of 5.9%y/y for Dec may be an outlier rather than a trend. The same cannot be said for its external sector. Exports slowed to 3%y/y in Jan from previous 6.7% while imports steadied around 1.7% for the same month. Trade balance was less positive at USD200mn. Retail sales picked pace to 8.1% for Jan from 7.9% from Dec, indicative resilient private consumption.
- CPI quickened from 0.6%y/y in Dec to 0.8% in Jan. Higher price pressures in housing, education, culture/sports/entertainment bumped up the headline. The inflation outlook is benign with prices of food and transport acting as the main drags on CPI.
- Monetary Policy Forecast: The SBV lowered the maximum USD mobilizing interest rates for entities (excluding credit institutions and foreign bank branches) and individuals to 0% p.a. with effect from 18 Dec. This was an additional move to reduce dollar hoarding. Earlier on 5 Oct, SBV restricted dollar trading to only those who can settle with their counterparties within two working days. The administrative measures and exchange rate reforms seem to have supported the dong to a fair extent.
- With exchange rate stabilized and inflation benign, we see risks of a 50bps cut to policy rates (currently base rate at 9.0%, refinancing rate at 6.5% and discount rate at 4.5%) to support growth.
- **Latest Fiscal and External Balance Outlook:** With the change in leadership, there is uncertainty on whether the SOE reforms and privatization will continue. While monetary policy targets

business funding cost, fiscal policy will continue to be used to boost private and public consumption. More infrastructure projects will also be rolled out. The draft plan of the new five-year plan revealed that inflation will be capped at 5% and the budget deficit capped at 4% of GDP.

- Vietnam's external balance is expected to weaken this year on weaker exports. Current account recorded a surplus of USD0.655bn in 3Q. That could weaken its support to VND.
- **Key Domestic Events and Issues to Watch:** Nikkei PMI-mfg will give a feel of the manufacturing sector, due on 1 Feb. An estimate of Feb. CPI is due on the 24th. Trade balance, retail sales and industrial production for the same month will be released anytime within 25-29 Feb.

2016 FX Forecasts

	End Q1-16 f	End Q2-16 f	End Q3-16 f	End Q4-16 f
USD/JPY	120.00	122.00	120.00	119.00
EUR/USD	1.0600	1.0600	1.0800	1.1000
GBP/USD	1.4600	1.4600	1.5000	1.5500
AUD/USD	0.7400	0.7000	0.6800	0.7000
NZD/USD	0.6100	0.6100	0.6300	0.6600
USD/SGD	1.4300	1.4450	1.4700	1.4750
USD/MYR	4.1000	4.1500	4.1000	4.1000
USD/IDR	14000	14200	14400	14500
USD/THB	36.50	37.00	37.50	37.50
USD/PHP	48.00	48.00	47.80	47.80
USD/CNY	6.60	6.75	6.75	6.70
USD/HKD	7.80	7.80	7.80	7.80
USD/TWD	33.30	33.40	33.40	33.50
USD/KRW	1170.00	1190.00	1210.00	1220.00
USD/INR	67.00	68.00	68.50	67.50
USD/VND	22750.00	23000.00	23210.00	23450.00
SGD Crosses	**End Q1-16 f**	**End Q2-16 f**	**End Q3-16 f**	**End Q4-16 f**
100 JPY/SGD	1.1917	1.1844	1.2250	1.2395
EUR/SGD	1.5158	1.5317	1.5876	1.6225
GBP/SGD	2.0878	2.1097	2.2050	2.2863
AUD/SGD	1.0582	1.0115	0.9996	1.0325
NZD/SGD	0.8723	0.8815	0.9261	0.9735
SGD/MYR	2.8671	2.8720	2.7891	2.7797
SGD/IDR	9790	9827	9796	9831
SGD/THB	25.52	25.61	25.51	25.42
SGD/PHP	33.57	33.22	32.52	32.41
SGD/CNY	4.62	4.67	4.59	4.54
SGD/JPY	83.92	84.43	81.63	80.68
SGD/HKD	5.45	5.40	5.31	5.29
SGD/TWD	23.29	23.11	22.72	22.71
SGD/KRW	818.18	823.53	823.13	827.12
SGD/INR	46.85	47.06	46.60	45.76
MYR Crosses	**End Q1-16 f**	**End Q2-16 f**	**End Q3-16 f**	**End Q4-16 f**
EUR/CNY	7.00	7.16	7.29	7.37
EUR/MYR	4.35	4.40	4.43	4.51
JPY/MYR	3.42	3.40	3.42	3.45
MYR/HKD	1.90	1.88	1.90	1.90
MYR/CNY	1.61	1.63	1.65	1.63
GBP/MYR	5.99	6.06	6.15	6.36
AUD/MYR	3.03	2.91	2.79	2.87
NZD/MYR	2.50	2.53	2.58	2.71
MYR/JPY	29.27	29.40	29.27	29.02
MYR/IDR	3415	3422	3512	3537
MYR/INR	15.95	16.36	16.34	16.39
MYR/KRW	285	287	295	298
MYR/PHP	11.59	11.71	11.57	11.66

Source: Maybank FX Research as at 29 Jan 2016.
*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

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Published by:

Malayan Banking Berhad
(Incorporated in Malaysia)

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