Maybank

FX

Global

FX Flash

Five Is Enough – MAS Pauses Tightening Cycle

MAS Stands Pat - SGDNEER Policy Band Slope, Centre and Width Unchanged

MAS stood pat and left policy settings (slope, centre and width) unchanged. This is the first stand pat after a series of five tightening moves that began in October 2021. This decision goes against our house expectations for a tightening via a re-centre upwards, given that core inflation remained well above MAS' comfort levels. In our view, this was largely due to MAS' inflation outlook being more sanguine and expectations for growth being more pessimistic than we had expected.

Given Growth Considerations and Inflation Projections, MAS Unlikely to Move in October

MAS sees dimmer growth prospects for Singapore in 2023, driven by further contractions in trade and subdued activity in the services sector. They see downside risks to global growth and specifically to Singapore. 1Q Advance GDP (+0.1%) also came in well below our economists' expectations (+1.1%) on weaker than expected services growth (+1.8%). Our economists have lowered their 2023 GDP Forecast to +0.8% (from +1.7%) in 2023, due to weaker than expected 1Q performance and downside risks to growth. MAS kept its inflation forecasts unchanged for both core CPI (3.5% to 4.5%) and headline CPI (5.5% to 6.5%). MAS expects core inflation (+5.5% in Jan-Feb) to stay elevated in the next few months as accumulated business costs are passed through to consumer prices, before slowing discernibly in the second half of the year to around +2.5% by end 2023. MAS also sees both upside risks (commodity price shock) and downside risks (growth slowdown) to inflation. Our economists are less certain of the likelihood of a sharp decline in core inflation given the persistent wage pressures from a tight labour market and the expansion of the Progressive Wage Model to larger sectors. We note that MAS used "sufficiently tight" to describe the current policy stance in addition to their usual use of the word "appropriate". We think this could be a possible hint to their policy leaning in October. Given the current outlook for growth and inflation, we think MAS will be biased towards a stand pat in October if core inflation remains on its projected trajectory. Although we would not rule out a tightening in October or an off-cycle (likely July) move should MAS' core inflation projections change materially in the event that upside inflation risks materialize.

USDSGD and SGDNEER to Be Within Range

Ahead of the decision, SGDNEER was trading at +1.5% above the mid-point with USDSGD at 1.3209 levels. Immediately after the announcement, USDSGD rose to as high as 1.3275 levels and quickly settled at 1.3250 levels, where we currently remain. SGDNEER settled at +1.10% above the mid-point immediately after the announcement and is now slightly weaker at +1.02% above the mid-point. We expect USDSGD to keep within a range of 1.32 to 1.3350 and for the SGDNEER to remain resilient and trade within +0.5% to +1.2% above the mid-point for the near future.

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg

Shaun Lim
(65) 6320 1371
shaunlim@maybank.com

Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Alan Lau
(65) 6320 1378
alanlau@maybank.com

MAS Stands Pat, Sees Poorer Growth Prospects and Inflation Coming Off

MAS stood pat and left policy settings (slope, centre and width) unchanged. This is the first stand pat after a series of five tightening moves that began in October 2021. This decision goes against our house expectations for a tightening via a re-centre upwards, given that core inflation remained well above MAS' comfort levels. In our view, this was largely due to MAS' inflation outlook being more sanguine and expectations for growth being more pessimistic than we had expected.

On growth, advance estimates showed that the Singapore economy contracted by -0.7% QoQ SA in 1Q 2023 (exp: -0.1%; prev: 0.1%) and grew by +0.1% YoY (exp: 0.6%; prev: 2.1%). YoY growth was below our economists' expectations (+1.1%) on weaker than expected services growth (+1.8%). Our economists have lowered their 2023 GDP Forecast to +0.8% (from +1.7%) in 2023, due to weaker than expected 1Q performance and downside risks to growth. MAS noted that growth prospects have dimmed in 2023, driven by further contractions in trade and subdued activity in the services sector. MAS sees downside risks to global growth and specifically to Singapore and are projecting a step down in GDP growth to 0.5% to 2.5% YoY in 2023 (2022: +3.6% YoY). On a whole, advance estimates show that growth in 1Q 20232 and MAS' growth projections paint a more pessimistic picture than we had expected.

On inflation, MAS kept its forecasts unchanged for both core CPI (3.5% to 4.5% YoY) and headline CPI (5.5% to 6.5% YoY). MAS expects core inflation (+5.5% in Jan-Feb) to stay elevated in the next few months as accumulated business costs are passed through to consumer prices, before slowing discernibly in the second half of the year to around +2.5% YoY by end 2023. MAS also noted upside risks (commodity price shock) and downside risks (growth slowdown) to inflation. Our economists are less certain of the likelihood of a sharp decline in core inflation given the persistent wage pressures from a tight labour market and the expansion of the Progressive Wage Model to larger sectors. Our economists' maintain their projections for core CPI at 4.5% YoY and headline CPI at 6.0% YoY in 2023. In summary, MAS' inflation outlook was more sanguine than we had expected.

Given Growth Considerations and Inflation Projections, MAS Unlikely to Move in October

The combination of a poorer than expected growth outlook and a more optimistic than expected inflation outlook likely influenced MAS' decision to stand pat rather than to tighten further. We note that MAS used "sufficiently tight" to describe the current policy stance in addition to their usual use of the word "appropriate". We think this could be a possible hint to their policy leaning in October. Given the current outlook for growth and inflation, we think it is likely that MAS will be biased towards a stand pat in October as long as MAS' core inflation is on their projected trajectory. However, we would not rule out a tightening in October or at an off-cycle meeting (likely July) should MAS' core inflation projections change materially in the event that upside inflation risks materialize.

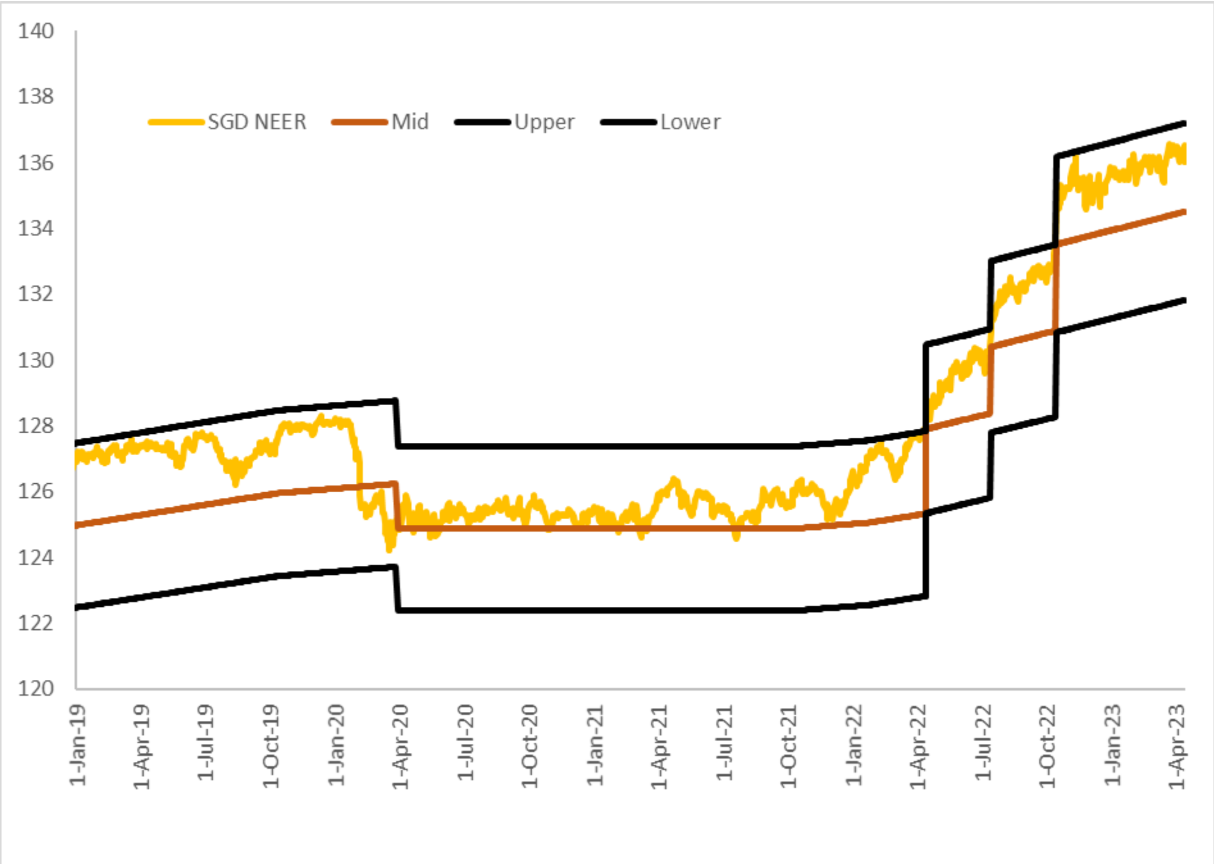
This latest decision is in line with the current market narrative that the Fed and other central banks around the world are coming to an end of the tightening cycle. Should global inflation trends indeed show a significant deceleration in core inflation prices, we think that the case for MAS standing pat in October should further strengthen. However, we also note that MAS highlighted upside risks to inflation and specifically cited commodity price shocks. We earlier highlighted that the recent OPEC surprise production cut could result in higher than expected oil prices and as such we would not rule out a tightening should such a situation be realized. We would like to highlight that core inflation prints in many advanced economies in the world remain elevated and persistent despite a moderation in headline inflation and our economists remain sceptical that MAS' core inflation, which is slightly different in that it excludes accommodation and private transport and as such includes energy, will come off later in 2023.

USDSGD and SGDNEER to Be Within Range

On market reaction, ahead of the decision the SGDNEER was at +1.5% above the mid-point with USDSGD at 1.3209 levels. Immediately after the announcement, USDSGD rose to as high as 1.3275 levels and quickly settled at 1.3250 levels, where we currently remain. SGDNEER settled at +1.10% above the mid-point immediately after the announcement and is now currently slightly weaker at +1.02% above the mid-point (Chart 1). Overall, the market reaction was moderate, which remains within our expectations given that we earlier suggested that market expectations were tilted towards MAS standing pat, from the results of the March MAS survey.

The fundamentals for the SGD have not materially changed - robust macro fundamentals in Singapore such as ample fiscal space, current account surpluses, healthy labour market and political stability etc., will continue to impart SGD some "safe-haven" appeal, and this is still likely to be reflected in SGDNEER strength in the future. We expect USDSGD to keep within a range of 1.32 to 1.3350 and for the SGDNEER to remain resilient and trade within +0.5% to +1.2% above the mid-point in the near future.

Chart 1: SGD NEER is now around +1% above the Policy Mid-Point



Source: Bloomberg, Maybank FX Research & Strategy

Decomposing the SGDNEER move basket constituents, we see that the SGD weakened broadly against all components, the major contributors were the CNY, EUR and KRW (Chart 2). Following MAS' decision all currencies have broadly appreciated against the USD, while the SGD remains a standout underperformer and USDSGD has remained largely stable at 1.3250 levels.

Chart 2: SGD's Moves Against Trading Partners for Today

Source: Maybank FX Research & Strategy, Bloomberg

We remain convicted on our positive medium-term view on the SGD, given our house view that China's reopening will likely gain steam later in the year and this will drive the SGD stronger. As such, we revise our USDSGD forecasts slightly higher to reflect the policy staying unchanged (Table 1) but still expect the SGD to appreciate against the USD. This is in line with our bearish USD-Asia core view for the year ahead. We also think that should the Fed indeed come to the end of their tightening cycle, the SGD should also find some support despite a lack of MAS tightening in this meeting. While MAS did not tighten policy today, the current policy stance still implies a +1.5% appreciation in the SGDNEER against its trade-weighted constituents, which will also provide support for the SGD against the USD.

Table 1: USDSGD Forecasts

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USD/SGD	1.3150	1.3000	1.2950	1.2950
	(1.3000)	(1.2900)	(1.2850)	(1.2850)

(previous forecasts in parentheses)

DISCLAIMER

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), MRPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Wedbush Securities Inc. ("Wedbush"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Wedbush in the US shall be borne by Wedbush. This report is not directed at you if Wedbush is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Wedbush is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Wedbush Securities Inc. 1000 Wilshire Blvd, Los Angeles, California 90017, +1 (646) 604-4232 and not with the issuer of this report.

UK

This document is being distributed by Maybank Securities (London) Ltd ("MSUK") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia ("PTMSI") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited ("MIBSI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057). **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 14 April 2023, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 14 April 2023, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 14 April 2023, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Published by:

Malayan Banking Berhad
(Incorporated In Malaysia)

Foreign Exchange

Singapore

Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 6320 1379

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 6320 1374

Alan Lau
FX Strategist
alanlau@maybank.com
(+65) 6320 1378

Shaun Lim
FX Strategist
shaunlim@maybank.com
(+65) 6320 1371

Indonesia

Juniman
Chief Economist, Indonesia
juniman@maybank.co.id
(+62) 21 2922 8888 ext 29682

Myrdal Gunarto
Industry Analyst
MGunarto@maybank.co.id
(+62) 21 2922 8888 ext 29695

Fixed Income

Malaysia

Winson Phoon
Head, Fixed Income
winsonphoon@maybank.com
(+65) 6340 1079

Se Tho Mun Yi
Fixed Income Analyst
munyi.st@maybank-ib.com
(+60) 3 2074 7606

Sales

Malaysia

Zarina Zainal Abidin
Head, Sales-Malaysia, Global Markets
zarina.za@maybank.com
(+60) 03- 2786 9188

Singapore

Janice Loh Ai Lin
Head of Sales, Singapore
jloh@maybank.com.sg
(+65) 6536 1336

Indonesia

Endang Yulianti Rahayu
Head of Sales, Indonesia
EYRahayu@maybank.co.id
(+62) 21 29936318 or
(+62) 2922 8888 ext 29611

Shanghai

Joyce Ha
Treasury Sales Manager
Joyce.ha@maybank.com
(+86) 21 28932588

Hong Kong

Joanne Lam Sum Sum
Head of Corporate Sales Hong Kong
Joanne.lam@maybank.com
(852) 3518 8790

Philippines

Angela R. Ofrecio
Head, Global Markets Sales
Arofrecio@maybank.com
(+632 7739 1739)