Maybank

Macro | FX Research & Strategy

Global

FX Monthly

2023, Issue 3: Traversing Inflation, Growth and Financial Stability Concerns

What Has Changed This Month?

- We kept our FX forecasts mostly unchanged but made modest adjustments to the USD, EUR, AUD, NZD and CAD forecasts to reflect the slower-than-expected boost from China's recovery, albeit keeping trajectories roughly unchanged. Similarly, within Asia, we have also correspondingly adjusted our RMB, MYR, THB and PHP forecasts.

Our Strategies

- Beware the ghosts of 2008 Global Financial Crisis. US bank-runs in Mar forced the authorities to act swiftly to establish new lending facilities alongside other measures to ensure banks have the liquidity they need and to restore overall banking confidence. Markets have moved rapidly to price in rate cuts by the Fed in 2H of 2023, encouraged by sluggish US manufacturing gauges as well as softer inflation (albeit not yet soft) metrics. Should labour market start to show more discernible signs of weakness, the USD decline could extend in earnest. If not, we continue to prefer to sell the USD on rallies, especially against the JPY.
- China's Premier Li Qiang was determined to woo foreign investors with the launch of the (year-long) "Invest in China" campaign. Key to this is how China stimulates its economy into stronger recovery at the very least. Thus far, property sector has only shown weak improvement while activity is still far from robust, spurring a 25bps RRR cut late Mar. We are still rather sanguine on China's recovery, key to employment gains, ensuring social stability and FDI flows. AUD, CAD, NZD gains could gather momentum.
- **MAS Policy Decision:** The house view is for MAS to re-center the policy band to the prevailing level in mid-April (likely 14 Apr), given elevated inflation pressures. Market expectations are tilted towards an MAS stand pat, given the responses to the latest MAS survey. We think that any tightening, be it in the form of a re-centering or steepening, would therefore be supportive of SGDNEER, given that neither are fully priced at this point and could induce a >1% gain in the SGDNEER if a tightening does materialize. Our base case expectations for a re-centering could result in a tentative post-announcement trading range of +0% to +1.0% above the new (higher) policy mid-point.

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Top 3 Currency Plays for Apr

Short USDJPY on Rally
Stay Short USDSGD
Stay Long AUDUSD

Key Events for the Month Ahead

Date	Event
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Central Bank Meetings for the Month Ahead

Date	Event
5 Apr	RBNZ Policy Decision
11 Apr	Bok Policy Decision
12 Apr	BoC Policy Decision
14 Apr (likely)	MAS Policy Decision
18 Apr	BI Policy Decision
28 Apr	BoJ Policy Decision

SGDNEER to Remain Strong, Stay Short USDSGD

Chart1: SGDNEER Largely Staying higher than +1.0% above Par in Oct to March

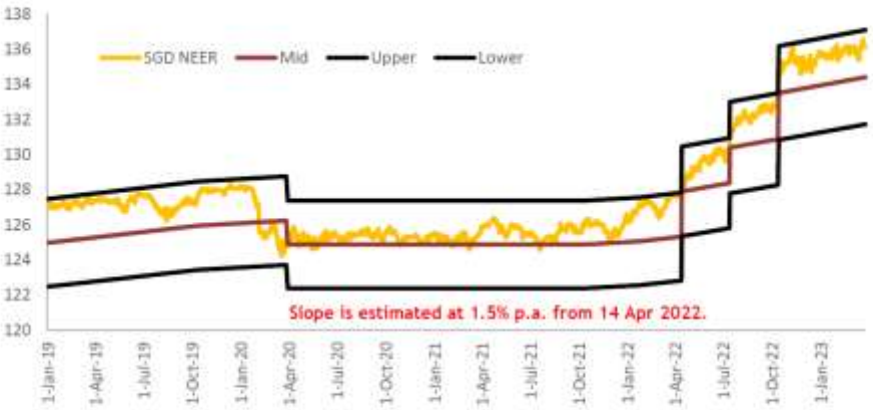
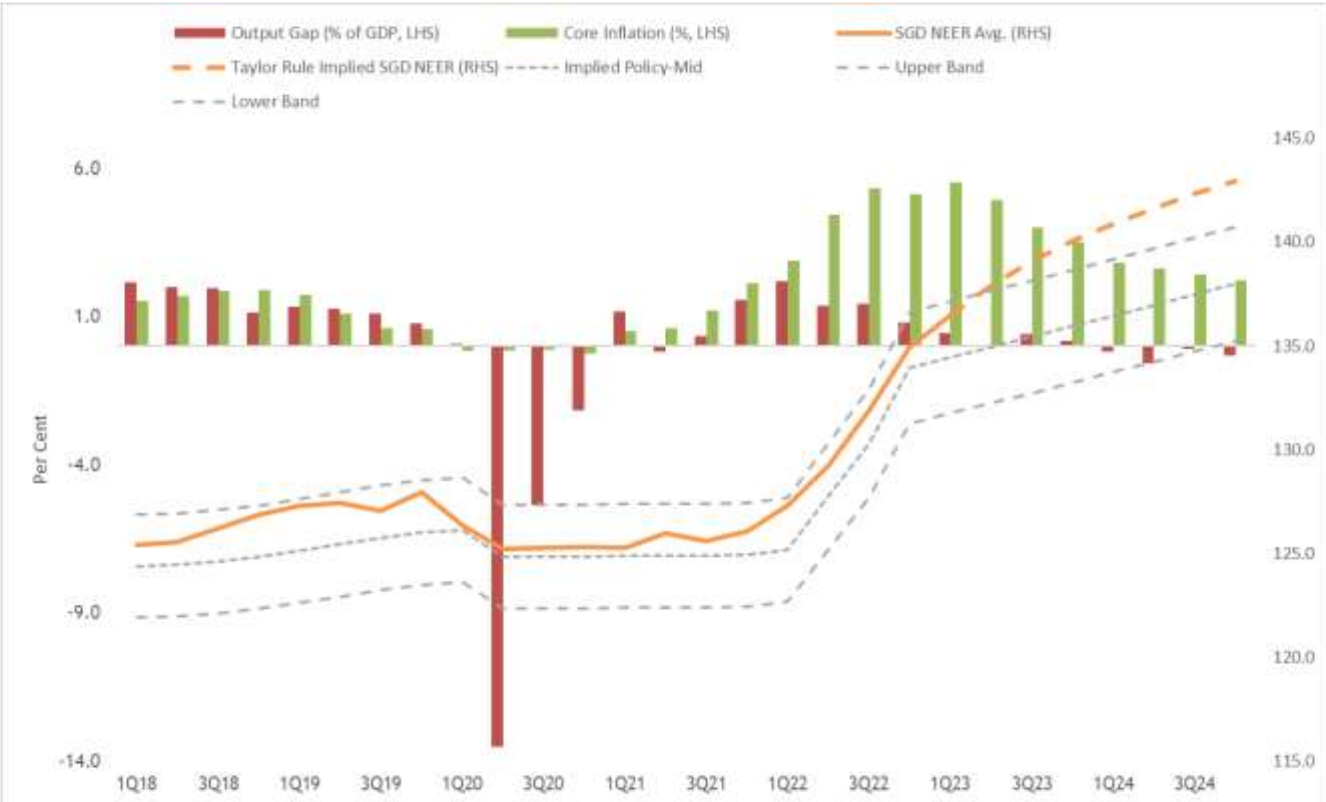


Chart 2: SGDNEER Could See Upward Pressures to 2024 (Taylor Rule Estimates)



Source: Bloomberg, Maybank FX Research & Strategy Estimates

G7 Global Overview

USD: Growth Concerns Emerging

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USD Index	101.39 (100.72)	100.18 (99.59)	98.98 (98.47)	98.47 (--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** The DXY index reached a high of 105.88 on 8 Mar 27 Feb from a low of 100.82 in early Feb - on the back of the initial Silicon Valley Bank collapse and continued to be resilient amid concerns about financial contagion following the other issues out of Signature Bank and Credit Suisse in March. The USD DXY index has since then fallen from its peak in March to around 102.38 as at end of March following the US government's guarantee of bank customer deposits, the purchase of SVB by First Citizens Bank and measures to attempt to stabilize banks with central banks move to coordinate daily access to a lending facility for banks seeking to borrow US dollars in the immediate aftermath of the UBS acquisition of Credit Suisse. With the March FOMC 25 bps hike our in-house forecast one more 25bp in 1H 2023. The March FOMC statement and Powell noted that recent financial sector developments are likely to result in tighter credit conditions, which will likely weigh on economic activity. In fact, the FOMC's forecast implies that the economy will be quite weak in the rest of the year. In light of these developments, we are factoring some support remains for USD but with US growth softening and enhanced with latest developments and growth outside US especially China and emerging markets likely to pick up in 2H 2023, we maintain our current USD trajectory of some decline in 2H 2023 including risk of some US debt ceiling concerns emerging in the end of 2Q 2023. The DXY levels are also revised higher to reflect slight adjustments to the euro in 2023 on the back of the recent developments.

- We are also pricing in some risk of debt ceiling impasse volatility emerging in the run-up to June 2023. The debt ceiling will likely need to be raised or suspended after a $2.5 tn debt limit increase enacted in Dec 2021 is exhausted and extraordinary measures are no longer sufficient to avoid default. The government officially reached the statutory limit on Jan 19, according to a letter from Treasury Secretary Janet Yellen, although extraordinary measures will allow Treasury to continue to pay obligations until at least early June. As such, there could be further risk of USD softness after June.

- **Growth and Inflation Outlook:** Real GDP growth was revised down by to 2.6% YoY in 4Q from 2.7% due to softer services consumption which was more than offset by a large upward revision to nonresidential structures. In early April release, the ISM manufacturing index declined in March to the lowest level since May 2020. The underlying composition was mixed-to-weaker, as the production component increased slightly but the new orders and employment components fell further into contractionary territory. Construction spending edged down in February, slightly below consensus expectations.

- Initial jobless claims rose by 7k to 198k in the week ended March 25, roughly in line with consensus expectations. The seasonal adjustment issues that had exerted an increasing amount of downward pressure on initial claims over the last few months are now starting to reverse.

- The Feb core PCE price index increased 0.30% MoM in Feb, below consensus expectations, and the YoY figures decreased to 4.60%. Feb core CPI rose 0.45% (mom sa), slightly above consensus of 0.4% and the 3-month average of 0.37%. The YoY fell a tenth to 5.5%. Headline CPI rose 0.37%, as food prices rose 0.4% but energy prices fell 0.6%. Core services prices excluding rent and OER rose 0.50%, 0.17pp firmer than the prior 3-month average.

- Nonfarm payrolls rose 311k in Feb, exceeding consensus expectations on continued strength across leisure, healthcare, and retail. However the revisions to NFP were negative. The unemployment rate increased to 3.6% from 3.4%, reflecting a 177k increase in household employment. While the pace of job growth remains well above potential, the rebound in the unemployment rate and the softer-than-expected rise in headline average hourly earnings arguably reduce concern about further labor market overheating.

  Monetary Policy Forecast: FOMC meeting on 21-22 Mar 2023 - in the wake of US banking turmoil - saw target fed funds rate (FFR) raised by +25bps to 4.75%-5.00%. Fed's latest "dot plot" signals no change in FFR peaking and staying at 5.00%-5.25% this year, suggesting one more +25bps hike at 2-3 May 2023 FOMC meet. From the latest FOMC Statement, the decision to further hike FFR by +25bps - after the +25bps increase on 1 Feb 2023 which further slowed the pace of FFR hikes from +50bps in Dec 2022 following four +75bps hikes between June and Nov last year – reflects Fed's commitment to tame inflation. FOMC statement pointed out that job gains picked up in recent months, inflation remains elevated and reiterated that the Fed is strongly committed to returning inflation to the 2% target. Our house view is for a peak at around 5-5.25% in spring (May FOMC).

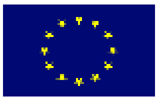
- The updated FOMC's FFR median forecast or the "dot plot" signals FFR target range peaking at 5.00%-5.25% and staying at the terminal rate this year i.e. unchanged from the position in Dec 2022. This suggests one more round of +25bps hike in FFR at the 2-3 May 2023 FOMC meets. Further underscoring this, FOMC statement on FFR path ahead changed to "some additional policy firming may be appropriate" from "ongoing increases in the target range will be appropriate" in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2% over time. Fed expects inflation rate – based on its preferred measure i.e. private consumption expenditure (PCE) inflation - to be at +3.3% in 4Q 2023 (+3.1% previously) and moderate to +2.5 by 4Q 2024 and +2.1% by 4Q 2025 (both unchanged from Dec 2022 forecasts). Core PCE inflation is expected to be at +3.6% in 4Q 2023

(+3.5% previously) and moderate to +2.6% by 4Q 2024 (+2.5% previously) and +2.1% by 4Q 2025 (unchanged). No change in our view of FFR peaking at 5.00%-5.25% in May 2023 and stay there for the rest of 2023, to be followed by a total of -200bps cuts in 2024. Market is currently evenly split between no change and +25bps hike at 2-3 May 2023 FOMC and seeing FFR cuts starting 2H 2023 by pricing in 4.20% at end-2023 and 2.85% at end-2024.

- In the wake of several bank runs and collapse over the past couple of weeks, the FOMC statement added that the US banking system is sound and resilient. Fed cautioned that there will be tighter household and businesses credit conditions that will weigh on the economy, job market and inflation, although the impact is uncertain. Consequently, Fed trimmed its 4Q 2023 and 4Q 2024 real GDP growth forecasts to +0.4% and +1.2% vs +0.5% YoY and +1.6% previously, with 4Q 2025 growth of +1.9% vs +1.8% previously. Projections for unemployment rate in 4Q 2023, 4Q 2024 and 4Q 2025 are little changed at 4.5% (4.6% previously, 4.6% (unchanged) and 4.6% (4.5% previously). US authorities announced full guarantee of deposits at Silicon Valley Bank (SBV) and Signature Bank, while Fed unveiled a new lender of last resort facility - Bank Term Funding Program (BTFP) – where banks can exchange their US Treasuries, agency debts and mortgage-backed securities at par for one year funding at Overnight Index Swap (OIS) +10bps. In response to Credit Suisse trouble, Fed together with the central banks in Eurozone, Japan, England, Switzerland and Canada enhanced their USD swap line arrangements.

- **Key domestic events and issues to watch in Apr:** ISM Manuf (3 Apr); NFP (7 Apr); Factory Orders, Durable Goods Orders (4 & 26 Apr); ADP (5 Apr); Trade Balance (5 Apr); CPI (12 Apr); Retail Sales (14 Apr); FOMC Minutes (13 Apr); FOMC (23 Mar); GDP (27 Apr); PCE Deflator (28 Apr).

- **Technical Outlook:** DXY index waffled around 101.86, taking on a heavy tone. Support is seen around 101.50 before the next at 100.80. We cannot rule out a rebound from there given stretched conditions but a clear break of those levels could open way towards 99.30-support.



EUR: Cautious Recovery Amid Financial Stability Concerns

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
EURUSD	**1.1000**	**1.1100**	**1.1200**	**1.1300**
	(1.1100)	(1.1200)	(1.1300)	(--)

Previous Forecasts in Parentheses.

- **Motivation for the FX View: We revise our EURUSD forecasts for the four quarters ahead and expect to see EURUSD at 1.10 levels at the end of the quarter.** This is to factor in latest market developments and financial stability concerns but we maintain our base scenario that the ECB being potentially the central bank that is the furthest from the end of the tightening cycle, and the expectation that EU's economic growth as well as that of the rest of the world to slow but not tank, potentially bolstered by China's recovery. While not our base case, an eventual pause in rate hikes by ECB later in the year could even be positive for EUR sentiment as long as the decision is motivated by disinflation and growth does not deteriorate significantly. This is predicated on other central banks also reaching the end of their rate hike cycles and could be possible if the energy situation remains comfortable for Europe and labour market displays resilience.

- EURUSD traded higher in Mar on the back of narrowing US-EU 10Y yield differential (126bps as of 29 Mar from 142bps Feb high). The compression in yield differentials was driven by a combination of a more dovish Fed on the back of banking woes in the US and the ECB raising its policy rate by 50bps to 3.00%. EUR strength was also moderated by fears over European banking stability as the viability of Credit Suisse and later Deutsche Bank were called into question. However, the ECB staying the course and holding firm on its well-telegraphed 50bps hike in the face of banking woes also reinforced their credibility and lent support to the EUR. Inflation in the Eurozone remains sticky at relatively high levels. Economic activity remains uneven and continues to show a more resilient services sector which is in expansion versus manufacturing activity that remains in contraction. Nevertheless, the possibility that economic growth and prospects could be better than previously anticipated still exists, given the potential tailwinds from China's recovery (yet to be seen and thus unpriced), stronger EU-UK trade relations after the Northern Ireland protocol agreement and the easing of energy prices and supply kink issues from 2022 that bode well for the EUR.

- ECB delivered on its anticipated 50bps hike in the face of financial stability fears, bringing the policy rate to 3.00% (prev: 2.50%). Lagarde cited the Separation Principle, which essentially exists to eliminate or reduce conflicts of interest between the price stability mandate and financial stability mandate of the ECB. Notably, the ECB also removed hawkish forward guidance and referred to future hikes being determined on a meeting-by-meeting basis and data dependent.

However, ECB officials have largely resumed being hawkish on inflation in their rhetoric, especially as financial stability concerns have some what eased. Markets however, have drastically reduced their expectations of future ECB hikes and are currently pricing in an OIS-implied 3.50% terminal rate, a stark contrast to both last month's OIS-implied 4.00% terminal rate and ECB's core inflation projections of 4.60% in 2023.

- A warmer winter, slower drawdown in gas inventory have made all the difference for the European economy, limiting the decline of the EUR. Germany plans to reach 70.7mn tonnes per year of LNG import capacity by 2030 which would lift the country to the world's fourth largest LNG import capacity. This comes after Russia completely halted gas supply to Germany after the Nordstream pipeline was sabotaged. Germany then rushed to install floating storage and regasification units in order to import gas. According to energy analysts, Europe is on track to completely fill its gas storage toward the end of Oct 2023. Asian demand for LNG has remained muted and as such Europe is expected to be the final destination for the majority of flexible LNG cargos. Looking forward, analysts predict that Europe's gas inventories will end Mar 2024 around half full, which would be enough for Europe to endure the coldest of the last 30 winters. Stronger energy resilience could mean that the European stronghold would be less vulnerable to energy supply shocks and that bodes well for the EUR.

- **Risk(s) to our View:** The war in Ukraine is still ongoing and an end is nowhere in sight. Any further escalations of this war, although unlikely, present a key risk to our view for a stronger EUR. We expect peace to continue to be hard to achieve as Ukraine has retained its hard stance against Russia. We also expect most sanctions to remain, and this could imply the Eurozone's trade balance remains in deficit.

- Energy risks while lowered, still linger and a resumption of an energy crisis theme could weigh heavily on the EUR. Asian demand for LNG has remained muted thus far, and if this demand should pick up, then Europe will be competing for a limited supply of flexble LNG cargos. Europe is currently projected to attract almost 75% of global flexible LNG supply. This is the key assumption that drives analysts estimates that Europe will survive the next winter. Should this situation change, then the EUR could once again face some challenging headwinds.

- The fall of Silicon Valley Bank, Signature Bank and the subsequent acquisition of Credit Suisse by UBS have called financial sector stability to question. The viability of European banks, such as Deutsche Bank, have also been similarly called to question and tested by markets. The EUR had weakened in the episodes of fear caused by Credit Suisse and Deutsche. While the fears seem to have eased and remain controlled at this point in time, the return of Europe-specific financial sector stability concerns are likely to weigh on the EUR once again.

- **Growth and Inflation Outlook:**

- Eurozone growth prospects have been lifted by the fall in natural gas prices that could potentially lower inflation and lift GDP. In addition, Europe also stands to benefit from China's reopening and recovery, albeit a sharper uptick in global demand recovery could have implications on commodity prices that may affect Europe's gas outlook.

- Meanwhile, Europe continues to see rather stable unemployment rate at around 6.7%. Tight labour market conditions seem to be supportive of household spending and the services sector. Feb Core CPI inflation remained sticky in line with expectations at +5.6% YoY (exp: 5.6%; prev 5.6%) underscoring persistent underlying price pressures.

- **Monetary Policy Forecast:** ECB delivered another 50bps hike to take the deposit facility rate to 3.00%, marginal lending facility to 3.75% and main refinancing rate to 3.50%. In Feb, Lagarde was earlier explicit in the central bank's intention to hike another 50bps in Mar, and said that the "intend" was not "irrevocable", acknowledging that risks to growth outlook have become more balanced, and as a result, retained optionality and flexibility. However, she was clear that the rate decision in the face of banking crisis was targeted at price stability, citing the Separation Principle which aims to reduce the conflict of interest between the ECB's mandates of price stability and financial stability. The statement that accompanied the decision said that the ECB would remain "data dependent" and would decide "meeting-to-meeting" on rate hikes. However, we note that ECB speakers have been increasingly hawkish since the decision as financial stability fears have abated.

- For the rest of 2023, current OIS implied pricing is for a terminal deposit facility rate of 3.50%, with the market implying two more 25bps hikes for the ECB, a downshift from the current 50bps norm. Any signal to persist with the current pace could actually provide further intermittent boost to the EUR. A pause would not necessarily be negative for the EUR as long as growth does not deteriorate significantly and inflation is en-route towards target. Given that the ECB's core inflation projection is 4.6% for 2023, there is still a significant disparity between what the market is pricing in and what the ECB is expecting. Should the ECB actually deliver on its rate hikes, we should see further gains for the EUR.

- **Latest Fiscal and External Balance Outlook:** The Eurozone current account was in a EUR -1.9b deficit at the end of Jan. This was in contrast to a EUR 28.8b surplus at the end of Dec, which brought the 2023 Eurozone current account deficit to 46.8b.

- **Key domestic events and issues to watch in Apr:** EC Mar Prelim Mfg PMI (3 Apr), EC Feb PPI (4 Apr), EC Mar Prelim Services and Composite PMI (5 Apr), EC Retail Sales (11 Apr), EC IP (13 Apr), ECB Survey of Professional Forecasters (17 Apr to 28 Apr), EC Feb Trade Balance (18 Apr), EC Mar Prelim CPI (19 Apr), EC Apr Consumer Confidence (20 Apr), EC Apr Flash PMIs (21 Apr), EC GDP (28 Apr)

- **Technical Outlook:** EURUSD hovered around 1.0820, having flirted with the 1.09 resistance level multiple times in March. RSI is neutral, while stochastics are flagging overbought conditions. We see EURUSD consolidation within a 1.07 to 1.09 range and look for a breakout of 1.09 resistance to potentially test the 1.10 figure by the end of the quarter.

GBP: Outperformance in March to Moderate

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
GBPUSD	1.2100 (--)	1.2200 (--)	1.2400 (--)	1.2400 (--)

No Change to Previous Forecasts

- **Motivation for the FX View:** The Northern Ireland protocol passed a UK parliamentary vote and this in combination with the slightly more positive economic data prints out of the UK should provide some short-term tailwinds for the GBP. Although it was forced to hike rates by a surprisingly hot inflation print, the BOE has been one of the more dovish of the major central banks. In addition the UK's medium-term prospects still look grim, given the existence of price pressures, labour market shortages and an ailing economy, structural problems inherited from Brexxit. Should inflation continue to remain sticky, the policy space for the BOE to hike rates will be narrower in the face of a recession and this underpins our bearish GBP outlook in 2Q and 3Q2023. **As such, we maintain our forecasts for the GBPUSD, and we think the bearish trajectory for this quarter remains intact although we could see some short-term gains coming from the positive developments on the Northern Ireland protocol and slightly more positive economic data prints. Looking ahead, we expect the GBPUSD to recover into the 3Q and 4Q, in line with our core view on USD strength slow fading later into 2023.**

- **Risk(s) to our View:** The UK is in a tough position in no small part due to Brexit and the resulting protracted negotiations that have yet to be resolved. **A positive resolution to any of these unresolved issues is likely to provide some support for the GBP.** These issues are of paramount economic importance to the UK, but are ultimately politically daunting for the Sunak administration to deal with. The NI deal has passed the UK parliament and this has provided some tailwinds for the GBP. However, ultimately, the UK faces structural issues such as a labour shortage and poorer economic prospects from losing the common Euro market arising from Brexit. While no resolution for these issues remain in sight, Sunak's administration continues to gain more credibility for itself as it works on these issues. Should some further concessions be obtained from the EU, we do see the risk for a stronger GBP than we had previously projected.

- The fall of Silicon Valley Bank, Signature Bank and the subsequent acquisition of Credit Suisse by UBS have called financial sector stability to question. The viability of European banks, such as Deutsche Bank, have also been similarly called to question and tested by markets. Given the geographical proximity and the close ties of the UK banking system to the Euro banking system, the GBP weakened in the episodes of fear caused by Credit Suisse and Deutsche. While the fears seem to have eased and remain controlled at this point in time, the return of Europe-specific financial sector stability concerns are likely to weigh on the GBP once again.

- **Growth and Inflation Outlook:** The UK's final 4Q2022 GDP came in slightly better than expectations at +0.6% YoY (exp: +0.4%; prev: +0.4%) and +0.1% QoQ (exp: 0%; prev: 0%). In addition, MoM GDP for Jan was at +0.3% (exp: +0.1%; prev: -0.5%). While growth appears to be picking up, prospects for the UK economy are still anticipated to be negative, indicating a contraction rather than an expansion. Current consensus forecast suggests GDP growth to come in at -0.4% YoY (prev: -1.0% YoY) for the UK in 2023. The UK economy may struggle to recover from current challenges such as the impact of COVID-19, supply chain disruptions, and slowing global demand in addition to facing the structural issues such as labour market shortages and loss of the common market that have come with Brexit. Economists still expect a UK recession, with a survey of 51 economists in January seeing a 90% chance of a recession happening in the UK over the next 12 months, painting a bleak picture for the UK's growth prospects in 2023. The BOE's forecasts for growth are also dismal, expecting real GDP to contract by -1.50% YoY in 2023 and -1.00% YoY in 2024.

- On the inflation front, Feb Core CPI was hotter than expected at +6.2% YoY (exp: +5.7%; prev: +5.8%), while Feb headline CPI also accelerated to +10.4% YoY (exp: +9.9%; prev: +10.1%). Price pressures remain persistent at elevated levels. Consensus forecasts for the UK's CPI stands at +6.5% YoY in 2023. Meanwhile, the BOE's forecasts for inflation stand at +10.75% YoY for headline and +5.25% YoY for core in 2023. These levels remain above the BOE's preferred target of 2%. Inflation has been kept sticky also in part due to a labour shortage in the UK that is keeping rising wage pressures strong.

- **Monetary Policy Forecast:** In line with expectations, the BOE delivered a 25bps rate hike (vote split: 7 hike, 2 maintain) in the last meeting on 23 March, bringing the policy rate to 4.25%. Our view is for one more 25bps hike at the May meeting as inflation remains elevated (Feb CPI accelerated to +10.4% with core CPI at +6.2%), labour market remains tight (wage growth at 5.9% YoY) and PMI numbers show activity improved in Feb. The market is currently pricing in a 77% chance that the BOE will hike by 25bps at the May meeting. However, the BOE has remained relatively dovish compared to its counterparts and has demurred on its forward guidance. We think that there remains a risk of overtightening that the BOE is cognizant of, although inflation remains sticky at elevated levels it is expected to fall sharply for the UK in 2023 and this could feed into the narrative that the BOE has already reached its terminal rate at 4.25%.

- **Latest Fiscal and External Balance Outlook:** PM Rishi Sunak has signaled his intentions to reduce the UK's national debt and cut inflation as priorities for 2023. He also added that he wishes he could implement tax cuts, but understands that it is practically impossible with the current level and persistency of inflation. Chancellor Jeremy Hunt is already under pressure from UK conservative MPs to show a path to lower taxes, which many believe is the easiest way to stave off a recession. However, inflation is not the only thing preventing tax cuts. If taxes are cut and government spending is to remain the same, then the government must finance the spending. The most expedient way to do this would be to increase government debt. However, this goes directly against the PM's intentions to reduce the UK's national debt. It remains to be seen how Chancellor Hunt plans to deal with this problem, with independent fiscal watchdog the Office for Budget Responsibility noting that there would be less headroom for the March budget, given weak productivity and labour market issues that have damaged the UK's economic prospects. The UK's budget deficit in 2022 stood at £125 billion, roughly 5.4% of GDP. Meanwhile, the current account deficit stood at -4.24% of GDP or about £100 billion. Chancellor Hunt's 15 March budget was spun as one that was pro-growth and pro-families by offering giveaways to both corporates (investment subsidies) and families (childcare and energy). However, there was a glaring absence of tax cuts, given the current inflationary environment that the UK is in. This was one of the thinnest margins for a UK budget after having relaxed fiscal rules in November, leaving himself with £6.5b to spare in contrast to the average cushion of £25.6b over the last 13 years. This leaves the UK with a small buffer against a crisis against the current backdrop of fear over financial stability, and puts the UK in a precarious position should a serious shock to the economy occur.

- **Key domestic events and issues to watch in Apr:** Mar S&P Manufacturing PMI (3 Apr), Mar S&P Services/Composite PMI (5 Apr), Mar S&P Construction PMI (6 Apr), Feb IP/Manufacturing Production, Feb Trade Balance (13 Apr), Jobless Claims, Unemployment (18 Apr), Mar CPI/RPI (19 Apr), Mar Retail Sales, Apr prelim S&P PMIs (21 Apr), Apr Nationwide House Price Indices (28 Apr to 3 May).

- **Technical Outlook:** GBPUSD last traded at around 1.2315 levels, having seen an overall boost from a combination of better than expected data prints, a BOE hike and the agreement of the NI protocol. RSI is neutral, while stochastics are flagging overbought conditions. We see support for the GBP at the 1.22 figure and expect the 1.21 figure to be tested closer to the end of the quarter. Resistances are at 1.24 and 1.25 figure to the upside. We see the cable within trading within a range of 1.21 to 1.25 for the month, although the 1.24 resistance remains a level that has been breached multiple times in March, the 1.25 level has yet to be tested.

AUD: China's Recovery Boost, Delayed

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
AUDUSD	0.70	0.72	0.74	0.75
	(0.72)	(0.74)	(0.75)	(--)

Previous Forecasts in Parenthesis

- **Motivation for the FX View: We revised our AUDUSD forecast for 2Q a tad lower to 0.70, taking into account slower recovery in China and lingering fears on banking sectors around the world. Our trajectory remains unchanged for the AUDUSD, reflecting our bullish view of the AUD.** AUD rebounded from 0.66-figure in Mar but not as much as we would have liked. Bank failures in the US and Europe had crimped on AUD gains (typically positively correlated to S&P). In addition, Minutes of the RBA revealed a pause in consideration for Apr. Most market watchers (including ourselves) concur as a pause would allow more time for accumulative rate hikes to be absorbed by the economy. That said, we remain constructive on the AUDUSD, expecting the Fed-RBA policy divergence that weighs on the AUD at this point to be temporary given that the Fed is close to end of its tightening cycle. China's recovery has been slower than expected but should gain in momentum into the 2Q. The boost to the AUDUSD from China's recovery is thus, merely delayed.

- **Downside Risks to the AUDUSD outlook:** We assume a gradual recovery in China but should demand recovery fail to meet expectations, concomitant knock-on impact on Australia's growth as well as fears of a more severe slowdown in global growth could potentially reverse AUD gains and bring back demand for safe haven USD demand.

- **Growth and Inflation Outlook:** AU Feb CPI slowed to +6.8%y/y vs. previous at 7.4%. Excluding volatile items, CPI eased to 6.9%y/y from 7.5%, a marked deceleration, likely sufficient for RBA to consider a pause at the Apr meeting. This is especially in light of the central bank's note of caution that only 45% of the rate increases were reflected in the mortgage contracts as of end 2022 and fixed-rates mortgage contracts are expiring soon for many households which expose them to the current high interest rate environment, a potential dampener on their spending. We remain constructive on the AUD (slow recovery in China, inevitable Fed-RBA convergence) but prefer to accumulate the AUD on dips.

- 4Q GDP was a tad softer than expected at +0.5%q/q vs. previous 0.7% but more recently released data such as CBA household spending for Feb (at -0.1%m/m vs. previous -6.9%) , NAB business survey for Feb (business conditions at 17 vs. prev. 18) as well as Westpac consumer confidence (unchanged at 78.5 for Mar) suggest resilience in spite of the higher interest rate environment. Labour market conditions remain tight with +64.6k employment added on net for Feb (74.9K full-time, -10.3K part-time). Participation rate rose a tad to 66.6% from 66.5%. Unemployment rate fell to 3.5% from 3.7%.

- However, there are also pockets of weakness emerging – NAB business confidence fell -4 in Mar vs. +6. Retail sales for Feb also came in at +0.2%m/m vs. previous 1.8%, in line with expectations. Prelim. Mfg PMI and Services PMI for Mar actually became contractionary at 48.7 and 48.2 respectively.

- Trade surplus remained robust at A$11.7bn for Jan, just a tad narrower vs. previous A$13bn. Exports rose 1%m/m for the month while imports picked up pace to 5%m/m, resulting in the narrower surplus. China is still Australia's top trading partner. Breaking down by key commodities, coal and iron ore still bring in the most receipts at A$9.59bn and A$10.99bn respectively. The next key commodity is natural gas at A$8.04bn for Jan 2023. However, export receipts have fallen rather substantially for coal (-20.6%m/m), -5.8% for natural gas as external demand weakens. We can continue to expect China's recovery to offset the potential decline in demand from other trading partners. In addition, Australian-Sino ties seem to have warmed of late and could continue to strengthen, barring a significant escalation in US-China tensions. We remain cautiously optimistic on Australia's current account's underpinning for AUD.

- **Monetary Policy Forecast:** RBA kept the cash target rate unchanged at 3.60% on 4 Apr, as expected. We had expected the moderation of the Feb CPI (+6.8%y/y vs. previous at 7.4%) to provide RBA the room and justification for a pause. In addition, the central bank had sounded concern about the upcoming expiration of the fixed rate mortgage contracts that would expose households to high interest rates that could potentially dampen spending. That said, RBA noted "further tightening" may be needed to get inflation back to target. Speech by RBA Lowe will be watched tomorrow.

- We remain constructive on the AUD (slow recovery in China, inevitable Fed-RBA convergence) but prefer to accumulate the AUD on dips.

- **Latest External Balance Outlook:** As of last available data, current account surplus was recorded at +1.2% of GDP for 4Q 2022, widening a tad from the previous 0.95%. Australia recorded a AUD14.1bn of current account surplus vs. previous A$753mn, buoyed by the stronger surplus in goods and services trade balances. Demand recovery in China could increase its imports of Australia's resources and tourism and widen its current account surplus.

- **Fiscal Outlook: Eyes on the May budget. Treasurer Chalmers said that the budget will need to strike a balance between inflation and growth risks, near-term and longer-term priorities.**

- The labour government produced its first budget on 25 Oct 2022, projecting deficit to narrow to A$36.9bn in 2022-2023 (1.5% of GDP) from A$134.2bn (6.5% of GDP) in 2020-2021. Deficit was expected to widen to A$44.0bn in 2023-2024 (1.8% of GDP) and A$51.3bn in 2024-25 (2.0% of GDP). Deficit projections for over the four years to 2025-26 is also expected to be A$42.9bn less than Mar budget. **The above are based on GDP growth projection of 3.**25% for 2022-2023 (vs. 3.5% projected previously), 1.5% for 2023-2024. The labour market is forecast to soften with unemployment rate seen at 4.5% in 2Q 2024.

- **Key domestic events and issues to watch:** CoreLogic House price for Mar [2 Apr]; Mfg PMI for Mar [3 Apr]; Melbourne Institute Inflation for Mar, Feb home loans, building approvals [3 Apr]; **RBA Policy decision** [4 Apr]; Services PMI for Mar [5 Apr]; Feb trade [6 Apr]; Apr Westpac consumer confidence [11 Apr]; NAB business confidence, conditions [11 Apr]; Apr inflation expectations, Mar labour report [13 Apr]; CBA household spending for Mar, Minutes of Apr RBA policy meeting [18 Apr]; Mar Westpac leading index [19 Apr]; prelim. Mfg , services PMI for Apr [21 Apr]; Mar, 1Q CPI [26 Apr]; export, import price for 1Q [27 Apr]; 1Q PPI [28 Apr]; CoreLogic House Price for Apr [30 Apr].

- **Technical Analysis:** This pair pulled back from the 0.6810-resistance. Momentum indicators are bullish and this pair needs a decisive clearance of the 0.6810-resistance for an extension towards 0.6870, 0.6940 and 0.7020. Support at 0.6670.

NZD: Slow Grind Higher

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
NZDUSD	0.65	0.67	0.68	0.68
	(0.66)	(--)	(--)	(--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We made a modest tweak to our forecast for 1Q but kept trajectory mostly unchanged from what we had envisioned in our FX Annual Outlook for 2023. NZDUSD oscillated within 0.6160-0.6290 range for much of the past month, neither getting much impetus from monetary policy divergence nor gaining much directional cue from sentiment-related swings.

- NZD strengthened against the AUD on slight monetary policy divergence. Even as both central banks are vigilant on inflation, Minutes of the Mar RBA meeting suggests that the central bank would reconsider pausing as soon as Apr. For RBNZ,a 25bps hike is being priced for 5 Apr and another 25bps hike is expected for the 24 May policy decision. Underpinning this bets is the latest speech by RBNZ Chief Economist Conway dated 23 Mar. He lamented about inflation being high and widespread amid the capacity constaints posed by the pandemic, Ukraine war and recent cyclone at home. He warned that monetary policy would need to tighten further if businesses and workers try to push up their real profit margins and real wages in order in reaction to inflation. A deeper recession could result.

- We look for NZD to remain on the frontfoot as RBNZ continues to remain one of the few hawkish central banks left amongst the G10. Recent data (PMI, consumer confidence and food inflation) suggest that a dovish pivot may not emerge in Apr. Any mention that a 50bps hike could be considered vs. a 25bps hike that is already priced could be taken to be a hawkish stance by the central bank and could boost the NZD.

- **Downside Risks to NZD Outlook:** (1) Slower-than-expected recovery in China to slow NZD gains. (2) Faster than expected deterioration in growth (vs contraction starting in 2Q for three quarters) to weigh on NZD. A fall-out in the banking sector in Europe or rising risks of contagion could spur flows back to safe haven USD demand and slow the NZDUSD ascent towards 0.68 forecast seen over the next 12 months.

- **Growth and Inflation Outlook**: Inflation remains a challenge for RBNZ. While 2y inflation expectation has eased to 3.30% for 4Q from 3.62% seen in the quarter prior, it is likely still uncomfortably above the 1-3% target of the RBNZ. In addition, food prices eased only a tad to 1.5%m/m vs. previous 1.7%, still a robust month-on-month rise.

- In addition, domestic demand remains resilient with BusinessNZ Mfg PMI firming to 52.0 for Feb vs. prev. 51.2. Performance services PMI also rose to 55.8 from previous 54.7. Westpac onsumer confidence for 1Q rose to 77.7 from previous 75.6. Such resilience could continue to underpin price pressure.

- Recall that the latest CPI print for 4Q at 7.2% was steady from the quarter prior, short of RBNZ's forecast of 7.5%. Breakdowns suggest that price pressure have likely peaked with tradeable and non-tradeable components decelerating to 1.4% QoQ and 1.5% QoQ from +2.2% and +2.0% respectively. Sectoral wise, food, clothing and footwear, housing and utilities, transportation saw smaller sequential price pressure, partially offset by slightly firmer healthcare (+1.6% QoQ vs. prev. +1.3%) and recreation and culture (+3.4% vs. prev. +1.9%). The somewhat broadbased slowdown in sequential price increases reflect softening demand conditions at home and abroad. **This is set to change due to the Cyclone Gabrielle as rebuilding efforts and potential supply disruptions could lead to near-term inflationary pressure.**

- Meanwhile, trade deficit narrowed to NZD714mn from previous -2.1bn but this was mostly due to the fall in imports. Exports to China picked up pace a tad to 7.1%y/y from previous 5.8%. We eye the relationship between New Zealand and China. Defense Minister Andrew Little had mentioned recently that the country is open to non-nuclear talks with Aukus. PM Chris Hipkins was quick to clarify that the country "will not be part of the nuclear submarines arrangement in any event".

- **Monetary Policy Forecast:** We look for RBNZ to raise official cash rate by another 25bps to 5.00%, as priced in by the overnight index swaps.

- The speech by RBNZ Chief Economist Conway had been hawkish, little change to the language of the last RBNZ decision. In the last decision, inflation was seen at 7.3% for 1Q 2023. Risks are that the severe storms at home will keep inflation above the 7% for a longer period of time. While the central bank wishes to look through near-term inflation shocks, concerns are more on whether higher near-term inflation could lead to elevated inflation expectations. That said, the central bank acknowledged that policy stance is already contractionary. Recession could begin in 2Q and cash rate is seen to peak at 5.5% and to fall only from 3Q 2024. **We maintain our view for RBNZ to move with more caution, by a slower pace of 25bps from Apr to counter inflation.**

- **External Balance and Fiscal Outlook:** NZ current account could remain in deficit given a consistent deficit in its goods trade. 4Q current account deficit narrowed to NZD9.46bn (at -8.9% of GDP) vs. NZD11.4bn (-8.5% of GDP) in the quarter prior.

- At the Half-Year Economic and Fiscal update for 2022 in Dec, the Treasury Department looked for three quarters of negative GDP growth from 2Q of 2023 with the economy expected to contract 0.8% for full calendar year 2023. Budget deficit for 2022-2023 was projected to be NZ3.6bn and to return to surplus of NZ1.7bn in 2024-2025. Net debt seen to peak at 21.4% of GDP in 2023-2024 vs. 17.2% as of Jun 2022.

- **Key domestic events and issues to watch:** CoreLogic House prices for Mar [3 Apr], RBNZ policy decision [5 Apr], ANZ commodity price for Mar [6 Apr], REINZ House sales for Mar [10-14 Apr], Card spending for Mar [12 Apr], BusinessNZ Mfg PMI for Mar [14 Apr], Performance services for Mar [17 Apr], 1Q CPI, Non Resident Bond holdings for Mar [20 Apr], Mar trade [26 Apr], ANZ Activity outlook, business confidence for Apr [27 Apr], ANZ consumer confidence for Apr [28 Apr].
- **Technical Outlook:** NZDUSD has broken out of the range (0.6160-0.6300) and was last seen around 0.6310. Given current bullish momentum, this pair may extend towards the 0.6450-resistance.

CAD: Boosts from Oil Supply Shocks

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDCAD	**1.32** (1.30)	**1.30** (1.29)	**1.28** (--)	**1.28** (--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We raised our USDCAD forecast but kept the trajectory unchanged. USDCAD has fallen substantially from where it was at the start of March and we continue to look for futher decline in the paring once Fed signals a clear pause in May that will bring it in convergence with BoC. CAD might have underperformed more hawkish G7 peers (EUR, GBP) in Mar but we see this as temporary as both ECB and BoE may be only 50bps away from their terminal rate. For the rest of the year, CAD could still be strengthened by buoyant crude oil prices (currently underpinned by OPEC+ 1.1mpd production cut) that could in turn be boosted further by China's recovery boost that has thus far be modest. A move below the 1.30-figure is still expected by the end of the year.
- **Growth and Inflation Outlook:** Canada's Mar Mfg PMI fell to 48.6 from previous 52.4, in tandem with the slump in manufacturing activity for most part of the world. In addition, BoC also published its 1Q business outlook survey within which respondents indicate their expectations for sales to slow, "albeit from a period of exceptional strength the past year". Inflation expectations have moderated but most respondents still expect inflation to remain well above 2% until at least 2025. The business outlook survey indicator has fallen as price growth is expected to slow and capacity pressures are expected to ease. BoC has stated that the interviews were conducted before the banking stresses started so growth outlook might have worsened since for business owners.

- The CFIB business barometer index showed a more sanguine picture with small businesses seeing an improvement in their long-term confidence of 3.5 points in Mar whle the long-term index (based on 12-month forward expectations for business performance) rose 3 points to 55.3. Price increase is projected to soften to 3.5 while average wage increase plans decreased to 3.1.
- Taken together, while buseinss respondents (in BOC's business outlook survey) as well as the CFIB business barometer have rather different outlook for their businesses, both surveys indicate expectations for price pressure to moderate.
- CPI eased more than expected to 5.2%y/y for Feb from previous 5.9%. Core inflation (trim) also eased a tad more than expected to 4.8%y/y vs. previous 5.1%. BoC has its inflation target at 2% and the central bank projects inflation to fall to 3% by mid 2023 and to 2% in 2024.
- **Monetary Policy Forecast:** BoC paused in Mar as guided before, keeping policy interest rates unchanged at 4.50% on 8 Mar. Higher interest rates have started to affect not just Canada's housing sector but also household spending. Governor Macklem did clarify that the pause "is conditional on economic developments" and this was also reiterated by Deputy Governor Carolyn Rogers. The Deputy Governor warned that the central bank can raise rates should inflation not slow as anticipated and there is still a need to assess whther rate policy is "restrictive enough".
- **Recall that in a speech before, Governor Macklem laid out the conditions that they are monitoring.** The central bank wants price pressure for services to ease, wage growth and inflation expectations to moderate and the businsses need to normalize their price-setting behaviours in order to stave off any further rate hikes.
- Within the summary of policy deliberations, key concerns are on "whether the inflation could get stuck materially above the 2%". Concerns are still skewed towards inflation rather than growth amd the pause is an opportunity to assess whether interest rates have risen enough for inflation to head back towards the 2% target.
- Separately BoC Deputy Governor Gravelle spoke overnight and he looks for QT to end by early 2025, noting that the bar is very high for the central bank to turn to QE again and that the central bank is not worried about local banks.
- **Taken together, the recent surveys as well as the sharp deceleration in the price pressure give no reason for BoC to hike in Apr. That said, CPI remained above the 1-3% target. Labour market conditions have hardly deteriorated. Growth has not slowed enough for BoC to cut anytime soon. We look for BoC to extend its pause on 12 Apr.**
- **Latest External Balance Outlook:** As of last available data, Canada's current account balance was at a deficit of U$10.6bn for 4Q22, a tad wider than the -U$-8.41bn deficit for 2Q. Trade balance may remain under pressure as energy prices continue to remain lacklustre and that could reduce amount of oil export receipts.
- The new Federal budget presented on 28 Mar showed an increase of C$43bn of new net costs over six years with a focus on improving

health-care and fund clean-technology subsidies. Canada records C$6.44 deficit in the first ten months of FY2022-2023. However, the budget 2023 no longer shows a projection towards a balanced budget by 2028. Within the plan however, the tax rules are tweaked for dividends banks and insurance firms receive from firms for holding their shares. The government will treat these dividends as business income starting in 2024 and this is expected to increase the tax revenue by C$3.2bn over five years from next year according to the Federal Budget.

- **Key domestic events and issues to watch:** Building permits Feb (4 Apr); Feb Trade (5 Apr), Mar labour report (6 Apr); BoC policy decision (likely to stand pat on 12 Apr), manufacturng sales for Feb (14 Apr), Mar existing home sales (14 Apr), Mar CPI (18 Apr); Mar housing starts (19 Apr), Feb retail sales (21 Apr), Apr CFIB business barometer (27 Apr), Feb GDP (28 Apr).

- **Technical Outlook:** USDCAD is about to complete the bearish reversal. This pair is still rather bearish in price action and momentum. Support is seen at 1.3380 (200-dma). A clearance there could open the way towards 1.32. rebounds to meet resistance at 1.3545. Stochastics flag oversold conditions and could mean a slowdown in its decline.

JPY: Safe Haven Allure Returns as Yields Drop

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDJPY	128 (-)	125 (-)	122 (-)	120 (-)

No Change to Previous Forecasts

- **Motivation for the FX View:** We would like to note that the USDJPY looks to be moving downwards in line with the forecasts that we had set at the beginning of the year. Factors that we had earlier envisaged also now appear to be driving the pair. These include 1) The return of the JPY's safe haven allure, 2) Softening Fed stance guiding UST yields lower and 3) Possibility of some minor monetary adjustment by the BOJ. Underpinning both factors 1) and 2) is both the current US and European banking crisis. Alternative safe havens such as the USD and CHF are directly linked to the banking crisis given that both US regional and Swiss banks have being seeing trouble recently. In contrast, the Japanese banks are in a relatively better position and hence, this has helped support the return of the JPY's safe haven allure. The banking crisis at the same time is also raising speculation that the Fed would have to soon pause their rate hikes. If anything, Powell had already come out somewhat dovish at the last FOMC. Resultantly, UST yields have fallen lower, which has helped narrowed the UST – JGB spreads and further supported JPY appreciation. Meanwhile, we see that factor 3) would eventually materialize given that the new incoming Kazuo Ueda appears to be less supportive of the YCC policy (due to the market dysfunctionality caused by it) and hence, he may gradually abolish the

YCC by first widening the band by 25bps to +/- 0.75%. However, we also note that this is subject to how the banking crisis evolves. Overall, we therefore stick to our forecasts and see the pair heading the direction that we had called for.

- **Growth and Inflation Outlook:** The big surprise of this month has been that the spring wage negotiations has resulted in an average wage hike of 3.8%, which was the highest in decades. A higher wage increase is likely to support more consumption for this year, which in turn would provide a slightly boost to economic growth this year.

- However, more importantly, the higher than expected wage growth could go some way to help lift inflation numbers up. Regardless, we are cautious still on calling whether inflation would be sustainably higher in the medium – longer term. One year of stronger wage increases may not necessarily imply that it would grow at such levels every year and if it does not, it could result in inflation numbers still being rather subdued. As it stands, we await to read into the Ministry of Health, Labour and Welfare's Survey on Wage Increases to understand better the reasoning for companies to raise wages. The survey though may not be out until later this year given last year's survey was only published on 22 Nov 2022. If the reasoning had been inflation, then it would be difficult to see how stronger wages increases can be sustained given that 2022 inflation had been mainly a one-off pandemic cost driven phenomenon. Without more demand side pressure arising from continuous stronger wage increases, inflation would struggle to pick-up sustainably. If the increase though is driven by hiring challenges, then there is a possibility of sustainably stronger wage increases and higher inflation in the years to come.

- Not surprisingly, Feb inflation fell to 3.3% YoY (Jan. 4.3% YoY) given that electricity subsidies from the government began to kick in. The majority of the categories fell below the 2% mark, which is the presumed BOJ's target inflation level. Core inflation was stronger at 3.5% YoY (Jan. 3.2% YoY) and it was mainly driven by increases in the core food category, nondurable goods and theme park admission prices. The core food category had risen due to some shortages in hen eggs caused by the avian influenza and price increases for meals outside of home and vegetable juice. However, food inflation may peak in spring 2023 before receding after that as supply pressures gradually ease. Meanwhile, the increase in nondurable goods was mainly a result of toilet and tissue paper price increase that came in response to rising fuel and raw material prices amid the weaker yen. The increase could be one-off with no further rise from here. Theme park prices were likely raised to factor in higher costs but then this may also just be one-off. Going forward, we see that inflation is likely to keep softening from here, which only weakens the economic case for the BOJ to undertake major tightening.

- High frequency indicators such as Feb IP showed a pick up to 4.5% MoM (Jan. -5.3% MoM) whilst on a yearly basis, the decline slowed to -0.6% YoY (Jan. -3.1% YoY). The main drivers for the increase of IP were motor vehicles, production machinery and electronic parts & devices. Ironically, these were the same industries that led to a sharp drop in Jan IP, which comes to show that seasonal factors were at play in the prior month (Lunar New Year). Going forward, there are prospects that production could continue to improve given that the easing of the semiconductor shortage should help boost tech-related machinery industries and the reopening of the economy should also support consumer spending and capex. Meanwhile, other data is still mixed as Mar (P) Jibun PMI mfg was up at 49.2 (Feb. 47.7) althought still in contraction territory. The Feb number itself had actually been a decline from Jan.

- Feb retail sales growth picked up further as it came out at 6.6% YoY (Jan. 5.0% YoY). The figure was driven mainly by retail sales of automobiles, which is consistent with the 5.2% MoM jump in new passenger vehicle sales volume in Feb. Spending in services could have also increased given that Feb services PMI has also risen to 54.0 (Jan. 52.3). As a whole, it appears that spending on services may keep rising as the economy continues to emerge out of the pandemic.

- **Monetary Policy Forecast:** We stay firm on our expectations for the BOJ to widen the YCC band this year by 25bps to +/- 0.75% from +/- 0.50% and for no changes to the NIRP. Based on our analysis of Ueda's past comments, we believe that he is likely to follow a path similar to our expectations.

- He has in the past appeared to have not been supportive of the YCC policy and warned of the consequences of yield targeting and QE – especially regarding the market dysfunctionality it can cause. Therefore, he may gradually look to lift the YCC policy and start off with the widening of the band. However, we note this is also subject to how the banking crisis globally evolves.

- Ueda has also previously appeared to have been supportive of the BOJ's loose interest rate policy, having been known to have backed the introduction of zero interest rates when he was on the BOJ board in 1999. He would later dissent against a BOJ decision to life the zero interest rates in 2000 as he was concerned about equity market weakness. He further showed support the introduction for the BOJ's decision to introduce the NIRP in 2016. This makes us believe that the NIRP may not be lifted so soon especially given the economic case for tightening is not exactly clearly yet.

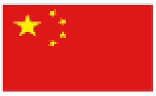
- As expected, he has been less of a source of volatility since his appointment has been announced. He has not openly and directly implied that there would be near-term major changes to the BOJ's monetary policy stance. Instead, he has been putting out a more assuring tone stating that it is "appropriate" to maintain ultra-loose monetary policy as inflation has yet to sustainably and steadily meet the central bank's 2% target.

- Key dates to watch out for in the near term would be the 27 – 28 April when the first BOJ meeting under Ueda would be held.

- **Latest External Balance Outlook:** The country's trade deficit for Feb narrowed to -0.9tn Yen (Jan. -3.5tn Yen) as exports growth accelerated to 6.5% YoY (Jan. 3.5% YoY) whilst imports growth slowed to 8.3% YoY (Jan 17.6% YoY). The latter likely was a result of declining oil prices. Whilst exports can continue to pick up going forward, we stay wary given the recent financial sector instability. Even on the import side, there are also upside risks to oil prices given the recent OPEC+ decision to cut output by around 1.15m bpd

- **Key domestic events and issues to watch:** Mar (F) Jibun Bank PMI composite and services (5 Apr), Feb Labour cash earnings (7 Apr), Feb Household spending (7 Apr), Feb (P) Leading index CI (7 Apr), Feb (P) Coincident index (7 Apr), Feb BOP CA (10 Apr), Mar Consumer confidence index (10 Apr), Mar (P) Machine tool orders (11 Apr), Mar PPI (12 Apr), Mar Bank lending (12 Apr), Feb Core machine orders (12 Apr), Mar Nationwide dept sales (14 – 21 Apr), Mar Tokyo dept stores (14 – 24 Apr), Feb Capacity utilization (19 Apr), Feb (F) IP (19 Apr), Mar Trade data (20 Apr), Mar CPI (21 Apr), Apr (P) Jibun Bank PMI Composite, mfg and services (21 Apr), Mar PPI services (25 Apr), Feb (F) Coincident index (27 Apr), Feb (F) Leading index CI (27 Apr), Mar Jobless rate (28 Apr), Mar Job-to-applicant ratio (28 Apr), Apr Tokyo CPI (28 Apr), Mar (P) IP (28 Apr), Mar Retail sales (28 Apr), Mar Dept store, supermarket sales (28 Apr), Mar Housing starts (28 Apr) and BOJ Policy decision (28 Apr).

- **Technical Outlook:** USDJPY is likely to remain around a range of 130.00 – 133.00 as markets continue to grapple with events supporting higher inflation and data that point to a weaker economy. Resistance is at 133.82 (100-dma) and 135.00. Support seen at 130.00 and 127.23 (ytd low). Momentum indicators are mixed with the RSI being neutral whilst the stochastics look to be rising out of oversold conditions. The MACD meanwhile has just moved above the zero line.



RMB: Slow Recovery Crimps

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDCNY	6.75 (6.70)	6.70 (6.65)	6.65 (6.60)	6.60 (--)
USDCNH	6.75 (6.70)	6.70 (6.65)	6.65 (6.60)	6.60 (--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** USDCNY and USDCNH touched lows of 6.81-level towards the end of Mar, dragged lower by broader USD decline. Banks runs in the US have spurred regulators and other fellow US banks to come together, chipping in uninsured deposits, enacting fresh term lending facility amongst other targeted credit support in order to prevent a contagion. The Fed has also turned cautious at the Mar meeting notwithstanding a 25bps hike. Markets are no longer pricing in a full 25bps hike for the next FOMC meeting in May. As a result, the USD softened quite considerably alongside the plunge in UST yields. The UST-CGB yield premium has narrowed as a result, taking the USDCNY lower.

- We adjusted the USDCNY forecasts a tad higher on slower-than-expected recovery but we hold our view that the pair could head towards the 6.60-figure over the next twelve months. Recent data suggests that China's recovery has not been as forthcoming as expected. The sluggish growth could have limited yuan's recovery in the past month. That said, a significant driver of the USDCNH and USDCNY pairings is still the USD leg, tied to the US economy, monetary policy and market sentiment. While markets have priced in a US recession to some extent, stickier US services inflation ex housing could keep rates elevated for longer, even if the higher for longer narrative no longer holds in a fragile banking environment. **That could mean that USDCNY could continue to swing both ways in the near-term.** We continue to look for China's recovery to gain traction into the second half of the year and the yuan to strengthen against the USD then.

- **Growth and Inflation Outlook:** GDP target for 2023 is set at a softer 5.0%, compares to the 5.5% set in 2022. Fiscal deficit is raised to 3% of GDP vs around 2.8% last year. The target for CPI is unchanged at 3%. Special local government bond quota is now set at CNY3.8trn vs. CNY3.65trn at the NPC 2022. New urban job creation is targeted at 12mn vs. >11mn last year while the authorities hope to maintain jobless rate at 5.5%. Softer growth target dampened expectations for sizeable stimulus and there were even some fears that there could be more regulatory tightening. China had missed 2022 growth targets and so a 5.0% could be seen as a target to restore credibility. Low base effects, economic re-opening could ensure growth to surpass this target.

- The post-re-opening China recovery has started with some improvement for activity data for the first two months of the year- industrial production picked up to 2.4%y/y for Jan-Feb vs. 1.3% in Dec. Retail sales rebounded to 3.5% over the same period vs. -1.8% (initial re-opening slump). FAI ex rural also rose to 5.5%y/y from 5.1% seen for 2022.

- However, the stronger industrial production did not translate to growth in industrial profits which slumped -22.9%y/y for the first two months. NBS Statistician said that even as industrial production rebounded, "*market demand as not recovered and the decline in revenue was greater than the drop in costs*", affecting the gross corporate profits. March activity numbers may not see much acceleration. South Korea's first 20 days exports fell -17.4%y/y with shipment over this period to China down 36.2%y/y. Subdued domestic demand as well as external demand could explain the weak shipment to China.

- Inflation numbers have thus far been benign. CPI slowed to 1.0%y/y vs. previous 2.1% while PPI fell by a steeper -1.4%y/y vs. previous -0.8%. The weakness in price pressure was broadbased with slower increase in consumer goods at +1.2%y/y vs. previous 2.8%. Services price pressure also eased to 0.6%y/y vs. previous 1.0%. Food inflation was also subdued at 2.6%y/y vs. previous 6.2%. Core inflation (ex food and energy) slipped to just +0.6%y/y vs. previous 1.0%, underscoring weakness in demand.

- **The Housing Slack**: For the first time since Aug 2021, prices of newly built commercial residential recorded a month-on-month rise, up +0.3% for Feb. Year-on-year, price declines were gentler at -1.86% vs. previous -2.3%. Total new home sales in the four first-tier cities came up to

708.5sqm of floor space for the week ending 27 Mar according to China Real Estate Infomranation Corp with Guangzhou recording to most increase (while Shanghai recorded the biggest drop. Demand for housing remains arguably weak with the Chairman of Greenland Holdings Group warning that new home sales could drop this year by “two-to-three trillion” at the China Development Forum on 25 Mar. The outlook for China’s housing remains challenging amid lacklustre appetite for land sales and project launches seen amongst private developers. The demographical trend of China (low birth rate, falling population) could also hurt demand.

- The local authorities have launched several measures to support the housing market over the past few months - mortgage rates have been lowered, debt extensions were provided, the “three red lines” borrowing restrictions were reportedly eased for 30 unnamed property firms as a pilot program amongst others, allowing private equity investors to invest in developers and shifting towards completed home sales model as opposed to the build-to-order model. *More recently, Xiamen has adjusted its purchase restriction policy and allow singles to buy a second home.*
- In order to support consumption recovery, there were also measures to improve supply of rental apartments. Firms in the business of home rentals/leasing would be able to issue bonds to fund the construction, purchase and operation of their business. This is done in the hope that an increase in the supply for home rentals may improve the affordability of rentals.

- **Monetary Policy Forecast:** PBoC stuck to tradition and lowered RRR by 25bps in a “surprise” move on a Friday night to take the average reserve requirement ratio of banks to 7.6% with effect on 27 Mar. The central bank reiterated its pledge not to flood market with liquidity and to ensure prudent, forceful monetary policy. The RRR cut is estimated to inject around CNY500bn worth of liquidity, coming after a mixed set of activity data for Jan-Feb. Yuan weakened only a tad. We reckon this could be a timely cut, a sharp contrast to the developed world seeing pockets of liquidity stresses and still elevated inflation. In addition, potential for a dovish Fed hike next week could mean less monetary policy divergence between the Fed and PBoC, a more benign environment for the yuan.
- Part of the reason for a RRR cut could also be due to the rise in credit demand given that aggregate financing came in larger than expected at CNY3.16trn, albeit still smaller than prev. CNY5.984trn. New yuan loans was also larger at CNY1.81trn. Total loans grew 11%y/y in Feb, accelerating a tad from previous 10.8% in Jan.
- **Latest Fiscal and External Balance Outlook:** Fiscal deficit is raised to 3.0% of GDP vs. previous 2.8%. MOF has plans to issue CNY3.16trn in general sovereign bonds in 2023, CNY510bn more than 2022. However, the quota for general bonds to be sold by local government was kept unchanged at CNY720bn. Total income from taxes and fees are projected to be 6.7% more at CNY21.7trn this year vs. 2022 but expenditure on public services (healthcare, eduation, defense and internal security) is also expected to be raised 5.6%.

- **Key domestic events and issues to watch:** China Mar Caixin Composite PMI, Services PMI (4 Apr), Foreign Reserves (7 Apr), Mar aggregate financing, money supply, new yuan loans (9-15 Apr), Mar CPI, PPI (11 Apr), Mar FDI (11-18 Apr), Mar trade (13 Apr), Mar new home prices (15 Apr), 1Y MLF (17 Apr), 1Q GDP, Mar retail sales, FAI ex rural (18 Apr), 1Y, 5Y LPR (20 Apr), FX Net settlement on behalf of clients (21 Apr), Mar industrial profits (27 Apr), Apr Mfg, Non-Mfg PMI (30 Apr).
- **Technical Analysis:** USDCNH was last seen around 6.8870. This pair pulls back from resistance around 6.9903 (100-dma) and is testing the 200-dma at 6.9145. We do not rule out a move lower towards 6.8435 (50-dma) and even towards 6.72.

KRW: Potential Beneficiary of China's Reopening

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDKRW	1300 (1320)	1280 (1300)	1270 (1290)	1260 (1280)

Previous Forecasts in Parentheses

- **Motivations for the FX View**: We adjust our USDKRW forecasts slightly lower to account for China's anticipated re-opening effects later in the year. The KRW has a high correlation to the CNY and China's reopening should boost Korea's economic growth prospects given the linkages between the two economies and geographical proximity. This should in turn provide a boost to the KRW as evidenced last Friday, after China's Mar PMIs surprised to the upside and provided a boost to the CNY with a knock-on to the KRW. While we expect China's reopening to boost all Asian currencies, we think the KRW could be one of the largest (and most likely of) beneficiaries. We expect this reopening effect to outweight the drag from a slowdown in global growth and the tech sector.
- Our previous view on the KRW was also based on caution against chasing the peak Fed hawkishness narrative. However, we believe the situation in the US has materially changed following the banking turmoil, and policymakers are now substantially more dovish. Front-end US Treasury yields have lowered substantially, and the market is also pricing in a Fed cut as early as July (38% chance of cut) or September (71% chance of cut). We therefore believe the Fed to be truly coming to the end of the hiking cycle and this should be positive for the KRW. This is accounted for in our slight downward revision of USDKRW forecasts.
- In addition, South Korea has also been earmarked on the watchlist for inclusion in the FTSE Russell World Government Bond Index, which should be further supportive of the KRW.
- **Risks to our View**: KRW's traditionally high-beta to global chip demand and global equity performance means that it is inclined to see amplified swings from geopolitical developments. While this is positive in the

context of China's reopening, developing tensions between US and China could leave Korea stuck between a rock and a hard place. Korea is a US ally, but it has shown in refusing to join the US-led protectionist chip-bloc against China that it does not want to offend China. Indeed it could well be the case that Korea cannot afford to offend China. We see a potential drag on the KRW if tensions continue to escalate and Korea is forced to pick a side.

- We also note potential tensions with China, North Korea as risk triggers. Recall that China-Korea relations deteriorated in 3Q 2016 over US-Korea alliance decision to deploy US Terminal High Altitude Area Defense (THAAD) anti-missile system to defend against North Korea missile threat. President Yoon had earlier indicated plans to buy an additional THAAD system. This may be a concern for KRW if it induces risks of retaliation from China. But we also note some recent efforts from Yoon to avoid antagonizing China. Meanwhile, inter-Korean tensions are also in play as North Korea ramps up missile tests in recent weeks. South Korean president Yoon has warned of "overwhelming" response if North Korea attempts any nuclear action. Meanwhile, KRW also continues to be exposed to swings in broader geopolitical risks. E.g., Biden's warning of China potentially making a move on Taiwan on a "much faster timeline" than previously thought, continued aggressive Russian strikes in Ukraine etc., could continue to cap sentiment recovery.

- **Global growth concerns remain a persistent drag on high-beta/pro-cyclical KRW.** Global growth slowed in 2022 to 3.2% and is expected to remain at below-trend rates in 2023 and 2024. The OECD believes the Ukraine war to be the main cause for the moderation in growth recovery post-Covid and cost of living issues continue to persist globally. Global growth is projected to come in at 2.6% in 2023 and 2.9% in 2024. Further downside risks about the global growth and inflation outlook could weigh heavily on high-beta/pro-cyclical currencies like the KRW. Issues that potentially could lead to such a situation are the recent surprise OPEC+ production cuts, an escalation of tensions between Russia and the West, or the return of banking turmoil on a wider scale.

- Korea's energy importer status also means that there is a serious risk to inflation running rampant following the most recent OPEC+ surprise production cuts. Analysts suspect that oil may once again rise to >$100/bbl and this could weigh heavily on global recovery as the costs of doing business rise. In such an environment, there would be a two-fold drag on the KRW via high inflation rates and poorer growth prospects.

- **Growth and Inflation Outlook:** South Korea's real GDP grew at+2.6% YoY in 2022. Latest consensus forecasts see growth in 2023 at 1.4% and 2024 at 2.3%. The main reason for below-trend growth continues to be a drag in exports which is expected to contract -0.8% YoY in real terms.

- In Feb, the BOK revised its real GDP growth projections to 1.6% in 2023 (prev: 1.7%) and 2.4% in 2024 (prev: 2.6%). BOK is expecting challenging headwinds from global economic sluggishness and interest rate hikes, but expect the economy to pick up in 2H2023 as external conditions improve, in particular as China's anticipated reopening comes into play. Officials recognize that uncertainty remains high.

- On inflation, BOK expects CPI inflation to rise by 3.5% in 2023 and 2.6% in 2024. The expected deceleration is due to easing pressures from both an increased supply and reduced demand. However, this forecast was predicated on lower crude oil prices, a narrative which is at risk due to the surprise OPEC+ production cuts. In terms of actual outturns, Mar headline CPI inflation cooled to +4.2% YoY (exp: 4.3%; prev: 4.8%), but core CPI inflation remained sticky at +4.8% YoY (prev: 4.8%).

- **Monetary Policy Forecast**: The Bank of Korea (BOK) maintained its policy rate at 3.50% at its last meeting in February**.** This came on the back of two 25bps rate increases in Nov and Jan. The markets viewed the hold on its policy rate as hawkish as the BOK's language indicated it saw a restrictive stance as appropriate for a longer period of time. This has provided some support for the KRW. While the latest headline CPI inflation print showed signs of easing, core inflation remains sticky at elevated levels. Market consensus is for BOK to hold at its upcoming May meeting. However, a growing camp is supporting earlier rate cuts amid plunging exports and a worsening property market in Korea. We remain cognizant of upside risks to inflation arising from OPEC+ production cuts and think that the BOK should hold rates at this level at their next meeting.

- **Latest Fiscal & External Balance Outlook: Fitch maintained Korea's rating at AA- (outlook stable) in Sep, citing robust external finances and resilient macroeconomic performance** versus geopolitical risks related to North Korea and structural challenges from an ageing population. The new administration has proposed a fiscal rule of 3% of GDP managed deficit (consolidated balance minus social security surplus) and 60% of GDP debt limit, which implies incremental fiscal discipline, though its passage is uncertain. Fitch forecasts a deficit decline to 1.2% of GDP in 2023 alongside lower expenditure. Debt-to-GDP ratio could rise marginally from an estimated 49.5% in 2022 to 51.5% by 2025. **Actual fiscal outturns for 2022 showed a surplus of 0.2% of GDP (versus an expected deficit of -2.7%). While this remains a positive for the KRW at the margin, consensus estimates are expecting a fiscal deficit of -1.2% in 2023 and -0.7% in 2024.**

- South Korea's current account for Mar came in at a -US$4.62b deficit, improving on the near -US$13b deficit in Jan. However, while exports continued to fall, albeit by less than expected at -13.6% YoY (exp: -16.0%; prev: -7.5%). The persistent export drag and current account deficit (albeit small) could weigh on the KRW at the margin.

- **Key domestic data and events to watch in Apr:** Mar S&P Global PMI Mfg (3 Apr), Mar CPI Inflation (4 Apr), Mar Foreign Reserves (5 Apr), Feb Balance of Payments (7 Apr), Bank of Korea Policy Decision (11 Apr), Mar Unemployment (12 Apr), Mar Import/Export Price Index (13 Apr), Mar Money Supply (14 Apr), Mar PPI, Apr Imports/Exports 20 Days (21 Apr), Mar Retail Sales (24 Apr to 28 Apr),1Q Advance GDP (25 Apr), May Business Survey (27 Apr) and Mar Industrial Production (28 Apr)

- **Technical Outlook:** USDKRW was last seen at 1301.85 levels and traded between a 1260 to 1330 range in March. Stochastics and RSI are both neutral and rising. Pair has remained range bound by the 50dma and 200dma since February. Implied ranged is currently at 1285 to 1330 levels. Wider suggested range to watch is between 1250 to 1350 levels. Breakouts to the bottom to be supported by 1200 and to the top resisted by 1400 psychological levels.

SGD: MAS Decision Looms In April as Core Inflation Persistent and Elevated

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDSGD	1.3000 (-)	1.2900 (-)	1.2850 (-)	1.2850 (-)

No Change to Previous Forecasts

- **Motivation for the FX View:** USDSGD continues to display signs of resilience against most other currencies on both a bilateral and trade-weighted basis. 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. However, we also see the Fed coming to an end of the tightening cycle and are looking for the USD to weaken gradually through the year as the market pares back on USD assets. In addition, we expect China’s reopening effects to be beneficial for Asian currencies and specifically for the SGD, with its close trade linkages to China. This is in line with our economists views that a China recovery later in the year could potentially decouple Singapore’s growth prospects from a possible recession in the US. **In addition, we are expecting MAS to tighten and for this to underpin SGD strength vs its peers in the basket, which includes the USD. We therefore maintain our bearish view on the USDSGD and our USDSGD forecasts.**

- **Growth and Inflation Outlook:** Singapore’s finalized 4Q 2023 GDP number came out at 2.1% YoY, which was just slightly lower than the preliminary number at 2.2% YoY. On a quarterly basis, it was at 0.1% YoY. Overall, that meant the entire 2022 annual growth number was at 3.6% YoY. Our in-house economists are maintain their forecast for 2023 GDP growth at 1.7% YoY although they have revised their 1Q22 Flash figures lower to +1.1% YoY after a dismal Feb Industrial Production and Jan Retail Sales. This is largely based on China’s reopening effects to come in stronger later in the year.

- Our economist team expects Flash 1Q22 GDP to come in at around +1.1% on a YoY basis. On a QoQ SA basis, GDP is expected to print at +0.5% (vs. +0.1% in 4Q 2022), skirting on a technical recession. The downturn is mainly due to a sharp manufacturing contraction and slowdown in the eternal-oriented services sectors, as global demand weakens. Singapore's GDP growth has historically been highly correlated to US growth. Against a backdrop of recession risks in the US having risen significantly in the wake of the US banking crisis, with the probability of a US recession at 58% over the next 12 months, the probability of a Singapore recession has risen to 30%. These are based on our economists' estimates based on the 3M-10Y US yield curve and 3M-10Y yield curve spread for Singapore. However, China's reopening, while not having had a meaningful impact on manufacturing or exports thus far, is expected to have a more visible impact on growth from 2Q onwards, and our economist expect that this will help to cushion the impact of slowing US economy and decouple Singapore from a US recession. This is in line with our view for China's reopening to benefit Asian currencies broadly and the SGD specifically.

- Feb IP came in at -8.9% YoY (exp: -1.8%; prev: -3.1%) and on a SA MoM basis -11.7% MoM (exp: +1.1%; prev: -0.4%). Feb NODX fell by -8.0% SA MoM (exp: -0.5%; prev: +0.9%), while Jan retail sales came in at -0.8% YoY (exp: +4.9%; prev: +7.7%). These dismal data prints contributed to the revision of Flash 1Q22 GDP figures lower and are reflective of slowing growth prospects for Singapore's economy. That said, our economists see China's reopening later in the year having a bigger impact on economic growth and that should reflect in future economic data prints.

- Data releases saw Sep-Feb Core CPI Inflation remain persistent at elevated levels. In the light of the recent surprise OPEC production cuts, MAS could become more inclined to tighten given the potential inflationary effects of the rise in oil prices on Singapore. The implication of this is that inflation could be even sticker than initially thought. Our economists now forecast average core inflation at 4.5% in 2023 (up from 4% previously) and headline inflation at 6.0% (unchanged). MAS will likely raise its 2023 core inflation forecast to 4% to 5% (from 3.5% to 4.5%) and maintain headline inflation forecast at 5.5% to 6.5%. Core inflation remains sticky at levels well above MAS' comfort zone, with the latest Feb core CPI print coming at +5.5% YoY, with broad price increases across food, retail and services following a 1% hike in GST in Jan 2023 and a persistently tight labour market. Our economists also expect a chance that the expansion of the Progressive Wage Model to food services could fan food price pressures.

- **Monetary Policy Forecast:** Core inflation remains persistently elevated above MAS' comfort levels. To that end, our in-house economists and us see MAS tightening at the April meeting via a re-centering. While rising risks of a recession have yet to spill over to sentiment for the SGD, our house projection for 1.7% growth in 2023, and worsening prospects for future growth should be enough to discourage MAS from a double-tightening (i.e., slope increase + re-centering). A similar argument applies to a slope steepening, since growth prospects look poor and MAS has a mandate to maintain sustained non-inflationary economic growth, we think a slope steepening, while more likely than a double move, is still an unlikely tightening. However, as some form of tightening is necessary given the elevated inflationary pressures that keeps MAS' core inflation above their comfort zone, our economists and us see MAS tightening via a re-centering come mid-April.

- **Latest Fiscal Outlook:** Budget 2023 came out in February and mainly revolved in providing more social support amid rising the rising costs of living and the hike in GST. A deficit is still expected albeit at a low level of 0.1% of GDP or SGD0.4bn.

- A large SGD3bn top-up was done for the GST Assurance Package (AP) to SGD9.6bn. This is in light of the likelihood that a 2% GST hike would raise about SGD3.5bn annually. Cash payouts of various sorts were adjusted or introduced including an increase in the cash component of the AP by between SGD300 and SGD650, CVC vouchers to be raised SGD100 to SGD300 in 2024, etc. The permanent GST voucher (GSTV) scheme for eligible Singaporeans was also raised, which brings total spending for this to SGD1.7bn from 2024 onwards. In addition to all this, the Enterprise Financing Scheme, which include the 70% government risk-share for trade loans and support for domestic construction projects via project loans, will be extended for another year until end March 2024.

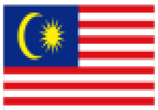
- On the revenue side, Singapore is looking to implement the Pillar 2-global minimum tax from 2025, via introduction of a Domestic Top-Up Tax, which will top up the MNE groups' effective tax rate in Singapore to 15%. This part of a broader international movement by other countries including the EU, UK and Switzerland to implement Pillar 2 in phrases starting from 2024.

- The FY2022 deficit meanwhile was smaller than projected at 0.3% of GDP or SGD2bn (vs initial projections of 0.5% of GDP or SGD3bn). Draw up on reserves was also lower than initial estimations at SGD3.1bn (vs expectations of SGD6bn). The overall drawdown from past reserves from FY2020 to FY2022 totaled SGD40bn, much less than the initial SGD52bn sought by the government for the President's agreement. As a whole, there was little to note for the SGD from the FY2023 budget, given that Singapore's overall fiscal health remains sound and it does not need to borrow to spend.

- **External Balance Outlook:** Trade data remained poor in Feb as Electronics Exports printed at -26.5% YoY (prev: -26.8%), NODX at -15.6% YoY (exp: -15.8%; prev: -25.0%) and -8.0% on an SA MoM basis (exp: -0.5%; prev: 0.9%). These conditions are reflective of the moderation in global demand and the overall tapering of economic growth prospects in Singapore and abroad. Singapore's Current Account balance for 1Q2023 is expected to come in at 17.0% of GDP (4Q2022: 19.3%). Singapore's Current Account has been in a surplus structurally and a weakening of the current account balance is not expected to have a material impact on the SGD.

- **Key domestic events and issues to watch in Apr:** Mar Purchasing managers index (3 Apr), Feb Retail Sales, Mar S&P Global PMI (5 Apr), Mar Foreign Reserves (6 Apr to 10 Apr), 1Q23 Advance GDP (10 Apr to 14 Apr), Mar NODX (17 Apr), Mar CPI (23 Apr) and Mar IP (26 Apr). MAS policy decision is due no later than 14 April.

- **Technical Outlook:** USDSGD was last seen at 1.3314 levels. Stochastics are at oversold levels, while RSI is neutral and rising. We see good two-way interest in USDSGD and think it should trade within a consolidative range 1.32 to 1.3350 range, should the current macro narratives hold till the MAS policy announcement. Looking further ahead, USDSGD should test 1.30 levels towards the end of the quarter as the Fed approaches the completion of their rate hike cycle.



MYR: Traversing China growth, Oil and Domestic Stability

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q2024
USDMYR	**4.30**	**4.20**	**4.10**	**4.10**
	(4.15)	(4.10)	(4.00)	(--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We revise our USDMYR forecast to take into account the slower than expected recovery in China and lingering fears on banking sectors around the world as well as to factor in the recent softer than expected commodity market developments and lingering domestic related concerns. However, our trajectory remains unchanged for the USDMYR, reflecting our continued mildly bearish view of the USD in 2H 2023 and some eventual resiliency in the MYR on the back of a stronger China and regional recovery. More recently, the 1.66m bpd 'voluntary' output cut by the OPEC+ pact is a positive surprise, as the market was expecting status quo previously. In addition, we also note the possibility of a 25bp hike to 3.00% by BNM as expected by our economists. These should provide some mild support to the MYR.
- As such, we continue to maintain a cautiously positive outlook for the MYR even amid the sharp climb in the USDMYR pair since mid Jan. A few factors recently have been weighing on the MYR which include a rebound in the USD (driven by anxiety about the pace of US inflation earlier and more recently USD support amid global financial stability concerns) and fading optimism from China's initial reopening. However, our view on US inflation stays intact of which we expect it to keep moving in a bumpy downward trajectory and we think the financial concerns may linger but contained in its global contagion effects. Consequently, we have been careful not to overstretch recent Fed hawkishness and our in-house views sees that the US rate would likely hit 5.00-5.25% in 2023. Further data releases from China would give more clarity on the country's pace of recovery. Therefore, we see that the MYR should receive more positive support going forward.
- Regardless, we stay mindful of the various risks related to the MYR. These include the inherent possibility that the Fed has to hike more aggressively than expected as shifts in data shows US inflation stays at an elevated level. Additionally, we are wary of sentiment taking a hit from political uncertainty especially in light of upcoming state elections. There is also the possibility of oil prices being hurt by the pressure that high Fed rates could cause on the economy.
- Putting into context, our model estimates suggest that MYR performance going forward would depend to a large extent on the

following key factors, i.e., resilience/recovery in oil prices, continued stabilization in the political environment and fiscal dynamics, and sustained positive RMB narrative amid China re-opening. At the same time, the MYR is also the most undervalued among the Asian currencies based on our Maybank BEER model. An improvement in sentiment towards the currency could therefore substantially lift the currency.

- **Growth and Inflation Outlook:** GDP growth slowed but came out better than expected in 4Q 2022 at 7.0% YoY (est. 6.6% YoY). The moderation was broad based with a major deceleration in services at 8.9% YoY (3Q 2022: 16.7% YoY), manufacturing at 3.9% YoY (3Q 2022: 13.2% YoY) and construction at 5.0% YoY (3Q 2022: 15.3% YoY). The slowdown for mining and agriculture were much less pronounced at 6.8% YoY (3Q 2022: 9.2% YoY) and 1.1% YoY (3Q 2022: 1.2% YoY). Both domestic and external demand also eased. The fourth quarter economic performance was in a way indicative of a fading of the initial reopening boost and the emergence out of the pandemic. Consequently, going forward, our in-house economists expect growth for 2023 to normalize to a fair 4.0% YoY. The number itself is also some reflection of the effects of high inflation – interest rate environment on the global economy. Offsetting those headwinds include a drawdown of household/individual “excess savings”, FDI growth momentum and faster growth from China as it emerges from its Covid19 – zero policy.

- Feb 2023 exports and imports growth accelerated to +9.8% YoY (Jan 2023: +1.4% YoY) and +12.4% YoY (Jan 2023: +2.2% YoY) while trade surplus widened to +RM19.6b (Jan 2023: +RM18.1b). This year, amid softer global economic growth, we expect export and import growth to slow to +4.0% (2M 2023: +5.4%; 2022: +25.0%) and +6.0% (2M 2023: +7.0%; 2022: +31.3%) with trade surplus of +MYR240b (2M 2023: +MYR37.7b; 2022: +MYR255.5b).

- For 2023, BNM expect moderate real GDP growth of +4.0% to +5.0% range (2023F previous: +4.5%; 2022: +8.7%) underpinned by slower global growth and elevated inflation and input costs. By sectors, services moderates to +5.0% (2023F previous: +5.3%; 2022: +10.9%), manufacturing growth eases to +4.0% (2023F previous: +3.9%; 2022: +8.1%) and slower growth in mining (2023F: +0.7%; 2023F previous: +1.2%; 2022: +3.4%); but expect bigger expansion in agriculture (2023F: +2.0%; 2023F previous: +1.1%; 2022: +0.1%) and construction (2023F: +6.3%; 2023F previous: +6.1%; 2022: +5.0%).

- Headline inflation rate stayed at +3.7% YoY in Feb 2023 (Jan 2023: +3.7% YoY; 2M2023: +3.7%). Core inflation was also unchanged at +3.9% YoY (Jan 2023: +3.9% YoY). Maintain our 2023 inflation rate forecast at +3.0%, mainly on base effect and as fuel subsidy stays for the time being as per the re-tabled Budget 2023, although inflation risk remains biased to the upside amid fluid price subsidy/control policy.

- However, inflation risk remains biased to the upside amid the still fluid policy on price subsidies and controls, as per the implementation of targeted electricity subsidy and the plan to float chicken and eggs prices in July 2023. Amid headline inflation “stickily” easing from the peak in Aug 2022 and as core inflation being higher than headline since Oct 2022, BNM again kept OPR unchanged at 2.75% at Mar 2023 MPC after the pause in Jan 2023 MPC, (see our note “Still on “pause” mode”).

But the latest Monetary Policy Statement (MPS) retains the words "further normalization", implying current pause does not mean the end of OPR hike cycle. MPS also added that it is keeping an eye on cost factors – including those arising from financial market development, which we think is largely about Ringgit – that could affect inflation outlook. We expect another +25bps hike to bring OPR back to pre-COVID 19 level of 3.00%.

- **Monetary Policy Forecast:** Overall, BNM sees the current monetary policy stance to remain supportive of economic growth and will continue to balance the risks to domestic inflation and economic growth. More importantly, BNM continues to monitor the impact of past Overnight Policy Rate (OPR) adjustments on the economy and so far, the impact of the adjustments on financial conditions has been orderly, no signs of excessive tightening in consumption and investment and at the same time moderates the strength of inflationary pressure amid normalisation of inflation expectations. BNM also iterates that further normalisation to the degree of monetary policy accommodation evolves both global and domestic conditions and their implications on the overall outlook of domestic inflation and economic growth. These include various cost factors, including those arising from financial market developments that could affect the inflation outlook and more than expected persistent price pressures.

- BNM has kept the OPR unchanged at 2.75% for the second consecutive Monetary Policy Committee (MPC) meeting on 5-6 Mar 2023. BNM said the decision was to allow it to continue assessing the impact of last year's four OPR hikes totalling +100bps (between May and Nov) on growth and inflation. **Despite the pause so far this year, we do not see this as the end of OPR upcycle, and still see the scope for another +25bps increase in OPR to 3.00%, especially given the upside risk to inflation from the "fiscal policy overhang" with regards to fuel subsidy.** To also note, the pause in BNM's OPR hike cycle has happened before i.e. the post-GFC interest rate hike cycle where OPR was raised from the then record low of 2.00% to 2.75% between Feb 2010 and July 2010, then paused before it was raised again to 3.00% in May 2011 and stayed there for the next three years.

- **Fiscal Outlook:** The much anticipated re-tabled Federal Budget was released on the 24 Feb 2023 with the budget deficit seen to be at a narrower -5.0% of GDP (versus -5.5% of GDP in the original proposal) although it is still higher than -3.0 - -4.0% of GDP seen pre-pandemic. There still appeared a commitment to fiscal consolidation as the target to reduce the fiscal deficit to -3.2% of GDP by 2025 was set. The budget focused on introducing more "progressive and redistributive" tax measures through taxing higher income groups more and cutting the rate for the middle income. At the same time, there are attempts to strengthen governance in public spending through a tabling of the Government Procurement Act (GPA). However, our in-house economists noted the lack of details of sustainable revenue enhancing measures with the reintroduction of GST not appearing high on the government agenda. Fuel subsidy is also to stay in place with no specific mention of a targeted scheme being implemented in the coming year.

- Regarding corporations, the government is looking to adopt the Global Minimum Effective Tax rate of 15% in 2023 via the implementation of the Qualified Domestic Minimum Top Up Tax. This would put the country in line with its participation in the GLOBE Model rules (Pillar 2) initiative and inclusive framework on BEPS. There would also be lower Micro, Small and Medium Enterprises' (MSME) income tax rate of 15% for the first RM150,000 of taxable compared to RM100,000 proposed in the previous 2023 budget.

- On account of lower oil prices, the overall petroleum revenue is projected to drop by -20.9% to RM65.2bn and account for 22.4% of total revenue compared to 28.0% of total revenue in the prior year. Petronas would be contributing a lower level of dividends at RM40bn compared to RM50bn in the prior year.

- Fuel subsidies are to stay in place with no specific mention of any targeted scheme being implemented in the coming year. Our in-house economists have noted that past episodes of adjustment in fuel subsidies during periods of high crude oil prices did happen after key elections are out of the way. The country would be seeing six state elections later in the year.

- Government domestic debt is projected to stay just below 60% of GDP by end 2023, which compared to 57.7% as of end-2022. This still keeps it below the debt ceiling of 65% of GDP. Total government debt meanwhile is projected to rise to 62% of GDP by end 2023 from 60.4% of GDP as of end 2022. If the MTFF assumptions for 2023 – 2025 are realized, our in-house economists forecast that the government total debt should be at 62.8% of GDP in 2025 whilst the domestic debt level would be just over 60% of GDP in 2024 – 2025. As a note, government domestic debt as a percentage of GDP has been trending upwards since 2018 – 2019. However, we also do note the occurrence of the pandemic in the last couple of years which generally hurt the financial position of governments globally. Government debt service charge to revenue ratio has also been on upward trend for the last 10 years or so and will be at 15.9% in 2023, which is above the 15% international best practice threshold.

- **External Balance Outlook:** Feb 2023 exports and imports growth accelerated to +9.8% YoY (Jan 2023: +1.4% YoY) and +12.4% YoY (Jan 2023: +2.2% YoY) while trade surplus widened to +RM19.6b (Jan 2023: +RM18.1b). This year, amid softer global economic growth, we expect export and import growth to slow to +4.0% (2M 2023: +5.4%; 2022: +25.0%) and +6.0% (2M 2023: +7.0%; 2022: +31.3%) with trade surplus of +MYR240b (2M 2023: +MYR37.7b; 2022: +MYR255.5b).

- **Key domestic events and issues to watch:** PMI Mfg (3 Apr), Feb IP (11 Apr), Mar Trade data (19 Apr), Foreign reserves (7 Apr, 21 Apr), Mar CPI (20 Apr), BNM Decision (3 May).

- **Technical Outlook:** USDMYR was last seen around 4.4040. Stochastics show signs of turning higher from here. Bearish momentum is also easing based on MACD forest. Resistance is seen around 4.4590 before 4.4865. Support at 4.4050 (50-dma) before the next at 4.3480.

IDR: Positive Amid Evolving Global Developments

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDIDR	**14,700** (-)	**14,400** (-)	**14,200** (-)	**14,000** (-)

No Change to Previous Forecasts

- **Motivation for the FX View:** The USDIDR had a volatile February amid the uncertain global macro environment. However, we continue to stay positive on the IDR given our firm believe that developments may turn more favourable for the currency. The potential for a continued softening in the Fed's stance can help spur foreign interest into Indonesia Government Securities and in turn give more support to the IDR. IDR in fact is one of the most attractive from a carry perspective among the Asian currencies. Any fall in US rates is thenceforth likely to only help boost appetite for the IDR. Alongside these factors, the currency's fundamentals also remain strong as the government continues to maintain strong fiscal discipline whilst trade data so far has indicated that the first quarter is likely to see a current account (CA) surplus. FX reserve buffers meanwhile also look to be a reasonable level. Overall, we therefore continue to keep hold of our forecasts for the USDIDR.

- **Growth and Inflation Outlook:** Mar headline inflation fell to a 7-month low of 4.97% YoY (5.47% YoY) on top of softening in both the volatile food and energy costs. Food, beverage and tobacco inflation eased to 6.1% YoY and saw a softer increase from the prior month at 0.4% MoM. Main contributors to the category still were cigarettes (after excise tax rates were raised by 10% starting Jan 2023) and rice (due to soaring demand as the item was seen as a replacement for wheat, of which supplies had been disrupted due to the Ukraine conflict). The government though has decided to import 2m tonnes of rice in 2023 as they try to stabilize prices as reserves fall. Reserves stand at just 230,000 tonnes in March, falling from 1m tonnes in early 2022. Energy costs looks to have eased due to the decline in commodity prices. Meanwhile, core inflation did fall to 2.94% YoY and below 3% for the first time in eight months as the categories that make it up the index saw smaller price increases. Underlying demand therefore looks to be easing. This looks to support Bank Indonesia (BI)'s case for a pause. Going forward, our in-house economists are seeing that food prices should gradually ease as high base effects kick in and the government imports more rice. They therefore maintain their 2023 headline inflation forecast at 4.2% YoY. However, there are risks to the inflation outlook as the recent decision by OPEC+ to cut output by 1.15m bpd can create upside risk for both oil prices and inflation. The government though on the other hand may avoid hiking fuel prices (as the 2024 election approaches) this year given the 30% hike in Sept 2022 last year (instead possibly putting pressure on the fiscal position).

- High frequency economic data such as Jan S&P Global Mfg PMI showed an expansion again in industrial activity with the number coming out at 51.2 (Jan. 51.3) and signal a decent start for the year. For the last year or so, the S&P Global Mfg PMI for Indonesia has managed to hold up in the expansion territory.

- Retail sales growth though overall has been rather weak as it rose by only 0.9% YoY for the first two months of this year. The Feb number was at 2.6%, which was a flip around from the negative figure seen in Jan at -1.4% YoY but it was still rather subdued. Sales of fuels, household appliances and stationary and communication saw quite sharp declines. On the other hand, there was a pick-up in food, drinks and tobacco and apparel. Car sales still grew reasonably strongly although it was at a 3-month low. There was slight easing in consumer confidence in Feb to 122.4 (Jan. 123.0). As a whole, consumption looks rather fragile at the start of the year.

- **Monetary Policy Forecast:** BI not surprisingly held interest rates at 5.75% as Governor Perry Warjiyo continued to reiterate that the cumulative 225bps of hikes were sufficient to bring headline inflation down to the Bank's target range of 2-4%. The central bank was also more upbeat about the economic outlook as they raised their global growth forecast to 2.6% YoY (Prior. 2.3% YoY) and maintained their domestic GDP forecast at the upper end of the 4.5% to 5.3% range. Their decision to do this was based on a belief that China's reopening is likely to give support to growth. The governor has also mention that Indonesian banks are unlikely to be affected by the global banking troubles seen in the US and Europe. BI is also monitoring 3 aspects of Indonesian banks – the concentration of depositors, mark-to-market losses of securities and asset-liability imbalances that lead to banks or failures. Most Indonesian banks do not have issues related to these aspects. As it stands, our in-house economists expect BI to keep rates on hold at 5.75% for the rest of 2023 to provide support to the domestic economy before possibly cutting rates to 5.50% in 2024 as the Fed could similarly do so.

- Regarding the FX proceeds matter, BI unveiled new term deposits facility for USD to encourage exporters to keep their USD onshore. Interest rates range from 4.50% to 5.20% depending on the amount kept and the tenor. The tenor of these deposits include 1-month, 3-month and 6-month. Initial take up however looks rather tepid given that as of the 7th March, BI reported that it had received only $36.75m of deposits and all of it were in the 1-month tenor. The low take-up rate could be due to exporters still trying to be cautious and sense the direction that BI intends to take. It is hard to see substantial impact on the IDR from this initiative if interest in the instruments continue to remain mixed.

- **Latest Fiscal Outlook:** The budget was again in surplus for the month of February at 0.63% of GDP. State revenue grew by 38.7% YoY and the government has so far achieved 17% of its targeted state revenue for this year. Jan – Feb revenue was up by 40.4% YoY. State expenditure for the month at the same time rose by 1.8% YoY. As it stands, the government appears to be maintaining a reasonable level of fiscal discipline, which should reduce the risk to the IDR from the budget angle. Finance Minister Sri Mulyani had previously said that the country plans to narrow its fiscal deficit in 2024 to a range of 2.16 – 2.64% of GDP (from expectations of 2.84% of GDP in 2023). However, OPEC+ recent supply cut can create upside pressure on oil prices and this can pose a risk to the government's fiscal position as they would have to spend more on fuel subsidies.

- **Latest External Balance Outlook:** The country's Feb trade surplus widened further to a four month high of $5.48bn (Jan. $3.87bn) despite slowing export growth as imports surprisingly fell to a decline. The fall in imports was mainly due to a decline in purchases of raw materials (mainly crude oil and oil products) as global oil prices eased. The pullback in this category helped to offset a pickup in consumer goods and capital goods imports. On the export side, demand had slowed in most markets and offset the resilient shipments to China. Products wise, coal continued to be the key driver albeit exports rose at a slower pace compared to the prior month (which had been high due to base effects). Exports of electrical machinery and equipment and iron and steel strengthened with the latter benefiting from China's economic reopening. Based on the trade numbers to date, our in-house economists therefore are expecting that CA would be in surplus for 1Q 2023. The resilience in the country's external position should continue to support appetite for the IDR.

- There was a net foreign inflow of $0.055bn into Indonesia Government Securities (IGS) up until 27 Mar 2023. Earlier in the month, there had been outflows but as UST yields began to reverse and expectations rose of the Fed softening their stance, it appeared that foreign funds began to buy back into IGS again. We believe foreign appetite for IGS would continue to improve given the high yields they offer and the potential for the Fed to keep softening its stance. Furthermore, foreign holdings in IGS remains relatively low at around 15% as of 30 Mar 2023 (compared to around 40% pre-2020 levels), showing there is still room for foreign ownership to expand.

- FDI for 4Q 2022 stood at $5.3bn which brings the entire 2022 total at about $20.8bn. This marked an increase of about 5.8%, which is a reflection of the emergence of the economy out of the pandemic. For now, we are expecting that the level of FDI should at least remain stable in 2023. Indonesia as a whole is likely to still mainly see FDI inflows into the primary and secondary sectors. This is due to both the drive to boost downstream activities and grow the EV related industries.

- **Key domestic events and issues to watch**: Mar Foreign reserves (10 Apr), Mar Consumer confidence index (11 Apr), Mar Local auto sales (15 – 21 Apr), Mar Trade data (17 Apr) and BI Policy decision (18 Apr).

- **Technical Outlook:** Pair is currently testing the 15,000 support level and we believe it can decisively hold below that. However, we then expect there to be strong support at 14,800. Resistance is at 15224 (200-dma) and 15544 (FI retracement of 76.4% from Feb 2023 low to

Dec 2022 high). Momentum indicators are starting to look a bit stretch with stochastics deep in oversold conditions whilst the RSI has just crossed into oversold territory. MACD is also quite far below the zero line. This in a way may be reflective that further downside movement going forward could be more limited.

PHP: Cautious Given Mix of Factors

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDPHP	**54.25** (53.00)	**54.00** (53.00)	**53.75** (52.50)	**53.50** (-)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We keep a cautious view of the USDPHP amid the balance of factors. As it stands, more supportive developments can risk being offset to a certain extent by some idiosyncratic factors. The possibility of a continued softening in the Fed's stance amid the current banking crisis can provide some support to the PHP. Also, the BSP's rate hikes, of which our in-house economists believe there would be another 25bps hike in 1H 2023, would improve the carry attractiveness of the PHP (although it can also risk eventually hurting the economy). However, gains from such factors may be limited by the country's deep twin deficit condition. The continued drive for infrastructure development puts both pressure on the country's fiscal and external position given the spending and the need to import capital goods. Overall, the USDPHP has so far been moving in line with our forecasts although we are making slight adjustments to our forecasts given lowered expectations on the China reopening boost.

- **Growth and Inflation Outlook:** Our economists for now continue to hold their growth forecast for 2023 at 5.5% YoY, which marks a slowdown from the 2023 level at 7.6% YoY. The 2023 forecasted level stands lower than pre-pandemic growth rates of around 6.0-7.0%. The deceleration of growth comes on top of fading pent up demand as the economy emerges out of the pandemic. Also, high inflation is likely to hurt household consumption. External demand too is expected to weaken amid a slowing global economy although China's recovery should provide some spillover benefits to Asian economies. Infrastructure spending may help support the economy but implementation can also take time. Overall, the economy still appears rather fragile and hence, concerns of the impact that higher BSP rates can have on it.

- High frequency indicators such as the S&P Global Mfg PMI released in Mar still seemed to show that industrial activity is holding up. The number for Feb fell to 52.7 (Jan. 53.5) but it still remained in expansion territory as it has so for the last year. Bank lending numbers for Feb continued to see a slowdown in growth to 9.6% YoY (Jan. 9.9% YoY), which reflect some concern about the economy going forward.

- Headline inflation in Feb stayed elevated although it slightly slowed down to 8.6% YoY (Jan. 8.7% YoY). Food & non-alcoholic beverages (FNAB) and housing & utilities (HWGEOF) remained high at 10.6% YoY and 8.6% YoY respectively. The former was a result of higher costs for fish, milk and eggs whilst the latter was driven by firm electricity, gas, water supply and rental paid for housing (ironically a result of the BSP hikes itself as landlords passed higher interest rates cost). On the flipside, softening oil prices can go some way to help temper headline inflation. Core inflation meanwhile actually accelerated to 7.8% YoY (Jan. 7.4% YoY), which is reflective of a further broadening in price pressures. Our in-house economists as a whole are expecting that headline inflation would come out at 5.9% YoY in 2023, which is slightly higher than the 2022 level at 5.8% YoY. They expect inflation to ease gradually given the high base effects and falling commodity prices. Regardless, the still elevated levels of inflation looks to merit a further hike by the BSP.

- **Monetary Policy Forecast:** BSP in line with our in-house forecasts hiked rated by 25bps this month to 6.25%. The increase did mark a slowdown from the 50bps that we had seen in February. For now, our in-house economists are not expecting the BSP to stop just there and they are calling for another 25bps hike within 1H 2023 to 6.50%. The BSP's forecast of headline inflation too at 6.0% YoY in 2023 still remains well above their target range of 2-4% and points to the need of further tightening to temper price pressures and anchor inflation expectations. The central bank's in its own monetary policy statement had also mentioned of "further policy tightening". That said, Finance Secretary Benjamin Diokno has recently said that the BSP could pause interest rate at the next policy meeting although BSP Governor Felipe Medalla has said that it would "depend on March and April inflation". Near term, the PHP can continue to receive some support from the domestic rates angle but we also stay wary of the eventual impact these rate hikes are going to have on the fragile economy.

- **Latest Fiscal Outlook:** Feb budget balance fell into deficit at PHP106.4bn (Jan PHP45.7bn) as revenue declined by -0.25% YoY whilst spending marginally rose by 0.01% YoY. As a whole, fiscal pressures are likely to keep persisting amid an expansionary budget, which would weigh on the PHP. The 2023 NEP is guided by the Medium-Term Fiscal Framework (MTFF) and the proposed 2023 budget is therefore expected to come out 4.9%, higher than in 2022. Expenditure on infrastructure is likely to be sustained at around 5.0% of GDP in 2023 (2022: 5.8% of GDP) with the focus being on the development of rail transport. The fiscal deficit for 2023 is also estimated to come out at a wide level of -6.1% of GDP (2022f: -7.6% of GDP). The MTFF though is aiming to improve revenue via the imposition of value-added tax on digital goods and excise tax on single-use plastics.

- **External Balance Outlook:** Jan trade balance saw a wider than expected deficit at -$5.7bn (est. -$4.4bn) as exports showed a larger decline at -13.5% YoY (Dec. -9.7% YoY) whilst imports rebounded to 3.9% YoY (Dec. -9.9% YoY). The fall in exports was driven by a further decline in manufacturing exports given lower electronic shipments as the pandemic driven boom in those products dissipate. Imports on the other hand rose on the back of a climb in mineral fuels, lubricant and related materials imports and firmer growth of consumer goods imports. Our in-house economists expect an overall 2023 trade deficit at -$59bn (2022. -$58bn) as exports growth slow amid a more depressed global economy. Imports growth is also expected to weaken although it won't offset exports. The country's trade deficit position would continue to weigh on the PHP.

- OFWR growth fell in Jan to 3.5% YoY (Dec. 5.8% YoY) although in a way, it still compares decently to the entire 2022 number at 3.6% YoY. There was a broad-based slowdown in repatriations from major source countries and regions, including the US, Canada, Singapore, Japan, etc. Smaller level of repatriations may have also been done simply because translation gains (amid a weaker PHP) meant that less foreign currency would need to be converted. Going forward, our in-house economists expect OFWR growth to stay resilient at 3.0% YoY for 2023. Global composite PMI picked up to 52.1 in Feb 2023 after six straight months of sub-50 readings, reflective of the positive effects of China's emergence of the Covid19-zero policy. This should help support earnings of overseas workers. However, we also note of the risk of a worsening of the US banking sector turmoil and the impact it can have on the global economy. Even so, OFWR has historically sustained during past downturns as overseas workers repatriate more to support their families back home during challenging times. Regarding the PHP, OFWR may be of some support but it wouldn't be enough to offset the negative effects arising from the twin deficit position and a worsening of risk appetite during periods of downturn.

- In terms of portfolio flows, equites saw a higher net foreign outflow of -$0.5bn month to date as of 28 Mar 2023 (Feb. -$0.15bn). The outflow was larger compared to the prior month possibly due a weakening in risk sentiment globally amid the US and European banking crisis. However, it looks like that trend could be reversing recently as there has been foreign inflows into equities. The possibility of a continued softening in the Fed's stance and a prevention of a further worsening of the US banking sector crisis may help to improve risk appetite.

- FX defensive buffers saw a slight worsening in Feb as foreign reserves declined marginally to $99.3bn (Dec. $99.7bn) amid broad USD strength that month. However, USD strength has pulled back in March amid the US banking crisis. Hence, we would not be surprise if the foreign reserves halts a decline in March.

- **Key domestic events and issues to watch**: Mar CPI (5 Apr), Mar Foreign reserves (5 – 10 Apr), Feb Unemployment rate (11 Apr), Feb Trade data (11 Apr), Feb OFWR (14 – 18 Apr), Mar BOP (18 – 22 Apr), Mar Budget balance (28 Apr) and Mar Bank lending (28 – 30 Apr).

- **Technical Outlook:** Pair is likely to trade in a tight range of 54.00 – 55.00 near term. The USDPHP is currently testing the 50-dma at 54.75 and if it does break above it, there could be more upside although the extent of the move maybe limited. The next level of resistance after that would be at 55.50. Support is at 54.20 and 54.00. On the momentum indicators, direction is not too clear just yet. RSI is neutral though MACD has just crossed above the signal line. Stochastics have also risen just slightly too.

THB: Optimistic Given China's Recovery

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDTHB	33.50	33.00	32.25	31.50
	(31.50)	(31.00)	(30.00)	(-)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We stay firm on our positive view for the THB as we see that the currency would continue to benefit from China's reopening, a rescinding in broad USD strength and somewhat robust appetite for gold. The inflow of tourists into Thailand is on the rise but there should be more recovery in 2H2023 as increasing numbers of Chinese begin to travel overseas. Broad USD strength should also recede on the possibility that the Fed would continue to soften its stance given concerns on financial stability. Market anxiety on the latter matter and fears of a deep recession may also persist for quite a bit of this year leading to robust appetite for gold, which in turn would support the THB. However, we are making some changes to our forecasts as the USDTHB did not decline at the pace we expected given that market participants likely took profit on their positions related to the initial positive sentiment on China's reopening and the THB looks to be taking a bit more time to fully regain back its bullish optimism. We are also factoring in some election related volatility.

- **Growth and Inflation Outlook:** High frequency indicators continued to imply weakness in the economy with ISIC Mfg index showing another contraction at -2.7% YoY (Jan. -4.8% YoY) for the fifth month straight in a row. This number was weighed down by a major decline in electronics, chemicals, textiles and furniture although it was offset by increases in food products, motor vehicles and petroleum products. Manufacturing production in March is also unlikely to increase given that foreign demand for Thai products remain subdued, especially from the US and Europe, which could also face risks from a weakening economy arising from the recent banking crisis. The Mar S&P Global mfg PMI slowed down to 53.1 (Feb. 54.8) although it remained in the expansion territory as it has for most of the last year

- Fed headline inflation meanwhile actually decelerated to a 13-month low at 3.8% YoY (Jan. 5.0% YoY). This was also the slowest pace of increase since Jan 2022. On a monthly basis, there was a decrease of -0.1% MoM. The deceleration came on top of a softening in both food and energy price from last year's high base. Core inflation also fell to 1.9% YoY (Jan. 3.0% YoY). Other categories such as housing & furnishing, recreation, education & religion and medical & personal care were generally stable. Overall, our in-house economists maintain their headline inflation forecast at 3.3% YoY for 2023 due to firmer demand-side pressures in the coming months with China's reopening and as Thailand's economic recovery strengthens. With headline inflation still going to be above the BOT's target range (1-3%), expectations are for the central bank to still do one more hike of 25bps in May.

- Growth wise, our in-house economists continue to maintain their forecast at 4% YoY as they see that the tourism led recovery is still intact and that there will be minimal disruption from the upcoming elections. Their base-case for growth had also already factored in potential delay in budget approvals and government spending resulting from a political transition.

- **Monetary Policy Forecast:** The BoT unsurprisingly hiked by another 25bps at their latest meeting to bring the rate to 1.75%. The committee was of the view that a continuation of gradual policy normalization was appropriate, as the economy continued to recover on the back of tourism and private consumption whilst headline inflation remains above the central bank's target range. The BoT did also signal that the tightening cycle may not be over just yet as Assistant Governor Piti Disyatat that "with all the data that we have now, we think the rate of normalization should continue". The central bank also marginally lowered its own 2023 GDP forecast down to 3.6% YoY (Prior. 3.7% YoY) although they appeared to still see tourism as the main driver of growth given they raised their forecast for tourist arrivals to 28m (prior 25.5m). BoT also cut its inflation forecast albeit just slightly to 2.9% YoY (Prior. 3.00% YoY) for headline and 2.4% YoY (Prior. 2.5% YoY). They see inflation is likely to return to the 1% - 3% target by middle of the year as supply pressures ease, especially from electricity and oil prices. Regardless, they still remain wary of inflation. Our in-house economist are still expecting that the BoT would raise rates by another 25bps to 2.00% at the next May meeting although they see this would likely be the terminal rate. The support for the currency from a domestic rates angle should therefore be limited going forward.

- Foreign reserves as of Mar 24 was at $224.2bn as it continue to recover after having fallen in February amid broad USD strength. We see that reserves can continue to raise generally throughout 2023 amid receding greenback strength.

- **Latest Fiscal Outlook:** Election has been set for the 14th May following the dissolution of parliament on the 20th March. As it stands, opinion polling is showing the young 36-year old Paetongtarn Shinawatra of the Pheu Thai Party and daughter of ex-Prime Minister Thaksin Shinawatra is leading as the top choice for PM at a 38.2% approval rating. The current PM Prayuth Chan-o-cha is at a distant third with only a 15.7% approval rating. Pita Limjaroenrat of the Move Forward party meanwhile is at second place with 15.8% approval rating. However, the selection of the new PM is not simply a straightforward process of who gets the most vote in this election. The appointment of the PM would require the support of the majority of members in the House of Representatives and Senate combined. There are 500 seats in the House of Representatives (400 are constituency MPs whilst 100 are party lists MPs) and 250 seats in the senate. The 250 seats in the senate were appointed by the military regime that came to power after the May

2014 coup. For an opposition MP to become the PM, his/her party would need to capture essentially 376 out of the 500 seats (about 75% of all seats) in the House of Representatives. As a note, parties controlled by the Shinawatra clan has actually won every election since 2001 and even twice with a landside but three of its governments had been removed in military coups or court rulings. A candidate backed by the Junta would in essence only need the support of 126 seats of the House of Representatives to be appointed PM (and as a formality, a royal endorsement from the King).

- Pre-poll surveys are also showing the Pheu Thai Party leading by a wide margin with 49.8% approval rating. The Move Forward is far behind at second with only 17.4% approval rating whilst Prayuth's United Thai Nation party is at third place with 11.8% approval rating.

- Voter turnout is expected to be strong given active campaigning by political parties. Turnout has exceeded 70% since the 2007 with the exception of the 2014 election, which the opposition had boycotted. This time around, there would also be 3m new voters, making up 5% of all eligible votes, who came of age during the youth protest in 2020 that had demanded Prayuth's resignation. In total, 14.7% of all voters consist of youth aged between 16 and 26.

- All major parties not surprisingly have put out populist policies with pledges from the top 9 parties requiring Bt3.1tn per year after excluding their overlapping policies (according to analysis by Thai Development Research Institute) even despite a rule that prevent parties from attracting votes with non-economically viable pledges (by requiring them to specify the cost of policies and the sources of funding). Among the more prominent pledges include the Pheu Thai Party promising to triple farmers' income and putting in place a 3 year debt moratorium. They also vowed to nearly double minimum wages to Bt600, whilst worker's with a bachelor's degree would draw a minimum monthly salary of Bt25,000. The party has also mentioned that it will seek to collect Bt300bn from businesses currently outside of the tax system to plug the budget deficit. Prayuth's United Thai Nation party is pledging to increase benefits for welfare cardholders from Bt200 – 300 to Bt1,000 a month and create a fund to boost crop prices in the northeast. The current ruling Palang Pracharath (PPRP) party is promising to raise the state welfare scheme benefits to Bt700 per for month for those earning less than BT100,000 a year.

- Such promises of wage increases are coming at a time when FDI in Thailand has already been on a losing momentum amid rising labour costs, ageing population and more competition from other regional peers. In fact, Thailand's manufacturing wages are the second highest in the ASEAN region after Malaysia. The minimum wage itself had been raised by 5% to Bt328 – 354 just recently on 1 Oct 2022. Beyond wages, the Eastern Economic Corridor (EEC) may risk facing project delays given that a proposal to adjust a construction contract for the HSR linking the three airports was not approved by a board meeting in early March. This can dampen foreign investment at a time when it has just picked up after the pandemic.

- An implications of this election is that the passing of budget FY2024 could risk being delayed. This would imply that disbursements may be disrupted. More concerning, capex disbursement has consistently been falling below target over the years and this budget delay only serves to worsen the problem.

- Deputy PM Supattanapong Punmeechaow though has said that his government would not let the political vacuum affect the economy and insists that they will accelerate budget disbursement. The government is reportedly looking to use the Oil Fuel Fund to subsidize diesel prices during the transition period before the formation of a new cabinet. The Oil Fuel Fund's deficit remained wide at Bt97bn as of 19 Mar.

- As mentioned earlier, our in-house economists continue to keep their growth forecast intact at 4% YoY for 2023 despite the election as they believe that there would be minimal disruption to the tourism led-recovery. Their base-case has already factored a political transition that may result in delays for budget approvals and government spending.

- The behavior of the currency during past elections has been mixed. In the 2014 election, the USDTHB rose building up towards the elections but it would later retrace its gains. As for the 2019 election, the USDTHB was generally tracing the movements in the DXY. However, we are of some belief that the upcoming election may have less of an impact on the THB given that tourism may not get disrupted and that the currency is likely to receive much support from tourism inflows this year.

- **Latest External Balance Outlook:** Feb trade data continued to disappoint as the data continued to show another trade deficit at -$1.1bn although it did narrow. Export in particular fell for a fifth straight month at -4.7% YoY despite China's reopening – with exports to the country also continuing to decline albeit at the softest pace in 8 months. Exports of industrial products saw a steep decline at -6.2% YoY (Jan. -5.4% YoY) amid a plunge in oil-related products, computers & equipment and iron, steel & products. This offset the increases in travel related products travel-related products, semiconductors, motorcycles & components and vehicles & parts. Imports meanwhile also eased due mainly to a deceleration in fuel lubricants given the prior month's lower base. Raw materials & intermediate products imports also contracted sharply. Imports of capital goods and consumer goods did see improvement though. Expectations are for exports to continue falling in the 1Q 2023 and 2Q 2023 on top of a slowing economy before improving in 2H 2023. Exports to China should also improve gradually as the reopening raises demand for both agricultural and industrial products. Our in-house economists continue to maintain their export growth forecast at -3% YoY to 1% YoY for this year with tourism being the key growth driver. The Feb CA balance turned around to a positive number at $1.3bn (Jan. -$2.2bn) although the overall BOP balance slipped in to deficit at $-1.8bn (Jan. $3.8bn).

- **From a portfolio perspective, equity (-$0.9bn net outflow) saw heavy outflows although bonds actually saw substantial inflows ($0.9bn net inflow) as of 31 Mar 2023.** Equity outflow was likely driven by a souring global risk appetite amid the banking sector crisis. Bond appetite in contrast likely saw improvement as UST yields fell amid market speculation that the Fed rates would be peaking soon given the banking sector crisis and softening PCE data. Generally, we stay firm on our belief that China's recovery can improve appetite towards Thai equities and that a continued softening in the Fed's stance (whilst still skidding a severe recession) should also support more inflows back into EM bonds.

- **FDI performance would continue to be watch closely in 2023.** FDI for the final quarter fell to $1.3bn (3Q 2022. $2.0bn). Overall, for 2022, total FDI was at $9.4bn, which was around a 31% decline from the prior year. Thailand has been facing increasing competition for neighbouring peers for FDI with the country manufacturing wages being the second highest in ASEAN after Malaysia.

- **Key domestic events and issues to watch**: Mar CPI (5 Apr), Mar Consumer confidence index (11 Apr), Mar Car sales (18 – 24 Apr), Mar Customs trade data (23 – 28 Apr), Mar ISIC mfg production index (26 – 28 Apr), Mar ISIC capacity utilization (26 – 30 Apr), Mar BOP CA (28 Apr), Mar Trade data (28 Apr) and Mar BOP overall balance (28 Apr).

- **Technical Outlook:** In the near term, we see the USDTHB is likely to trade in the range of 34.00 – 35.00. A drop below that range would depend on whether China's economy can show a stronger pace of recovery. Levels wise, support is at 34.00 with subsequent after that at 33.00, which is around the recent low for this year. Resistance is around the 34.79 (38.2% FI retracement from the Jan low to Nov high) and 35.51 (200-dma). Technical indicators meanwhile are mixed with stochastics in oversold conditions and the MACD just below the zero line although the RSI is neutral.

VND: Consolidation To Hold

Forecast	2Q 2023	3Q 2023	4Q 2023	1Q 2024
USDVND	**23,400**	**23,300**	**23,300**	**23,200**
	(23100)	(23000)	(22900)	(--)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We raised the USDVND forecast on weaker growth outlook and potential for further deterioration in external balances but we kept the trajectory unchanged. Bourses have crept higher after SBV became the first central bank in the region to embark on an easing cycle, cutting the discount rate 100bps on 15 Mar at first and then followed by lowering its refinancing rate and deposit rate cap (for terms between 1-6M) to 5.5% from 6% with effect from 3 Apr. The cap on lending interest rates for short-term loans in some sector will also be reduced to 4.5 from 5.00%. The rate cuts came after the GDP for 1Q slowed a lot more than expected to 3.32%y/y due to weakening external demand. However, VND showed resilience to the rate cuts, boosted by improvement in risk appetite, especially in the local equity markets.

- **In spite of softer growth outlook and risks posed by the real estate liquidity crunch, USDVND could still trend lower as the end of the Fed tightening cycle draws close and US yields start to extend their decline, providing SBV a more benign environment to cut policy rate to support growth without severely undermining the VND.**

- Vietnam clocked USD4.32bn of realized FDI for the first quarter of 2023, around 2.2% lower than a year ago. Somehow, investment confidence might have been slightly affected by the recent liquidity challenges faced by property developers and possible contagion effects on the financial system as well as weaker global growth outlook. After SBV cut the discount rate, Vietnam started to witness net equity inflow and by the end of the Mar. HCM Stock Index also rose around 5.5% from its low of 20 Mar to a high of 1079. Net equity inflow was recorded to be around +$127mn for Mar but the local bourses started to see renewed outflows right at the start of Apr, underscoring jittery sentiment. The government is likely to act further to support growth. There are already measures to cut corporate income tax rate for SMEs to support the smaller businesses and such fiscal measures should be supportive of the VND. As such, we continue to look for USDVND to trend gradually towards 23200 over the next 12 months.

- **Key risks to this view** is for a reacceleration of inflation to inject more uncertainties on Fed's policy trajectory or contagion from corporate defaults that could weigh on domestics assets and concomitantly, the VND.

- **Growth and Inflation Outlook:** The Ministry of Planning and Investment has urged the government to stick to its 6.5% GDP growth target for 2023 in spite of growing pressure. They put out two scenarios – the first is for Vietnam to growth 6% for FY2023 (6.7% for 2Q, 6.5% for 3Q and 7.1% for 4Q). The first scenario of allowing the economy to grow 0.5% below the target would require even stronger growth in 2024 and 2025 to achieve the five year target of 6.5%. He thus urged for new support policies (tax and fees reduction, lower lending interest rates) to support growth.

- This comes after 1Q GDP surprised to the downside at +3.3%y/y for 1Q vs. previous +5.9% in 4Q 2022. Growth was slowest since 3Q 2021, weighed by manufacturing sector led by the -13% plunge in computer, electronics & optical products on the back of communication equipment and consumer electronics. Good exports fell -11.8%y/y in 1Q while goods imports declined by -14.6%y/y. Our economist downgrades 2023 GDP forecast to 5.5% from 6.3% seen previously due as elevated price pressure and tightening financial conditions crimp on global consumer demand.

- Inflation forecast on the other hand, is maintained at 4.3% in 2023. This will be within the forecasts range of 3.9-4.8% put out by MOF. Easing fuel costs have helped to moderate transport prices but discretionary inflation remains sticky and elevated amid resilient consumer demand.

- **Monetary Policy Forecast:** In Mar, SBV became the first central bank in the region to embark on an easing cycle, cutting the discount rate 100bps on 15 Mar at first and then followed by lowering its refinancing rate and deposit rate cap (for terms between 1-6M) to 5.5% from 6%

with effect from 3 Apr. The cap on lending interest rates for short-term loans in some sector was also reduced to 4.50% from 5.00%.

- Head of Monetary Policies at SBV Pham Chi Quang said that SBV has room to consider more policy rate cuts as inflation slows and credit growth remains low. He expects inflation to meet target at around 4.5% and the central bank has been urging commercial lenders to lower lending rates to support businesses.

- Along with the downgrade in GDP, our economist looks for SBV to cut refinancing rate and short-term deposit rate caps by another 50bps in 2Q, albeit with no further change to the discount rate.

- Thus far, VND has reacted calmly as Fed's dovish pivots allowed a more benign US interest rate environment for SBV to ease without jeopardizing the stability fo the VND too much. Our base case is for the Fed to hike by another 25bps and peak at around 5.00-5.25%. **That said, we cannot rule out a tail risk of a reacceleration of inflation in the US that could generate a tad more volatility.** However, the extent of uncertainty is likely to be limited relative to what was seen in 2022 and that should also limit the USD bullish momentum and threats to the VND.

- **Latest Fiscal and External Balance Outlook:** Current account deficit steadied around -$1.0mn for 4Q 2022 vs. $-0.9n in 3Q. With external demand poise to weaken in 2023 and potential for China's recovery to boost energy prices, current account deficit could be at risk of widening again this year, thus potentially adding pressure on the VND. Some of the weakness in goods exports could be offset by services as tourist arrivals continue to recover. This is particularly for Chinese tourists given that China resumed group tours to Vietnam from 15 Mar.

- As for fiscal, the state budget revenue is expected to be around VND1.62 quadrillion ($68.5bn), up 0.4% from 2022 and state budget expenditure at VND2.07 quadrillion, a 16.3% increase from 2022. State budget deficit to come in around VND455.5trn which would be 4.42% of GDP. Central budget deficit will amount to VND430.5trn (4.18% of GDP), local budget deicit at VND25trn (0.24% of GDP).

- **Key domestic events and issues to watch:** Apr CPI, Industrial production, Trade are due 25-30 Apr.

FX Forecasts

	End Q2-23	End Q3-23	End Q4-23	End Q1-24
USD/JPY	128.00	125.00	122.00	120.00
EUR/USD	1.1000	1.1100	1.1200	1.1300
GBP/USD	1.2100	1.2200	1.2400	1.2400
AUD/USD	0.7000	0.7200	0.7400	0.7500
NZD/USD	0.6500	0.6700	0.6800	0.6800
USD/CAD	1.3200	1.3000	1.2800	1.2800
USD/SGD	1.3000	1.2900	1.2850	1.2850
USD/MYR	4.3000	4.2000	4.1000	4.1000
USD/IDR	14700	14400	14200	14000
USD/THB	33.50	33.00	32.25	31.50
USD/PHP	54.25	54.00	53.75	53.50
USD/CNY	6.75	6.70	6.65	6.60
USD/CNH	6.75	6.70	6.65	6.60
USD/HKD	7.80	7.80	7.80	7.80
USD/TWD	30.00	29.30	29.00	29.00
USD/KRW	1300	1280	1270	1260
USD/INR	80.00	80.00	79.00	78.50
USD/VND	23400	23300	23300	23200
DXY Index	101.39	100.18	98.98	98.47
	End Q2-23	End Q3-23	End Q4-23	End Q1-24
SGD/MYR	3.31	3.26	3.19	3.19
JPY/SGD	1.02	1.03	1.05	1.07
EUR/SGD	1.43	1.43	1.44	1.45
GBP/SGD	1.57	1.57	1.59	1.59
AUD/SGD	0.91	0.93	0.95	0.96
NZD/SGD	0.85	0.86	0.87	0.87
CAD/SGD	0.98	0.99	1.00	1.00
SGD/IDR	11308	11163	11051	10895
SGD/THB	25.77	25.58	25.10	24.51
SGD/PHP	41.73	41.86	41.83	41.63
SGD/CNY	5.19	5.19	5.18	5.14
SGD/HKD	6.00	6.05	6.07	6.07
SGD/TWD	23.08	22.71	22.57	22.57
SGD/KRW	1000	992	988	981
SGD/INR	61.54	62.02	61.48	61.09
SGD/VND	18000	18062	18132	18054
	End Q2-23	End Q3-23	End Q4-23	End Q1-24
JPY/MYR	3.36	3.36	3.36	3.42
EUR/MYR	4.73	4.66	4.59	4.63
GBP/MYR	5.20	5.12	5.08	5.08
AUD/MYR	3.01	3.02	3.03	3.08
NZD/MYR	2.80	2.81	2.79	2.79
CAD/MYR	3.26	3.23	3.20	3.20
MYR/IDR	3419	3429	3463	3415
MYR/THB	7.79	7.86	7.87	7.68
MYR/PHP	12.62	12.86	13.11	13.05
MYR/CNY	1.57	1.60	1.62	1.61
MYR/HKD	1.81	1.86	1.90	1.90
MYR/TWD	6.98	6.98	7.07	7.07
MYR/KRW	302	305	310	307
MYR/INR	18.60	19.05	19.27	19.15
MYR/VND	5442	5548	5683	5659

Source: Maybank FX Research and Strategy as of 4 Apr 2023.
*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

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