Maybank

Macro | FX Research & Strategy

Global

FX Monthly

2023, Issue 10: US Fed Policy and Geopolitical Headwinds

What Has Changed This Month?

- We made a few calibrations to our forecasts including a small calibration on the AUD, MYR forecasts (lower) as China's economic recovery remain fragile and UST yields continue to march higher. We also downgraded CAD as growth outlook for Canada becomes less rosy. We upgraded the THB forecast for its positive correlation to the rising gold.

Our Strategies and Views

- UST yields were lifted higher over the past month as data continues to indicate resilience in the US economy but the DXY index has started to plateau. Risks to the greenback at this point could be asymmetric as strength of the US economy and weakness in the Eurozone/China economies are likely well-priced and vulnerable to shifts. With China's recovery still bumpy, RMB could continue to remain under pressure but with PBoC still keeping it steady against the USD, its underperformance could be more apparent against KRW and TWD. Signs of electronic recovery has been boosting the exports performance of South Korea and Taiwan.
- Markets look to have been disappointed that the BOJ's move was no bolder than just adjusting the 1.00% hard cap to a reference rate. The USDJPY has since made new 2023 highs amid the possibility of yield differentials keeping wide as the BOJ looks to stay dovish. However, we also note that any Fed pivot towards some softening can also result in the pair aggressively coming off in the near term at least. Additionally, the risk of intervention by the BOJ could also make markets anxious about betting on more upside. For now, we are watching closely on whether the MOF/BOJ would come in with direct/indirect intervention at the 152.00 – 155.00 range especially if there is a rapid move upwards.
- We expect Dollar – ASEAN pairs to remain elevated going into Nov amid greenback strength, high UST yields levels and persistent China economic weakness. The ongoing Gaza conflict and the associated risks of it spreading is also looking to keep appetite for ASEAN FX (or generally EM assets as a whole) on the edge. Even so, we would like to note that there can be quite some downside for Dollar - ASEAN should signs of improvement in the macro environment emerge.

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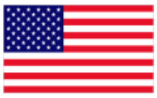
Top 3 Currency Plays for Nov

Sell DXY on Rally
Short CNY against KRW and TWD
Sell Dollar - ASEAN Rally

Key Events for the Month Ahead

Date	Event
17 Nov	US Budget Deadline
22 Nov	UK Budget Update

G7 Global Overview



USD: “Higher for Longer” & “Conflicts” Risk Premiums

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USD Index	106.43 (106.29)	106.14 (106.00)	104.68 (104.61)	103.40 (103.33)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** The DXY index was relatively unchanged in Oct. It only rose slightly in Oct by around 0.8% possibly at the margin on the back of continued resilient US data and a hawkish Fed with a higher for longer narrative as well as support following concerns from the recent ongoing Israel-Hamas conflict raising risk premiums. UST 10 year yields also rose and broke the 5.0% threshold on 23 Oct. The Sep FOMC showed that the Fed was adamant on one last hike before the year is over and staying higher for longer. We expect the dollar to remain resilient as long as the data towards the end of 2023 supported this view. For now, as long as the USD data outperforms the rest of the world (especially with China, Eurozone in weak growth territory), we still should see USD supportive coupled with higher yields and a pause or easing cycles in the RoW cental banks now. In addition, the CFTC USD positioning is still lower compared to historical levels which suggests there is still some room for USD to move higher.

- In part the USD DXY has been capped by direct or indirect central bank and MOF policy actions by other countries aimed explicitly at the dollar which includes JPY and Yuan anchored Asian FX. We have also seen protective hike moves in Indonesia and the Philippines.. Nonetheless, the divergent macro data does not suggest it being conducive to begin to short USD in a big way even though we have seen rising policy interventions to resist the usd strength. More importantly, we thing the eurozone and ECB developments are key especially when the flash Euro area PMIs shows that recovery there remains mired by weak demand is increasingly starting to weigh on the labor market. This week’s FOMC signals would be key to see if risk of fresh hikes are being considered going forward.

- Macro developments seem to continue to point to more balanced US growth ahead and falling inflation in the US, which should weaken the USD over time. In the near term, we may see some risk of a retracement in the USD towards year end as seasonally the dollar tends to weaken at year end (as seen in the past 5 years on average). There is also the risk that any signs of data releases of a likely slower quarterly growth and/or inflation pace, would also lead to a shift again towards concerns of an earlier than expected rate cut which is not priced in at the moment with most expect a cut only from around middle of 2024.

Nonetheless, there are recent concerns that low unemployment could exist with lower inflation and that the Fed should be wary of making mistakes that may trigger a recession. That is the inevitability of a large trade-off between inflation and unemployment comes with the serious risk of a near-term policy error. The recent Israel-Hamas conflict could however derail this retracement if things worsen and USD support as a safe have intensifies.

- We continue to monitor the labour market and inflation indicators as a strong labor market with low unemployment, now at 3.8%, is a potential source of inflation. A weaker job market could put a damper on wage growth and lead to slack, or lower demand, in the economy. So further signs of cooling in inflation, will add to the earlier timing of the Fed cuts in 2024. The "high" or "higher for longer" driver for US policy rates remains a significant driver of UST yields and US dollar in our view unless US data sees dramatic move downwards. We expect a resilient USD with some retracement by end 2023 before an initial move downwards in 2H next year as Fed cut speculation we think will come out stronger weighing on the USD and some stronger indication of a recovery in the RoW by then.

- **Growth and Inflation Outlook:** US real GDP rose 4.9% YoY annualized in 3Q above consensus (4.5%) and at a fast pace since 2021, largely due to inventories growth. Demand growth was strong led by consumer and government spending. Core PCE prices rose 2.4% YoY annualized in 3Q, below consensus expectations. Durable goods orders increased 4.7% in Sep, above consensus expectations for a moderate increase, and core capital goods orders also grew by more than expected. Pending home sales rose 1.1% MoM in Sep.

- The US labour market still looks resilient with NFP rising 336k in Sep. and were revised 119k higher in the prior months. Sep job growth was particularly strong in understaffed sectors such as leisure, healthcare, and government. The household survey was softer, with the unemployment rate unchanged at 3.8% reflecting a 86k gain in household employment offset by a 90k increase in the labor force. US Sep core CPI rose 0.32% in line with consensus expectations for a 0.3% increase, and the YoY rate fell 0.2% to 4.1%.

- **Monetary Policy Forecast:** The Sep FOMC meeting ended with Fed hitting the pause button again after raising the target fed funds rate (FFR) range by +25bps to a 22- year high of 5.25%-5.50% at the 25-26 July 2023 FOMC that followed the pause at the 13-14 June 2023 FOMC.

- Dot plot signals one more interest rate hike this year amid "solid" growth, tight job market, elevated inflation. Despite the FFR pause, the accompanying FOMC statement highlighted the combo of "strong" economic growth (vs "moderate" in previous FOMC), the still tight labour market despite recent slowing – though still "strong" (vs "robust" in previous FOMC statement) - job gains, and the continued elevated inflation despite the downtrend (Fig 2) amid the recent surge in global crude oil prices.

- These assessments are backed by FOMC's latest median forecasts. Underscoring Fed's upbeat tone on economic growth, 2023 and 2024 real GDP growth projections are raised to 2.1% and 1.5% respectively from 1.0% and 1.1% previously (i.e. back in June 2023), while 2025 real GDP growth outlook is kept at 1.8%. Meanwhile, reflecting the tight job market, unemployment rate forecasts for 2023, 2024 and 2025 are lowered to 3.8%, 4.1% and 4.1% respectively from 4.1%, 4.5% and 4.5% previously. At the same time, Fed expects headline inflation rate to slowly ease towards its 2% target i.e. 3.3%, 2.5% and 2.2% in 2023, 2024 and 2025 respectively vs previous outlook of 3.2%, 2.5% and 2.1%, while core inflation rate in 2023, 2024 and 2025 are projected to be at 3.7%, 2.6% and 2.3% compared with the predictions of 3.9%, 2.6% and 2.2% made in June 2023. Notably, the majority of FOMC members see risks to headline and core inflation rates are "weighed to upside" while taking the view that the risks to growth and unemployment rates to be "broadly balanced".

- Consequently, the updated "dot plot" signals another +25bps hike at one of the remaining two FOMC meetings of this year i.e. 31 Oct - 1 Nov; and 12-13 Dec. Fed's "dot plot" also signals a slower pace of FFR cuts in 2024 i.e. -50bps now vs -100bps back in June 2023.

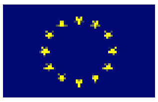
- With Fed being adamant on one last hike before this year is over and staying "higher for longer", we revised our end-2023 and end-2024 FFR views. We now expect another +25bps increase in FFR to 5.50%-5.75% at the next FOMC meeting on 31 Oct – 1 Nov 2023 (vs previous view of FFR staying at the current 5.25%-5.50% level for the rest of this year), to be followed by -100bps cuts in 2024 (vs -200bps cuts next year previously).

- The minutes to the Sep FOMC meeting showed that "almost all" participants deemed the target range for the federal funds rate unchanged at that meeting was appropriate. Members highlighted that "the data arriving in coming months" would help clarify the extent of additional tightening needed to return inflation to the Fed's 2% target, and all participants agreed that the FOMC "was in a position to proceed carefully" in setting monetary policy at coming meetings. Participants also noted that GDP growth "had been expanding at a solid pace," but expected real GDP growth to "slow in the near term." Since the Sep FOMC meeting, several FOMC members Vice Chair Jefferson, Governor Waller, and Presidents Logan, Daly, and Kashkari noted that the recent increase in bond yields could substitute for increases in the federal funds rate.

- **Fiscal Outlook:** Congress managed to pass the stop-gap bill to keep the government functioning until 17 Nov (albeit without approval on aid for Ukraine) so as to have more time for a longer-standing budget agreement. There could still be a risk of a government shutdown. In the event of a shutdown, many government operations would come to a halt but some essential services would continue. Federal employees whose work is deemed non-essential would be put on furlough. The last government shutdown under the Trump administration from Dec 2018 to Jan 2019 was the longest in more than 40 years. The inability to reach a consensus on and pass full year spending legislation was because House conservative hardliners are pushing for deep spending cuts and controversial policy add-ons that Democrats and some Republicans have rejected as too extreme. This government shutdown if it materializes could have an impact on growth and possibly even delay releases of key economic data.

- **Key domestic events and issues to watch in Nov:** S&P Global US Manuf PMI, ISM Manuf, ADP (1 Nov), FOMC (2 Nov), FOMC Meeting Minutes (22 Nov), Factory Orders, Durable Goods Orders (2 and 22 Nov), NFP (3 Nov); Trade Balance (7 Nov), NFP (6 Oct), Oct CPI (19 Nov), Empire Manuf (16 Oct), Retail Sales (15 Nov), Initial jobless claims (9 Nov), GDP (29 Nov), Core PCE (29 Nov), PCE deflator (30 Nov).

- **Technical Outlook:** On the daily DXY index chart, spot traded around the 21-dma and was last seen around 106.70, testing resistance thereabouts and the next is at 107.20. Support is seen at 105.50 (50-dma). Interim support is intact at 105.50 (50-dma). As mentioned above, we continue to see asymmetric risks to the USD with outperformance of the US economic data vs. an already rather weak Eurozone/China economic data to keep the index within the 105.50-107.40. However, this could easily shift once there are further improvement in data for the Eurozone and China.



EUR: Possible Bottom

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
EURUSD	1.0550 (--)	1.0600 (--)	1.0700 (--)	1.0800 (--)

No Change to Previous Forecasts

- **Motivation for the FX View: We maintain our EURUSD forecasts for four quarters ahead with the pair rebounding off recent lows, finding some support from data.** Inflation has further decelerated, while the labour market looks to be robust as unemployment remains at historical lows with rising expectations of employment. Industrial production also improved, although growth looks to be slightly negative to stagnant and some headwinds could remain on this front. EURUSD could have possibly bottomed at 1.04 to 1.05 levels, with most EUR-negative factors already priced in by the market. The ECB has paused on rate hikes and we think that their default stance going into 2024 should be one of holding on rates until 2H2024, where we think there could be a possibility of two 25bps cuts. This is based on striking a balance between growth and inflation for the Eurozone.

- **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 continue to weigh on the Eurozone trade balance. This could then in turn weigh on the EUR.

- Europe's brimming gas storage puts the continent in a good position to get through the coming winter without major disruptions. High contract levels could also crimp the rising LNG demand from China. Meanwhile, the return of Freeport LNG in the US and more liquefaction projections would also improve global gas supply conditions. However, the reliance on gas imports could still pose a threat to the continent.

- **Growth and Inflation Outlook:** ECB downgraded growth forecasts for 2023-2025 and now looks for growth to slow to 0.7% for 2023 (vs. 3.4% in 2022) before recovering to 1.0% in 2024 and 1.5% in 2025. This reflects tighter financing conditions, the stronger EUR as well as the deteriorating survey statistics. While inflation is expected to decline, core HICP inflation is expected to remain above headline until early 2024. HICP inflation forecast were largely unchanged, as only forecasts for 2024 were reduced - 5.6% for 2023, 2.7% in 2024 (prev: 3.2%) and 2.1% in 2025. The 2% target continues to be work in progress.

- 3Q 2023 advance estimates showed that Eurozone GDP growth declined -0.1% SA QoQ (exp: 0%; prev: 0.2%) and underwhelmed at +0.1% SA YoY (exp: 0.2%; prev: 0.5%). Headline CPI inflation estimates for Oct also showed that prices rose 2.9% YoY (exp: 3.1%; prev: 4.3%). Core inflation moderated but remained relatively elevated at 4.2% YoY (exp: 4.2%; prev: 4.5%). The data suggests that the ECB's hikes are taking effect against inflation and at the same time taking a toll on the Eurozone economy as households and firms deal with higher interest rates.

- **Monetary Policy Forecast:** As widely expected, the ECB stood pat on all three of its policy rates, ending a run of ten consecutive rate hikes, and once again emphasized data dependence moving forward. ECB reiterated that inflation is expected to stay too high for too long and domestic pressures remained strong. However, actual outturns thus far show that inflation has come off in line with ECB expectations and that the ECB's hikes were taking effect. The ECB also committed that future decisions would ensure policy rates would be set at sufficiently restrictive levels for as long as necessary. Lagarde cautioned that discussing rate cuts was premature. On PEPP, support from reinvestment remains as policymakers agreed to debate it early next year. The decision was largely in line with our predictions, as ECB retains the flexibility to raise rates if necessary. Barring shocks to inflation, this "hawkish hold" stance should be the status quo for the ECB moving forward until 2H2024 where we see a possibility of two 25bps rate cuts.

- Regardless, we reckon that we have arrived at a point where policy settings are decidedly restrictive for most central banks including the ECB and BoE amongst others. There are signs of growth slowdown in the Eurozone, especially for the stronghold Germany. Further tightening in monetary policies may only weaken growth momentum further and weigh on the EUR.

- **Latest External Balance Outlook:** ECB Aug Current Account stood at €27.7b (prev: €21.0b) on a seasonally adjusted basis. The trade balance with non-Eurozone countries stood at a surplus of €11.9b (prev: €3.5b). External surpluses should provide the EUR with some support.

- **Key domestic events and issues to watch in Nov:** Oct HCOB Eurozone Manufacturing PMI (2 Nov), Sep Unemployment Rate (3 Nov), HCOB Services/Composite PMI (6 Nov), Sep PPI (7 Nov), Sep ECB 1Y/3Y CPI Expectations, Sep Retail Sales (8 Nov), ECB Economic Bulletin (9 Nov), ZEW Survey Expectations, 3QP GDP (14 Nov), Sep Industrial Production, Sep Trade Balance, EU Commission Economic Forecasts (15 Nov), Sep ECB Current Account, Oct CPI Inflation (17 Nov), Sep Construction Output (20 Nov), OECD Economic Outlook (20 Nov to 8 Dec), Nov Prelim Consumer Confidence (22 Nov), HCOB Eurozone PMIs Nov Prelim (23 Nov), Oct Money Supply (28 Nov), Economic/Consumer/Services/Industrial Confidence Indices (29 Nov), Nov CPI Inflation and Oct Unemployment Rate (30 Nov).

- **Technical Outlook:** EURUSD last trades around 1.0570 levels. Stochastics, RSI and momentum are at neutral levels. Supports are at 1.0520 and 1.0450, while resistances are at 1.06 and 1.0680. Break of the second resistance would violate the current bearish trend channel.

GBP: Subdued Ahead of BOE

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
GBPUSD	1.2000 (--)	1.2000 (--)	1.2100 (--)	1.2200 (--)

No Change to Previous Forecasts

- **Motivation for the FX View:** We maintain our GBPUSD forecasts to reflect a very gradual appreciation against the USD. At this point, it is clearer that the BOE's rate hikes are starting to break the backbone of the UK economy, which was already facing several structural challenges because of Brexit. GBP tends to be a cyclical high beta currency and the recent underperformance of the domestic and real estate related stocks relative to the overall FTSE market suggests that the market could be pricing in a slowdown in the UK economy. The geopolitical risks that exist for the global economy and global equities also suggest that there could be greater headwinds for the high-beta GBP as compared to other currencies. The BOE has paused and we look for the, to continue on an extended pause into 2H2024 where we see the possibility for two rate cuts. This is predicated on the need to combat still-high inflation, although we do not rule out the BOE cutting earlier should they decide to become more growth supportive.

- **Risk to our view:** If the UK enters a recession in the coming months, the BOE to cut rates, pivot to a growth supportive stance and further widen the real rate differentials and result in a deeper dive into the GBP. Other risks include any spike in energy prices that could feed into higher inflation and prompt more tightening. The effect in that scenario would be the converse where could see the GBP possibly moving higher than our forecasts.

- **Growth and Inflation Outlook:** Aug Monthly GDP showed that growth was broadly in line with expectations at 0.2% MoM (exp: 0.2%; prev: -0.6%) and 0.3% 3M/3M (exp: 0.3%; prev: 0.1%). Services underpinned the mild economic expansion, with drags on manufacturing continuing.

- The overall headline 2Q (F) GDP growth was unchanged from the preliminary readings on a quarterly basis at 0.2% QoQ (prior. 0.2% QoQ) although it was higher on a yearly basis at 0.6% YoY (prior. 0.4% YoY). Private consumption was weaker than prior readings and so was government spending. However, this was offset by a stronger GFCF and business investment number. Even so, this stronger investment number was related to US aircraft import that may not be able to hold up in subsequent quarters. As a whole though, by this point, the 2Q GDP readings are already rather dated. The 3Q PMI numbers are pointing that the economy is grinding to a halt with services having fallen into contraction for Sept whilst manufacturing has already been trending downwards deeper into contraction territory. Unemployment at the same time keeps edging up with the latest Jul number higher at 4.3% (Jun. 4.2%). We see that it could keep edging up. It is becoming clearer at this point that the BOE’s rate hikes are starting to weigh in on a still resilient economy and supporting the case for a pause. Recession risks remain but this is not even a certainty at this point given that business confidence is still strong.

- Wage growth remains firm as Aug average weekly earnings climbed by 8.1% (exp: 8.3%; prev: 8.5%). Given that Jul unemployment climbed to 4.3% (Jun. 4.2%) and there is a possibility that it could higher from here with weakening economic data, we expect that wage growth should slow. Given that it stands at such an elevated level, wage growth would need to fall a lot more to really take the pressure off inflation.

- Sept (Final) services PMI remained in contraction at 49.3 (exp: 47.2; prev: 49.3), a reflection of more weakness in the economy as the high rates weigh. Services PMI has in fact already been in contraction territory for the last two months and the downward trend is likely to persist for the coming months. The decline in activity is certainly aiding in bringing down services inflation, which in turn has been a focus of the BOE and hence, supports the prospect of a further BOE pause.

- Sep Headline CPI inflation stood at 6.7% YoY (exp: 6.6%; prev: 6.7%), while core inflation was at 6.1% YoY (exp: 6.0%; prev: 6.2%). Price pressures remain sticky, although not re-accelerating as they did earlier in the year should provide some comfort for the BOE. What is clear is that it is premature to talk about rate cuts for the BOE going forward.

- **Monetary Policy Forecast:** The BOE held rates at their Sep meeting at 5.25% following a surprise slowdown in inflation especially with regards to services prices. The vote though was extremely tight with 5-4 in favour of the hold. Despite the hold and weakening economic data, the BOE looks to retain a tightening bias. Forward guidance after all remained unchanged and the MPC stuck to its commitment to tighten further if there is “evidence of more persistent inflationary pressures”. Bailey himself also noted there should not be complacency whilst they keep an eye if additional increases are still needed. Wage growth still remains too firm and together with the close vote would make it rather inappropriate at this time for the BOE to put out more strongly dovish tilt. However, the BOE did revise downwards data forecasts with 3Q GDP now seen at 0.4% QoQ (prior. 0.1% QoQ) and acknowledged a weakening economic situation, which in a way is some small element of dovish expression. With some economic weakness emerging, we are not expecting the BOE to hike any further this year. We look for the BOE continue on an extended pause into 2H2024 where we see the possibility for two rate cuts.

- **Latest Fiscal and External Balance Outlook:** Sep Public Sector Net Borrowing stood at 13.5b (exp: 17.5b; prev: 10.6b). Overall, with half of the fiscal year gone UK Govt borrowings are running about 20 billion GBP less than the Office for Budget Responsibility had forecast in Mar. High inflation had likely pushed up the nominal value of the tax receipts, which should prove to be a boost for Chancellor Hunt ahead of the 22 Nov UK Budget Update.

- The UK’s Aug Trade Balance was at a -£3415m deficit (exp: -£3700m; prev: £1418m). The goods trade deficit worsened to -£15,950m (prev: £13,905m), which was offset by a services trade surplus of £12,535m (prev: £12,487m).

- **Key domestic events and issues to watch in Nov:** Oct Nationwide House PX Indices, S&P Oct Mfg PMI (1 Nov), BOE Policy Decision, DMP 3M Output/1Y Price Expectations (2 Nov), Oct Official Reserves Change, S&P Services/Composite PMI (3 Nov), Oct S&P Construction PMI, Oct BRC Sales (7 Nov), S&P Jobs Report (8 Nov), RICS House Price Balance (9 Nov), Sep Monthly GDP, Sep Industrial production, Sep Index of Services, Sep Construction Output, Sep Trade, 3Q Prelim GDP (10 Nov), Oct Jobless Claims/Claimant Count, Sep Avg Weekly Earnings, Sep ILO Unemployment (14 Nov), Oct CPI Inflation, Oct RPI/PPI Inflation (15 Nov), Oct Retail Sales (17 Nov), Nov Rightmove House Prices (20 Nov), Oct Public Finances (21 Nov), UK Budget Update (22 Nov), Nov Prelim PMIs (23 Nov), Nov Consumer Confidence (24 Nov), Nov Nationwide House PX Indices (28 Nov to 3 Dec), Oct Consumer Credit, Mortgage Approvals, Money Supply (29 Nov) and Nov Lloyds Business Barometer (30 Nov).

- **Technical Outlook:** Bearish trend channel since end Aug remains intact. Pair was last seen at 1.2148 levels. RSI, stochastics and momentum are all at neutral levels. We see resistances at 1.22 and 1.2320. Supports are at 1.21 and 1.2030 (month-low).

AUD: Gradual, Albeit Fragile Recovery

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
AUDUSD	**0.65**	**0.65**	**0.68**	**0.68**
	(0.66)	(0.66)	(--)	(--)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** We remain cautiously optimistic on AUD even as there could still be near-term pressure on the antipode. Even as the US is embroiled in the war in Ukraine and support for Israel, we could be in for a prolonged period of range-trading as the US-China bilateral relations show little signs of improvement despite a step-up in engagements of late that could lead up towards a Xi-Biden meeting in Nov at San Francisco. That said, a V-shape recovery China's economy or property sector is not on the cards. As such, we only expect modest support for the AUDUSD into the next few months.

- At this point, cash rate futures implies 50% probability of a 25bps rate hike in Nov. We have shifted our view to call for a 25bps rate hike after 3Q CPI surprised to the upside. Headline CPI slowed to 5.4%y/y from previous 6.0% while trimmed mean eased to 5.2%y/y from previous 5.9%. Quarter on quarter though, momentum picked up. The latest inflation report could mean both measures would overshoot RBA's Aug projections at 3.9% (trimmed mean) and 4.1% (CPI). Regardless, household spending has been slowing (retail sales was last at +0.2% for Aug vs. prev. +0.3%). One more hike is unlikely render much support to the AUD. What we look for is a bottoming out of the commodity disinflation to boost Australia's terms of trade alongside modest cyclical recovery of China's economy and a recovery in USTs as the US economy shows more discernible signs of slowing.

- **Key risk to our AUDUSD** view is 1) further cratering of the Chinese economy; 2) escalation of the conflict in the Middle East that sours sentiment further, 3) RBA could be one of the first few G7 central banks to kick off its easing cycle, especially ahead of the Fed (as the average mortgage costs rise faster at home vs. NZ, US peers) and that could weigh on the AUD into 2024 but that remains a tail risk for now as inflation has not eased back into 2-3% target range of the central bank.

- **Growth and Inflation Outlook:** 3Q CPI surprised to the upside, accelerating on a quarter-on-quarter momentum to 1.2% from previous 0.8%. Headline is driven by transportation (+3.2%q/y vs. previous -0.1% due to higher fuel prices), housing (+2.2% vs. previous 0.8%) as well as alcohol and tobacco (+1.4%q/q from prev. 1.0%). Non-tradables picked up pace to 1.3%q/q from previous 0.8% while tradables slowed to +0.7%q/q from previous 1.1%. Correspondingly, services inflation remain sticky and elevated at 5.8%y/y, lifted by rents, dental services and insurance.

- RBA projects growth to remain subdued due to weakening household consumption amid higher borrowing costs and elevated inflation. That said, recent recovery in housing prices could provide some support via net positive wealth effect. GDP is expected to trough around 1% at end 2023 and the central bank looks for a gradual recovery to 2.25% by end of 2025. Employment is expected to rise, albeit outpaced by growth of the working-age population and as a result, jobless rate can rise to reach 4.5% by late 2024. There is significant uncertainty on how weak household consumption is going to be as this depends on the resilience of the labour market conditions and the housing market recovery. Stronger labour market conditions and faster housing turnover could support consumption that is being weighed by high debt (household debt at 187% of income) and low savings (household savings are at 3.2% of net disposable income as of 2Q 2023 vs 4Q 2019 of 6.8%). As such, risks to personal consumption could remain balanced.

- Higher frequency data suggest a mixed picture for household spending – while consumer confidence seem to have risen +2.9%m/m in Oct vs. previous -1.5%, retail sales eased to +0.2%q/q in Sep from previous +0.5%.

- In addition, Australia recorded a 6.7K net employment gain last month with net 39.9K full-time employment losses + net 46. 5K part-time hires. The net fall in full-time employment could be a sign that labour market conditions are softening. Participation rate slipped to 66.7% from previous 67.0%. Unemployment rate was steady at 3.6%.

- CoreLogic median home prices rose 0.9% in Sep. Both home prices and rentals have been on the rise as population growth seem to have outstripped supply growth. The lack of supply is keeping home prices as well as rentals on the rise. National rental index rose 0.5% in Aug and 0.9%y/y, Dwelling approvals on the other hand, fell -8.13%m/m for Jul while construction insolvency has risen 75% for FY2022-23 due to labour shortages and rising material costs. Elevated rentals, housing prices on top of higher fuel and food prices could mean impediments to the disinflation process for Australia.

- **Monetary Policy Forecast:** We had looked for RBA to keep cash target rate unchanged at 4.10% for the next six-nine months before potentially cutting rates by 50bps to 3.60% by the end of 2024. However, the recent upside surprise for 3Q CPI could mean that Australia's underlying inflation could overshoot what was projected in the Aug SoMP for dec 2023 at 4% and that could mean another rate hike is in the offing even as domestic demand is slowing. Weak household spending, crimped by low household saving ratio (at 3.2% for 2Q 2023) and high debt could continue to weigh on growth and keep the RBA from raising cash target rate further.

- RBA Governor Bullock had been pretty hawkish with her words in recent days, assuring that the central bank "will not hesitate" to raise interest rates further in a speech on Tue. Given the fact that she was initially perceived as a dove before she took the position, she might feel even more compelled to prove that she is serious about combating inflation. In addition, trimmed mean CPI came in firmer than expected at 5.2%y/y. for 3Q vs. previous 5.9%, driven by sticky services inflation and reaching the 4% forecast by Dec 2023 could be challenging. Meanwhile, she also noted that demand is slowing (a key reason for us to call for 4.10% as peak rate initially). We recognize the risk of another rate hike by the end of the year and that is likely to weaken the economy further. As such, this additional rate hike is unlikely to bring lasting boost to the AUD.

- We hold our view that the start of the easing cycle will begin in Jul 2024 and cash target rate will end 2024 at 3.6%. That said, an earlier rate cut in the 1H of 2024 is still a risk to watch, especially if growth slows more than expected for Australia or if China's slowdown drags on. If that materialize, AUDUSD could come under pressure.

- **Latest External Balance Outlook:** As of last available data, current account surplus was recorded at +1.2% of GDP for 2Q 2023, narrowing a tad from the previous +1.4% of GDP. Into 3Q, trade surplus continued to deteriorate and is likely to narrow its current account surplus.

- **Fiscal Outlook:** Australia is projected to achieve a fiscal surplus of 0.2% of GDP for FY2022-2023 but this would be a fleeting one. This would be the first surplus in 15 years but Treasurer Jim Chalmers also flagged that a deficit of $13.9bn is expected for FY23-24. More recently, the government indicated that the federal spending on storm, flood and fire disasters have been on the rise. Treasurer Chalmers warned that global warming and disasters had "big, economy-wide effects" with the "Black Summer" bushfires of 2019-2020 as well as the Oct 2022 east coast floods had each cost the economy A$1.5bn. The Federal government spent $2.5bn on disaster recovery for FY2022-2023. Funding for federal government assistance had on disaster recovery had multiplied five-folds in three years. The local weather bureau had confirmed an El Nino event coming through that could create a severe wildfire season and drought. The FY2023-2024 budget an allocation of $200mn is provided to the Disaster Ready Fund to support projects include levee upgrades, seawalls and bushfire risk reduction projects. This is on top of other funding to boost its biosecurity in support of Australian farmers and agriculture exports.

- **Key domestic events and issues to watch:** Oct Australia Mfg PMI, Sep building approvals [1 Nov], Sep trade, Sep home loans, [2 Nov], Oct Services PMI, Retail sales ex inflation for 3Q [3 Nov]; Oct M-I inflation, Oct Job advertisement, [6 Nov], RBA Policy decision [7 Nov] Statement on Monetary Policy [10 Nov], Oct CBA household spending [13 Nov], Westpac Nov consumer confidence, NAB Oct Business Confidence [14 Nov], Wage price index [15 Nov], Consumer inflation expectation for Nov [16 Nov], Oct labour [16 Nov], Minutes of the RBA Nov Meeting, Oct retail sales [28 Nov], 3Q Construction Work, Oct CPI [29 Nov], Oct Private sector Credit, 3Q CAPEX, Nov CoreLogic House [30 Nov].

- **Technical Outlook:** AUDUSD seemed to have formed a rounding bottom around the 0.64-figure. This was tested at one point in the past month. Key support is seen around 0.6270. Momentum seems to suggest further room for bullish extension towards the 0.65-figure. A failure to break above 0.64-level could mean two-way trades within 0.6270-0.6400. We continue to prefer to bet on the upside as the rounding bottom remains intact.

NZD: Oversold

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
NZDUSD	**0.60**	**0.60**	**0.62**	**0.63**
	(--)	(0.61)	(--)	(--)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** We continue to remain cautiously optimistic on NZDUSD, taking into account the persistence of the higher-for-longer narrative that has been keeping UST yields elevated and concomitantly, NZD under pressure. We could be close to a bullish reversal as the bear-steepening of the UST yields start to slow. It could be hard to estimate whether the adjustment of the UST curve due to the so-called term premium could be at an end but the disinversion has narrowed the UST 2y10y to a mere 16bps differential and the US' economic strength is likely well priced in the USTs and the USD. As such, the current narrative of US' outperformance vs. the rest of the world remains very vulnerable to shifts. Should there be any improvement in Eurozone economy or China's data, NZDUSD may see some reversal higher, especially given stretched conditions.

- **Despite the recovery in global dairy average prices, NZDUSD did not get the usual boost from its terms of trade. NZDUSD was more swung by broader market sentiment (NASDAQ down -12%), uncertain economic outlook for China that is weighed by the lingering property malaise, the softer than expected CPI print that reduced expectations for another hike within the next six months.** CFTC data suggests that net short NZD positions rebounded in late Sep before easing back again after the 3Q CPI print release on 17 Oct. **Typically higher GDT prices should provide that boost to the NZD. However, should milk production be severely reduced by drought and NPLs increase as a result, NZDUSD could also come under pressure.**

- **Growth and Inflation Outlook**: 3Q CPI was somewhat pivotal for the NZDUSD as it had policy implication for the RBNZ. CPI quickened to 1.8%q/q vs. 1.1% in 2Q. Year-on-year, inflation eased more than expected to 5.6% from 6.0% in the quarter prior. Both tradable and non-tradable surprised to the downside at +1.8%q/q and +1.7% respectively. Breakdown by category show an acceleration in the transportation (+7.1%q/q from prev. -1.9%) and housing, utilities (+1.7%q/q vs. prev. +1.2%). Food, clothing and footwear, heathcare, recreation, culture slowed on the quarter. This report suggest that the re-acceleration of the inflation prints were largely due to the rise in energy costs as well as some improvement in the housing market. Year-on-year non-tradables inflation slowed to 6.3% from previous 6.6%. While the disinflation still seem to be in the progress, stickiness of the non-tradables inflation, threat of higher oil prices could still threaten medium-term inflation expectations. It is thus, highly probable that RBNZ would retain a rather hawkish tone even as it continues to keep overnight cash rate at current level for the next few meetings.

- Net migration for surged back to 9980 in Aug from previous 6440 (revised higher). The net migration should continue to improve labour supply and contributed to the recovery of the home demand as well as retail sales. More recently, consumer confidence rose 2% in Oct to 88.1, extending its unswing this year. Retail card spending softened a tad to -0.4%m/m in Sep vs. previous +0.6%, likely due to the fading effects of the Women's world cup. REINZ house sales decelerated a tad to 5.1%y/y from previous 9.2%y/y but that is likely due base effects. The REINZ home prices rose for the fourth month in Sep by +0.7%m/m, falling 3.3%y/y (smallest annual decline since Mar this year). On net, the impact of the net migration likely improved growth prospect and thus far, the net impact on inflation outlook seems to be benign given improvement in labour supply that should ease wage pressure and boost in spending rather moderate on a trend basis.

- **Monetary Policy Forecast:** We keep our view that RBNZ is likely to keep OCR at 5.50% for the rest of 2023 and into 1H 2024. The recent improvement in activity (housing, retail sales) as well as pick-up in crude oil prices suggest that rate cuts would probably have to be pushed back to 3Q 2024. RBNZ had maintained its view for inflation to fall within the 1-3% target by 3Q 2024 and the latest inflation prints (2Q CPI at 6.0%y/y), whilst a tad firmer than expectations, continue to suggest that price pressure continues to ease. On the other hand, monetary policy settings are restrictive enough such that these factors do not fan inflation pressures higher. The central bank notes that the mortgage rates on outstanding loans have increased by around 200bps from early 2022 and average mortgage rates are expected to reach around 6% in early 2024. Such a rise in mortgage rates should continue to dampen consumption and keep inflation from rising.

- **External Balance and Fiscal Outlook:** NZ current account deficit narrowed to –NZD4.21bn in 2Q vs. NZD4.66bn in the quarter prior. Goods trade balance has swung into NZ0.442bn surplus and trade balance continued to improve for 3Q, likely to provide some support for its current account for 3Q. Tourism arrivals rose into 3Q with a average arrival for Jul-Aug at around 210K vs. 186K in 2Q, 12% higher. As such, current account for New Zealand is likely improve in 3Q.

- **The Treasury projected a return to fiscal surplus in 2025/2026, delayed by one year.** New Zealand now expects the economy to avoid recession, looks for a budget deficit of NZ7.6bn in 2023-2024. GDP growth is expected to be around 1% for this FY23/24 and 3.2% in FY22/23. Net debt to peak at 22% of GDP in 2023-2024. The budget includes an extension pf 20 hours Early Childhood Education to include 2y olds, abolition of $5 prescription co-payment, subsidies for children to take public transport and $71bn of infrastructure spending. The budget was seen more expansionary than expected, funded by more borrowing. This could boost discretionary spending slightly.

- **Key domestic events and issues to watch:** 3Q Labour [1 Nov], 2Yr inflation expectation for 4Q [8 Nov], Oct card spending [9 Nov], Food prices for Oct [14 Nov], Net migration for Sep [15 Nov]. Oct trade [21 Nov], RBNZ official cash rate [29 Nov], Nov CoreLogic House prices [30 Nov].

- **Technical Outlook:** NZDUSD slipped to levels around 0.5820 by end Oct. Bias remains to the downside even as the MACD formed a bullish divergence with price action. Momentum is still bearish on the daily, weekly chart. Stochastics oversold but downtrend is still strong. Resistance at 0.6016 amd 0.6160. Support at 0.5770 before 0.5510.

CAD: Under Pressure and Stretched

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDCAD	**1.36**	**1.36**	**1.33**	**1.33**
	(1.34)	(1.34)	(1.32)	(1.32)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** We keep our trajectory for the USDCAD unchanged despite the recent bullish move but downgraded the levels as growth outlook starts to become less positive. The high-for-longer narrative, US' economic outperformance have been played in the favour of UST yields as well as the USD. Fighting the trend could be futile for now and growth slowdown at home adds another drag on the CAD. We still look for USDCAD to drift lower towards the end of the year given that US economic outperformance is already well-priced and could eventually bring about some softness in the USD that could eventually bring the USDCAD lower.

- **Key Risks to our view:** 1) A sudden deterioration in domestic demand that could force BoC to be caught between a rock and a hard place as inflation remains a tad elevated. This has become more than a tail risk. Fortunately, on the inflation front, headline CPI seem to be easing towards the 1-3% target range. That puts BoC in a better position to ease earlier should growth risks continue to mount. To some extent, that risk has played out. 2) US data surprised to the upside in the next few months, fueling higher-for-longer narrative and exacerbating USD strength.

- **Growth and Inflation Outlook:** More recent data suggests further softening of activity with retail sales easing -0.1%m/m in Aug vs. prev, +0.3%. Ex-auto, retail sales eased to +0.1% growth vs. previous 1.0%. BoC business outlook survey for 3Q indicate that firms expect sales growth to remain subdued over the next 1 year due to weaker demand and plans on investment and employment would thus be impacted. BoC downgraded growth outlook with GPD expected to remain below 1! Before picking up in late 2024 to grow 2.5% in 2025.

- Sep labour report still indicate pretty tight conditions with unemployment rate still steady around 5.5%. Canada added 63.8K of employment on net last month vs. 39.9K in Aug. Hourly wage rate picked up pace to 5.3%y/y vs. previous 5.2%. This does suggest that there may not be a significant deterioration in household consumption in the near-term as the labour market continues to hold up.

- **Monetary Policy Forecast:** BoC is unlikely to hike further and we look for the overnight lending rate to remain unchanged at 5.00% for the rest of the year. It is highly possible that BoC will continue to maintain a hawkish stance given recent rise in fuel prices that could unanchor medium term inflation expectations. Headline inflation as well as core inflation eased a tad more than expected for Sep, towards the central bank's 1-3% target inflation mandate. Headline inflation eased to 3.8%y/y from previous 4.0%, declining on quarterly momentum by -0.1% vs. previous +0.4%. Trim Core CPI weakened to 3.7%y/y from previous 3.9%, also undershooting median estimate.

- Over the past month, BoC also released its 3Q business outlook indicator, falling -3.5 vs. -2.3 in the quarter prior. The central bank had noted slowing demand in the survey and that growth in demand should continue to be subdued based on order books, sales inquiries relative to historical norms. At the same time, pricing behavior of firms continue to remain above the norm with firms reporting plans to haeve larger and more frequent price increases than usual over the next 12 months due to supply chain issues, strong demand and unusually large wage increases.

- Despite the downgrade in growth outlook by the BOC, the central bank still upgraded inflation outlook because of "higher energy prices, structural pressures in housing market, and stickiness in underlying inflation" that could slow return to target. The central bank noted that near-term inflation expectations, elevated wage growth and slow normalization of corporate pricing behavior keeps the inflation from easing faster. Inflation is expected to be around 3.5% through to mid-2024 and for inflation to reach 2% only in 2025.

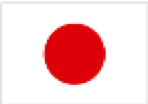
- **Latest External Balance Outlook:** As of last available data, Canada's current account balance was at a deficit of -U$20.7bn for 2Q23, wider than the -U$12.0bn deficit for 1Q 2023. Trade balance remains in deficit with the latest recorded at CAD3.53bn for Jul. Exports rose 0.7%m/m while imports fell 5.4%m/m. Energy exports fell -0.3%m/m, -36.5%y/y in Jul. However, that was offset by non-energy exports which rose 1%m/m, up 1.7%y/y in Jul.

- The Federal budget presented on 28 Mar was the 2023/2024 budget. Priorities were targeted inflation relief. There was also investment in public health care. Budget deficit is expected to narrow from CA$43.0bn for FY2022-2023 to $40.1bn for 2023-2024. Separately, the Federal government is considering cutting $1bn from the annual budget of the Department of National Defense. Estimates for 2023-2024 is expected to be around $26.5bn. On the other hand, PM Trudeau wants to cut the federal sales tax on new rental apartment construction.

- **Key domestic events and issues to watch:**

- Oct Mfg PMI [1 Nov], Oct labour report [3 Nov], BoC Summary of Deliberations, Wholesale Sales ex Petroleum for Sep [10 Nov], Sep Mfg sales for Sep [15 Nov], Oct housing starts [16 Nov], industrial product price for Oct [17 Nov], Oct CPI [21 Nov], Sep retail sales [24 Nov], 3Q current account balance [29 Nov], CFIB business barometer for Nov [30 Nov].

- **Technical Analysis:** USDCAD hovered around 1.3870, near the highs of the year. The moves of USDCAD could continue to be volatile and bullish bias, driven more by broader USD swings and that of the UST yields. Momentum is quite bullish but there is a bearish divergence with MACD forest. Pullbacks to meet support 1.3765 and then around 1.3705 (21-dma).



JPY: Dovish BOJ, High UST Yields Keep Hurting

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDJPY	150	150	145	140
	(--)	(--)	(--)	(--)

No Change from Previous Forecasts

- **Motivation for the FX View:** We continue to hold on to our JPY forecasts expecting the currency to stay weak in the medium term as UST - JGB yield differentials remain wide. The BOJ's recent adjustment of turning the 1.00% level from a hard cap to a reference rate in some sense disappointed expectations of a bigger adjustment. If anything, it seems that the BOJ's tolerance for the yield levels actually look to have only marginally changed. At the same time, UST yields look like they are going to stay higher for longer over the next six months at least. We see the possibility that the BOJ would abolish YCC and exit NIRP in 2Q 2024 following strong results at the Shunto wage negotiations whilst UST yields may come off then as the Fed's soften its stance with a cut in materializing later in the year. However, even then, yields are still going to be wide, keeping USDJPY elevated well into 2024.

- **Growth and Inflation Outlook:** 2Q GDP (F) was weaker than the previous reading at 4.8% QoQ (prior. 6.0% QoQ). Private consumption and business spending reading were much worse than the preliminary data at -0.6% QoQ (prior. -0.5% QoQ) and -1.0% QoQ (prior. 0.00% QoQ). Net export contributions were steady at 1.8% (prior. 1.8%). It is clear from the numbers that the domestic economy itself is actually depressed whilst support is mainly coming from an export boom that originates from tourism reopening and a weak JPY. A continued softening global economy together with reopening boom waning means that this form of support is unlikely to last and reflects the fragility of the Japanese economy. Whilst 2023 growth can still perform reasonably well at 2.0% YoY, there is a chance that 2024 could see it come out much slower at 1.0% YoY.

- Inflation numbers for Sep still remained fairly firm although there was some element of moderation. Headline inflation slowed slightly to 3.0% YoY (Aug. 3.2% YoY) whilst the core number decelerated to 2.8% YoY (3.1% YoY). The decline in energy prices continued to play a key role in the slowdown for these numbers amid the government subsidy program. However, with the electricity subsidies being reduced from October onwards, there could be some pressure on these numbers going forward.

Meanwhile, the core core number or the BOJ's key indicator was quite sticky actually at 4.2% YoY (Aug. 4.3% YoY) as services prices continued to solidly rise. Overall, going forward, we expect moderation in the core and core core numbers to be limited given the possibility of firmer wage growth (driven by a tighter labor market and strong corporate profits), which could help keep the numbers above the BOJ's target of 2.00%.

- Meanwhile, Aug labor cash earnings came out below estimates at 1.1% YoY (Jul. 1.5% YoY) which was due to special payments declining and growth in overtime payments failing to be stronger. Weakness in the manufacturing sector could have led to these numbers being more subdued. However, we do see that underlying base payments actually continue to trend higher which is some sign that there remains wage growth pressure. On a real basis though, wages declined by -2.5% YoY. In some sense, the real wage continued fall together with stronger corporate profits and a tighter Japanese labor market may push for more salary increases and therefore, potentially seem more sustainable wage pressures on inflation. This in turn can help support the economic case for a BOJ monetary adjustment in 2024. Meanwhile, Sep jobless rate marginally fell to 2.6% (Aug. 2.7%), which points to a tighter Japanese labor market.

- Oct (P) PMI continued to imply weakness in the manufacturing industry as the reading remained in contraction territory at 48.5 (Sep.48.5). This was a reflection of a softening in the global goods trade. However, we do see that the services PMI has declined to 51.1 (Sep. 53.8) which is a reflection that the post-pandemic reopening boom is gradually fading. It looks like the number could keep softening going forward. Overall, the PMI numbers are reflecting an increasingly fragile economy.

- Sep retail sales slowed on a yearly basis below expectations at 5.8% YoY (est. 5.9% YoY and Aug. 7.0% YoY) whilst on a monthly basis, it actually saw a decline at -0.1% MoM (est. 0.2% MoM and Aug. 0.2% MoM). Oct consumer confidence was a little higher at 35.7 (Sep. 35.2). Retail sales as it stands is still holding up decently well although it does appear that the reopening boost is gradually waning. Going forward, we still expect retail sales to be fairly robust and strong into the final quarter amid the inflow of foreign tourist and consumption momentum holding up. However, a waning of the reopening boost from tourism into 2024 could lead to retail sales numbers eventually slowing substantially.

- **Monetary Policy Forecast:** Markets look to have been disappointed by the BOJ as they appeared to have expected more than just the YCC tweak that was undertaken. The central bank only simply adjusted the framework for the YCC by setting 1.00% as the new upper bound reference rate rather than just keeping it as a hard cap. In essence, it seems that the BOJ's tolerance on the level of the JGB 10y yields is actually little changed.

- Ueda at the same time during the press conference to sound rather dovish as he stated that the YCC tweak was made to add additional flexibility and such an adjustment was also done before the side effects increased. The Governor as a whole continues to sound rather dovish as he still cannot foresee achieving sustainable 2% inflation with enough confidence. He also avoided trying to link the FX directly to any policy decision making as he said that FX could affect policy if it affects price outlook. Interestingly, he also seemed to indicate that he sees good results from the Shunto wage negotiations (mentioning he expects "a certain level" of gains) in addition to linking the result to an adjustment in the current policy.

- The BOJ also revised its inflation forecasts for FY2023 to 2.8% (prior. 2.5%) and FY2024 to 2.8% (prior. 1.9%). The 2025 number was slightly raised to 1.7% (prior. 1.6%). The revisions would mark that the BOJ now see inflation holding above its target level for three consecutive years and support the case for a monetary policy adjustment.

- On our part, we continue to stick to our view that we see that the BOJ would abolish YCC and exit NIRP in 2Q 2024 after the Shunto wage negotiations are completed. The negotiations we also believe should yield some strong results. The YCC abolishment we think is likely to come ahead of the NIRP exit. We think that such moves are likely to only provide short term support to the currency as yield differential remains unfavorable.

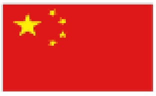
- Regarding intervention, the market has been on the edge on the possibility that the BOJ/MOF could come in 150.00 amid jawboning from the Finance Minister. On our part, our view is that intervention could occur somewhere between 152.00 – 155.00 only under the circumstances that the USDJPY quickly moves up and volatility rises quickly. Otherwise, we do not expect the government/BOJ to undertake "direct" intervention. Instead, they may only engage in "indirect" actions such as giving calls to dealers and engaging in even more jawboning.

- **Latest External Balance Outlook:** Aug BOP CA balance surplus narrowed to 2.3tn yen (Jul. 2.8tn yen). The Sep trade balance also swung into surplus at 62.4bn yen (Aug. 930.5bn yen) as imports declined and exports expanded. A surge in exports to China looks to have provided much of the exports support. The China-related demand appears to be firming up as there was broad-based increase in volumes across the various categories. Aside that, a regional tech upcycle look to have also been another positive factor for the upturn in exports. Meanwhile, capital goods shipments also climbed up. For now, the external position still looks manageable given the CA has been in surplus since February. Support from tourism numbers should sustain for the rest of this year with the reopening boost still in effect. However, we are aware of risks related to higher oil prices.

- **Key domestic events and issues to watch:** Oct (F) Jibun Bank mfg PMI (1 Nov), Oct monetary base (2 Nov), Oct (F) Jibun Bank composite/services PMI (6 Nov), Sep cash earnings (7 Nov), Sep (P) leading/coincident index (8 Nov), Sep BoP CA balance and trade balance (9 Nov), Oct bank lending (9 Nov), Oct eco watchers survey (9 Nov), Oct money stock (10 Nov), Oct PPI (13 Nov), Oct (P) machine tool orders (13 Nov), 3Q (P) GDP (15 Nov), Sep (F) IP (15 Nov), Sep capacity utilization (15 Nov), Oct trade data (16 Nov), Sep core machine orders (16 Nov), Sep tertiary industry index (16 Nov), Oct nationwide/Tokyo dept sales (16 – 22 Nov), Oct CPI (24 Nov), Nov (P) Jibun Bank mfg/services/composite PMI (24 Nov), Sep (F) leading/coincident index (24 Nov), Oct PPI services (27 Nov), Oct (F) machine tool orders (27

Nov), Oct retail sales (30 Nov), Oct (P) IP (30 Nov), Oct housing starts (30 Nov) and Nov consumer confidence index (30 Nov).

- **Technical Outlook:** On the daily chart, resistance is at 152.00 and 155.00. Support is at 149.70 (21-dma) and 145.58 (100-dma). Near term, there are plenty of upside risks for the pair.



RMB: Ratcheting up Fiscal Stimulus to Juice Growth

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDCNY	**7.25** (--)	**7.25** (--)	**7.20** (--)	**7.20** (--)
USDCNH	**7.25** (--)	**7.25** (--)	**7.20** (--)	**7.20** (--)

No Change to Previous Forecasts

- **Motivation for the FX View:** We continue to maintain a moderately bullish profile for the CNY towards 7.20. **Our expectations for some signs of economic stabilization came to fruition** and that likely had made defending the 7.37-peak for USDCNY and USDCNH slightly easier for the PBoC. Our assumptions have not changed - (1) that the Fed is at the end of its tightening cycle (or at most one hike away from it), (2) global growth continues to slow gradually (with growth differential between the US and RoW narrowing, including China), (3) recent signs of economic stabilization in China could sustain. With the recent additional fiscal stimulus, there could be better chance of stabilization for property developers, LGFV and for consumption/investment recovery to gain better traction into 2024. While rate differential between the US and China should continue to keep the USDCNY buoyant, potential for UST yields to ease could shift risks to the downside for USDCNY.

- Even though there were signs of growth stabilization, RMB was by no means strengthening as US-CH yield differential remained rather wide as US continues to outperform the rest of the world in terms of data. However, it was also clear that PBoC wanted to keep RMB from weakening against the USD. Thus far, RMB has been supported by the PBoC via the daily USDCNY reference rate fixes (persistently 1000-1400pips lower than market estimates), cross-border financing parameter adjustments, a fair extent of stern warnings against currency apeculation as well as tighter CNH liquidity. **The stability of the RMB remains a reflection of peak pessimism (aided by better data) and the efforts from the authorities to defend the RMB.**

- **Ratio of FX settlement by bank customers to foreign-related FX Receipts dropped to around 63.6% in Sep** from 72.3% in the month prior. This indicates a lower conversion of foreign receipts into the local currency. **Ratio of FX Sales to foreign-related FX payments dropped to 68.6% in Sep from 70.8%** compared to a month ago. This indicates lower forex sales by banks to clients compared to payment requirement. Taken together, these are signs of weakening yuan sentiments among corporates.

- Flows-wise, China posted a net equity outflow of around USD4.4bn based on IIF estimates and -USD4.4bn of net outflow for bonds. Local bourses remain weighed by concerns on China's recovery prospect, its property malaise as well as China-Western relations. The US imposed limits on US investments in China in the name of national security and that has likely weakened investors' appetite for Chinese assets. In retaliation, China imposed a requirement for export permits for high-end synthetic graphite, as well as key forms of natural graphite.
- A rebound in confidence for consumers, businesses and investors could take some time. **The strained relations between US and China would probably hamper that in the medium term.** In the meantime, higher-for-longer narrative could weigh on RMB and more discernible slowdown in the US that could bring back rate cut expectations, as well as signs of sustained growth in China are needed for RMB to strengthen against the USD.
- **Growth and Inflation Outlook:** Our economist raised GDP forecast to 5% for 2023 and maintain the GDP forecast at 4.4% for 2024. Latest manufacturing PMI for Oct slipped back into contraction of 49.5 vs. prev. 50.2. Non-mfg PMI also slipped to 50.6 from previous 51.7. The latest prints underscore uneven and fragile growth momentum.
- China's 3Q GDP surprised to the upside with growth of 4.9%y/y. Our economist noted that the real growth momentum had been flattered by falling price levels and nominal GDP growth had actually slowed to 3.5% in 3Q from previous +4.8% and +5% in 1Q. Looking at sequential momentum, real GDP growth picked up pace to +1.3% vs. previous +0.5% for 2Q, confirming that growth seem to be bottoming out. Major driver of growth was consumption for both public and private while net exports detracted nearly 1ppt.
- Services sector has risen by an above-par +5.2%, albeit slowing from 7.4% in 2Q. Within the secondary sector, manufacturing expanded at a faster pace than mining and utilities. The primary industry grew by +4.2%, the strongest rate in five quarter.
- Growth of retail sales slowed markedly in 3Q to 4.2%y/y from 11.4% in the quarter prior and we could be at the tail-end of post-pandemic "revenge spending". Talks of a triple dip economic recovery likely spurred the NPC Standing Committee to announce more fiscal stimulus with an additional CNY1trn of supplementary government bonds for 4Q (after local government is ordered to finish its 2023 local government bond quota of CNY3.8trn). The funds are meant to be deployed for mainly disaster recovery/response/flood mitigation and comes in addition to some front-loading of 2024 bond qota as well. Budget deficit ratio will be raised to 3.8% from previous 3%.
- **Monetary Policy Forecast:** PBoC held 1Y MLF at 2.50% for Oct and provided CNY789bn yuan via the facility. The 1Y and 5Y loan prime rates were kept unchanged at 3.45% and 4.20% respectively on 20 Oct. The property sector as well as the broader economy had likely benefitted from the Aug directive on SOE banks to cut interest rates on the majority of the nation's CNY38.6trn of existing mortgages. The

reductions will only affect loans on first homes. In order to ease the pressure on the NIMs, *interest rates for yuan deposits were also cut across tenors and could be announced as soon as 1 Sep.* By doing so, existing mortgage owners face less interest burden due to the rate cuts and the mortgage repayment is also reportedly reduced because of these actions. When households are less compelled to reduce their debt burden by repayments, we may be able to see more spending on services and goods.

- Thus far, growth seem to showing signs of bottoming out and we no longer look for PBoC to ease rates anymore. In addition, it is also rather clear that the NPC prefers to use fiscal stimulus and has adjusted the fiscal deficit ratio higher for this year, releasing around CNY1trn of additional bond issuance within the year meant to fund water conservancy and flood prevention projects, in addition to front-loading 2024 local bond qotas.

- **Latest Fiscal and External Balance Outlook:** Talks of a triple dip economic recovery likely spurred the NPC Standing Committee to announce more fiscal stimulus with an additional CNY1trn of supplementary government bonds for 4Q (after local government is ordered to finish its 2023 local government bond quota of CNY3.8trn). The funds are meant to be deployed for mainly disaster recovery/response/flood mitigation and comes in addition to some front-loading of 2024 bond qota as well. Budget deficit ratio will be raised to 3.8% from previous target of 3% for 2023.

- **Key domestic events and issues to watch:** Oct Caixin Mfg PMI [1 Nov], Caixin China Services PMI, BoP current account 3Q P [3 Nov], Oct trade [7 Nov], Oct CPI, PPI [9 Nov], Oct Aggregate financing, new yuan loans, money supply [9-15 Nov], Oct FDI [11-18 Nov], MLF [15 Nov]. Oct IP, retail sales, FAI, FX Net settlement on behalf of Clients [15 Nov], 1Y. 5Y LPRs [20 Nov], Industrial profits for Oct [27 Nov], NBS Mfg, Non-Mfg PMI for Nov [30 Nov].

- **Technical Analysis:** USDCNH is last seen within the 7.30-7.37 range. Momentum indicators are not able to provide much directional cues. There could be further consolidation within the range with an upside bias.

KRW: Potential to Outperform

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDKRW	**1350** (1280)	**1350** (1270)	**1330** (1250)	**1300** (1220)

Previous Forecasts in Parentheses

- **Motivations for the FX View: We revised our forecasts for USDKRW higher to account for a USD that could remain stronger for longer**

against Asian currencies. The trajectory for Asian currencies to appreciate against the USD remains intact, albeit on a more gradual basis. China's recovery has hitherto flattered to deceive, and we think that this means the expected benefit of China's recovery for the KRW could take longer to play out. We earlier noted that there were nascent signs of an improvement in export numbers for Korea and the latest optimism and hype over Artificial Intelligence (AI) should bode well for future demand for chips. Graphic processing units (GPUs) that are used heavily for the purposes of AI-related computations require memory chips that Korean companies such as Samsung and SK Hynix specialize in producing. We therefore maintain the expected downward trajectory of the KRW against the USD.

- South Korea has also been earmarked on the watch list for inclusion in the FTSE Russell World Government Bond Index, which should be further supportive of the KRW. The Korean government is also making a strong push for this to happen, although the critical question remains when they might be included. We watch developments on this front closely as the expected inflows from benchmark investors should drive the KRW stronger.

- The BOK had earlier paused on its tightening and has provided hawkish forward guidance for its future actions, should data warrant a rate hike. On the whole, should price pressures moderate from current levels, growth slow down but not tank and central banks end their tightening cycles, the global macro environment would be positive for the KRW moving forward.

- **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., and 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 3.0% in 2023 and 2.7% 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 if oil prices spike once again. Tensions in the Middle East could escalate and lift oil prices higher, which would be negative for the KRW and pose upside risks for inflation.

- **Growth and Inflation Outlook:** 3Q2023 advance estimates show that GDP grew +1.4% YoY (exp: 1.1%; prev: 0.9%) and +0.6% SA QoQ (exp: 0.5%; prev: 0.6%). South Korea's real GDP grew at +2.6% YoY in 2022. Latest consensus forecasts see growth in 2023 at 1.2% and 2024 at 2.1%. The BOK revised its real GDP growth projections downwards to 1.4% in 2023 (prev: 1.4%) and 2.2% in 2024 (prev: 2.3%). BOK is expecting challenging headwinds from global economic sluggishness and interest rate hikes, but expect the economy to pick up in 2H2023 amid an improvement in external conditions.

- On inflation, BOK expects CPI inflation to rise by 3.5% in 2023 (prev: 3.5%) and 2.4% in 2024 (prev: 2.5%). Core inflation is expected to be at 3.3% (prev: 3.3%). The expected moderation in headline price pressures is due to easing pressures from both an increased supply and reduced demand. However, this forecast was predicated on lower crude oil prices, which has thus far played out to expectations although could be under threat. Core inflation is expected to decrease at a slower than previously anticipated pace due to an increase in services demand, a tight labour market, and the lagged pass-through of accumulated cost pressures. In terms of actual outturns, Sep headline CPI inflation re-accelerated to +3.7% YoY (exp: 3.5%; prev: 3.4%), while Jun core CPI inflation was stable at +3.3% YoY (prev: 3.3%).

- **Monetary Policy Forecast:** The Bank of Korea (BOK) maintained its policy rate at 3.50% on 19 Oct in line with market consensus. This follows five similar pauses, on the back of two 25bps rate increases in Nov 22 and Jan 23. The latest language accompanying the Jul hold continues on the trend of a hawkish hold, with BOK recognizing that while inflation has slowed, they are expecting it to pick up again to around the 3% level and remain above their target for a considerable time and they remain focused on ensuring price stability. BOK mentioned that inflationary pressures have increased more than originally expected and their Board deemed a restrictive policy stance necessary for a considerable time to be able to judge if further rate increases were warranted. We think it is likely that BOK holds at the upcoming Nov meeting, barring any upside surprises to the next CPI inflation print. Moving forward, we expect this extended hold to continue, although we do not rule out either hikes or cuts should upside (or downside) risks to inflation (or growth) materialize.

- **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 trade balance in Jun came in at a -US$1.3b surplus, improving on the -US$2.1b deficit in May. Should chip demand eventually pick up, the trade balance should improve and this should provide a significant tailwind for the KRW. However, there are signs that China’s reopening effects could be delayed and this could weigh on the trade outlook for South Korea. In addition, the US has continued to be hawkish on China in terms of rolling out chip measures, which could also dampen the outlook for chips and exports for South Korea, which would be negative for the KRW.

- **Key domestic data and events to watch in Nov:** Oct Trade, S&P Mfg PMI (1 Nov), Oct CPI Inflation (2 Nov), Oct Foreign Reserves (3 Nov), Sep BoP Goods/Current Account Balance (8 Nov), Oct Bank Lending (9 Nov to 16 Nov), Oct Import/Export Price Indices, Sep Money Supply (14 Nov), Oct Unemployment Rate (15 Nov), Oct PPI Inflation, Nov Imports/Exports (20 days), 3Q Household Credit (21 Nov), 3Q Short Term External Debt (22 Nov), Oct Retail Sales (27 Nov to 30 Nov), Nov Consumer Confidence (28 Nov), Dec Business Survey (29 Nov), Oct Industrial Production and BOK Policy Decision (30 Nov).

- **Technical Outlook:** 1M USDKRW NDF last traded at 1347.70. Momentum, and RSI are at neutral levels, whilst stochastics flags overbought conditions. We see key upside resistance at 1350 and support at 1250 levels. Breakouts to the bottom are to be supported by 1200 and resisted at the top by 1400 psychological levels.

SGD: Upside to Trade-weighted Index

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDSGD	1.3650 (--)	1.3650 (--)	1.3550 (--)	1.3450 (--)

No Change to Previous Forecasts

- **Motivation for the FX View: We maintain our USDSGD forecasts is in line with our broad view for Asian currencies as USD strength has been in large part the main driver for Asian currency moves of late. We think Asian currencies will gradually appreciate against the USD, albeit at a slower pace than initially expected.**

- On a trade-weighted basis, the SGDNEER has appreciated by about 2.1% YTD. In terms of deviation from the mid-point of the policy band, the SGDNEER has remained firm and is currently at 2.08%. The SGD should remain better sheltered than other Asian currencies in an environment of high US yields, given the correlation of SG rates to US rates due to the lack of an interest rate policy. Our assessment is that MAS is likely to stand pat in Oct, and the continued appreciating stance (assumed to be +1.5% p.a.) in the SGDNEER should provide plenty of support for the SGD and result over time in a lower USDSGD.

- On 13 Oct, MAS stood pat and left policy settings (slope, centre and width) unchanged. This is the second stand pat after a series of five tightening moves that began in October 2021. This decision was in line with market consensus and with our expectations. MAS assessed that the current policy stance is "sufficiently tight" to ensure medium-term price stability. Notably, MAS said that it would now operate with a quarterly monetary policy statement moving forward. The next MAS statement is due in late Jan 2024, with Apr, Jul and Oct to be the other scheduled decisions.

- The trajectory for a lower USDSGD remains intact although it could take a longer time to come to fruition. While MAS stood pat, the current policy stance still implies a +1.5% appreciation in the SGDNEER against its trade-weighted constituents, which will also provide support for the SGD against the USD. Given that Singapore's robust macroeconomic fundamentals such as a persistent current account surplus, strong governing institutions and pro-growth policies remain intact and are fundamentally unchanged, we remain convicted on our positive medium-term view on the SGD.

- The fundamentals for the SGD have not materially changed – robust macro fundamentals in Singapore such as ample fiscal space, current account surpluses, healthy labour market and political stability etc. will continue to impart SGD some "safe-haven" appeal, which is likely to be reflected in SGD resilience in the future. Indeed since 13 Oct, the SGD continues to display signs of resilience against most other currencies on both a bilateral and trade-weighted basis. Our Taylor rule estimates show that there could be persistent upward pressures on the SGDNEER moving forward, although we do recognize that the SGDNEER has hovered around the top end of the band in our model.

- **Risks to our View:** There is a chance that global growth prospects could deteriorate further and that China's anticipated reopening effects do not live up to expectations. In such a scenario, it would be difficult for Singapore as a small country that is highly dependent on trade to escape a recession. We would therefore expect that in such a scenario, the SGD could underperform, and any SGD weakness could be further exacerbated should MAS decide to support growth by easing the current appreciating policy stance via moving to a zero appreciation path. For now this is not our baseline scenario and we do not expect MAS to ease to move to a zero appreciation path in a sudden move and expect easing, if any, to be gradual and measured.

- **Growth and Inflation Outlook:** On growth, advance estimates showed that growth surprised to the upside by +1.0% QoQ SA in 3Q2023 (exp: +0.6%; prev: +0.1%) and grew by +0.7% YoY (exp: +0.4%; prev: +0.5%). Our economists' were expecting growth to be weaker at +0.1% YoY. Actual outturns were better than expected largely due to an improvement in the manufacturing sector, which was offset by some easing in domestic-oriented sectors. MAS expects GDP growth for 2023 to come in at the lower half of the 0.5 to 1.5% forecast range. For 2024, MAS is expecting growth to come in closer to its potential rate with a slightly negative output gap amid an improvement in external conditions, as growth in major trading partners should gradually pick up in 2024. However, MAS also recognized that there would be significant uncertainty to the timing and extent of a growth recovery. Our economists maintain their GDP forecast at 0.8% in 2023 and +2.2% in 2024.

- On inflation, MAS acknowledged that inflation had come off and should continue to moderate. For 2023, MAS Core Inflation is projected to come in at around 4%, unchanged from 2022. Excluding the impact of the Jan GST hike, MAS saw core inflation lower compared to 2022. Headline inflation is expected to average around 5% in 2023 (prev: 6.1%). MAS thinks this should pick up slightly from the 4% YoY August figure amid higher COE premiums and petrol prices. In 2024, MAS Core Inflation is expected to be on a broad moderating trend and is projected to slow to an average of 2.5 to 3.5%, excluding GST this would be 1.5 to 2.5%. Our economists maintain their forecast of MAS Core Inflation at +2.8% (within the range) and raise their 2024 headline inflation forecast to +3.3% (prev: 2.9%), in line with the latest MAS guidance of 3.0 to 4.0% (2.5 to 3.5% excluding GST impact). MAS sees both upside and downside risks to inflation arising from shocks to global food/energy prices or domestic labour costs. However, sharper than expected downturns in the global economy could also contribute to easing price pressures.

- Sep headline CPI inflation printed at 4.1% YoY (exp: 4.0%; prev: 4.0%) while MAS core inflation fell to 3.0% YoY (exp: 3.1%; prev: 3.4). Inflation and core inflation in particular remain above MAS' comfort zone, given that the historical mean associated with medium term price stability stands at around 2%. At the same time, inflation and in particular core inflation, has largely been on a downward trend and has evolved in line with MAS' expectations.

- **Monetary Policy Forecast:** Given the current outlook for growth and inflation, we think it is likely that MAS will be biased towards a stand pat in Jan if MAS' core inflation remains on their projected trajectory. MAS MD Ravi Menon commented that the battle on inflation continues and earlier said that MAS was not pivoting to a growth supportive stance. MAS has however recognized that risks to both growth and inflation are finely balanced, and we think that the shift to quarterly statement would also enable them to react more nimbly to any surprises without surprising the market.

- **Latest Fiscal Outlook:** Budget 2023 came out in Feb and mainly provided more social support amid rising costs of living and the hike in GST. A deficit is still expected albeit at a relatively 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 28 Sep 2023, DPM Lawrence Wong announced an increase to the cost-of living support package for Singaporeans. This builds on measures announced at Budget 2023 and includes a roughly S$800m increase to the previously announced AP. The motivation behind this was to further cushion the impact of the increased cost of living. Overall, the total additional amount of S$1.1b remains within the fiscal budget.

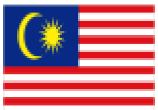
- On the revenue side, Singapore is looking to implement the Pillar 2-global minimum tax from 2025, via introduction of a Domestic Top-Up Tax, which will top up the MNE groups' effective tax rate in Singapore to 15%. This part of a broader international movement by other countries including the EU, UK 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 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. 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:** NODX recorded a 12th straight month of decline in Sep, falling -13.2% YoY (exp: -15.0%; prev: -22.5%). Electronics exports improved, but still contracted -11.6sl% YoY (prev: -21.1%). Our economists maintained the 2023 NODX forecast at -12% to -9% (prev: -9% to -6%; Jan to Jul: -15.6%). Our economists expect that the NODX decline should narrow significantly or even revert to modestly positive growth in 4Q2023 as base effects turn favourable. NORI and NORX in Sep was encouraging and our economists see green shoots of a recovery in the electronics cycle as reinforced by the latest data and improvements in Korea and Taiwan chip exports. Singapore's Current Account balance for 2Q2023 is at 18.11% of GDP (1Q2023: 18.49%). Singapore's current account has remained in a structural surplus and short term (quarterly) fluctuations are not expected to have a material impact on the SGD.

- **Key domestic events and issues to watch in Nov:** Oct Purchasing Managers Index and Electronic Sectors Index (2 Nov), Oct S&P Global PMI, Sep Retail Sales (3 Nov), Oct Foreign Reserves (7 Nov), COE Bidding (8 Nov), Oct NODX and Electronics Exports (17 Nov), 3Q Final GDP (20 to 24 Nov), COE Bidding (22 Nov), Oct CPI Inflation (23 Nov), Oct Industrial Production (24 Nov) and Oct Money Supply (30 Nov).

- **Technical Outlook:** USDSGD trades at 1.3692 levels. Stochastics flags overbought conditions, with RSI and momentum at neutral levels. Resistances are at 1.3730 and 1.38, whilst supports are at 1.36 and 1.3520 (100 dma).



MYR: Factoring Higher for Longer & Global Risk Premiums

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDMYR	4.70	4.70	4.60	4.50
	(4.65)	(4.65)	(4.55)	(4.45)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We revise slightly higher our MYR forecasts to reflect MYR sensitivities to recent market developments that are likely to be sustained further such as the moves higher in the UST yields, as well as to price in some external geopolitical risk premium which has risen in Oct even as we are waiting for signs of sustained China recovery in the background. We continue to monitor the geopolitical risk premium for now. Our baseline is for the situation in the Israel-Hamas conflict to be contained for now. Global and China growth concerns has weighed down regional currencies including MYR in Oct and RoW growth is likely to remain soft towards early 2024 thus likely to weigh on the MYR. US-MY yield differentials also remain positive (since Jul/Aug 2023) with the OPR pause at 3.0% into next year suggesting the yield differential will continue to be a key factor in weighing on the MYR and MYR assets. Our house view of Fed cuts to start in 2H 2024 and 10 year yields to remain elevated by end of 1Q 2024 suggests that the USD softness may emerge in 2Q 2024 amid the possibility of rising speculation of Fed cuts coming in earlier in the latter part of 1H 2024.

- The MYR impact from the upward momentum in global commodity prices (i.e. crude oil & palm oil) has been limited, as USD resilience remains a key driver now. These prices have risen in part due to supply side factors even as growth is slowing globally. West Texas Intermediate and Brent has held slightly below $90/bbl in Oct despite the Israel-Hamas conflict for now.

- **Growth and Inflation Outlook:** Malaysia's maiden quarterly GDP advanced estimate showed the economy grew by a faster +3.3% YoY in 3Q 2023 (2Q 2023: +2.9% YoY) and rebounded +5.2% QoQ (2Q 2023: -0.8% QoQ), while 9M2023 growth averaged +3.9% (9M2022: +9.2%). Both our and official full-year 2023 real GDP growth forecasts are +4.0% (2022: +8.7%). Actual 3Q 2023 GDP will be released on 17 Nov 2023.

- It was largely a services-driven pick up in 3Q 2023 growth. The release of advanced estimate of quarterly GDP growth is practiced by major and regional economies like US, EU, UK, South Korea Taiwan and Singapore with variance vs actual GDP growth of between -2.7ppts and +0.5ppt. Malaysia's 3Q 2023 GDP advanced estimate is based on July-Aug 2023 data/indicators covering services, manufacturing, mining, agriculture and construction sectors. The growth of +3.3% YoY was driven by faster services (3Q 2023: +5.1% YoY; 2Q 2023: +4.7% YoY), rebound in agriculture (3Q 2023: +0.8% YoY; 2Q 2023: -1.1% YoY), moderation in construction (3Q 2023: +5.8% YoY; 2Q 2023: +6.2% YoY), and virtually stagnant manufacturing (3Q 2023: -0.1% YoY; 2Q 2023: +0.1% YoY) and mining (3Q 2023: -0.1% YoY; 2Q 2023: -2.3% YoY). Firmer services sector growth reflected pick up in wholesale & retail trade, transport & storage and business services sub-sectors as well as the tourism-related food & beverages and accommodation sub-sectors, which offset the declines in finance and insurance sub-sectors.

- Headline inflation eased further to +1.9% YoY in Sep 2023 (Aug 2023: +2.0% YoY; 9M2023: +2.8% YoY; 2022: +3.3%) while core inflation steady at +2.5% YoY (Aug 2023: +2.5% YoY; 9M2023: +3.3% YoY; 2022: +3.0%). Lower our 2023 inflation rate forecast to +2.6% from +3.0% but raise 2024 inflation forecast to +3.0% from +2.5% - for now pending more information and details on Budget 2024 measures such as subsidy rationalisation and hikes in consumption-based taxes.

- With 9M2023 headline inflation rate at +2.8% YoY, we adjust downward our 2023 inflation rate forecast to +2.6% from +3.0% as base effect is expected to keep monthly inflation rate sub-3% YoY for the rest of the year.

- **Monetary Policy Forecast:** Bank Negara Malaysia (BNM) next policy statement is expected on 2 Nov. BNM kept the Overnight Policy Rate (OPR) at 3.00% at its 6-7 Sep 2023 Monetary Policy Committee (MPC) meeting. That was the second consecutive MPC meeting of "OPR pause".

- BNM's latest Monetary Policy Statement (MPS) indicates that while global economy continues to expand, global growth outlook remained subjected to downside risks and weighed down by persistently elevated core inflation, high interest rates, subdued global trade amid E&E downcycle, and slower-than-expected growth in China.

- The above impacted domestic economic growth which moderated in 2Q 2023 due to decline in commodity output and weaker external demand, and this is corroborated by high frequency economic indicators such as manufacturing purchasing managers index and external trade. But for the rest of this year and into 2024, BNM is of the view that the Malaysian economy will be supported by resilient domestic demand as favourable labour market conditions – especially in the domestic-oriented sectors – underpins consumer spending, coupled with rebounds in tourist arrivals and thus tourism-related activities. In addition, progress in multi-year infrastructure projects plus implementation of catalytic initiatives and projects under the recently announced national master plans (e.g. MADANI Economy; National Energy Transition Roadmap; National Industrial Master Plan 2030) will support investment activity.

- Domestic inflation is slowing i.e. sub-3% YoY headline inflation rate since May 2023, mainly on base effect, though remained elevated year-todate (July 2023: +2.0% YoY; June: 2023: +2.4% YoY; 7M2023: +3.0% YoY; 2022: +3.3%). Core inflation has also dipped below 3% YoY but is "stickier" as it runs faster than headline inflation and higher year-to-date vs last year (July 2023: +2.8% YoY; June 2023: +3.1% YoY; 7M2023: +3.5% YoY; 2022: +3.0%) amid easing but lingering cost pressures. We noted BNM's MPS remains ambiguous about inflation risk vs "tilted to the upside" remark in pre-July 2023 MPC MPSs as it continues to highlight that inflation outlook is highly subjected to changes in domestic policy on subsidies and price controls, global commodity prices and financial market developments, plus the degree of core inflation persistence as another lookout for inflation. But overall, BNM expects inflation to be moderate in 2H 2023.

- Expect OPR to remain at 3.00% for the rest of 2023. The key changes in BNM's latest MPS are the removals of 1) the reference on current OPR level of 3.00% as being "slightly accommodative", and 2) the remarks on "risk of future financial imbalances". We take these "omissions" to primarily to reflect the emergence of positive real OPR – implying BNM monetary policy stance is no longer "slightly accommodative" when real interest rate factor is taken into account, which also removes the "risk of future financial imbalances".

- Meanwhile, given the current context of volatile Ringgit amid the fluid outlook on US Fed's interest rate policy, the return of positive real interest rate adds to BNM's recent statement (by the Financial Market Committee or FMC on 27 June 2023) on Ringgit and market intervention in stabilising Ringgit against excessive volatility and movements.

- Taken together with the above views and outlook on growth and inflation, OPR is expected to remain at 3.00% for the rest of the year. To note, the 2-year forward rate of OPR implied from the IRS curve of 3.05% indicates market is pricing in - and signaling expectations of - no change in OPR over the medium term. There will be one more MPC meeting before the year is over i.e. on 1-2 Nov 2023.

- **Fiscal Outlook**: Budget 2024's main highlights and takeaways are: 1) sustaining fiscal consolidation with lower budget deficit to GDP ratio of 4.3% (2022E: 5%; 2020-2022: 6.1%); 2) contain tax and non-tax measures to support fiscal consolidation that are both expected (e.g. Capital Gains Tax, High-Value/ Luxury Goods Tax, Global Minimum Tax, targeted subsidy rationalisation, e-invoicing), and unexpected (i.e. hikes in Service and Sugar Taxes); and 3) aligning allocations and incentives with the recently announced policy frameworks, masterplans and roadmaps i.e. 12th Malaysia Plan Mid-Term Review (12MP MTR); New Industrial Master Plan (NIMP 2030); MADANI Economy; National Energy Transition Roadmap (NETR), thus benefitting sectors/industries/areas like construction/infra, MSMEs, electronics, chemical/petrochemicals, RE & EVs, startups, tourism, Islamic finance

& halal, food security and global services hub. Mind the gaps Information/details are lacking on some of the key Budget 2024 measures, including effective date for the implementation and the list of goods subjected to the High-Value/Luxury Goods Tax, as well as the timing and quantum of the targeted subsidy rationalization involving food, electricity and fuel subsidies, suggesting these Budget 2024 measures are still “work in progress”, hence for example the wide 2024 inflation rate forecast range of 2.1%-3.6%. We are also surprised that Budget 2024 was silent on the much-talked about Progressive Wage System (PWS).

- Targeted subsidy rationalization coming in 2024, involving food (chicken and eggs), electricity and fuel subsidies. Budget 2024 Speech mentioned the ending of subsidy for chicken and eggs that was introduced in Feb 2022 and costing MYR3.8b to-date. This is as chicken and eggs supplies have stabilized and prices have dropped to below the ceiling prices. The Government also signals that it will make further adjustment in the targeted electricity subsidy based on electricity consumption implemented this year. Fuel subsidy will also be rationalized in stages, focusing on diesel to address leakages as implied by the data showing that since 2019 to-date, sales of subsidized diesel rose 40% but vs the diesel vehicles rose by less than 3%.

- **External Balance Outlook:** Sep 2023 saw further but lesser double-digit drops in exports and imports of -13.7% YoY (Aug 2023: -18.7% YoY) and -11.1% YoY (Aug 2023: -21.2% YoY) but trade surplus improved (Sep 2023: +RM24.5b; Aug 2023: +RM17.2b). 3Q 2023 exports and imports fell by larger -15.2% YoY (2Q 2023: -11.1% YoY) and -16.3% YoY (2Q 2023: -11.5% YoY), but trade surplus decline steadied at -9.1% YoY to +MYR59.1b (2Q 2023: -9.2% YoY to +MYR53.9b), suggesting net external demand will not be a larger drag on 3Q 2023 GDP.

- **Key domestic events and issues to watch:** S&P Global PMI MFG (1 Nov); BNM Policy Statement (2 Nov); Oct Foreign reserves (7 and 22 Nov), Sep Manufacturing sales, Sep IP (7 Nov), GDP (17 Nov); BoP Current Account Balance (17 Nov); Oct Trade data (20 Nov); and Oct CPI (24 Nov).

Technical Outlook: We stay wary of further upside near term for the pair given the uncertainty on what level UST yields would peak. Resistance is at 4.8000 and 4.8500. Support is at 4.7495 and 4.7000.

IDR: High Yields To Keep Hurting

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDIDR	15,500 (--)	15,500 (--)	15,200 (--)	14,800 (--)

No Change from Previous Forecasts

- **Motivation for the FX View:** We continue to hold our forecasts for the USDIDR expecting the IDR should get some relief towards year end from current levels as the USD may seasonally come off in Dec. The USDIDR's elevated levels are likely to keep persisting into well into next year amid the risk of an extended presidential election contest and US rates staying higher for longer. Significant relief may only come in the in 2H 2024 when the Fed is likely to engage in a cut by then and the political uncertainty has dissipated. Bond inflows too may only more strongly return by then. Even though we expect BI to undertake another hike again, we believe that this may at most only help prevent a further decline in the currency. However, we would also like to note of some risks to the IDR into next year that could limit strengthening when it does occur. This is the possibility that the trade balance could structurally shift to a deficit on lower commodity prices.

- **Growth and Inflation Outlook:** 2Q GDP accelerated to the fastest pace in three quarters at 5.17% YoY (est. 5.00% YoY and 1Q. 5.03% YoY) on the back of stronger domestic consumption and investment, which in turn offset lower net exports. The latter was due mainly to lower prices for many of Indonesia's key commodity exports that include palm oil and coal. There was also notably broad-based improvement across most of the sectors. Going forward, our economists continue to maintain that growth should come out at 5% for 2023 as steady domestic demand cushions the softer demand from China and other external markets. Regardless, even so domestic demand would also ebb, which could be reflected in the already slowing credit growth.

- Sep headline inflation fell to the lowest since Feb 2022 at 2.3% YoY (Aug. 3.3% YoY). Core inflation cooled further to 2.0% YoY (Aug. 2.2% YoY). Food, beverage & tobacco inflation climbed to 4.2% YoY, the highest since May due to higher rice (resulting from the El Nino effect) and cigarettes prices. Fuel prices were also higher as global prices climbed. However, most categories moderated guiding the overall numbers downwards. Our in-house economists continue to maintain the 2023 inflation forecast at 3.7%. Transport inflation should remain benign, as favorable base effects from last year's subsidized fuel price hike dominate. Food inflation will likely climb further in the fourth quarter, as base effects dominate, rice prices remain elevated and El Nino affects agricultural supply. All in, headline inflation may not have much further to fall, or could pick up slightly from current rates. They see 2024 inflation at 3.00%.

- Retail sales in Sep further slowed to 1.0% YoY (Aug. 1.1% YoY). On a monthly basis, it actually fell by -1.9% MoM with motor vehicle sales declining for a third consecutive month. Meanwhile, the Sep consumer confidence index hit a 9-month low at 121.7 (Aug. 125.2), although seasonal effects could be responsible for this weakness and consumer confidence could improve in the fourth quarter. Overall, these numbers imply a certain level of concern about the state of the domestic economy and in some sense does complicate the situation for BI to hike further.

- **Monetary Policy Forecast:** BI surprised the market by raising rates by 25bps to 6.00%. The decision clearly looked to be driven by IDR concerns as the central bank stated that this was done to "bolster rupiah stabilization policy against heightened global uncertainty". However, we did not believe that this one hike can do enough to move the needle for the IDR and we appear to have been proven right so far with the IDR having continued to weaken after the decision. After all, real rate differentials between the IGBs and USTs are at the narrowest levels since 2018. Given that it remains uncertain where the peak lies for US rates, we are not ruling out if BI as a whole is starting to engage in another round of a rate hike cycle. For now, our in-house economists are calling for BI to engage another rate hike. The central bank on its part believes that the Fed may hike again before the year end.

- The central bank would also be issuing FX-denominated securities with notes called SVBI and SUVBI to attract inflows. The notes will use global bonds and sukuk held by the central bank as underlying assets. SVBI would be issued in 1-, 3-, 6-, 9- and 12-month tenors and SUVBI would be in 1-, 3- and 6-month tenors. The securities can be traded by both domestic and foreign investors in the secondary market but it can only be purchased by commercial banks and Shariah-compliant banks in the primary market. We will closely watch the impact that these instruments can have in supporting the IDR. Meanwhile, the SRBI holds an outstanding Rp 113.7tn ($7.2bn) to date, but only Rp 10tn is held by non-residents, showing the limited foreign interest. However, we do recognize that the instrument may be more targeted towards improving money market operations and to deepen the short term instrument market.

- **Latest Fiscal Outlook:** The budget 2024 deficit target has been set at 2.3% of GDP on the assumption of 5.2% GDP growth and inflation forecasted at 2.8% in 2024. The government will be raising expenditure by 6%. They highlighted importance on food and energy security as they earmarked Rp108.8tn to maintain stable prices, increase farm output and develop the government's ongoing food estate program. This comes in the face of adverse weather conditions such as El Nino and rising global food protectionism that could lead to upside risks to inflation. They have also set aside 12.8% of the budget for infrastructure. Rp52tn would also allocated to increases civil services salaries and raise government pensions which could be seen as a measure to boost domestic consumption and support the economy. The overall deficit target itself is not dissimilar to the 2.28% set in 2023 and it is near the pre-pandemic levels. The IDR has been favored among the high yielders given the government's disciplined fiscal approach and the trade surplus. However, the shrinking trade surplus and the current account turning into deficit (talked about in the next section) could risk unravelling this favorability.

- On the political front, Jokowi's son Gibran Rakabuming Raka was selected to run as vice president alongside Prabowo Subianto. Current rules require the candidates to be at least 40 years old to run for vice president but 36 years old Gibran was allowed to stand on the basis that the court had given an exception to the rule for those who have held public office. Prabowo has reportedly been leading in the polls so far, albeit just slightly and teaming up with Gibran in some sense has brought more supporters to his fold. However, criticism regarding a Jokowi dynasty could hurt the ticket. The race as it stands is three way. One of the other candidate is PDI-P former Central Java Governor

Ganjar Pranowo who is running alongside Chief Security Minister Mahfud MD. The third candidate is Anies Baswedan, a onetime Jakarta Governor and whose running mate is Muhaimin Iskandar, the Deputy Speaker of Parliament. We continue to watch how political developments and stay cognizant of the risks of it being an extended contest.

- **Latest External Balance Outlook:** The country maintained a trade surplus in Sep as it widened to $3.4bn (est. $2.3bn and Aug. $3.1bn). However, trade as a whole actually slump as exports fell by an astounding 16.2% YoY and imports declined by 12.5% YoY. The weaker commodity prices for both coal and palm oil compared to last year looks to have weighed exports this year. Production constraints also looked to have affected coal exports. Some miners have hit their initial production quota based on estimates submitted to authorities at the start of the year, and require approval to raise production. Approval of revised production plans is usually granted by this time of year, but has reportedly been suspended for rest of the year. On the imports side, capital goods imports continued to decline for a second month, suggesting that investment is weakening. Broad contractions were also observed in other categories such as raw materials, machinery, electric & electronic equipment, machinery & mechanical appliances and electrical machinery & equipment. The country is still likely to maintain a trade surplus for the rest of this year. However, we note the risk of this surplus shrinking and the CA deficit widening overtime, which all in turn weighs on the currency.

- Foreign reserves shrunk further to $134.90bn (Jul. $137.1bn) in Sept as it continued its downward trend. The decline came on top of the IDR coming under greater pressure from higher UST yields. The downtrend could persist into October given the continued pressure the currency is facing. Overall, the foreign reserves levels are still not of concern yet given that it stands at 6.1 months of imports (internationally adequacy standard is 3 months).

- Indonesia continued to experience net outflows month to date as of 27 Oct 2023 of -$0.89bn. Appetite for EM bonds have been hit hard in Oct by the climbing UST yields amid the "higher for longer" Fed rates narrative. The Gaza conflict has also hurt EM sentiment. We expect appetite for the Indo GBs to remain weak in the coming months given the political uncertainties related to the Indonesian Presidential election and anxiety on elevated rates. Strong inflows into IGBs may not happen until 3Q 2024 next year when a Fed cut becomes clearer in sight. Also, political uncertainties related to the Indonesian Presidential election would have dissipated by then. Overall, this unfavorable bond flows situation would a major factor that would keep the currency at weak levels into the end of 1H 2024.

- Meanwhile, equity outflows persisted at -$0.41bn month to date as of 30 Oct 2023. Global equity markets sentiment had been hurt by the confluence of events/developments that include the Gaza conflict, the rising UST yields and mixed earnings. We expect equities continue to struggle into year-end as investors continue to feel edgy about these events. A santa rally looks unlikely to happen this year.

- FDI for 2Q 2023 was at $4.9bn (1Q 2023. $5.1bn) and was roughly at similar levels as the same time last year, being only -1.1% less. We stay wary that FDI could slow in the coming months building up to the general elections in Feb 2024 and investors adopt a wait-and-see approach. The risk of lower inflows from this angle also supports our thesis that the IDR could remain at weak levels for the 6-9 month horizon.

- **Key domestic events and issues to watch**: Oct S&P PMI mfg (1 Nov), Oct CPI (1 Nov), 3Q GDP (6 Nov), Oct foreign reserves (7 Nov), Oct consumer confidence index (8 Nov), Oct trade data (15 Nov), Oct local auto sales (15 – 21 Nov), 3Q BoP CA balance (21 Nov) and BI policy decision (23 Nov).

- **Technical Outlook:** On the daily chart, we see the next level of resistance is at 15967 and 16131. Support is at 15700 and 15400.

PHP: Hikes To Keep Currency Supported

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDPHP	**57.00** (--)	**57.00** (--)	**56.50** (--)	**55.50** (--)

No Change from Previous Forecasts

- **Motivation for the FX View:** We hold on to our USDPHP forecast expecting the pair to be generally steady in the next few quarters. The BSP's jawboning together with hikes is likely to keep the currency supported and prevent any further slide in it amid pressures from elevated UST yields. The BSP had recently undertaken an off-cycle hike in the month of October and the possibility of another hike in November cannot be ruled out. Inflation and the feed loop to price pressures from a weaker currency looks to keep the central bank on the edge. Relief for the PHP may only come from 2Q 2024 onwards once the Fed softens its stance and eventually undertakes a cut in 2H 2024. Even so, the PHP appreciation maybe limited amid concerns about the state of its economy that could be weighed down by rates holding high for so long. Fiscal issues are also likely to be another consistent negative for the currency into next year, holding back any substantive gains for the PHP.

- **Growth and Inflation Outlook:** 2Q GDP growth fell off substantially and well below expectations at 4.3% YoY (est. 6.0% YoY and 1Q. 6.4% YoY), which was due to easing domestic demand growth. It appears that the elevated levels of interest rates is started to weigh on the domestic demand, which had been a scenario that we feared playing out. A business outlook survey by the BSP itself showed that a higher number of respondents now cite that business is constrained by higher rates. The high interest rates could keep weighing on domestic demand going into the second half of 2023. Net external demand meanwhile did improve on top of a pick-up in exports whilst imports stagnated. However, the global economic environment could see more slowdown amid higher Fed rates, which could hurt the external sector and weigh on growth. Our in-house economists are consequently revising the entire year forecast down to 5.2% from 5.5% in 2023.

- High frequency indicators such as the Sep S&P Global Mfg PMI edged back up into expansion territory at 50.6 (Aug. 49.7). However, we do not believe that the number would signal any upturn in the manufacturing sector and expect that the downtrend could continue given the weakening global economy.

- Headline inflation continued to reaccelerate for the month of Sep as it rose to 6.1% YoY (Aug. 5.3% YoY). This was mainly driven by a continued pick up in food prices due to El Nino conditions. Rice prices in particular surged an astounding 17.9% YoY (Aug. 8.7% YoY). Housing, water, electricity, gas and other fuel was steady though. Core inflation meanwhile actually decelerated to 5.9% YoY (Aug. 6.1% YoY) although it stays elevated. As a whole, inflation looks like it could still face further upside risks given the unfavorable weather conditions (affecting food prices), the proposed PHP150 daily nationwide minimum wage hike and risks related to a rise in transport costs (resulting from high oil prices). Consequently, it looks like the BSP could keep facing the pressure for more hikes, which can give support for the PHP although we stay wary about the long term implications of such elevated rates on the economy.

- **Monetary Policy Forecast:** BSP undertook an off-cycle hike in Oct to bring the rates to 6.50% from 6.25%. The move was no surprise to the market as the Governor had already mentioned repeatedly about the possibility of it happening. Both a reacceleration in inflation together with the feedback loop of a weaker currency increasing pressures look to have pushed the BSP to undertake that hike. The telegraphing move and its eventual undertaking looks to have helped at least keep the currency stable in recent weeks. A further hike by BSP in Nov though cannot be ruled out as Governor Eli Remolona has said there's a "chance" there could be or not be a hike. The BSP itself has said that they will be "conscious" of data coming out before the meeting to determine whether to undertake another hike. However, Remolona has said that a 25bps is more likely than a 50bps. Continued pressure on the PHP amid high US rates with the risk of another Fed hike looming could look to really lead to another hike by the BSP.

- **Latest Fiscal Outlook:** Sep budget balance deficit was wider at –PHP250.9bn (Aug. –PHP133.0bn) as revenue shrank by -11.57% YoY whilst spending rose by 8.06% YoY. From Jan – Sep, the budget was in deficit at PHP983.5bn, which is lower compared to the same period last year at PHP1.01t (though that was a period when the economy was just barely emerging out of the pandemic). Fiscal pressures are likely to keep persisting amid high budget spending, which in turn would be a factor that weighs on the PHP and limit its strength going forward.

- **External Balance Outlook:** Aug trade balance remained wide at -$4.1bn (Jul. -$4.2bn) as the fall in imports was lower than the prior month at -13.1% YoY (Jul. -15.2% YoY). However, exports did rebound at 4.2% YoY (Jul. -0.9% YoY) as exports of minerals rebounded whilst manufacturing exports posted a fourth consecutive month of growth. The import decline was driven lower imports of mineral fuels, lubricant

& related metals, raw materials & intermediate goods and capital goods. However, there continued to be arise in the imports of consumer goods. Our in-house economists exports and imports to shrink in 2023 amid a subdued external trade environment. They see the full year 2023 trade deficit should come out at -$54.0bn and therefore the external position should continue to be a negative for the PHP.

- Aug OFWR growth picked up to 2.7% YoY (Jul. 2.6% YoY) although it did fall on a monthly basis by -6.6% MoM to $2.2bn. The Department of Migrant Workers expects that 2023 OFW deployment should breach 2m this year (2022: 2.057m) whilst at the same time, our in-house economists see that OFWR should grow by 3.0% YoY in 2023 to hit $33.5bn. Even if there maybe a risk of a slowdown in the global economy, our in-house economists continue to believe that repatriation should still hold up as OFWR has proven to be resilience in the last two global downturns when OFW sustained their remittance to support their families during tough economic periods.

- Bonds saw foreign net outflow of -$0.29bn for the month of September. Persisting concerns of a "higher for longer" narrative regarding rates looks to be hurting the appetite for EM bonds and leading investors to pull out. We expect outflows to have continued into October and to get little relief given the climb in the UST yields then. Pressure looks likely to persist we believe possibly into at least early next year as there remains plenty of risk on the horizon including the possibility of the Gaza conflict spreading.

- Meanwhile, equities saw a net outflow of -$0.17bn as of 27 Oct 2023, which was a reflection of the weakness in the global equity markets. Sentiment for equities globally have been hurt by the geopolitical concerns of the Gaza conflict in addition to mixed earnings and higher yields generally. We expect equities continue to struggle into year-end as investors continue to feel edgy about these events. A santa rally looks unlikely to happen this year.

- FX reserves further declined in Sep to $98.7bn (Aug. $99.6bn) as the PHP comes under pressure from the higher yields and the strong USD. So far the decline in the reserves looks rather small and we expect that it should see more substantial decline going forward amid the continued pressure the PHP faces. As a note, looking back at last year, foreign reserves fell by about $14bn between April 2022 to Dec 2022 when the currency came under pressure. Previously, the BSP has signaled that they have actually been intervening to keep the PHP at below 57.00 against the USD. Remolona himself said, "there are resistance levels, and when those are crossed, you'll suddenly see trades in the same direction. There's herding". He also said, "there are narratives in the market that are sometimes wrong. That pushes the peso in the wrong direction and that calls for some intervention and some clarification".

- **Key domestic events and issues to watch**: Oct S&P PMI (3 Nov), Oct CPI (7 Nov), Sep trade data (7 Nov), Oct foreign reserves (7 Nov), Sep unemployment rate (8 Nov), 3Q GDP (9 Nov), Sep OFWR (15 Nov), BSP policy decision (16 Nov), Oct BoP overall (20 Nov), Oct budget balance (29 Nov), Oct bank lending (30 Nov) and Oct M3 money supply (30 Nov).

- **Technical Outlook**: The pair is likely to continue to trade around the 56.00 – 57.00 range. Resistance is at 57.00 and 57.50. Support is at 56.50 and 56.04 (Aug low).

THB: Stay Positive

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDTHB	**36.00**	**36.00**	**33.50**	**32.50**
	(36.50)	(36.50)	(35.00)	(34.00)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We lower our USDTHB forecasts to reflect a more positive outlook for the THB. Whilst directionally it remains the same, we believe a number of THB related positive factors are likely to give the currency a lift. This includes the higher gold prices, which has already been reflecting in the stronger export numbers. Also, bond inflows after the recent heavy sell off is likely to provide additional support for the currency. In the medium term, we continue to retain a positive view on the THB as we believe that a confluence of factors are likely to give it more support. This includes a pick-up in more tourism inflows into the country in 2024. Also, there should be an improvement in equity inflows and FDI as investors warm more to the business friendly Pheu Thai led government. Overall, we continue to hold the view that THB could be an outperformer among regional peers going into next year.

- **Growth and Inflation Outlook:** 2Q GDP growth disappointed at 1.8% YoY (est. 3.0% YoY and 1Q 2.6% YoY) on top of a slump in public consumption and subdued exports growth due to weaknesses in China's economy. Investment also slowed amid the political uncertainty. Despite this, our in-house economists are optimistic that growth can pick up from here. With the new government in place, political uncertainty should dissipate, and government spending and private investment should be pick up. Private consumption should also strengthen as the new government rolls out supportive measures that include cash handouts to the youth, raising the minimum wage and a household income guarantee of 20,000 baht. Regardless, our in-house economists have further revised down 2023 growth 3.2% YoY to 2.9% YoY.

- Sep CPI slowed to 0.30% YoY (Aug. 0.88% YoY) as it remained at a subdued level. The core number itself also decelerated to 0.63% YoY (Aug. 0.79% YoY). The headline number reflected the government's energy subsidies whilst the core itself highlighted weak demand continues to be. Raw food prices actually was deflationary despite unfavorable weather conditions. Services inflation itself also continued to moderate. Going forward, it looks like inflation could continue to moderate into the final quarter even as the BOT believes that demand side pressures should pick up. Despite the subdued inflation situation, our in-house economists are still expecting to BOT to stay on hold.

- **Monetary Policy Forecast:** The BOT had last raised rates at the Sep meeting by 25bps to 2.50%. There was no meeting for the month of Oct. For now, we are not expecting them to hike any further as they signaled at their last meeting that the hike then was likely to be the last. Specifically, they had mentioned they now see the “current policy interest rates to be appropriate for supporting long-term sustainable growth”. However, they had also flagged “upside risks from government economic policies”, which could be seen as caveat for the potential of future hikes. Our in-house economist expect that the BOT should remain on hold for the rest of this year unless the fiscal stimulus turns out to be excessively expansionary, which fuels added inflationary pressures. We also expecting the BOT to stay on hold for the entire 2024. Overall, there is likely to be no further support for the THB from a domestic rates angle.

- Foreign reserves as of 13 Oct was at $211.4bn as it declined amid the pressure that the THB has been facing. Since the start of September, the amount of foreign reserves has declined by nearly about $6.0bn. The decline had been in line with our expectations and the pressure may still persist for a while. However, we expect that it could ease closer to the year end as the USD seasonally comes off.

- **Latest Fiscal Outlook:** The cabinet unveiled a FY24 fiscal budget that stood at 3.6% of GDP (up from the prior 3.0% of GDP proposed by previous government). It does though represent a narrowing from FY23 at 3.8% of GDP. The new budget is envisaging higher spending at THB3,480bn (prior. THB3,350bn). Revenue is expected to come out at THB2,787bn (prior. THB2,757bn). The rise in expenditure looks to be reflective of the THB560bn digital wallet policy (expected at 3.0% of GDP). There would also be energy subsidies support where a diesel tax cut by THB2.5/litre would result in forgone revenue. Electricity tariffs are also being lowered to THB4.10/kw from THB4.45/kw for September – December. The increased in deficit has certainly raised concerns about the TGB supply near term and weighed on the THB. However, we think that a substantial amount of this concern has been priced into the currency. Also, the pro-growth nature of the government’s policies should gradually attract more foreign inflows in the medium term and give the THB a lift.

- Other policy priorities laid out by the budget included tourism promotion – arrivals from China and Kazakhstan will be exempt from visa requirement from 25 Sept 2023 to 25 Feb 2024 and a debt moratorium – this would cover farmers and SMEs for three years starting 4Q 2023. The former could go somewhere to bring back more tourist inflows into Thailand, improving the external position and giving support to the THB.

- **Latest External Balance Outlook:** There was a bright spot for Thai economic data in the month of Sep as trade surplus widened to $2.10bn (Aug. $0.36bn). This was driven by a growth in exports by 2.10% YoY which was due surging rice and durian shipments in addition to gold exports. Global supply crunch for rice looks to have supported demand for Thai rice even as there were extreme weather patterns in parts of

Thailand. The rise in gold exports meanwhile had actually occurred despite prices falling in Sep. With the big jump in prices in Oct, there is more so the reason why we can't rule out that exports of gold can still hold up well. On the import side, there was quite a sharp plunge at -8.30% YoY amid lower gold imports, which also helped to offset rising fuel imports. We stay wary if the country can consistently maintain a trade and current account surplus given that this recent number was mainly driven by a highly volatile commodity – gold. All that said, gold demand could still hold up well in the coming months if the global geopolitical situation remains tense.

- The Ministry of Tourism and Sports reported that Sep foreign tourist arrivals declined to 2.13m (Aug. 2.47m) which could be due to some seasonal weakness. Regardless, it still marked a further climb to 73.4% of 2019 level in Sep from the 71.2% in Aug. An increase in Indian tourists had helped offset the weaker arrivals from China as visa exemptions were implemented only from 25 Sep. Tourists arrivals should pick up more in the coming months as the peak holiday season comes in full swing and this should provide support for the THB.

- From a portfolio perspective, there was a turnaround for Thai bonds as they saw an inflow of $0.45bn as of 30 Oct 2023. The heavy outflow and selloff in the prior month looks in some sense to have been overdone. Also, the governments digital wallet scheme looks like it would be scaled back amid concerns from various quarters. It would also be facing a seven-month delay and is expected to be only launch in Sep next year. This looks to have also allay some of the concerns that investors had regarding the budget policies of the new government and given support to Thai bonds. Going forward, we expect inflows to be a bit more subdued in the coming months amid the confluence of external factors that could hurt sentiment to EM assets. These include the Gaza conflict and persistently elevated UST rates.

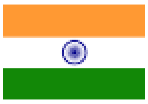
- On equities, there was a net outflow of -$0.37bn as of 30 Oct as sentiment towards global equity markets was weighed upon by the confluence of events/developments such as the Gaza conflict, higher UST yields and mixed earnings. We expect equities continue to struggle into year-end as investors continue to feel edgy about these events. Some edginess on the policies of the new government looks to have also kept investors at bay. Regardless, we remain optimistic about Thai equities medium term as we believe investors would gradually warm more to the business friendly led Pheu Thai government and spur more equity inflows.

- FDI for 2Q 2023 was much lower at $0.28bn (1Q 2023. $2.0bn). However, 2Q FDI tends to seasonally the low point for the year. Regardless, the 2Q 2023 level was still about 40% lower compared to the same period in 2022. Political uncertainty could have been a factor holding off investment back in 2Q 2023. Going forward, with the new business friendly Pheu Thai led government in place, we do not rule out FDI momentum picking up more.

- **Key domestic events and issues to watch**: Oct S&P PMI mfg (1 Nov), Oct business sentiment index (1 Nov), Oct CPI (6 Nov), Oct consumer confidence (7 – 13 Nov), Oct car sales (18 – 24 Nov), 3Q GDP (20 Nov), Oct customs trade data (23 – 28 Nov), Oct ISIC mfg production index (24

- 30 Nov), Oct ISIC capacity utilization (27 – 30 Nov), BoT policy decision (29 Nov), Oct BoP CA balance (30 Nov), Oct trade data (30 Nov) and Oct BoP overall balance (30 Nov).

- **Technical Outlook:** On the chart, we see resistance at 36.50 and 37.00. Support is at 35.91 (Fibo retracement of 38.2% from Jul low to Oct high) and 35.50 (Fibo retracement of 50.0% from Jul low to Oct high).



INR: Leaning Against the Wind

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDINR	83.50 (82.50)	83.50 (81.00)	83.00 (81.00)	82.50 (78.00)

Previous Forecasts in Parentheses

- **Motivation for the FX View: We revised our USDINR forecasts higher in line with other Asian currencies to reflect that USD strength could persist a tad longer.** Current forecasts are roughly in line with current spot to reflect that the RBI highly prefers a more stable USDINR exchange rate. USDINR remains one of the more stable pairs as the RBI sticks to its preferred approach of “leaning against the wind” to allow for orderly conditions in the FX market. The trajectory of our forecasts remains intact as we believe Asian currencies will still appreciate, albeit more gradually, against the USD.

- On FX intervention, we think that it is likely RBI sticks to its approach of “leaning against the wind” to enable orderly conditions in the FX market. India relies heavily on capital flows to fund its current account deficit and this opens the Indian FX market to large and lumpy flows which then generate bouts of volatility. The RBI steps in to then cushion this volatility and broadly means that they accumulate reserves in times of USD weakness and expend reserves in times of USD strength. As expected, this has played out with India’s foreign reserves falling to US$515.20b in October, amid a bout of broader USD strength, while their net forward book still stood at US$10.0b in August.

- India’s external position has also improved as its current account deficit has narrowed to around 1.7% of GDP in 2Q23 from 2.0% of GDP in 1Q23, compared to 2.2% of GDP in 4Q22. This is due to a combination of commodity prices coming off and a resurgent post-pandemic export of Indian services. All in all, this has provided the INR with some support as it remains resilient.

- We think USDINR should gradually trend lower over the next four quarters as economic fundamentals remain robust. GDP growth has been healthy, inflation has meaningfully abated and the current account deficit has improved. That said, RBI’s approach of leaning against the wind should keep USDINR within a controlled range and we should see an increase in India's FX reserves over this period. We also caution that RBI's approach makes it tricky to profit from a long INR position.

- India's sovereign debt has been earmarked for inclusion in JP Morgan administered emerging market bond indices from June 2024. Finance Minister Nirmala Sitharaman said that this could bring inflows worth US$23b to India, with India's weight expected to reach the maximum threshold of 10% in GBI-EM Global Diversified and approximately 8.7% in the GBI-EM Global Index. According to JPM, 23 IGBs with a combined notional value of US$330b are eligible for inclusion, with these bonds falling under the "fully accessible" (FAR) category for non-residents. We expect this development to be positive for the INR and could drive further inflows should India's sovereign debt see further inclusions into other global bond benchmarks.

- **Growth and Inflation Outlook:** India's 2Q23 GDP grew by 7.8% YoY (exp: 7.8%; prev: 6.1%). Growth in India continues to be strong and underpinned by growth friendly government policies. This particular print was driven by a steep climb in services sector growth. Strong gains were observed in the financial, real estate and professional services sectors. Meanwhile, manufacturing growth fell short of expectations in line with the drag from global headwinds.

- CPI inflation has largely abated in India as food prices meaningfully undershoot expectations and core inflation has moderated despite remaining sticky in 2022. Headline inflation moderated further in Sep at 5.02% YoY (exp: 5.40%; prev: 6.83%), while core inflation similarly eased to 5.00% (prev: 5.40%). A disinflationary trend is clearly present and the inflation situation in India thus looks to be under control, which is something that some other jurisdictions still appear to struggle with.

- Industrial Production in Aug came in stronger than expected at +10.3% YoY (exp: 9.1%; prev: 6.0%) amid broad increases across all categories. Strong IP figures continue to underpin a healthy growth outlook for India moving ahead.

- **Monetary Policy Forecast:** In essence, the RBI is in a sweet spot given the healthy growth outlook and with inflation broadly under control. Broad consensus expects that the RBI will be on a prolonged pause and the bigger question when or if there will be a change in its stance of "withdrawal of accommodation" to "neutral". Given that upside risks to inflation still exist e.g. oil/commodity price shocks, rising geopolitical tensions and El Nino affecting food prices, we look for RBI to maintain their policy rate at the upcoming meeting, and perhaps for it to refer to the positives while retaining some flexibility to react to any changes to the growth/inflation outlook. Our base case is therefore for the RBI to hold their policy rate steady, and continue to mention the need for policy to be sufficiently tight or restrictive to control inflation. This is in line with the RBI's latest Oct statement and the accompanying minutes which emphasized the need to keep monetary policy conditions sufficiently restrictive in order to control inflation. We expect this extended hold stance to continue into 2024, although we cannot rule out rate cuts as early as 2Q2024, as long as inflation remains under control, to be more growth supportive.

- **Latest Fiscal and External Balance Outlook:** India's FY23 budget remains an expansionary one with expenditures estimated to be at US$560b and revenues at US$530b. The fiscal deficit however is expected to fall to 5.9% of GDP (prev: 6.4%). The budget looks to lend economic support through favourable income tax structures, an increase in government capital spending and a push toward job growth and support for agricultural and adjacent sectors.

- India's Sep Merchandise Trade Balance stood at -US$193.77b (exp: -US$232b; prev: -US$241.6b), a narrowing deficit that indicating that India's external balances are improving. The 2Q 2023 current account also reflected a narrowing deficit. At the margin, this should provide support for the INR, even though the external balance remains in deficit.

- **Key domestic events and issues to watch in Nov:** Oct S&P Mfg PMI (1 Nov), Oct S&P Services/Composite PMI (3 Nov), Sep Industrial Production (10 Nov), Oct CPI Inflation (13 Nov), Oct Imports/Exports/Trade Balance (13 to 15 Nov), Oct Wholesale Prices (14 Nov), Oct Fiscal Deficit and 3Q2023 GDP (30 Nov).

- **Technical Analysis:** 1M USDINR NDF last traded at 83.33 with stochastics and momentum indicators in neutral territory. Pair has been stable and trades within a 82.925 to 83.535 range over the past month. Expect RBI's stance to keep the pair stable moving forward.

VND: Pressured by US rates

Forecast	4Q 2023	1Q 2024	2Q 2024	3Q 2024
USDVND	24,500 (--)	24,500 (--)	24,200 (--)	24,000 (--)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** Elevated UST yields and USD strength continued to keep the USDVND on the upmove. In addition, scrutiny remains on the arrests of the two former chairpersons of Saigon Commercial Bank which experienced a bank run last year drew attention to the surge in non-performing loans at home (last at 3.36% of total outstanding loan, a high not seen since 2015). That might have dampened VND sentiment even further.

- We are cognizant however, that room for further USD strength at this point could have reduced at this point as the strength of the US economy. In addition, SBV has started bill issuance in Sep via open market operations in order to soak up excessive VND liquidity at home and to help prop up the VND. However, into the end of Oct, SBV has started to become a net injector of liquidity as T-bill issuance volume reduces per session with interest rates offering on T-bills on the rise. There was a surge in the average interbank overnight VND interest rates towards the end of Oct due to seasonal year-end demand.

- On the other hand, FDI inflows remains healthy with average pace of around $1.9bn of realized FDIs seen for the past 12 months, cushioning the VND. Realized capital inflow in Oct was sizeable at USD2.09bn. Meanwhile, registered FDI was bumped by USD5.55bn in Oct vs. average pace of USD2.67bn seen in the past 12 months. While USDVND might seem pretty elevated now and there could even be more risks of upside should US economic resilience continue to surprise us, our base case scenario is still for an eventual slowdown for the US and for most central banks (including the Fed) to end their respective tightening cycles. Potential for a gradual China recovery, release of key electronic products may even generate an export recovery for Vietnam into the 4Q of the year and that is positive for VND. Exports just clocked a year-on-year growth of +5.9%y/y, continuing the pace of exports recovery from Sep. Trade balance widened to $3bn from previous $2.29bn.

- **Growth and Inflation Outlook:**

- Our economist maintained 2023 GPD forecast at 4.8%, with growth rebounding to an estimated 6% in 2024. Electronics recovery have spurred the exports to continue to rise in Oct and that has potential to broaden to other products due to the upcoming festive season shopping, falling US inventories and shift in consumer shopping towards goods from services.

- Inflation is seen at 3.4% for 2023. CPI for Oct has eased to 3.6% from 3.7% in the month prior while core inflation remains on a downtrend towards 3.4% vs. previous 3.8%. Food inflation seem to have moderated due to 2.8%y/y from previous 2.9%. Houainf & construction eased to 6.9%y/y from previous 7.3%. Transport accelerated to 3.9% vs previous 3.2% but fell -1.5% on the month.

- **Monetary Policy Forecast:** SBV has started bill issuance in Sep via open market operations in order to soak up excessive VND liquidity at home and to help prop up the VND. Towards the end of Oct however, interbank rates surged on year-end seasonal demand. Further move up in the USDVND could be more gradual and we continue to look for SBV to issue T-bills to prop up the VND.

  With VND a priority for SBV, there is little room for the central bank to cut policy rates in order to support credit growth and domestic demand even though SBV Deputy Governor Dao Minh Tu was cited saying that key rates could be lowered if market environment is favourable. Base case is for SBV to stand pat on policy rates. Based on the weekly report released by SBV on money market and interbank market, the 1M onshore interbank rate differential between USD and VND seem to have narrowed a tad from 400bps to around 360bps (based on report for the week ending 13 oct). We cannot rule out the risk of a rate hike by SBV in order to strengthen the VND even more. However, that remains less likely as well given recent concern on credit growth. Jan-Oct credit growth is around 7.1%, well below the lending growth target of 14-15%.

- **Latest Fiscal and External Balance Outlook:** Current account surplus grew to $19.3mn for 2Q 2023 vs. $6.5mn in 1Q 2023. Trade balance of goods had in surplus with the latest recorded USD2.12bn vs. previous USD3.82bn. Exports growth for Sep rebounded 4.6%y/y from previous -7.6%, the first yoy growth since Feb. Imports grew at a more modest 2.6%y/y vs. previous -8.3%.

- As for fiscal, based on the MOF report, 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 deficit at VND25trn (0.24% of GDP). That said, the expenditure may still be relatively unchanged as PM Pham has been urging for speedier disbursements of public investment in order to spur growth.

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

FX Forecasts

	End Q4-23	End Q1-24	End Q2-24	End Q3-24	End Q4-24
USD/JPY	150.00	150.00	145.00	140.00	136.00
EUR/USD	1.0550	1.0600	1.0700	1.0800	1.1000
GBP/USD	1.2000	1.2000	1.2100	1.2200	1.2300
AUD/USD	0.6500	0.6500	0.6800	0.6800	0.7000
NZD/USD	0.6000	0.6000	0.6200	0.6300	0.6300
USD/CAD	1.3600	1.3600	1.3300	1.3300	1.3000
USD/SGD	1.3650	1.3650	1.3550	1.3450	1.3400
USD/MYR	4.7000	4.7000	4.6000	4.5000	4.4000
USD/IDR	15500	15500	15200	14800	14600
USD/THB	36.00	36.00	33.50	32.50	32.00
USD/PHP	57.00	57.00	56.50	55.50	54.50
USD/CNY	7.25	7.25	7.20	7.20	7.20
USD/CNH	7.25	7.25	7.20	7.20	7.20
USD/HKD	7.80	7.79	7.78	7.76	7.76
USD/TWD	30.50	30.25	30.00	30.00	29.00
USD/KRW	1350	1350	1330	1300	1280
USD/INR	83.50	83.50	83.00	82.50	82.00
USD/VND	24500	24500	24200	24000	24000
DXY Index	106.43	106.14	104.68	103.40	101.56
	End Q4-23	End Q1-24	End Q2-24	End Q3-24	End Q4-24
SGD/MYR	3.44	3.44	3.39	3.35	3.28
JPY/SGD	0.91	0.91	0.93	0.96	0.99
EUR/SGD	1.44	1.45	1.45	1.45	1.47
GBP/SGD	1.64	1.64	1.64	1.64	1.65
AUD/SGD	0.89	0.89	0.92	0.91	0.94
NZD/SGD	0.82	0.82	0.84	0.85	0.84
CAD/SGD	1.00	1.00	1.02	1.01	1.03
SGD/IDR	11355	11355	11218	11004	10896
SGD/THB	26.37	26.37	24.72	24.16	23.88
SGD/PHP	41.76	41.76	41.70	41.26	40.67
SGD/CNY	5.31	5.31	5.31	5.35	5.37
SGD/HKD	5.71	5.71	5.74	5.77	5.79
SGD/TWD	22.34	22.16	22.14	22.30	21.64
SGD/KRW	989	989	982	967	955
SGD/INR	61.17	61.17	61.25	61.34	61.19
SGD/VND	17949	17949	17860	17844	17910
	End Q4-23	End Q1-24	End Q2-24	End Q3-24	End Q4-24
JPY/MYR	3.13	3.13	3.17	3.21	3.24
EUR/MYR	4.96	4.98	4.92	4.86	4.84
GBP/MYR	5.64	5.64	5.57	5.49	5.41
AUD/MYR	3.06	3.06	3.13	3.06	3.08
NZD/MYR	2.82	2.82	2.85	2.84	2.77
CAD/MYR	3.46	3.46	3.46	3.38	3.38
MYR/IDR	3298	3298	3304	3289	3318
MYR/THB	7.66	7.66	7.28	7.22	7.27
MYR/PHP	12.13	12.13	12.28	12.33	12.39
MYR/CNY	1.54	1.54	1.57	1.60	1.64
MYR/HKD	1.66	1.66	1.69	1.72	1.76
MYR/TWD	6.49	6.44	6.52	6.67	6.59
MYR/KRW	287	287	289	289	291
MYR/INR	17.77	17.77	18.04	18.33	18.64
MYR/VND	5213	5213	5261	5333	5455

Source: Maybank FX Research and Strategy as of 1 Nov 2023.
*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

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