Global

FX

Jan 29, 2024

FX Flash

SGD: Consistent Into the New Year

Analysts

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

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

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

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

MAS Unchanged for the Third Time

MAS stood pat and left policy settings (slope, centre and width) unchanged for the third time since Apr-2023. This decision was widely anticipated and in line with our house view. MAS' assessment was that the current pace of appreciation remained appropriate in ensuring medium term price stability.

MAS appears to have turned more cautious on inflation and has also become more optimistic on growth prospects in 2024. Notably, MAS dropped reference to policy being "sufficiently tight" and chose to assess that policy settings are now "appropriate".

Upward Pressures on SGDNEER Remain, Although Outperformance Could Taper as Fed Cuts Rates

Market reaction to the decision was relatively muted, given that it was widely anticipated. We continue to maintain that USD should gradually weaken through 2024 and we look for USDSGD to move gradually lower through the year.

Ahead of the decision, SGDNEER was trading at around +2.00% above the mid-point with USDSGD at 1.3430 levels. Immediately after the announcement, USDSGD fell to around 1.3410 levels, with the SGDNEER at +2.06% above the mid-point immediately after the announcement. Upward pressures on the SGDNEER should remain in the near-term given MAS' caution on inflation and more optimistic outlook for growth. However, we do think that the outperformance in the SGDNEER could potentially taper as Fed rate cuts materialize, as we think narrowing yield differentials could spur outperformance of other basket constituents.

Look for Hold at Apr Meeting

Subsequent meetings for 2024 will be in Apr, Jul and Oct. We see MAS continuing to hold at the Apr meeting and think that MAS could hold for an extended period should inflation remain sticky. Our economists think an Oct easing via a slight slope reduction is still possible, although at a slightly lower probability than previously ascribed, given MAS' expectations of a closing output gap in 2H2024. Further tightening also cannot be ruled out, should upside risks to inflation materialize.

We maintain our USDSGD forecasts on the belief that a soft landing should materialize and the USD should gradually weaken throughout 2024

MAS Unchanged for the Third Time

MAS stood pat and left policy settings (slope, centre and width) unchanged for the third time since Apr-2023. This decision was widely anticipated and in line with our house view. MAS' assessment was that the current pace of appreciation remained appropriate in ensuring medium term price stability.

MAS appears to have turned more cautious on inflation and has also become more optimistic on growth prospects in 2024. Notably, MAS dropped reference to policy being "sufficiently tight" and chose to assess that policy settings are now "appropriate". We outline below our economists' views on the decision and MAS' assessment of the state of the Singapore economy.

Our economists think that MAS has turned more cautious on inflation with core inflation expected to remain elevated in the earlier part of 2024 and only decline gradually through It forecasts core inflation to "step down" by 4Q, before falling further in 2025. In contrast, MAS' view in the October Monetary Policy Statement (MPS) was that inflation "should be on a broad moderating trend" this year.

Similar to our economists' expectations, MAS thinks that core inflation will rise in 1Q 2024 due to the GST and carbon tax hike. Other inflationary drivers mentioned include increases in water prices from 2Q and elevated inflation for certain services components including public transport and healthcare. Nonetheless, MAS expects lower imported costs and dissipating labor market tightness to support a moderating trend in inflation. Global energy and food commodity prices have fallen and are predicted to remain broadly stable, while supportive global supply conditions will put a lid on the cost of most intermediate and final goods imports. MAS expects unit labour costs to rise at a slower pace in 2024, as wage growth eases and labor productivity picks up. MAS maintained its core inflation forecast range at 2.5%-3.5% in 2024 (Maybank forecast: 2.8%), but lowered its headline inflation range to 2.5%-3.5% (vs. 3%-4% previously) to account for the increase in COE supply this year and cooling COE premiums. Our house headline inflation forecast stands at the midpoint of MAS' revised range, at +3% in 2024.

MAS expects the domestic economy to strengthen in 2024, with growth turning more "broad-based". This appears to be a more optimistic characterisation than in the October MPS, in which the central bank expected a "gradual" improvement in GDP growth over the year, while cautioning that the recovery could be weaker than expected, amid an uncertain global economic outlook. The central bank projects for the slightly negative output gap in 2023 to narrow in 2H 2024, as compared to its guidance in Oct MPS that the output gap would remain "slightly negative" for 2024. The 2024 MTI GDP forecast range was maintained at 1%-3%. In sectoral terms, manufacturing and finance are predicted to be supported respectively by the electronics cycle turnaround and lower global interest rates, while growth in domestic-oriented sectors would continue to normalize towards pre-pandemic rates. Our economists are forecasting GDP growth of +2.2% in 2024, slightly above the mid-point of the government's GDP forecast range.

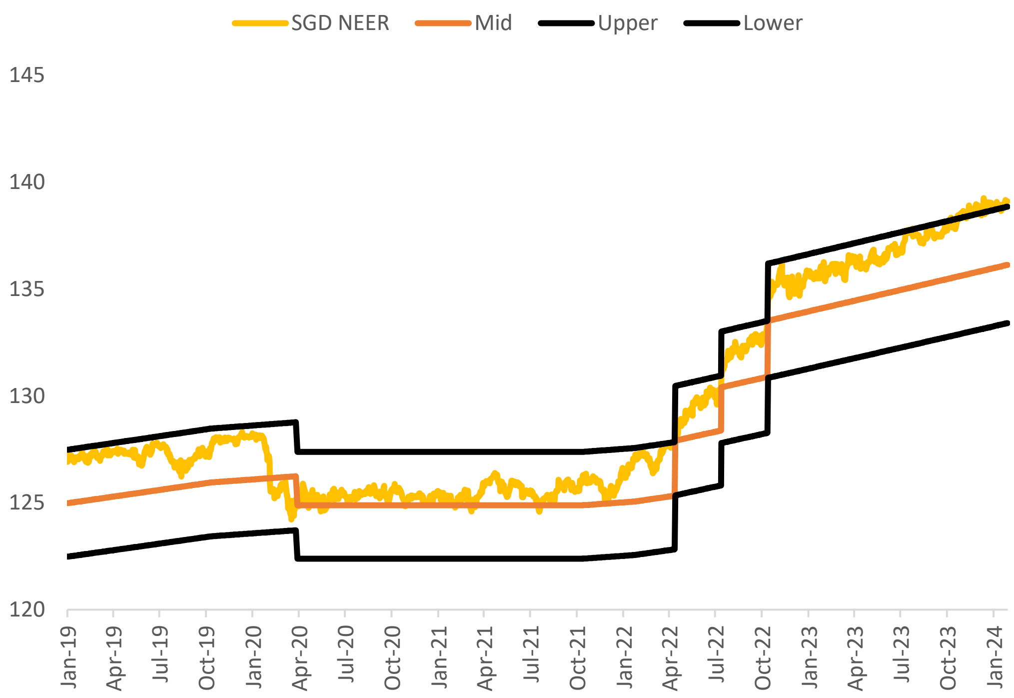
MAS expects global demand to pick up later this year, as private consumption is sustained by lower inflation and monetary policy in major economies turn more supportive. In the near term, the lagged effects of elevated interest rates in the advanced economies would impact global growth. MAS sees negative supply and demand shocks from ongoing geopolitical conflicts as the main risk to the outlook.

Upward Pressures on SGDNEER Remain, Although Outperformance Could Taper as Fed Cuts Rates

Market reaction to the decision was relatively muted, given that it was so widely anticipated. We continue to maintain that USD should gradually weaken through 2024 and we look for USDSGD to move gradually lower through the year.

Ahead of the decision, SGDNEER was trading at around +2.00% above the mid-point with USDSGD at 1.3430 levels. Immediately after the announcement, USDSGD fell to around 1.3410 levels, with the SGDNEER at +2.06% above the mid-point immediately after the announcement. Upward pressures on the SGDNEER should remain in the near-term given MAS' caution on inflation and more optimistic outlook for growth. However, we do think that the outperformance in the SGDNEER could potentially taper as Fed rate cuts materialize, as we think narrowing yield differentials could spur outperformance of other basket constituents. As mentioned, Singapore's exchange rate policy has led to the SGD being more sheltered than other basket constituents are in times of Fed rate hikes as SG rates and US rates rise in tandem. This effect could reverse itself as the Fed cut rates and allow for some tapering in the outperformance of the SGDNEER.

Chart 1: SGD NEER Remains Elevated

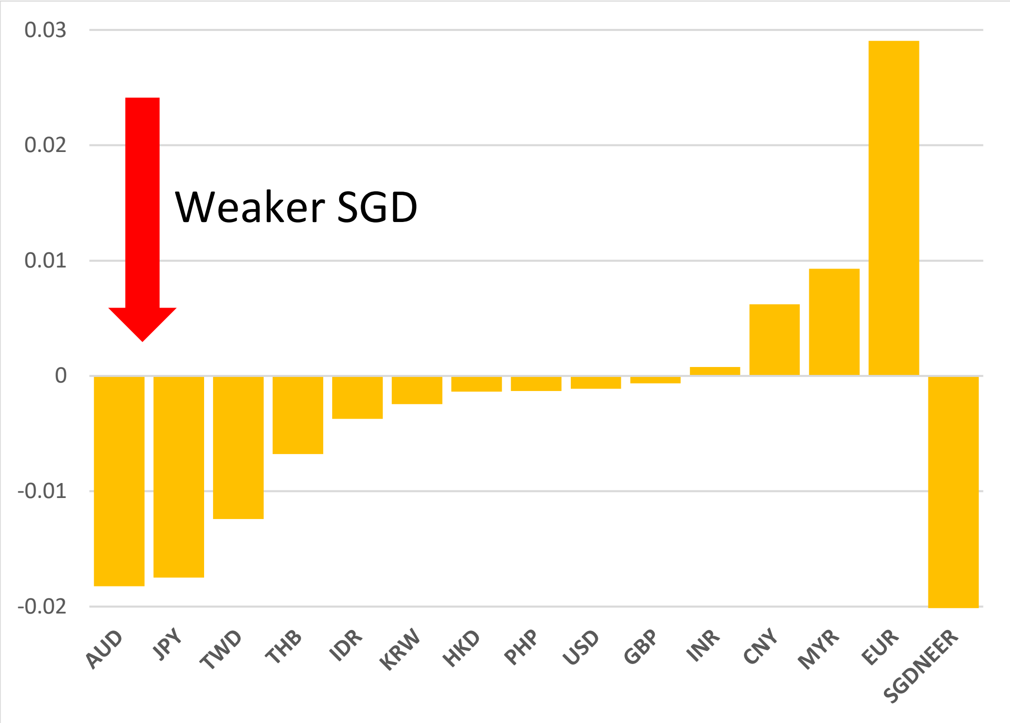


Source: Bloomberg, Maybank FX Research & Strategy

Decomposing the SGDNEER move against the basket constituents, we see that the SGD weakened against most of the constituents with the exception of the CNY, MYR and EUR. Main contributors to SGDNEER weakness were AUD, JPY and TWD. USDSGD trades within a tight 30-pip range today between 1.3400 to 1.430. SGDNEER strength is moderated slightly today but still remains at elevated levels.

We see EUR underperforming due to elevated expectations of ECB rate cuts. Meanwhile, MYR has been slow to react to retrace its losses against the USD and higher inflation in SG than in MY has kept the SGDMYR elevated. Lastly, CNH is underperforming slightly today possibly on jitters over the China property sector given the news of Evergrande's forced liquidation by a Hong Kong court.

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



Source: *Bloomberg, Maybank FX Research & Strategy*

Look for Hold at Apr Meeting

Subsequent meetings for 2024 will be in Apr, Jul and Oct. We see MAS continuing to hold at the Apr meeting and think that MAS could hold for an extended period should inflation remain sticky. The most likely outcome should inflation and growth pan out to MAS' expectations would be a hold in Jul as well. Our economists think an Oct easing via a slight slope reduction is still possible, although at a slightly lower probability than previously ascribed, given MAS' expectations of a closing output gap in 2H2024. Further tightening also cannot be ruled out should upside risks to inflation materialize.

We maintain our USDSGD forecasts on the belief that a soft landing should materialize and the USD should gradually weaken throughout 2024.

Table 1: USDSGD Forecasts

Forecast	1Q 2024	2Q 2024	3Q 2024	4Q 2024
USD/SGD	1.3500	1.3450	1.3400	1.3350

(no change to previous forecasts)

DISCLAIMER

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

DISCLAIMERS

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

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

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

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

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

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

Malaysia

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

Singapore

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

Thailand

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

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

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

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

US

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

UK

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

DISCLOSURES

Legal Entities Disclosures

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

Disclosure of Interest

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

Singapore: As of 29 January 2024, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

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

Hong Kong: As of 29 January 2024, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 29 January 2024, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

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

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

OTHERS

Analyst Certification of Independence

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

Reminder

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

Published by:

Malayan Banking Berhad
(Incorporated In Malaysia)

Foreign Exchange

Singapore

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

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

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

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

Indonesia

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

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

Fixed Income

Malaysia

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

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

Sales

Malaysia

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

Singapore

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

Indonesia

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

Shanghai

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

Hong Kong

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

Philippines

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