Macro | FX Research & Strategy

Global

2 May 2024

Maybank

# FX Monthly

## 2024, Issue 4: Watching US Data and Central Bank Intervention Risks

### What Has Changed This Month?

- We calibrated our forecasts for some of the Asian currencies due to US' economic resilience which could keep UST yields elevated for slightly longer, on top of certain country-specific vulnerabilities. We raised our USDJPY forecasts to better reflect the bearish JPY sentiment given BOJ's gradual policy adjustment.

### Our Strategies and Views

- The high-for-longer narrative continues in the US, sustained by upside surprises in inflation reports, private consumption and employment costs there. Concerns over the lack of progress on disinflation and US' persistent economic resilience drove the UST curve to bear- steepen. Fed Powell had dropped the reference to rate cuts this year at the post-FOMC press conference on 1 May, which was mentioned at the Mar presser. In addition, he mentioned that it would probably take longer for the Fed to gain greater confidence that inflation would move sustainably towards the 2% goal. So that sets the stage for the USD and US rates to remain somewhat supported for a tad longer as well. AUD remains a key currency that we continue to retain our constructive bias for as we expect RBA to be the last to ease. Countries' endeavours for green transition and AI-boom could continue to drive the cyclical upswing and AUD is well positioned to benefit from this.

- Even as we expect USD to retain its strength for a longer part of 2024, we remain cautious that US exceptionalism, the possibility of the Fed being a laggard to ease monetary policy could already be priced into USD to some extent. Signs of weakness in the US data could also soften the USD and unwind short US Treasury positions.

- Along with the elevated UST yields, most USDAsian pairings have also risen for much of Apr. Regional central banks have joined major central banks (BoJ, PBoC) to support their own currencies via varying approaches. While most continue to provide verbal intervention, some are suspected to have already sold USD to support their respective currencies. Unless there is a re-acceleration of inflation in the US that could drive the UST yields another leg higher, we see limited room for further upside to the USDAsians as well.

- Apart from the broader market actions that could buoy USDASEANs, we calibrated IDR, PHP and THB lower due to idiosyncratic drags. IDR and THB may continue to be weighed by the fiscal plans of their new leaders - namely Prabowo's free school lunch and milk programme and PM Srettha's digital wallet handout respectively. Elsewhere, we see a risk of slower recovery of the PHP should oil prices and UST yields remain elevated for longer. We adjusted USDSGD slightly higher to reflect that while SGD remains resilient, it should not be unscathed from recent sentiment weighing on Asian currencies.


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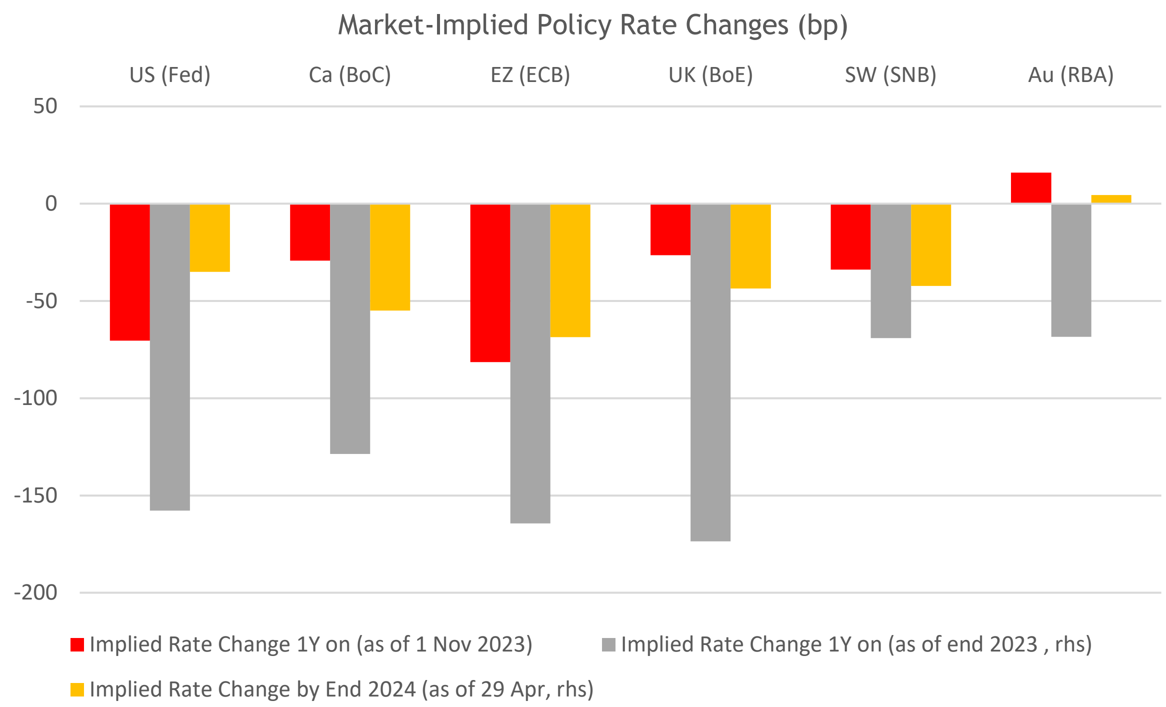
**Top 3 Currency Plays for May**

| |
|---|
| *Buy AUDCNH on Dips* |
| *Sell USD on Rallies* |
| *Sell CHFJPY on Rallies* |

**Key Events for the Month Ahead**

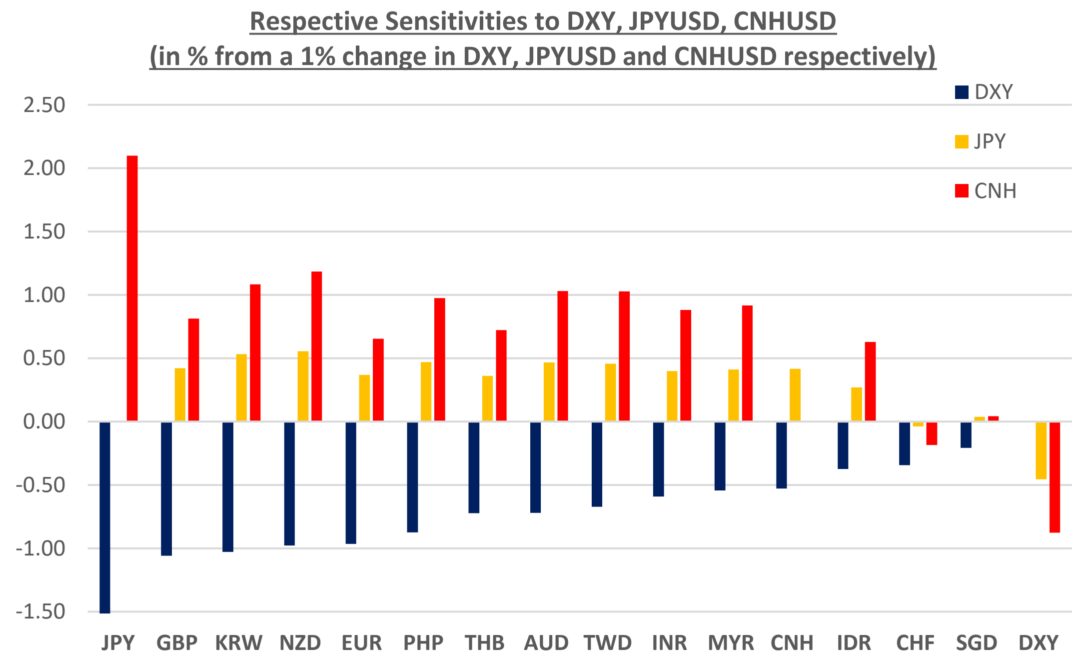
| Date | Event |
|---|---|
| 19 Apr - 1 Jun | India General Elections |
| 11 May | Malaysia Kuala Kubu Bharu By-Election |
| 14 May | Australia Budget 2024 |
| 30 May | New Zealand Budget 2024 |

## Rate Cut Expectations Can Swing Drastically




*Source: Bloomberg, Maybank FX Research & Strategy*

## JPY Swings Can Cause A Ripple Across G10 and Regional Currencies




*Source: Bloomberg, Maybank FX Research & Strategy*

## USD: An “Extended” Dollar Resilience

| USD DXY | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 105.35 (104.62) | 104.14 (103.49) | 103.07 (102.41) | 102.24 (101.28) |

Previous Forecasts in Parentheses

**Motivation:** Given recent developments in the central bank space and US data releases, the USD trajectory is likely to remain resilient in 2Q and possibly 3Q as inflation remains sticky and the disinflation route is likely to remain bumpy with lingering evidence of resilience in the US economy. From a DXY components perspective, developments out of Japan saw JPY weakness supported USD DXY move higher, with the USDJPY reaching a high of 160 on 29 Apr before BOJ intervention activity led to retracements back towards the 155 level. We continue to look for the DXY index to range around 104-106 before moving more decisively towards 103-104 by end in 2024. Fundamentally, we remain negatively biased towards the USD in the medium term as the pivot away from current higher rates and yields materialises as the economic cycle turns and given the country’s structural twin deficits and the national debt is expected to rise further over the next few years with a fiscal cliff potential in 2025. Essentially, the balance of risks points to a stronger Dollar for a while longer due to the US macro & inflation outlook leading to an extension in current Fed stance and higher UST yields and global risk sentiment remaining vulnerable.

Month to date (since 1 Apr), USD DXY is up 0.7% (similar to the increase seen in Mar) and is now around 4.7% stronger since the last low of 3.79% seen on 27 Dec 2023 (around 101). The Dec 2023 move lower was due to the shift in US real yields, equities and expectations of Fed cuts as markets become confident of a weaker inflation outlook albeit with more solid growth. The US Dollar Index (DXY) rise since then due to the reversal of inflation outlook and Fed cut expectations was accompanied by the further rise in the 10-Year US Treasury yield settling at 4.62% (as at 1 May (10% or 43bps increase) month to date and around 82bps since Dec 2023. We have not changed our view that the USD could continue to remain supported on dips as the recent projections feed the narrative of US exceptionalism and the Fed could remain slow-moving in terms of monetary policy easing. That could also mean that the decline in the USD would be more gradual and its pace largely depends on global growth outturns this year.

On the macro data front, US economic reports continued to affect market sentiment with US data releases still generally robust. Job gains have remained strong, and the unemployment rate has remained low. Inflation numbers which includes headline CPI and PCE core deflator data has come out stronger than expected and remains elevated largely due to services inflation. The core PCE price index rose 0.32% m/m in Mar, which lowered the y/y rate to 2.82% (down from a peak of 5.57%). The core CPI increased 0.36% m/m and the y/y rate increased to 3.80% (down from a peak of 6.64%). Headline CPI accelerated at a faster-than-expected pace in Mar, rising 0.4% for the month, putting the y/y inflation rate at 3.5%, or 0.3% pt higher than in Feb (consensus expected a 0.3% gain and a 3.4% y/y level). Excluding volatile food and energy components, the core CPI also accelerated 0.4% on a monthly basis while rising 3.8% from a year ago, compared with respective estimates for 0.3% and 3.7%.

USD easing further after 2Q 2024. The Fed kept the fed funds rate (FFR) at 5.25%-5.50% for the sixth time at the 30 Apr - 1 May 2024 FOMC meet. Post-FOMC statement and press conference signal “hold for longer” but not FFR hike(s). In the post conference session, Powell said it will take longer than expected to become confident about returning inflation to the Fed’s 2% goal, essentially ruling out a rate cut in the near term and his comments seemed to close the door on a rate hike as well indicating the bar is much higher for a rate hike. He mentioned that monetary policy is restrictive now and over time sufficiently restrictive to return inflation to target. It clearly evident data will be the key to when cuts do happen. Powell highlighted that risks to achieving employment and inflation goals “have moved toward better balance over the past year and that with inflation having fallen over the year, there is now a greater focus on the full-employment mandate.

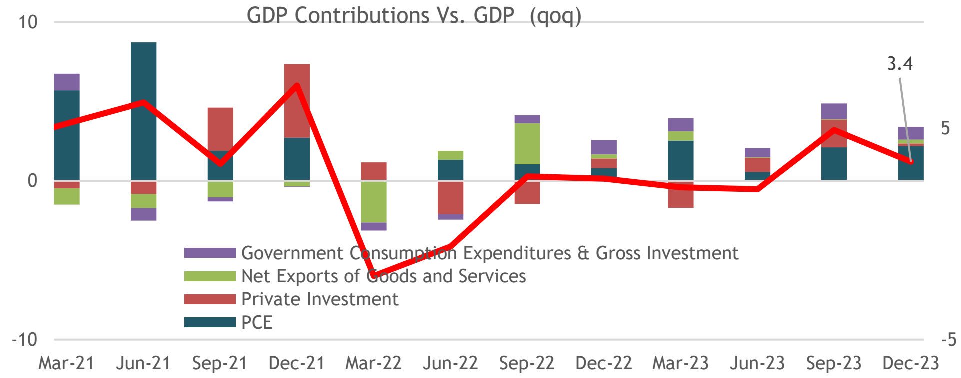
**Given US data developments on growth, inflation and job market, and the data-dependent or data-driven Fed, we now expect Fed to cut FFR by -50bps in 2024 (end-2024F: 4.75%-5.00%) and -100bps in 2025 (end-2025F: 3.75%-4.00%) vs our previous assumption of -100bps cuts p.a. for 2024-2025 (FOMC meeting report on 21 Mar 2024).** Fed will also do “QT Taper” in June 2024 i.e. slowing monthly balance sheet runoff to -USD60b vs -USD95b currently (on slower runoff in US Treasuries of -USD25b vs our expectation of -USD30b, while maintaining the -USD35bn monthly pace for mortgagebacked securities as per our expectation. The Fed’s current “dot plot” (i.e. FOMC participants’ individual forecasts of FFR) signals FFR cuts of -75bps in 2024 and -100bps in 2025. Based on the 30-day Fed funds futures, market is currently pricing in -25 bps cut in FFR this year, likely in 4Q 2024.

The post-FOMC meeting statement contained some notable changes vs the previous statement in Mar 2024. Fed said the US economy “continued to expand at a solid pace” (vs “has been expanding at a solid pace” previously) as per 1Q 2024 real GDP growth of +2.9% YoY and +1.6% QoQ seasonally adjusted annual rate/SAAR (4Q 2023: +2.9% YoY; +3.4% QoQ SAAR). Together with the continued strong jobs gains resulting in sustained low unemployment rate and sticky inflation rate, Fed added into the latest FOMC statement the line “In recent months, there has been a lack of further progress toward the Committee's 2 percent inflation objective”. Also, at the post-FOMC meeting press conference (PC), Fed Chair played down the risk or scenario of FFR hike(s).

If current US presidential polling results persists, risks to the dollar from the elections will be skewed to the upside as the market processes the possibility of new tariffs ahead of the elections. Expect FX risk premiums to be affected by trade policy/tariffs, US-China relations, fiscal policy and currency policy. Broader US-China conflict is dollar positive.

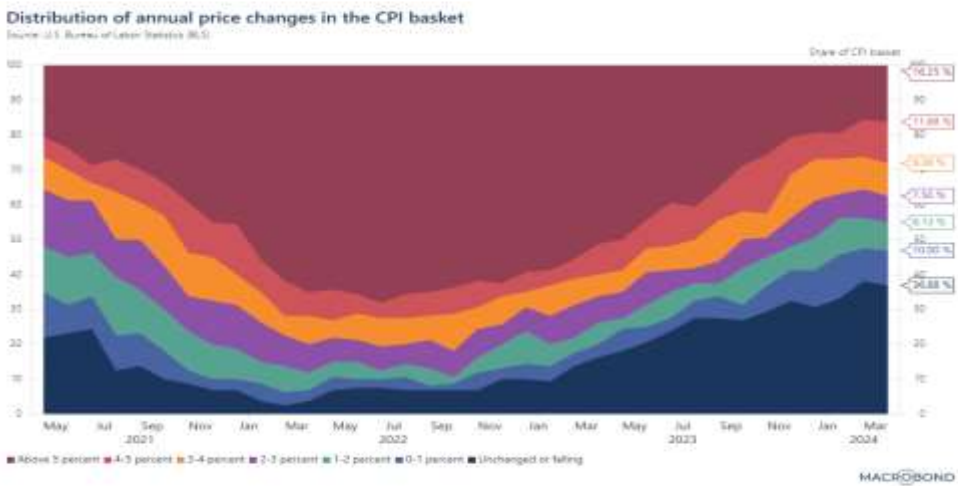
**Key Data/Events in May:** ISM Manuf (1 May), ADP (1 May), FOMC (2 May), Trade Balance (2 May), NFP (3 May), Factory Orders, Durable Goods Orders (2 May and 24 May), Mar CPI (15 May), Retail Sales (15 May), FOMC minutes (23 May), GDP 4Q (30 May), PCE deflator (31 May).

## Resilient Sequential Growth Momentum in the US




Sources: Bloomberg. Maybank FX Research & Strategy

## The US CPI is Cooling - Growing Share of the US CPI Basket See Prices Unchanged or Falling




Sources: Macrobond, US Bureau of Labour Statistics

# EUR: Growth Improvement Amid Growing ECB Rate Cut Risks

| EUR/USD | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 1.0800<br>(--) | 1.0900<br>(--) | 1.1000<br>(--) | 1.1100<br>(--) |

No Change to Previous Forecasts

**Motivation:** We maintain our EURUSD forecasts even as the risk of the ECB cutting ahead of the Fed grows. Indications are that growth is improving in the Eurozone and that should provide some support for the EUR. In addition, recent price action suggests that USD bulls are fatigued, with the 1.06 support holding steady in the face of post-CPI USD strength. Despite the fact that the market has essentially priced in an ECB cut before a Fed cut, EURUSD trades around 1.07 levels, evidence that even as narratives are bullish for the USD, EUR remains resilient. In addition, an ECB rate cut should be growth supportive and this could offset some of the impact of a weaker EUR from rate cuts. We therefore retain our conviction on the trajectory of a stronger EURUSD in view of fading US exceptionalism and that an improvement to growth i.e. growth bottoming that should give a boost to the EURUSD, while recognizing the risks that the ECB could cut first.

EURUSD traded within a 1.0601 to 1.0885 range in Apr, lower than 1.0768 to 1.0981 range in Mar as the pair fell as Fed rate cut expectations were reduced after a hotter than expected US CPI inflation print. The pair has since stabilized over the 1.0700 handle, with the key 1.06 support level holding firm even as the market implied probability that the ECB reduces rates before the Fed remains high. The ECB has been one of the most forthcoming of major central banks in providing forward guidance on rate cuts, and thus far Lagarde has importantly emphasized that cuts will be data dependent and can be independent of the Fed. We however, would still suggest that ECB policymakers are keenly aware of the implications of cutting before the Fed and this probably remains part of their considerations in setting monetary policy.

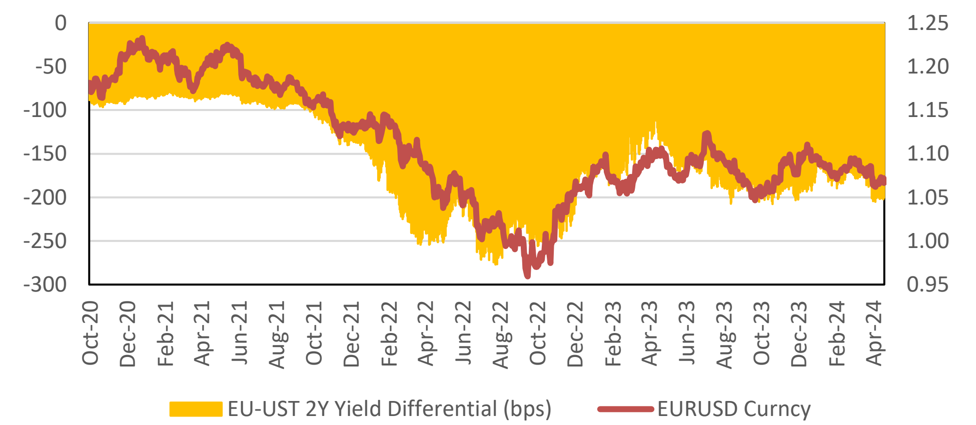
The ECB kept policy settings unchanged at their Apr 2024 meeting as widely expected and has perhaps been the most forthcoming amongst central banks in terms of forward guidance and their considerations related to rate cuts. ECB rhetoric at the Apr meeting all but confirmed a Jun cut for the ECB, as long as the data did not show evidence to the contrary for the path of inflation in the Eurozone, with Lagarde's three criteria mentioned earlier (i) wages growing sustainably in line with inflation reaching target, (ii) corporate profit margins compressing to allow inflation to reach target without weighing on labour market too much and (iii) meaningful productivity growth to allow for an improvement to real growth outcomes, largely on track as well. Jun, therefore remains a key month for the ECB, with the market currently pricing in 90% chance of a rate cut. However, Lagarde earlier cautioned that the ECB would not be able to commit to a particular rate path even after the first rate cut. Comments from other ECB officials have echoed similar sentiments, with Belgian central bank chief Wunsch suggesting that rate cuts after the first need to be approached with caution. Thus far, inflation in the Eurozone is coming off with Mar headline at 2.4% YoY (exp: 2.4%; prev: 2.6%) and Mar core inflation at 2.9% YoY (exp: 2.9%; prev: 3.1%). Apr P EC CPI inflation was broadly in line with expectations at 2.4% YoY (exp: 2.4%; prev: 2.4%). Core CPI Inflation was at 2.7% YoY (exp: 2.6%; prev: 2.9%). Disinflationary path in Eurozone remains intact, although prices could be a tad sticky. 1QA GDP showed Eurozone emerged from a recession at 0.4% YoY (exp: 0.2%; prev: 0.1%) and 0.3% QoQ (exp: 0.1%; prev: -0.1%), supporting our narrative for an improvement to Eurozone growth.

We see three 25bps cuts for the ECB this year to bring their deposit facility rate to 3.25% (currently: 4.00%), main refinancing rate to 3.75% (currently: 4.50%) and marginal lending facility rate to 4.00% (currently: 4.75%). This is broadly in line with market pricing of 72bps of cuts by year end and more hawkish than current consensus forecasts of roughly 125bps of cuts by year end. In general, we think that central banks are waiting for the Fed to cut rates first to avoid an adverse impact on their currencies and this should be weighing on ECB policymakers minds as well, even as Lagarde has offered that the ECB can cut independently of the Fed. As we have previously stated, we think that if the ECB cuts after or alongside the Fed or if Eurozone growth prospects improve, the EURUSD need not weaken and could in fact strengthen or remain supported. This is in line with our narrative for a bottoming of growth prospects in the Eurozone. We have seen evidence of this when EURUSD rallied even as the ECB tilted a bit more dovish. We saw once again that following the 21 Mar FOMC, where the Fed all but confirmed three rate cuts in 2024, EURUSD was one of the better performers. With the narrative for Fed cuts having swung so much to the hawkish side, it is also hard to see USD getting too much more of a boost from hawkish Fed repricing.

**Risks Ahead:** Geopolitical headwinds could still weigh on the EUR. The war in Ukraine is not over, and the disruption of the traditional shipping route via the Suez Canal presents a salient risk to both growth and inflation. The longer route via the Cape of Good Hope could reduce Asia-Europe trade by an estimated 25% and the ECB should be keenly aware of the risks that an extended blockade should pose to the Eurozone economy. Moreover, tensions in the Middle East could worsen and this should affect the Eurozone more directly given the relative geographic proximity. Downside risks to growth and upside risks for inflation could place the Eurozone in a precarious position.

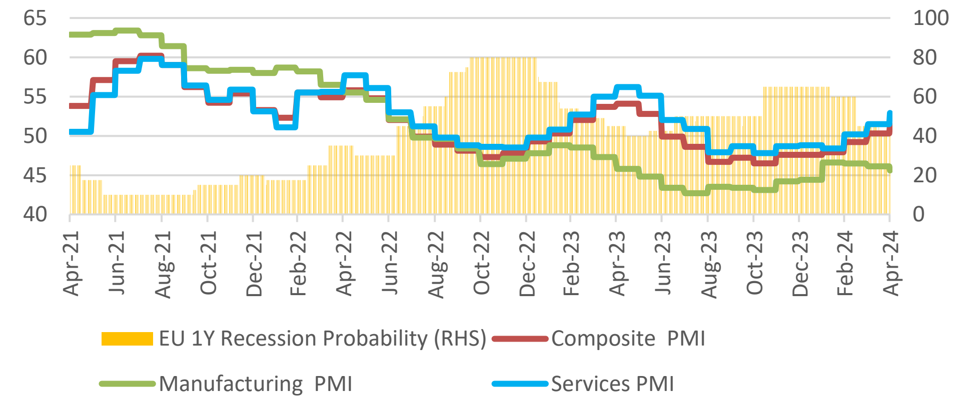
**Key Data/Events:** OECD Economic Outlook (2 May), Mar Unemployment Rate (3 May), Apr F HCOB Eurozone Services/Composite PMI, Mar PPI Inflation (6 May Mar Retail Sales (7 May), Bloomberg May Eurozone Economic Survey (13 May), May ZEW Survey Expectations (14 May), 1QP GDP, 1QP Employment, Mar Industrial Production (15 May), Apr F CPI Inflation (17 May), Mar ECB Current Account, Mar Construction Output, Mar Trade Balance (21 May), May P HCOB Eurozone Manufacturing/Services/Composite PMI, May P Consumer Confidence (23 May), Apr ECB 1Y/3Y CPI Expectations (28 May), Apr Money Supply (29 May), May Consumer/Services/Industrial/Economic Confidence, Apr Unemployment Rate (30 May) and May P CPI Inflation (31 May).

**Yields Differentials Key Driver of EURUSD**




*Source: Bloomberg, Maybank FX Research & Strategy*

**Improvements in PMIs Could Signal Growth Bottom**




*Source: Bloomberg, Maybank FX Research & Strategy*

## GBP: Support Turning to Outperformance

| | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| GBP/USD | 1.2550<br>(--) | 1.2600<br>(--) | 1.2700<br>(--) | 1.2700<br>(--) |

No Change to Previous Forecasts

**Motivation:** We maintain our forecasts for GBPUSD as the pair has found support that may be turning into outperformance. We may have been initially too pessimistic on the cable and the current forecasts reflect a trajectory for the cable that is more in line with other currencies. We do recognize a number of issues that could weigh on the cable such as heightened political uncertainty with elections needing to be held no later than Jan 2025, shrinking fiscal space and structural issues that have yet to be resolved from Brexit. However, UK economic data prints have been resilient, growth has not tanked and the economy is still ekeing out positive growth numbers against calls for a recession.

Inflation in the UK is sticky, with the most recent print for headline at 3.2% YoY (exp: 3.1%; prev: 3.4%), core inflation at 4.2% YoY (exp: 4.1%; prev: 4.5%) and services at 6.0% YoY (exp: 5.8%; prev: 6.1%). Other measures of inflation such as PPI and RPI also show similar trends of stickiness although the broad disinflationary trend remains intact. This stickiness has given rise to fairly hawkish pricing for the BOE, Aug is currently the likeliest month for a cut and even then only at 51.1%, while 50bps cuts for 2024 are priced in. Economists are still looking for roughly 100bps of cuts in 2024. We maintain our view that the BOE will cut rates by 75bps in 2024 as the path to the BOE inflation target starts to get clearer.

As widely expected, the BOE kept rates unchanged on 21 Mar 2024. Notably, hawks (Mann & Haskel) on the BOE MPC dropped their call for hikes in an 8-1 vote in favour of holding rates, with a sole dove (Dhingra) voting for a 25bps cut. Governor Bailey said that the BOE was “on the way” to victory over inflation, and that they need not wait for inflation to fully abate before cutting rates. Since then, BOE rhetoric has been mixed, although Chief Economist Huw Pill notably expressed concerns about the risks of cutting rates too early. The BOE has not been as forthcoming (as the ECB or the Fed) in terms of forward guidance or their considerations on rate cuts. The broad disinflationary trend still exists, although the path to the BOE’s inflation target could be bumpy. A key consideration that the BOE has is also that of wage growth, which likely remains the single largest stumbling block for the BOE to pivot to rate cuts. Next decision is 9 May and while we expect a stand pat, we look to see if the BOE may give some more concrete forward guidance on the rate path moving forward.

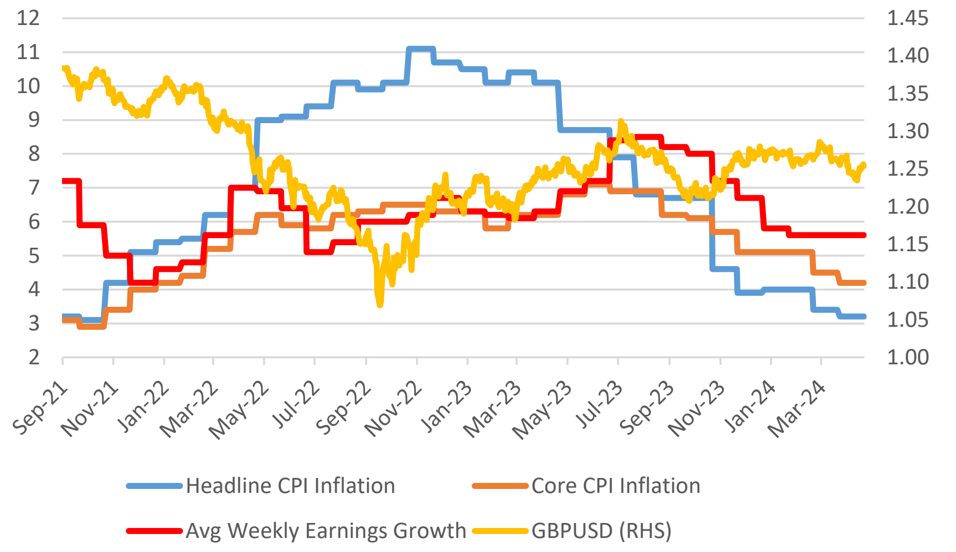
GBPUSD traded within a 1.2300 to 1.2709 range in Apr, lower than the 1.2575 to 1.2894 range seen in Mar. The pair faded earlier outperformance as the USD strengthened post US CPI inflation that was hotter than expected, found support at the 1.23 figure and has since been one of the outperformers in FX. Since mid-month, the GBP (+0.61%) has been second to the AUD (+1.4%) in terms of G10 spot returns vs the USD. The support that is turning to outperformance may only be a near term phenomenon given the fiscal drags and political uncertainty for the GBP. However, a turn in USD sentiment could fuel a higher cable in the medium term despite the issues that the country and currency faces.

Hunt’s budget was lacking expected cuts to income tax. However, nation insurance was cut by 2 percentage points and non-domiciled tax status was abolished. This was a longstanding ambition of the opposition Labour party. Various other measures aimed at tackling rising cost of living were also unveiled, and the budget is largely viewed as one that aims to give the Conservative party a better chance of retaining control of Downing Street ahead of elections. Opposition leader Starmer has already called the Conservatives out for failing to deliver promised income tax cuts. Fiscal space could be reduced as BOE QE losses add up, which could leave UK taxpayers with a hefty bill with BOE’s losses indemnified by a government guarantee. Since Oct 2022, about £38b has been transferred to the BOE. Recall that previous confidence issues with the GBP were due to concerns over excessive borrowing in ex-PM Truss and ex-Chancellor Kwarteng’s budget. While Sunak and Hunt have thus far avoided such a situation, we do not rule out the possibility of confidence issues arising from future concerns over the fiscal health of the UK. Elections are to be held no later than Jan 2025, and political uncertainty could weigh on the GBP in the lead up.

**Risks Ahead:** If the Sunak administration manages to successfully navigate the intricacies of a post-Brexit UK, then they could likely be re-elected, and the GBP may perform better than we expect. We cannot rule out however, salient downside risks such as geopolitical tensions in the Middle East, the unresolved Ukraine war and the blockade of the Suez Canal that could have resulting upside risks to inflation and downsides to growth which could weigh on the GBP.

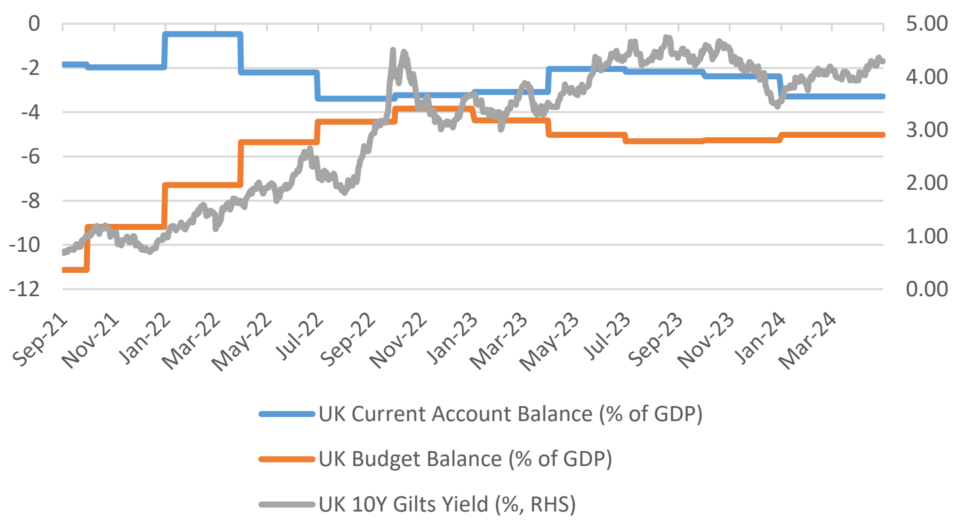
**Key data/events:** Apr Nationwide House Px, Apr F S&P UK Manufacturing PMI (1 May), Apr Official Reserves Changes, Apr F S&P UK Services/Composite PMIs (3 May), Apr BRC Sales, Apr S&P UK Construction PMI (7 May), Apr RICS House Price Balance, S&P Global UK Jobs Report, **BOE Policy Decision,** Apr DMP 3M Price Expectations, Apr DMP 1Y Price Expectations (9 May), 1QP GDP, 1QP Exports/Imports, Mar Monthly GDP, Mar Industrial/Manufacturing/Construction Production, Mar Trade Balance (10 May), 1QP Output Per Hour, Mar Avg Hourly Earnings, Mar ILO Unemployment Rate, Mar Employment Change, Apr Claimant Count Rate, Apr Jobless Claims (14 May), Bloomberg May UK Economic Survey (17 May), May CBI Trends Total Orders/Selling Prices (18 May to 25 May), May Rightmove House Prices (20 May), May CBI Reported Sales (21 May to 27 May), Apr Public Finances, Apr PSNB, Apr CPI/RPI/PPI Inflation, Mar House Price Index (22 May), May P S&P UK Manufacturing/Services/Composite PMI (23 May), May GfK Consumer Confidence, Apr retail Sales (24 May), May BRC Shop Price Index (28 May), Nationwide House Px (30 May to 5 Jun), May Llyods Business Barometer/Own Price Expectations, Apr Consumer Credit, Apr Mortgage Approvals, Apr Money Supply (31 May).

<u>**Inflation and Wage Pressures Abate**</u>




*Source: Bloomberg, Maybank FX Research & Strategy*

<u>**CA and Fiscal Deficits Have Shrunk, Gilts Remain Elevated**</u>




*Source: Bloomberg, Maybank FX Research & Strategy*

## AUD: Continue to Accumulate on Dips

| AUD/USD | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 0.67<br>(--) | 0.68<br>(--) | 0.68<br>(--) | 0.69<br>(0.68) |

Previous Forecasts in Parentheses

**Motivation:** We remain constructive on AUD and look for dips to buy into as above-target inflation could keep RBA hawkish. We monitor China's efforts to stabilize its property sector (seems to have little effect for now) and ease local government debt. Sentiment seems to have improved of late as China's GDP for 1Q surprised to the upside, notwithstanding a more mixed picture for Mar activity numbers. Copper and iron ore gained substantially in the past few weeks and that lifted the AUDUSD. Such significant rallies may not last very much given that China's economy has not found firm footing. We continue to expect two-way risks when it comes to China's economic trajectory but signs of further stabilization there could be supportive of the currency in 2H 2024. As the global economy continues to bottom out, pro-cyclical AUD should benefit. We also expect RBA to be one of the last few central banks to cut rates and policy divergence to benefit the AUD.

**RBA To Continue to Sound Cautious.** RBA only removed its tightening bias from its policy statement at the Mar policy meeting, one of the last major central banks to do so (vs. Fed, ECB, BoE, BoC in Jan). RBA is poised to keep cash target rate unchanged at 4.35%. In Governor Bullock's Mar presser, she was still "worried about inflation" and rightly so, given how inflation picked up pace on a sequential basis from 0.6% to 1.0% in 1Q. Key underpinning of the headline is rent inflation that has been rather persistent, up +7.8%y/y for 1Q which is already moderated by recent shifts in the Commonwealth Rent Assistance program. More recently published analysis on Australia's rental market by the RBA suggests that the rental market is tight and rent inflation is broadly based across new and existing tenants, property types and states. This was due to the fall in household size (demand for more room) that contributed to the formation of more additional households, international migration demand and the fall in vacancy rate. Sticky services inflation, rental price pressure have increased the risk that RBA may delay rate cuts later into the year. We recall that the RBA has shifted from a tightening bias to one that is more balanced – "not ruling anything in or out". If Bullock continues to reiterate the same points – not ruling in or out any policy action as well as watching inflation, we can anticipate that this could actually be seen as a check on AUD gains thus far. While we do not expect RBA to do much, the central bank is at risk of sounding hawkish in light of stubborn inflation pressures.

**Inflation is still sticky.** Mar CPI picked up pace to 3.5%y/y from previous 3.4%. More worrying was the average trimmed mean CPI that also picked up pace to 4.0%y/y in Mar from previous 3.9%. Non-tradables inflation also accelerated to 5.2%y/y from previous 4.8%. Healthcare, rentals and education were significant contributors to the strong headline.

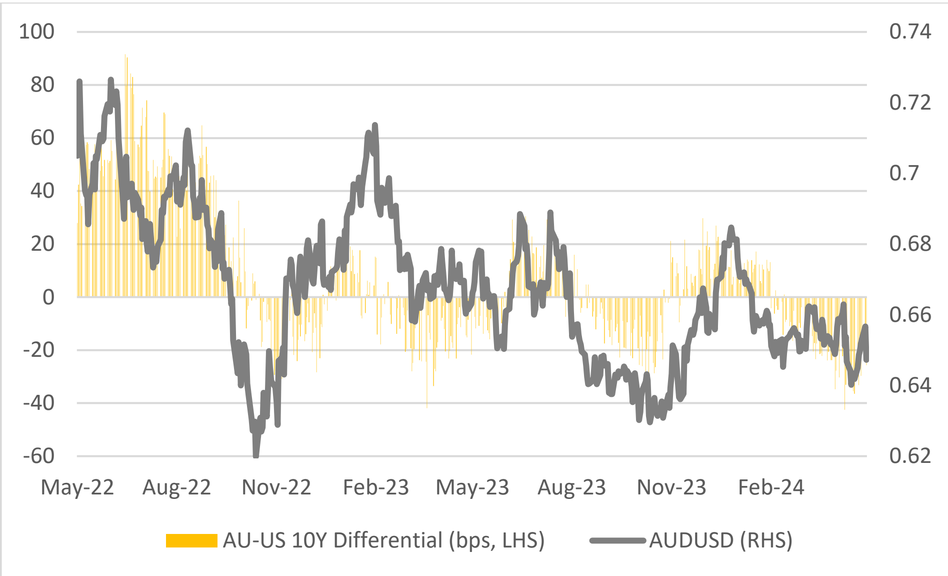
In addition, we continue to watch the impact of PM Anthony Albanese's tax cuts to help Australians cope with the cost of living, whilst making the tax system more equitable. **The adjustment will take effect from Jul 2024** and the Ministry of Finance reported that the adjustments would be "budget and inflation neutral". We monitor the potential boost to spending as well as inflation in 2H given that disinflation is already taking more time than expected to ease in this half of the year. As of Mar, Australia's labour market remains tight with jobless rate at 3.8%, inching only a tad higher from 3.7%. The month even recorded a healthy addition of full-time hire at 27.9K. With inflation sticky, labour market tight, we see a case for RBA to only cut in Nov by 25bps, after enough time has passed to monitor the impact of tax adjustments. We hold a constructive view of the AUD as RBA could continue to be a laggard in easing and policy divergence between the RBA-Fed would boost the AUD.

**China's economic recovery remains a question mark.** It is Australia's biggest trading partner and as such, always a relevant concern. We remain cautious on China's recovery given the lack of clarity on how the government can stabilize the real estate sector. Recent sentiment on China's economy seem to have stabilized due to the stronger-than-expected 1Q GDP. Base metal prices were on an upswing. However, the real estate sector remains very much under pressure. We see two-way risks for the base metals as a result and that could also impart two-way volatility for the AUD. Any signs of further stabilization for the Chinese economy would be an additional boon for the AUD but it remains very much, a question mark.

**Risks Ahead:** (1) US inflation and concomitant policy trajectory is key for USD direction and a stickier-than-expected US inflation could hinder AUD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the AUD. (3) There are increasing signs that business conditions have been weakening. Should there be a sharper deterioration in confidence and labour market conditions, RBA could bring forward rate cut and that would be negative for the AUD.

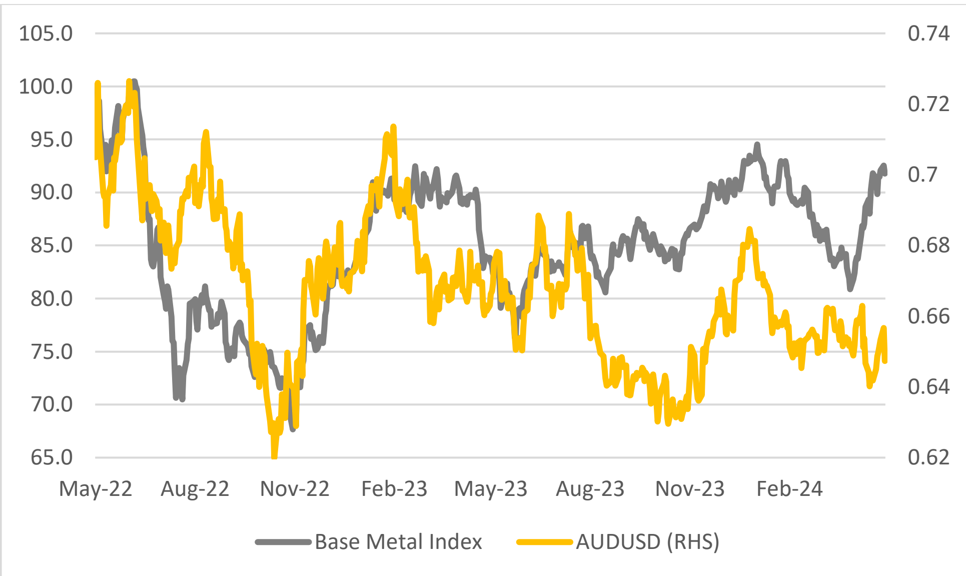
**Key Data/Events:** Mar trade, Mar building approvals [2 May], Services PMI for Apr, home loans [3 May], M-I inflation gauge for Apr [6 May], RBA policy decision, retail sales ex inflation 1Q [7 May], 1Q wage price index [15 May], Apr labour report [16 May], May Westpac consumer confidence, Minutes of RBA policy decision [21 May], prelim. Mfg, services PMI [22 May], May consumer inflation expectation [23 May], Apr retail sales [28 May], 1Q Private Capex [31 May].

**AU-US Yield Differential Swings Between Discount and Premium**




*Source: Bloomberg, Maybank FX Research & Strategy*

**Recent Rebound in Base Metals (Ave of Iron ore and Copper) Lift AUD**




Note: Base metal index consist of iron ore and copper prices weighted equally.
*Source: Bloomberg, Maybank FX Research & Strategy*

## NZD: Room for Upside; National's Budget Repair

| NZD/USD | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 0.61<br>(--) | 0.62<br>(--) | 0.62<br>(--) | 0.63<br>(0.62) |

Previous Forecasts in Parentheses

**Motivation:** We continue to retain a somewhat constructive view of the NZD as price pressure remains sticky and that could keep RBNZ from easing too soon. Strong net migration should continue to ease labour conditions and help support demand. External position could continue to improve as stronger dairy auctions in Apr suggest stabilization in dairy demand. Together with the start of rate cuts in the rest of the world, risk sentiment could become more supportive of the NZD in 2H 2024. Next RBNZ decision is on 22 May and we continue to watch for any shift in rates guidance. The likelihood of a dovish guidance has decreased given that non-tradeable CPI continues to surprise to the upside, underscoring strong domestic demand.

**RBNZ Apr Decision – Growth has panned out in line with expectations and as such, rate projections are likely unchanged from Feb guidance.** This was the key takeaway from the RBNZ policy statement on 10 Apr. RBNZ held the official cash rate unchanged at 5.50%. That reversed out bets on RBNZ rate cuts in the near-term. The central bank expects to maintain "restrictive level for a sustained period" so as to return consumer price inflation to within its 1-3%. There was little more in the Apr statement, apart from the mention that strong net migration is supporting labour supply and housing demand. **We look for RBNZ to cut 25bps for this year in Nov (last meeting for the year).**

**Gap between markets and RBNZ rate trajectory expectation to remain.** The next policy decision is on 22 May and the next quarterly monetary policy statement will be released along with key forecasts. There is a risk that inflation forecasts could be revised higher. Quarterly inflation and annual inflation pace had come in at 0.6%q/q and 4.0% respectively, above RBNZ's projection of 0.4% and 3.8% made in Feb. In addition, the strong momentum of non-tradeable inflation could be a concern. We do not expect much shift in OCR projection from RBNZ though as economic activity remains rather weak (card retail spending, performance services index). The central bank is likely to indicate that a full rate cut may only happen in 2Q 2025. Regardless, there remains a gap between RBNZ's guidance and market's expectations. OIS implies a 63% probability of a rate cut in Nov 2024. Markets are effectively calling a bluff on RBNZ and that keeps the NZD from strengthening more at the moment. An upward revision in inflation outlook could still lend NZD some boost.

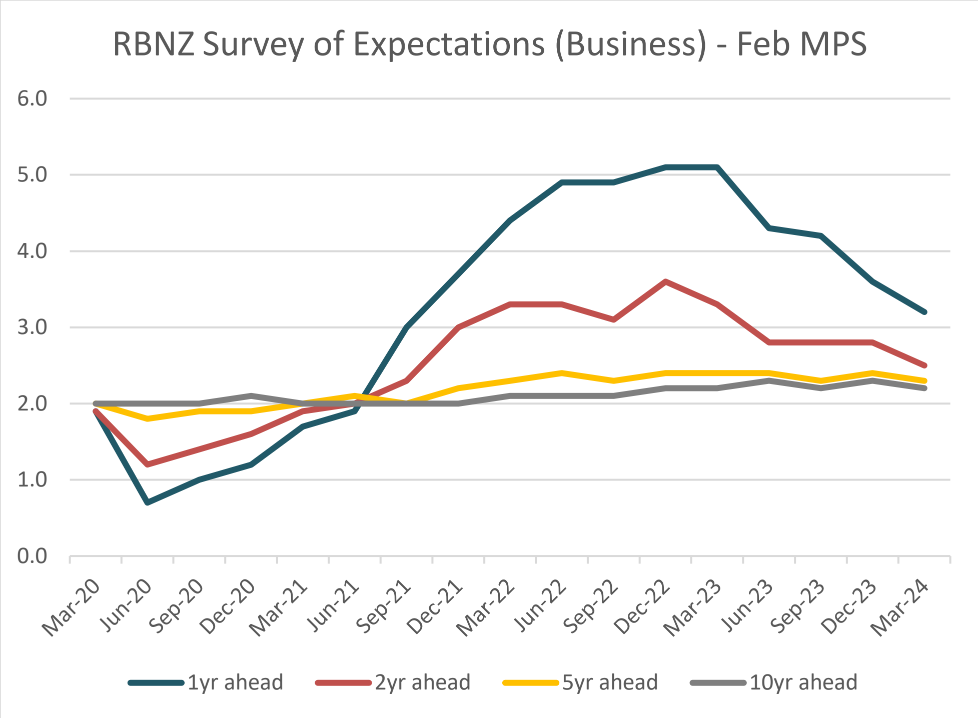
**GDT Rebound. Global dairy auction average price has been on the rebound and further bullish momentum could potentially provide further upside momentum for the NZDUSD.** New Zealand's trade balance also jumped back surplus of NZ588mn in Mar from previous -NZD315mn deficit. This takes the cumulative 12m trade balance to be NZD6.11bn from previous 6.10bn. The improvement in external balance was mostly due to the weakness in inward shipment rather than stronger external demand. Exports rose 3.8%y/y, slowing a tad from previous 14.3%. Imports fell -24.8%y/y vs. previous growth of 3.2%. Exports to China slowed to -1.9%y/y from previous +7.5% but shipment to the US slowed to 8.0%y/y from previous 45.9%. Exports to the EU slowed to half the pace to 3.6%y/y from previous 7.1%. External demand seems to have weakened a tad in Mar. However, the recent rise in global dairy auction price in Apr could mean renewed demand, potentially lifting receipts.

**Budget 2024/2025 on 30 May Will Focus on Fiscal Repair.** PM Christopher Luxon had stressed on fiscal repair in recent interviews, albeit still supporting growth. He wants to "cut wasteful expenditure" after a 84% jump in government spending in the past six years. He looks for inflation to ease within the 1-3% inflation target and this is in line with RBNZ's inflation forecast for this year at 2.5%. One way is to dampen rental prices by raising tax deductions for landlords by NZD800mn (to NZD2.9bn) for landlord to write off 80% of their mortgage interest on residential investment properties from 1 Apr 24 and 100% from Apr 2025 in the hope that landlord pass the savings to renters. There are speculations on cuts on budgets for various agencies but Luxon expressed desire to refocus spending on "frontline services" and tax cuts.

**Risks Ahead:** (1) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the NZD via the sentiment as well as the trade channel. (2) We had seen ample room for markets to price in sooner rate cuts and that has been brought to fruition.

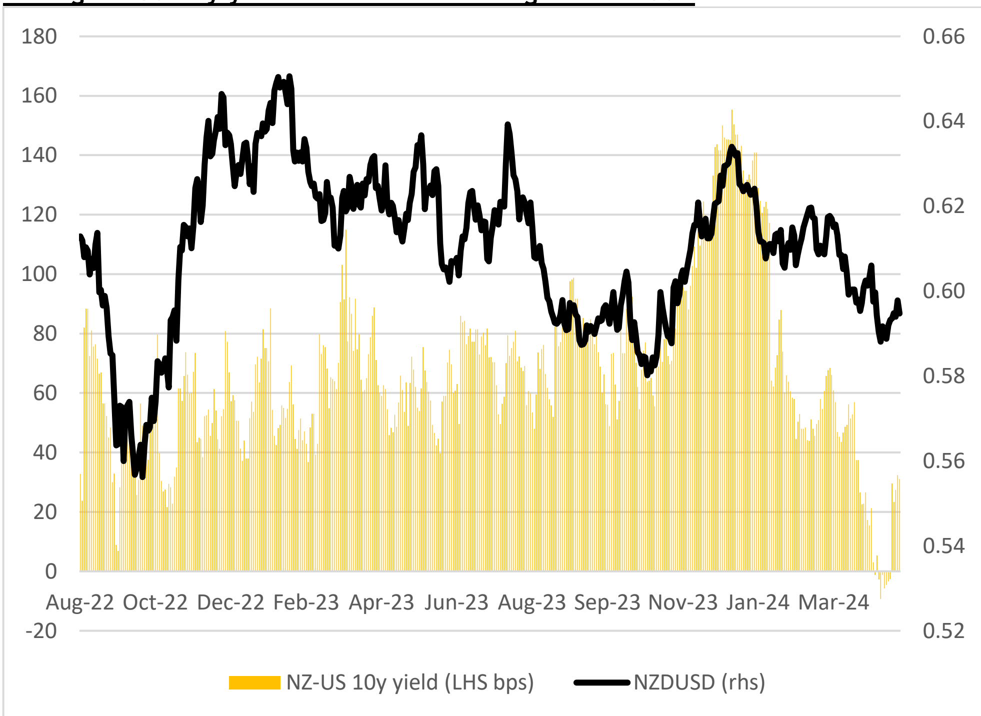
**Key Data/Events:** ANZ Apr Activity Outlook, CoreLogic Apr House Px [30 Apr], 1Q Labour report [1 May], Building permits for Mar [2 May], ANZ Apr Commodity price [6 May], BusinessNZ Apr Mfg PMI, REINZ Apr House sales [10 May], Apr performance services index, Apr food prices, 2Q 2Y inflation expectation [13 May], Apr Card spending, Mar Net migration [14 May], 1Q PPI [17 May], RBNZ OCR decision [22 May], 1Q Retail sales ex inflation [23 May], Apr trade [24 May], ANZ business confidence [May], Apr Building Permits [30 May].

**New Zealand's Inflation Expectations on the Decline**




*Source: RBNZ, Bloomberg, Maybank FX Research & Strategy*

**Falling NZ-US 10y yield differential To Drag the NZDUSD**




*Source: Bloomberg, Global Dairy Trade, Maybank FX Research & Strategy*

## CAD: Jun Rate Cut Almost Certain, but This is Fairly Priced

| USD/CAD | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 1.3600<br>(--) | 1.3500<br>(--) | 1.3400<br>(--) | 1.3300<br>(--) |

No change to Forecasts

**Motivation: Upcoming BoC cuts are fairly-priced at this point and we have turned neutral on the CAD in the near-term.** BoC is likely to be the next G10 central bank to cut policy rate but this is likely already well-priced. We had looked for BoC to cut in Jun and that is highly likely to happen. Into 2H of 2024, we expect more central banks to get into the easing mode as inflation drifts nearer to respective targets and USDCAD could also drift towards 1.34 by year-end (holding our forecast). Risk-sensitive CAD should thrive as global growth outlook brightens a tad on a more benign inflation environment and as businesses and consumers look forward to a looser monetary policy environment. In addition, we only look for two cuts from BoC (once in Jun and then another in Oct) this year, taking the bank rate to 4.50% by end 2024.

**Data is Going The Right Way for BoC To Cut in Jun.** BoC held overnight rate at 5% on 10 Apr, noted that inflation was going in the “right direction” but demand assurance that the recent fall in core inflation is not “just a temporary dip”. Growth was upgraded to 1.5% for 2024 at the APR rate decision vs. 0.8% seen earlier on strong exports and consumption. Inflation is expected to decline gradually but to be above 2% target this year. So if Apr CPI continues to drift lower (release on 21 May), we are almost certain to see a rate cut on 5 Jun 2024. Swaps now imply 49% of a Jun cut happening. BoC’s cut may not produce as much weakness for the CAD as what SNB did for the CHF. For one, BoC’s rate is much higher. Two, inflation is still above target and as such, further rate cuts will be delivered with likely more caution. There could even be a hawkish rate cut that could limit CAD’s weakness.

**Weak demand Could compel A Jun Cut.** Growth-wise, retail sales fell -0.1%m/m in Feb. Ex-auto, the fall was steeper at -0.3%. Manufacturing sales picked up pace to 0.7%m/m from previous 0.0%, lifted by higher crude oil prices while wholesales sales ex petroleum was flat vs. expectations for a +0.8% growth, dragged by weak food and tobacco activities. Taken together, higher crude prices had boosted manufacturing at home but overall, demand remained rather weak. Unemployment rate rose to 6.1% in Mar from previous 5.8%, above consensus of 5.9%. However, hourly wage rate remained a tad elevated at 5.0%y/y, vs. previous 4.9%. The picture of weak demand is in line with the 1Q business outlook survey that was released at the start of Apr by BoC. Demand had remained subdued and that allowed price pressures and the labour market to ease. Wage growth is elevated but businesses expect wage to soften in time. However, there are signs of returning optimism from businesses in 1Q based on that survey. These signs of rising optimism may not be even throughout Canada as the latest CFIB business barometer suggests that small businesses have become a tad more cautious in Apr. That certainly adds to the case for a rate cut in Jun.

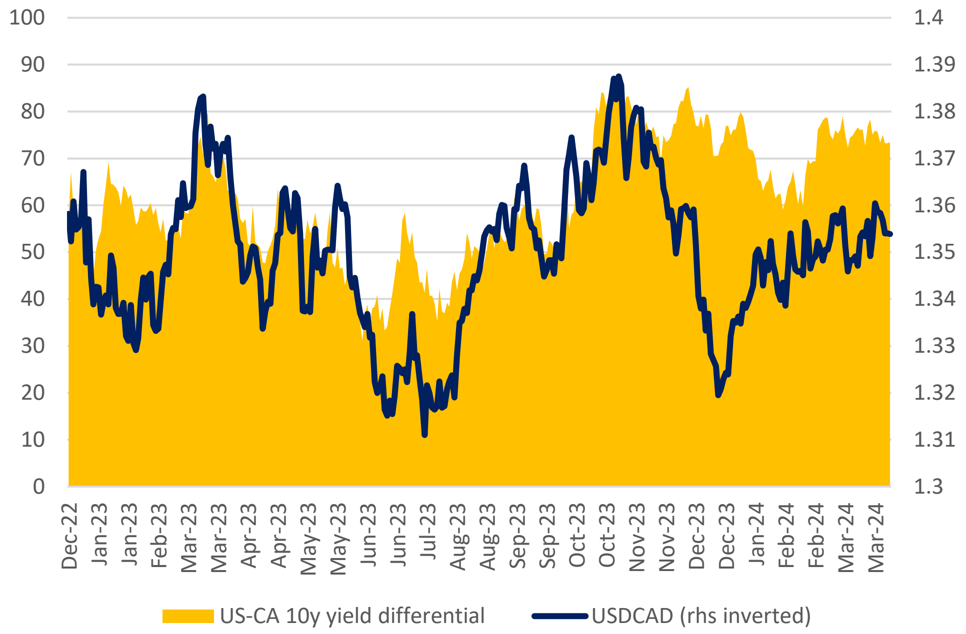
**Inflation En-route to Targets.** Meanwhile, headline inflation picked up pace to 2.9%y/y from previous 2.8%. Core inflation was more assuring with core trimmed inflation slowed to 3.1% from previous 3.2% while core median eased to 2.8%y/y from previous 3.0%. Taken together, BoC seems to have almost got the total inflation within the 1-3% target range, en-route to its medium-target of 2%. Based on BoC, policy actions typically take six-to-eight quarters to transmit. With higher energy prices still a threat, pace of easing is likely to be gradual.

**We have been holding the view that oil would be of little help.** Oil swings tend to amplify the effects of market sentiment on the CAD. However, in times of supply shocks, oil price increase does not really boost CAD as much anymore (especially against the USD) and CAD tends to be more risk-sensitive in those risk-off episodes. The recent geopolitical events in the Middle-East validated our viewpoint that we have held in this space - oil spikes in this case was negative for CAD because USD benefits as a safe-haven as well as a net oil exporter. However, when global growth starts to recover and Canada’s growth start to bottom, we expect the rise of crude oil prices to support the CAD.

**Risks Ahead:** (1) US inflation and concomitant policy trajectory is key for USD direction and any re-accelerations to boost USD against the CAD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a global recession is negative for the CAD. (3) Fiscal impulse could spur inflation higher and force the BoC to keep rates elevated for longer. In addition, shelter costs, rentals, housing shortage continue to pose a risk to disinflation trajectory and the timing of the rate cut. In that kind of environment, CAD would still be under pressure as the central bank becomes increasingly stuck between rock and hard place as growth slows at home.

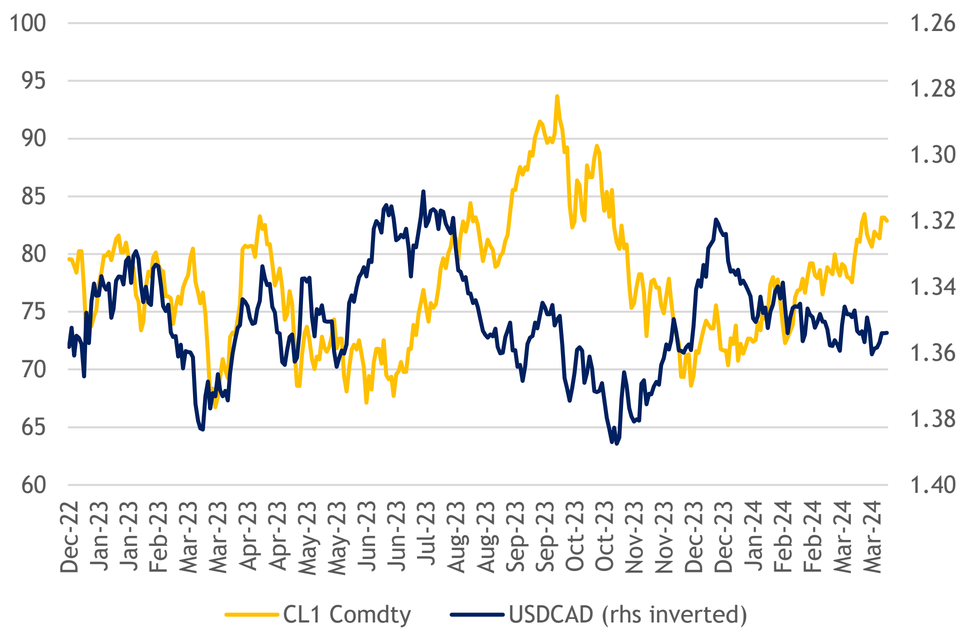
**Key Data/Events:** Apr Mfg PMI [1 May], Mar trade **[2 May],** Services PMI [3 May], Apr labour report [10 May], Mar Wholesale Sales ex Petroleum [13 May], Mfg sales [15 May], Apr CPI [21 May], Mar retail sales [24 May], CFIB May business baromter [30 May], Mar GDP [31 May].

**Wide US-CA Yield Differential Dominates USDCAD Supported on Dips**




*Source: Bloomberg, Maybank FX Research & Strategy*

**USDCAD Not Finding Much Support from Rising WTI**




*Source: Bloomberg, Maybank FX Research & Strategy*

## CHF: Dovishness to Weigh, Safe-Haven Status Intact

| USD/CHF | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 0.9000 | 0.8900 | 0.8800 | 0.8700 |
| | (--) | (--) | (--) | (--) |

No Change to Previous Forecasts

**Motivation:** We maintain our forecasts for USDCHF across the next four quarters. SNB's surprise easing in Mar has weighed on the CHF, although there have been bouts of CHF resilience e.g. when Iran and Israel tensions escalated, the CHF outperformed on safe-haven demand. We also maintain the trajectory of CHF appreciation against the USD on the belief that the USD will gradually fade alongside fading US exceptionalism and a global soft landing. Timing of rate cuts matters in so far that the CHF could become a funding currency of choice if the SNB continues to reduce rates and this is likely to exert upward pressures on USDCHF at least in the short term, or until other major central banks actually start to cut.

Consensus forecasts suggest that the Swiss economy is likely to see moderate growth of +1.2% YoY in 2024 and +1.5% YoY in 2025. The chance of a recession over the next 12 months is 12.5% and 2023 GDP is expected to print at +0.7% YoY. Manufacturing activity is still weak with Mar PMI at 45.2 (exp: 45.0; prev: 44.0. Services activity also slipped into a contraction in Mar at 47.6 (prev: 53.0). Trade activity decreased with Mar exports at -1.7% MoM (prev: 0.2%) and imports at -2.3% MoM (prev: 3.6%). Overall the Swiss economy, while not expected to tank is seeing lacklustre prospects.

Inflation looks to be slowing in Switzerland. Mar CPI printed at 1.0% YoY (exp: 1.3%; prev: 1.2%), and were sequentially flat at 0.0% MoM (exp: 0.3%; prev 0.6%). Core CPI inflation was at 1.0% YoY (exp: 1.2%; prev: 1.1%). Inflation coming off is largely in line with global trends where price pressures are on a broad downward trajectory. For Switzerland, the inflation target is between 0 to 2%. President Thomas Jordan said that it is unlikely that inflation exceeds this target, although he sees it approaching the ceiling of the target. Feb unemployment was broadly stable at 2.3% SA (exp: 2.2%; prev: 2.2%). At its 21 Mar meeting, SNB cut rates to 1.50% (prev: 1.75%) given the significant decline in the inflation outlook for Switzerland. Being the first to cut and in a surprise move, we expect a period of CHF weakness that should last until the next central bank, or the Fed joins in and cuts. Longer term, we think that SNB could cut rates 2 more times in 2024 to 1.00% as inflation is expected to be on a broad retreat. On balance, we do still expect the CHF to appreciate against the USD over the course of the year as US exceptionalism fades.

The key reason provided for the SNB pivot to rate cuts is the relative strength of the CHF. Dec marked a key pivot in Swiss FX policy with interventions no longer being one-sided in favour of supporting CHF strength. One possible theory is that the surprise cut would help cap CHF strength and reduce the need for intervention to weaken the CHF as such interventions could bloat the SNB's already large balance sheet. SNB also raised the reserve requirement for domestic banks to 4% (from 2.5%) and this would lower their interest costs that they would need to pay to banks for deposits. Inflation is benign in Switzerland and is expected to remain benign with SNB's official forecasts at no higher than 1.5% through 2026. Historically the SNB has also not been too concerned with surprising the market, with the 50bps hike in 2022 and the 2015 unpegging of the CHF episodes that come to mind.

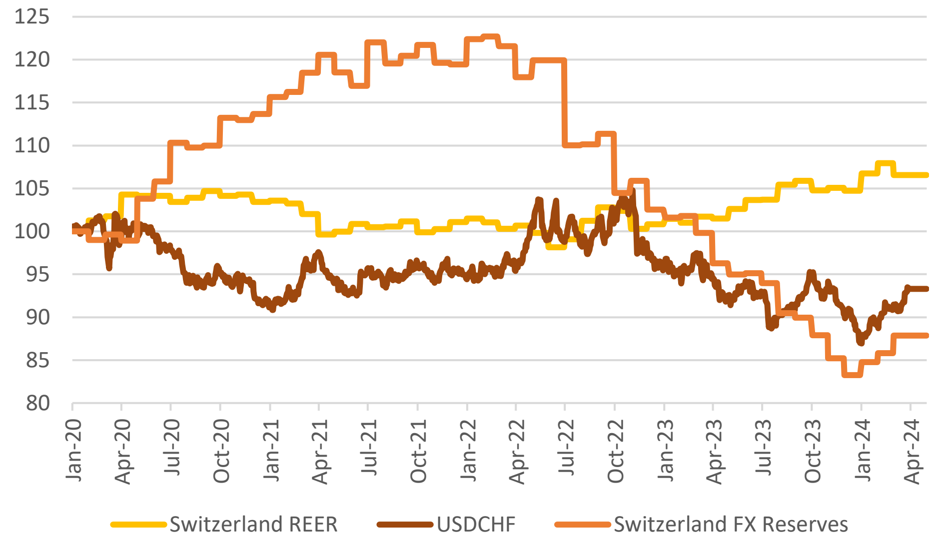
While the SNB is unlikely to be as interventionist as India in its management of the CHF, we do keenly observe for signs of SNB intervention to weaken the CHF. Given that inflation appears to be coming off and the downside risks to growth, we cannot rule out SNB easing via both weakening the CHF and reducing interest rates. We watch changes in SNB's balance sheet, official foreign reserves, and sight deposits closely for hints on SNB's future leanings. The declaration that intervention would no longer be one-sided in favour of CHF strength is also significant. We do maintain our view that the USD strength will gradually fade over the year amid fading US exceptionalism.

**Risks Ahead:** US exceptionalism could continue and that remains the main risk to our expectations for the trajectory of the CHF. Other risks include SNB intervening to moderate appreciation more than we expect or rising geopolitical tensions that could drive a quicker than expected pace of CHF appreciation. There are also potential risks for the CHF outlook if growth in the Eurozone fails to pick up as we expect. The EU is Switzerland's main trading partner and a slowdown in the Eurozone could therefore weigh on Swiss exports and the CHF.

**Key Data/Events:** Apr CPI Inflation, Mar Retail Sales, Apr Manufacturing/Services PMI (2 May), Apr Unemployment rate, Apr Foreign Currency Reserves (7 May), Apr SECO Consumer

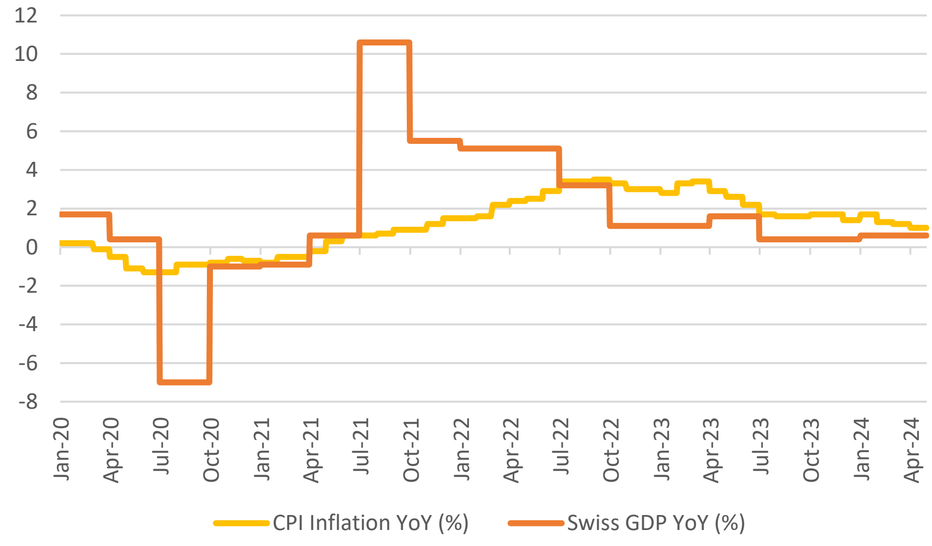
Confidence, Bloomberg May Switzerland Economic Survey (13 May), Apr Producer & Import Prices (14 May), 1Q Industrial Output, 1Q Industry & Construction Output (17 May), Apr Money Supply (21 May), May UBS Survey Expectations (29 May), Apr Imports/Exports, May KOF Leading Indicator, 1Q GDP (30 May), Apr Retail Sales (30 May to 3 Jun).

## SNB Intervention Now Two-Way (Base = Jan 2020)



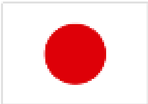

*Source: Bloomberg, Maybank FX Research & Strategy*

## Inflation is Benign and Growth is Tepid




*Source: Bloomberg, Maybank FX Research & Strategy*

## JPY: To Keep Trading at Weak Levels



| USD/JPY | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 160.00 | 155.00 | 152.00 | 150.00 |
| | (152.00) | (148.00) | (145.00) | (140.00) |

Previous Forecasts in Parentheses

**Motivation:** We raise our USDJPY forecasts to better reflect the bearish country specific sentiment towards the JPY given BOJ gradual policy adjustment. Even so, we still believe the pair should gradually edge downwards overtime. As it stands, market sentiments for the JPY looks to be substantially bearish. There appears to be quite some demand for contracts to sell the JPY against the USD and Euro and reportedly, there was a $300m purchase of options that expire in a month to sell the JPY at 156 to the USD. The net CFTC short position is also rising. Development currently could continue to support this bearishness amid the risk of persistently strong US data together with a BOJ that looks likely to only gradually hike (we see one 25bps move in Oct 2024 and another in Jun 2025) keeping the spread between the USTs and JGBs wide and weighing heavily on JPY sentiment.

**BoJ kept short-term interest rate unchanged** between 0-0.1% on 26 Apr as expected. Financial conditions are to remain easy for now and that is taken to be a guidance for no rate hike yet. BoJ raised its outlook for core inflation (ex fresh food) for FY2024 to 2.8% from previous 2.4%. Governor Ueda also mentioned that the JPY is not making a major impact on underlying price trends and that JGB purchase pace will be the same as before. That was perceived to be dovish given expectations for BoJ to reduce JGB purchase. His nonchalance on exchange rate likely added bearish momentum on the JPY. By 29 Apr, the USDJPY popped above 160 in early Asian hours. A sharp drop below 155 was seen thereafter, prompting rumours of FX intervention. We would not be surprised given that MTD run-up of the USDJPY was already 5%. If we try to take a comparison, in Oct 2022 when there was intervention, the loss for that month alone was at -5.00%, similar to the 5% run-up in USDJPY between 1-29 Apr. Looking at history, we should be vigilant of intervention once USDJPY reach the threshold of a 5% rise within a month. Given that this “intervention” has happened at around 160. This could be the psychological resistance for now. Another sharp fall of the USDJPY on 1 May prompted speculations of another intervention post-FOMC. We cannot rule out the presence of MOF to guard against future bullish USDJPY sprints. Regardless, we still look for the pair to remain supported on dips for the rest of the quarter. BoJ makes its next policy decision on 14 Jun.

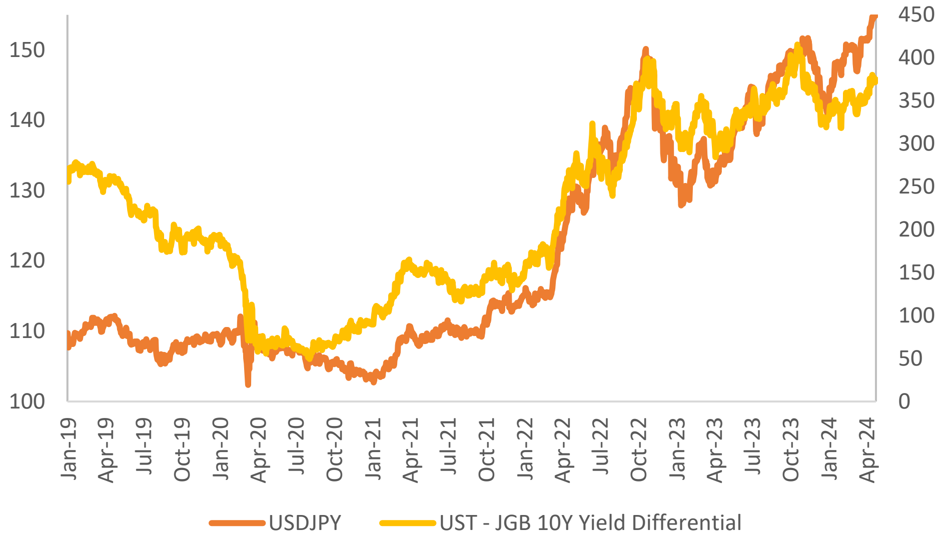
Our in-house economist expects that the Fed would eventually cut by 50bps this year and this should help guide the USDJPY lower in the medium term. However, even in that scenario, the pace of appreciation for the JPY could be moderated as the yield differentials would still be too wide. Near term, we are though also cognizant of intervention risks which may limit the upside for the pair. As mentioned, the pace of depreciation and volatility of the JPY in addition to political pressure are all factors to consider on whether intervention would occur. At this point, we are aware of signs of political dissatisfaction among certain LDP members towards the currency although volatility and the pace of depreciation still looks manageable.

There is also a political angle to this as Bloomberg has reported that a small sampling of 10 LDP officials are opposed to rate hikes. Reuters had also reported that LDP Deputy Secretary-General Katayama had said that Japan could intervene in the currency market at any time and he “don’t think Japan will face any criticism if it were to act now”. There does appear some possibility that domestic politicians could be growing increasingly concerned about both the weak JPY whilst also being uncomfortable with BOJ tightening. Intervention to tackle the weak JPY could be preferred over tightening.

**Risks Ahead:** This includes the economy being weak and inflation falling below target at 2.0%, which would make it challenging for the BOJ to adjust rates any further. Another risk is the Fed choosing to hike rates again in their fight against sticky inflation.

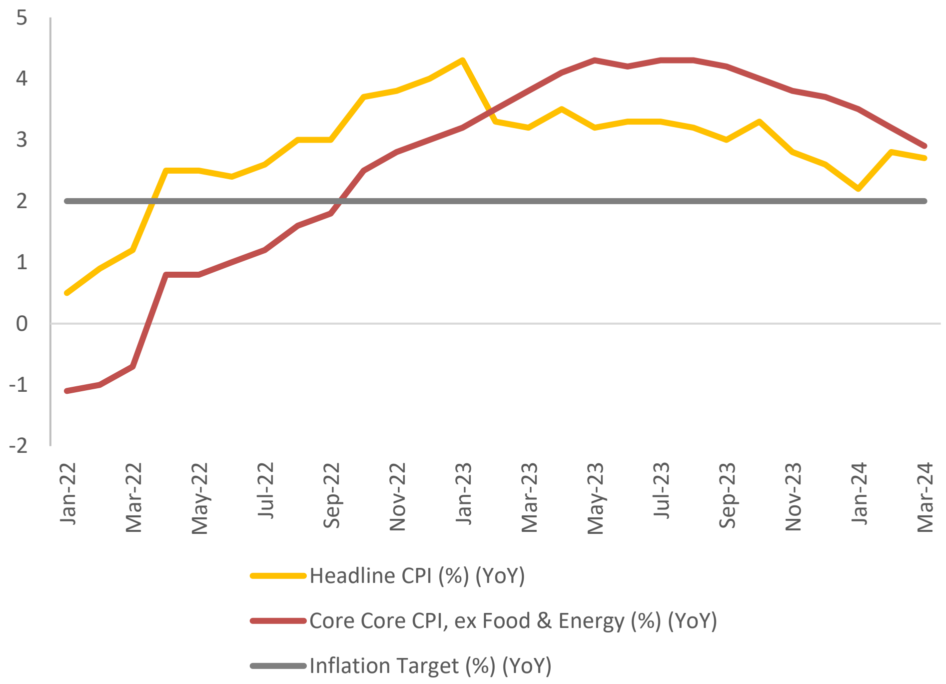
**Key Data/Events:** Apr consumer confidence index (2 May), Mar cash earnings (9 May), Mar P leading/coincident index (9 May), Mar household spending (10 May), BoP CA balance (10 May), Apr bank lending (10 May), Apr eco watchers survey (10 May), Apr PPI (14 May), Apr P machine tool orders (14 May), 1Q P GDP (16 May), Apr nationwide/Tokyo dept sales (16 – 22 May), Mar tertiary industry index (20 May), Apr trade data (22 May), May P Jibun Bank PMI composite/mfg/services (23 Apr), Apr CPI (24 May), Apr PPI services (28 May), May consumer confidence (29 May), Apr jobs data (31 May), May Tokyo CPI (31 May), Apr P industrial production (31 May), Apr retail sales (31 May) and Apr housing starts (31 May).

## Wide Yield Differentials to Keep Weighing on the JPY




*Source: Bloomberg, Maybank FX Research & Strategy*

## Inflation Metrics Are Falling, Albeit Still above Target




*Source: Bloomberg, Maybank FX Research & Strategy*

## RMB: Why a Yuan Devaluation is Unlikely in 2024

| USD/CNY | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 7.20 (--) | 7.25 (--) | 7.25 (--) | 7.25 (--) |

No Change to Previous Forecasts

**Motivation:** We continue to remain cautious on the yuan, keeping our year-end forecast at 7.25. Our almost flat trajectory does not mean that this USDCNY pair would flat-line for the rest of the year. We are instead, looking for price action to remain rather elevated within 7.20-7.30 range for the rest of the year. We look for tensions between China and western nations, domestic growth fragility, risks of high-for-longer US rates to continue to weigh on yuan sentiment while the PBoC continues to limit the amount of yuan depreciation against the USD and against most of its trading partners.

**Risk of Yuan Devaluation.** There has been increasing speculation that yuan devaluation could be the next risk event. The last time this occurred was in Aug 2015. That was done via a FX reform – the methodology change of the USDCNY reference rate fixes. Then came the introduction of the CFETS index which is a measure of yuan's performance against trading partners'. Since then, USDCNY and USDCNH have been driven more by market forces, compared to the past. Just before the 2015 devaluation, the USDCNY was held at 6.20 for several weeks before the one-off devaluation triggered a downward spiral of the CNY. USDCNY rose around 12% after a 4.7% devaluation of the yuan against the USD via the daily fix, over three days (11-13 Aug). That was done with two major events happening in the backdrop: 1) China's endeavour to get yuan included in IMR's SDR basket; 2) the start of Fed's rate hike cycle. So with regards to the first point, the yuan was included in the SDR basket in 2016. So, PBoC is no longer under as much pressure to promote the market-driven nature of the yuan. While the countercyclical factor has been raised so much in recent days that it seems to be snuffling out the yuan volatility and limit yuan's sensitivity to broader market movements, 1M USDCNY ATM vol is still above levels observed pre-2015 devaluation. The yuan does move in reaction to broader market movement, albeit to a smaller extent. And as such, the accumulative pressure on the yuan is not as significant as what was observed prior to 11 Aug 2015 devaluation. Also, Chinese equity markets suffered a significant rout in 2015. That was a point of extreme pressure on Chinese assets. Back to the present, while the Chinese economy is not out of the woods at this point, we might have seen its darkest days (zero-Covid, sector-wide clampdowns, rules on real estate tightening) in the past few years. Most local stock markets have thus been on a rebound since the start of the year after multi-year pressure. As such, optics-wise, the case for a yuan devaluation becomes less compelling for 2024. More importantly perhaps is the fact that the Fed is awaiting opportunity to start easing. Although it is still uncertain when the Fed can actually start, rates have more room to fall than rise in the next few quarters. That is an immense significant difference between the environment now and 2015. Right now, the strong CNY fix is PBoC's way to stabilize the yuan and buy time until rates differential becomes less punitive for the yuan and as such, it makes less sense for a yuan devaluation to happen in 2024.

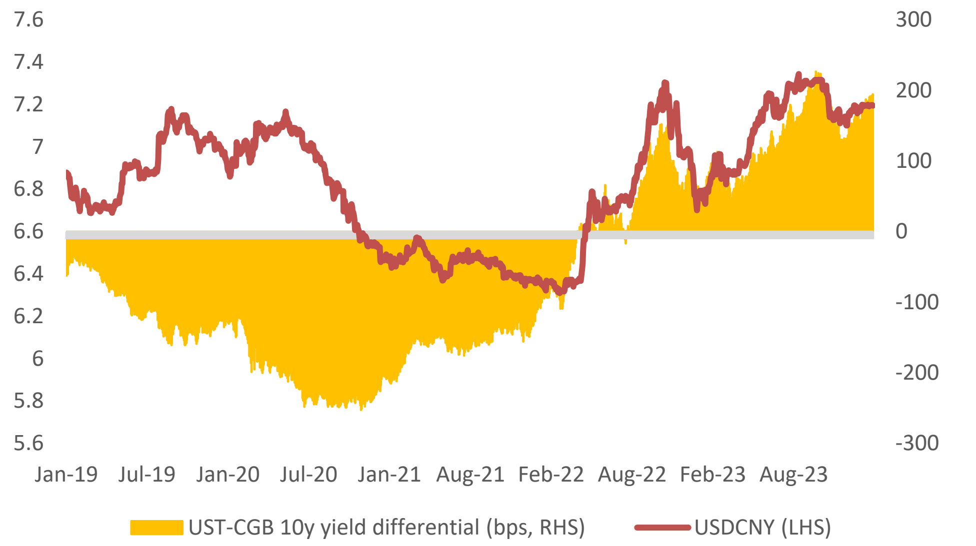
**Yuan Behaviour and the Daily Fix.** There is a possibility that the USDCNY fix could be raised from the current 7.10-figure and that could allow for more headroom for USDCNY to rise. However, this may only come if the USD makes a significant move higher due to stronger US data and concomitant rate repricing. PBoC would allow CNY to react to broader market forces, with a lag. Should the USD soften broadly though (our base case), USDCNY would also come off in tandem but its decline would be hampered by uncertainty over growth prospects at home and ongoing tensions between China and US/Europe over its overproduction.

1Q GDP actually surprised to the upside at 5.3%y/y, boosted by manufacturing. Industrial production was steady for the quarter, supported by tech manufacturing including output of clean energy sector, autos segment and EV chargers. What was worrying was that the factory capacity utilization rate fell to 73.6%. Retail sales slowed considerably to 4.7% from previous 7.4% as spending on travel and dining softened. Meanwhile, home prices remain on the decline and residential sales were down 30% y/y in 1Q. There is little sign of stabilization in the real estate.

**Risks Ahead Remain largely the Same:** 1) The fall in new home prices underscores risk of the property sector, weak confidence still. Foreign investors may continue to hesitate to re-enter Chinese financial markets. Domestic investors may look abroad. That could continue to generate net capital outflow and that is negative for the yuan, especially if property craters further 3) Any further supply chain disruptions that threaten the disinflation narrative could pose risk to rate cut bets and revive fears of higher-for-longer. That would lift the USDCNH significantly. 4) As the US Presidential race heats up, there could be a rise of nationalism in the US as well that could see candidates resorting to China-bashing again. Our 2H 2024 USDCNY forecasts are thus, imbued with the risks of US-China tensions heightening then.

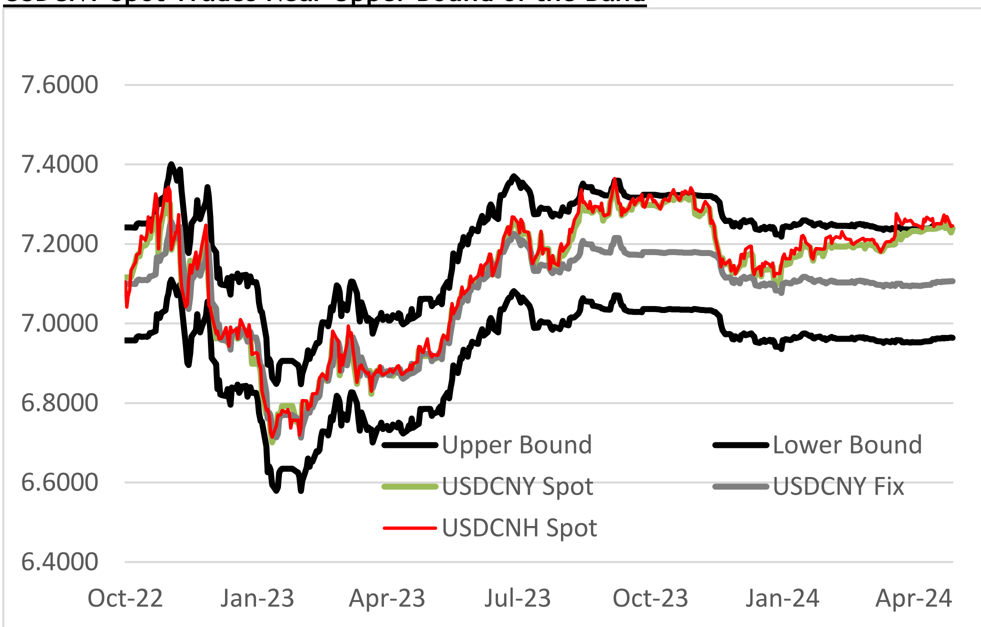
**Key Data/Events:** Caixin Apr China Services [6 May], Apr Foreign reserves [7 May], Apr trade [9 May], Apr money supply, aggregate financing, new yuan loans [9-15 Apr], Apr CPI, PPI [11 May], 1Y MLF [15 May], Apr new home, used home prices, industrial production, retail sales, FAI ex rural, surveyed unemployment rate, property investment, residential property sales, FX net settlement [17 May], 1Y, 5Y loan prime rate [20 May], Apr industrial profits [27 May], May NBS mfg, non-mfg PMI [31 May]. Third Plenum is scheduled to happen in Jul 2024.

**UST-CGB Yield Differential Still Keeping USDCNY Elevated**




*Source: BIS, SAFE, Bloomberg, Maybank FX Research & Strategy*

**USDCNY Spot Trades Near Upper Bound of the Band**




*Source: Maybank FX Research & Strategy*

## KRW: Possible BOK Intervention on Rapid Depreciation

| | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| USD/KRW | 1350<br>(1320) | 1330<br>(1290) | 1310<br>(1260) | 1290<br>(1240) |

Previous Forecasts in Parentheses

**Motivation:** We revise our USDKRW forecasts higher for the next four quarters in view of greater than expected pressures on the KRW. We see these pressures as a culmination of a number of factors (i) general pressure on Asian currencies and the North Asians and JPY (to which KRW has a high beta), (ii) a paring back of the narrative of AI exuberance which weighs on the KRW and TWD, (iii) relatively wide US-KR yield differentials and (iv) a near-term dip in the trade balance. Nevertheless, we maintain a positive outlook and appreciation trajectory on USDKRW and see the recovery of the chip cycle and electronics demand as a key driver for KRW strength in 2024. The global chip cycle has bottomed and coupled with increased exuberance over artificial intelligence (AI) could potentially drive outperformance for the KRW with potential boosts to both the economy and trade. Given our broad expectations for a global soft-landing and fading US exceptionalism a high beta currency like the KRW should also outperform.

1Q advance GDP showed a larger than expected expansion in the Korean economy at 3.4% YoY (exp: 2.5%; prev: 2.2%) and 1.3% QoQ (exp: 0.6%; prev: 0.6%). These prints reinforce the narrative that the Korean economy is recovering. The upside in growth should be supportive of the KRW, although the recent bout of pressure from the strong USD seems to be outweighing appearing to outweigh any support from the better than expected positive growth print.

Mar inflation prints showed that inflation continued to be sticky with headline CPI coming in at 3.1% YoY (exp: 3.0%; prev: 3.1%), although there was a downtick in core CPI to 2.4% YoY (exp: 2.4%; prev: 2.5%). Taken together, growth and inflation prints should support the BOK holding its policy rate steady at 3.50% at the next meeting in May. At the most recent Apr meeting, BOK continued with its hold on rates in line with market consensus and with our expectations. BOK is concerned with sticky inflation. We think BOK is likely to take cue to cut from the Fed and other major central banks in determining when to cut rates, especially given the concern over KRW weakness. Given the considerable uncertainty around the inflation outlook, they may start to consider rate cuts only in the latter half of 2024. Past episodes have also shown that BOK has had a tendency to hold for an extended period before pivoting to a cut. As of now, we suggest that there could be an extended hold in the works for the BOK and they could hold off rate cuts this year if the Fed does not cut. Inflation remains sticky and growth is healthy to the upside, so they should be in no hurry to cut rates.

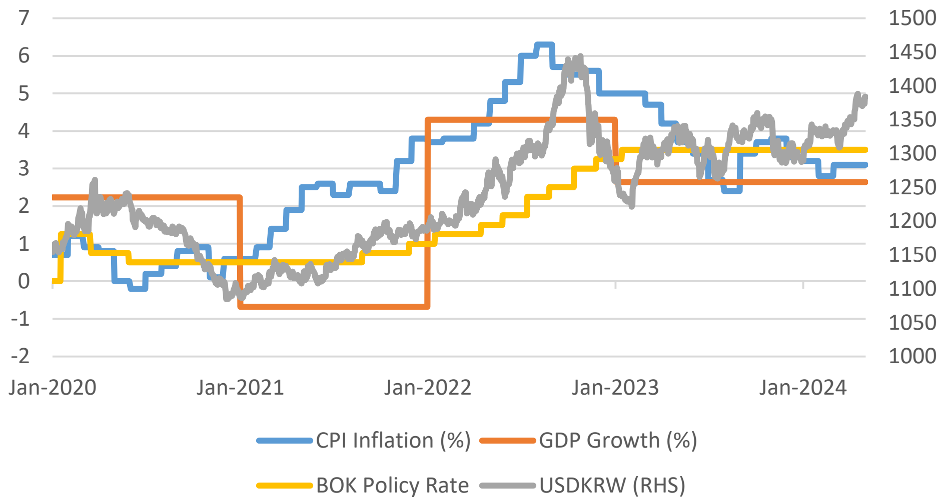
1M USDKRW NDF traded between a range of 1340.83 to 1397.92 in Apr, this was higher than the 1305.12 to 1351.03 range seen in Mar. We suspect possible episodes of intervention by the BOK in Apr and look closely at the next foreign reserves print to gauge the size of the interventions. Officials had ramped up warnings of excessive FX movements since 16 Apr, with Governor Rhee mentioning that the "recent move was a bit excessive". In addition, a rather unusual trilateral statement released on 17 Apr by the US, Japan and Korea drew attention to setting the stage for possible intervention. What we suspect to be JPY intervention on 29 Apr was also mirrored by similar price movements in the KRW, and we cannot rule out intervention by the BOK as well.

One potential factor that could spur USDKRW lower would be the inclusion of Korea onto global bond benchmarks. Market watchers suggest that it is highly likely that Korea is included onto major bond indices this year amid abating inflation driving higher demand for government bonds. Korea was on FTSE Russell's watchlist as of last year but had not been added despite having met the quantitative criteria for inclusion. These are namely (i) market size of at least US$50b of outstanding issuances, (ii) sovereign credit rating of at least A- (S&P) and A3 (Moody's). They have however not met the qualitative requirement for investor accessibility. This is likely due to both capital controls and non-resident tax burden. There is already some preliminary work done to meet the qualitative requirements. According to Finance Minister Choo, an omnibus account is to be opened at an ICSD by Jun 2024, which should facilitate better investor access and anonymity. The government will consider introducing night trading of 3Y and 10Y bond futures to enable better risk management. It seems more likely that Sep-24 will be the entry date with the FTSE Russell semi-annual review conducted in Mar and Sep every year. If the index inclusion does happen, we would expect the resulting inflows to Korea to spur KRW strength. Official government estimates place the size of inflows at around US$38b to US$45b should Korean government bonds be placed on the FTSE Russell World Government Bond Index.

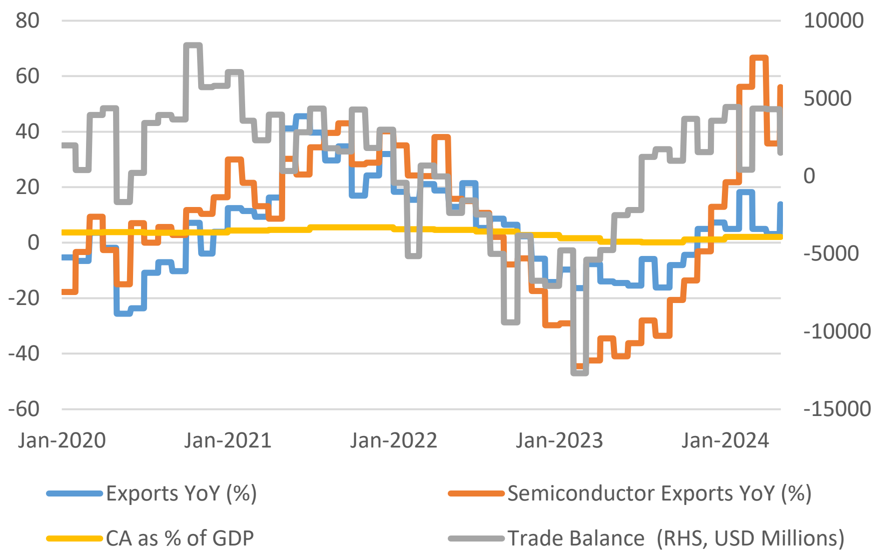
**Risks Ahead:** Risks to our KRW outlook would be include issues with debt and potential meltdown of the property sector, although at this stage signs do not point to wider contagion that could weigh on the KRW. In addition, the AI/chip recovery theme could disappoint and this would also threaten our positive medium term outlook on the KRW. Should a global soft landing not materialize as expected, we would also suggest that USDKRW could remain higher than we suggest in our forecasts.

**Key data/events**: Apr Exports/Imports/Trade Balance (1 May), Apr CPI Inflation (2 May), Apr Foreign Reserves (7 May), Mar BoP Goods/CA Balance (9 May), Apr Bank Lending to Household (9 May to 16 May), Apr Import/Export Price Indices (14 May), Mar Money Supply (16 May), Apr Unemployment Rate (17 May), May Consumer Confidence, May 20-Days Exports/Imports, 1Q Household Credit (21 May), Apr PPI Inflation, Jun Business Survey Manufacturing/Non-Manufacturing , 1Q Short-term External Debt (22 May), **BOK Policy Decision (23 May),** Apr Retail/Department/Discount Sales (28 May to 31 May), Apr Industrial Production, Cyclical Index Leading Change (31 May).

**Extended BOK Pause Could Support KRW**




**Near-term Dip in Trade Balance**




*Source: Bloomberg, Maybank FX Research & Strategy*

## SGD: Resilient but Not Unscathed

| USD/SGD | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 1.3500 | 1.3450 | 1.3350 | 1.3300 |
| | (1.3450) | (1.3400) | (1.3300) | (--) |

Previous Forecasts in Parentheses

**Motivation:** We revise our 2024 forecasts for USDSGD higher amid pressure on Asian currencies, to which the SGD while resilient is not unscathed, and as a near-term manufacturing slump is expected to worsen the final 1Q GDP print. We maintain the trajectory to come off gradually i.e. for SGD to strengthen against the USD gradually through the next four quarters. This is based on the belief that SGD will continue to stay resilient as MAS stands pat on policy and as the Fed cuts rates amid fading US exceptionalism. The current pace of SGDNEER appreciation (assumed to be 1.5%) should continue to be supportive of the SGD. Fed rate cuts should also be supportive of SGD strength, although cuts could benefit other constituents more than the SGD. AI exuberance may have moderated, but the electronics cycle could be on the brink of an upswing, and we think that this could benefit the SGD.

As widely expected, MAS kept policy settings unchanged in Apr and continued to see its current appreciation of the SGDNEER as appropriate in ensuring medium term price stability. MAS is likely to stand pat in Jul and the current policy stance should remain appropriate as long as growth and inflation outturns are in line with MAS' expectations, which they have been thus far. Our economists see MAS easing via a "slight" slope reduction in Oct at the earliest, although we think that there are hints that MAS could be reluctant or unable to ease as easily as or as much as the market is expecting. Inflation remains above its historical mean in Singapore and our inference from Chief Economist Robinson's speech on monetary policy is that MAS may not be able to ease quite as easily as an interest rate regime would, even if inflation targets are met. SGDNEER remains firm and trades at +1.54% above the mid-point on our model, and is likely to remain within the +1.50% to 2.00% region in the near-term.

1Q Advance GDP estimates were strong, although below consensus, at 2.7% YoY (exp: 3.0%; prev: 2.2%). Our economists raise their 2024 GDP forecast to 2.4% YoY (prev: 2.2%) in view of this. Their forecast stands at the upper end of MTI's 1% to 3% forecast range. However, in view of the recent plunge in Mar Industrial Production, where manufacturing output fell by more than expected at -9.2% YoY (exp: -1.5%; prev: 4.4%). The decline was relatively broad based across most clusters and was consistent with the -3.4% YoY (prev: 1.4%) contraction in non-oil domestic exports. Nevertheless, this remains consistent with MAS' view that there could be some near-term weakness in external demand and moving forward, our economists see that the electronic cycle upturn could broaden. As such, while they expect 1Q final GDP print (released in May) to come in weaker at 2.2% YoY, they maintain their full year GDP forecast at 2.4%. Similarly, we shift our USDSGD forecast for 2Q24 slightly higher to reflect some near-term weakness in the SGD, although we maintain the overall trajectory for USDSGD to weaken.

In Apr, USDSGD traded within a range of 1.3438 to 1.3670, higher than the range of 1.3271 to 1.3518 seen in Mar. Asian currencies have been pressured in this latest bout of USD strength and while the SGD has remained resilient, it is not completely impervious to bouts of greenback strength. This is exhibited by the fact that SGDNEER has remained firm and is at +1.50% above the midpoint of the band following MAS' Apr stand pat. However, bilateral USDSGD has moved up higher. Singapore's robust macro fundamentals and unique exchange rate policy, which results in SG rates being highly correlated with US rates, underpinned the outperformance of the SGDNEER against a narrative that US rates would remain higher for longer. As we approach a time where potential rate cuts are being discussed, we think that the expectation of Fed rate cuts could lead to a tapering off in SGDNEER strength – specifically if basket constituents start to outperform the SGD i.e. appreciate by more against the USD than the SGD as the Fed cuts rates.

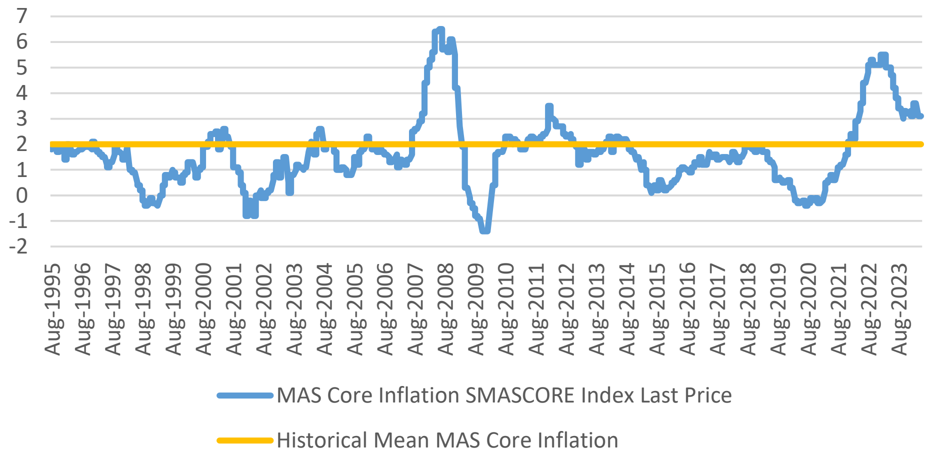
Singapore's Budget 2024 catered for more balanced spending providing broad support to corporates and households, the first installment of the Forward Singapore programmes. A small fiscal surplus of 0.1% of GDP (S$0.78b) is projected for FY24, the first planned surplus in 7 years. FY23 deficit came in at 0.5% of GDP (S$36b), due to the S$7.5bn Majulah Package top up. This was despite higher-than-expected revenues and was below our economists' expectations of a surplus. Our economists expect the longer-term schemes in the budget to improve productivity and raise social inclusivity, boosting long term growth.

Against the narrative of a global soft landing and fading US exceptionalism, we therefore maintain our forecasts for USDSGD to come off gradually i.e. for SGD to strength against the USD gradually through 2024. This is based on the belief that SGD will continue to stay resilient as MAS stands pat on policy and the Fed cuts rates. The current pace of SGDNEER appreciation (assumed to be 1.5%) should continue to be supportive of the SGD. Fed rate cuts should also be supportive of SGD strength, although cuts could benefit other constituents more than the SGD. That is not to say that the SGDNEER will crash, but rather that it could come off from current elevated levels.

**Risks Ahead:** There are also salient risks on the horizon for the SGD. Notably, tensions in the Middle East, Red Sea blockade and in de-globalization in general could precipitate a drop in global trade volumes and result in a structural upward shift for inflation. This could also threaten our suggested narrative for the bottoming of the electronics/chip cycle. As a small, trade-reliant economy, Singapore tends to do well in a climate where global growth does well. A global hard landing is also therefore a risk that could adversely impact the SGD. Should actual growth and inflation outcomes turn out contrary to MAS expectations, we do not rule out either further tightening or an earlier than expected easing.

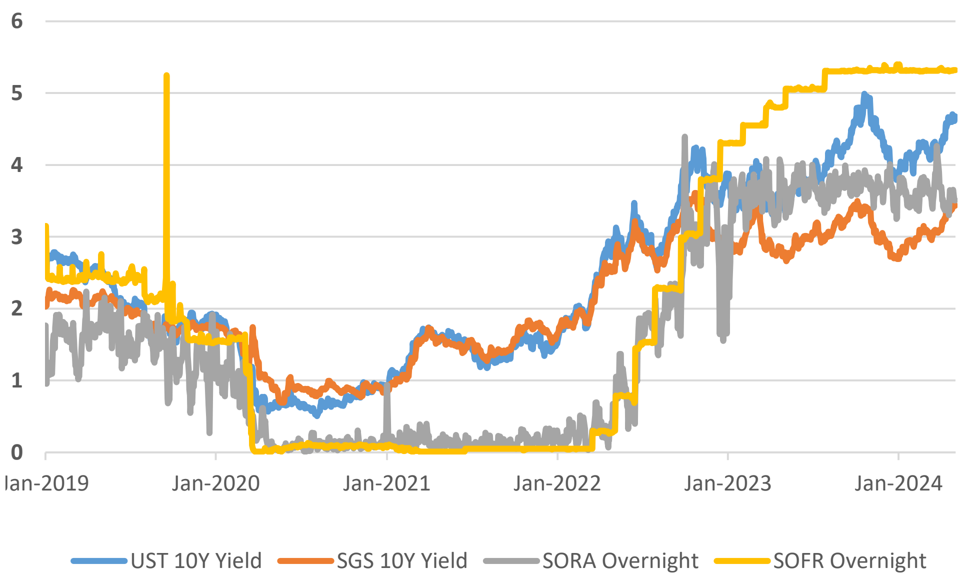
**Key data/events:** Apr Purchasing Managers/Electronics Sector Index (2 May), Mar Retail Sales (3 May), Apr S&P Singapore PMI (6 May), Apr Foreign Reserves (7 May), Apr Electronics/Non-Oil Domestic Exports (17 May), 1QF GDP (20 May to 24 May), Apr CPI Inflation (23 May), Apr Industrial Production (24 May), Apr Money Supply (31 May).

## Inflation Remains Above Historical Mean




*Source: Bloomberg, Maybank FX Research & Strategy*

## USD Rates and SGD Rates Are Highly Correlated




*Source: Bloomberg, Maybank FX Research & Strategy*

## MYR: Resilient Despite Volatile External Factors

| USD/MYR | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 4.70 | 4.65 | 4.60 | 4.55 |
| | (--) | (--) | (4.55) | (--) |

Previous Forecasts in Parentheses

**Motivation:** We adjust our USDMYR forecast higher in 4Q 2024 to reflect market developments, robust US data and latest revisions in our baseline Fed policy trajectory reflecting extended US exceptionalism. Our forecasts incorporates our baseline view of continued near term support in the USD, UST yield levels as well as the weaker CNY fixing adjustment and higher FX volatility in the near term. We now expect Fed to cut by -50bps cuts in 2024 and -100bps in 2025 vs -100bps per annum in 2024-2025 previously. As such, we expect USD strength to be sustained into 2Q and 3Q leading to continued pressure on emerging market currencies including the MYR with some relief eventually by year end. Furthermore, if the fuel subsidy rationalisation is introduced, it could also help to support the MYR. In addition, we expect central banks in the region and Asia to continue with verbal interventions and to lean against the wind to limit too rapid a move in their currencies.

Nonetheless, we continue to hold to our view of a gradual downward trend for the USDMYR remaining in place end 3Q and 4Q 2024. Given that our own BEER model finds the MYR is among the most undervalued regionally, the currency can potentially see good gains upon a turn in the external environment. Furthermore, domestic economic fundamentals look to remain robust with GDP expected at +4.4% in 2024. This should reduce the pressure on BNM to cut rates and in turn together with an eventual US easing, help reduce the impact that the wide rate differentials have had on the MYR. Aside that, a continued improvement in the tourism sector as well as a turnaround in electronics export should help lift Malaysia's external position. Meanwhile, the surge in approved private sector investment since 2021 is also translating into rising actual/realised private investment. Near term, the currency is likely to be range bound at around 4.70 levels.

Within the month, the USDMYR reached a low of 4.7972 on 16 Apr following a stronger dollar driven by rising risk aversion amid an escalation in the Middle East tensions, and rising expectations that the Fed will keep rates higher for longer with stronger inflation and activity data. The MYR has been resilient since the March statement by the BNM Financial Markets Committee welcoming "intensified coordination between the government and BNM to encourage more inflows into the market. On 15 Apr, BNM reaffirmed it's ready to support the ringgit highlighting that it will ensure the "orderly functioning of the foreign exchange market" with support from government-linked firms, corporations and exporters to attract flows and liquidity into the market. Despite weakening against the dollar, the MYR fared much better than regional peers such as the IDR, PHP, KRW, THB and TWD.

Economic fundamentals continue to underpin the MYR as we see it remaining robust. The pick up in 1Q 2024 GDP AE growth to +3.9% YoY (4Q 2023: +3.0% YoY) was underpinned by broad-based growth across all sectors i.e. services (1Q 2024 AE: +4.4% YoY; 4Q 2023: +4.2% YoY); manufacturing (1Q 2024 AE: +1.9% YoY; 4Q 2023: -0.3% YoY); agriculture (1Q 2024 AE: +1.3% YoY; 4Q 2023: +1.9% YoY); mining (1Q 2024 AE: +4.9% YoY; 4Q 2023: +3.8% YoY) and construction (1Q 2024 AE: +9.8% YoY; 4Q 2023: +3.6% YoY). The 1Q 2024 AE GDP growth is supportive of our full-year 2024 growth forecast of +4.4% (2023: +3.7%), which is predicated on our assumption of progressively rising quarterly GDP growth. Further signal of economic growth pick up this year is the rebounds in 1Q 2024 exports and imports to +2.2% YoY (4Q 2023: -6.9% YoY; 2023: -8.0%) and +13.1% YoY (4Q 2023: +1.3% YoY; 2023: -6.4%) respectively, signaling GDP-accretive improvement in net external demand conditions as well as robust domestic demand as per the imports of consumption goods and capital goods. Actual 1Q 2024 is scheduled for release on 17 May 2024.

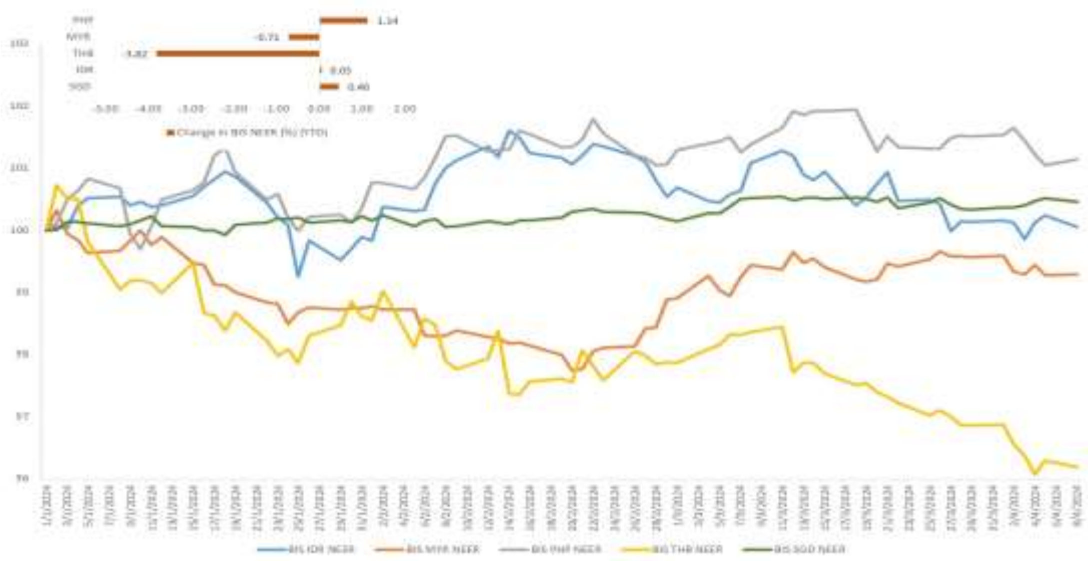
March 2024 saw exports posted another month of marginal decline (Mar 2024: -0.8% YoY; Feb 2024: -0.8% YoY) while imports growth accelerated (Mar 2024: +12.5% YoY; Feb 2024: +8.0% YoY). Despite the uneven monthly data, year-to-date rebounds in exports (1Q 2024: +2.2% YoY; 2023: -8.0%) and imports (1Q 2024: +13.1% YoY; 2023: -6.4%) signal improving external trade, supporting our outlook of firmer real GDP growth this year (2024F: +4.4%; 1Q 2024 advanced estimate: +3.9% YoY; 2023: +3.7%). Services tax adjusted to 6%-8% from 6% on 1 Mar 2024, but headline inflation stayed at +1.8% YoY (Feb 2024: +1.8% YoY; MIBG Mar 2024E: +2.0% YoY; consensus: +2.0% YoY). Core inflation eased to +1.7% YoY (Feb 2024: +1.8% YoY; 1Q 2024: +1.8% YoY; 2023: +3.0%). With 1Q 2024 inflation of +1.7% YoY, we cut full-year 2024 forecast to +2.4% from +3.0% previously (2023: +2.5%), which still implies upside risk to monthly inflation ahead, mainly from the planned domestic fuel subsidy rationalization.

The underlying economic conditions imply that pressure would be reduced for BNM to cut rates. This would proof to be of quite some importance for the MYR given that widening rate differentials between the US and Malaysia have been a weighing factor. With the Fed likely to ease towards the end of 2024 and our economists seeing BNM staying on hold in 2024, the impact on the MYR from the wide differentials should at least start to subside by 2H 2024. We also anticipate an improvement in Malaysia's external position in 2024 on the basis of both increased tourism spending and a rebound in tech exports. The MYR should therefore be getting more support from an external position angle. Investment inflows should also rise as the surge in approved private sector investment since 2021 is translating into rising actual/realised private investment.

**Risks to look out for in May 2024.** Downside risks include any exacerbation of weakness in China's recovery (Malaysia's largest trading partner), further extended delay in the expected Fed easing trajectory or escalation in geopolitical tensions in Middle East and between US & China in the run-up to the US Presidential elections. All these can lead to a stronger USD, which in turn hurts the MYR.

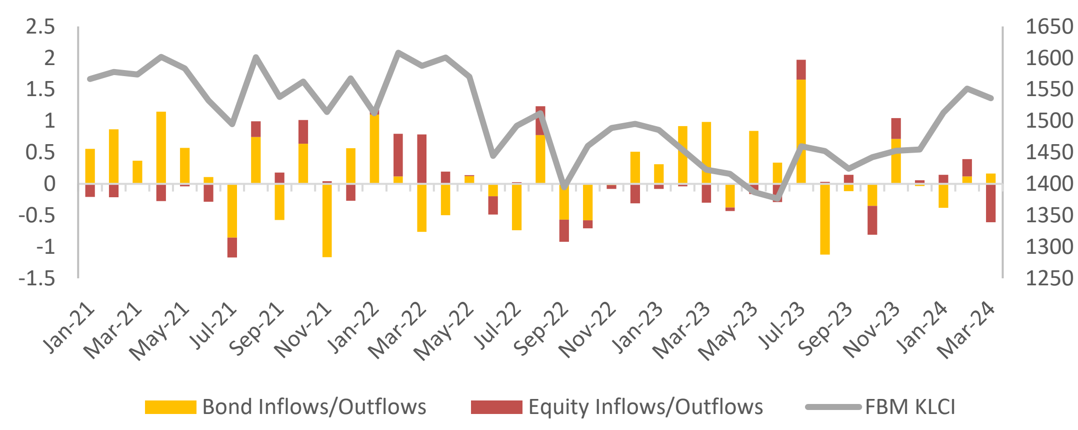
**Key domestic events and issues to watch in May:** S&P Global PMI mfg (2 May), Foreign reserves (8 May), BNM Policy Announcement (9 May), Mar mfg sales (10 May), Malaysia Kuala Kubu Bharu By-Election (11 May), Mar IP (10 May), Apr trade data (20 May), Foreign reserves (23 May) and Apr CPI (24 May).

## MYR Nominal Effective Exchange Rate or Trade-Weighted Index Remains Resilient



*Source: Macrobond, Bloomberg, Maybank FX Research & Strategy*

## Bond Inflows Have Been Less Robust




*Source: Maybank FX Research & Strategy*

## IDR: Pressured, Relief in the Medium Term

| USD/IDR | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 16500 (15750) | 16250 (15650) | 15900 (15500) | 15700 (15250) |

Previous Forecasts in Parentheses

**Motivation:** We are revising our USDIDR forecasts higher to reflect latest market developments and an increase in idiosyncratic risk factors. We are revising our USDIDR forecast upwards overall to better reflect the market sentiments although we are keeping a downward trend intact. Rate differentials between Indonesia and the US have tightened as UST yields move back up amid readjustment of market's Fed cut expectations, geopolitical tensions and higher oil prices. Idiosyncratically, there continues to be fiscal concerns regarding Prabowo's ambitious spending plans. His potential appointment for the new finance minister is still being closely watched although it is not clear at this point who would fill the position. However, we do not believe that this pressure is a "forever" phenomenon and see that the situation can turn more favourable in time for the IDR. Our house expectations is that the Fed would cut 50bps this year and this would provide relief for the EM space and the IDR by year end. On the BI front, the central bank recently hiked by 25bps in what looked like a move to support and stabilize the IDR. They also appeared like they could stay hawkish as they seem to be expecting fewer Fed rate cuts this year, which in turn would give the IDR support. Our in-house economist sees that BI would not engage in any cuts in 2024. Also, there should be more clarity on the new President's policies in time especially once he is sworn later in Oct and his new administration begins.

The global risk-off environment has recently done no favours for the EM space and the IDR. In particular, the IDR has been hurt by a tightening in the rate spreads between Indonesia and the US as continued resilient US data is pushing back the timing of any Fed rate cut. Furthermore, recent geopolitical tensions related to the Middle East has sapped sentiment for the EM space. Higher oil prices are also a negative for the IDR given that the country is a net oil importer. We are of the view though that these pressures can persist in the near term for IDR as US data may still continue to come out strongly whilst tensions remain high in the Middle East as the Gaza conflict is still ongoing even as Iran has played down the recent attacks. This can risk pushing the USDIDR a little higher. However, we also note that BI has noted that they are intervening in the market and this in itself should also play some part in giving the currency support and slowing down the depreciation. The central bank has also told state-owned enterprises to refrain from making large dollar purchases for import or debt. BI also hiked by 25bps at their recent meeting in what appeared like a move to support and stabilize the IDR. The central bank had mentioned that the move was done given the possibility of worsening global risks and it was a pre-emptive and forward-looking step to ensure inflations remains within the target in 2024 - 2025. They do at the same time look like they could be hawkish for a while as they now expect fewer Fed rate cuts this year. They see an above 75% chance of one cut of 25bps likely in Dec whilst they also note a potential risk of 50% of not Fed pivot this year and rate cut to be pushed back to 2025. BI itself is expecting USDIDR to be stable at around 16,200 in Q2, before appreciating to 16,000 and 15,800 in Q3 and Q4, respectively.

Idiosyncratically, fiscal concerns arising from Prabowo's ambitious spending plans looks to be creating anxiety among investors. Prabowo as part of his election promises had looked to introduce a free school lunch and milk programme that amounts to US$29bn. He had also sought to target an 8% growth rate over his 5-year term, of which attempts to achieve this could also lead to higher spending. We continue to closely scrutinize who his new appointment as finance minister would be although at this point, it is unclear who would be filling the position. Some names that have been talked about Health Minister Budi Gunadi Sadikin, Deputy State-Owned Enterprises Minister Kartika Wirjoatmodjo, financial regulator chairman Mahendra Siregar and Bank Negara Indonesia president-director Royke Tumilaar.

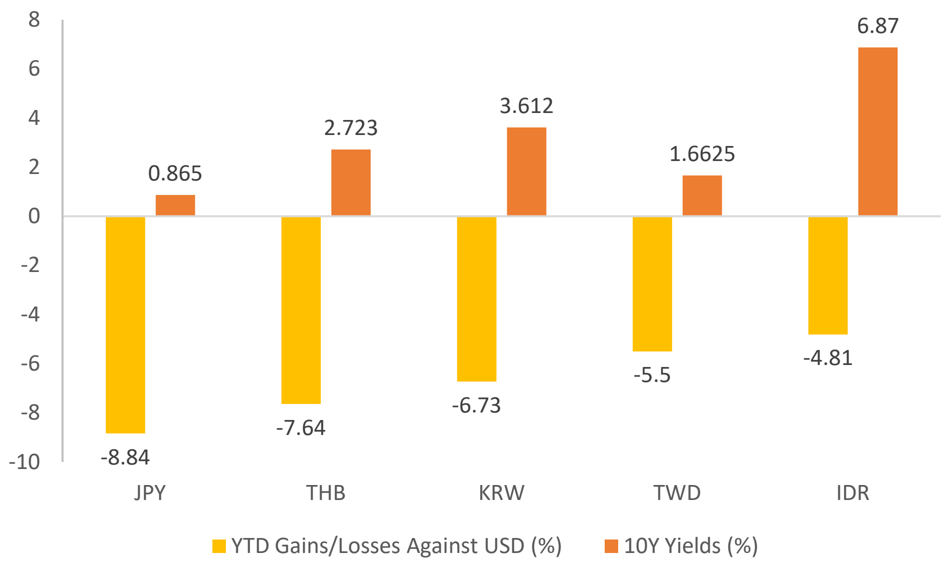
In the medium term, we believe that a number of favourable factors are likely to emerge for the IDR. Our in-house economist believes that the Fed would still cut 50bps this year and this should provide much relief for the IDR. Also, there should be more clarity on the new President's policies in time especially once he is sworn later in Oct and his new administration begins. Hence, we still believe that USDIDR should still see a downward trend this year. We also believe that positioning into IGBs should strengthen once these factors start to play out. Outflows we note have been heavy recently.

Fundamentally, our in-house economist believes that the country is likely to maintain a trade surplus, which should also be supportive for the IDR. The recently announced Mar trade surplus was in fact the widest since Feb 2023. Imports had pulled back as businesses earlier front-loaded their orders ahead of Ramadan. However, we do note that 1Q trade surplus was at $7.3bn (vs. $9.2bn in 4Q 2023), the lowest outturn since 2Q 2021. The 1Q current account deficit is likely to also widen compared to 4Q (-0.4% of GDP). Even so, the country's trade position should improve from current levels as import needs reduce and exports may get a boost from strength in palm oil prices.

**Risks Ahead:** These include the Fed choosing to hike rates again to tackle sticky inflation and any escalation in political uncertainty locally.

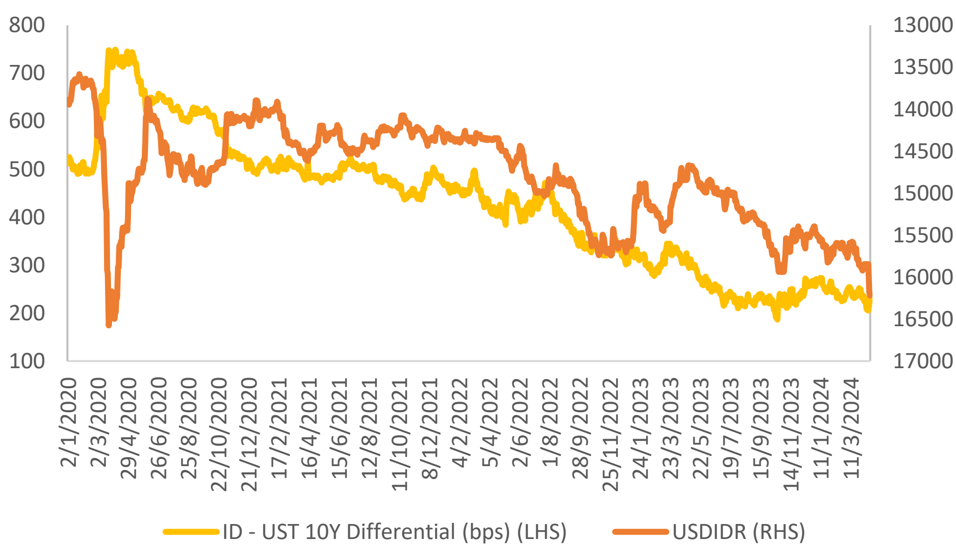
**Key Data/Events:** Apr S&P Global PMI mfg (2 May), Apr CPI (2 May), 1Q GDP (6 May), Apr foreign reserves (8 May), Apr consumer confidence index (13 May), Apr trade data (15 May), Mar external debt (15 May), 1Q BoP CA balance (20 May) and BI policy decision (22 May).

**The High Yielding Carry Advantage of the IDR has Given it an Advantage and Seen it Perform Better vs Other Low Yielding Regional FX YTD**




*Source: Macrobond, Maybank FX Research & Strategy*

**Narrowing Yield Differentials Are Currently Weighing on the IDR Although There Should be Some Relief Eventually as the Fed Eases**




*Source: Bloomberg, Maybank FX Research & Strategy*

## PHP: Higher Pressure Amid Less Favorable External Environment

| USD/PHP | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 57.25 | 56.75 | 56.25 | 55.50 |
| | (56.50) | (56.00) | (55.50) | (55.00) |

Previous Forecasts in Parentheses

**Motivation:** The PHP has recently come under heavy pressure being among the worst performers regionally month to date. This pressure comes after a period where the PHP had actually held its ground well and outperformed many of its peers. A few factors could have contributed to this recent weakness including readjustment of market rate cut expectations, heightened geopolitical tensions and elevated oil prices. While the BSP had chosen to allow currency adjustments to happen at first, more recently, Governor Remolona joined regional central banks in monitoring and “managing any unnecessary movement and excessive volatility”. We do believe that the USDPHP has a limit to its upside and can come off from these high levels, ending the year lower. Underpinning this would be the central bank’s hawkishness arising from inflation concerns and their awareness that exchange weakness can raise price pressures from higher import costs (especially on food and fuel). This also implies that they may not hesitate to exercise the option to hike rates if needed, should the PHP weaken too much. Additionally, our in-house economist expects the Fed would cut 50bps this year and BSP to cut 25bps, which should give relief to the USDPHP by end of the year. Overall, we continue to see a downward trajectory for our USDPHP forecast although we have still raised it overall to reflect the nature of the market sentiment towards the currency.

A number of less favourable factors recently have weighed on the PHP that include 1) readjustment of market rate cut expectations, 2) heightened geopolitical tensions and 3) elevated oil prices. However, we do note that these factors are not actually any different from what other ASEAN currencies are currently facing too. BSP wanted to allow currency adjustment at first and that contrasts with its other neighbours such as Indonesia, who have recognized that they have been actively intervening in the market. Malaysia has also been encouraging its own SOEs and exporters to convert their foreign earnings/holdings to local currency as a form of support to the MYR. More recently though, BSP had signalled a shift in stance and its desire to be more vigilant on FX monitoring/management.

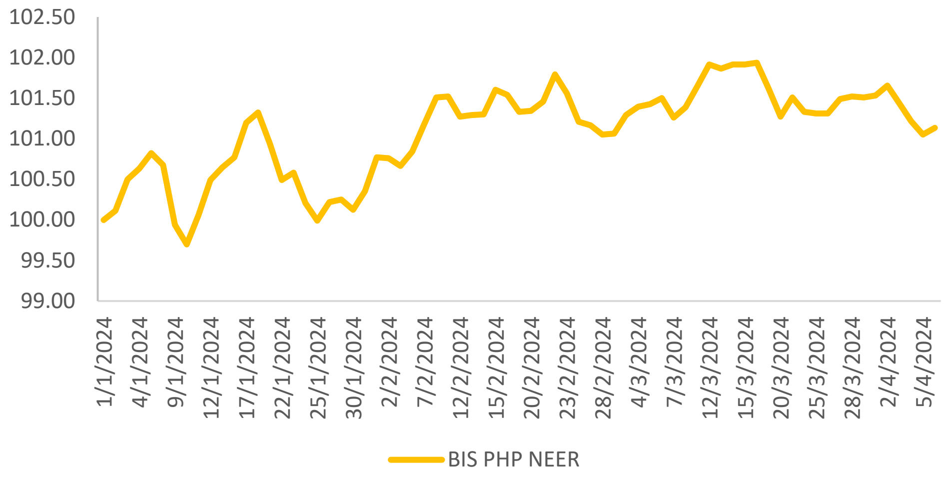
We believe that the USDPHP has a limit to its upside as other comments from Finance Secretary Ralph Recto has implied they would also not necessarily tolerate too much weakness in the currency. He has recently cautioned that interest rate cuts could get delayed if the USDPHP goes past the 59.00 level. We do understand Remolona has mentioned that the PHP slide would not impact monetary policy but his words may have also intended to convey that the central banks acts on economic factors as a whole rather than just on the currency itself. If the currency impacts inflation, we do not rule out the central bank would act as needed.

In the medium term, we still continue to believe that the USDPHP would come off from current levels and end the year lower. Underpinning this would be the central bank’s hawkishness arising from inflation concerns and their awareness that exchange weakness can raise price pressures. Recently, Governor Remolona has actually said that they are “looking at staying tight for a while” and the odds are “over 56%” that inflation would breach the BSP’s 2-4% target this year. He also said, “that has to change significantly before we decided to cut”. He ruled out increasing the rate but at the same time sees that the window to reduce it in 2H 2024 is narrowing given these inflation concerns. We expect that the BSP is likely to stay on hold in the upcoming meeting on 15 May.

**Risks Ahead:** This includes the Fed hiking rates again as a solution to address the still elevated inflation levels. A worsening in geopolitical tensions especially those related to the Middle East and an huge spike in oil prices could also significantly undermine our forecasts.

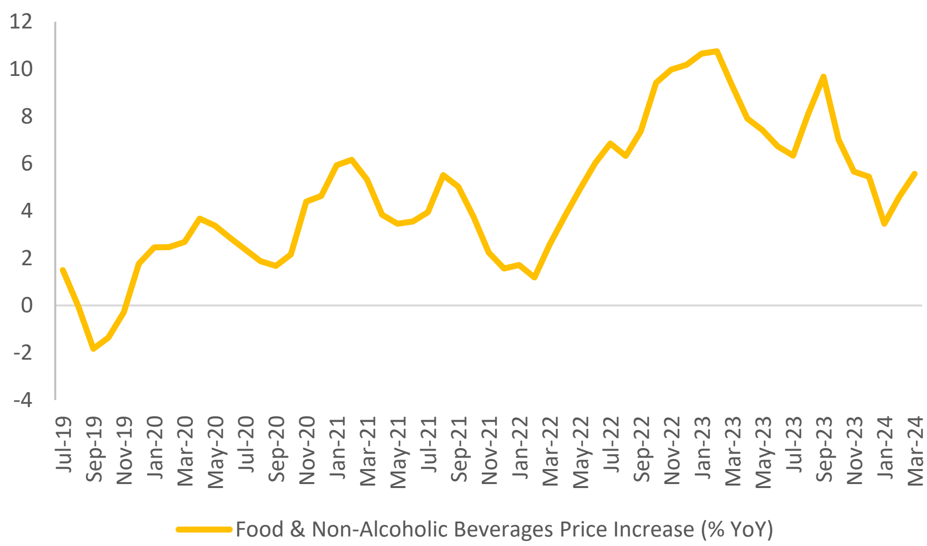
**Key Data/Events:** Apr S&P Global PMI mfg (2 May), Apr CPI (7 May), Apr foreign reserves (7 May), Mar trade data (8 May), Mar unemployment rate (8 May), 1Q GDP (9 May), Mar OFWR (15 May), BSP policy decision (16 May), Apr BoP overall (20 May) and Apr budget balance (24 May).

**Despite the PHP's Substantial Weakening Against the USD Recently, its Performance on a Trade Weighted Basis is Still Better Year to Date**




*Source: Bloomberg, Maybank FX Research & Strategy*

**High Food Inflation Keeps the Pressure on the BSP to Hold Rates High, Which in Turn Supports the PHP**




*Source: Macrobond, Maybank FX Research & Strategy*

## THB: External and Domestic Concerns Limit Performance

| | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| USD/THB | 37.00 | 36.50 | 36.00 | 35.50 |
| | (36.50) | (35.50) | (35.00) | (34.50) |

Previous Forecasts in Parentheses

**Motivation:** THB continued to perform weakly in the last month as both external and idiosyncratic factors weighed in. Externally, a readjustment of market rate cut expectations, heightened geopolitical tensions and elevated oil prices have all hurt the currency. Idiosyncratically, the pressure from the government on the BOT to ease rates is also not doing any good for the THB given the currency is quite sensitive to the yield differentials. Also, fiscal concerns are still weighing in as PM Srettha is determined to push ahead with the digital wallet handout of which the latest proposal is for it to be funded from the budget. Meanwhile, we do note too that foreign currency (FC) deposits have been on the rise and that can further climb given higher USD interest rates and ongoing concerns about the THB. These pressures we believe are likely to stay as an overhang on the currency and keep the USDTHB elevated in the near term. However, we believe that the pair would still see a downward trajectory in the medium term and finish the year lower. This is predicated on our house macro view that the Fed is likely to undertake 50bps cut this year and this should provide relief to the THB. However, those domestic pressures we have mentioned are likely to limit the extent of the gains too. Overall, whilst we still expect a downward trajectory for our USDTHB forecast, we are raising it to better reflect sentiments to the currency.

The THB just like its other regional peers has not been able escape the global pressures that have led to this recent risk-inverse adverse environment. The THB too based on our analysis is among the most sensitive currencies to yield differentials, which means the market readjustment of Fed rate expectations can have quite an impact on the currency. Thailand is also a net oil importer, which implies that the recent high oil prices and bullish expectations of the commodity can risk having an outsized effect on the currency. We also do note at the same time that the gold price has been on a rise given stronger safe-haven demand. There does appear to be some positive benefit to the THB from this as gold exports have been on the rise but it also does not seem to be sufficient to offset the negative impact of those less favourable factors. Current global conditions in our view is likely to persist for a while given that US data could stay strong whilst oil would be supported by heightened Middle East tensions and supply issues.

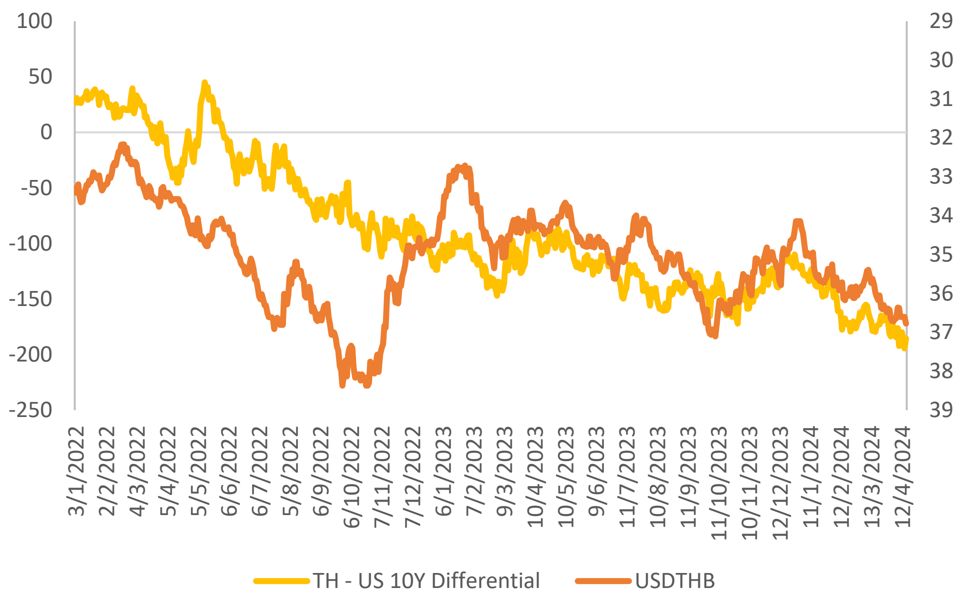
In combination with this, idiosyncratic factors are also adding to the pressure. The BOT did hold the rates at its recent meeting and made it appear like a rate cut is not a prudent action. They also seemed to have set a high bar for one to happen. They noted "that the effectiveness of monetary policy on resolving structural impediments is limited" and also see that the policy rate is close to neutral. However, we believe that continued economic weakness especially going further into this quarter is likely going to push the BOT to ease. Our in-house economist is seeing the possibility that a 25bps cut could occur at the 12 Jun meeting. At the same time, the pressure from PM Srettha on the BOT to cut rates may keep persisting too. Sentiments towards the currency is likely to keep being hurt by this risk of a near term BOT cut (especially as it could come ahead of any Fed move). Meanwhile, PM Srettha is determined to push ahead with the digital wallet handout of which the latest proposal is for it to be funded from the budget. This would include drawing THB175bn from the 2024 fiscal budget, THB172.3bn from Bank of Agriculture and Agricultural Cooperatives 2025 budget and THB152.7bn from 2025 fiscal budget. Fiscal concerns are therefore going to remain high on the list of concerns for the currency too.

In light of these developments, foreign investors we believe are unlikely to consider positioning substantially into Thai bonds in the near term. Whilst outflows have already been heavy in the last couple of months, we are still expecting it to continue as investors have little reason to remain in. Equities inflows too we believe are unlikely to sustainably pick-up if the economy continues to stay under pressure or there is no notable green shoots that can be highlighted. Also, we have noticed that the value of foreign currency deposits are rising which creates another concern for the currency. Higher USD interest rates or THB confidence issues could be driving this increase. There is a risk that this can continue.

**Risks Ahead:** BOT engaging in an aggressive easing cycle whilst the Fed hikes rates. We stay cognizant of this happening given the pressure felt by the BOT to ease from the government (amid the weak economy) whilst US data at the same time keeps coming out strongly.

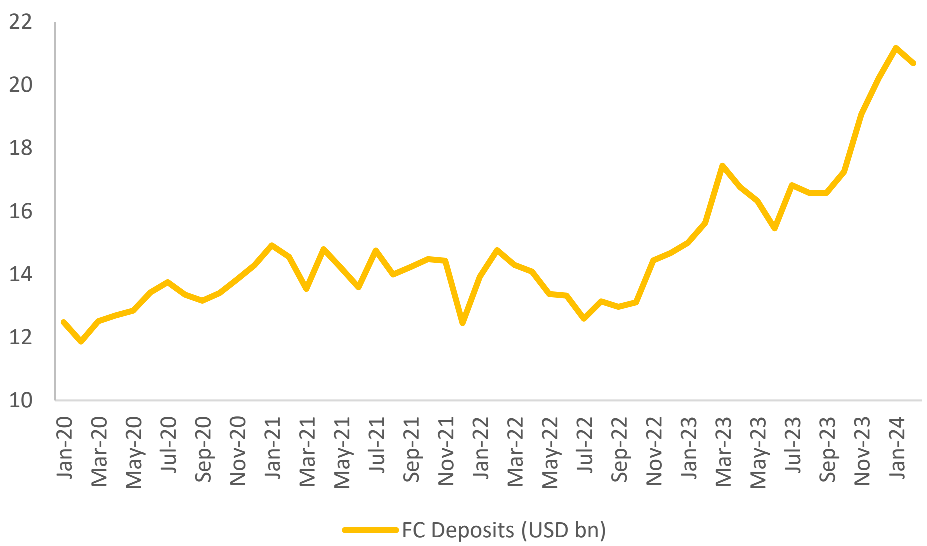
**Key Data/Events:** Apr S&P Global PMI mfg (2 May), Apr business sentiment index (2 May), Apr CPI (7 May), Apr consumer confidence (7 – 13 May), 1Q GDP (20 May), ISIC mfg prod index (26 - 30 May), ISIC capacity utilization (26 - 30 May), Apr customs trade data (27 - 31 May), Apr trade data (31 May) and BoP CA and overall balance (31 May).

**Pressure on the BOT to Cut Weighs on the THB Especially Given it Can Further Widen Rate Differentials**




*Source: Bloomberg, Maybank FX Research & Strategy*

**The Risk of Further Rises in FC Deposits Can Continue to Weigh on the THB**




*Source: Macrobond, Maybank FX Research & Strategy*

## VND: SBV in the Market, says SBV

| | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| USD/VND | 25000 (24100) | 24900 (24000) | 24700 (24000) | 24500 (24300) |

Previous Forecasts in Parentheses

**Motivation:** USDVND started to soften from its Apr peak of 25463 (19 Apr) and was last seen around 25335. The central bank declared that it has intervened in the foreign exchange market to support the VND in the face of elevated USD as well as the US rate. The intervening price was reported to be “25450” on 19 Apr. In addition, the fall in gold prices as well as the domestic gold auctions might have also reduced the drag on the VND. However, the pullback may be tentative unless the USD and US rates ease more considerably. SBV had also shifted its liquidity management for Apr from one of net withdrawals in Mar (to tighten liquidity) to a combination of liquidity injections and withdrawals.

The recent surge in bitcoin value and the high adoption of cryptocurrency in Vietnam has been one of the reasons for the VND’s weakness. On 14 Apr, the Ministry of Justice assured that cryptocurrency will not be banned but a legal framework is needed to mitigate risk and to support and manage its development. The government has urged the SBV to study the pilot implementation of cryptocurrencies to prevent money laundering. The MOF is also urged to complete the legal framework to regulate the cryptocurrency market by May 2025. The root of the issue for VND would still be external environment of strong USD, elevated US rates in our view.

Vietnam enjoyed strong FDI flows with realized FDI growth of 7.4% in Apr, well above the average monthly pace of around 3.9% in the past 12 months. While manufacturing continues to enjoy the lion share of foreign direct investment, real estate has also been seeing interest in FDI registrations as well. That should bode well for the sector that has been shaky for much of 2023. Structurally, what the VND had been able to count on (for a few years now) is the various trade agreements forged and concomitant flow of FDIs into Vietnam as foreign investors diversify their supply chain away from China. As a result, the VND benefits not just from an improvement in its balance of payments but also from the strengthening of its export competitiveness in the medium term.

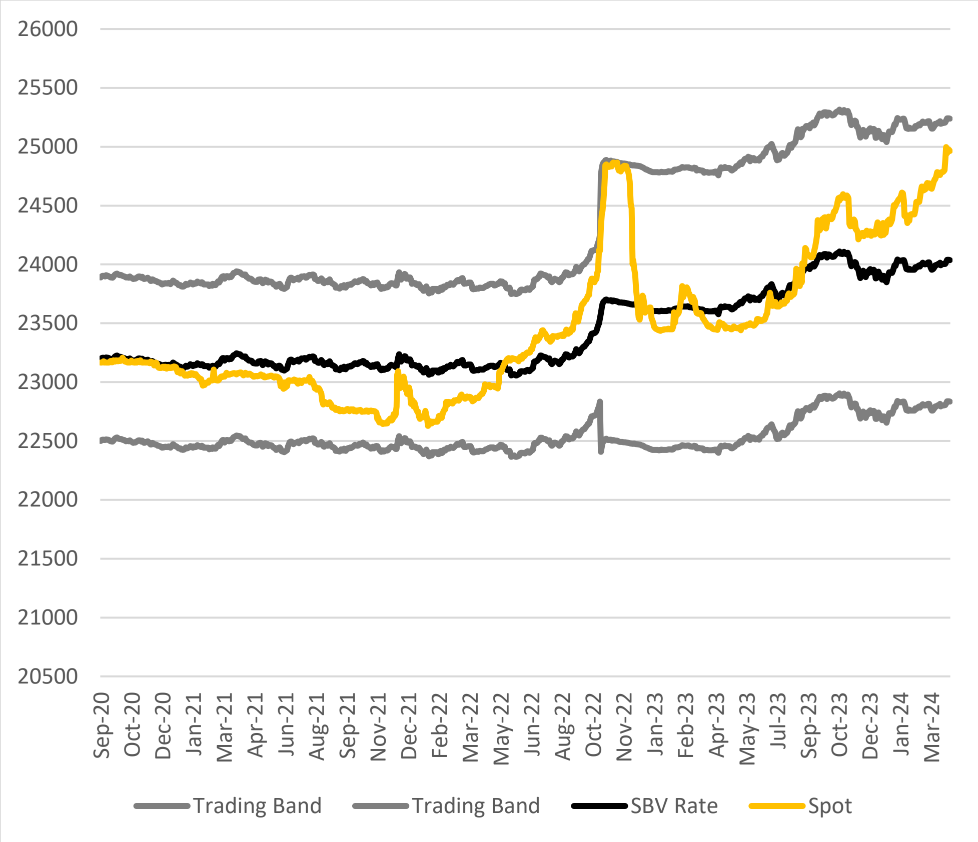
Our economist looks for Vietnam to grow 5.8% in 2024. Exports had a two-speed growth with electronics outperforming other products. Consumers demand remains cautious, crimped by the uneven export recovery and elevated inflation. A stronger recovery in household spending is expected in 2H 2024. Trade balance has been trending lower due to somewhat softer exports performance but the slowdown is still expected to be temporary. Imports saw broad-based pick-up and strong industrial production, PMIs suggest that exports and manufacturing should still be on an improving trend.

**A Growth-Focused Government.** Vietnam has toed the line (set by the US) by being one of the first few countries in the region to set the effective corporate tax minimum at 15% starting in January. Our economist has also warned that FDI flows could cool in 2024 due to infrastructure constraints and some political events (resignation of the President and National Assembly Chairman” due to anti-corruption drive). However, broad policy direction is unlikely to shift with infrastructure investments to continue along with the extension of numerous relief measures (VAT cuts, fee reduction, etc) to support domestic demand. Meanwhile, the external environment seems to have turned benign along with the electronics recovery. VND could continue to benefit as its goods trade continues to remain in surplus, albeit checked by expected recovery in household spending.

**Growth could remain on a stronger foothold this year and that, along with improving external position (trade balance, FDI inflows) could support the VND. There could be stronger regulation on cryptocurrencies and gold given the recent proposals and rhetoric from the government. Discouraging speculative activities in these asset classes could potentially reduce the drag on VND.**

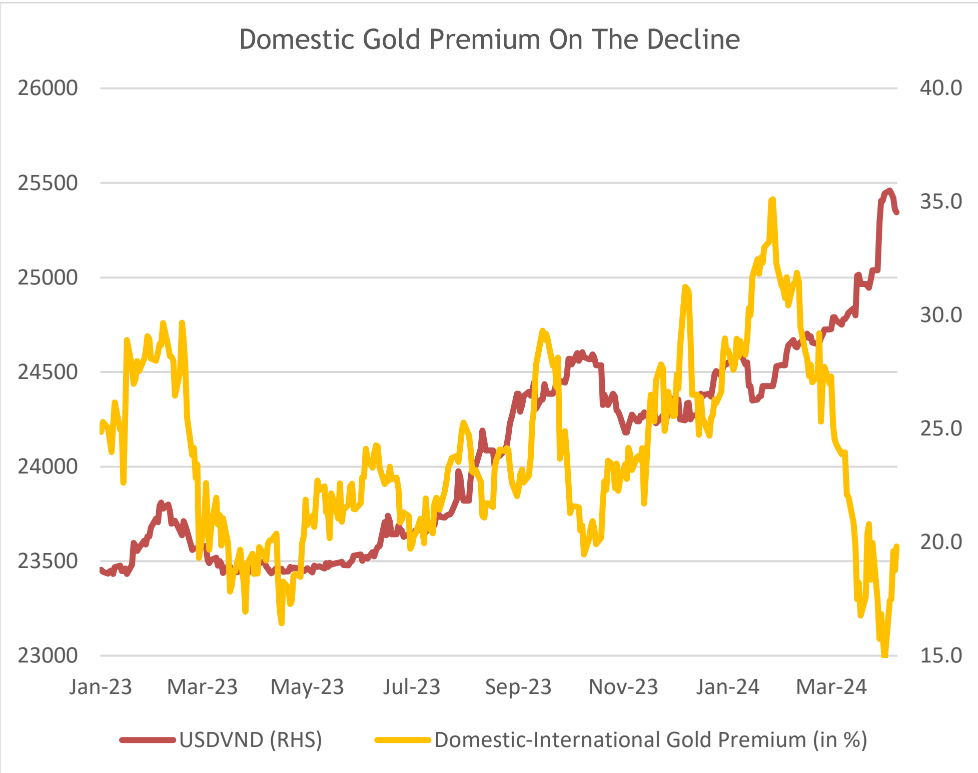
**Key Data/Events:** May trade, IP, CPI, retail sales [25-30 May].

## VND is under renewed pressure in 2024




*Source: Bloomberg, Maybank FX Research & Strategy*

## Gold Premium Has Come off Rather Sharply




*Source: Bloomberg, Maybank FX Research & Strategy*

## INR: Continuing to Lean Against the Wind

| USD/INR | 2Q 2024 | 3Q 2024 | 4Q 2024 | 1Q 2025 |
|---|---|---|---|---|
| | 83.50 | 82.50 | 82.00 | 81.00 |
| | (--) | (--) | (--) | (--) |

No Change to Previous Forecasts

**Motivation:** We maintain our USDINR forecasts as the RBI continues its stance of leaning against the wind and heavily managing the INR. We recognize that structural factors, such as inflows should be supportive of INR strength and we also maintain an appreciating trajectory for our USDINR forecasts. The RBI will continue to lean against the wind and slow the pace of INR appreciation. USDINR has been one of the most stable pairs, largely due to the Reserve Bank of India's (RBI) preference to reduce volatility in the INR by "leaning against the wind". We suggest that the RBI is very likely to continue to lean against the wind for an extended period as INR is likely to appreciate. We think the USD will gradually weaken through 2024 as US exceptionalism fades and a global soft landing is achieved. RBI could easily lean against the wind in such a situation and accumulate more foreign reserves in an environment where expectations are for the Fed to cut and for USD to gradually weaken.

With the announced inclusion of India's sovereign debt on global bond benchmarks, foreign inflows into India have picked up pace. This is also against the backdrop of an economy that is prospering, with one of the highest economic growth rates in the world (Governor Das suggested ~7% for the current fiscal year) and with inflation kept relatively in check (Governor Das suggested ~4.5% for current fiscal year). On top of that, India is portraying itself as an alternative for global funds to China, which in an era where asset managers are trimming or underweighting their exposures to China could be a significant continued driver of inflows to India. Lastly, foreigners were estimated to own a mere 2% of Indian sovereigns, highlighting a massive potential for an increase to foreign ownership. As a point of comparison, foreign holdings of US sovereign debt are at around 24% and foreign holdings of China sovereign debt are around 9% (dropping off from 11%). Further inflows look very likely, and this should continue to support INR strength.

However, we have also seen that USDINR is one of the most stable pairs, in many recent episodes of big currency moves such as the post-NFP USD rout in Dec the DXY declined 1.1% while USDINR NDF was just barely 0.2% lower. Similarly, post-Oct US CPI print, DXY weakened by about 1.5% while USDINR NDF was about 0.3% weaker. The most recent bout of USD strength also saw the pair rise just 0.3%. As such, we think that USDINR is a rather tricky pair to express a view on FX. This is likely due in part to RBI's penchant to lean against the wind to reduce volatility in the INR. However, do consider that this stability could be seen as a positive for asset managers and investors and could potentially increase investor confidence for INR-denominated assets and spur further inflows. Statistical bulletin showed that RBI bought a net of US$8.56b in spot in Feb (Jan: US$1.95b). Meanwhile net outstanding forward book remained largely stable at US$9.69b in Feb (Jan: US$9.97b). Spot purchases increasing is in line with RBI interventions increasing, or them having to lean more heavily against the wind, in the month of Feb, which was a month where the USD traded broadly weaker.

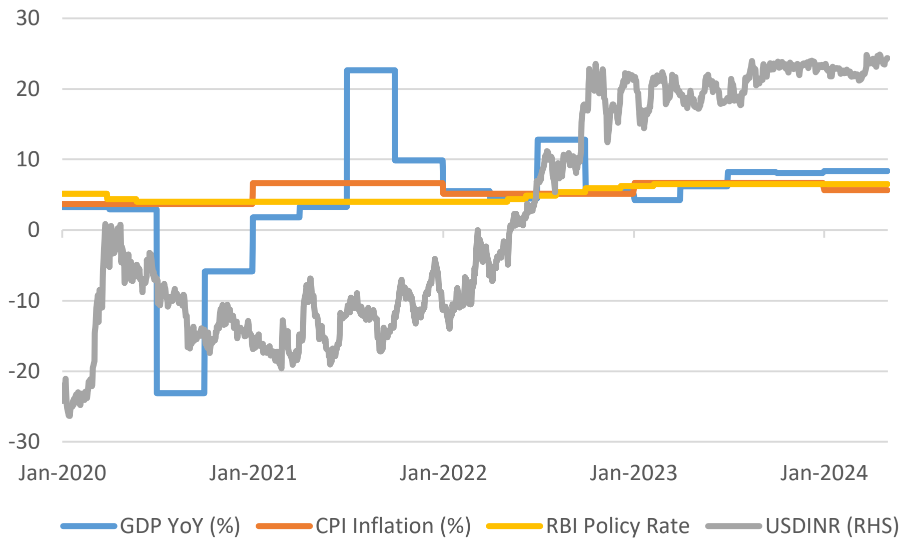
Second GDP estimates suggest that 2024 growth could come in at 7.6% YoY (exp: 7.0%; prev: 7.3%). This suggests a continued bright economic outlook for one of the world's fastest growing countries. We do see some similarities between the China of old and India currently. In economic literature, population growth remains one of the key drivers for growth. India overtook China as the world's most populous country in Apr 2023, and with population growth dynamics looking favourable for years to come, growth could continue to remain support. We expect a global soft-landing and continued economic expansion in India should be a factor for INR strength.

On the monetary policy front, inflation in India remains relatively under control with Feb inflation at 4.85% YoY (exp: 4.90%; prev: 5.09%). While the absolute number remains high, RBI's inflation target is also higher than normal at around 4%. When taken together with growth prospects being positive should imply that the RBI will not be in a hurry to pivot to a growth supporting stance, simply because there is no need for them to. Also, they will have ample space to support growth if they need to with the current policy rate at 6.50%. RBI voted 5-1 in favour of accommodation withdrawal and remains hawkish as of 5 Apr. RBI should stay on hold at their next meeting (7 Jun) and we think they will likely hold rates through 2024. On balance, RBI remaining on hold amid strong growth prospects and a relatively benign inflation outlook should also be in favour of INR strength.

**Risks Ahead:** The main risks that threaten our USDINR forecasts then would be RBI switching out of its stance to lean against the wind. This could occur as a matter of policy change or if there is too much scrutiny, possibly by the US Treasury on the INR kept artificially weak. While not likely, a combination of higher for longer inflation and poorer growth outcomes for India could also threaten our outlook for the INR.

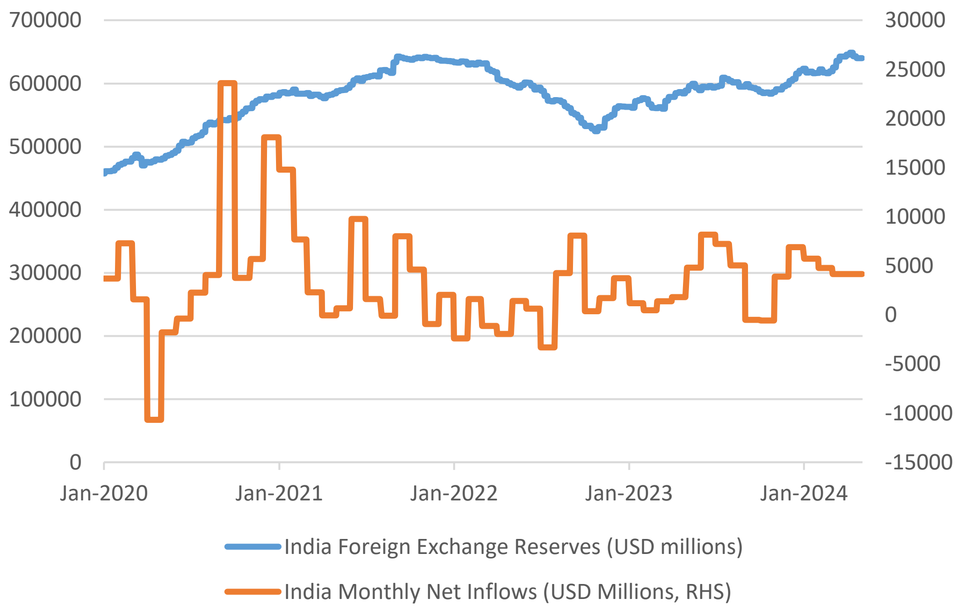
**Key data/events:** Apr F HSBC Manufacturing PMI (2 May), Apr F HSBC Services/Composite PMI (6 May), Mar Industrial Production (10 May), Apr CPI Inflation (13 May), Apr Imports/Exports/Trade Balance (13 to 15 May), Apr Wholesale Prices (14 May), May P HSBC India Manufacturing/Services/Composite PMI (23 May), Fiscal Deficit YTD, 1Q GDP, 1Q GVA, 2024 P Annual GDP Estimate, Apr Eight Infrastructure Industries (31 May).

<u>No Hurry for RBI to Ease as Inflation Benign and Growth Healthy</u>




*Source: Bloomberg, Maybank FX Research & Strategy*

<u>India's FX Reserves and Inflows Tend to Move in Tandem</u>




*Source: Bloomberg, Maybank FX Research & Strategy*

## FX Forecast Table

| | End Q2-24 | End Q3-24 | End Q4-24 | End Q1-25 |
|---|---|---|---|---|
| USD/JPY | 160.00 | 155.00 | 152.00 | 150.00 |
| EUR/USD | 1.0800 | 1.0900 | 1.1000 | 1.1100 |
| GBP/USD | 1.2550 | 1.2600 | 1.2700 | 1.2700 |
| AUD/USD | 0.6700 | 0.6800 | 0.6800 | 0.6900 |
| NZD/USD | 0.6100 | 0.6200 | 0.6200 | 0.6300 |
| USD/CAD | 1.3600 | 1.3500 | 1.3400 | 1.3300 |
| USD/CHF | 0.9000 | 0.8900 | 0.8800 | 0.8700 |
| USD/SGD | 1.3500 | 1.3450 | 1.3350 | 1.3300 |
| USD/MYR | 4.7000 | 4.6500 | 4.6000 | 4.5500 |
| USD/IDR | 16500 | 16250 | 15900 | 15700 |
| USD/THB | 37.00 | 36.50 | 36.00 | 35.50 |
| USD/PHP | 57.25 | 56.75 | 56.25 | 55.50 |
| USD/CNY | 7.20 | 7.25 | 7.25 | 7.25 |
| USD/CNH | 7.28 | 7.25 | 7.25 | 7.25 |
| USD/HKD | 7.80 | 7.78 | 7.78 | 7.77 |
| USD/TWD | 32.00 | 31.50 | 31.00 | 31.00 |
| USD/KRW | 1350 | 1330 | 1310 | 1290 |
| USD/INR | 83.50 | 82.50 | 82.00 | 81.00 |
| USD/VND | 25000 | 24900 | 24700 | 24500 |
| DXY Index | 105.35 | 104.14 | 103.07 | 102.24 |
| | End Q2-24 | End Q3-24 | End Q4-24 | End Q1-25 |
| SGD/MYR | 3.48 | 3.46 | 3.45 | 3.42 |
| JPY/SGD | 0.84 | 0.87 | 0.88 | 0.89 |
| EUR/SGD | 1.46 | 1.47 | 1.47 | 1.48 |
| GBP/SGD | 1.69 | 1.69 | 1.70 | 1.69 |
| AUD/SGD | 0.90 | 0.91 | 0.91 | 0.92 |
| NZD/SGD | 0.82 | 0.83 | 0.83 | 0.84 |
| CAD/SGD | 0.99 | 1.00 | 1.00 | 1.00 |
| CHF/SGD | 1.50 | 1.51 | 1.52 | 1.53 |
| SGD/IDR | 12222 | 12082 | 11910 | 11805 |
| SGD/THB | 27.41 | 27.14 | 26.97 | 26.69 |
| SGD/PHP | 42.41 | 42.19 | 42.13 | 41.73 |
| SGD/CNY | 5.33 | 5.39 | 5.43 | 5.45 |
| SGD/HKD | 5.78 | 5.78 | 5.83 | 5.84 |
| SGD/TWD | 23.70 | 23.42 | 23.22 | 23.31 |
| SGD/KRW | 1000 | 989 | 981 | 970 |
| SGD/INR | 61.85 | 61.34 | 61.42 | 60.90 |
| SGD/VND | 18519 | 18513 | 18502 | 18421 |
| | End Q2-24 | End Q3-24 | End Q4-24 | End Q1-25 |
| JPY/MYR | 2.94 | 3.00 | 3.03 | 3.03 |
| EUR/MYR | 5.08 | 5.07 | 5.06 | 5.05 |
| GBP/MYR | 5.90 | 5.86 | 5.84 | 5.78 |
| AUD/MYR | 3.15 | 3.16 | 3.13 | 3.14 |
| NZD/MYR | 2.87 | 2.88 | 2.85 | 2.87 |
| CAD/MYR | 3.46 | 3.44 | 3.43 | 3.42 |
| CHF/MYR | 5.22 | 5.22 | 5.23 | 5.23 |
| MYR/IDR | 3511 | 3495 | 3457 | 3451 |
| MYR/THB | 7.87 | 7.85 | 7.83 | 7.80 |
| MYR/PHP | 12.18 | 12.20 | 12.23 | 12.20 |
| MYR/CNY | 1.53 | 1.56 | 1.58 | 1.59 |
| MYR/HKD | 1.66 | 1.67 | 1.69 | 1.71 |
| MYR/TWD | 6.81 | 6.77 | 6.74 | 6.81 |
| MYR/KRW | 287 | 286 | 285 | 284 |
| MYR/INR | 17.77 | 17.74 | 17.83 | 17.80 |
| MYR/VND | 5319 | 5355 | 5370 | 5385 |

*Source: Maybank FX Research as of 2 May 2024. *These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.*

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