Maybank

Macro | FX Research & Strategy

Global

FX Weekly

Some Relief Amid Challenging Times

The Week Ahead

- **Dollar Index - Downside.** Support at 106.00; Resistance at 109.00
- **USD/SGD - Bearish.** Support at 1.34; Resistance at 1.3630
- **USD/MYR - Bearish.** Support at 4.36; Resistance at 4.50
- **SGD/MYR - Ranged.** Support at 3.27; Resistance at 3.30

Of Tariffs and US Data

The week was marked by inflationary worries and trade tensions but ended on a more positive note. Relief came as President Trump avoided immediate imposition of reciprocal tariffs and opting for a country-by-country study to be completed by 1 Apr—coinciding with a deadline for another study to assess China's compliance with prior trade deals. While tariff risks remain, markets are hopeful for potential U.S. trade agreements during the time before 1 Apr. Aside that, U.S. price data initially spooked markets with a stronger-than-expected Jan CPI, but a softening in key components of Jan PPI that feed into PCE eased some concerns, helping the dollar weaken by week's end. With limited U.S. data next week (only PMIs due), focus may be on trade developments and European data (UK CPI, jobs, EC consumer confidence, and GE ZEW survey). The DXY remains within its 107.00-109.00 range but trades near the lower end of it. We would not rule out further declines given the possibility that optimism on a trade resolution may persist into next week. Better European data can also support the Euro and GBP (though cautious on it), adding downward pressure on the dollar.

Improving China Optimism, BI, RBA and RBNZ to Cut

There were some key regional developments that include a boost in Hong Kong equity markets driven by an AI renaissance in China, particularly linked to Alibaba. The HSI has risen ~11.0% this month. Whilst the correlation between Chinese stocks and the dollar has not necessarily been clear cut in recent years, it cannot be ruled out that the recent risk-on sentiment in China may help reduce dollar demand. USDCNH, however, remains more influenced by factors such as trade developments and U.S. data. We do note that the rally has particularly benefited Hang Seng tech heavyweights such as Alibaba, which are not part of the CSI300. Low domestic rates also keep weighing on the yuan whilst trade tariffs can significantly impact currency flows. We do not rule out though further moves lower for the USDCNH if the broad dollar decline can continue amid improving trade optimism. There is also China 1Y MLF and CH 1Y/5Y LPR due next week, which are all expected to remain unchanged. Meanwhile, next week, BI is expected to cut rates to support growth amid low inflation. Dollar decline can also provide the IDR relief, backing a BI cut. The RBA is also expected to cut rates to 4.10% whilst RBNZ is seen to lower by 50bps to 3.75%.

Other Key Data/Events We Watch

Mon: JP GDP (4Q P), **CH 1Y MLF (17 - 25 Feb)**

Tue: GE Zew survey (Feb), **RBA policy decision**

Wed: UK Jan CPI, UK Jobs data, SG 2025 Budget, **BI policy decision, RBNZ policy decision**

Thu: FOMC meeting minutes, Initial jobless claims (15 Feb), EC Consumer confidence (Jan), ECB 2024 Financial statements, **CH 1Y/5Y LPR**

Fri: PMIs from US/EC/FR/GE/UK/JP

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Our in-house model implies that S$NEER is trading at +1.34% to the implied midpoint of 1.3599, suggesting that it remains firm vs trading partner currencies.

FX Forecast Ranking

Ranked Top 10 For G10 FX Forecast by Bloomberg (3Q 2024)

Currency	Support/Resistance	Key Data and Events
Dollar Index	**S: 106.00; R: 110.00**	**Sat:** Fed Logan speaks **Mon:** -Nil- (Market Closure) **Tue:** Empire mfg (Feb), NAHB housing market index (Feb), Fed Harker and Bowman speak **Wed:** TIC flows (Dec), Housing starts (Jan), Building permits (Jan P), NY Fed services business activity (Feb), Fed Daly speaks **Thu:** FOMC meeting minutes (29 Jan), Philly Fed business outlook (Feb), Initial jobless claims (15 Feb), Leading index (Jan) **Fri:** S&P Global PMI mfg/services/composite (Feb P), UMich indexes (Feb F), Existing home sales (Jan), Fed Goolsbee speaks
EURUSD	**S: 1.00; R: 1.06**	**Sat:** ECB Panetta speaks **Mon:** EC Trade balance (Dec) **Tue:** GE Zew survey (Feb), ECB Holzmann and Cipollone speaks **Wed:** EC CA (Dec) **Thu:** GE PPI (Jan), EC Construction output (Dec), EC Consumer confidence (Jan), FR Retail sales (Jan), ECB 2024 Financial statements, ECB Makhlouf speaks **Fri:** FR Business/mfg confidence (Feb), FR Production outlook (Feb), HCOB FR/GE/EC Mfg/services/composite PMI (Feb P), ECB Lane speaks
AUDUSD	**S: 0.6000; R: 0.6460**	**Mon:** - Nil - **Tue: RBA policy decision** **Wed:** Westpac leading index (Jan), Wage price index (4Q) **Thu:** Jobs/Employment data (Jan) **Fri:** S&P Global PMI composite/mfg/services (Feb P), RBA parliamentary testimony
NZDUSD	**S: 0.5400; R: 0.5800**	**Mon:** Performance services index (Jan), Net migration (Dec) **Tue:** - Nil - **Wed:** PPI (4Q), **RBNZ policy decision**, Non resident bond holdings (Jan) **Thu:** - Nil – **Fri:** Trade data (Jan)
GBPUSD	**S: 1.2000; R: 1.2700**	**Mon:** Rightmove house prices (Feb) **Tue:** Weekly earnings (Dec), Unemployment (Dec), Payroll (Jan), Claims (Jan), Output per hour (4Q), BOE Bailey speaks **Wed:** CPI (Jan), RPI (Jan), PPI (Jan), House price index (Dec) **Thu:** CBI trends total orders/selling prices (Feb) **Fri:** GfK consumer confidence (Feb), Public finance data (Jan), Retail sales (Jan), S&P Global PMI mfg/services/composite (Feb P)
USDCAD	**S: 1.4000; R: 1.4600**	**Mon:** Housing starts (Jan), Int'l securities transactions (Dec) **Tue:** Bloomberg Nanos confidence (14 Feb), CPI (Jan), Existing home sales (Jan) **Wed:** - Nil - **Thu:** Industrial product price (Jan), Raw materials price index (Jan) **Fri:** Retail sales (Dec) **Sat:** BOC Governor Tiff speaks
USDJPY	**S: 148; R: 160**	**Mon:** GDP (4Q P), Capacity utilization (Dec), Tertiary industry index (Dec) **Tue:** Tokyo condominiums for sales (Jan) **Wed:** Trade data (Jan), Core machine orders (Dec), BOJ Takata speaks **Thu:** Japan/foreign buying Japan/foreign stocks/bonds (14 Feb) **Fri:** CPI (Jan), Jibun Bank PMI composite/mfg/services (Feb P)
USDCNH	**S: 7.20; R: 7.38**	**Mon: 1Y MLF (17 – 25 Feb)** **Tue:** FX net settlement – clients CNY (Jan) **Wed:** New/used home prices (Jan) **Thu: 1Y and 5Y LPR**, Swift global payments CNY (Jan) **Fri:** - Nil -
USDTWD	**S: 32.00; R: 33.80**	**Mon:** - Nil - **Tue:** - Nil - **Wed:** - Nil - **Thu:** Export orders (Jan), BoP CA balance (4Q) **Fri:** - Nil -

USDKRW	**S: 1400; R: 1500**	**Mon:** - Nil - **Tue:** Household credit (4Q) **Wed:** - Nil - **Thu:** PPI (Jan), Consumer confidence (Feb) **Fri:** Composite business survey (Feb), Exports/imports 20 days (Feb)

Currency	Support/Resistance	Key Data and Events
USDMYR	**S: 4.36; R: 4.50**	**Mon:** - Nil - **Tue:** - Nil - **Wed:** - Nil - **Thu:** Trade data (Jan) **Fri:** CPI (Jan), Foreign reserves (14 Feb)
USDSGD	**S: 1.34; R: 1.3600**	**Mon:** NODX (Jan), Electronic exports (Jan) **Tue:** Singapore 2025 budget **Wed:** COE auction (19 Feb) **Thu:** - Nil - **Fri:** - Nil -
USDPHP	**S: 57.50; R: 60.00**	**Mon:** OFWR (Dec) **Tue:** - Nil - **Wed:** BoP overall (Jan) **Thu:** - Nil - **Fri:** - Nil -
USDIDR	**S: 15900; R: 16400**	**Mon:** Trade data (Jan), External debt (Dec) **Tue:** - Nil - **Wed: BI policy decision** **Thu:** BoP CA balance (4Q) **Fri:** - Nil -
USDTHB	**S: 33.30; R: 35.00**	**Mon:** GDP (4Q) **Tue:** Car sales (Jan) (18 - 24 Feb) **Wed:** - Nil - **Thu:** - Nil - **Fri:** Gross international reserves/forward contracts (14 Feb), Customs trade data (21 - 26 Feb) (Jan)

G7 FX Views

Currency	*Stories of the Week*
DXY Index	***Downside Possible But Still Stay Somewhat Cautious***. Unlike UST yields which has climbed up at the start of the week amid stronger than expected Jan US CPI reading, the broad dollar actually moved much less. For first half of the week, it actually traded mostly sideways around the 108.00 level. It would though eventually slide lower towards end of the week as Trump did not immediately impose reciprocal tariffs whilst key elements of the Jan PPI that feeds into the PCE actually softened. Regarding the tariffs, Trump instead signs a measure directing the USTR and commerce secretary to propose new levies on a county-by-country basis with Lutnick saying that studies should be completed by 1 Apr and Trump could act immediately after. With no immediate imposition, there was some relief in markets amid some hope that the various countries could strike a trade deal with the US during the period building up to 1 Apr. Going into next week, there would only be limited major US data releases with the exception of the PMI readings. We do think that the current optimism on the trade situation could persist into next week although we still stay wary of the ongoing trade situation, which would be the focus near term. There is also FOMC meeting minutes due next week but that may not have much of an impact as it may just reflect Powell's current stance that there is still work to do in fighting inflation. Another developments which can impact dollar next week included European data such as UK CPI, jobs, GE Zew survey and EC consumer confidence. Back on the chart, DXY is now trading around the bottom end of its recent range of 107.00 – 109.00. We believe further moves lower cannot be ruled out as the ongoing optimism on the trade situation can guide it lower and if there is better European data. We watch if it can break decisively below the support at 107.00 with the next after that at 106.36. Resistance is at 108.00 and 110.00.
EUR/USD	***Near Term Upside Possibility***. EURUSD was last seen at 1.0482 as it spent the early part of the week being driven by US related developments that included concerns of US tariffs. News of the EU saying it would retaliate against US tariffs on steel and aluminium exports also did not help sentiment. However, more supportive US developments looked to have given the Euro a lift in later. Trump did not immediately impose reciprocal and instead signed an order for essentially a study to propose tariffs on a country by country basis to be done by 1 Apr. That gave some hope that other countries may still be able to hash out a deal with the US. Also, a softening of key elements of the Jan PPI that feeds into the PCE helped bring down UST yields. Within the European front, there was also some potential for a resolution to the Ukraine war as Trump and Putin have agreed to meet too begin talks on ending the war in Ukraine. Rumors had it that a deal would include Ukraine formally ceding territory and committing to never joining NATO. However, a peace deal is questionable as European states and Ukraine insist their own involvement in a peace deal and France is also pushing that Ukraine should remain on a path to join NATO. Sec Def Hegseth had also earlier warned that the US would leave European governments to bear primary responsibility for their own defence. Trump has also wanted access to Ukraine's rare earth resources in exchange for providing it military aid. Any initial rally on the day for the Euro related to a Ukrainian peace deal would later fade. Meanwhile, EC 4Q P GDP was better than expectations at 0.1% QoQ (est. 0.0% QoQ, 3Q. 0.0% QoQ) although it was rather tepid still and further ECB cuts soon can still be a possibility weighing on the Euro. Into next week, focus are likely to be on trade developments as we observe on whether the EU and the US can hash out a trade deal amid Trump's reciprocal tariffs threats. We are of the view that the optimism on the trade situation can persist into next week allowing some further climb in the EURUSD. However, we are also cautious given the uncertainty of the situation. Other key developments to look out for include the GE Zew survey and EC consumer confidence, which would be crucial in providing cues on the health of the Euro economy. In line readings can at least prevent it from weighing on the Euro in the near term. Back on the chart, we watch if the EURUSD can break above the key resistance at 1.0473 with the next level after that 1.0613. Support is at 1.0245 and 1.0000.

GBP/USD

Near Term Upside Possibility. GBPUSD was last seen at 1.2587 as it edged up in line with the decline in the broad dollar in the later part of the week. Trump did not immediately impose reciprocal and instead signed an order for essentially a study to propose tariffs on a country by country basis to be done by 1 Apr. That gave some hope that other countries may still be able to hash out a deal with the US. Also, a softening of key elements of the Jan PPI that feeds into the PCE helped bring down UST yields. This contrasts to earlier in the week when the broad dollar had gone some support from initial concerns on Trump tariffs.

Into next week, both domestic and external factors would be key in dictating the GBPUSD direction. Externally, we continue to watch if the broad dollar can come off further amid any optimism on the trade situation. Domestically, there are the key data releases of UK Jan CPI, retail sales data and PMI, which would continue to give us more cues on the health of the economy. We are wary that sentiment remains somewhat fragile on the GBP given stagflation concerns and the government's fiscal health.

Back on the chat, resistance is at 1.2608 and 1.2765. Support at 1.2400 and 1.2200.

USDJPY

Downside Potential Still. USDJPY had initially rebounded earlier in the week amid a climb in UST yields as US Jan CPI had come out stronger than expected. The pair was then testing the top end of the bearish trend channel but it would then turn lower again to be within the bearish trend channel after UST yields declined. The latter had been driven by a softening of key elements of the Jan PPI that feeds into the PCE. Movements in the USDJPY remains strongly tied to the UST yields given the JPY's status still as a carry funding currency. UST yields can go back lower again towards the bottom end of its recent range of 4.40 – 4.60 with few drivers into next week pushing it higher. This should guide the USDJPY also lower although it will remain to be seen if it can eventually break below the key support of 150.00. The next level after that would be at 148.00. Resistance at 155.00 and 158.00.

We do note of some risks to the JPY which include the possibility of Japan being subjected to Trump's reciprocal tariffs. However, the Japanese government has said that they have begun talks with the US to find out the details of President Trump's reciprocal tariff measures. There is hope at this point though for the two sides to possibly reach some accord given that the Trump – Ishiba meeting last week had given out warm vibes.

AUD/USD

Potential Upside. AUDUSD was last seen at 0.6321. Markets are becoming desensitized to tariff announcements. Resistance at 0.6450 and if broad dollar comes off further, there is a chance for more climb in the pair. Regardless, we remain cautious on the currency for 1H 2025 as trade frictions between the US and China impact Australia's resource exports and RBA could risk cutting more than expected. Since the last trade war in 2018, non-commercial positions of the AUD has hardly been in net long. Further signs of de-coupling between Australia's traditional ally and biggest trading partner could hurt AUD sentiment this year.

RBA Could Start easing on 18 Feb. With private consumption and investment under pressure from restrictive policy settings, we continue to see the risk of a RBA starting to move in Feb and that will continue to exert downward pressure on the AUD. Despite the resilient labour market, there are clear signs that domestic demand has been under pressure from high interest rates. Inflation has also been trending lower towards the target. With the external environment likely to turn even more challenging in 2025, risks might tilt more towards growth and we look for RBA to cut 75bps next year. There is also a risk that RBA may need to cut more than expected should Trump's frictional policies affect global growth.

NZD/USD

Eye key resistance at 0.5715. NZDUSD was last seen at 0.5702 levels and key resistance at 0.5715 remains intact. Support is seen at 0.5540 before the next at 0.5510. Markets have priced in 110bps cut for NZD. Aggressive rate cuts vs. the Fed's expected trajectory can weigh on the NZDUSD.

We expect RBNZ to take the OCR lower by another 50bps to 3.75% at the 19 Feb policy meeting. 4Q CPI came in softer at 0.5%q/q vs. 0.6% in the quarter prior. Tradeable CPI picked up pace to +0.3%q/q from previous -0.2%, possibly due to the softness of the NZD while non-tradeable inflation slowed to

+0.7%q/q from previous +1.3%. The inflation report suggests that domestic demand continue to show signs of softening. In addition, unemployment rate continues to rise, at 4.8% for 3Q compared to 4.6% in the quarter prior. Net migration in Nov rose to 2070 but the prior number was revised sharply lower at 1530 and on a 3month rolling basis, remains subdued. The support from migrant inflows could thus be waning. 3Q GDP actually contracted again by -1.0%q/q vs. the quarter prior at -1.1% (revised sharply lower from -0.2%). On an annual basis, growth has contracted -1.5% vs. previous -0.5%. Leading indicators such as the BusinessNZ Mafg PMI did not paint a rather weak picture at 45.9 in Dec, albeit a tad improved from 45.2. Performance services index on the other hand slipped to 47.9 vs. previous 45.2, another sign that domestic demand remains in need of further support. As such, RBNZ is still likely to provide another 50bps rate cut on 19 Feb.

Technical Chart Picks:

USDSGD Daily Chart - Bearish

The broad dollar helped to bring down the USDSGD as it now moves lower to testing a key support at 1.3400 (around the 38.2% fibo retracement, 100-dma and 200-dma). That level had also been a support on two occasions in the last few months. There is a chance that the USDSGD can break below it on the possibility of the broad dollar moving lower. The next level of support after that is at 1.3200. Resistance is at 1.3600 and 1.3750.

USDMYR Daily Chart - Bearish

USDMYR was last seen at 4.4358 as it edged down on the broad dollar coming off. There is a chance of further downside on the possibility that the broad dollar can come off further. Key support level is at 4.3600 (around 38.2% fibo retracement) and 4.3000. Resistance is at 4.5000 and 4.6000.

SGDMYR Daily Chart - Ranged

SGDMYR generally continues to trade around a range of 3.2700 - 3.3200. Likely to stay around that range with both the SGD and MYR moving directionally together. Support at 3.2700 and 3.2400. Resistance at 3.3200 and 3.3400.

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