FX

Global

FX Flash

SGD: First Easing in 5 Years

MAS Eases Policy for First Time in 5 Years

MAS eased today via a "slight" (0.5%) reduction of the SGDNEER slope. Other policy settings (centre and width) were unchanged. This move is broadly in line with our house view and market expectations. MAS' assessment is that the adjustment to the settings are still consistent with a modest and gradual appreciation path of the SGDNEER that would ensure medium term price stability.

MAS sees growth moderating in 2025, while being close to potential, and recognizes the downside risks from shifts in global trade policies. MAS also saw core inflation moderating more quickly than expected and referred to "low and stable" underlying price pressures in the economy. Our economists and MAS are broadly aligned on the likely trajectories for growth and inflation in 2025.

Separately, MAS acknowledged uncertainties in the external environment for growth and inflation, a line that we suggested could potentially feature as a further justification for easing.

SGDNEER Resilient, USDSGD Downside from Deliberative Trump

Ahead of the decision, SGDNEER was trading at around +0.65% above the mid-point with USDSGD trading at a high of 1.3576. We see the statement as being fairly balanced and alludes to MAS viewing an appreciating SGDNEER as appropriate. In line with this and our own expectations, the SGDNEER strengthened to around 0.92% with USDSGD hitting a low of around 1.3494 levels. Trump dialed back on tariff threats on China and that gave a boost to Asian currencies. As mentioned in our preview, we do expect the SGD to remain resilient and do not expect the SGDNEER to fall too much further from 0.7% levels even as MAS eases. This has indeed materialized and we continue to maintain that SGDNEER should stay above the mid-point of the policy band.

Maintain our SGD Forecasts, MAS Could Hold in Apr

Market reaction to the decision does suggest that market was initially pricing a small chance of MAS being more dovish. The statement however was fairly balanced. As such we think there is a decent chance MAS holds in Apr. We maintain our USDSGD forecasts on the belief that the SGD will continue to stay resilient with the current pace of SGDNEER appreciation (assumed to be 1.0%) and growth being supportive of the SGD. Nevertheless, much of the prospects for the SGD hinges on the external environment and the risks that trade policies could bring for Asian currencies at large.

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Separately, MAS acknowledged uncertainties in the external environment for growth and inflation, a line that we suggested could potentially feature as a further justification for easing.

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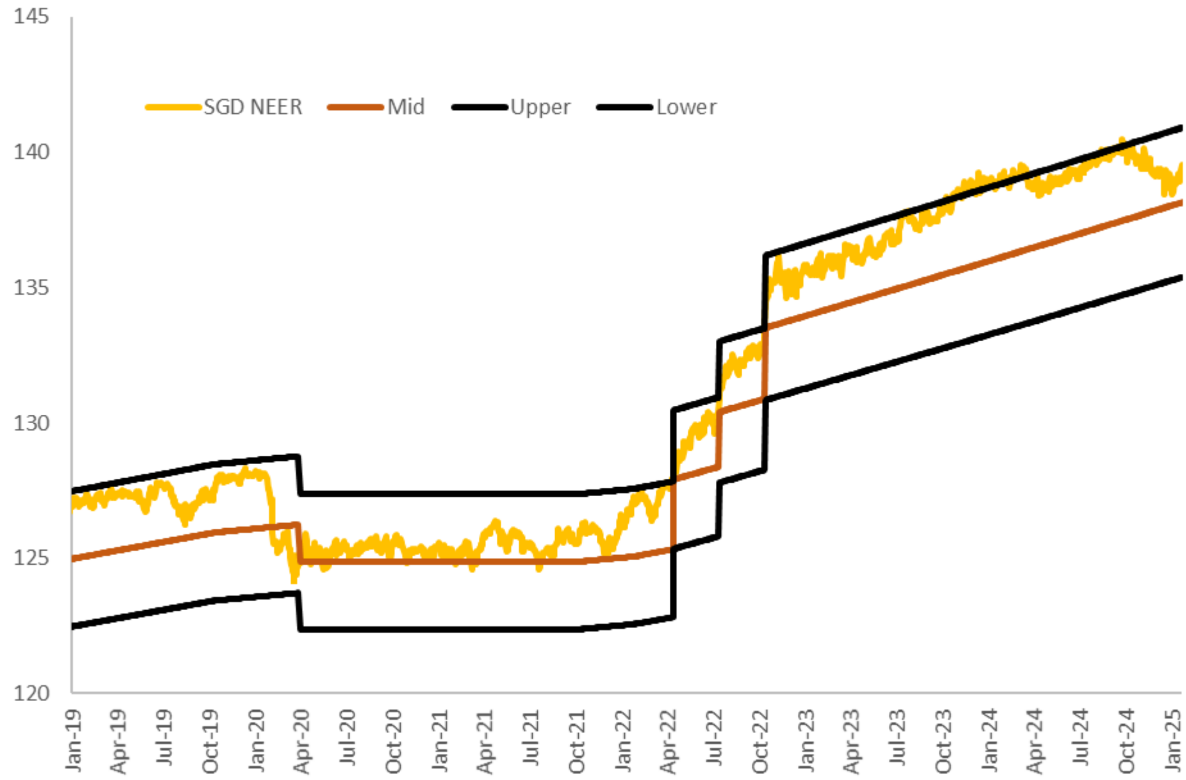
Ahead of the decision, SGDNEER was trading at around +0.65% above the mid-point with USDSGD trading at a high of 1.3576. We see the statement as being fairly balanced and alludes to MAS viewing an appreciating SGDNEER as appropriate. In line with this and our own expectations, the SGDNEER strengthened to around 0.92% (Chart 1) with USDSGD hitting a low of around 1.3494 levels. Trump dialled back on tariff threats on China and that gave a boost to Asian currencies. As mentioned in our preview, we did expect the SGD to remain resilient and did not expect the SGDNEER to fall too much further from 0.7% levels even as MAS eases. This has indeed materialized and we continue to maintain that SGDNEER should stay above the mid-point of the policy band. Thus far, SGDNEER has

It appears that the market had largely priced in this “slight” easing by MAS, with perhaps some positioning for a potentially more dovish move i.e. a downward re-centering that had not materialized. MAS’ statement does contain hints of caution moving forward, as there was not much mention about potential upside for the economy or upside risks for inflation. However, as a whole the statement is balanced to us. MAS continues to view an appreciating SGDNEER path as being appropriate and has made a tweak to previous policy parameters, which have in the current inflationary environment become a tad too restrictive for their preference.

Going forward, we do think that there is a case for MAS to hold current policy parameters steady. The scenario where core inflation holds within MAS expected 1.0 to 2.0% range in 2025 seems reasonable, with our economists forecasting core inflation at 1.8% in 2025. MAS expects government subsidies, disinflationary drags from weaker global demand and lower cost pressures as nominal wage growth gradually eases to help manage inflation. MAS’ reasons to believe that inflation will be more benign going forward are largely aligned with our economists’.

However, the statement has also noted the uncertainties in the external environment for growth and inflation. We cannot rule out further MAS easing and possibly the need for fiscal policy as part of a macro policy mix, if downside risks to growth or inflation materialize. At the same time, MAS could also elect to tweak policy tighter should inflation once again become a concern.

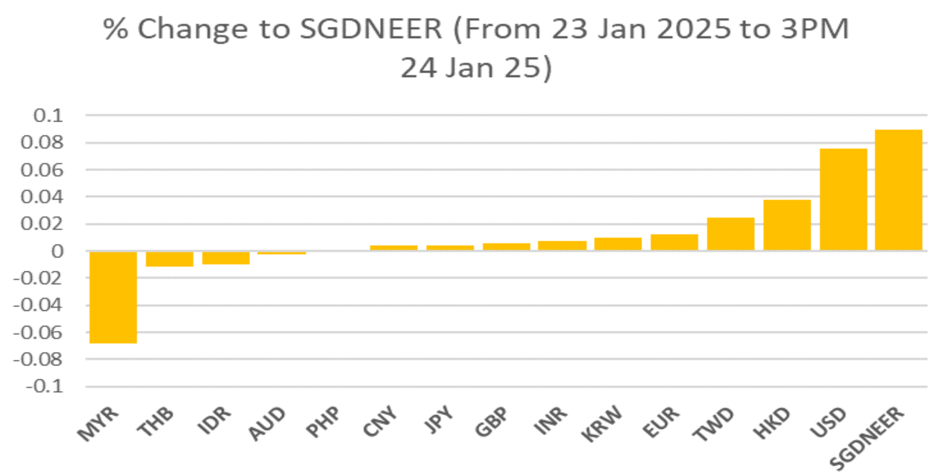
Chart 1: SGDNEER Stages a Mini-Rebound



Source: Bloomberg, Maybank FX Research & Strategy

Decomposing the SGDNEER move against the basket constituents (Chart 2). SGDNEER strength was mainly due to weakness in the USD-bloc (USD + HKD) and TWD. Main moderators were the MYR , THB and IDR. This suggests that the SGDNEER strength was largely likely due to Trump's dialling back on China tariffs and also MAS did not sound dovish enough.

Chart 2: SGDNEER % Moves Against Trading Partners Today



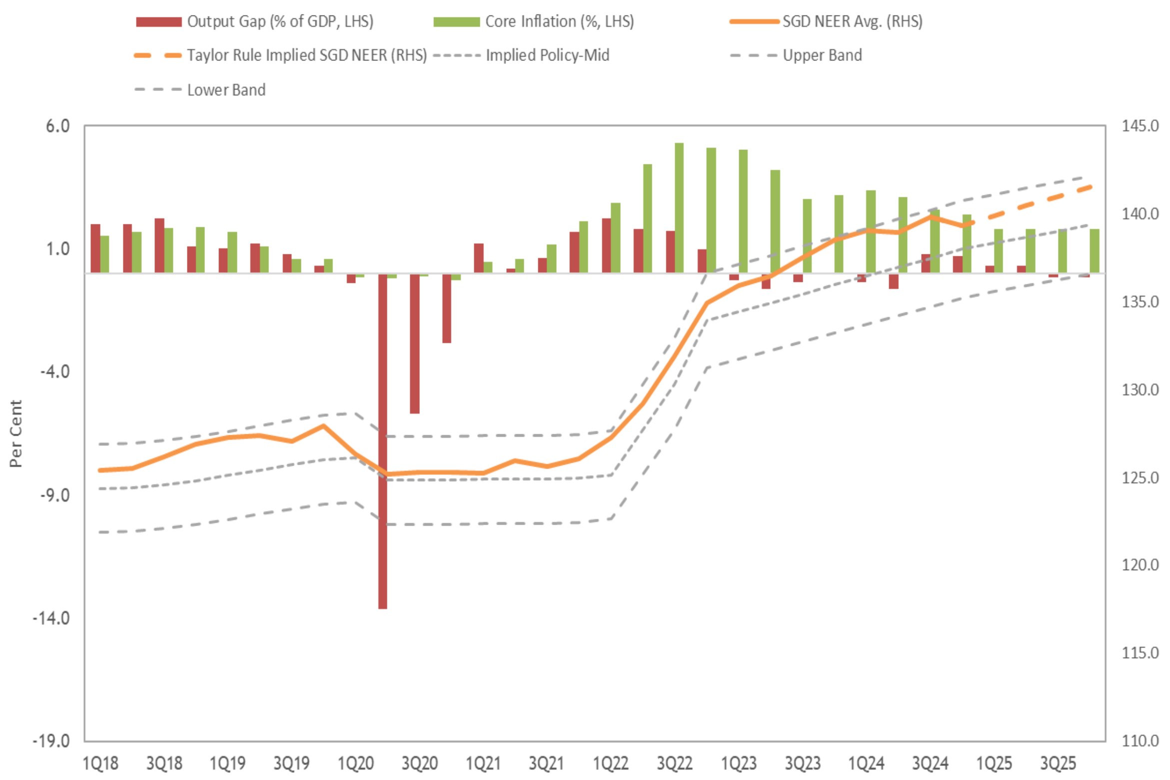
Source: *Bloomberg, Maybank FX Research & Strategy*

Maintain our SGD Forecasts, MAS Could Hold in Apr

Market reaction to the decision does suggest that market was initially pricing a small chance of MAS being more dovish. Today's statement however was in our view very balanced. As such we think there is a decent chance MAS holds in Apr. MAS understands that there are risks and challenges to growth given the uncertain external environment and wants to address these challenges while still maintaining a rein on inflation. This "slight" slope easing therefore appropriately addresses this scenario.

We maintain our USDSGD forecasts on the belief that the SGD will continue to stay resilient with the current pace of SGDNEER appreciation (assumed to be 1.0%) and growth being supportive of the SGD. Taylor Rule Implied SGDNEER estimates also support this view (Chart 3). Nevertheless, much of the prospects for the SGD hinges on the external environment and the risks that trade policies could bring for Asian currencies at large.

Chart 3: Taylor Rule Implied SGDNEER to Continue to See Upward Pressures



Source: *Bloomberg, Maybank FX Research & Strategy Estimates; Note: The Taylor Rule implied SGD NEER shows the path that SGD NEER should take given a set of inflation forecasts and output gaps for the economy.*

Table 1: USDSGD Forecasts

Forecast	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USDSGD	1.3600	1.3750	1.3600	1.3450

Source: Maybank FX Research & Strategy Estimates

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