Maybank

Macro | FX Research & Strategy

Global

FX Monthly

2025, Issue 2: Tariff Threats vs. Softening US Exceptionalism

What Has Changed This Month?

- We made slight calibrations on our currency forecasts based on slight improvement of sentiment in China (Tech AI rally) that contrasts well with the signs of fading US exceptionalism. Taken together, the downside risks to the USD have risen but our trajectory for 1H 2025 remains the same as markets have become complacent on the scenario of a more distressing trade conflict.

Our Strategies and Views

- Feb has come and gone with only tariffs taken effect on China. Despite Trump's reiteration that the tariffs on Canada and Mexico will go ahead as scheduled (4 Mar) and another 10% blanket tariff threatened on China, the greenback failed to revisit earlier highs in spite of more recent threats. There are two reasons for this lack of reaction in the USD -1) Signs of fading US exceptionalism (US data, China AI catch-up) seem to have swung concerns from inflation to growth and taken the UST yields lower. 2) There are expectations for Trump to reduce/delay the tariffs on immediate neighbors. Meanwhile, China is still the country likely to take the brunt of Trump's trade/investment policy, especially with China's recent "Sputnik moment". We hold our view that the yuan will be allowed to weaken when trade conflict with the US worsens and that will also take most Asian currencies lower. For now, PBoC may want to keep yuan stable during the two-sessions. On the side, net short NZD CFTC positions are near record levels.

- A potential peace deal in Ukraine has emerged as a possible near-term tailwind, although we note that the situation remains highly uncertain - US and Ukrainian leaders had a public disagreement just recently. We revise EUR slightly stronger on a potential peace dividend.

- Meanwhile, we expect that JPY could outperform other currencies amid the trade tensions given that it may hold up better on rising domestic rates and the possibility that Japan may avoid the worse of the Trump tariffs. We recommend going short on the AUDJPY, CNHJPY, TWDJPY and KRWJPY. We see that AUD, CNH, TWD and KRW could be more sensitive to the trade angst leading to a higher probability of better returns on shorting these pairs.

- We revised our USDAsean forecasts lower as tariff impositions are taking longer to materialize. Nonetheless, the pairs would still trade at an elevated level throughout the year as tariff anxiety lingers in the background. Certain ASEAN currencies would underperform others such as the THB given Thailand's high trade exposure and the country's vulnerability to both Trump's reciprocal and sectoral tariffs. Less favorable external environment can work quite substantially against IDR. MYR and SGD meanwhile would be weighed down by the trade tensions but both have thus far been resilient on strong fundamentals. PHP would also stay under pressure amid the challenging global conditions.

Analysts

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

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

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

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

Top 3 Currency Plays for Mar

Short AUD, CNH, TWD, KRW vs. JPY
Long Gold on Dips
Short GBPNZD

Key Events for the Month Ahead

Date	Event
5 Mar	NPC 2025 Starts - Premier Li Qiang to Deliver Work Reports
9 Mar	Canada's Liberal Party to choose new Prime Minister
Mar	Shunto Wage Negotiation Prelim. Results
By 20 Apr	German's Formation of Coalition Government
Mar-Apr	South Korea Presidential Elections - pending Impeachment of President Yoon

USD: Tariff Threats vs Softening US Exceptionalism

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD DXY	107.92	108.11	108.18	108.09
	(108.02)	(108.85)	(108.73)	(108.09)

Previous Forecasts in Parentheses

Motivation: Global market volatility have risen earlier in 1Q due to concerns on the potential level of severity of Trump's policies. Since then it has eased slightly as tariff implementations were more modest and delayed possibly into 2Q. USD DXY has fallen around 0.9% since 1 Jan 2025, despite reaching a high of close to around 110 in mid Jan on the back of concerns from Trump 2.0 policies. It has fallen around 3.7% to a low of 106.31 on 25 Feb on the back of milder tariff developments so far, softer US economic data, Deepseek driven US equity declines, more positive results from the German elections, expectations of a Russia-Ukraine peace deal brokered by the US as well as JPY resilience. Post his inauguration, President Trump has been quick to address topics such as immigration, energy and tariffs, of which some measures has emerged but more clarity is still needed. Uncertainty regarding his policies are still likely to create more market volatility this year. Meanwhile, the Federal Reserve is leaning less dovish, possibly delaying rate cuts as US economic strength and inflation hold up but with US economy showing some signs of softness lately. Against this backdrop and flip-flop in trade-tariff plans, UST yields and the broad dollar volatility and trading ranges for affected FX is evident. We expect the USD likely to still trade at elevated levels as markets still factor in President Trump's potential tariff, tax and immigration policies. This is reflected in the recent move up from 106.18 on 24 Feb to around 107.56 levels on 1 Mar as concerns about the Ukraine peace deal and tariff rhetorics heat up again.

Fed kept the fed funds rate (FFR) at 4.25%-4.50% at the 28-29 Jan 2025 FOMC meet after -100bps cuts between Sep and Dec 2024. Amid upside risks to US growth and inflation under Trump 2.0 policies on de-regulation, immigration, trade and fiscal fronts, we revisited our 2025 FFR outlook, now expecting -50bps cuts (-75bp previously) to 3.75%-4.00% year-end (3.50%-3.75% previously). We still expect another -50bps cut in 2026 i.e. end-2026: 3.25%-3.50% (3.00%-3.25% previously).

"Hawkish" tilt in FOMC statement on job market and inflation. The accompanying FOMC statement slanted towards somewhat "hawkish" tones on labour market and inflation, while maintaining the view that the US economy continues to expand at solid pace, as indicated by the regional Feds' (St Louis, Atlanta, New York) quarterly GDP growth nowcasts (Fig 2), indicating growth of +2.5% YoY in 4Q 2024 (3Q 2024: +2.5% YoY) and +2.8% YoY in 1Q 2025.

FOMC statement's remarks on the labour market conditions have changed to it being solid as unemployment rate stabilized at low levels in recent months vs observing that the job market have generally eased as jobless rate moved up in the preceding FOMC statements. This shift came as US unemployment rate edged lower to 4.1% in Dec 2024 vs 4.2% in Nov 2024 and has been hovering at this 4.1%-4.2% mark since June 2024.

Fed removed the reference about inflation making progress towards its 2% objective, while continues to describe it as being somewhat elevated. To note, US consumer price index has inched up over the past three months (Dec 2024: +2.9% YoY; Nov 2024: +2.7% YoY; Oct 2024: +2.6% YoY; Sep 2024: +2.4% YoY). Meanwhile, core CPI has been stuck in the range of +3.2% and +3.3% YoY since June 2024. Similarly, Fed's preferred measure of inflation – Personal Consumption Expenditure (PCE) price index – edged higher to +2.4% YoY in Nov 2024 (Oct 2024: +2.3% YoY; Sep 2024: +2.1% YoY), while core PCE inflation remained in the +2.7% YoY to +2.8% YoY range since July 2024 (Nov 2024: +2.8% YoY).

Revised our view on 2025 cuts to -50bps (-75bps cuts previously), maintained -50bps cuts outlook in 2026. In view of the upside risks to US growth and inflation given Trump 2.0 policies on de-regulations, immigration, trade/tariffs and tax cuts, we trimmed our forecast for 2025 FFR total cuts to -50bps from -75bps previously i.e. end-2025F: 3.75%-4.00% (vs 3.50%-3.75% previously), but keep our forecast of -50bps cuts in 2026 (end-20206F: 3.25%-3.50% vs 3.00%-3.25% previously).

We reiterate that USD moves in Mar and its pace depends on (1) the speed and depth of the Fed cuts FOMC, (2) extent and dynamics of global growth (excluding US); and (3) how external factors such as tariff imposition and severity, geopolitical risks and ongoing global central bank moves.

The US macro picture remains fluid and extent of the Fed moves ahead remain uncertain and is likely to be predicated on the growth and labour market trajectory. The favourable US inflation data since May suggests the inflation is on track to return to the 2% target despite an increase in the unemployment rate (albeit remaining low). If this pans out on the inflation front and unemployment rate is kept stable and labour demand growth holds up well, we expect the remaining 50 bps cut in 2025 to be on track.

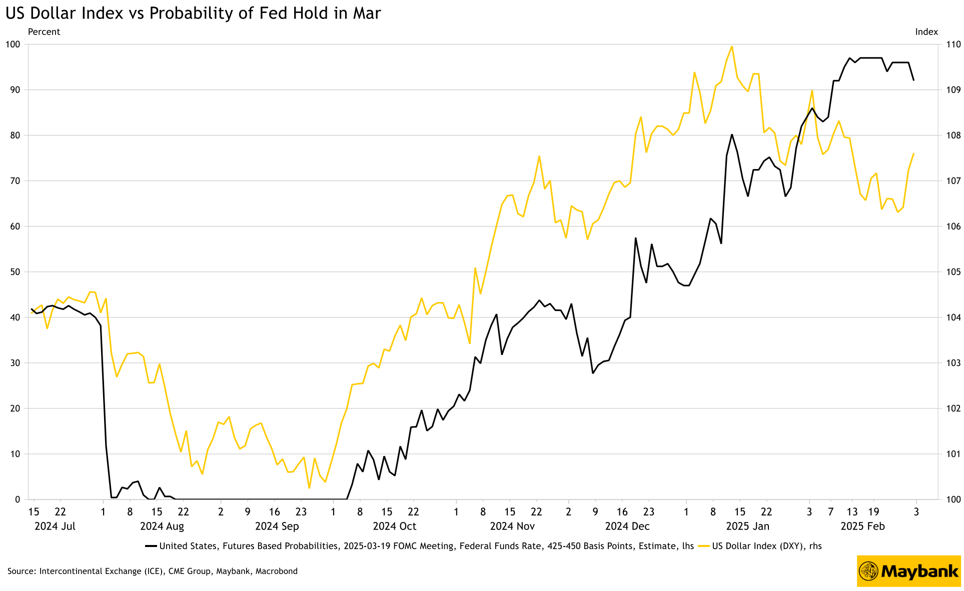
Our latest BEER model estimates show USD is still overvalued by around 2.5% as of 1 Mar 2025, from a peak of around 12% in 2Q 2020. However, the misalignments in the USD can continue at current levels or spike up again. USD weakness momentum can continue if the Trump administration announcement on China tariffs are either delayed introduced in a milder version or spread over time. The USD weakness can also continue if there are emerging signs of external growth recovery, most notably too if there are further China fiscal stimulus and softer US data. In the absence of any announcements, USD could remain rangy or supported. Uncertainty regarding his policies are likely to create more market volatility this year and support the greenback.

We still factor in some further moderate support in the DXY before the greenback eases by end 2025 after some clarity from the US administration becomes clearer by middle of the year. Fundamentally, we still 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 expected to rise further over the next few years with a fiscal cliff potential in 2025.

Expect FX risk premiums factored and magnitude to be affected by rising trade policy/tariffs, G7-China relations, any changes in fiscal and currency policies in various countries. Broader US & G7-China conflict is dollar positive. In the near term, there is still always the possibility of a likelihood of a scenario of the FOMC cutting more quickly in consecutive meetings, if labour market data softens more than expected and driven by concerns of a slowdown in the economy rather than a normalisation move.

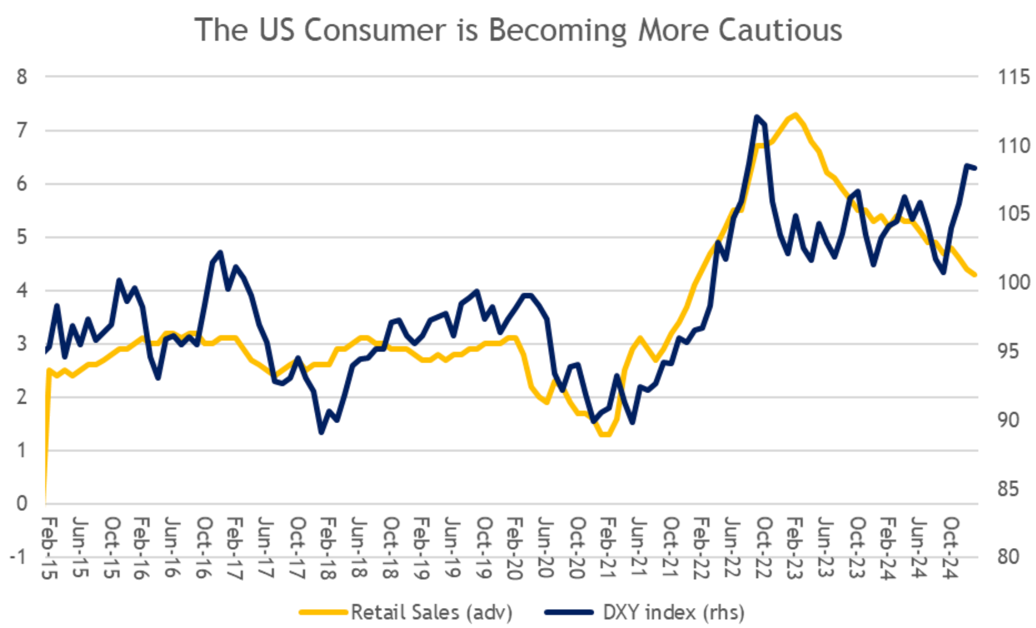
Key Data/Events in Mar 2025: NFP (7 Mar); S&P Global US Manuf PMI (3 Mar); Durable Goods, ADP (4 Mar);Factory Orders (4 Mar and 26 Mar); Trade Balance (6 Mar); CPI for Feb (12 Mar); Uni Of Michigan Sentiment (14 Mar); Retail Sales (17 Mar); Ind Prodn (18 Mar); GDP 4Q T (27 Mar); Core PCE (28 Mar); FOMC (20 Mar).

DXY Has Been Tracking Probability of Fed Holds (in Mar)



Source: Intercontinental Exchange (ICE), Macrobond,, Maybank FX Research

Fading US Exceptionalism Becoming Apparent in Retail Sales



Source: Bloomberg, Macrobond, Maybank FX Research

EUR: Two-Way Risks Remain

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
EUR/USD	1.0350 (1.0300)	1.0250 (1.0200)	1.0150 (1.0100)	1.0100 (1.0100)

Previous Forecasts in Parentheses

Motivation: EURUSD still sees two-way risks with longer-term headwinds and a possible near-term tailwind from a potential peace deal in Ukraine. Headwinds are seen from (1) political uncertainty in Germany and France, (2) tepid growth prospects which are likely to worsen as (3) potential Trump trade policies weigh on exports (especially of cars) and the EUR. A potential peace deal in Ukraine has emerged as a possible near-term tailwind, although we note that the situation remains highly uncertain – US and Ukrainian leaders had a public disagreement just recently. While we note that an end to the war would necessarily be beneficial for the EUR, we think that the longer-term headwinds should continue to negatively affect sentiment. As such, we revise slightly our forecasts for the EUR to reflect some of the peace dividend that has emerged in 1Q, signs of softening US exceptionalism and avoiding the worst case outcome for the German elections. Nevertheless, we see USD support remaining on the back of tariff related risks and we still maintain a downward trajectory across the next four quarters.

US trade policy continues to be a major focal point for markets this year. EURUSD trades traded in a largely similar 1.0141 to 1.0529 range in Feb 2025 (versus 1.0178 to 1.0533 range in Jan 2025). Movements in the EUR have largely been affected by market sentiment over Trump trade policy and the resulting USD moves. We do not expect EURUSD to hit parity this year, although our current forecast trajectory sees parity in 2026. We expect that broader USD drivers will continue to dominate moves in the FX space. Trump has threatened 25% tariffs on the EU and the bloc has vowed to vigorously fight any tariffs. There has been some positivity from the conclusion of the German snap elections, although the political situation remains largely uncertain with a coalition still needing to be formed. Ultimately, the external environment remains challenging and uncertain for the EUR.

ECB dovishness is well priced-in and risks for EUR could be to the upside if ECB surprise to the hawkish side. We expect ECB not to deviate from their data-dependent approach and expect up to 100bps of cuts in 2025 with the ECB deposit facility rate at 2.00%. The ECB cut rates by 25bps on 30 Jan 2025. We look for another 25bps cut on 6 Mar 2025. We expect the ECB to adopt a growth-supportive stance as Eurozone inflationary pressures ease and Eurozone growth prospects face multiple challenges. At the same time, we recognize that there is a risk that inflation could surprise to the upside once again and that could force the ECB to be more measured on rate cuts later in 2025.

Eurozone growth has been tepid with significant downside risks from potential Trump trade policies and political issues in Germany and France. Eurozone growth has not rebounded as much as we had expected in 2024 and one key issue that remains is that Germany's growth remains weak. Eurozone recession probability is estimated at 32.5% (prev: 30.0%) and Germany's is at 50.0% (prev: 52.5%). Leading indicators for major Eurozone economies are weak and the EUR is vulnerable to potential Trump trade policies. We see this as a headwind for the EUR, which is unlikely to reverse in 2025.

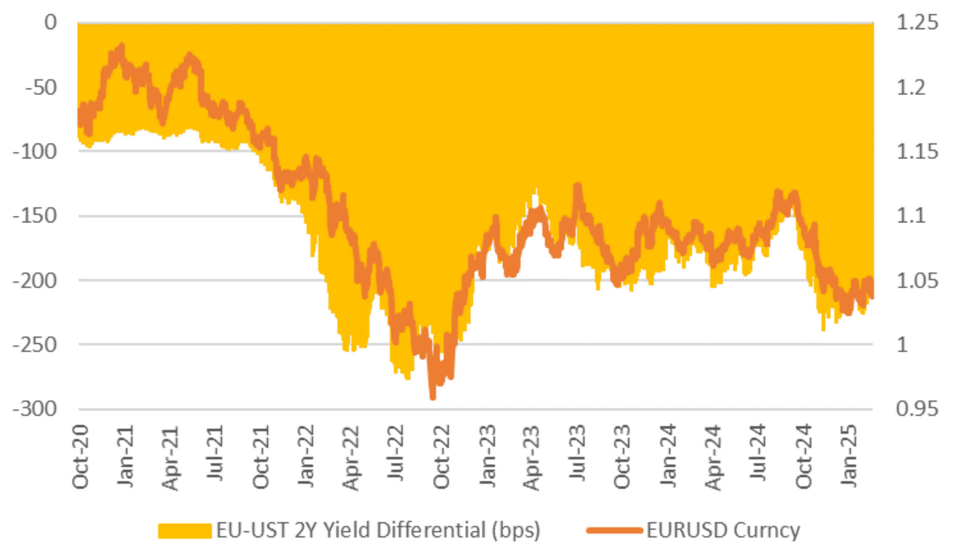
Political uncertainty is likely to continue to weigh on the EUR into 2025. PM Bayrou faces similar challenges with the political split in French parliament – a situation that leaves France as some suggest, ungovernable and now must contend with a child-abuse cover up scandal of his own. He has however managed to push through a budget, although political challenges should remain. The CDU/CSU won the most seats the 23 Feb 2025 snap elections in Germany, although a coalition will still need to be formed. The CDU (and other major parties) have officially declared it will not ally with the far-right AfD (second most seats), which implies that the worst could be over. However, we still do see some political overhang that should linger on the EUR until a coalition is officially formed, which will likely take until Easter to resolve. We see that headwinds from political uncertainty could ease as early as 2Q 2025, but there is the risk that it continues to weigh for longer.

EURUSD was last seen at 1.0375 levels. 1.04 and 1.05 levels are the key resistances, while support is at 1.03 followed by the 1.02 levels. Watch further downside on breaks of the 1.0141 (year and month low). Upside could likely be capped by the 1.06 figure, which has yet to be tested in 2025. Stochastics are overbought, although RSI and momentum are neutral.

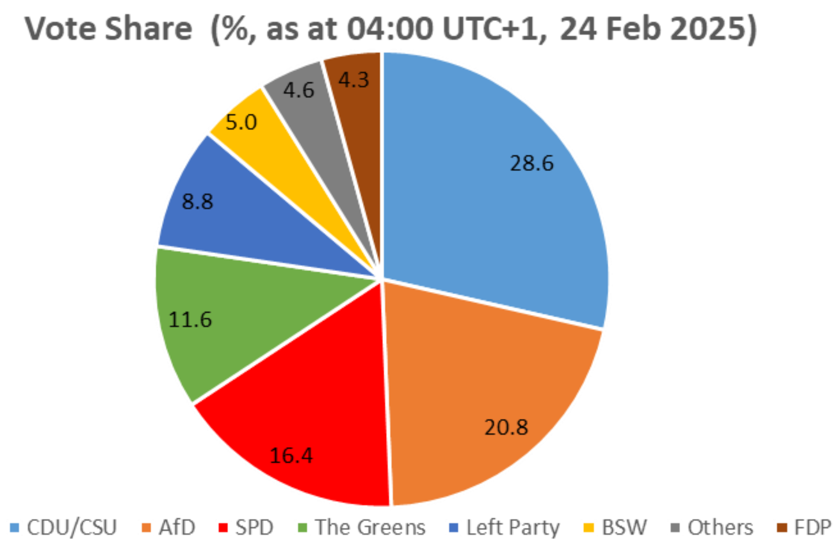
Risks to our view: An early resolution to the Ukraine war should provide the EUR with a boost although this remains the sole potential upside for the EUR that we see as likely. Trump has pledged to end the conflict, and Ukraine has suggested it could cede territory to end the war. However, escalation is also possible and that could weigh further on the EUR. While meaningful talks have begun, the latest episode where Trump and Zelensky had a very public disagreement in the Oval Office shows that the situation remains highly volatile and uncertain. Nevertheless, the UK and France have pledged to spearhead a peace plan after the incident and there remains hope.

Key data/events: Feb F Mfg PMI, Feb P CPI Inflation (3 Mar), Jan Unemployment Rate (4 Mar) Feb F PMIs, Jan PPI (5 Mar), Jan Retail Sales, **ECB Policy Decision** (6 Mar), 4Q24F GDP (7 Mar) Mar Sentix Investor Confidence (10 Mar), Jan Industrial Production (13 Mar), Jan Trade Balance (18 Mar), Feb F CPI Inflation, 4Q Labour Costs (19 Mar), ECB Economic Bulletin Jan Construction Output(20 Mar), Jan ECB Current Account, Mar P Consumer Confidence (21 Mar), Mar P PMIs (24 Mar), Feb Money Supply (27 Mar), Feb ECB 1Y/3Y CPI Expectations, Consumer/Economic/Industrial/Services Confidence (28 Mar).

Yield Differentials Drive EURUSD



Coalition Between CDU/CSU and SPD Most Likely



Source: BIS, Bloomberg, DW, Macrobond, Maybank FX Research & Strategy

GBP: Maintain Call for Resilience

GBP/USD	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	1.2500	1.2450	1.2550	1.2600
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We remain cautiously optimistic on the GBP for 2025 and see it as possibly one of the more resilient currencies to potential US trade policies. We maintain our belief that the GBP will be more resilient on the basis that the UK as a services-oriented economy is less likely to be influenced by Trump trade policies. As a close ally of the US, it will probably also be spared from significant actions by the Trump administration. As such, we maintain our GBP forecasts, which are reflective of some resilience in a highly uncertain and challenging environment.

GBPUSD traded in a 1.2249 to 1.2716 range in Feb 2025, broadly higher than the 1.2100 to 1.2576 range in Jan 2025. The improvement in sentiment as Trump appeared to be more amenable to making deals on trade accounted for the broadly higher range for the GBP. However, the situation has since turned although cable has as we suggested remained a tad more resilient, with the EUR potentially bearing the brunt of USD strength. We do think that GBP as a high beta currency, cannot fully escape the ebb and flow of sentiment. However, where trade policy comes into play, there is reason to believe that the GBP can show more resilience.

The BOE is likely to cut rates by 100bps in 2025. After a 25bps cut on 6 Feb 2025, we see 75bps of cuts left in 2025. This should bring the policy rate to 3.75%. This is more dovish than the 60bps of rate cuts priced by the market, although it is broadly consistent with Governor Bailey's suggestions of four rate cuts for the BOE's central planning scenario. Disinflation in the UK remains intact and wage pressures are broadly moderating in tandem. At the same time, the external environment is set to become much more challenging and uncertain. As such, the BOE should be able to cut more than what is priced to support the economy. Also note that a hawk on the BOE MPC, Catherine Mann, flipped dovish and was seen advocating a larger than expected 50bps cut at the last meeting. Markets are pricing in a stand pat at the 20 Mar meeting and it does seem likely that the BOE will be a bit more cautious in cutting rates right after the Feb reduction.

UK growth could perform worse than initially expected as the government reduces fiscal spending. We, however, still expect some resilience for the UK economy. Probability of a UK recession is 35% (prev: 30%) and UK economic data has generally been robust. The prospects for a services-oriented economy are also likely better than for goods-oriented economies against a backdrop of tariffs and potential escalation in trade tensions. As a close ally of the US, the UK is also unlikely to be flagged by the Trump administration for further trade measures.

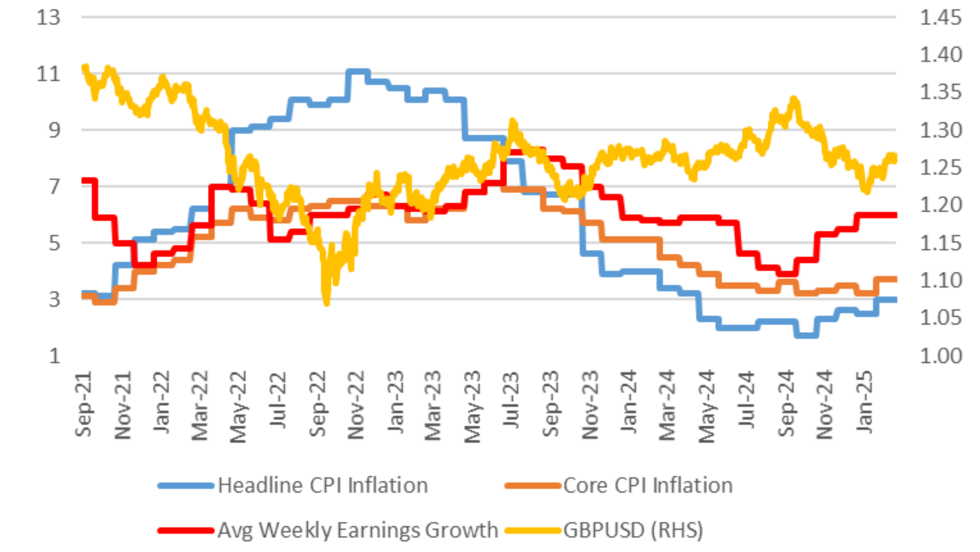
The continued approach by Starmer administration towards improving relations with the EU should be supportive of the GBP. UK fiscal deficits are expected to narrow to 3.8% of GDP in 2025 and 3.3% of GDP in 2026. We earlier expected reduced fiscal deficits to be better for the GBP, but this has thus far played out to the contrary, with tightening of the fiscal deficit associated with weaker growth prospects for the UK economy. Starmer has pledged to work with France to come up with a Ukrainian peace deal and this could be the start of closer relations. Nevertheless, we recognize that better relations in 2025 between the UK and EU for trade and cooperation exist and there is every possibility that closer relations could be established, especially if Trump's policies eschew the EU. On net, we expect this to be GBP supportive.

Risk sentiment improving has resulted in the high beta GBP outperforming. US trade policies are a major focal point in 2025, and the uncertainty over what and how these policies may be implemented should be worse for the GBP as opposed to safe-havens or other lower beta currencies. However, we also note that there remains room for GBP outperformance to return (recall how GBP was the standout performer for part of 2024) should greater clarity on trade policies be supportive of a global growth environment. It is possible that Trump uses tariffs and trade policies as a negotiation tool to achieve his goals for the US i.e. as a means to an end and not as an end. Should China not be as badly hit as expected, then the global growth outlook could pick up and we should see some resilience return for the GBP.

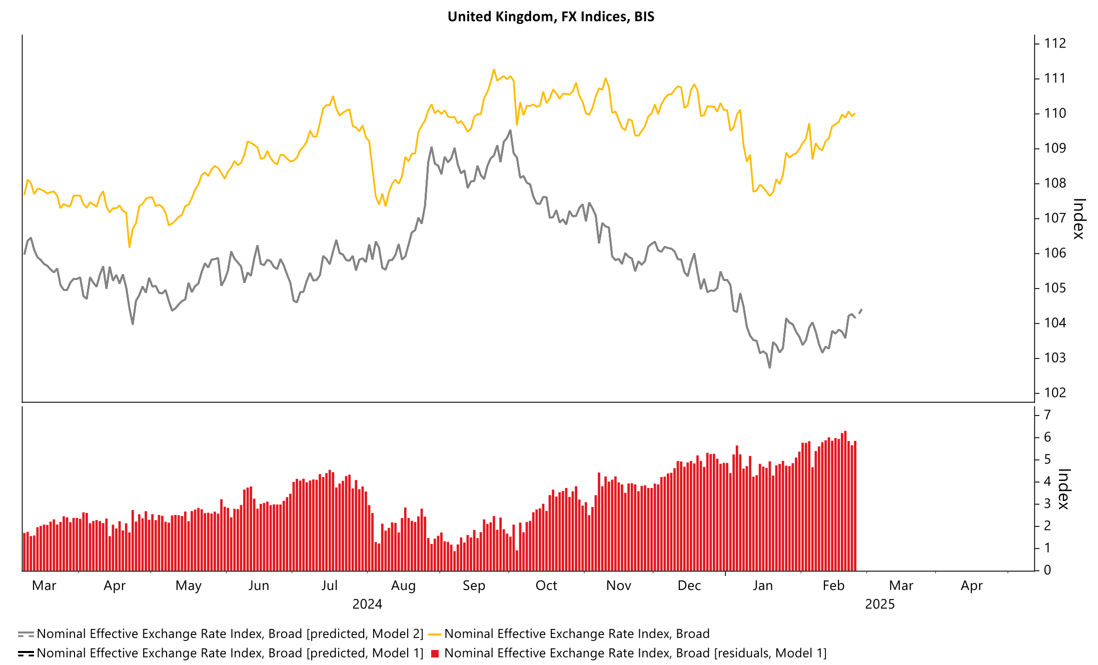
Risks to our view: GBP remains a high beta currency that is susceptible to changes to the global economic outlook. More specifically, if Trump's policies threaten a soft landing for the global economy and threaten the resilient economic outlook for the UK, that could weigh on the GBP. An early end to the Ukraine war should also be GBP positive. Fiscal discipline could also be threatened by domestic politics, although this remains unlikely. The Conservatives could derail also efforts to improve UK-EU relations and this could ruin the expected boost for the GBP from warmer relations between the EU and the UK.

Key data/events: Feb F Mfg PMI, Jan Money Supply, Jan Mortgage Approvals, Jan Consumer Credit (3 Mar), Feb BRC Shop Price Index (4 Mar), Feb Official Reserves Changes, Feb F PMIs (5 Mar), Feb Construction PMI, DMP 1Y CPI/3M Output Price Expectations (6 Mar), S&P Jobs Report (10 Mar), Feb BRC Sales Like-for-Like (11 Mar), Feb RICS House Price Balance (13 Mar), Jan Monthly GDP, Jan Industrial Production, Jan Manufacturing Production, Jan Trade Balance (14 Mar), Mar Rightmove House Prices (17 Mar), Mar CBI Trends (18 to 26 Mar), Jan ILO Unemployment, Jan Avg Weekly Earnings, Feb Claimant Count/Jobless Claims, **BOE Policy Decision** (20 Mar), Feb Public Finances, Mar GfK Consumer Confidence (21 Mar), Mar P PMIs (24 Mar), Feb CPI/RPI/PPI (26 Mar), 4Q F GDP, 4Q CA Balance, Feb Retail Sales (28 Mar), Mar Nationwide House Px Indices (30 Mar to 5 Apr), Mar Llyods Business Barometer/Own Price Expectations, Feb Mortgage Approvals, Feb Money Supply (31 Mar).

Inflation Stabilizes Even as Wages Rise



GBP NEER Remains Overvalued



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

CHF: Safe-Haven Support

USD/CHF	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	0.8825 (--)	0.8850 (--)	0.8850 (--)	0.8850 (--)

No Change to Previous Forecasts

Motivation: We continue to see a relatively flat trajectory for USDCHF amid USD-support persistence and a dovish SNB. The outlook for the CHF is nuanced in that as a safe-haven it should perform well in an increasingly uncertain external environment. At the same time, the SNB has expressed a preference for CHF weakness. We continue to believe that SNB's dovishness could bring it to a pivot point where the CHF becomes the funding currency of choice over the JPY. When that pivot is crossed, we would expect significant pressures on CHF and more specifically on the CHFJPY cross. As such, we maintain our CHF forecasts for the four quarters ahead.

USDCHF traded in a broadly lower 0.8912 to 0.9197 range in Feb 2025, compared to the 0.8965 to 0.9201 range in Jan 2025. There were episodes of broad USD weakness that were precipitated by an improvement in sentiment over US trade policy and falling UST yields. However, there were also episodes of USD strength, although the CHF was on net stronger against the USD. Nevertheless, the CHF maintained some resilience through these episodes, as expected of a safe-haven. Moving forward, we expect safe-haven properties to remain intact amid highly uncertain and volatile US trade and foreign policy.

We expect the SNB to cut rates by 50bps to bring its policy rate to 0% in 2025. This comes on the back of a larger than anticipated 50bps cut in Dec. We look for a more standard 25bps cut at the SNB Mar meeting. Inflation levels are benign in Switzerland, while growth prospects are tepid. The SNB should continue to remain dovish as the tepid Swiss economy that could potentially be threatened by Trump tariffs. SNB President Schlegel has acknowledged that Switzerland would be vulnerable should Trump wield tariffs and hinted that the SNB could intervene to control disorderly CHF movement and we think that this would necessarily place a cap on CHF strength. Schlegel has also added that a move to negative rates would only happen if inflation were to go out of the 0% to 2% target band. Latest inflation prints remained within the target band at 0.4% YoY (exp: 0.4%; prev: 0.6%), although with Swiss REERs and NEERs at elevated levels, there is a palpable risk of falling below the target band.

Economic growth in Switzerland is tepid. While probability of a recession is relatively low at 17.5% (prev: 17.5%), growth is expected to print at 1.3% in 2025 and 1.5% in 2026 (prev 2025: 1.4%; prev 2026: 1.5%). Recent GDP print (sport event adjusted) came in slightly above expectations at 0.5% QoQ (exp: 0.4%; prev: 0.4%). Risks to the growth outlook are to the downside given the uncertainty over Trump's trade policies and the potential impact on demand for luxury watches. The CHF is expected to remain resilient given its safe-haven status, but a strong CHF would also make Swiss exports relatively expensive and unattractive.

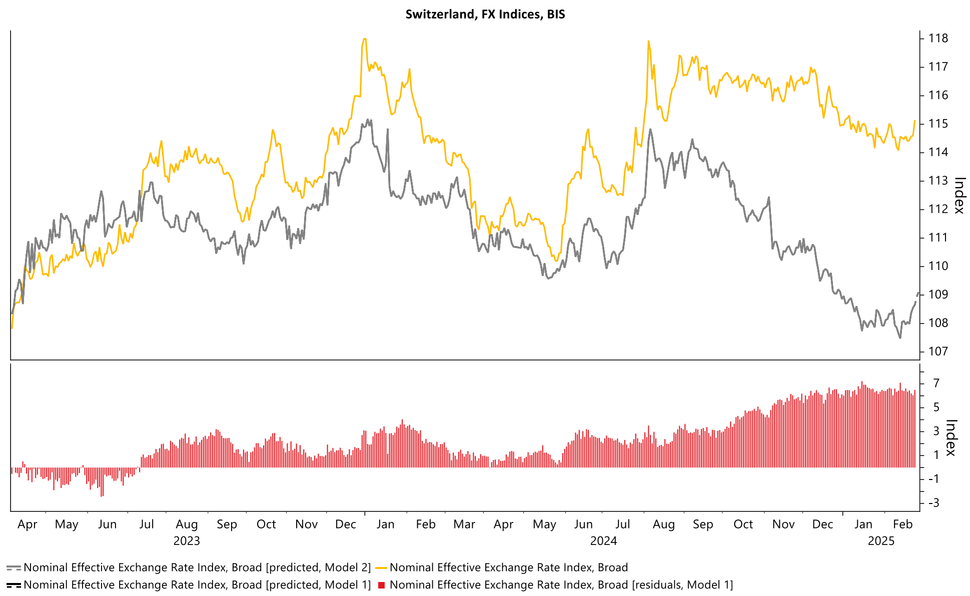
With BOJ expected to hike and SNB expected to ease, we approach a potential pivot where CHF could replace JPY as the funding currency of choice. We are now only a few hikes/cuts away from reaching the pivot with the BOJ policy rate at 0.25% and the SNB policy rate at 1.00%. Should the conditions for carry trades continue to persist i.e. if volatility remains low, that could weigh heavily on the CHF if it does indeed become the preferred funding currency of choice. Nevertheless, safe-haven flows should keep USDCHF relatively supported and the CHFJPY cross could be more directly affected.

The earlier double top seems to have played out, although dips in the pair have been relatively measured. Tops have formed at the 0.92 level, with a neckline of around the 0.90 level to watch. However, we caution that dips in the USDCHF pair could be quickly bought up by SNB intervention and it is unlikely that the pair extends declines too far below the region of support between 0.8788 to 0.8833. At current levels of around 0.9024, risks remain largely two-way.

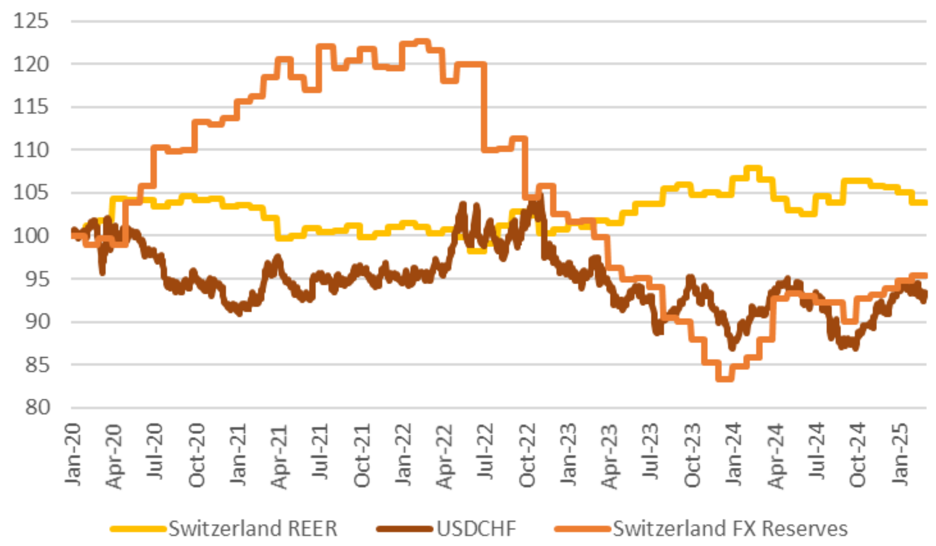
Risks to our view: Upside risks to inflation that could overturn the SNB's dovish stance although that is unlikely. In addition, the chance that the BOJ turns dovish and chooses not to hike rates, that could result in CHF's status as the preferred safe-haven currency persisting and a more prolonged period of relative CHF strength. A more rapid escalation of geopolitical tensions that expected could also result in demand for CHF and be more supportive of the CHF that we initially anticipated.

Key data/events: Feb Mfg/Svcs PMI (3 Mar), Feb CPI (5 Mar), Feb Unemployment Rate (6 Mar), Feb FX Reserves (7 Mar), Feb SECO Consumer Confidence (10 Mar), Feb Producer & Import Prices (13 Mar), SECO Spring Economic Forecasts (18 Mar), Feb Exports/Imports, **SNB Policy Decision** (20 Mar), Jan Money Supply (21 to 24 Feb), KOF Spring Economic Forecast, UBS Survey Expectations (26 Mar), Mar KOF Leading Indicator (28 Mar), Feb Retail Sales (30 Mar to 4 Apr), 4Q FX Transactions (31 Mar).

Swiss NEER Elevated



Swiss REER Remains Above SNB Comfort Level



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

AUD: Focus on the Trade Conflict

AUD/USD	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	0.62 (0.64)	0.60 (0.62)	0.61 (0.60)	0.62 (0.60)

Previous Forecasts in Parentheses

Motivation: AUDUSD had been overdue for a corrective bounce higher since the end of Dec and that has finally played out towards the 0.64, reaching our 1Q forecast. In the second half of the Feb, Trump seem to have stepped up on the rhetoric against China, Canada and Mexico – reiterating that the 25% tariff on Canada and Mexico could go ahead as scheduled on 4 Mar and also threatened raise tariff by another 10% on China's imports for its role on fentanyl. The tariff on steel would have small impact on Australia given that the US is not a major buyer of Australian steel. Regardless, the step-up in trade conflict caused the AUD to fall as a result, back to the 0.62-handle. China continues to remain calm and nonchalant, keeping the fix stable around 7.17 and USDCNY below the 7.30. We expect the most pressure on the AUDUSD in 2Q but that could ease to some extent amid signs that the US economy is weakening.

We had called for the run-up towards 0.64 (which played out) and we retain our view that AUD could fall towards 0.60 from here. This is based on our expectations for Trump to start imposing tariffs on China within the first half of the year. Risk-sensitive AUD could weaken as tariff-related news will hit sentiments. The potential impact on China's growth as well as demand for Australia's base metals (copper and iron ore) will also drag on the AUD. At home, AUD has been underpinned by hawkish RBA for much of 2024 as RBA refused to start its easing cycle even as other central banks (RBNZ, ECB, Fed) eased in earnest. RBA had started to cut cash target rate, although it retained a very hawkish stance and mentioned that further easing remains uncertain. Cash rate futures seem to suggest another 50bps cut expected, in line with our expectations. That does not mean that AUD has priced that in. We look for AUD to come under more discernible pressure once pressure on the labour market becomes more apparent.

Household spending was revised higher for Nov at +0.8%m/m and halved its pace to 0.4% in Dec. Year-on-year, household spending rose 4.3%, picking pace from 3.2%, albeit flattered by favourable base effects. Non-discretionary spending fell -0.2%m/m but discretionary spending was up +0.6%m/m, albeit slowing from previous 0.9%. Stronger discretionary spending (1.0% for clothing and footwear, 0.9% for hotels, cafes and restaurants) suggests that the consumer sentiment remains healthy. These could be the signs of recovery that RBA was referring to in its Feb Statement on Monetary Policy and help reinforce the messaging from the central bank that further easing is not a certainty.

Leading indicators suggest that confidence at home seem rather stable, perhaps due to the rate cut provided by RBA earlier this month – Westpac consumer confidence rose +0.1% in Feb. Meanwhile, NAB business confidence flipped positive in Jan to 4 vs. prev. -0.2. Business conditions dropped to 3 from 6 – breakdown suggests that trading and profitability have deteriorated. The fact that almost all analysts (including ourselves) had already expected the cut in Feb at the start of the year probably underpinned business confidence, notwithstanding the deterioration in trading and profitability environment.

Perhaps what was most highlighted at the policy decision in Feb was the strength in the labour market. The fear is that the tightness in the labour market would result in firm domestic demand and keep inflation elevated. Household spending is already showing some signs of recovery. That said, wage price index has been easing. Wage growth slowed to +0.7%q/q in 4Q from previous +0.9%. Year-on-year, wage growth decelerated to 3.2% from previous 3.6%. Unemployment rate edged just a bit higher to 4.1% from previous 4.0%. Feb SoMP had projected a slow creep higher to 4.2% by Jun 2025. We anticipate that hiring sentiments could shift more drastically in 2Q.

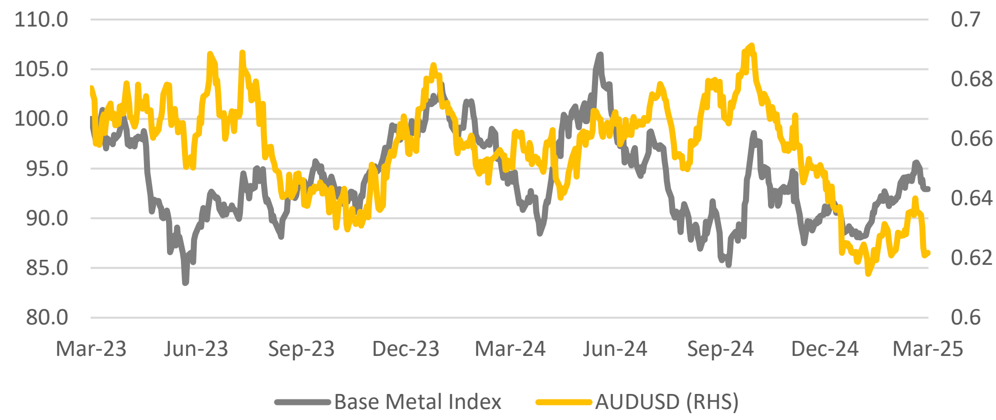
We hold our view that RBA would cut twice more this year, at least. This is in anticipation of an escalation of trade war between the US and China that could have rippling effects on the external demand for Australia. We no longer look for a second cut in Apr and now look for it to happen in May and a third one for the year in Jul as we anticipate trade conflict to escalate in 2Q and that could start to dampen on business and consumer confidence a tad more. AUD would take the brunt of course, from the sentiment channel as well as the prospect of deeper cuts by RBA. Potential for further disinflation could also allow more room for RBA to take the cash rate towards the terminal rate at around 3.5%.

Global Growth to Moderate, Base Metals Support Could Still be at risk of Fading. Global growth is expected to moderate from 2.9% to 2.8% in 2025 and China's property market outlook had stabilized but a recovery is still not seen. That improvement in China's outlook from the unveiling of Deepseek to some signs of stabilization in the property market have been reflected in the prices of base metals - iron ore and copper prices. AUDUSD had also been nudged towards the 0.64 in tandem. That said, growth in China remains fragile. Trump's penchant for using tariffs as bargaining chips could hurt business confidence and crimp on global trade even more in 2025, potentially exacerbating the decline in the demand for Australia's resources (iron ore, copper, LNG, etc).

Risks to the AUD Forecast: (1) US inflation and concomitant policy trajectory is key for USD direction and a stickier-than-expected US inflation could weigh on AUD even more. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the AUD. (3) Trump's trade agenda is key and a quick deal with China would be positive for AUD. **Australia's election will be held on or before 17 May 2025.**

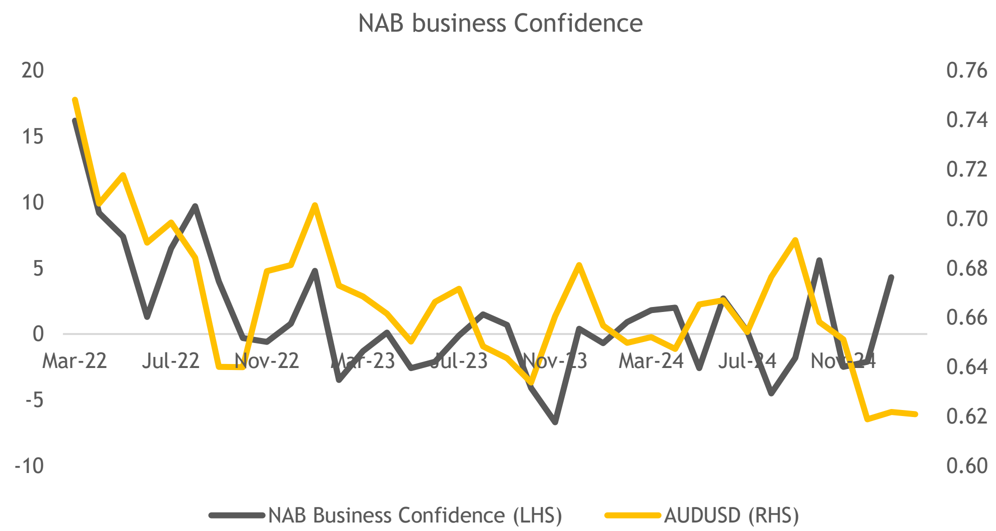
Key Data/Events: Feb Mfg PMI, M-I inflation gauge, ANZ-Indeed job adv for Feb (3 Mar), RBA Minutes for feb meeting, net exports of GDP 4Q and Jan retail sales (4 Mar), Service PMI for Feb and 4Q GDP (5 Mar), Jan trade (6 Mar), Jan household spending (7 Mar), Mar Westpac consumer confidence, Feb NAB business survey (11 Mar), Feb labour report (20 Mar), Prelim. Mfg, services PMI for Mar 924 Mar0< Feb CPI (26 Mar), Mar M-I inflation gauge (31 Mar)

Pullback of Base Metals Add Pressure on the AUD



Source: Bloomberg, Maybank FX Research & Strategy

Business Confidence has been On the decline



Source: Bloomberg, Maybank FX Research & Strategy

NZD: Room for outperformance against the AUD

NZD/USD	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	0.56 (0.57)	0.55 (0.56)	0.57 (0.55)	0.58 (0.55)

Previous Forecasts in Parentheses

Motivation: NZDUSD rose to its Feb high of 0.5773 before easing back to levels around 0.56 as we write. Trump had stepped up on tariff threats, reiterating that the 25% levy on Canada and Mexico will take effect as planned on 4 Mar. We continue to look for a step-up in trade conflict in 2Q and that could add pressure on the NZD in the next quarter but we look for some recovery in 2H as weakness in the US economy becomes more discernible.

Thus far, the USD is long due for a technical correction (lower) and seem to have played out. **Looking forward,** we are still expecting frictional trade policies between the US and China. Trade conflict could continue to keep the NZD under pressure. Although it is unlikely that New Zealand will be targeted by Trump given its rather small trade surplus ($643.7mn) with the US, its trade exposure with China would continue to keep the NZD tethered to the development of the trade conflict between the US and China.

RBNZ took the OCR lower by another 50bps to 3.75% at the Feb policy meeting, in line with most expectations. Expectations are for another 75bps cut this year, in line with our expectations. This will take OCR to 3.00% by the end of the year. Chief Economist Conway said that the central projection does not see OCR below neutral and markets seem to be aligned with RBNZ in predicting another 75bps cut. In addition, RBNZ looked for NZD depreciation to support export incomes. We think pressure from further policy easing on the NZD has reached its limit. RBNZ Orr had also signalled that the pace of easing could slow from here and that was taken positively by the NZD.

Domestic conditions are still fragile but show signs of improving - there are signs that retail sales have started to rebound in the last quarter of 2024 – retail sales volume rose 0.9% in the month, picking pace from a flat growth in 3Q. This was likely boosted by the aggressive easing undertaken by RBNZ starting from Aug. Net migration has risen to 3810 in Dec from prev. 2140, which could support domestic demand. Performance services index for Jan rose to 50.4 from previous 48.1 (also revised higher).

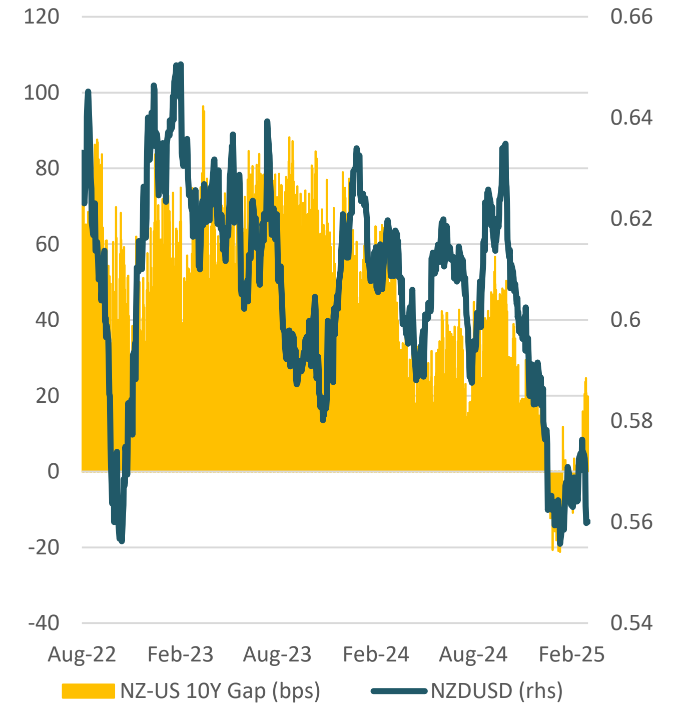
Other leading indicators suggest some optimism with business confidence rising back to 58.4 from previous 54.4. Consumer confidence also crept higher in Feb to 96.6 and filled jobs rose +0.3% in Jan. New residential mortgage had risen 50%y/y in Jan, albeit 11% lower on the month after seasonal adjustment. Taken together, there are some signs that the labour market has been improving and along with lower mortgage rates due to RBNZ's rate cuts, consumer confidence as well as business confidence have been boosted.

Trade. Trade balance had been improving with 12m rolling trade deficit narrowing to NZ$7.2bn in Jan from prev. NZ$7.8bn. Export receipts have been supported by elevated dairy prices. That said, we note that trade balance had swung into deficit of N$0.49bn. As trade conflict rises, there could be some dampening in external demand which would be negative for the NZD.

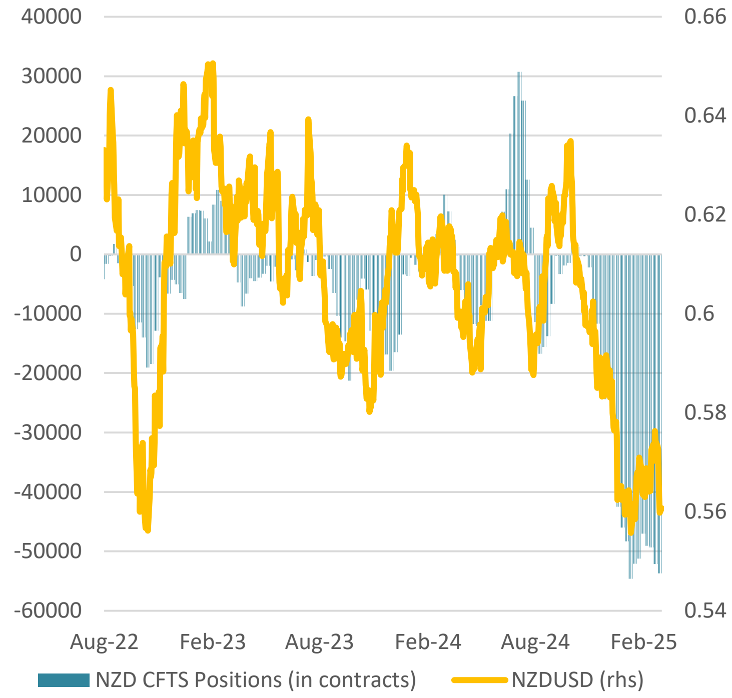
Risks: 1) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the NZD via the sentiment as well as the trade channel; 2) Trump's trade policies could continue to generate greater volatility for the NZD in the near term; 3) The NZ economy still looks a tad fragile and any downgrade to growth outlook will be negative for the NZD and warrant more aggressive rate cuts by the RBNZ.

Key Data: 4Q tot (3 mar), Jan building permits (4 Mar), ANZ commodity price for Feb (5 mar, Fefb home value (5 Mar), card spending for Feb (12 Mar), net migration for jan (13 Mar), BusinessNZ Mfg PMI for Feb and Feb food prices (14 Mar), Performance services index for Feb (17 Mar), 4Q GDP (20 Mar), Feb trade (21 Mar), MAR consumer confidence and Feb filled jobs ((28 Mar), ANZ business confidence for Mar (31 Mar).

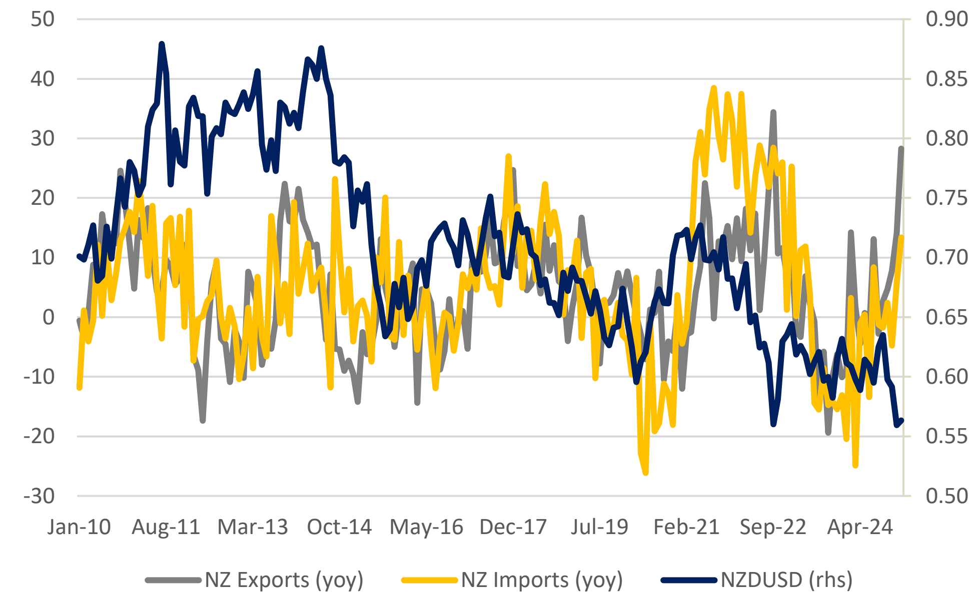
NZ-US Yield Differential Could Not Lift the NZDUSD amid growing Tariff Concerns



Net Short NZD Positions Are at Record Levels



Improvement in Trades Did Not Offset the Offset the Negative NZD Sentiment from Fears of Trade War



Source: Bloomberg, Maybank FX Research & Strategy

CAD: A Trade war is Brewing

USD/CAD

1Q 2025	2Q 2025	3Q 2025	4Q 2025
1.4600	1.4600	1.4500	1.4300
(1.4300)	(1.4500)	(1.4400)	(--)

Previous Forecasts in Parentheses

Motivation: We had warned that "the outlook for the CAD is volatile and uncertain" and that had played out in the second half of Feb. Markets were relieved at first that Trump had allowed a one-month delay for the 25% tariff to take effect on Canada. His more recent reiteration that the tariffs will go ahead on 4 Mar as scheduled lifted the USDCAD again. There is a real risk that US-Canada trade war could escalate. At this point, the pair is faced with two-way risks depending on how the conflict is going to pan out.

How the leadership race is likely to push Canada towards a trade war with Trump. We had reiterated that the CAD is at risk of further weakness amid the leadership race. Given that Trudeau will be replaced as soon as a new leader is announced for the Liberal Party on 9 Mar, it is challenging for Canada to have a meaningful negotiation with the US. That said, what Canada had done thus far is mobilizing more staff, equipment along the border (5525 miles long) and tightened visa rules. Trudeau had said that the administration continues to work "day and night" to avert the tariffs, reiterating that less than one percent of the fentanyl and undocumented migrants that enter the US were via the Canadian border. C$1.3bn plan is also in the works to enhance border security. However, should the tariff come into effect, Trudeau had pledged a "immediate and extremely strong response". Contenders to replace him include Mark Carney (ex BoC Governor), Chrystia Freeland (Former DPM and FinMIn), Liberal House Leader Karina Gould and businessman Frank Baylis. Frontrunners are Mark Carney and Chrystia Freeland. Carney had vowed "dollar-for-dollar" tariff retaliation that would have "minimal impact" on Canada. Freeland has also spoke about retaliatory tariffs but wanted them to be targeted on Florida orange juice, Wisconsin dairy industry and Tesla vehicles. There were talks of stronger partnerships with Europe and Asia. Carney wanted to "leverage all of our assets from critical minerals to clean energy".

Sovereignty issue. In response to Trump's desire for Canada to be the 51st state of the US, all candidates pledged to raise military spending. Canada was projected to spend 1.33% of its GDP on defense. Trudeau said Canada did not plan to reach the 2% target until 2032. Freeland and Gould vowed to accelerate that deadline to 2027. Carney and Baylis aimed for 2030. All candidates also intended to seek a mandate as early as possible to deal with threats from Trump.

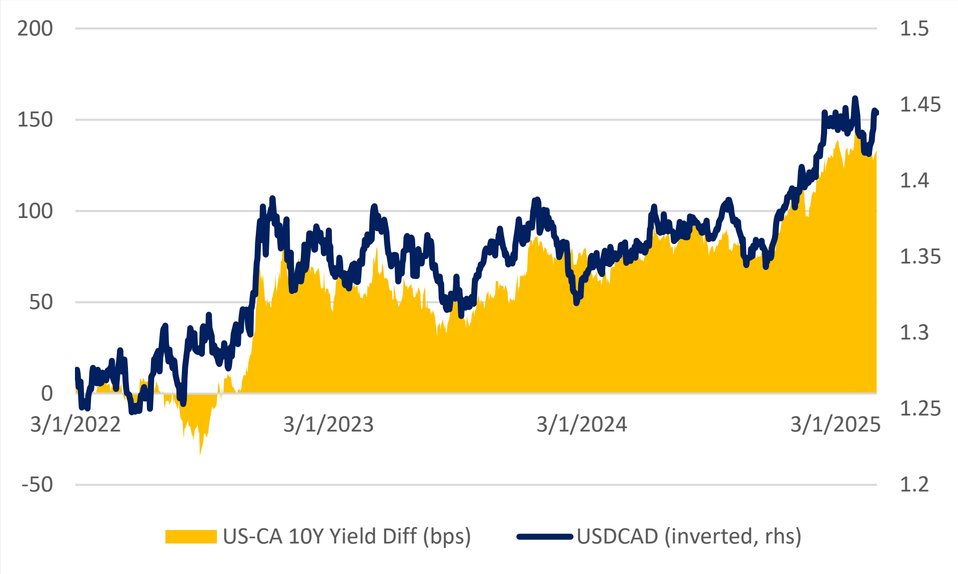
US-CA yield differential Driven by the US leg. The US-Ca rate differential has been driven primarily by the US treasuries and its effects on global yields. Due to growing signs of weakening consumption in the US, UST yields have been falling and there are also concerns that tariffs and inflation could weigh on growth even more. That has been offsetting the upside pressure brought about by tariff threats. We suspect that markets have not entirely priced in tariff coming into effect on4 Mar. With the contenders for Canada's next premiership vowing to retaliate against Trump, there is a risk that an extended trade war might be brewing and CAD could weaken a tad more.

BoC cut the bank rate by 25bps on 29 Jan and took policy rate to 3.00%, in line with our expectations. Growth since then had been strong with improvement seen in household spending, exports and business investments. We had noted that business sentiments have actually been improving for much of last year as inflation cools and interest rates fall. Further rate cuts could further bolster the prospect of the Canadian economy, notwithstanding the uncertainty that Trump's trade policies might bring. The quarterly B**oC survey indicated that businesses are more optimistic on future sales growth that jumped to 31 in 4Q from 13 in the quarter prior. However, the latest CFIB survey suggest that business confidence amongst smaller firms have slipped significantly, likely due to the tariff threats. Small businesses still cite lack of demand as a key barrier to growth (54%). We expect BoC to cut another 25bps to lend another boost to growth at home in times of uncertainty.**

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) An escalation of the middle-east conflict could boost the USDCAD as it had before as supply-induced higher oil prices tend to be more negative for risk sentiment and concomitantly positive for USD. (4) A more combative Canada could lengthen negotiation process with the US and put CAD under more pressure.

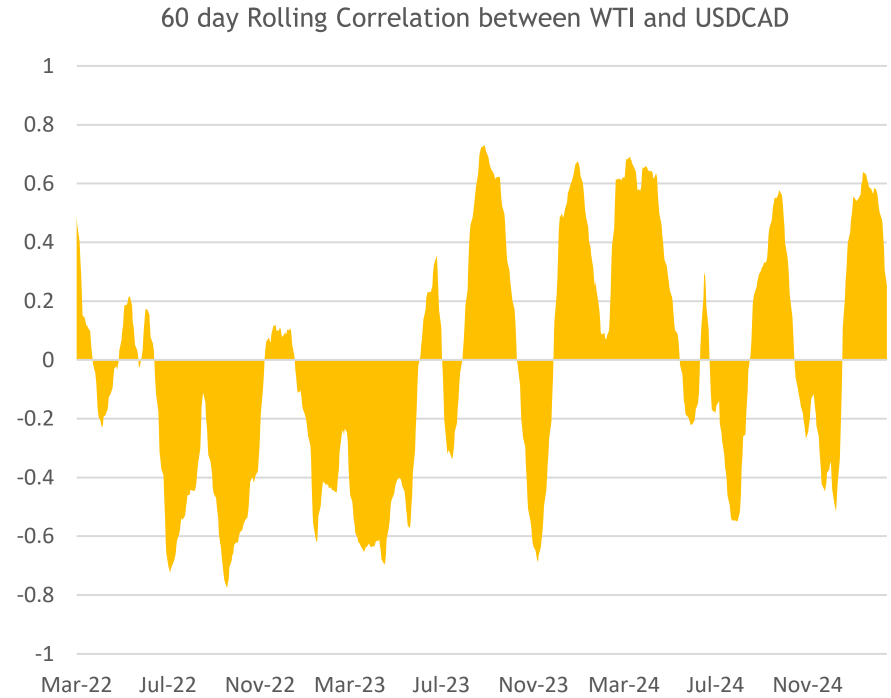
Key Data/Events: Feb Services PMI (5 Mar), Jan trade (6 Mar), Feb labour report (7 Mar), BoC rate decision (13 Mar), Feb CPI (18 Mar), Jan retail sales (21 Mar), Mar CFIB business barometer (27 Mar), Jan GDP (28 Mar).

USDCAD is Swung Higher In Spite of Narrowing US-CA Yield Differential



Source: Bloomberg, Maybank FX Research & Strategy

CAD is Now More Negatively Correlated with WTI Crude Compared to Pre Mid-2023



Source: Bloomberg, Maybank FX Research & Strategy

JPY: Data Strengthens Case for More Hikes

USD/JPY	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	150.00	145.00	142.00	140.00
	(150.00)	(150.00)	(145.00)	(140.00)

Previous Forecasts in Parentheses

Motivation: We adjust our USDJPY forecasts lower as we see more BOJ rate hikes this year than our previous expectation. Our baseline is for BOJ to hike rates twice in 2025 at 25bps each (once in Jul and another in Dec) to 1.00% amid stronger data releases with inflation holding well and wage growth being robust. This compares to our prior expectation of only just one hike of 25bps. Consequently, JGB yields should keep edging up further with the policy hikes. This is expected to happen concomitantly with a gradual decline in UST yields and lead to a narrowing of US – JP yield differential which is supports our medium term downward trend of USDJPY. Softening US data and economic concerns related to tariffs threats would support this fall in UST yields. If UST yields are likely to stay elevated this year that would temper the level of downside for the USDJPY. Near term, there are risks of a limited rebound in the USDJPY given that bullish JPY fast money positioning looks stretched and there could possibly be some unwinding of EURJPY short trades.

We are expecting two BOJ hikes of 25bps this year, compared to our prior call of only one hike of 25bps. We see the BOJ hiking once in Jul and another time in Dec, which differs from our previous expectation for one in Oct. Data has been coming out strongly, which supports the case for more BOJ tightening. Inflation readings have stayed slightly above the 2.00% target with the latest Jan headline number accelerating to 4.0% YoY (Dec. 3.6% YoY) whilst the core core reading also edging up to 2.5% YoY (Dec. 2.4% YoY). Feb Tokyo CPI, which can be seen as the most updated indicator of price conditions in the country had seen some softening overall but nonetheless the headline number is still above target at 2.9% YoY (est. 3.2% YoY, Jan. 3.4% YoY) whilst the core core number was around the target at 1.9% YoY (est. 2.0% YoY, Jan. 1.9% YoY). Dec wage growth numbers which had come out in early Feb also beat estimates at 4.8% YoY (est. 3.7% YoY, Nov. 3.9% YoY) whilst the real number was positive at 0.6% YoY (est. -0.1% YoY, Nov. 0.5% YoY). Mar would also see the release of the preliminary results of the Shunto wage negotiations, which we expect should come out strongly. Meanwhile, 4Q P GDP data also surprised with a strong reading at 2.8% QoQ (est. 1.1% QoQ, 3Q. 1.7% QoQ). Ueda has been non-committal as he mentioned that monetary decisions would be based upon assessing how tariff uncertainties would impact the outlook for Japan’s economy and inflation. We would not take this as making further hikes less likely but instead reflects his style of keeping his options open depending on economic and political conditions.

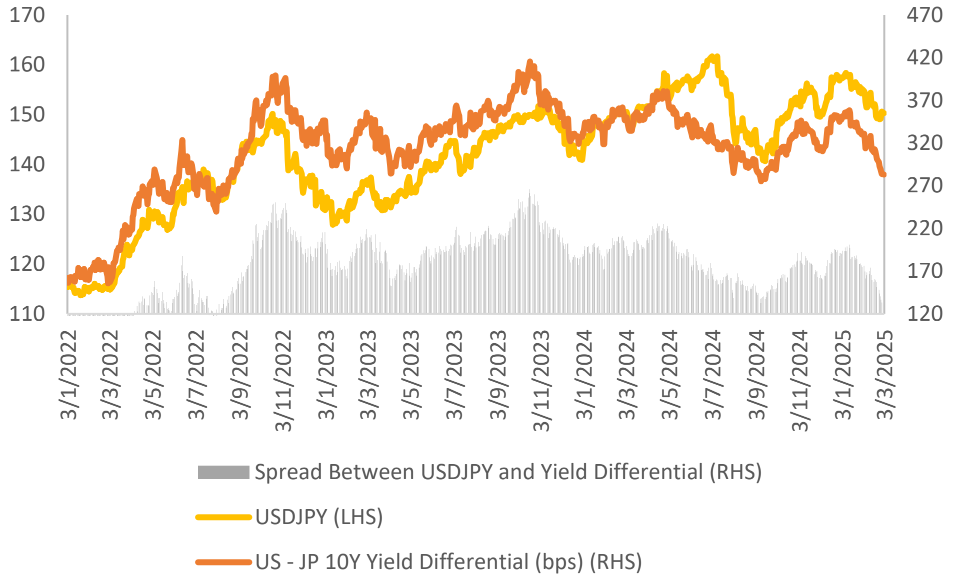
JGB yields have recently surged higher and we expect it to edge higher throughout the year although the increase may likely slow in the near term. Yields have been increasing across the yield curve with the notable 10Y yields climbing about 13bps over the month of Feb alone. Strong Japanese data has continued to back the BOJ’s tightening and supported the climb in the JGB yields. This has also occurred in the background of QEE coming to an end as the BOJ works towards normalization. We do note that Ueda has recently reiterated that the BOJ would intervene in the bond market in exceptional cases of rapid increases in yields. However, these verbal interventions would not derail the increase in the JGB yields but may only slow the rate of increase down. Regardless, some slowdown in the rise for yields on certain parts of the curve should be expected in the near term, with tenors below 10yrs, given that the longer end (especially for those 20yrs and above) would need to play some catch up.

Japan is somewhat at risk of Trump’s tariffs although we are of the view that they can avoid the worse of it. On the basis of effectively applied AHS weighted average of tariff rates, Japan’s tariffs level on the US is about 2.06% higher than that of which the US imposes on Japan. The country is also vulnerable to the sectoral tariffs in relation to autos as the auto export to the US was at 1.2% of GDP as of the 2023 numbers. However, Ishiba and Trump look to have so far started off on a sound footing and the Japanese government for now appears to be in some negotiation over potential tariffs that could be placed on the country. We therefore do not rule out the possibility that the two sides can reach some compromise. The tariff differential with the US is also not extremely high.

Risks Ahead: Downside risks to our JPY forecasts include a high level of US tariffs on Japan, heightened global trade tensions, persistently high market volatility or disappointing Japanese data, delaying BOJ tightening. US data trending too strongly, slowing the pace of Fed easing is also another risk that can weigh in. Upside risk for the JPY meanwhile would be a US and global recession that can guide UST yields lower.

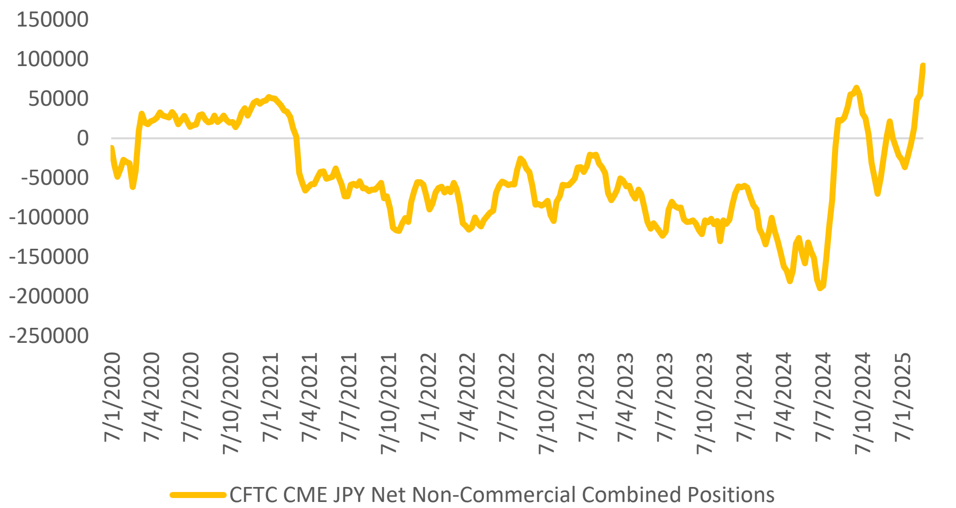
Key Data/Events: Jan jobless rate (4 Mar), Jan job-to-applicant ratio (4 Mar), 4Q capital spending (4 Mar), 4Q company sales/profits (4 Mar), Feb monetary base (4 Mar), Feb consumer confidence (4 Mar), Feb Tokyo avg office vacancies (6 Mar), Jan cash earnings (10 Mar), Jan BoP CA/trade balance (10 Mar), Feb bank lending (10 Mar), Jan P leading/coincident index (10 Mar), Feb Eco Watchers (10 Mar), Jan household spending (11 Mar), 4Q F GDP (11 Mar), Feb M2/M3 (11 Mar), 1Q BSI large all industry/mfg (12 Mar), Feb PPI (12 Mar), Feb nationwide/Tokyo dept sales (17 – 24 Mar), Jan tertiary industry index (18 Mar), Feb trade data (19 Mar), Jan core machine orders (19 Mar), Jan capacity utilization (19 Mar), BOJ policy decision (19 Mar), Feb CPI (21 Mar), Mar P Jibun Bank PMI composite/mfg/services (24 Mar), Feb PPI services (26 Mar), Mar Tokyo CPI (28 Mar), Feb P IP (31 Mar), Feb retail sales (31 Mar), Feb dept store, supermarket sales (31 Mar) and Feb housing sales (31 Mar).

Yield Differentials Should Keep Narrowing, Guiding USDJPY Lower



Source: Bloomberg, Maybank FX Research & Strategy

Bullish Fast Money Positioning in the JPY Looks Stretched, Creating Risks of a Near Term Upward Rebound in USDJPY



Source: Bloomberg, Maybank FX Research & Strategy

RMB: Watch the NPC and Trump

USD/CNY	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	7.35	7.50	7.45	7.40
	(7.40)	(7.55)	(7.50)	(7.50)

Previous Forecasts in Parenthesis

Motivation: PBoC continues to keep USDCNY reference rate steady. Yuan sentiment is still rather weak considering that the CFETS TWI has fallen around 2.4%ytd (as of 21 Feb). The DXY index has fallen around 3% from its Jan high, a sign of not just JPY strength but also a reflection of **markets downsizing expectations of a trade conflict**. Despite the sporadic announcements of trade sanctions including reciprocal tariffs, tariffs on steel, aluminium, copper, lumber and on Europe, markets have begun to think that the eventual outcome would be a more benign one.

New Developments from Home. The appearance of Deepseek was known as the "Sputnik Moment" – also known as the time when the Russia first launch a spaceship into space ahead of the US. Deepseek prides itself to be a competitive AI model that can be trained at a fraction of the cost. That has caused AI leaders such as Nvidia to lose around $600bn of valuation in one day. Soon after, we have other Chinese developed AI models being unveiled by Alibaba and Tencent. Xi Jinping even had a symposium with the private sector entrepreneurs, pledging to ensure an even playing field for both private and public firms. This gives rise to the possibility that the US has lost its edge on technology and China could be catching up sooner than expected. Along with that, new home prices and used home prices have been stabilizing. The real estate sector seems to have found a tentative bottom. Taken together, there could be a revival in confidence at home. **All eyes are on the two sessions in Mar where fiscal stimulus is expected but given the uncertain external environment, a bazooka is not likely. The government is more likely to retain some ammunition to counter any future headwinds.**

Data: Feb Mfg PMI edged into expansionary zone of 50.2 while non-mfg PMI also rose to 50.4 from prev. 50.2. Jan aggregate finance was also strong at CNY7.06trn , well above the expected CNY6.5trn. New yuan loans also surpassed expectations to CNY5.13trn from rpev. 4.53trn. Policy support has been taking effect and there should be more in Mar.

Tariffs are Still Likely – Key dates to watch 1 Apr. Since the start of Feb, apart from the Memorandum on America's First Trade Policy (AFTP), Trump had also released the America's First Investment Policy (AFIP) aka a National Security Policy Memorandum – which limits restrictions on foreign investors' access to US assets Section 3 of the memo tasked the USTR to assess China's compliance to the Economic and Trade agreement and to recommend appropriate actions including (the imposition of tariffs or others). The USTR is also tasked to assess the 14 May 2024 report "Four-Year review of actions taken in the Section 301 investigation" to consider additional tariff modifications. Secretary of Commerce and the USTR also tasked to assess the legislative proposals regarding Permanent Normal Trade Relations with the PRC and make recommendations regarding any proposed changes to such legislative proposals. Reports on section 3 along with most others in the Memo shall be delivered as a unified report coordinated by the Secretary of Commerce by 1 Apr 2025. Apart from the blanket 10% tariff imposed on China on 1st Feb, Trump had recently announced that another blanket 10% tariff for China to take effect on 4 Mar, again for its role of fentanyl flows into the US.

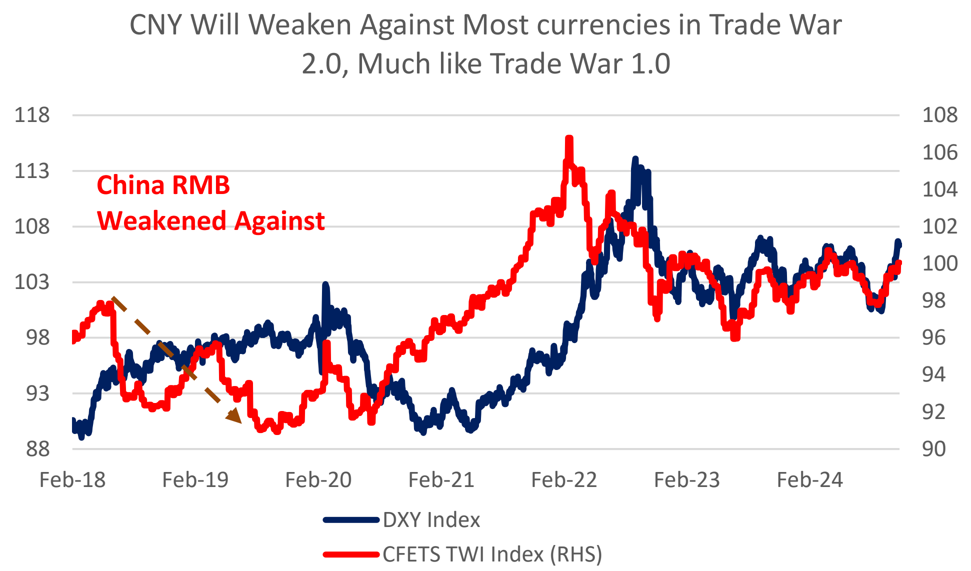
Trump's policies of deregulation, tariffs and taxes are still deemed as inflationary and could also set the Fed on a shallower path of easing and greater policy divergence from the rest of the world. **How USDCNH behaves depend on how President-Elect Trump conducts his tariff negotiations with China.** Our baseline expects PBoC to allow more weakness in the yuan and the pair to price in the tariff risk premiums more meaningfully in 2Q. We look for USDCNY and USDCNH to peak around 7.45-7.50 in 2Q before plateauing thereafter, caught between US slowdown and concerns on inflation in the US potentially emerging.

Export Resurgence Expected Before Fading into 2H 2025. In anticipation of the tariffs, the surge in Chinese shipment to the US as well as to Southeast Asia has already started, providing a buffer for yuan against sentiment effects. The cushioning impact would be limited. China has only started to see nascent signs of consumption recovery but this could be limited should housing prices continue to fall. Our economist anticipates fiscal stimulus to kick into high gear in 2Q 2025. That could also keep USDCNH from testing much higher.

Risks to our View: While growth could be stable, sustained by "more pro-active" fiscal stimulus and "moderately loose", the economy is still vulnerable due to the external headwinds and fragile property developers. There is also the risk that the escalation of trade war towards 60% tariff could lead USDCNY to a lot higher at 7.87 (estimated). We also see some possibility that there could be lower tariffs or quicker deal achieved by the Trump administration. That poses a downside risks to our forecasts.

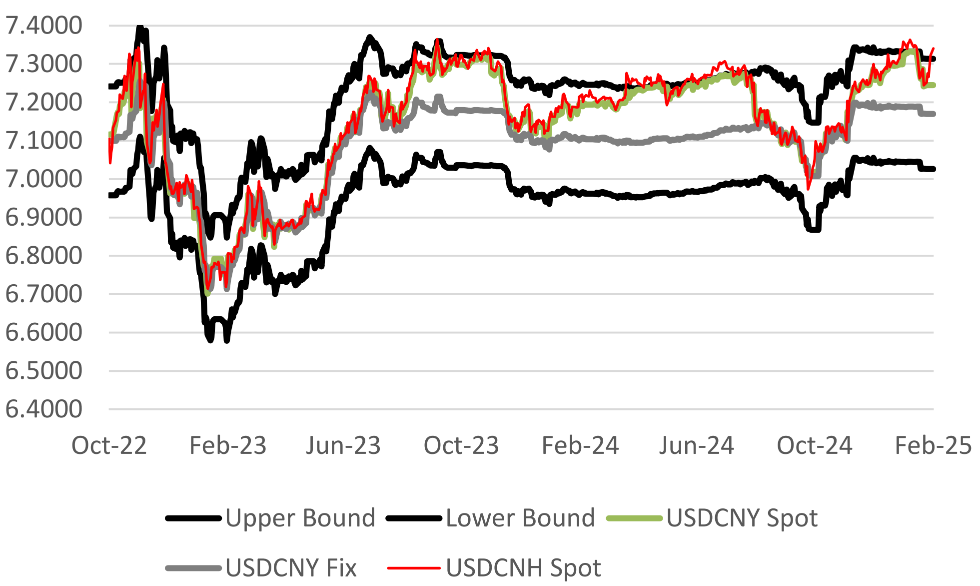
Key Data/Events: Feb Caixin China Mfg PMI (3 Mar), Feb Caixin China Services PMI (4 Mar), Feb Foreign reserves and trade (7 Mar), Feb CPI, PPI (9 Mar), new yuan loans, aggregate financing, money supply for Feb (9-15 Mar), Jan-Feb retail sales, fixed assets ex rural and industrial production, Feb FX Net settlement, new home prices, used home prices for Feb (17 Mar), 1Y, 5Y LPR (20 Mar), (19 Feb), 1Y MLF (24 Mar), feb industrial profits (27 Mar), 4Q F current account (28 Mar), NBS Mfg, non-Mfg PMI for Mar (31 Mar). **CPPCC will start 4 Mar. NPC starts on 5 Mar. Premier Li Qiang will deliver the work report on 5 Mar.**

CNY Will Weaken Against Most Currencies in Trade War 2.0, Just like Trade War 1.0



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

USDCNY Presses Against the Top of the Band on Tariff Delay



Source: Maybank FX Research & Strategy

KRW: Front-Loaded Vulnerabilities

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD/KRW	1460 (--)	1470 (--)	1410 (--)	1400 (--)

No Change to Previous Forecasts

Motivation: We continue to expect some near-term weakness in the KRW given the political uncertainty and potential US trade policy overhang. Our USDKRW forecasts factor in a peak some time in 2Q 2025 and we think that greater clarity on Trump policies then could lead to a repricing of risk premiums. Vulnerabilities for the KRW are likely to be front-loaded with current political uncertainty and uncertainty over China weighing on the KRW. At the same time, strengths for the KRW could take some time to be priced. As such, we maintain our KRW forecasts for the four quarters ahead.

USDKRW NDF traded within a 1421.92 to 1470.46 range in Feb 2025, broadly lower than the 1424.88 to 1477.11 range in Jan 2025. The KRW has managed to find further support, but staying above the 1400 handle suggests that confidence issues over political developments still linger. Pair also tends to ebb and flow with sentiment over US trade policy. In the meantime, we expect resistance of around 1490 to cap the pair, and the 1400 handle to be a strong support. BOK could also elect to cap upside above 1490 for the pair, although restoring confidence in a currency is likely trickier than mere intervention to cap losses.

We expect the BOK to cut rates by 100bps in 2025 with the policy rate ending at 2.00%. BOK cut rates by 25bps on 25 Feb 2025 to 2.75%, largely in line with expectations. We see a further 75bps of rate cuts by the BOK in 2025 and this is more dovish than the further 42bps of cuts implied by market pricing and 50bps of rate cuts forecast by economists. We think that the BOK is retaining its hawkish rhetoric given fears of KRW weakness. However, the general trend will be for central banks to pivot to become more growth supportive as the disinflationary trend gathers steam.

Growth could be hindered by a challenging and uncertain external environment in 2025. Consensus forecasts see 2025 growth moderating to 1.6% (2024: 2.1%) in real terms, with a 20.0% (prev: 15.0%) probability of a recession. Korea is somewhat potentially vulnerable to further US trade measures. Trump has already signalled potential measures on Taiwan for “stealing” US chip business and Korea could also similarly be flagged. Moreover, Korea has a trade surplus with the US and that could be a reason for further trade measures being applied. However, the flip side is that Korea could be viewed as a US strategic ally and be spared from Trump’s ire. Should this case materialize, then there could be cause for joy for the KRW.

Political uncertainty could now last beyond the near-term. President Yoon’s brief declaration of martial law has shaken confidence in Korea and the subsequent drama that has ensued has led to confidence issues and weighed on the KRW. We thought that this could be short-lived earlier but now recognize that this could last longer than we initially expected. Yoon’s impeachment verdict is expected to be announced soon, and an early 2025 election looks possible. According to the constitution, a snap election must be held within 60 days if President Yoon resigns or is removed from office by the Court. Yoon will be ineligible to run for a second term as the constitution places limits of a single five-year term in office for the President. The front runner for the new President looks to be Lee Jae Myung, who lost to Yoon back in 2022. Nevertheless, it could take time for confidence for the KRW to recover.

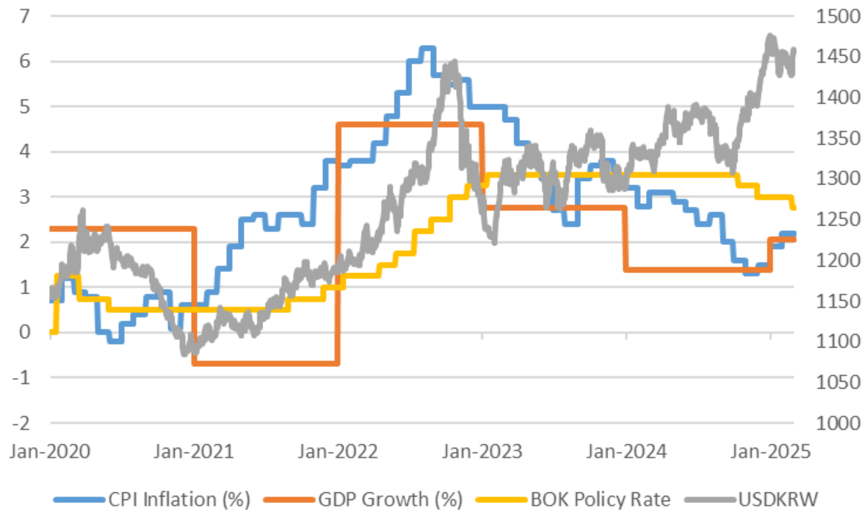
While the external environment in 2025 remains uncertain and challenging, structural inflows to Korea bonds should continue. Korea was included onto major government bond indices and structural inflows are expected to continue into 2025. This should provide some support for the KRW at the margin, although our base case expectations for KRW support to come in only from 3Q 2025 onwards, after our suggested peak for the USD. There have been recent outflows from Korean equities and in the near-term that could add to vulnerabilities that the KRW faces.

Risks to our view: Extended period of political uncertainty should President Yoon choose to linger in his role could weigh heavily on confidence on Korea and the KRW. Potential further action from the Trump administration on China or worse yet Korea itself, given sensitivity over chips, could also weigh on the KRW.

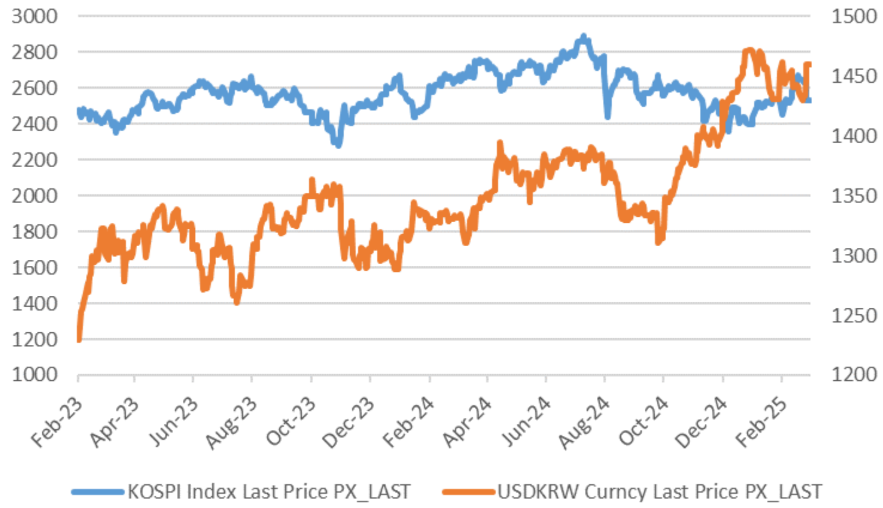
Key data/events: Feb Exports/Imports/Trade Balance (1 Mar), Jan Industrial Production, Jan Cyclical Leading Index, Feb Mfg PMI (4 Mar), 4QP/2024 GDP (5 Feb), Feb FX Reserves , Feb CPI Inflation (6 Mar), Feb CA/Goods Balance (7 Mar), Feb Bank Lending to Household Total (9 to 16 Mar), 10 Days Imports/Exports YoY (11 Mar), Feb Unemployment Rate (12 Mar), Feb Export/Import Price Indices (14 Mar), Jan Money Supply (17 Mar), Feb PPI, Feb 20

Days Exports/Imports (21 Mar), Feb Retail Sales (24 to 31 Mar), Mar Consumer Confidence (25 Mar), Mar Business Survey Mfg/Non-Mfg (26 Mar), Feb Industrial Production, Feb Cyclical Leading Index Change (31 Mar).

Balance of Risks Tilts to Growth Over Inflation for BOK



USDKRW Rises as Korean Equities Dip



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

SGD: Supported Even with MAS Easing

USD/SGD	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	1.3600	1.3750	1.3600	1.3450
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We continue to see support for SGD as a regional safe-haven against a backdrop of elevated uncertainty in the external environment. SGD was supported even as MAS eased the appreciation of the SGDNEER slightly (0.5%). We maintain our forecasts with the SGDNEER still on a +1.0% appreciating path. USDSGD is likely to hit a peak in 2Q 2025 where there would be more clarity on Trump policies and thereafter moderate to end the year lower. While Singapore is an open economy and trade frictions could negatively impact growth, a bilateral trade deficit with the US is likely to keep it out of Trump's crosshairs. In addition, Singapore is well positioned to gain from potential re-routing of trade flows. As such, we maintain our SGD forecasts for the four quarters ahead.

USDSGD traded within a 1.3312 to 1.3700 range in Feb 2025, broadly lower than the 1.3421 to 1.3751 in Jan 2025. This was largely due to broader USD strength and on the whole the SGD still remained relatively resilient against other currencies in the SGDNEER basket, in line with our expectations. The SGDNEER was last seen at +1.10% above the midpoint of the policy band even after MAS' "slight" easing on 24 Jan. SGDNEER has strengthened in line with an improvement in general sentiment and as the USD weakens with sentiment over US trade policy. SGDNEER has come off highs of around 1.59% (20 Feb 202). As we suggested earlier, there has not been excessive SGDNEER weakness from MAS' easing. A mini "double-bottom" has formed at about +0.60% above the mid-point, which should serve as a relatively strong support.

MAS eased via a slight slope reduction on 24 Jan with a balanced statement. In our view, MAS is becoming more growth supportive while retaining some hold over inflation. Current pace of SGDNEER appreciation (1.0%) should be seen as consistent with medium-term price stability. MAS noted the considerable external uncertainty surrounding both growth and inflation. **Our economists think that MAS could ease once more with the Apr meeting being a likely date.** There is however a risk that MAS could opt to wait and see given the considerable uncertainties from the external environment. Our Taylor Rule estimates suggest some merit to our view given that the upward trajectory for the SGDNEER should continue.

Core inflation dipped to 1.8% in 2024, below the historical mean of 2% and is expected to fall further. Growth is expected to remain robust. Our economists forecast core inflation at +1.1% (prev: +1.4%) for 2025 and see real growth of +4.2% in 2024. Jan inflation print showed cooling due to base effects from the GST hike in 2024. Price pressures could cool by more than previously expected on the back of government subsidies, benign external cost pressures and base effects from the GST hike, travel-related costs and cooling aggregate demand. Our economists forecast real growth to moderate to +2.6% in 2025.

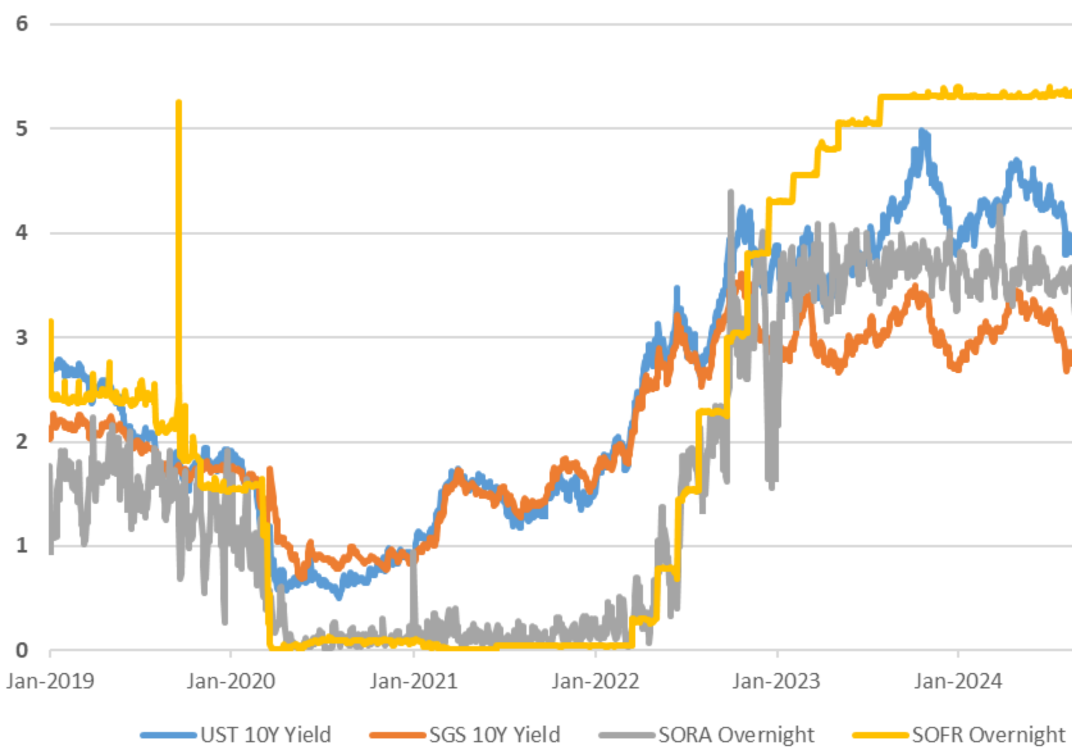
Budget 2025, the last budget for this term of government was delivered by PM Wong on 18 Feb 2025. The budget was expansionary, and yet a healthy S$6.8b (or 0.9% of GDP) fiscal surplus is still expected. Key budget initiatives included household goodies and social policies and support for businesses as well as setting aside funds for longer-term priorities. Our economists do not expect a surprise at the elections. Similarly, we suggest that the baseline election outcome is not expected to shake confidence in Singapore and the strength of its institutions. It remains the sole AAA rated sovereign in the region and is required by legislation to operate a balanced budget over a term of government. **Few countries would be able to announce an expansionary budget and maintain a healthy fiscal surplus, so Budget 2025 underscores one of the fundamental strengths of the SGD.** In uncertain times, this would make the SGD a relatively attractive currency to hold.

Given the current balance of risks, we do think that the SGD resilience and support will continue to persist. MAS has judged the current stance as appropriate in achieving medium-term price stability. Within the Asian currency space, the SGD is also one of the most recognized and reliable stores of value given Singapore's strong fundamentals. MAS' policy is an explicit appreciation stance. This is the historical norm and is unlikely to change. In an environment of heightened external uncertainty, the SGD is likely to outperform its peers.

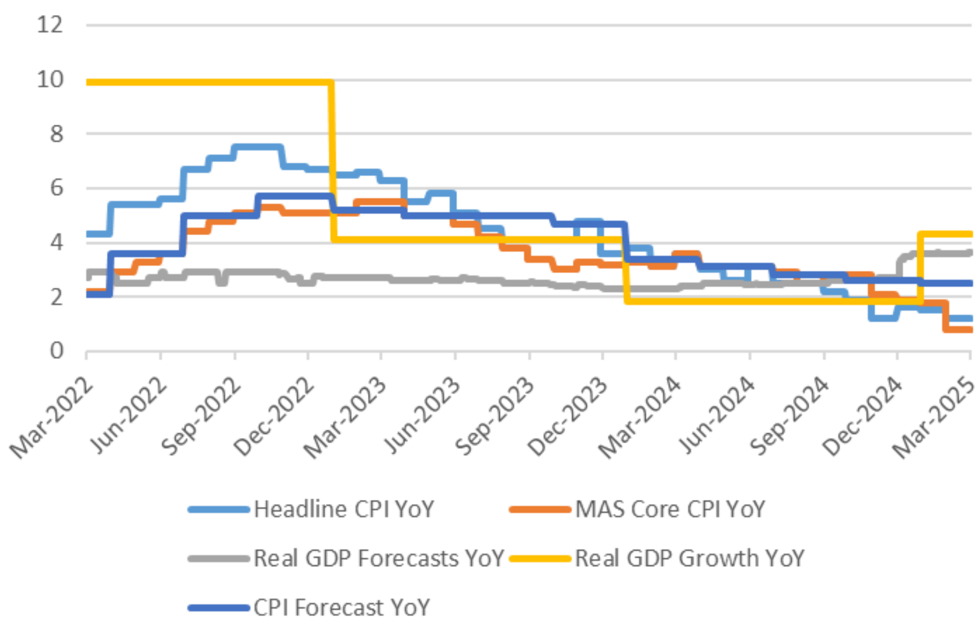
Risk to our view: Developments that could derail MAS' expected path for inflation to come off or cause growth prospects for Singapore to worsen. This could include oil price shocks or supply chain disruptions that could arise from geopolitical conflicts. In the absence of such developments, our base case expectations for SGD appreciation should hold. 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.

Key data/events: Feb PMI/ESI (3 Mar), Feb Global PMI, Jan Retail Sales (5 Mar), Feb FX Reserves (7 Mar), Feb NODX, Electronic Exports (17 Mar), Feb CPI (24 Mar), Feb Industrial Production (26 Feb), Feb Money Supply (28 Feb).

High Rate Correlation with USD Rates Should Shelter SGD



Inflation Falls as Growth Rises (Goldilocks?)



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

MYR: Still Cautious on Tariffs and Geo-Politics

USD/MYR	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	4.50	4.60	4.45	4.35
	(4.60)	(4.70)	(4.55)	(4.45)

Previous Forecasts in Parentheses

Motivation: The Ringgit was largely unchanged since 31 Jan 2024 at around 4.45 vs the USD (as at 3 Mar 2024). Over the past 1-2 months, we continue to see ups and downs in the risk dynamics largely due to US related trade policy announcements but there has been on average some broad USD strength on the back of continued US exceptionalism (US growth and labour market remaining resilient and the disinflation path being affected), leading to concerns that Fed easing will stall. Against this backdrop, USDMYR rose to reach a high of 4.4765 in Feb 2025, slightly lower than the high of 4.51 in Jan. More recently though, there has been concerns about signs of fading US exceptionalism on the back of cooling US economy and concerns a trade war could weaken it further. The pair had reached a low of 4.3780 ahead of concerns of further Fed easing in late Jan. We believe these two concerns could intensify more in 2H 2025 or even earlier. In addition, despite seeing two sided risks to US yields due to the unpredictable nature of Trump's policy approach, in the near-term UST yields may still have some room to fall driven by further unwinding of inflation fears and the market could price in more growth concerns if employment starts to deteriorate.

We remain cautious and still embed some risk premium in our forecasts, as we remain mindful that risks remain from the US Trump administration on various policies including US-China trade frictions, changes to US growth assessment and concomitantly an adjustment in the pace of Fed easing and global geopolitics. Second, developments outside of the US, growth will be soft with fiscal stimulus announcements out of China only in end 2Q 2025 onwards, possibly eventually supporting CNY and consequentially MYR. While volatility may persist in the coming months, driven by the evolving news flows on Trump's policies and Federal Reserve decisions, more clarity on both fronts should emerge over time, giving grounds for eventual MYR appreciation.

We have revised our MYR forecasts to reflect the currency's resilience and some of these new developments which include the delay and modest tariffs imposed thus far while at the same time still factoring the tariff risk premiums. By the end of 2025, we anticipate the MYR to trade around 4.35 or lower vs the USD. Looking ahead to the medium term, there is significant upside potential for the MYR. Our Maybank behavioural equilibrium exchange rate (BEER) model estimate shows that, on average, the MYR is undervalued by about 10% to 12%. As global conditions stabilise and market uncertainties dissipate, the MYR is expected to gradually appreciate towards its fair value or equilibrium exchange rate.

Compared to its regional peers, the MYR has held up impressively well, now at +5.86% stronger versus the USD since mid-2024 (specifically 28 Jun 2024 to 3 Mar 2025) after having kept much of its gains from its earlier 2024 rally. On a nominal effective exchange rate (NEER) basis, which measures it against a basket of key trading partners' currencies without considering price level differences, it still outperforms its peers. This resilience can be attributed to solid domestic fundamentals and sound policymaking supporting the MYR. We expect Malaysia's domestic economic fundamentals to remain robust. Bank Negara Malaysia (BNM) has held its benchmark interest rate steady at 3.00% while economic performance has been robust, with 2024 GDP growth at 5.1%. The growth outlook is likely to be resilient at 4.9% for 2025 underpinned by domestic tailwinds, namely due to a pick up in consumer spending and momentum in private investment growth, while inflation is expected to stay manageable at 3%.

For 2024, the economy expanded +5.1% (2023: +3.6%) on better growth performance across the supply-side as well as the demand-side, and we maintain our 2025 real GDP growth forecast of +4.9%. While the on-going recovery in global semiconductor sales and tourism industry are positive for exports of goods and services, we are mindful of the external headwinds and uncertainties due to US trade policy and tariff actions under "Trump 2.0". There are also domestic tailwinds and mitigations i.e. on-going investment upcycle amid evidence of realisation of the robust approved private sector investments since 2021, plus support to consumer spending growth by Budget 2025 measures to boost workers income i.e. increases in civil service salaries and pensions as well as minimum wage; higher allocation for cash handouts to the lower income groups; personal income tax reliefs.

This favourable growth-inflation outlook allows BNM to stand pat on its monetary policy, and the OPR should hold in 2025 at 3.0%, which helps mitigate the impact of widening yield differentials on the MYR. The stable OPR near term (next 6 months) as priced by Interest Rate Swap rate coupled with the expected US interest rate cuts starting Sep 2024 is Ringgit positive. The latest Interest Rate Swap (IRS) rate implies market is pricing in a stable OPR next 12 months. BNM's implementation of timely measures to encourage corporate foreign currency conversions have impacted positively. These proactive policies have helped to stabilise the currency despite global volatility.

BNM kept the Overnight Policy Rate (OPR) at 3.00% for the tenth consecutive Monetary Policy Committee (MPC) meeting on 21-22 Jan 2025 amid sustained growth momentum, muted domestic inflation and relatively stable Ringgit vs USD. We expect OPR to remain at 3.00% this year to support domestic demand as we forecast slight easing in GDP growth this year (2025F: +4.9%; 2024 advance estimate: +5.1%) amid the combo of external headwinds from Trump's Presidency policy moves, and the domestic tailwinds from firmer consumer spending and continued investment upcycle. Although we project higher inflation rate this year (2025F: +3.0%; 2024: +1.8%), this is mainly due to cost-push factors, reflecting the much-needed structural and fiscal reforms as well as long-overdue adjustments i.e. higher labour cost from minimum wage hike and foreign workers' multitier levies and mandatory EPF contribution; targeted RON95 petrol subsidy rationalisation; increases in local government taxes; and potential review in Tenaga's base electricity rate in July 2025. From the latest Monetary Policy Statement (MPS), BNM generally continues expecting sustained global and domestic growth momentum in 2025 after the favourable performance in 2024. However, BNM also acknowledged the two-way or upside and downside risks to growth, particularly the downside from uncertainty surrounding trade and investment restrictions as President Trump officially comes into office on 20 Jan 2025 after winning the US election in Nov 2024.

On inflation, following the +1.8% inflation rate in 2024, BNM sees "manageable" inflation in 2025 amid easing global cost conditions as it sees global commodity prices trending lower and the absence of excessive demand pressures, taking cue from core inflation rate that is line with – rather than running faster than - headline inflation. BNM view is that these factors will help contain the impact of the recently announced domestic policy reforms, notably on labour market and fiscal policy. To note, the official inflation rate forecast for 2025 is a wide spread of between +2.0% and +3.5%. Inflation eased to +1.7% YoY (Nov 2024: +1.8% YoY) giving full- year average of +1.8% (2023: +2.5%). Core inflation slowed to +1.6% YoY (Nov 2024: +1.8% YoY) and averaged +1.8% last year (2023: +3.0%). Maintain our 2025 inflation forecast of +3.0% reflecting cost-push drivers (i.e. higher labour costs from minimum wage hike and foreign workers' multi-tier levies and mandatory EPF contribution; increases in local government taxes and Tenaga's base rate) plus RON95 petrol subsidy rationalisation.

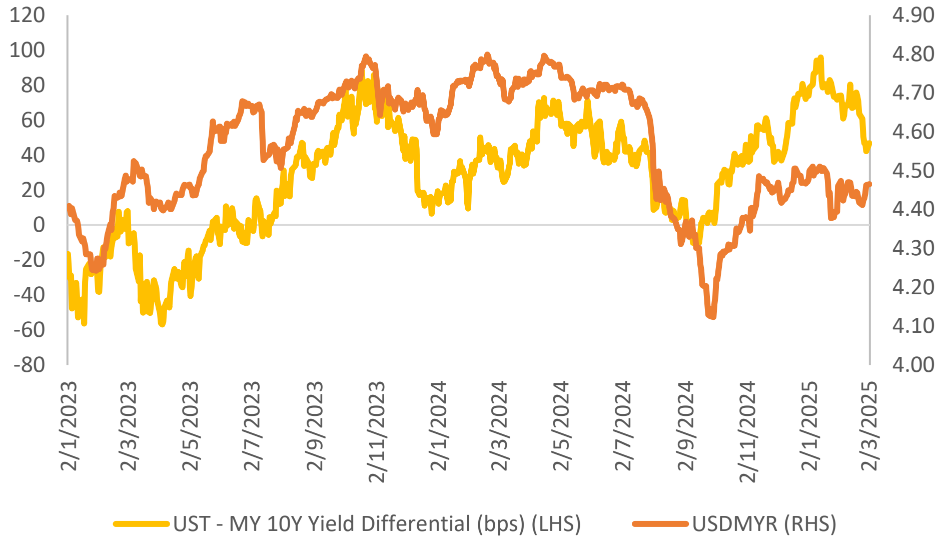
In addition to these favourable domestic conditions, Malaysia has made significant strides in fiscal consolidation. The government's efforts to narrow the budget deficit toward its medium-term target of 3% of GDP are progressing well. The budget deficit for 2024 is now estimated to be 4.0%-4.1%, better than the initial forecast of 4.3%, taking cue from Malaysia's net government funding for 2024 which was MYR77 billion, lower than the MYR84.3 billion initially anticipated. The deficit is projected to narrow further to 3.8% in 2025. This improved fiscal management boosts investor confidence, creating positive conditions for MYR demand going forward. Against this backdrop, there is even potential for an upgrade in Malaysia's sovereign credit rating or at least a positive outlook from rating agencies in the next 12 to 15 months.

In Jan 2025, exports and imports slowed +0.3% YoY (Dec 2024: +16.9% YoY) and +6.2% YoY (Dec 2024: +11.9% YoY). Trade surplus down to +RM3.6bn (Dec 2024: +RM19.1bn). Jan 2025 numbers likely reflect Lunar New Year holidays after the frontloading in Dec 2024. Expect slower 2025 exports and imports growth of +4.5% (2024: +5.7%) and +6.3% (2024: +13.2%) as well as smaller +MYR120b trade surplus (2024: +MYR137b) amid "Trump 2.0" trade policy and tariffactions and threats. Outlook for 2025 is clouded by uncertainties and fluid news flows over Trump 2.0's trade policy and tariff actions and threats, hence our forecasts of slower exports and imports +4.5% (2024: +5.7%) and +6.3% (2024: +13.2%) respectively, and smaller trade surplus of +MYR120b (2024: +MYR137b). Current account (CA) surplus in 4Q 2024 expanded to +MYR11.4b or +2.3% of GDP after 2Q-3Q 2024 marginal surpluses (3Q 2024: +MYR2.2b or +0.4% of GDP; 2Q 2024: +MYR3.0b or +0.6% of GDP), thanks to larger goods surplus and lower services deficit. Adjusted our full year 2025 CA surplus to +MYR30b or +1.5% of GDP from +MYR25b or +1.3% of GDP (2024: +RM32.8b or +1.7% of GDP).

Risks to look out for in Mar 2025. Downside risks include any signs of more hostile US-China and US-Eurozone trade relations, change to a pause in Fed policy easing path from stronger US growth/labour market/inflation and worsening geopolitics. All these can lead to a risk off sentiment, which leads to stronger USD, and in turn hurts riskier EM FX including the MYR. However, upside risks may also materialise such as a more benign trade friction scenario, with US-China trade tensions averted, which could lead to significantly lower USDMYR.

Key domestic events and issues to watch in Mar: BNM Policy Meeting (6 Mar); S&P Global PMI mfg (3 Mar); Foreign reserves (7 Mar); Jan mfg sales (7 Mar), Jan IP (7 Mar), Feb trade data (20 Mar), Foreign reserves (24 Mar), GDP 4Q (14 Feb) and Feb CPI (21 Mar)

Narrowing Yield Differentials Provide Support to the MYR



Sources: Bloomberg, Macrobond, Maybank FX Research & Strategy

USDMYR has Been Ranged with Resistance at 4.500

Sources: Bloomberg, Maybank FX Research & Strategy estimates.

IDR: EM Volatility Amid External Challenges

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD/IDR	16800 (--)	17000 (--)	16500 (--)	16500 (--)

No Change to Previous Forecasts

Motivation: We maintain our forecasts for the USDIDR seeing that on balance both trade and rates related factors are likely to see the pair see upward pressure. Trade anxiety is looking to persist throughout the year as the US and various countries work to hammer out deals between them. Negative sentiments that can arise from this would consequently lead to a risk-off tone, supporting the broad dollar. In turn, this can risk keeping the USDIDR elevated. However, we expect that the pair could come off in 2H 2025 as there can be more clarity on trade policies later in the year. Also, the Fed which appears cautious for now may likely ease rates again by then, which should give the EM space somewhat of a relief. Regardless, the pair overall is likely to stay elevated throughout the year. Domestically, we expect Bank Indonesia (BI) to cut by 50bps this year to support growth. The number of cuts would be in line with our house view of the Fed also easing rates by 50bps. Other interesting items to watch locally would be those related to Danantara – the newly set up sovereign wealth fund and also any adjustment in the country's budget plans.

BI kept rates on hold at 5.75% at the Feb meeting, which was in line with consensus as they looked to prioritize IDR stability. The central bank itself had noted that the decision was made to ensure IDR stability in line with its fundamentals while at the same time, still encourage growth and keep inflation within the target of 1.5 – 3.5%. The central bank we believe is not substantially deviating from a dovish tone and we expect BI to cut by an additional 50bps this year. The Governor himself did mention that further cuts would depend on the global economic situation and that the central bank would support the government's priority programs to lift growth. Growth numbers for 2024 was at 5.02% YoY as it continued to hold around the 5.00% mark although Prabowo has indicated an intention to raise it higher whilst there is also concerns about the health of the consumer. The latest core inflation reading was also moderate at 2.36% YoY (est. 2.29% YoY, Dec. 2.26% YoY), which is just below the midpoint of BI's target range. Meanwhile, the central bank's foreign reserves are still sufficient at $156.1bn as it stands at around record levels.

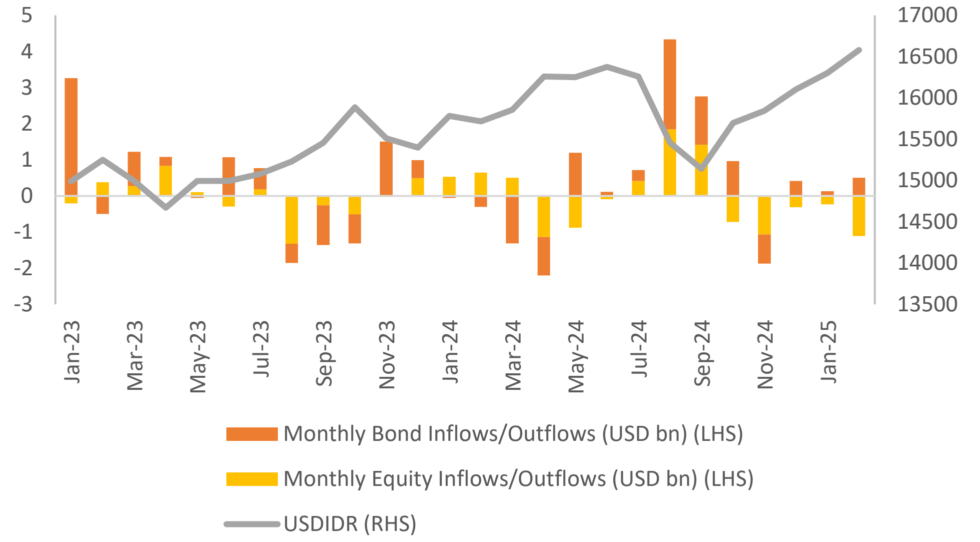
Danantara – the country's new sovereign wealth fund has been officially launched on 24 Feb 2025 with the nation's SOEs looking to be consolidated under it. Such SOEs look to include Pertamina, Bank Mandiri and Telkom Indonesia. A total of around $900bn of assets are expected to be held under it and the fund itself reports directly to the President. SOE dividends would also be transferred out of the budget and be directed to the fund itself. The government would additionally be allocating $20bn from the state budget each year to Danantara. President Prabowo has justified that Danantara would "serve as an instrument that drives national development" instead of just simply being an institution that manages investment. In essence, the President has made it appear that the fund would be part of his program to help further lift Indonesia's growth. Businessman Rosan Perkasa Roeslani, the Investment Minister has been appointed as the new CEO of the organization whilst SOE Minister Erick Thohir would serve as the chairman of the oversight committee. As a whole, we continue to keep a close eye on developments related to Danantara as it may take months for the rules and regulations of the Danantara legislation to be finalized.

On portfolio flows, there has been large outflows on the equities part for Feb at -$1.1bn whilst bond in contrast saw inflows of $0.5bn (as of 27 Feb). The latter could have resulted from earlier flows amid rising bets of a BI rate cut (which did not materialize) and a decline in UST yields. There has been some recent outflows that led to some paring in the overall aggregate inflows for the month. Indo GB yields have declined substantially since mid-Jan due to the dovish expectations regarding BI. Yields have only risen slightly recently still showing that dovish expectations are somewhat holding still but we do see this as justified given that BI is cutting by an additional 50bps this year. However, the fiscal situation does also at the same time merit close attention. President Prabowo is pushing ahead more aggressively with his priority programs that may involve additional expenditure. This includes an extra 100tn rupiah for free nutritious meal program (MBG) and more funding needed for the affordable housing program, raising teacher's salary and the economic stimulus package. BI has pledged to buy the government's announced property linked debt in the secondary market. Inflows into Indo bonds can still be supported by rate cut bets although we keep wary of fiscal conditions. SRBI foreign inflows continue to be stable as yields are still somewhat high even though they have been on the decline. Meanwhile, concerns on earnings of major JCI constituents could have led to the outflow from equities. A further sapping in foreign appetite for Indo equities cannot be ruled out.

Risks Ahead: Downside risks include any budget slippage although there is a possibility that the deficit can stay below the 3.00% even if it is higher than the target. Other risks include a US recession which can significantly weigh on EM assets and FX including that of the IDR. Higher oil prices arising from geopolitical tensions can also hurt the IDR given the country is a net oil importer.

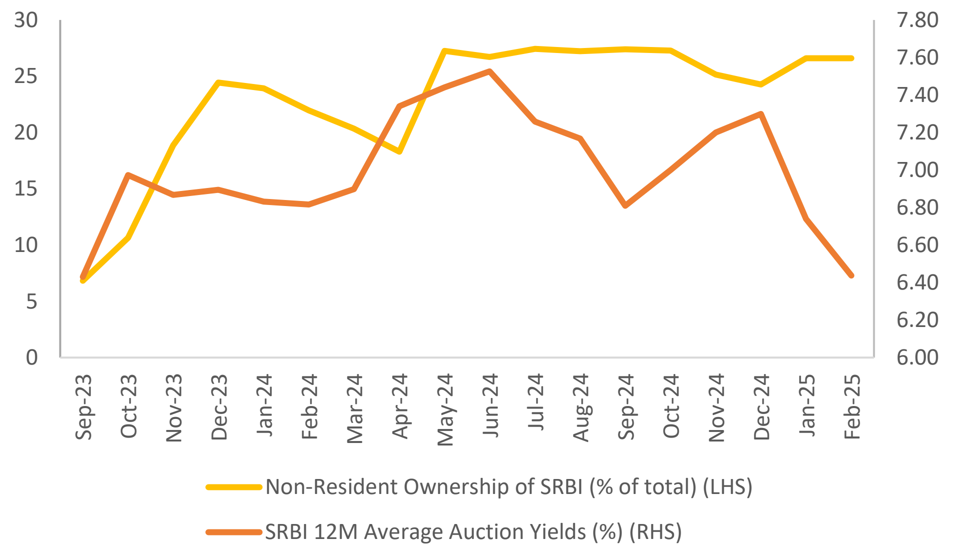
Key Data/Events: Feb S&P Global PMI mfg (3 Mar), Feb CPI (3 Mar), Feb foreign reserves (7 Mar), Feb consumer confidence index (11 Mar), Feb local auto sales (11 – 15 Mar), Feb trade data (17 Mar), Jan external debt (17 Mar) and BI policy decision (19 Mar).

Portfolio Outflows Have Occurred Recently Amid Global Uncertainty Related to Trade Tensions and Fed Rate Path



Source: Bloomberg, Maybank FX Research & Strategy
Note: Feb 2025 data for equities until 28 Feb 2025 and for bonds it is until 27 Feb 2025
USDIDR rate is as of close on 28 Feb 2025

Foreign Interest in SRBI Remains Stable as Rates Still High Even After Recent Sharp Drop



Source: Bloomberg, Maybank FX Research & Strategy

PHP: Global Uncertainty Keeps the Pressure

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD/PHP	58.50 (60.00)	59.00 (63.00)	58.00 (61.00)	58.00 (61.00)

Previous Forecasts in Parentheses

Motivation: We lower our USDPHP forecast on the basis that the materialization of tariff threats may take a little longer. Deals could also get struck between the US and various countries and this on its part may also help temper some of the negative sentiment arising from the trade tensions. Nonetheless, the negative sentiment arising from this is likely to guide the pair higher throughout the rest of 1H 2025.This would not dissipate in 2H 2025 but the possibility of Fed easing that could occur later in the year can help to provide some relief for PHP and bring the USDPHP pair a bit lower. The pair though is still going to trade at elevated levels throughout the year. Domestically, the country's persistent twin deficit condition would also add to the currency's weakness. Our economists see the BSP cutting by 50bps this year, which would also be in line with their expectations of a Fed cut of 50bps. This would somewhat make the BSP easing weigh less on the PHP. We also take note that the repatriation of funds by overseas workers can help limit PHP weakness.

Much to our surprise and puzzlement, the BSP held rates at their Feb meeting at 5.25% as we had been expecting a cut. The central bank has cited that "unusual" global uncertainty was behind their decision. The Governor himself had also noted that US tariffs policies are still an unknown and that the BSP needed time to assess the impact, if not recalibrate its models. We are not inclined to believe that the currency was also the reason behind the decision to hold. If anything, at the timing of the decision, the broad dollar had actually been coming off, which would have made it an ideal point to ease. Comments on FX from the Governor were also rather consistent with previous meetings and general in nature. He mentioned that the BSP looks at the FX pass-through to inflation and the central bank is looking to develop a "playbook" for FX interventions. We still think that the central bank sounds dovish in particular as the statement still noted that the "BSP anticipates continuing its measured shift to less restrictive monetary policy settings" whilst the Governor himself also talked about taking into account growth even if inflation still has a "bigger weight" in decisions. Our economists expects that the central bank would cut by another 50bps this year that would bring the rate down to 4.75%.

There were equity outflows for Feb 2025 of -\$0.15bn, which marks the fourth straight month in a row of decline. PSEi traded sideways for most of Feb with a lack of fresh catalyst to push it in either direction. As a whole, whilst the Philippines stock market has been relatively undervalued (forward PE of 9.36 as of writing), foreign interest for it may be hampered by currency weakness (driven by both weak domestic fundamentals and a uncertain global environment) and generally limited appetite for EM assets arising from concerns regarding Trump's policies and the Fed's pace of easing. The recent rally in China tech is also making it less attractive to consider EM markets such as the Philippines too. Low liquidity is also an ongoing concern. We do not expect foreign interest in Philippines equities to make a come back so soon given that US policy uncertainty is likely to keep hanging over markets whilst China tech rally could continue for an extended period of time. Meanwhile, bond numbers is rather dated and showed outflows of -\$0.7bn for Dec 2025. This marked the first outflow in months, which could be due then to concerns about the incoming Trump administration policies that had weighed on global sentiment. It is difficult though to see that foreign appetite rebound in subsequent months given the continued uncertainty on Trump trade measures whilst a BSP cut had not materialize in Feb.

Economic data for last month of so was rather mixed in nature. Feb S&P Global PMI mfg remained in expansion at 51.0 although it slowed from 52.3. Jan CPI on the other hand remained steady at around 2.9% YoY (est. 2.8% YoY, Dec. 2.9% YoY). Jan trade balance saw a slightly wider deficit at -\$5.1bn (Dec. -\$4.1bn) but it was nonetheless still a deficit that weighed on the currency and it is likely to persist for the coming year. Unemployment rate was little changed at 3.1% in Jan (Dec. 3.2%). Dec bank lending had rose to 10.1% (Nov. 9.0% YoY). At this point, we generally overall stay wary if there can be further weakness in the Philippines economy especially in light of 4Q GDP having disappointed below expectations at 5.2% YoY (est. 5.5% YoY).

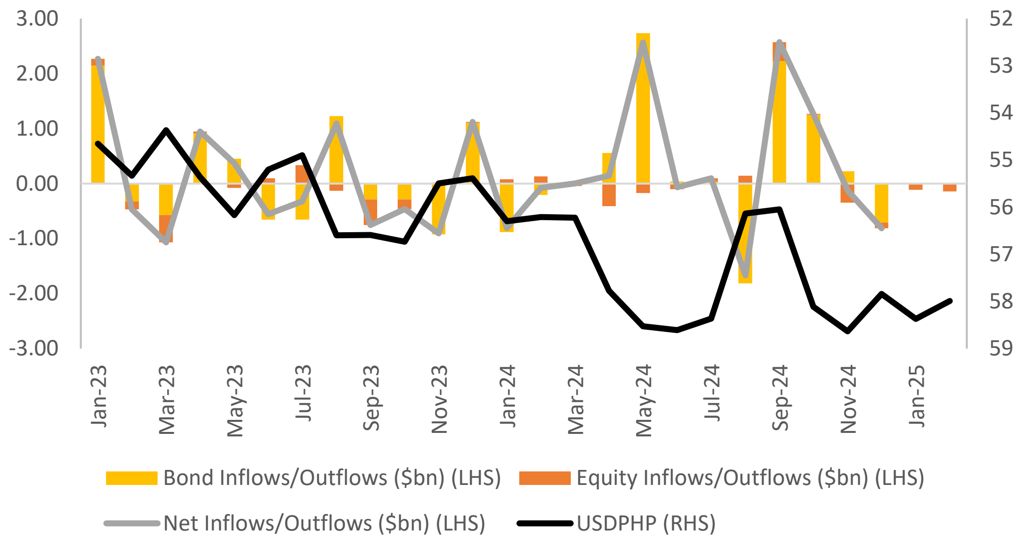
OFWR growth in the month of Dec was lower at 3.0% YoY (est. 3.1% YoY, Nov. 3.3% YoY) with the absolute number at \$3380m. The number we do note is soft for a Dec month but on a monthly basis, there was actually a surge of 20.3% MoM, bringing the absolute number to an all time high. Our economist sees that OFWR growth can still be strong in 2025 at 2.9%

YoY as the global economy should sufficiently hold up despite the various concerns. This should be a supportive factor that can help offset the other pressures on the PHP.

Risks Ahead: Downside risks include an aggressive imposition of US tariffs, which would contrast to our current base case for a slower materialization of them. This can support the broad dollar and in turn weigh further on the PHP. Other risks include the Fed pausing for an extended period of time and the BSP cutting rates at a more aggressive pace than our expectations, which in turn would place even greater pressure on the PHP.

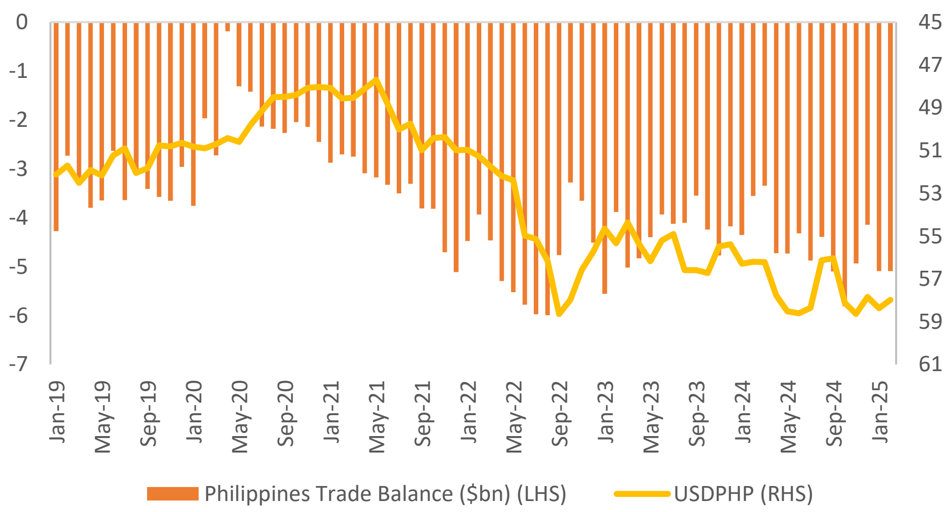
Key Data/Events: Feb S&P Global PMI mfg (3 Mar), Feb CPI (5 Mar), Jan unemployment (6 Mar), Jan bank lending (6 Mar), Feb foreign reserves (7 Mar), Jan OFWR (17 Mar), Jan budget balance (18 Mar), Feb BoP overall (19 Mar), Feb trade data (28 Mar), Feb M3 money supply (31 Mar) and Feb bank lending (31 Mar).

Net Portfolio Outflows in Dec and Likely Continued Given Weak Appetite for Equities and Bonds Amid Global Uncertainty and BSP Holding Back Cuts



Source: Bloomberg, Maybank FX Research & Strategy
Note: Bond flow data not available for Jan 2025 and Feb 2025 whilst equity flow and USDPHP data for Feb 2025 is up until 28 Feb 2025.

Trade Deficit Continues to be a Negative Factor for the Currency



Source: Bloomberg, Maybank FX Research & Strategy

THB: Trade Tension Concerns to Persist

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD/THB	35.00 (35.50)	36.00 (36.50)	35.30 (35.80)	35.30 (35.80)

Previous Forecasts in Parentheses

Motivation: We lower our USDTHB forecast slightly on the basis that the materialization of tariff concerns may take a bit longer. Deals struck between the US and various countries throughout this year could also help temper some of the negative sentiment that would arise from the ongoing global trade tensions. Nonetheless, USDTHB is expected to trade at an elevated level given the high trade exposure of Thailand in addition that the country is vulnerable to the US reciprocal and sectoral tariffs. We are also wary of tourism inflows being hurt by continued Chinese tourist concerns about safety. The Bank of Thailand (BOT) had also surprised the market by cutting rates by 25bps in Feb to 2.00%, which confirmed our concerns of the easing pressure that the central bank faces. Our economist is expecting that the BOT would stay on hold for the rest of 2025 but we stay wary of the central bank cutting further this year. Concerning growth rates, subdued inflation and weakening loan growth all support the case to ease financial conditions. This also comes on top of ongoing government pressure to ease. Lower rates can weigh on the THB further if it does not commensurate with any Fed easing although for now, we are expecting at least 50bps of cuts from the US central bank. Meanwhile, gold prices are likely to be elevated this year amid safe haven demand. This should provide support to the THB given Thailand's position as a gold trading hub.

BOT surprised market by cutting rates by 25bps to 2.00% at their Feb meeting. BOT had justified the move on the basis to "align financial conditions with the economic and inflation outlook as well as financial stability, and to better cope with increasing downside risks to the economy". Also, the decision was made on a 6-1 vote for it, which was a big swing from the Dec meeting where it was a vote of 5-2 for a hold. Growth concerns and financial vulnerabilities do look to have become an increasing concern for Thailand. The central bank for that matter cut its 2025 GDP growth forecast from +2.9% (made in Dec 24) to +2.6% whilst also seeing that headline inflation is likely to be close to its previous forecast of +1.1%, on account of falling global oil prices and domestic energy. Inflation in their view would therefore actually be at the lower end of the 1-3% target range. The BOT also highlighted tightening financial conditions whilst making note of a continued contraction in SME loan growth. It does appear that the BOT on its part is expressing a more dovish tone while implying concerns that tight financial conditions could really be weighing into growth. The government pressure to ease rates would also keep lingering in the background. Our economists expects the central bank to keep rates on hold at 2.00% for the rest of this year although we stay wary of the risk of a further cut in rates.

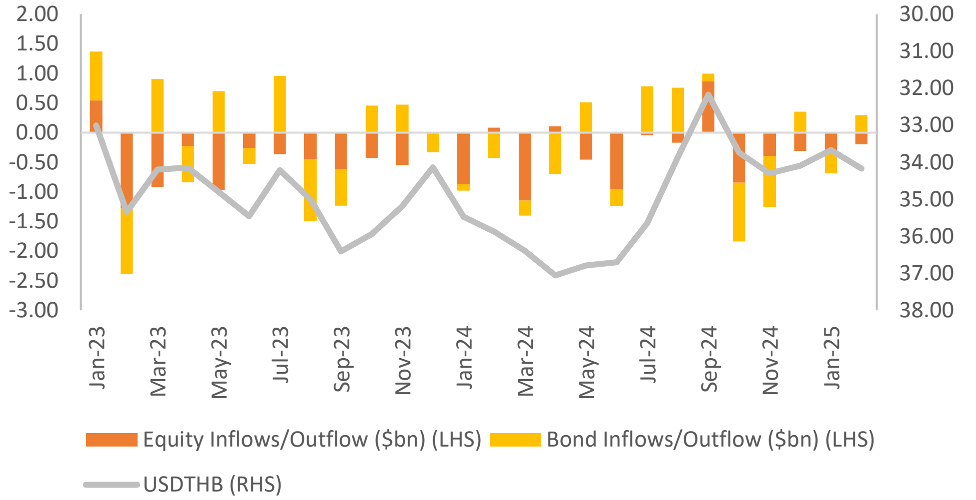
There is a rising risk that Thailand could come under direct tariffs from the US, which can significantly hurt the THB. The country is at the crosshairs of both Trump's reciprocal tariff and sectoral tariffs. On the basis of effectively applied AHS weighted average of tariff rates, Thailand's level is about 5.34% higher than that of the US. The country is also vulnerable on potential US tariffs on semiconductors. However, we do note that nothing is a certainty at this point on which tariffs the Trump administration may eventually impose. The Thai government is also reportedly looking to increase the level of imports of US ethane and agricultural products. That said, even if Thailand is to avoid US tariffs, the country is also highly trade exposed to China and the THB actually has a high sensitivity to the CNH. Any worsening in US – China trade relations can therefore risk weighing on the currency.

There was net portfolio outflows for the month of Feb with equities seeing an outflow at -$0.2bn whilst bonds did actually see inflows of $0.1bn. The SET has taken much of a beating in the month of Feb amid the tariff risks, domestic growth concerns and disappointing earnings. This looks to explain the foreign outflows from the nation's equity markets. As these factors could linger for quite a well, a significant return in foreign appetite for Thai stocks is unlikely to occur so soon. Meanwhile, for bonds, the more subdued inflow levels in Feb was in line with our expectations. The decline in UST yields and BOT easing may have attracted interest in Thai bonds. However, the uncertainty associated with the US tariff situation and the Fed rate path may be keeping foreign investors at bay. We expect that foreign appetite would likely continue to be more limited in the near – medium term with conditions likely to keep holding as such.

Risks Ahead: There can be upside risks for the THB if there is a strong China growth recovery given it can provide a boost to both Thailand's tourism and trade. A rollout of aggressive Chinese stimulus support or other domestic growth drivers (such as that related to AI) can support this realization. On the downside, aggressive imposition of US tariffs (base case for it to be gradual) directly on Thailand and China can hurt the THB more than our expectations. Our forecast at this point is only taking into account negative sentiments related the tariffs amid a lighter imposition of tariffs on China and Thailand.

Key Data/Events: Feb S&P Global PMI mfg (3 Mar), Feb business sentiment index (3 Mar), Feb CPI (5 Mar), Feb consumer confidence (7 – 13 Mar), Feb car sales (18 – 24 Mar), Feb customs trade (21 – 26 Mar), Feb ISIC capacity utilization (26 – 30 Mar), Feb ISIC mfg production index (26 – 30 Mar), Feb trade data (31 Mar) and Feb BoP overall/CA balance (31 Mar).

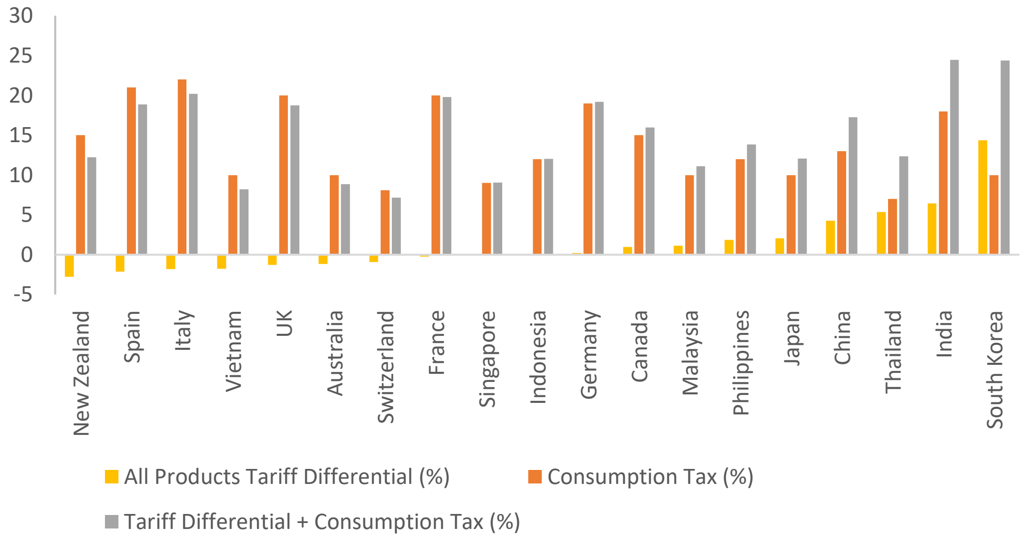
Net Portfolio Outflows in Jan Amid Uncertainty of Trump Trade Policies and Concerns of Extended Fed Pause



Source: Bloomberg, Maybank FX Research & Strategy

Note: Equity and bond inflow data for Jan 2025 data is month to date until 23 Jan 2025 whilst the USDTHB rate is as of close onshore 23 Jan 2025

Thailand is Vulnerable to Trump's Reciprocal Tariffs Given its Wider Tariff Differential with the US



Source: WITS, PwC Worldwide Tax Summaries, Maybank FX Research & Strategy
Note: 1) The numbers for All Products Tariff Differential is the effectively applied AHS weighted average tariff of that country minus th at of the US a positive numbe r represents the tariff of that country is higher than that of the US whilst a negative number is the opposite, 2) Consumption tax for Malaysia, China and Canada are the maximum possible levels

VND: Room for Weakness

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
USD/VND	25700 (25000)	25800 (25200)	25800 (25200)	25600 (25200)

Previous Forecasts in Parentheses

Motivation: Right after Tet break, SBV started to fix the reference rate higher, allowing the USDVND to rise to levels around 25600 (as of 3 Mar). Taken together, the USDVND reference rate has been raised 1.78% since Tet. VND cannot be defended indefinitely as foreign exchange reserves stands at roughly less than 3 months of import. VND has now “caught up” in weakness and a tad more vs. regional peers.

The Prep for Global Trade War. VND weakness is likely one of the ways that the Vietnamese administration has prepared the economy for Trump’s global trade war – something that PM Pham had been emphasizing on. While Vietnam does not have a huge tariff gap with the US, Vietnam has quite a substantial VAT that could technically make the economy (one of the many) targets of the Trump administration. Meanwhile, Vietnam Minister Nguyen Hong Dien welcomed the US to participate in “new energy projects, oil and gas areas, as well as mining” during a meeting with the US envoy, Marc E. Knapper. The ambassador also assured “Vietnam that the country wants to maintain bilateral relations, and continue to develop economic and trade cooperation with Vietnam in a positive direction”.

Vietnam has been proactive in wooing the Trump administration - working to rebalance trade and keeping VND strong. PM Pham Minh Chinh assured that Party General Secretary To Lam had spoken to the new US president and is able to “handle the relationship with the US”. PM Pham added that Vietnam is working “on solutions” to rebalance its trade surplus with the US by buying Boeing planes and potentially other high-tech items. Trump had remained rather silent on Vietnam for much of 2024 and with Vietnam pro-actively trying to re-balance their trade surplus, there is a possibility for Vietnam to remain in the good books of the new US administration. More recent conversations with the US Ambassador as well as US Secretary of State Marc Rubio had been rather constructive. The tone continues to suggest that Vietnam has a lower chance of being slapped with a tariff despite the fact that Vietnam has the fourth largest trade surplus with the US and the recent trade data suggest that the US goods deficit with Vietnam has climbed 18% in 2024 to a record of $123.5bn.

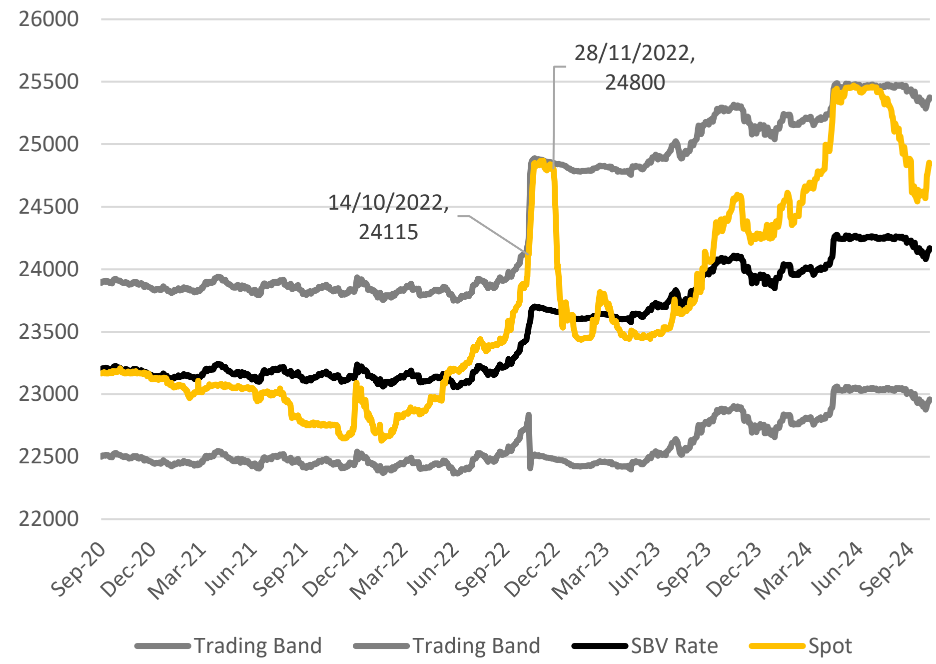
Wary of What is to Come in Mar-Apr. That said, risks are still to the upside for the USDVND. The “America First” memo issued by Trump would have some findings that allow Trump to potentially impose more tariffs on China beyond 1st April (the deadline for reports of the investigations ordered on trade, PNTR status, etc). The deferment of the tiktok ban will also expire on 4 Apr. As such, there is a possibility that we may see more pressure on Asian currencies, including VND then.

Growth target is raised to 8% for 2025 and the government seems to be determined to utilize both fiscal and monetary policies to achieve that. This would be largely driven by domestic demand. Growth rates for exports and imports are lowered to 12% each vs. 14.3% and 16.7% respectively. Total social investment will also be raised to around $174bn, 33.5% of GDP – of which VND875trn will be allocated to public investment (a step-up of 24% vs. 2024). There were multiple projects approved during the National Assembly - special mechanisms to spur the building of metro networks in Hanoi and HCM city as well as nuclear power plants in Nih Thuan province, 752km of 17 urban rail lines by 2035 in its two largest cities and the first nuclear power plant as early as 2031, investment policy for an U$8.4bn high speed railway project linking Vietnam and China that goes through key mfg hubs. Credit growth is set at 16% for 2025. SBV is expected to keep policy rate unchanged for 2025.

FDI Disbursement rose 2% but registered FDI rose almost 50% in Jan, led by Manufacturing. The Jan data was strong with frontloading of manufacturing in light of tariff threats likely to continue to boost growth in the months ahead. IP came in with marginal growth at +0.6%, instead of the typical contraction (due to Tet distortion), led by Mfg., computers & electronics, textile and wearing apparels. Retail sales strengthened due to Tet and strong tourism recovery according to our economist.

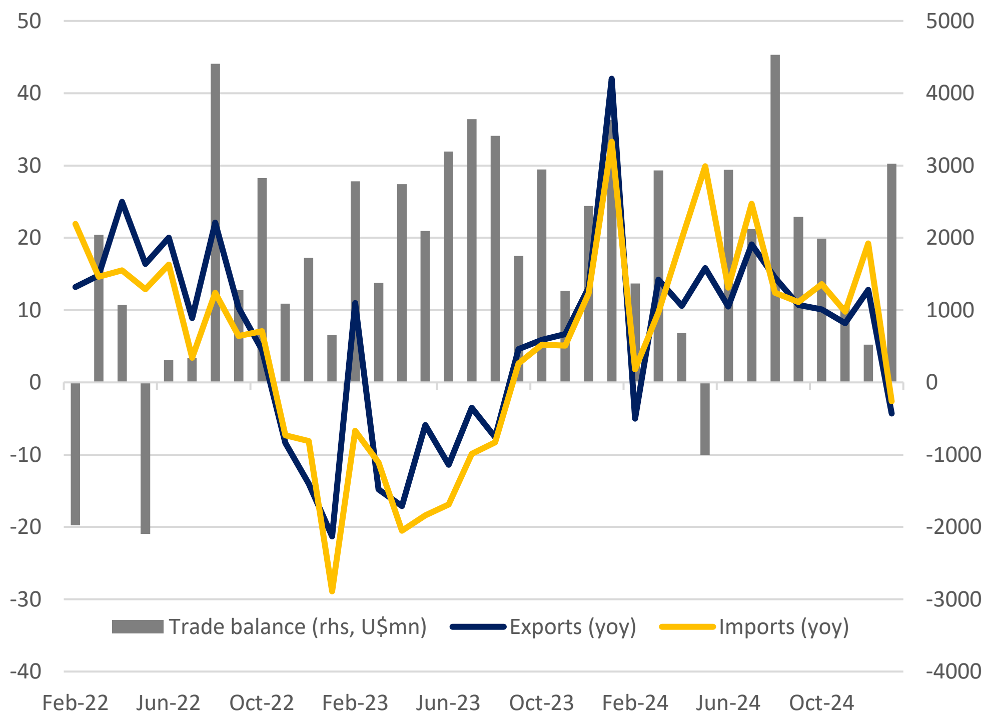
Risks to the VND: 1) A sudden re-acceleration of inflation in the US could lift the USD and US rates and lift the USDVND. 2) Growth slowdown of the world becomes a more severe downturn that could weaken Vietnam’s external position and the VND. 3) Thus far, Trump and Secretary of State Marco Rubio had been constructive in their dialogue with Vietnam, urging the country to find a solution to rebalance trade. However, there is a possibility that the administration could still change tack with Vietnam or with China. Both scenario brings a risk to the VND.

Key Data/Events: Feb trade, IP, CPI, retail sales [6 Mar].



Source: Bloomberg, Maybank FX Research & Strategy

<u>**Trade Surplus is Steady but Exports started to plateau**</u>



Source: Bloomberg, Maybank FX Research & Strategy

INR: Pivoting to a Neutral Stance

USD/INR	1Q 2025	2Q 2025	3Q 2025	4Q 2025
	87.50	87.75	88.00	88.25
	(85.25)	(85.50)	(85.75)	(85.75)

Previous Forecasts in Parentheses

Motivation: We revise our USDINR forecasts higher for the four quarters ahead, given that the INR could be less resilient than we initially thought to US trade policy. We initially expected that the INR would be more resilient to potential Trump trade policies. However, the situation has changed with Trump's threats of reciprocal tariffs, which could potentially hurt India. We still maintain that the new RBI governor is unlikely to deviate too much from the RBI's stance of leaning against the wind and preferring a stable INR, despite suggestions that he may allow INR to trade within a wider range. Governor Sanjay is a career bureaucrat that should be viewed as a safe pair of hands. Ultimately, yield differentials likely narrowing vis-à-vis the US are also likely to pressure the INR.

USDINR NDF traded within an 86.59 to 88.23 range in Feb 2025, broadly higher than the 85.80 to 87.02 range in Jan 2025. Growth concerns, reciprocal tariffs and general US trade policy fears are likely weighing on the INR. In addition, the INR could be weighed by outflows from India equity markets. INR underperformed as its weakness continued through Feb despite the ebb and flow in USD strength. We expect such broad-based USD moves to dominate as US trade policies remain a major focal point for markets.

In 2025 we see RBI cutting rates by 75bps to bring the policy rate to 5.75%. RBI had earlier pivoted to neutral and cut rates by 25bps on 7 Feb. We expect a further 50bps of rate cuts. This is largely in line with market pricing (5.70%) and consensus forecasts (5.75%). Risks are tilted to the downside for growth and inflation is expected to ease in the months ahead which should provide RBI with the comfort to embark on their easing cycle and align the policy rate with the neutral stance. However, we do expect this to weigh on the INR.

Inflation is expected to ease into 2025. There is an anticipated easing of food costs, which should reduce volatility in consumer prices. **Growth is expected to remain reasonably strong** at 6.3% (prev: 6.4%) in real terms, with probability of a recession estimated to be close to 0%. The fiscal deficit is projected to narrow to 4.9% of GDP. While these factors are largely supportive of the INR, the narrowing yield differential with the US, challenging external environment and considerable uncertainty make it difficult to be positive on the INR. **India's population dynamics remain favourable for growth.** The population is younger than those of China or the US, with the proportion of Indians who are 65 and older likely to remain under 20% in 2063 and will not approach 30% until 2100 by UN median projections.

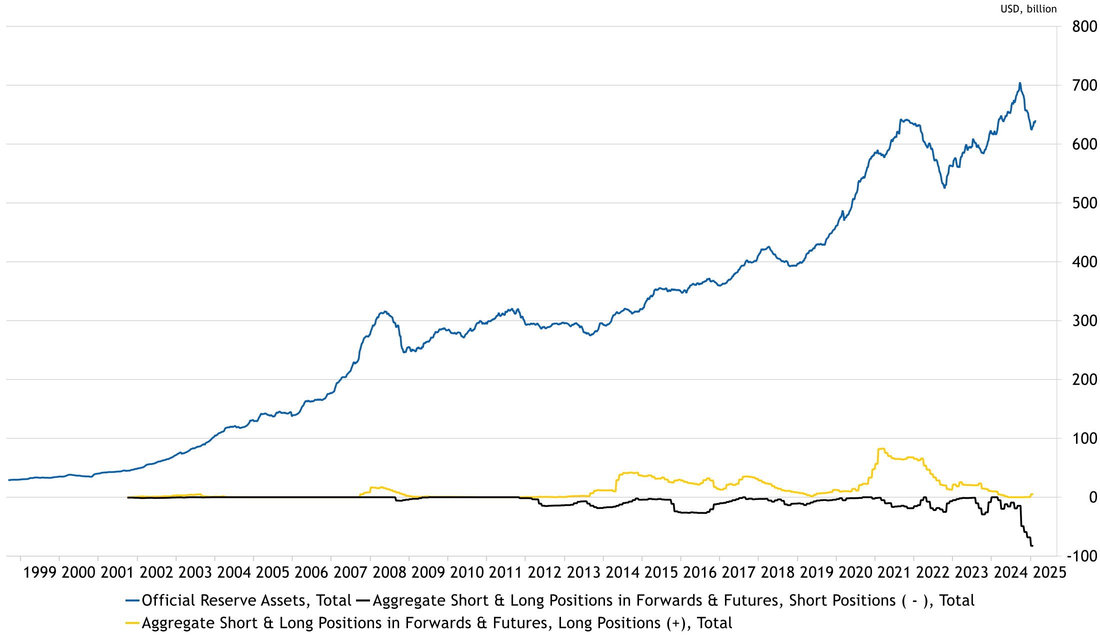
INR is no longer as resilient to potential US trade policy. While the Indian economy is not reliant on exports to the US and they are unlikely to be flagged for specific measures from Trump, the mention of reciprocal tariffs could put them in the administration's crosshairs. However, we maintain the RBI's preference for stability should provide the currency with some support against a backdrop a strong USD. Inflows into India after its inclusion in global bond indices should also provide the INR with some support, although we expect gains to the INR to be limited by RBI's preference for stability.

India and Indonesia discussed diversifying their trade basket to improve economic ties. Modi and Prabowo met to discuss "freedom of navigation" and to increase cooperation in defence manufacturing. India could be launching a charm offensive to warm ties with Southeast Asian nations, officially referred to as the "Act East" policy. Following Modi's visit to Singapore in Sep 2024 and a subsequent visit by President Tharman to India in Jan 2025. **Increased trade between India and ASEAN could help to offset some of the negative impact of US trade policies, which should at the margin support the INR.**

Risk to our view: The 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. Should a challenging external environment result in higher inflation or poorer growth prospects, that should also challenge our view on the INR. Governor Sanjay has not shown an inclination to ease prematurely and we think that him being a career bureaucrat and a safe pair of hands should mitigate some of these risks.

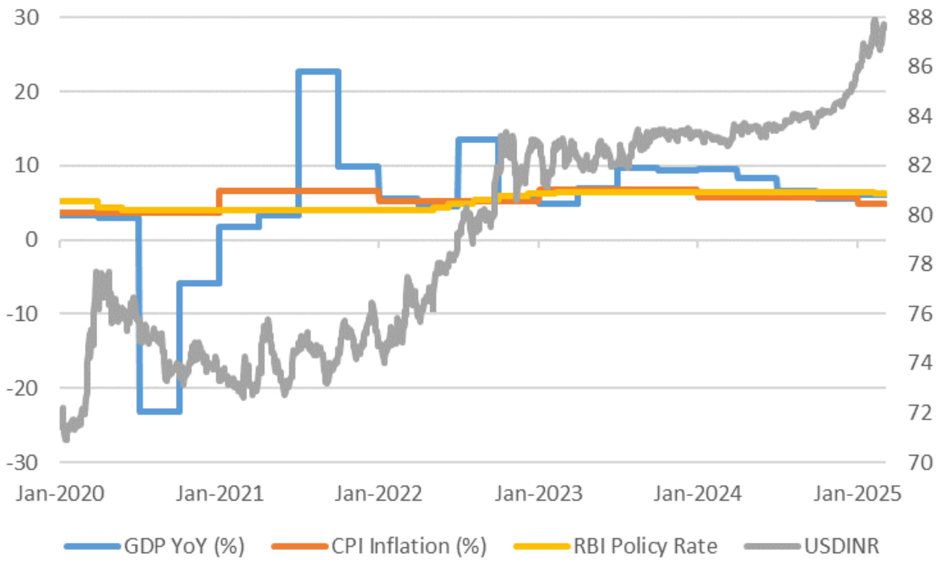
Key data/events: Feb F PMI Mfg (3 Mar), Feb F Svcs/Comp (5 Mar), Jan Industrial Production, Feb CPI Inflation (12 Mar), Feb Imports/Exports/Trade Balance (12 to 15 Mar), FEb Wholesale Prices (17 Mar), 4Q CA Balance (21 to 28 Mar), Mar P Comp/Mfg/Svcs PMI (24 Mar), Feb Fiscal Deficit, Feb Eight Infrastructure Industries (28 Mar).

India's Preference for INR Stability Evident with Recent OFR Drawdown



Source: Reserve Bank of India (RBI), Maybank, Macrobond

RBI's Rate is Restrictive and Could Hurt Growth



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Gold: Corrective Pullback in-store, Buy Dips

	1Q 2025	2Q 2025	3Q 2025	4Q 2025
XAU/USD	**2900**	**3000**	**3050**	**3100**
	(2800)	**(2850)**	**(2900)**	**(2950)**

Previous Forecasts in Parentheses

Motivation: Notwithstanding a potential pullback in gold, we **still expect the bullion to head toward the psychological $3000/oz. We look for strong demand for gold as an alternative to the USD (amid geopolitical tensions and conflicts - old and new), as a safe-haven, as an alternative investment asset for Chinese in times of RMB pressure and underpinned by rate cuts that could bring real yields down**.

Recent FX market action suggests that fears of a severe trade war between the US and major trading partners have eased. Despite more tariff threats announced every few days by Trump as well as the release of the America's First Investment Policy that described China as a foreign adversary, market reaction has been considerably muted. Investors are increasingly of the opinion that the actual levies would not be as high as what was threatened. In contrast to markets consensus, we think there is still a chance for trade conflicts to escalate and have priced in some risk premiums into our FX and gold outlook. The Trump administration's "flooding the zone" strategy on tariff measures is also likely to raise demand for safe haven assets including gold.

Recent Gold Action. Gold action has been muted as well. For a good part of the month, gold had rushed towards the 3000-figure and even touched a record high of 2954.60 before easing back more recently. The fear that gold would also be subjected to tariffs had resulted in a rush to ship gold to the US and a divergence of gold prices where the bullion in the BoE vault traded at a discount to the wider market due to the slow transfer of gold out, while prices on NY Comex surged. The sudden surge in physical demand resulted in a backwardation where spot prices of gold is higher than future prices. More recently, gold has returned to a contango amid easing supply and liquidity constraints. We do not rule out a technical pullback towards 2800 as this continues before the uptrend continues.

Gold and Real Yield. Gold traditionally possesses a negative correlation with real yield (yield minus inflation) as gold is taken to be a hedge against inflation. However, its nature has since morphed. The negative correlation with real yield is not as strong anymore as demand for gold as a safe-haven strengthens in the backdrop of growing geopolitical conflicts. **In fact, we see an asymmetry in the relationship, the rise in real yields and USD may not dampen the gold as much but the fall in real yields and USD could still boost the bullion as what was observed in past easing cycles by the Fed.**

Chinese retailers had been eager to buy gold in recent years, apart from steady accumulation by the PBoC. China's demand for gold could continue to stay firm. In fact, PBoC actually added 5 tonnes of gold to its reserves in Jan, the fourth successive monthly increase. Gold now makes up 5.9% of its total reserves. In view of the potential escalation of a trade dispute between the US and China, the path of least resistance for the yuan could be to the downside. Outlook for financial markets at home could be uncertain, albeit likely to be supported by strong domestic measures. With yuan at risk of bigger downside pressure, the demand for safe haven gold could continue as well.

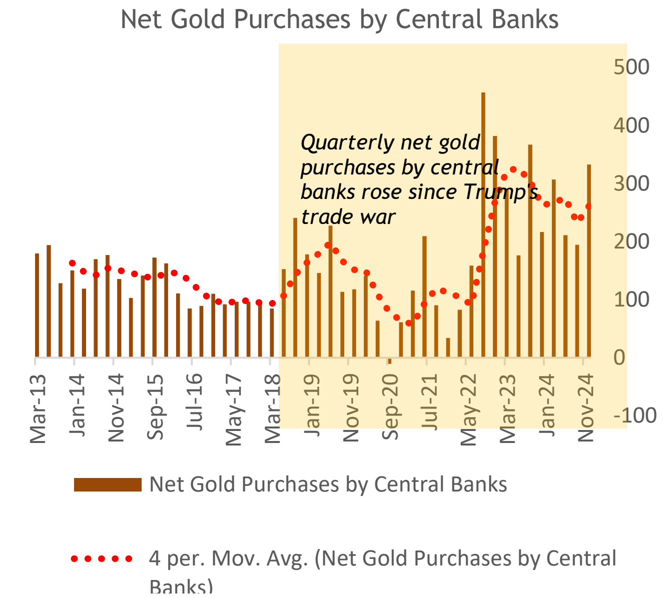
De-dollarization endeavours and the Trump administration's threats to those thinking of de-dollarising have spurred investors, central bankers towards buying gold as an alternative reserve. The global central banks' net purchase of gold spiked after the invasion of Ukraine by Russia and unprecedented financial sanctions imposed on Russia by the US and EU. Since then, the quarterly net gold purchases by central banks had been higher than the years preceding the invasion of Ukraine.

As a result of safe-haven demand, weaponization of the dollar as well as China's shift towards gold as an alternative investment, the negative correlation between the USD and the gold weakened.

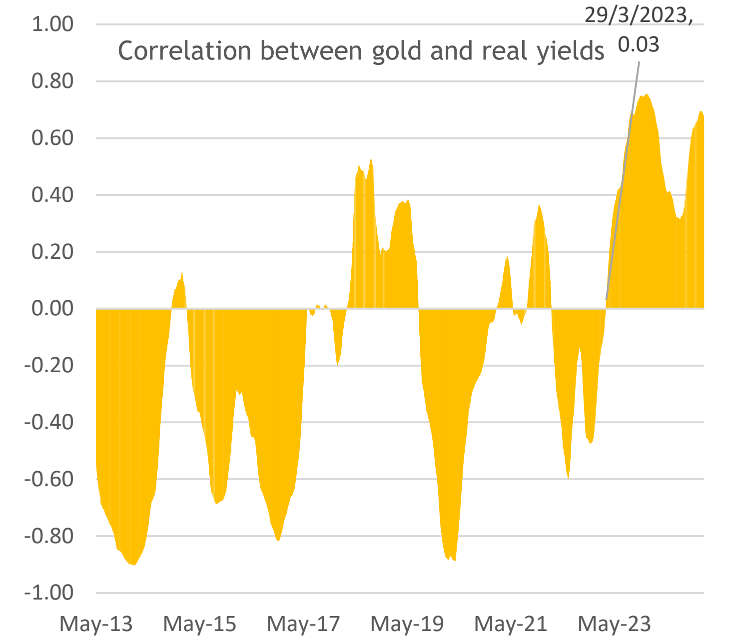
Risk to our view: 1) Rate repricing of the Fed could still have some effect on gold where a dovish re-pricing would add boost. 2) A wider trade war could once again spur more demand for gold. However, a resolution could also bring about corrective move lower. 3) A stop of the war in Ukraine could dampen gold.

Technical Analysis: There is a risk of a pullback towards 2800 as bulls run into fatigue.

Net Gold Purchases by Central Banks Jump in First Trade War, And Invasion of Ukraine

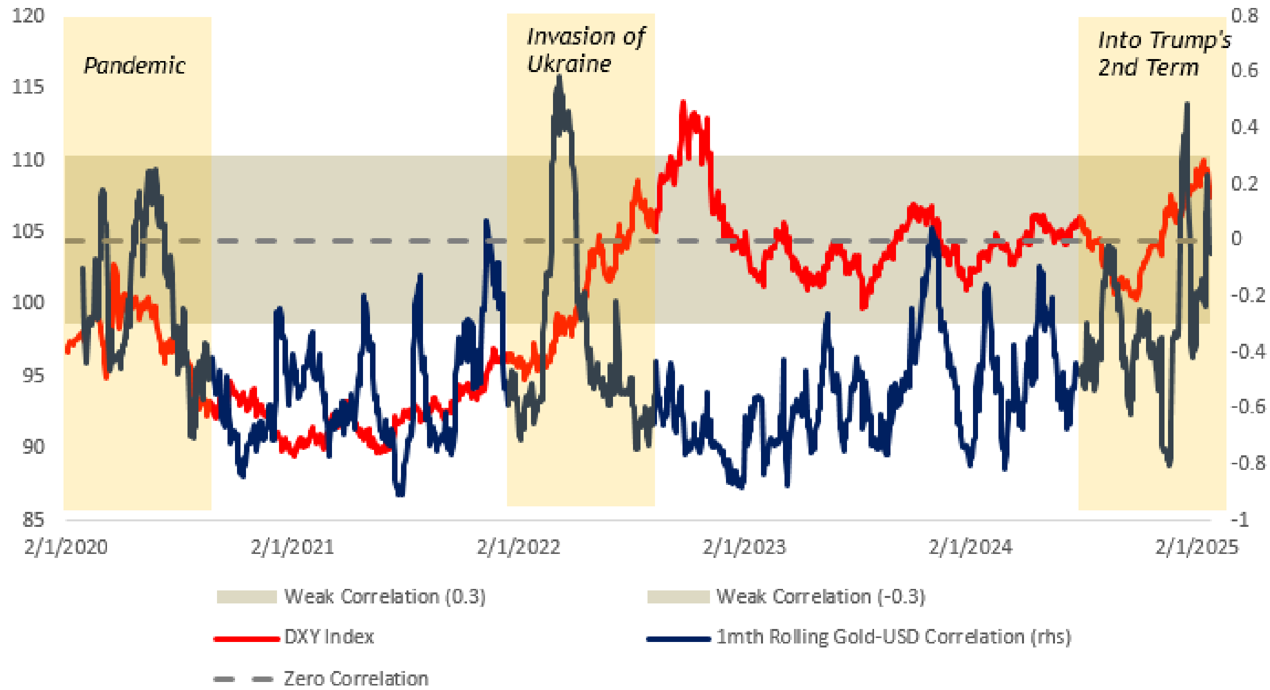


Since 2023, the inverse correlation between gold and real yields no longer holds



Source: Global Policy Uncertainty index, Bloomberg, Maybank FX Research & Strategy

Trump is known as the disruptor and it may explain why the correlation between USD and Gold Breaks down as Trump starts his new term, similar to the pandemic and invasion of Ukraine



Note: 1month is taken to be 21 working days
Source: Maybank, FX research & Strategy

FX Forecast Table

	End Q1-25	End Q2-25	End Q3-25	End Q4-25
USD/JPY	150.00	145.00	142.00	140.00
EUR/USD	1.0350	1.0250	1.0150	1.0100
GBP/USD	1.2500	1.2450	1.2550	1.2600
AUD/USD	0.6200	0.6000	0.6100	0.6200
NZD/USD	0.5600	0.5500	0.5700	0.5800
USD/CAD	1.4600	1.4600	1.4500	1.4300
USD/CHF	0.8825	0.8850	0.8850	0.8850
USD/SGD	1.3600	1.3750	1.3600	1.3450
USD/MYR	4.5000	4.6000	4.4500	4.3500
USD/IDR	16800	17000	16500	16500
USD/THB	35.00	36.00	35.30	35.30
USD/PHP	58.50	59.00	58.00	58.00
USD/CNY	7.35	7.50	7.45	7.40
USD/CNH	7.35	7.50	7.45	7.40
USD/HKD	7.76	7.77	7.78	7.79
USD/TWD	32.60	32.70	32.80	33.00
USD/KRW	1460	1470	1410	1400
USD/INR	87.50	87.75	88.00	88.25
USD/VND	25700	25800	25800	25600
DXY Index	107.92	108.11	108.18	108.09
Gold ($/oz)	2900.00	3000.00	3050.00	3100.00
	End Q1-25	End Q2-25	End Q3-25	End Q4-25
SGD/MYR	3.31	3.35	3.27	3.23
JPY/SGD	0.91	0.95	0.96	0.96
EUR/SGD	1.41	1.41	1.38	1.36
GBP/SGD	1.70	1.71	1.71	1.69
AUD/SGD	0.84	0.83	0.83	0.83
NZD/SGD	0.76	0.76	0.78	0.78
CAD/SGD	0.93	0.94	0.94	0.94
CHF/SGD	1.54	1.55	1.54	1.52
SGD/IDR	12353	12364	12132	12268
SGD/THB	25.74	26.18	25.96	26.25
SGD/PHP	43.01	42.91	42.65	43.12
SGD/CNY	5.40	5.45	5.48	5.50
SGD/HKD	5.71	5.65	5.72	5.79
SGD/TWD	23.97	23.78	24.12	24.54
SGD/KRW	1074	1069	1037	1041
SGD/INR	64.34	63.82	64.71	65.61
SGD/VND	18897	18764	18971	19033
	End Q1-25	End Q2-25	End Q3-25	End Q4-25
JPY/MYR	3.00	3.17	3.13	3.11
EUR/MYR	4.66	4.72	4.52	4.39
GBP/MYR	5.63	5.73	5.58	5.48
AUD/MYR	2.79	2.76	2.71	2.70
NZD/MYR	2.52	2.53	2.54	2.52
CAD/MYR	3.08	3.15	3.07	3.04
CHF/MYR	5.10	5.20	5.03	4.92
MYR/IDR	3733	3696	3708	3793
MYR/THB	7.78	7.83	7.93	8.11
MYR/PHP	13.00	12.83	13.03	13.33
MYR/CNY	1.63	1.63	1.67	1.70
MYR/HKD	1.72	1.69	1.75	1.79
MYR/TWD	7.24	7.11	7.37	7.59
MYR/KRW	324	320	317	322
MYR/INR	19.44	19.08	19.78	20.29
MYR/VND	5711	5609	5798	5885

*Source: Maybank FX Research as of 3 Mar 2025. *These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.*

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Published by:

Maybank

Malayan Banking Berhad
(Incorporated In Malaysia)

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

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

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

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

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

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

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

Tan Yew Yan
Head, Sales Corporates & CFS
yewyan.tan@maybank.com

Singapore
Sheetal Dev Kaur
Head, Corporates Sales (MBS)
skaur@maybank.com
(+65) 63201335

Tan Huilin
Head, Sales FI
TanHuilin@maybank.com
(+65) 63201511

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

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

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

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

Fixed Income
Malaysia
Winson Phoon
Head, Fixed Income
winsonphoon@maybank.com
(+65) 6231 5831

Soh Jing Ying
Fixed Income Analyst
jingying.soh@maybank.com
(+60) 3 2074 7606