Macro | FX Research & Strategy

Global

FX Monthly

2025, Issue 4: Caught Between Trade War and Deals

What Has Changed This Month?

- We made broad revisions to our currency forecasts, taking into account the impact of Trump's policies (ranging from trade, immigration, Federal spending cuts, etc) on US growth and the safe haven status of the USD as well as US Treasuries.

Our Strategies and Views

- Apr 2025 was a month of exceptional whipsaw. From the ***broad tariffs unleashed upon the world on "Liberation Day"***, to the ***tit-for-tat phase*** between the US-China and then to the ***90-day tariff pause for reciprocal tariffs in excess of 10% (except for China)***, financial markets as well as businesses around the world were swung by erratic headlines at first and now weighed by this overhang of uncertainties. Intermittent speculations of a "Mar-a-Lago Accord" scenario likely brought about an acceleration of de-dollarization as US equities, treasuries and the greenback are dumped in tandem. DXY recorded a sharp dive of 11% into the mid of Apr before entering into consolidative phase at this point. While Trump is not expected to deal another blow as significant as "Liberation day", the world still awaits decision on sectoral tariffs that could target pharmaceutical products, semi-conductor, lumber and copper.

- We now look for a rate hike by BoJ only in Jan 2026 after the central bank downgraded its growth forecasts and no longer expect its inflation target to be achieved in fiscal 2026 and have pushed it back a year to 2027. That said, we still look for USDJPY to head to 132 by the end of the year on safe haven flows and narrower UST-JGB yield differential.

- Trade and inflation data would be closely watched in May for a gauge of tariff impact. Rate cut expectations of the Fed could adjust accordingly. Apart from data-watching, Trump has also flagged about deals that could "very well" arrive this week. Hopes for trade deals and the prospect of trade talks between the US and China can provide a benign enough environment for Asian currencies to catch up with G10 FX (ex-USD). Of note, the spectacular slump in the USDTWD at the start of May sparked off rumours that countries listed on the US Treasury watch-list for currency manipulation (Nov 2024) would need to strengthen their currencies as a term in a trade deal with the US (albeit denied by CBC). While such a sharp move is not expected to be repeated for other currency pairings, any sign of trade deals would be supportive even as the timing of an eventual deal is less clear. We continue to look for Asian FX to gain, especially against safe haven CHF.

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Top 3 Currency Plays for May

Short USDAsians on Rally
Short USDJPY, CHFJPY
Asia FX, AUD Catch-Up Vs. CHF, GBP, EUR

Key Events for the Month Ahead

Date	Event
3 May	Australia General Election
3 May	Singapore General Election
4-7 May	ADB 58th Annual Meeting
22 May	NZ Budget 2025

USD: Fading Exceptionalism and Alternatives

USD DXY	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	99.74	98.58	97.35	96.67
	(105.03)	(103.40)	(102.48)	(102.05)

Previous Forecasts in Parentheses

Motivation: We revise our USD forecasts weaker to account for a softer USD on the back of the increased potential of fading US exceptionalism and a flight to quality amid ongoing trade tensions develop. US labour market indicators are broadly weaker – initially robust NFP numbers have been revised downwards and US growth has slowed and is expected to continue to slow. We suggested the USD could find a peak in 2Q 2025 and the view for this remains intact as the USD weakens with every escalation in trade tensions. While it was anticipated that tariffs could strengthen the USD, the reverse has instead happened as the imposition of tariffs and the escalation in trade tensions between the US and China have driven the USD weaker. Perhaps as we suggested in our annual, the imposition of tariffs has accelerated the pace of de-dollarization as the US faces potential issues about its credibility and as global investors look for potential alternatives for the USD such as the EUR, CHF or gold.

The DXY fell from a peak of 104.369 to a low of 97.921 in Apr 2025, representing a drop of -6.2% as trade tensions escalated on the back of the Trump administration implementing a sweeping 10% global tariff and various levels of "reciprocal" tariffs on a broad range of countries. Trump's threats to dismiss Fed Chair Powell also drove the USD weaker and even though a broad pause on tariffs has been instituted, and Trump has softened his position on Powell's dismissal, the DXY has not fully reversed its losses and has settled around the 100.00 level for now. The damage to US credibility and the status of the USD as the world's reserve currency could already have been done as we saw the EUR (+4.6%) and CHF (+6.5%) outperform in Apr, a month that has seen very broad USD weakness, with all G10 currencies broadly gaining against the USD.

While risk sentiment was worse in Apr on the back of tariff imposition, there was little respite for the USD as well-established correlations broke down. US equities, US treasuries and the USD all sold off as volatility rose on the back of the imposition of tariffs. While the USD and US treasuries normally would see some safe-haven interest, there was none of this in the immediate aftermath of Trump's tariff imposition and not much of a reversal even as Trump announced a 90-day suspension on tariffs on all countries except China.

Bilateral trade deals could take a while to be finalized even amid the positive spin that the Trump administration has tried to place on these deals. The 10% global minimum tariff is expected to be the best-case outcome that countries can hope for in a deal and that is recognized to be widely worse for global trade and hence on global growth. A further complication is that US-China tensions remain high as both parties have not backed down from a tit-for-tat escalation in tariffs. While Trump has recognized that he would lower tariffs on China "at some point" and has mentioned ongoing talks with China, China has categorically denied any talks and has not softened on its hardline stance for the US to remove all tariffs imposed in Apr 2025 before any talks begin. The impasse between the two titans of the global economy could persist and have profound implications for the rest of the world. Latest update shows that US Treasury Secretary Scott Bessant and US Trade Representative Jamieson Greer will meet up with China's Vice Premier He Lifeng in Geneva on 9-12 May to initiate the US-China trade talks. This is a positive development but the outcome of the negotiations matter and we may still see some volatility ensue going forward.

Domestically US economic data has indeed showed signs of fading US exceptionalism as business and consumer confidence wane. Latest 1QA GDP data showed a larger than expected slowdown at -0.3% QoQ (exp: -0.2%; prev: 2.4%) and the US labour market shows signs of weakness with jobless claims rising and ADP and JOLTS employment indicators coming in weaker. While the latest Apr NFP print remained above estimates at 177k (exp: 138k; prev: 228k revised down to 185k), it also featured a downward revision in the previous print. Trump's tariffs are widely expected to weigh on US growth and hasten the fading of US exceptionalism. Consensus forecasts for US growth have been revised downwards to 1.4% (prev: 2.0%) in 2025 with the probability of a US recession in 2025 at 40%.

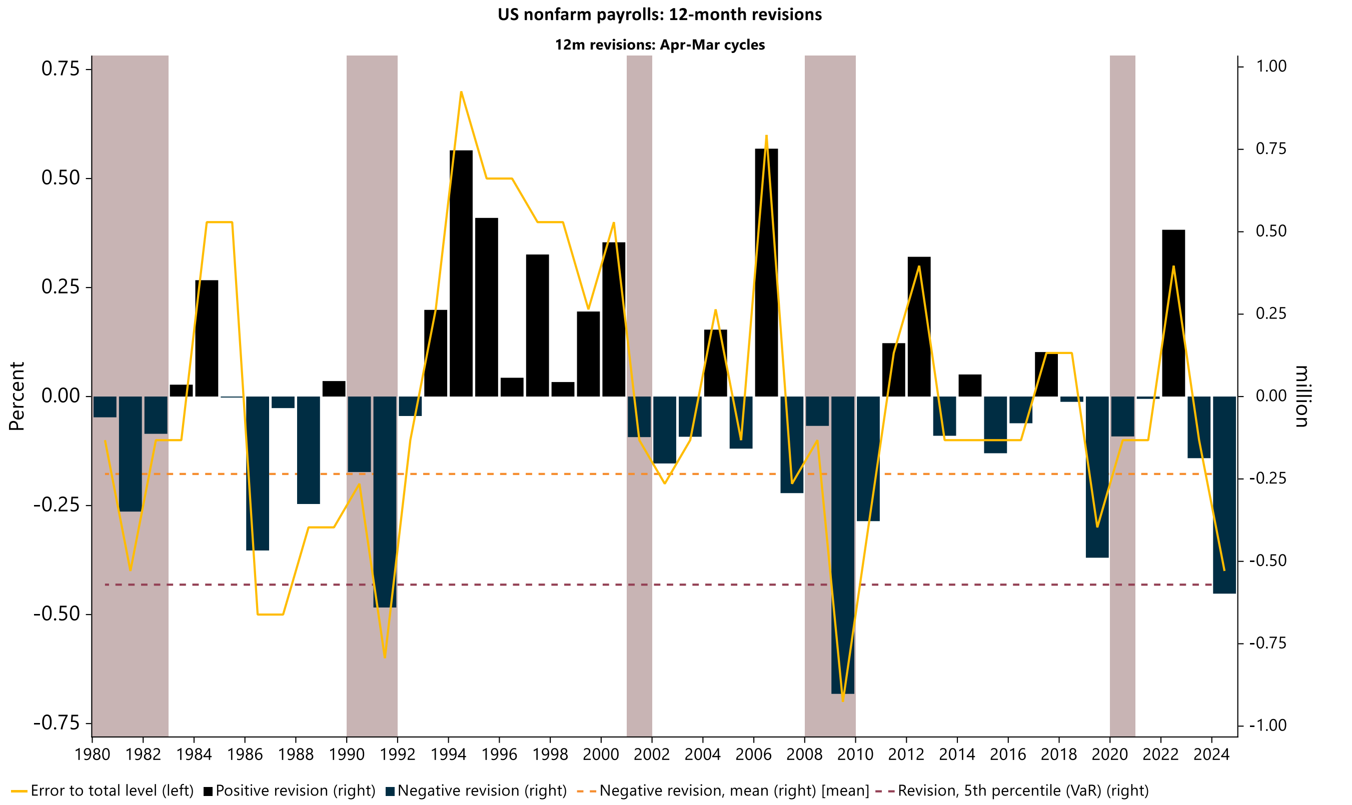
Inflation is also widely expected to remain firm with consensus forecasts for CPI at 3.2% in 2025 (prev: 3.0%) amid the anticipated price increases from tariffs. As such, Fed rate cut expectations have remained measured with the market expecting around -80bps of cuts in 2025. Our house view remains for 50bps of cuts in 2025 to 3.75% to 4.00% and another

50bps of cuts in 2026 to 3.25% to 3.50%. While the divergence between the Fed and other global central banks which have already cut should in theory provide the USD with support, there has been little sign of this with other themes at play for a weaker USD such as fading US exceptionalism and a flight to quality proving dominant.

While we make this broad downward revision in USD forecasts, we recognize that the current environment is highly uncertain and volatile. There are certainly scenarios where a USD rebound could play out. However, the current balance of risks signals likely continued USD weakness. If global investors have truly lost faith in the USD, then it may ultimately be extremely difficult for such faith to be restored. The USD-smile theory could be at play, where the USD finds support in a time of a deep global or US recession, but current base case expectations suggest that this is unlikely.

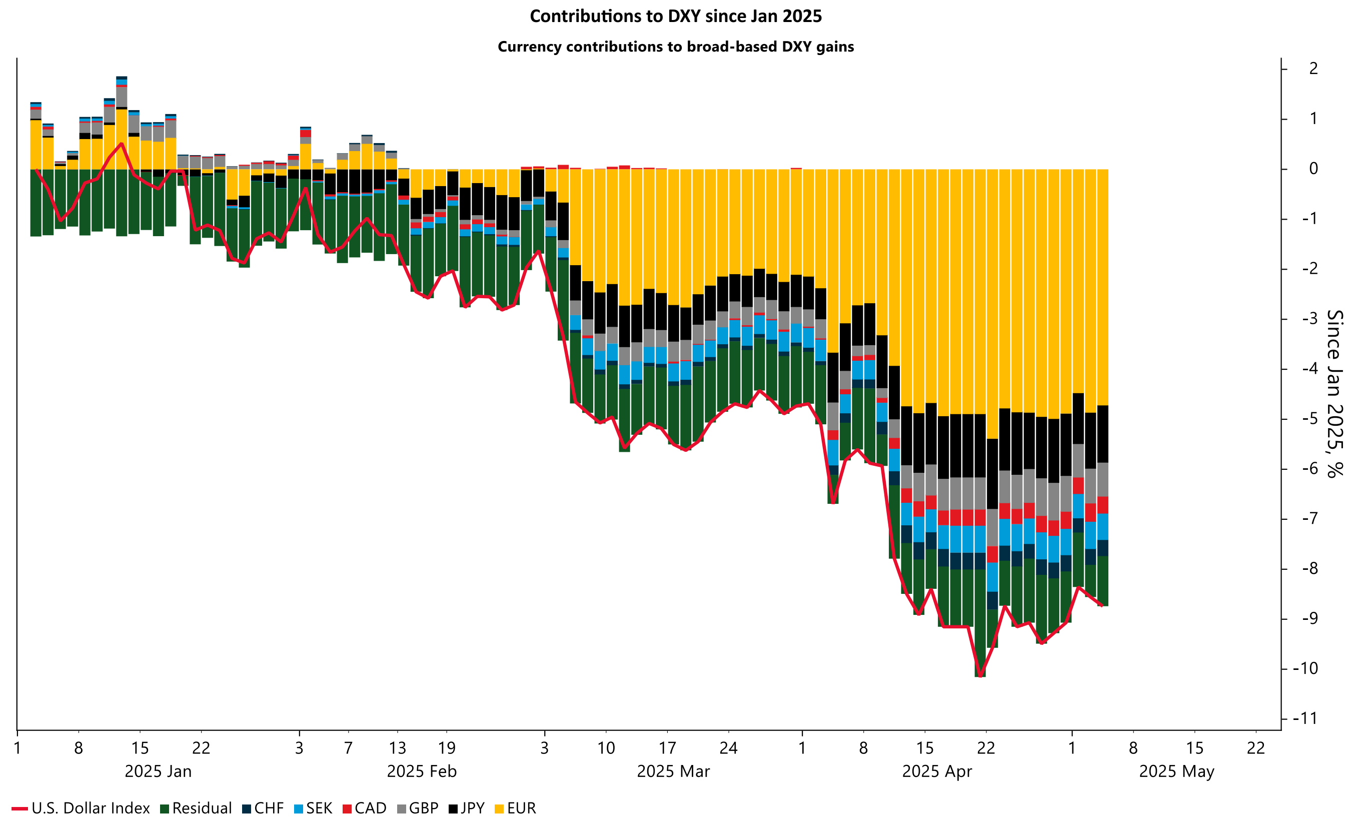
Key Data/Events in May 2025: Apr NFP, Unemployment Rate, Factory Orders, Durable Goods Orders (2 May), Apr ISM, Svcs/Comp PMIs (5 May), Mar Trade Balance (6 May), **FOMC Policy Decision (8 May),** Federal Budget Balance, Apr CPI (13 May), Apr Retail Sales, Apr PPI, May Empire Manufacturing, Apr Industrial Production (15 May), Apr Housing Starts, May P U Mich Indices (16 May), Mar TIC Flows (17 May), Apr Leading Index (19 May), May P PMIs (22 May), 1QS GDP, Core PCE Price Index (29 May), MNI Chicago PMI, Wholesale Inventories, Personal Spending/Income (30 May).

Downward NFP Revisions Reminiscent of Previous Economic Slumps



Source: Macrobond, Maybank FX Research & Strategy

Downward DXY Momentum Gathers Steam



Source: Macrobond, Maybank FX Research & Strategy

EUR: A Legitimate Alternative to the USD?

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
EUR/USD	1.1300 (1.0700)	1.1400 (1.0900)	1.1500 (1.1000)	1.1600 (1.1000)

Previous Forecasts in Parentheses

Motivation: We revise our EURUSD forecasts even higher as we turn more bullish on the EUR as we believe it will be seen as a legitimate alternative to the USD. Moreover, earlier themes of increased defence spending and fiscal expansion continue to be at play. The 2Q peak that we saw for the USD appears to have played out and EUR has been one of the largest beneficiaries of USD weakness. There is a growing sense that the EUR, where many member states (Germany, Netherlands and Luxembourg) are rated AAA, could benefit from a broad diversification away from the USD and a flight to quality. At the same time, earlier headwinds for the EUR 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) are now likely to be offset by better growth and sentiment. With the credibility of the USD now called into question and the USD being broadly weaker regardless of whether tariffs are being implemented or suspended, we believe that risks for the EUR are skewed to the upside as it emerges as one of the main if not the only legitimate alternative to the USD.

EURUSD traded higher in a 1.0778 to 1.1573 range in Apr compared to the 1.0371 to 1.0955 range in Mar. The flight to quality narrative and emergence of the EUR as a legitimate alternative to the USD is evident amid a rally in German bunds and a higher EUR. The increased fiscal spending (for defence) narrative continues to be at play as well. Ultimately, while the external environment remains challenging and uncertain for the EUR, the pair has largely emerged higher on the back of the Trump administrations implementation and later suspension of tariffs. EURUSD has retraced some of its gains and has settled around the 1.1300 figure, although we believe risks remain skewed to the upside.

As we suggested ECB dovishness is well priced and that is a factor that also skews risks for EUR could be to the upside. We expect ECB not to deviate from their data-dependent approach and expect 25bps more of cuts and for the ECB deposit facility rate to end 2025 at 2.00%. The ECB cut by 25bps on 17 Apr 2025 to 2.25% and EURUSD remained well supported above the 1.1200 figure. The fiscal spending narrative could challenge the ECB rate cut outlook although we expect the ECB to remain supportive. A cut is priced on 5 Jun 2025 at 93.3%. Market expectations are more dovish than our house view and see 60bps more of cuts from the ECB in 2025. However, we recognize that there is a risk that the fiscal spending narrative could mean 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. However, we expect that the fiscal expansion from defence spending narrative should provide some offset for the downside risks and anchor future growth. 1QA GDP estimates showed the Eurozone economy expanded by more than expected at 1.2% SA YoY (exp: 1.1%; prev: 1.2%) and 0.4% SA QoQ (exp: 0.2%; prev: 0.2%). Eurozone recession probability is estimated at 30% (prev: 30.0%) and Germany's is at 50.0% (prev: 50.0%). In addition, there is some potential for the Eurozone to step in to take on a greater role as an advocate for free and open global trade should the US carry through on its full tariff plans. Should global investors indeed diversify away from the US towards Europe and the Eurozone, a future pick-up to growth could be expected.

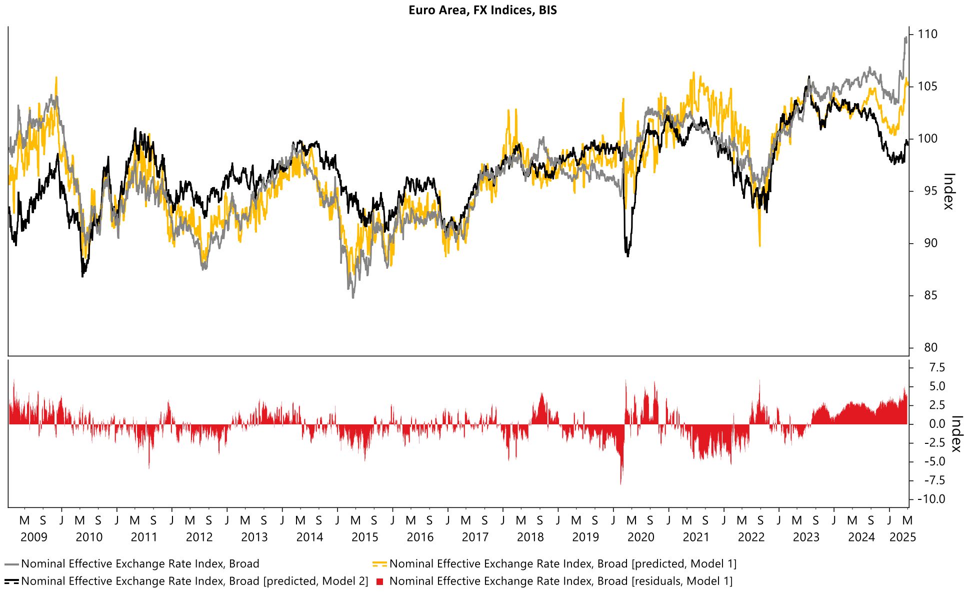
The worst has been avoided on political woes in the Eurozone. Moreover, the defence spending plan should provide some improvement to sentiment and could spur a potential reset of the UK-Eurozone relationship and create unity within the bloc. We suggest that this could provide further tailwinds for the EUR and make it an even more credible alternative to the USD. Nevertheless, we recognize the risks on the fiscal front as France runs budget deficits that have been flagged as contravening the fiscal rules. The broader question on which countries may be able to realistically fund a fiscal expansion could therefore be asked. As a baseline however, Germany as the largest economy and one of the more prudent borrowers, seems to be well-equipped to provide fiscal support.

EURUSD technical levels have been redefined with the previous 1.1000 and 1.1200 resistances broken and now turned support. The 1.1500 followed by the 1.1600 are the key resistances that we now watch for. Momentum is slowing down while stochastics are flagging overbought conditions and RSI is at neutral levels.

Risks to our view: An early resolution to the Ukraine war should provide the EUR with a boost although this could then call the defence spending narrative into question. Further escalations in the Ukraine war should weigh on the EUR. US trade policy creates an extremely uncertain and challenging external environment. As such, risks to the downside on this front still exist. Moreover, borrowing challenges and potential rating downgrades could also challenge the outlook for fiscal spending optimism.

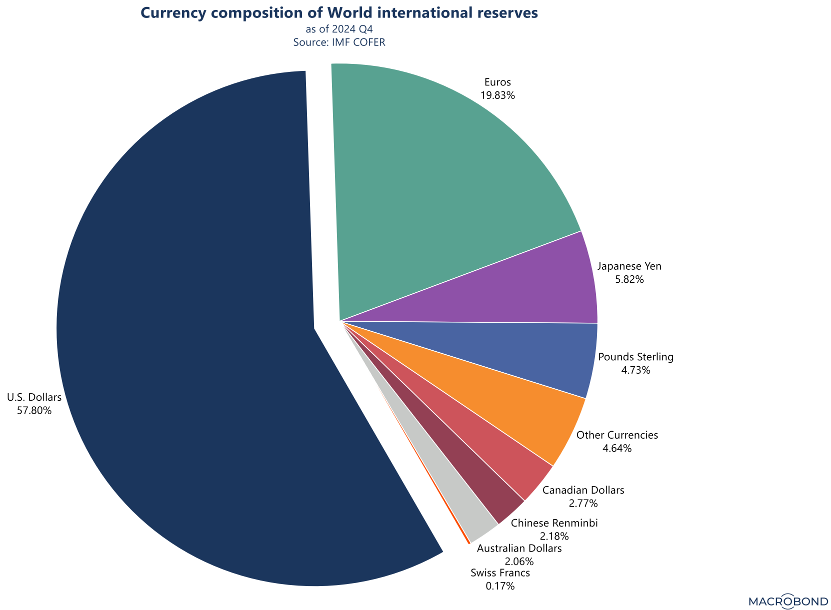
Key data/events: ECB Economic Bulletin, Apr F Manf. PMI, Apr P CPI (2 May), May Sentix Investor Confidence (5 May), Apr F Svcs/Comp PMI, Mar PPI (6 May), Mar Retail Sales (7 May), May ZEW Survey Expectations (13 May), 1QS GDP, Mar Industrial Production (15 May), Mar Trade Balance (16 May), Apr F CPI (19 May), Mar ECB CA Balance, Mar Construction Output, May Consumer Confidence (20 May), May P Mfg/Svcs/Comp PMIs (22 May), May Confidence Indices (27 May), Apr ECB 1Y/3Y CPI Expectations (28 May), Apr Money Supply (30 May).

EUR Trades Above Fair Values - Considered as a Potential Legitimate Alternative?



Source: Macrobond, Maybank FX Research & Strategy

Ample Room for EUR to Grow as Reserve Asset (IMF COFER)



Source: Bloomberg, Maybank FX Research & Strategy

GBP: Sheltered from Tariffs, Driving Higher

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
GBP/USD	1.3350 (1.2900)	1.3400 (1.3000)	1.3450 (1.3050)	1.3450 (1.3100)

Previous Forecasts in Parentheses

Motivation: We revise our GBPUSD forecasts higher as the cable made further gains against the USD in the wake of the imposition of tariffs and with plans to increase defence spending, maintain fiscal discipline and easing stagflation risks still at play. As we suggested the GBP was indeed more resilient on the basis that the UK as a services-oriented economy is less likely to be influenced by Trump trade policies as the UK was hit with the lowest possible 10% global tariff. The GBP has also emerged as a potential alternative for diversification away from the USD and the US. However, we continue to believe that the external environment that remains highly uncertain and challenging, which could weigh on a high-beta currency like the GBP.

GBPUSD traded in a 1.2709 to 1.3444 range in Apr, broadly higher than the 1.2570 to 1.3015 range in Mar. 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 given that its economy is more services-oriented and this has indeed played out. The GBP has also been a beneficiary of USD weakness or push to diversify away from the USD, albeit to a smaller extent than the EUR or CHF. At the same time, the increased defence spending narrative continues to be at play and should remain supportive of the GBP.

We see the BOE cutting by 50bps more in 2025. After the hold on 20 Mar, we see 50bps of cuts left in 2025. This should bring the policy rate to 4.00% which is slightly more hawkish than current market pricing for 93bps of cuts in the UK. 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. As we expected, BOE was more cautious at the 20 Mar meeting and espoused a "gradual and careful approach" to cutting rates. While there was no mention of the expected increases in defence spending, we think that policymakers would have considered the potential implications.

UK growth could perform worse than initially expected in 2025, but growth prospects for years ahead looks promising. Probability of a UK recession is 40% (prev: 35%) although 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. Consensus forecasts for real GDP growth are at 0.9% in 2025 and 1.2% in 2026. The Office for Budget Responsibility (OBR) made a downward revision to the growth outlook in 2025 to 1% (prev: 2%). Forecasts for 2026 to 2029 (end of this term of parliament) were revised upwards by 0.1 to 0.3 percentage points each.

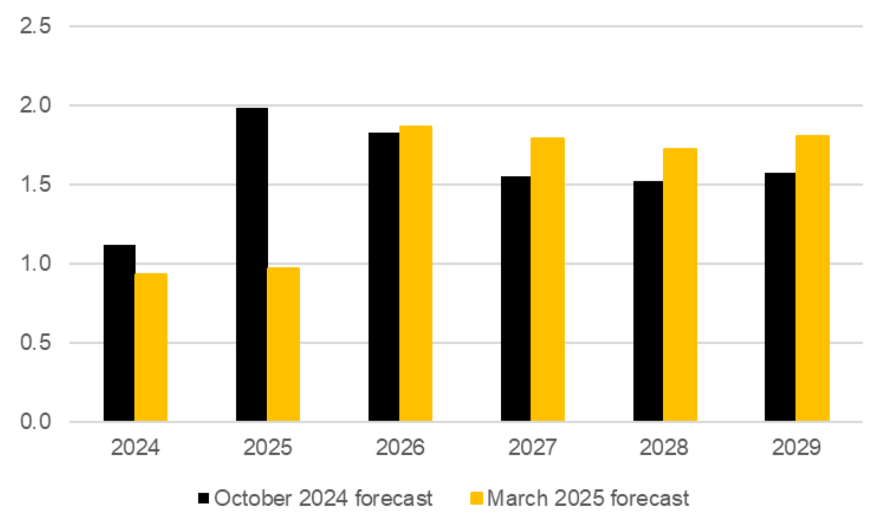
The Starmer government is committed towards fiscal discipline and improving relations with the EU, which should be supportive of the GBP. UK fiscal deficits are expected to narrow to 4.1% of GDP in 2025 and 3.6% of GDP in 2026. We earlier expected reduced fiscal deficits to be better for the GBP. However, one could question how the increase in defence spending is going to be funded with fiscal tightening. The UK wants to be treated as an EU member state for the purposes of defence spending and with Starmer and Macron both working on solutions on Ukrainian peace. The UK government was elected on a platform of not returning to the EU, although it was amenable to reset the relationship with the EU, especially in cooperation on foreign policy and defence. 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. We expect these policies to be GBP supportive. The UK and India have also announced an FTA and this re-affirmation of a commitment to free trade has initially boosted the GBP.

Risk sentiment improving should result in GBP outperformance. 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 the better part of 2024) should greater clarity on trade policies be supportive of a global growth environment. Both the US and China have softened their stance on trade and this should be better for risk sentiment on net, however there could also be some drag on the GBP should global growth come in weaker, which is what is being expected.

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 and lead to USD safe haven support. 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. Risks to the defence spending narrative could also jeopardize confidence in the UK and the GP (recall Liz Truss).

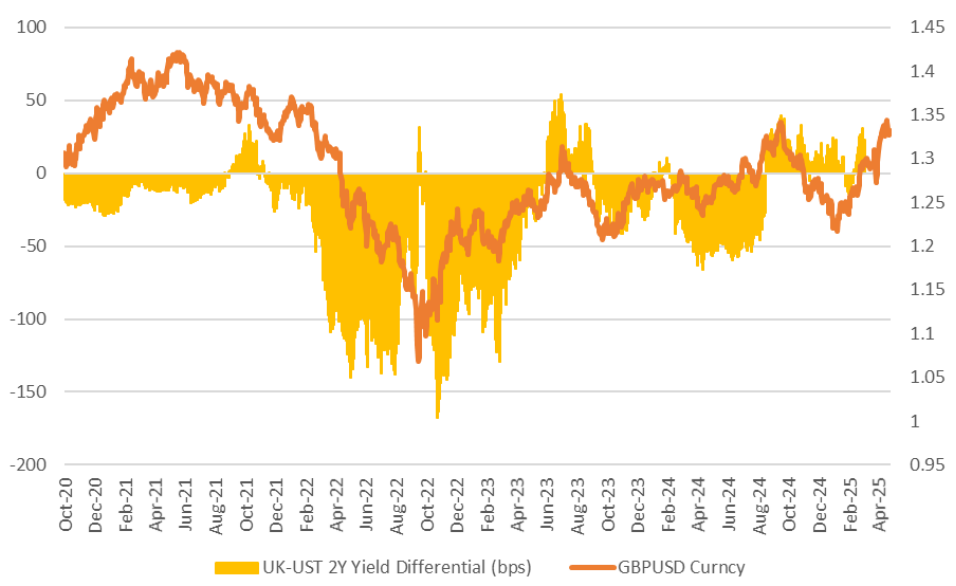
Key data/events: Mar Money Supply, Apr F Mfg PMI (1 May), Apr F Svcs/Comp PMIs, Apr Official Reserves Changes (6 May), Apr Construction PMI (7 May), Apr RICS House Price Balance, **BOE Policy Decision**, Apr DMP 3M Output/1Y CPI Expectations (8 May), SP, KPMG and REC UK Jobs Report (9 May), Apr BRC Sales, Mar ILO Unemployment, Mar Avg Weekly Earnings, Apr Claimant Count (13 May), 1QP GDP, Mar Industrial/Manufacturing Production, Mar Trade Balance (15 May), Apr CPI/RPI/PPI (21 May), Apr Public Finances, May P PMIs (22 May), Apr Retail Sales (23 May), May Nationwide House Px (30 May to 6 Jun).

OBR Sees GDP Dipping in 2025, But Improving in the Longer Term



Source: UK ONS and OBR, Maybank FX Research & Strategy

GBPUSD Could Break from Yield Differentials



Source: Bloomberg, Maybank FX Research & Strategy

CHF: Flight to Quality and a True Safe Haven

USD/CHF	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	0.8300	0.8250	0.8200	0.8150
	(0.8850)	(0.8850)	(0.8850)	(0.8875)

Previous Forecasts in Parentheses

Motivation: We revise our USDCHF forecasts downwards and incorporate a downward sloping trajectory for the pair on the belief that the CHF has appreciated on a flight to quality in the wake of the tariff imposition and could continue to do so as a safe haven. However, we also recognize that there are intervention risks that linger as inflation in Switzerland are at the lower bound of SNB's target band and this factors into our forecasts. We look for EURCHF to stay above the 0.92 level and view it as a potential intervention trigger for the SNB. We maintain that the SNB has expressed a preference for a weaker CHF and could cut rates into negative territory should deflation become a real threat for Switzerland. The SNB has cut rates to a point where the CHF has become cheaper than the JPY on an overnight basis. However, it maintains its resilience with its strong fundamentals such as its AAA rating, strong net reserves position and gold holdings. In times of heightened volatility such as these, it has also yet to become the funding currency of choice to fund carry trades. Given the divergence between the SNB and BOJ, we expect that it is a matter of time where that pivot is crossed and when it is we would expect significant pressures on CHF and more specifically on the CHFJPY cross.

USDCHF traded in a broadly lower 0.8040 to 0.8849 range in Apr, compared to the 0.8756 to 0.9031 range in Mar. USDCHF traded lower on the back of signs of fading US exceptionalism and a flight to quality theme as the imposition of tariffs likely weighed on the credibility of the US and the USD. CHF was further buoyed by its safe-haven allure. While we have long cited the risk of intervention by the SNB, it is quite likely that the broad weakness of the USD and concomitant strength of the EUR gave the SNB sufficient reason not to intervene to weaken the CHF as much as we would have expected. Nevertheless, we expect the risk of intervention and safe-haven properties to remain intact amid highly uncertain and volatile US trade and foreign policy.

We expect the SNB to cut rates by 25bps more to bring its policy rate to 0% in 2025. As we expected, SNB delivered a 25bps cut in Mar. Inflation levels are benign in Switzerland, while growth prospects are tepid. The SNB should continue to remain dovish as the tepid Swiss economy could potentially be threatened by Trump tariffs. SNB President Schlegel has acknowledged that Switzerland would be vulnerable to Trump's 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 print showed that Apr inflation was threatening the bottom of the target band at 0% YoY (exp: 0.2%; prev: 0.3%) and 0% MoM (exp: 0.2%; prev: 0%). The Swiss REERs and NEERs remain at elevated levels, and while EUR and GBP are concomitantly stronger, the risk of falling below the target band is now elevated.

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%). 4QF 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.

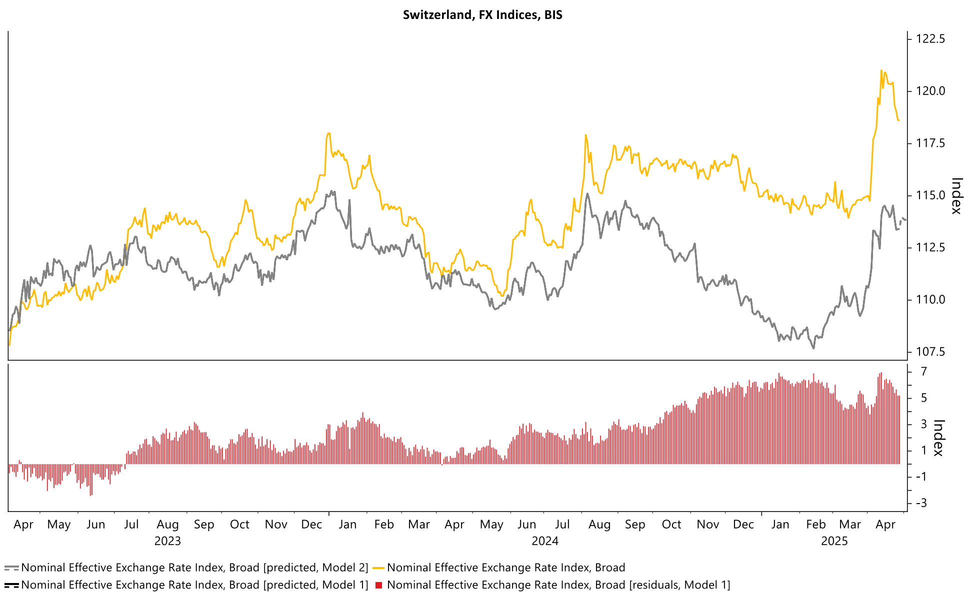
With BOJ expected to hike and SNB expected to ease, we approach a potential pivot where CHF could replace JPY as the funding currency of choice. BOJ overnight rate is now at 0.50% and SNB is at 0.25%. BOJ is also expected to hike further while SNB should ease to 0%. Should the conditions for carry trades continue to persist i.e. if volatility turns 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.

USDCHF was last seen at 0.8236 levels, with supports at 0.8040 (previous low) and resistances at 0.8314 and 0.8400. Momentum indicators are rising and RSI is neutral although stochastics flags overbought conditions. Earlier double top pattern with the neckline at 0.8800 has played out and we remain cautious of chasing downside in the pair in the near-term.

Risks to our view: 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.

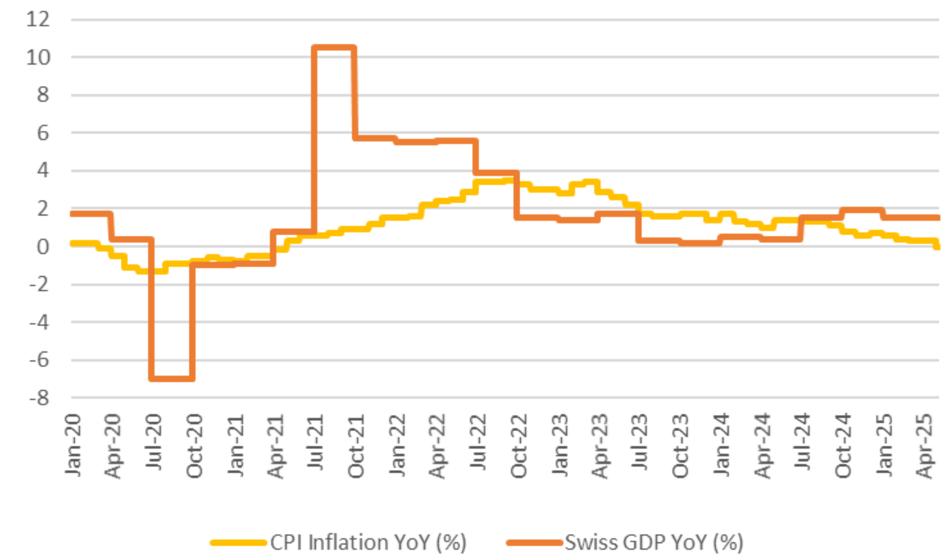
Key data/events: Mar Retail Sales (1 May), Apr Mfg/Svcs PMI (2 May), Apr CPI (5 May), Apr Unemployment Rate (6 May), Apr FX Reserves (7 May), Apr SECO Consumer Confidence (9 May), Apr Producer & Import Prices, 1QP GDP (15 May), 1Q Industrial Output (15 to 19 May), 1Q Industry & Construction Output (16 May), Apr Money Supply (21 May), Apr Exports/Imports (27 May), May KOF Leading Indicator (30 May), Apr Retail Sales (30 May to 4 Jun).

Swiss NEER Remains Elevated Despite Recent Drop Off



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Swiss Inflation Dangerously Close to Breaking Below Zero-Bound



Source: Bloomberg, Maybank FX Research & Strategy

AUD: Supported on Dips

AUD/USD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	0.6350	**0.6400**	**0.6400**	**0.6500**
	(0.6000)	(0.6100)	(0.6200)	(0.6300)

Previous Forecasts in Parentheses

Motivation: AUDUSD broke through 0.60 right after Liberation Day before making a sharp and full recovery and more. The AUDUSD even touched the year-high of 0.6439 on 22 Apr before settling into consolidation more recently. This panned out in line with our view for the pair to trough around 0.60 in 2Q.

With the major events of "Liberation Day" and subsequent growth downgrades already unfolded in Apr, one of our key themes of FX Outlook 2025 that projected AUD to underperform peers have panned out as well. We have overshot our targets for AUDNZD at 1.0850, AUDCHF at 0.53-handle and EURAUD at 1.68 as written in our Annual Outlook for 2025. RBA is now expected to cut 5 times this year due to expectations for growth to slow more this year and that probably helped to bring these AUD crosses beyond our targets. The peak of "tariff angst" has likely played out and that also marks the bottom for the AUD in line with the dramatic swings of sentiments. Labor Party's strong mandate at the recent election would probably see PM Albanese go ahead with pledged fiscal spending to support growth, which would in turn, be supportive of the AUD as well.

The <u>AUD recovery was sharper</u> than our expectations and this was due to a combination of factors including the broad sell-off of the USD (along with US assets) as well as the fact that the tariffs announced on Liberation Day were likely the worst blow that Trump had unleashed on the world.

We see reasons for the AUD to slow in its rise. Data releases for Apr would probably show the impact of tariffs on inflation in the US and that could probably reduce markets' positioning for a Jun cut (currently at 57% probability). With AUD still hovering near year-high of around 0.6400, we see potential for some retracement, especially if RBA pivots decidedly dovish. For the whole of Apr, the FX moves ignored yield differential but that could shift. While US economic growth exceptionalism fades, US' rates exceptionalism could be amplified by the upcoming set of CPI numbers that could remain elevated in contrast to the rest of the world. **A widening inflation trajectory between the US and the rest of the world and its implication on monetary policies could probably lend some tentative support for the greenback and pressure the AUD.**

<u>What Happens At Home – RBA to cut A Second Time and Pivots Dovish.</u> A second 25bps rate cut is more or less in the bag and more importantly, RBA may finally shift its stance to a more dovish one in May. Such a decision would potentially be more negative for the AUDUSD vs its first decision to lower cash target rates for the first time in Feb and caution against expecting more in the near-future. A 25bps cut is likely as inflation is en-route to undershoot its macro-economic forecasts from Feb. 1Q trimmed mean CPI is likely to drift lower towards 2.8%y/y from previous 3.2% and that would already be close to its Jun 2025 forecast of 2.7%.

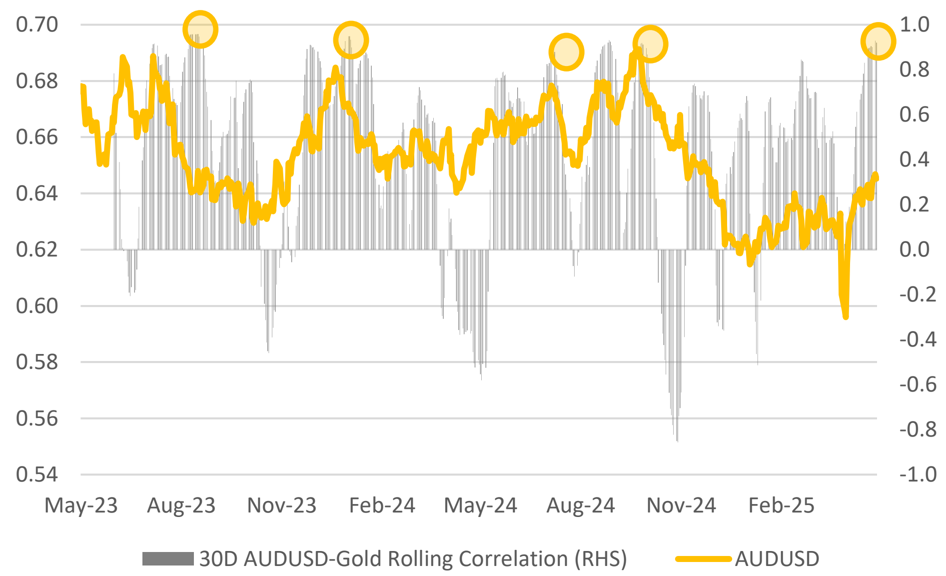
We had looked for a rate cut in May rather than in Apr and we continue to hold this view. With Westpac-Melbourne Institute consumer confidence plunging 6% in Apr to 90.1, the steepest drop since May 2023, household spending/retail sales decelerating to 0.2%m/m in Feb and NAB business confidence deteriorating a tad to -3 in Apr from previous -2, RBA may want to start by making another insurance cut, especially given the much more benign inflation environment. There is however, little need for a bigger cut as labour market data show little sign of sharp deterioration – unemployment rate only ticked a tad higher to 4.1% in Mar (below recent NAIRU estimate of 4.6). Manufacturing and services PMI are still in expansionary terrain for Apr and the employment conditions in the services sector was seen unchanged at 54 (fourth consecutive month of expansion). In the Minutes of the RBA Apr meeting, members of the board opine that May meeting would be an opportune time to revisit the monetary policy setting with the additional data about inflation, wages, the labour market and trends in economic activity.

RBA Governor Bullock had also mentioned that several factors (including the response of our trading partners, counter-responses from the US, the response of the exchange rate, and adjustments in other financial markets) would be taken into consideration. Apart from Australia's cooling inflation trajectory, some decline in business and consumer sentiment, AUD's sharp recovery may contribute to RBA's decision to ease policy to provide stronger policy support.

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 exert some pressure on the AUD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the AUD. (3) Trump's trade agenda is key and a deal with China would be positive for AUD.

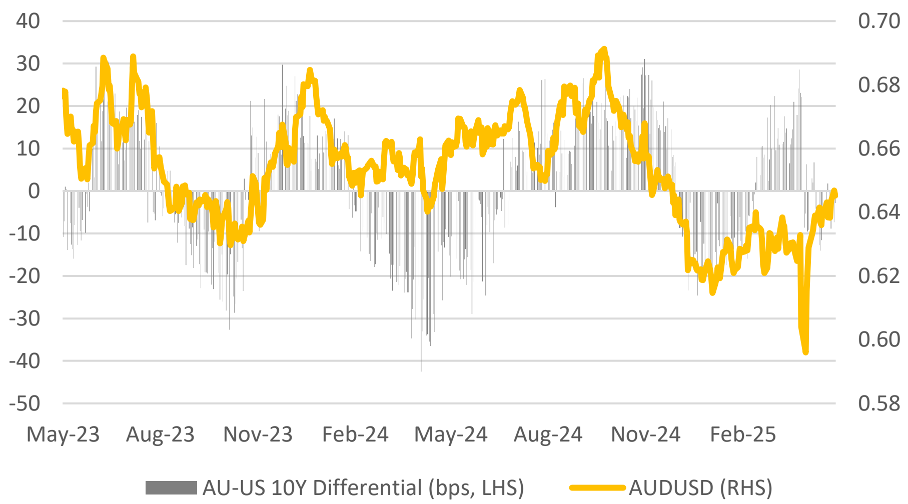
Key Data/Events:1Q import, export price index, Mar trade [1 May]; 1Q PPI,Mar retail sales [2 May]; M-I Apr inflation, ANZ-Indeed Apr Job advertisements [5 May]; Mar building approvals, Mar household spendings [6 May]; May Westpac consumer confidence [13 May]; 1Q wage price index, home loans, owner-occupier loan, investor loan value [14 May]; May consumer inflation expectation, Apr labour [15 May]; RBA policy decision and SoMP [20 May]; May prelim. Mfg, services PMI [22 May]; Apr CPI [28 May]; 1Q private capex [29 May]; Apr building approvals [30 May].

AUDUSD has a Mostly Positive Correlation with Gold. Everytime correlation Stretches toward 1.0, the AUDUSD would Start to Fall



Source: Bloomberg, Maybank FX Research & Strategy

The FX-Yield Differential Breaks and May Re-Assert Again



Source: Bloomberg, Maybank FX Research & Strategy

NZD: Moderation in Gains Likely

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
NZD/USD	0.5800 (0.5500)	0.6000 (--)	0.6100 (--)	0.6100 (--)

Previous Forecasts in Parentheses

Motivation: The recovery in the NZD was sharp after a brief test of the 0.55-figure. So our view that NZDUSD could trough at 0.55 came to fruition but the recovery was stronger than anticipated. We see possibility for the gains to moderate into May, potentially faring worse than AUD during this period as NZ prepares to cut fiscal spending in order to guide the fiscal balance back into surplus. RBNZ is now expected to take the OCR down by another ~80bps this year to around 2.70%. With growth still subpar and the overhang of tariff uncertainty, we now see risks of RBNZ potentially cutting more in order to support growth, especially when faced with fiscal constraints.

Finance Minister Nicola Willis will present the budget on **22 May.** She gave a pre-budget speech on 29 Apr, warning that the Treasury will slash growth forecast for 2025 and 2026 due to the trade war which is expected to slow global growth. The MoF will cut operating allowance to N$1.3bn from N$2.4bn so as to keep the NZ on the fiscal path towards a surplus by 2029, while the government retains aim to get it there by 2028. That said, she said that there will be some measures to support business growth and targeted cost-of-living relief. The potential for Australia to outperform New Zealand due to stronger fiscal stimulus from the former could lift the AUD against the NZD, unless the S&P downgrades the credit rating of Australia. We do not rule out potential for a re-visit of the 1.10-figure.

Recovery has been shaky for New Zealand. Filled jobs only rose slightly in 1Q as uncertainties posed by Trump's trade war kept employers from hiring. Strong performance of NZ exports had helped cushioned the economy (and the NZD) in 1Q with a record of N$20.6bn hit in the quarter, 11% growth from 4Q and a 19%y/y surge. External shipment rose especially for dairy, meat and fruit exports. Terms of trade have thus far been drifting in the favour of the NZD but it is hard to see this stellar performance sustain into the rest of the year with China's demand likely to weaken as Trump's 145% tariffs start to bite in 2Q. BusinessNZ PMI has started to fall, down to 53.2 in Mar from 54.1 in Feb amid the uncertainty. This measure of sentiment has started to recover last year when RBNZ started to ease. With RBNZ already cut 200bps, we see potential for more cuts as activities started to slow again. The silver lining for demand is the strong inflow of net migration, last at 5430 for Feb. That might be also supporting the

1Q CPI turned out stronger than expected at +0.9%q/q vs. previous 0.5%. Tradeable CPI sped to 0.8%q/q from previous 0.3% while non-tradeable CPI jumped to 1.1% from previous 0.7%. Year-on-year, inflation picked up pace to 2.5% from 2.2%.

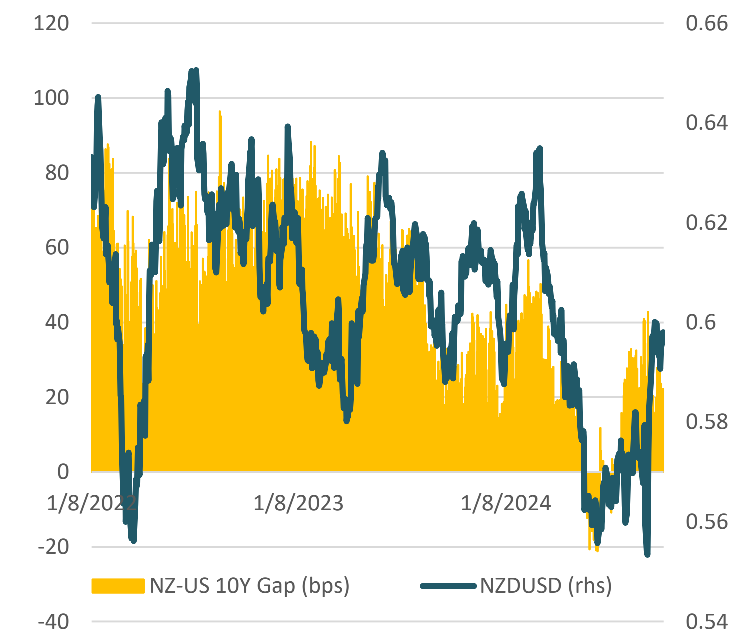
Former Governor Orr was known to be decisive and bold in policy making. With him gone, we suspect that RBNZ may keep continuing to ease in 25bps clips. We now expect another 75bps rate cut for this year, taking the OCR to 2.75% by the end of 2025, an additional 25bps seen now. Markets now look for approximately -80bps cut, somewhat in line but we see potential for swings to more extreme levels should growth deteriorate further from here and that could also add pressure on the NZD. The Treasury had warned that growth forecasts will be downgraded and we do not expect the RBNZ to be any different although the central bank may choose not to release macro forecasts due to uncertainties pose by the trade environment.

Trade. Trade balance had been improving with 12m rolling trade deficit narrowing to NZ$6.1bn in Feb from prev. NZ$6.6bn. Export receipts have been supported by strong demand for meat while demand for dairy continues to remain robust. Trade balance had swung back into surplus of N$0.51bn. As trade conflict rises, there could be some dampening in external demand which would be negative for the NZD.

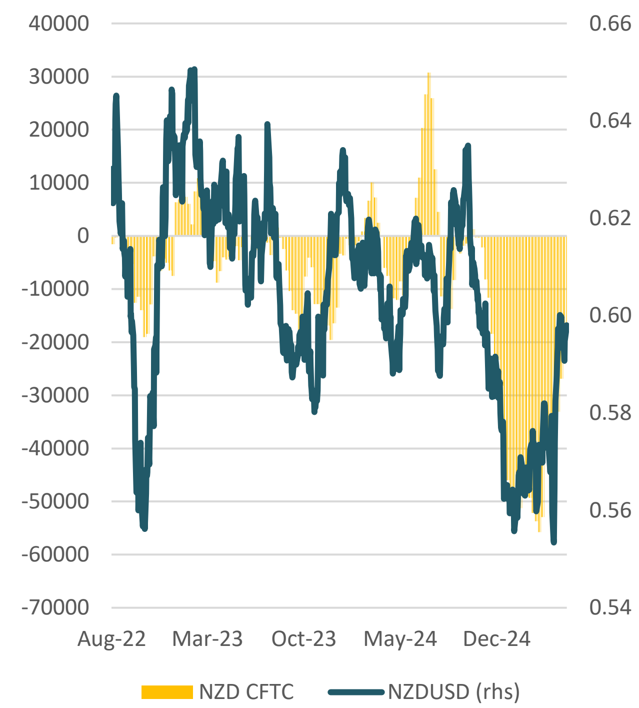
Risks: 1) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the NZD via the sentiment as well as the trade channel; 2) Trump's trade policies could continue to generate greater volatility for the NZD in the near term; 3) The NZ economy still looks aa 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: Mar building permits [2 May]; ANZ Apr commodity price [6 May]; 1Q labour report [7 May]; Apr card spending retail [14 May]; Apr food prices [15 May]; Apr businessNZ Mfg PMI [16 May]; 2Y inflation expectation for 2Q]16 May]; Apr trade [21 May]; Apr filled jobs [28 May]; ANZ consumer confidence for May, Apr building permits [30 May].

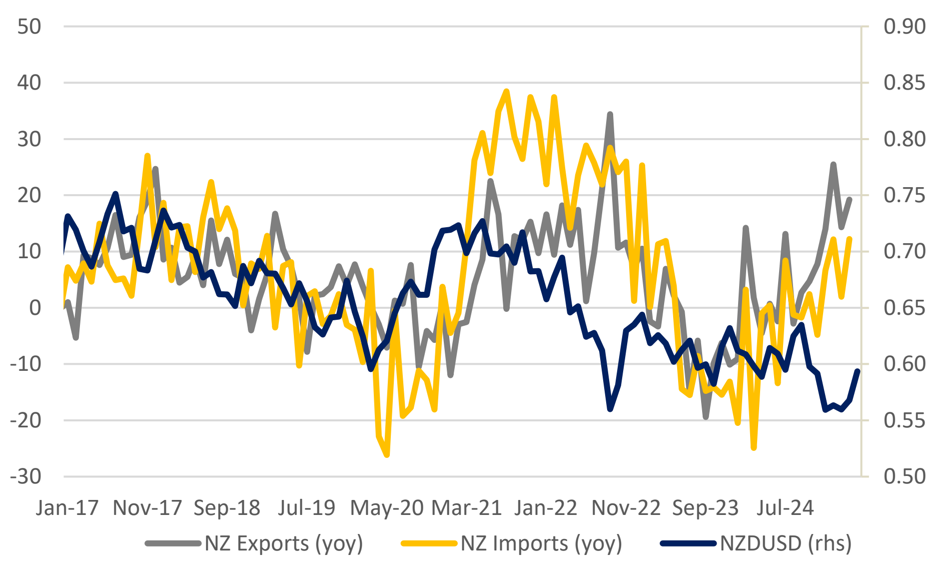
NZ-US Yield Differential Lift the NZDUSD



Net Short NZD Positions Are Correcting



NZD Gains To Slow as External Trade Comes under Pressure



Source: Bloomberg, Maybank FX Research & Strategy

CAD: Beyond The Elections, Comes Fiscal Spending and a Probable Trade Deal

USD/CAD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	1.39	1.37	1.35	1.34
	(1.46)	(1.45)	(1.43)	(1.40)

Previous Forecasts in Parentheses

Motivation: Canada voted to retain Mark Carney as Prime Minister on 28 Apr, but it is unclear whether he is able to get a majority. It is a narrow win, projected to be around 168 seats, slightly short of the 172 seats needed to form a majority government. We expect Carney's upcoming fiscal stimulus to cushion Canada from the impact of the ongoing trade war. Markets look for BoC to cut policy rates by another 50bps and we see this as fair. Tariffs may be damaging for growth but Canada's retaliation (of tariffs) may continue to price pressure at home while the upcoming fiscal spending would also reduce the need for BoC to cut excessively. CAD may even strengthen.

Trade War Status: Trump imposed 25% tariff on Canada with the exemption of oil and energy (at 10%) which took effect on 4 Mar. USMCA compliant goods are exempted. Canada's retaliatory actions include 25% levies on CA$30bn of American goods which could be expanded to CA$155bn at a later date. That said, Canada was left out of the group targeted on Liberation Day and thus CAD saw some outperformance at first before gains started to slow ahead of elections. With Mark Carney getting the mandate for the Liberal Party, we look for focus to shift toward fiscal plans and a potential trade deal with Trump that could be positive for the CAD.

US-CA yield differential was a Partial Contributing Factor to the USDCAD decline in Apr. The US-Ca rate differential widened at first after Liberation Day before narrowing significantly into the end of Apr. The USD and US treasuries were sold against most currencies in early April due to concerns that Trump's trade policies and his threats to the Fed's monetary independence would affect the USD's safe haven status and ultimately, its hegemony. Thereafter, the UST yields continue to fall further because of growing concerns on US growth.

Deeper Deficits Ahead. Stronger Growth? Carney has pledged income tax cuts, defense spending and infrastructure spending which would widen Canada's fiscal deficit to C$62.3bn this fiscal year and add another C$129.2bn in net new spending over the next four years. The election platform plans to balance the operating budget by 2028 through a comprehensive program review and by raising productivity via technology such as AI. Carney had said he aims to reduce the operating budget growth to 2% from the current 9%. In response to the win, Fitch ratings warned that the "fiscal loosening would exacerbate already expanding fiscal deficits" and higher structural deficits pledged would add pressure to Canada's credit profile. Fitch warned that revenue estimates "may be optimistic" given their reliance on productivity gains and uncertain revenues. Despite the cautions, in an environment of broad uncertainties, any country with more ammunition to support growth could lend corresponding support to their currency in the near-term. We continue to hold a more sanguine view of the CAD for the rest of the year, looking for CAD to fall towards 1.37.

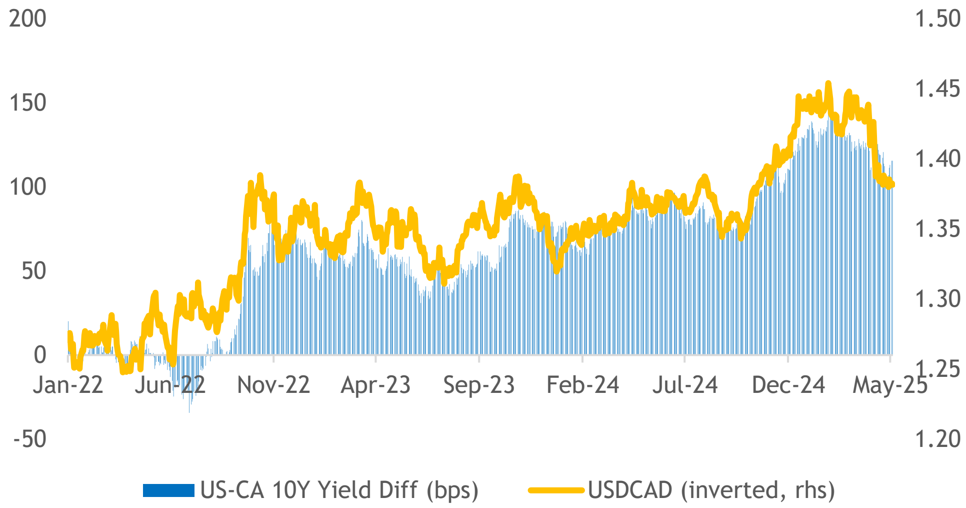
Growth-wise, CFIB business barometer showed some improvement from Mar record low of 25.5 to 34.8 in Apr. Expected price plans continue to remain elevated around 3.5% (vs. prev, 3.6%) some leading indicators suggest that business sentiment has deteriorated including but fewer saw general business situation as good compared to Mar. Business sentiment could be lifted by promises of fiscal spending as Canada headed into election month as well as two back-to-back rate cuts this year by BoC. Retail sales was up +0.7%m/m in Mar, from -0.4% decline in Feb after three consecutive months of declines. That said, outlook remains fragile with the Canadian Federation of Independent business seeing receipts contract by 2.3% in 2Q. Inflation-wise, CPI inflation eased to 2.3%y/y in Mar from previous 2.6% but core remained firm at 2.9%, steady from Feb.

BoC kept the policy rate unchanged at 2.75%, in line with our expectations as well as consensus. This was well telegraphed as a pause was already debated in Mar and Governor Macklem had mentioned before that policymakers will be "less forward looking than normal until the situation is clearer", effectively raising the bar for further easing. With two pre-emptive cuts for the trade war, the pause could extend until more meaningful signs of economic deterioration. This was mentioned in the Minutes of the Apr meeting that the BoC is "prepared to act decisively" on clear data. Members agreed that a cut would be "pre-mature amid uncertainty" even though the central bank still has flexibility to cut to support growth. There were also concerns that price pressure from tariffs would surface. We see room for BoC to cut policy rate (overnight lending rate) by another 50bps within the year and take the policy rate to 2.25%. Carney's spending plans may keep the BoC from easing more.

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) Focus on trade talks between Carney and Trump. 4) Inflation pressures should be monitored.

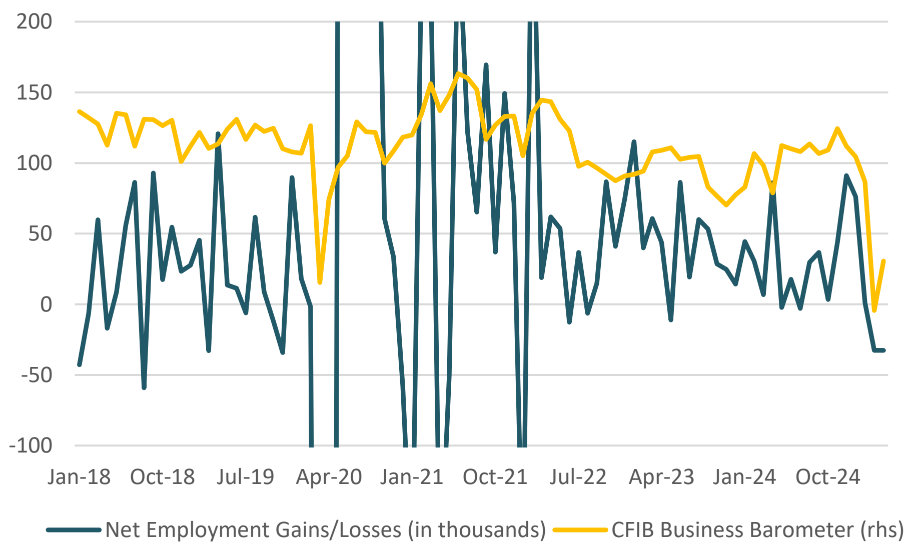
Key Data/Events: Apr labour report [9 May]; Mar building permits [14 May]; Apr Housing starts [15 May]; Apr CPI [20 May]; May CFIB Business Barometer [22 May]; Mar retail sales [23 May]; 1Q, Mar GDP [30 May].

USDCAD Trended Lower



Source: Bloomberg, Maybank FX Research & Strategy

Hiring Sentiments Have Fallen Along with Business Confidence



Source: Bloomberg, Maybank FX Research & Strategy

JPY: Bullish Given Supportive Conditions

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/JPY	140.00 (145.00)	135.00 (142.00)	132.00 (140.00)	132.00 (138.00)

Previous Forecasts in Parentheses

Motivation: We have lowered out USDJPY forecasts and see a downward trajectory on it given that the global environment could be more supportive for the JPY than our initial expectations. Over the last month, trade tensions have escalated much more than we had previously called for as the Trump administration aggressively announced that tariffs would be imposed broadly. In this environment, the JPY has somewhat regained its safe haven allure as the sensitivity of the currency to risk assets such as equities has risen. A number of factors look to be backing the return of this appeal including lower oil prices and the need for an alternative safe haven beyond the US treasuries (amid US asset divesting). Beyond the safe haven support to the currency, potential US discomfort about the JPY weakness is also giving it a lift. Meanwhile, on the BOJ, we are now seeing that they would next hike 25bps in Jan 2026, when there is more clarity on the global economic situation. However, this should not be of significant concern to our JPY outlook as we believe that safe haven flows can form the main support for it going forward.

The BOJ held rates as expected at 0.50% at their May meeting although market grew more anxious about the BOJ's hiking cycle as Governor Ueda constantly highlighted "uncertainty". The central bank governor did appear to struggle to try to strike a balance tone that does not rule out further hikes but also takes into account the substantial trade risks to the global economy. However, his use of the word "uncertainty" to describe the tariffs situation and ironically the realization of their own downward revised economic forecasts, only served to confuse markets and create heavy "uncertainty" in its own right on when they would actually hike rates. Regarding the forecasts, the central bank "certainly" also did not give the markets any comfort as they now do not see that the price target can be achieved in fiscal 2026 and have pushed it back a year to 2027. Growth forecasts for fiscal 2025 and 2026 were also downgraded with the fiscal 2025 midpoint level being lowered from 1.1% to 0.5%. The Governor did try to be more reassuring to markets by saying that delay in price goal timing doesn't mean delay in hikes but that simply appeared like a contradictory statement. All in all, we do view that the BOJ is looking more cautious and therefore, **we are revising our forecast for no hikes in 2025 and the next 25bps hike to come in Jan 2026, when there is more certainty on the global economic situation. This revision compares to our previous expectations of two hikes of 25bps in Jul 2025 and Dec 2025 respectively.** However, this should not be of significant concern to our JPY outlook as we believe that safe haven flows can form the main support for it going forward.

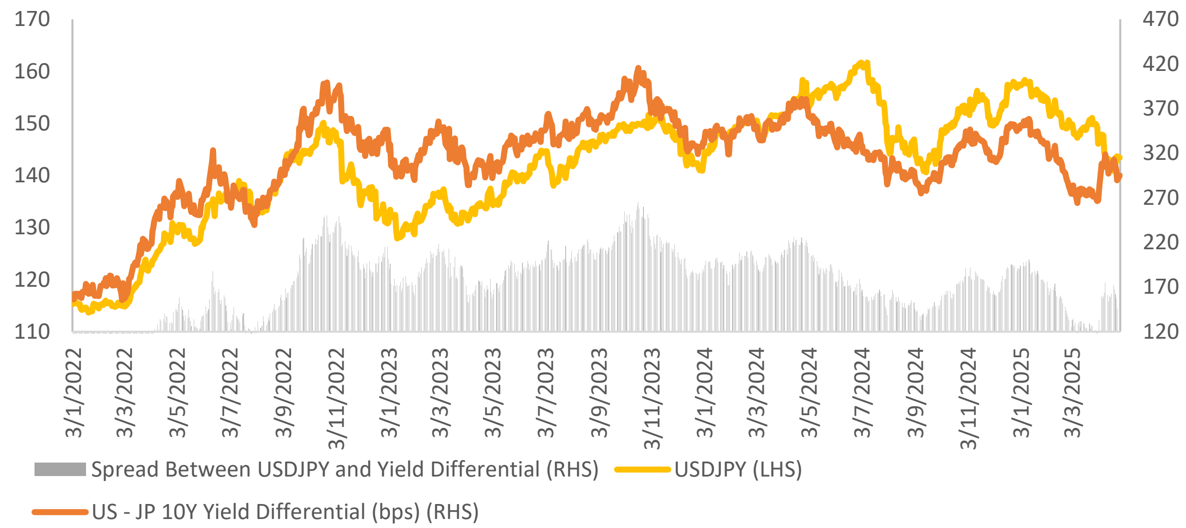
We remain wary of the trade situation for Japan after the country had been slapped with a 24% reciprocal tariff (paused for 90 days). Negotiations are still ongoing between the two sides and Trump has said that they have made substantial progress whilst he also remains confident of a deal. However, it is hard to determine if this is true given that both sides have not actually revealed much details about the ongoing negotiations. Both the US and Japan do actually face multiple points of contention that include tariffs related to autos and agriculture in addition to US discomfort about the JPY weakness. Regarding the latter, US Treasury Secretary Bessent and Japanese Finance Minister Kato have said that they have not talked about currency targets at their recent discussion whilst Economy Minister Akazawa has also mentioned that the currency topic has not been brought up at the trade talks. Despite these words from both sides, we still think that JPY weakness can remain a contentious issue given its contribution to the competitiveness of Japanese products. As a whole, we see that the signing of any trade deals between the US and other countries (whether it be Japan or another nation) would likely be challenging, which in turn would imply that the trade situation could remain tense for quite some time to come. Therefore, even if Japan may not be able to get a deal so quickly, the JPY can still perform well amid a general risk-off environment.

Interest for the JGBs are somewhat improving especially in light of US asset divestment and BOJ normalization. We take note that there has been a stronger level of inflows into the super long-term JGBs in the prior month which has not been seen for many years. As it is, US asset divestment could continue amid the ongoing uncertainty of Trump tariffs and this could push investors to search for more alternative safe havens including that of the JGBs. Also, for now, BOJ normalization looks like it can continue although we do recognize there is a rising risk that could slow amid the global economic uncertainty. Nonetheless, investors may be growing more confident that in the longer term, monetary policy would keep normalizing amid an economy that has structurally changed with a virtuous wage-price cycle possibly becoming established.

Risks Ahead: Downside risks include the BOJ returning back to the direction of an ultra-easy monetary policy. Upside risk for the JPY meanwhile would be a deep US and global recession though this is not our base case.

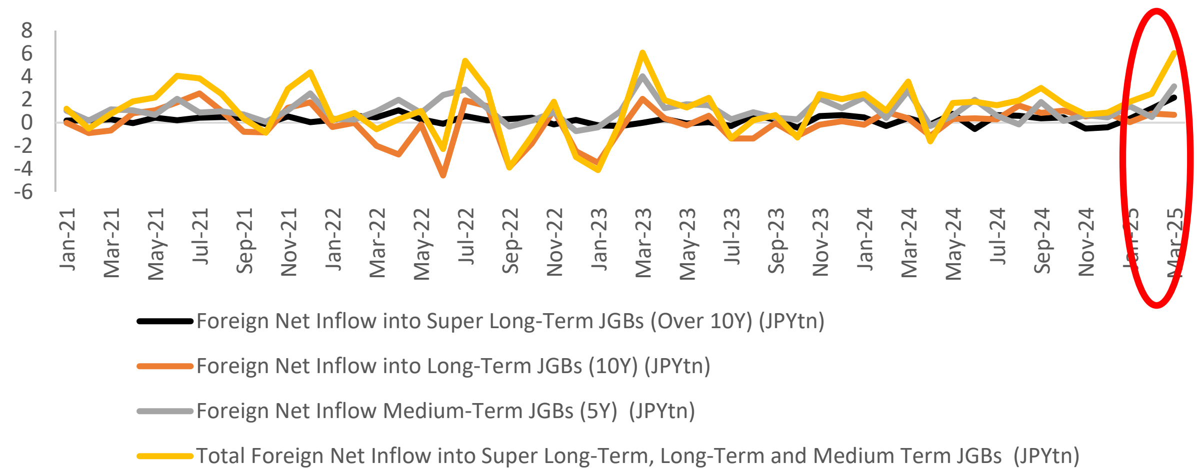
Key Data/Events: Apr Tokyo average vacancies (8 May), Mar cash earnings (9 May), Mar household spending (9 May), Mar P leading/coincident index (9 May), Mar BoP CA/trade balance (12 May), Apr bank lending (12 May), Apr eco watchers (12 May), Apr PPI (14 May), Apr P machine tool orders (15 May), 1Q P GDP (16 May), Mar capacity utilization (16 May), Apr nationwide/Tokyo dept store sales (16 - 22 May), Mar tertiary industry index (19 May), Apr Tokyo condominiums for sale (20 May), Apr trade data (21 May), Mar core machine orders (22 May), May P Jibun Bank PMI composite/mfg/services (22 May), Apr CPI (23 May), Apr PPI services (27 May), May consumer confidence index (29 May), Apr jobless rate/job-to-applicant ratio (30 May), May Tokyo CPI (30 May), Apr P IP (30 May), Apr retail sales/dept store,supermarket sales (30 May) and Apr housing starts (30 May).

There has Been Deviation Between the Yield Differentials and USDJPY as the Currency instead Receives Support from Safe Haven Demand



Source: Bloomberg, Maybank FX Research & Strategy

Strong Foreign inflows into JGBs, Especially into the Super Long-Term



Source: Bloomberg, Maybank FX Research & Strategy

RMB: The Light at the end of the Tunnel?

USD/CNY	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	7.25	7.20	7.18	7.15
	(7.50)	(7.45)	(7.40)	(7.35)

Previous Forecasts in Parentheses

Motivation: With the US administration under pressure to bring down tariffs and China assessing the possibility of trade talks, yuan sentiment could continue to improve. By this time, we know that the trade war in 2025 is vastly different from the 2018 trade war, the USD capitulated as Trump's tariffs on almost every sovereign and territory weighed on consumer and business sentiment at home and destroyed the US exceptionalism narrative. The safe haven status of the US treasury and the USD came into question amid speculations of Mar A Lago accord and when Trump started to threaten to fire Powell. While the DXY plunged 11% from its Jan high, the yuan sentiment continues to remain a tad fragile as China continues to get the worst of Trump's trade policy. The fix continues to suggest PBoC's grip on the yuan, preventing the USDCNY and USDCNH from rising. However, with the US and China likely to start talking, that has changed. We shift our forecast to reflect this shift of events, also taking into consideration that the drop in export receipts could reduce support for the yuan into the next few months. **Beyond the near-term improvement in yuan sentiment, the fall in USDCNH would likely be brought about by the narrowing in yield differential as US growth slows further.**

__NPC:__ Our China economist had noted that there were two key focus during the NPC and those are Consumption and Innovation. Premier Li spoke above "consumption" an unprecedented 31 times and mentioned "innovation" 40 times. The government doubled the funding for consumer trade-in subsidies to RMB300bn this year. Premier Li also pledged greater support to help commercialize the nation's technological's breakthroughs, supporting unicorns and gazelles. Sectors including commercial aerospace, drone **technology, biologics manufacturing, quantum technology, 6G and innovative pharmaceuticals are now priority fields.** Growth target is set at around 5% (lower bound is assumed to be 4.5%). Inflation target is nudged lower to 2% from 3% in previous years. Fiscal ultra-long special treasury bond quota is also raised a tad to CNY1.3trn. Our economist sees room for supplementary budgets in 2H of the year should external environment deteriorate sharply. **China is pushing forth with its economic transition away from the property sector towards technology in the face of sanctions and technology export bans imposed by the US. With stimulus already provided in Mar, it is unlikely that there could be another batch of policy stimulus provided so soon.**

__IThe impact of tariffs has started to show up in data.__ The official manufacturing PMI slipped into contraction at 49.0, lowest seen since Dec 2023. Output, new orders swung into contraction. Meanwhile, non-mfg also slipped to 50.4 from 50.8. While the headline remains in expansion, the details suggest that employment conditions, selling price, new orders have deteriorated in the non-manufacturing sector. The impact on the economy seems to be broad-based with the services and construction PMI also taking a hit at 50.1 and 51.9 vs. prev. 50.3 and 53.4 respectively.

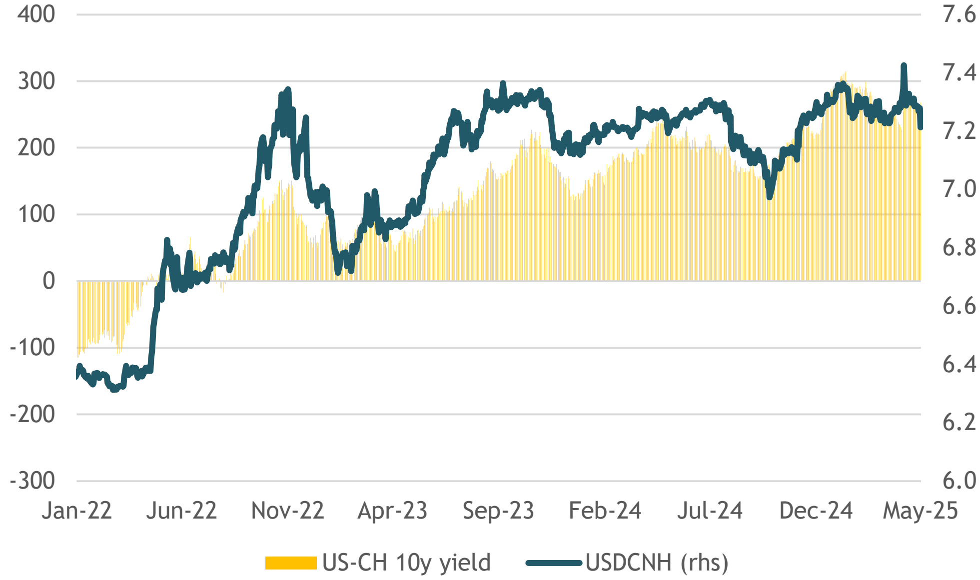
__US-China Trade data will continue to be in scrutiny.__ Given the immense front-loading of shipment that occurred in the months before Liberation day, the full-blown trade war is followed by a cliff drop in Chinese shipment to the US according to the US ports. Arrivals from China the week (starting 5 May) at the Ports in Los Angeles/California is projected to be down 35%y/y. Many retailers and manufacturers only have 5-7 weeks of normal inventory levels remaining which would lead to price increases. The tariffs in place likely shrink trade between the US and China. The longer it takes for a deal to be made, the more likely inflation pressures are going to build in the US. There is a risk that the supply and demand shock on the US and Chinese economy could keep the Fed from being able to cut policy rate at first. While it is unclear when the Fed can cut rates, it is also quite certain that growth may continue to deteriorate and that could keep the USD pressured against the CNH.

__Weakening External Sector to Slow Yuan Gains__. China's trade surplus had been buffering the CNY from steeper declines, especially in times of weak confidence and sharp asset corrections that led to capital outflows. The yuan may not be able to count on its exports and trade surplus for support.

__Monetary Policy is Likely to Have Little Effect.__ There is little need for monetary policy as monetary policy alone is unable to boost consumer and business confidence. There is little PBoC can do when the trade war is the key drag on the economy. Regardless, PBoC and CSRC just announced a 50bps RRR cut, 10bps to 7-day reverse repo along with other measures to support consumption and stock markets. PBoC CGB 10y yield may not have a lot more room to fall. USDCNY and USDCNH is still driven by yield differential and further decline in the UST 10y yield should bring both pairing lower.

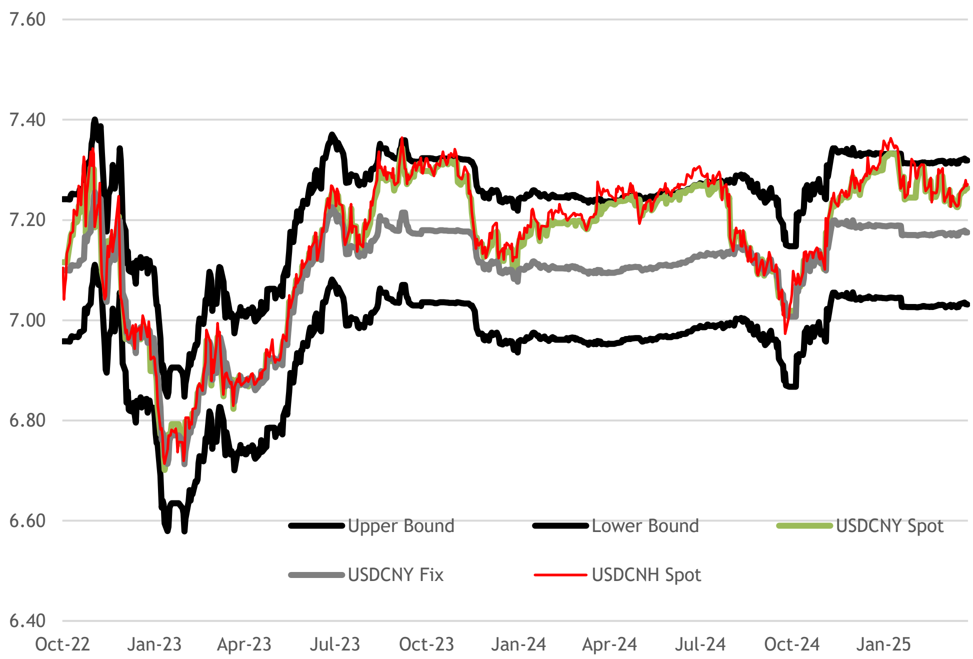
Key Data/Events: Foreign reserves [7 May], 1Q current account bal, Apr trade [9 May]; Apr new yuan loans, money supply, aggregate financing [9-15 May]; CPI, PPI [10 May]; New home price, used home prices, retail sales, industrial production, fixed assets ex rural for Apr [19 May]; 1Y,5Y LPR [20 May]; SWIFT [22 May]; Apr industrial profits [27 May]; Mfg, non-mfg PMI [31 May].

Fall in UST yields Going to be a Boon for the CNY against the USD



Source: Bloomberg, Maybank FX Research & Strategy

USDCNY on the Downtrend, Albeit Still Above the Fix



Source: Bloomberg, Maybank FX Research & Strategy

KRW: Stronger as Political Issues Resolve

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/KRW	1400 (1470)	1390 (1410)	1370 (1400)	1360 (1390)

Previous Forecasts in Parentheses

Motivation: We revise our USDKRW forecasts lower on the belief that the USD is likely to broadly weaken on the back of fading US exceptionalism and any relief on the tariff front should be beneficial for Asian currencies. We saw the peak for the USD in 2Q2025 and we suggest that has materialized. USDKRW is a high beta North Asian and is likely to benefit more from resolutions on the trade front. On the other hand, protracted negotiations could weigh on the KRW. There are also salient risks on the political front with the impeachment of President Yoon. An election will be held in Jun and it remains to be seen if the eventual winner can allay the concerns that investors could have on the political front. Nevertheless, we do expect the KRW to appreciate and have carefully considered the risk premiums for our latest forecasts.

USDKRW NDF traded within a 1410.80 to 1484.89 range in Apr 2025 a wider range than the 1435.56 to 1468.58 in Mar 2025 amid tariff volatility. As of time of writing, USDKRW NDF has slipped below the 1400 handle and was last seen at 1380.78 levels, quite sharply lower although we note that the move could be exacerbated by liquidity issues on a Korea holiday where spot USDKRW does not trade. The heightened volatility in the wake of tariff imposition is to be expected for a high-beta currency like the KRW, especially when lingering political issues surrounding the impeachment of President Yoon also serve to exacerbate volatility. However, note that there could also be easing of the political uncertainty premium when issues surrounding the Presidency are resolved.

We expect the BOK to cut rates by 75bps more in 2025 with the policy rate ending at 2.00%. BOK cut rates by 25bps on 25 Feb 2025 to 2.75% and held steady on 17 Apr 2025, 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 approximately 50bps of cuts implied by market pricing and 55bps of rate cuts forecast by economists. We think that the BOK should continue to pivot towards growth support as inflation eases, although should concerns over KRW weakness arise then they could sound more hawkish to be supportive. This remains in line with other central banks to pivoting 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 1.3% (prev: 1.6%; 2024: 2.1%) in real terms, with a 25.0% (prev: 20.0%) probability of a recession. Korea is potentially vulnerable to further US trade measures on semiconductors and pharmaceuticals. 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 which should support the KRW.

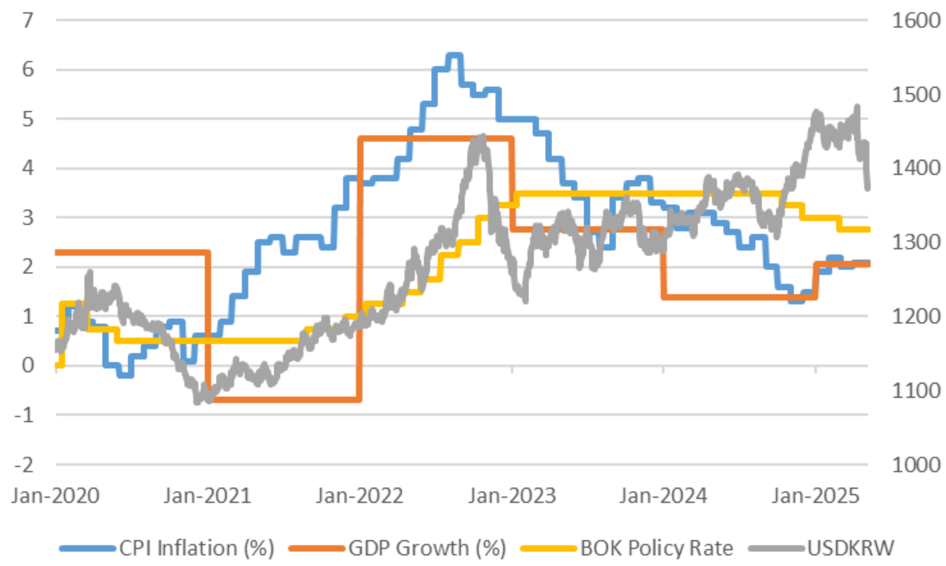
Political uncertainty should reach a resolution after the election. President Yoon’s brief declaration of martial law has shaken confidence in Korea and the subsequent drama that has ensued has led to confidence issues and weighed on the KRW. Presidential elections are due on 3 Jun 2025 following the impeachment and removal of President Yoon. The three likely candidates are Lee Jae Myung (Democratic), Kim Moon Soo (People Power, Yoon’s party) and Han Duck Soo (independent, but was part of Yoon’s administration). The frontrunner Lee Jae Myung also has an ongoing legal case regarding an infringement of election law and this could potentially complicate the election. Nevertheless, our base case is for political uncertainty to start to ease after the election.

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. The push to diversify away from the USD and USD denominated bonds could also be beneficial for the KRW and KRW bonds should it continue. We note that the value proposition of Korean debt is quite different from that of say German Bunds and while the latter may be a larger beneficiary of diversification away from the USDD, continued structural inflows from index inclusion should continue to be supportive.

Risks to our view: Extended period of political uncertainty 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 and pharmaceuticals, could also weigh on the KRW.

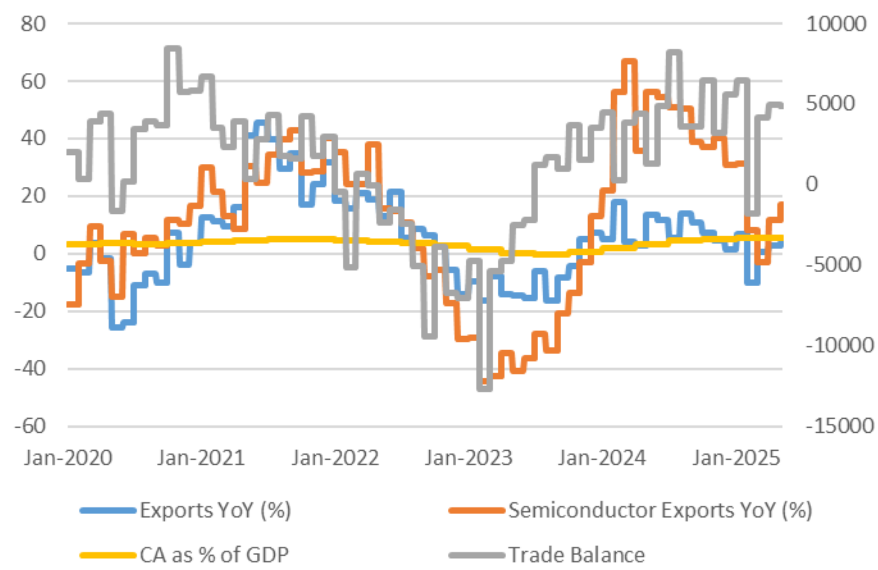
Key data/events: Apr Exports/Imports/Trade Balance (1 May), Apr CPI, Apr Mfg PMI (2 May), Apr FX Reserves (8 May), Mar BOP Goods/CA Balance (9 May), Apr Bank Lending to Household Total (9 May to 16 May), May 10 Days Imports/Exports (12 May), Apr Unemployment (14 May), Mar Money Supply (15 May), Apr Export/Import Price Index (16 May), 1Q Household Credit (20 May), 20 Days Imports/Exports (21 May), Apr PPI (23 May), Apr retail Sales (24 to 31 May), May Consumer Confidence (27 May), May Business Survey Mfg/Non Mfg, 1Q Short Term External Debt (28 May), **BOK Policy Decision (29 May),** Apr Industrial Production (30 May).

Balance of Risks to the Downside for Growth and Inflation



Source: Bloomberg, Maybank FX Research & Strategy

Potential Front Running of Exports Before Tariffs



Source: Bloomberg, Maybank FX Research & Strategy

SGD: Well Supported Even on MAS Easing

USD/SGD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	1.2950	1.2800	1.2650	1.2600
	(1.3750)	(1.3600)	(1.3450)	(1.3400)

Previous Forecasts in Parentheses

Motivation: We revise our USDSGD forecasts downwards on the belief that the SGD can continue to appreciate against the USD as US exceptionalism fades and a broad diversification on a flight to quality away from the USD continues. The SGD is a currency that has strong fundamentals and has proven to be a regional safe haven of sorts and we think that it can continue to benefit against a backdrop of a broadly weaker USD. On a bilateral USDSGD basis, the SGD has also been resilient likely on strong safe-haven demand for SGD assets. This is evident from the outperformance of SGS (outperforming USTs and largely keeping pace with German bunds). We recognize that 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. However, we also suggest that Singapore could benefit from a global re-routing of trade and look for the SGD to retain its appeal as diversifications away from the USD are sought. MAS policy remains supportive at +0.5% per annum appreciation in the SGDNEER and our base case is for no further easing unless there is a technical recession.

USDSGD traded within a largely lower 1.3011 to 1.3550 range in Apr 2025 compared to the 1.3279 to 1.3520 range in Mar 2025. Pair was last seen lower at 1.2921 levels, below the key 1.30 level. SGDNEER was last seen at +1.63% above the mid-point after having gained sharply and stayed above the +1.20% above the mid-point level after MAS' easing on 14 Apr. As we suggested earlier, there has not been excessive SGDNEER weakness from MAS' easing. We think support for SGDNEER can remain in an environment of broad USD weakness. We note that a move lower in USDSGD will only be possible if other basket constituents broadly appreciate against the USD. One-sided SGD appreciation is very likely to be moderated by MAS given the current relative close proximity to what we see as the band edge of 2%. The SGD has the tendency to not be an outlier and a moderate appreciation in line with a broadly weaker USD is our base case expectation.

MAS eased via a slight slope reduction on 14 Apr with a statement that was balanced. We view the move as an adjustment to reflect the downside risks in inflation and growth. This is largely in line with the stance of other central banks globally. Current pace of SGDNEER appreciation (0.5%) is what MAS believes to be appropriate given the considerable downside risks to both growth and inflation. **Our economists see MAS standing pat, but cannot rule out a shift to a flat slope or re-centering the mid-point of the SGD NEER lower should there be a recession depending on the weakness in growth.** Our Taylor Rule estimates suggests a gentle upward trajectory for the SGDNEER should be appropriate given the expected growth inflation dynamics. MAS could also opt to retain the policy space to react to any future downside shocks. We note that this has been the first time MAS has opted to ease the slope slightly at consecutive meetings, given that on earlier occasions MAS has preferred to set the appreciation to 0% after a slight reduction (Oct 2015, Apr 2016 & Oct 2019, Mar 2020). However, we also note that MAS has moved to quarterly (from semi-annual) meetings and this could also be to facilitate more nuanced and perhaps more gradual policy moves.

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. Mar Core CPI dipped to 0.5% YoY (exp: 0.7%; prev: 0.6%) **and o**ur economists forecast core inflation at +0.5% (prev: +0.8%), headline inflation at 0.8% (prev: 1.0%) and revise real growth down to +2.1% (prev: 2.6%) in 2025. 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. Manufacturing slowed to -3.6% MoM SA in Mar, although the YoY print was firm at +5.8%. Our economists see some silver lining in a darker manufacturing outlook as Singapore as the effective US tariff on Singapore goods is below 5%, lower than most regional countries. This could be positive from manufacturing supply chains moving in Singapore's favour. Singapore remains a bellwether for the global economy and a slowdown could be reflective on the likely state for the rest of the world.

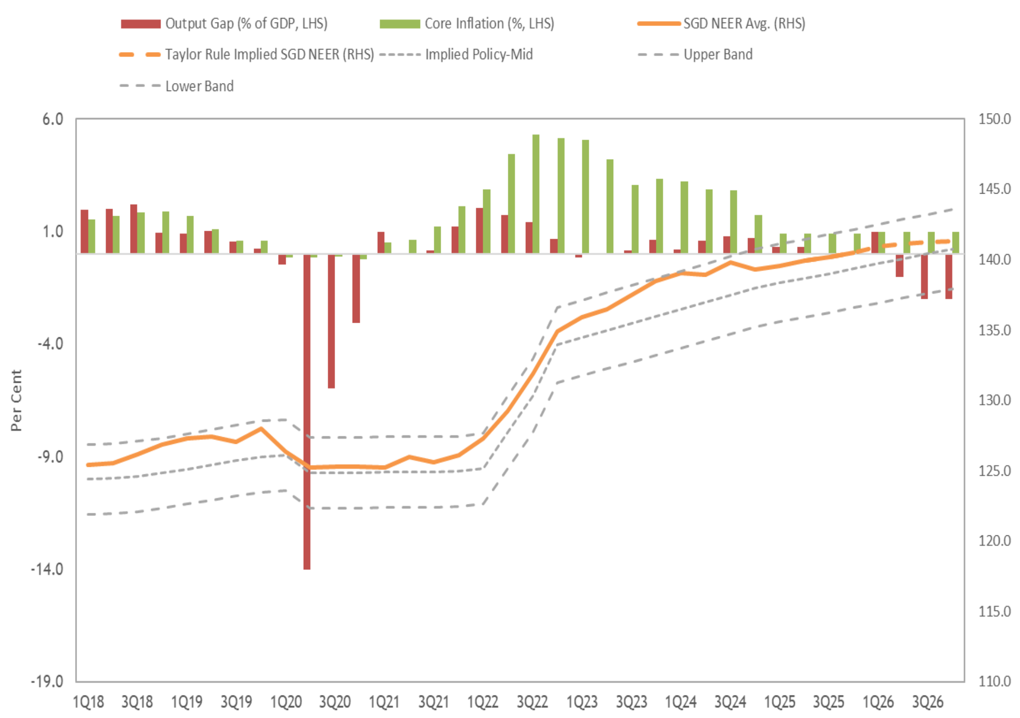
Budget 2025, the last budget for this term of government was delivered by PM Wong on 18 Feb 2025. The budget was expansionary, and yet a healthy S$6.8b (or 0.9% of GDP) fiscal surplus is still expected. Key budget initiatives included household goodies and social policies and support for businesses as 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 assessed that the current stance as appropriate to address the current growth and inflation risks, although the reference to "medium term price stability" was dropped. 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 and this is unlikely to change given the history of MAS policy and the potential negative implications of having a depreciating stance. The incumbent ruling party have received a strong mandate in an election that demonstrated the political maturity of the electorate. Of note, both the incumbents and the most experienced opposition party had increases to the share of the popular vote. 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.

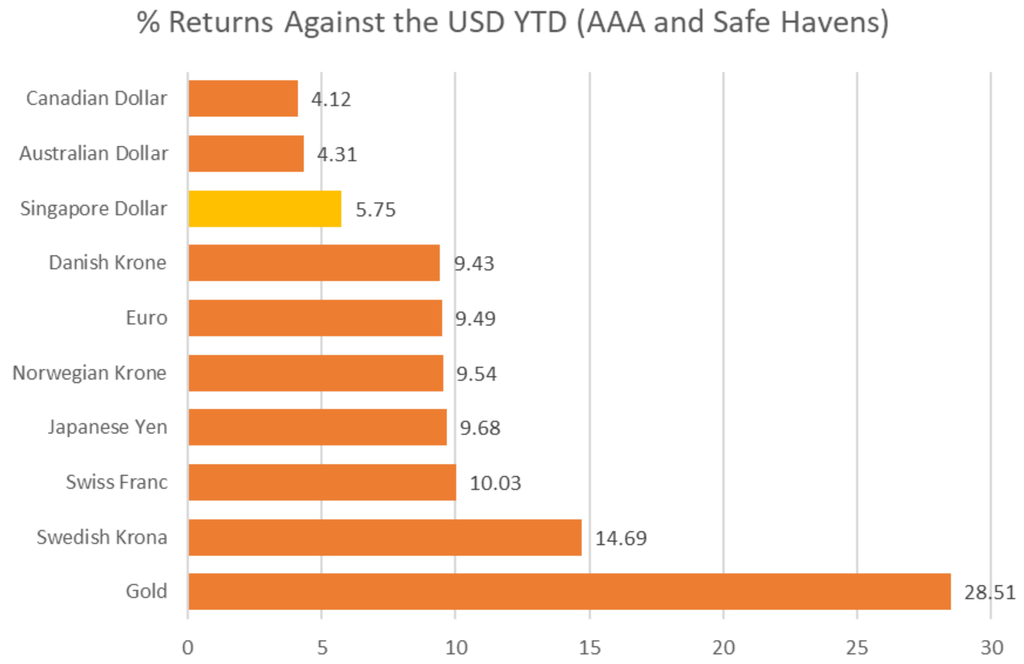
Key data/events: Apr PMI/ESI (2 May), Mar Retail Sales (5 May), Apr SP PMI (6 May), Apr FX Reserves (7 May), Apr NODX/Electronics Exports (16 May), 1Q F GDP (22 to 26 May), Apr CPI (23 May), Apr Industrial production (23 May), Apr Money Supply (30 May).

Taylor Rule Suggests Gentler (Albeit Upward) SGDNEER as Negative Output Gaps Grow



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

The SGD in Good Company (% Returns against the USD YTD)



Source: Bloomberg, Maybank FX Research & Strategy

MYR: Strong Performance Even Amid Global Challenges

USD/MYR	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	4.25	4.20	4.10	4.05
	(4.60)	(4.45)	(4.35)	(4.30)

Previous Forecasts in Parentheses

Motivation: The MYR has actually performed impressively well over the last month as it trended stronger with the USDMYR decisively breaking below several key support levels. This is even despite the tense trade situation and the vulnerability of the country to the US tariffs given her high trade exposure. There are few factors that looked to have given the MYR support during this period that include 1) softening USD, 2) CNH (Asia's anchor currency) avoiding a sustained period of significant weakness and 3) expectations of a BNM rate cut. Regarding the first factor, trade policy uncertainty has led to a divestment out of US assets, which in turn has guided for a softer dollar and given the other currencies a lift. On the second factor, the MYR exhibits strong sensitivity to CNH due to the country's heavy trade links with China. As it stands, other than a brief spike in the USDCNH earlier in the month, the pair has been relatively stable and recently, it has in fact started to move lower. The CNH has avoided weighing down on the MYR during this ongoing trade war and hence, allowed the MYR to benefit from the other more positive factors. Finally, on the third factor, the rising possibility of a BNM rate cut amid a softening global environment looks to have backed more support for Malaysian bonds. Going forward, we are seeing that these positive factors can continue to prevail with the global economy looking to soften whilst trade related uncertainties are unlikely to dissipate so quickly. We do recognize that Malaysia does remain vulnerable to the US tariffs especially as negotiations are not straightforward but we do think that any negative impact arising from this can be offset by the positive factors we have talked about. In addition, the special parliamentary sitting on 5 May, indicated that the trade negotiation with the US is currently at an early stage, and no final commitments have been made by Malaysia or the US. However, the US government has agreed to negotiate further with Malaysia following the Malaysian delegation's working visit to the US on 22-24 Apr including to address the non-tariff barriers. These are additional positive factors. Therefore, we are overall revising lower our USDMYR forecast (with a downward trajectory intact) to better reflect the conditions that are actually more supportive for the currency. Globally, more recent signs of thawing relations between US and China provide the possibility of a de-escalation scenario rising and may contribute to further emerging market FX support.

BNM rate cut expectations have been on the rise amid a softening global economy and our economist sees the OPR being at 2.75% - 3.00% in 2025 - 2026. Recently, both the Second Minister of Finance Amir Hamzah and BNM Governor Abdul Rasheed have spoken that the growth forecast may need to be lowered amid the tariff uncertainty that has engulfed the global economy. Malaysia stands among the most trade exposed countries regionally, making her vulnerable to the ongoing trade tensions and the country herself has been hit with a 24% reciprocal (which has been paused for 90 days). There has been increasing signs of the country's economic softening even before US tariffs were proposed as 1Q A GDP reading came lower than the expectations at 4.4% YoY (est. 4.8% YoY, 4Q. 5.0% YoY). Inflation numbers have also been on a downward trend with the latest Mar reading coming even below the estimates at 1.4% YoY (est. 1.6% YoY, Feb. 1.5% YoY). BNM Governor Abdul Rasheed has emphasized the importance of adhering to BNM's monetary policy mandate of promoting price stability to support sustainable economic growth, while highlighting the need to be agile, data dependent and forward looking. His tone is somewhat still sounding cautious at this point. As a note, our economist expects headline inflation at 2.0% YoY in 2025 compared to 2.3% YoY previously (given the slower recent readings) whilst they recognize that there are downside risks from "trade shocks" to their 2025 growth forecast of 4.3% YoY. On the latter, do take note that leading indicators such as Feb IP has also been slowing at 1.5% YoY (est. 2.0% YoY, Jan. 2.1% YoY).

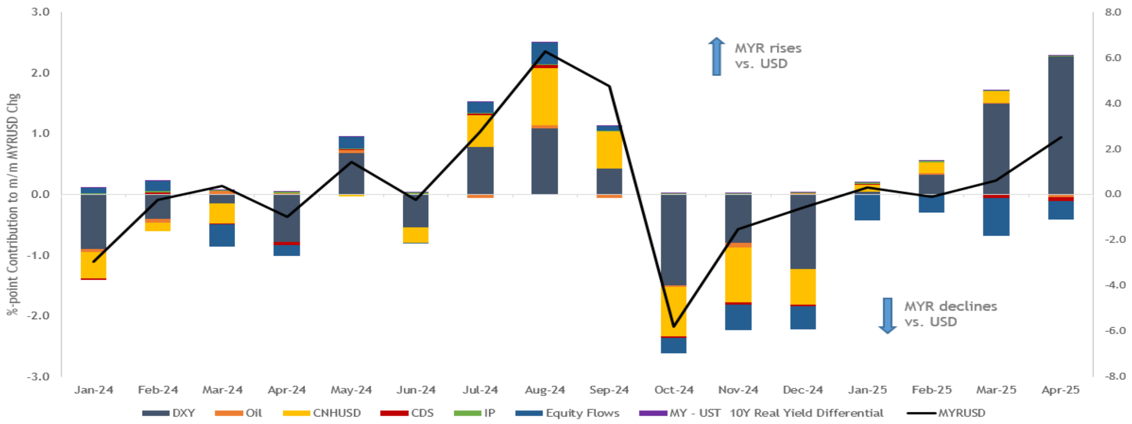
On the trade front, Malaysia was slapped with a hefty 24% reciprocal tariffs (with a 90-day pause) although negotiations are looking to commence. Second Minister of Finance Amir Hamzah Azizan has described the first meetings with US trade officials as having started "well enough" whilst Minister of Investment, Trade and Industry Tengku Zafrul has described it as "positive". The talks are known to have been held with both US Trade Representative Jamieson Greer and US Commerce Secretary Howard Lutnick. Tengku Zafrul himself has said that the US has agreed to commence formal negotiations. On the Malaysian side, a Deputy Secretary-General of the Ministry of Investment, Trade and Industry would lead the talks whilst the US has already named the Assistant US Trade Representative as her chief negotiator. Tengku Zafrul has also mentioned that Malaysia has outlined four key areas for negotiation to address the US reciprocal tariffs, which are reducing the US trade deficit, tackling non-tariff barriers, enhancing technological safeguards and exploring a potential bilateral trade agreement. We continue to monitor the trade situation but we recognize that any trade deal between the US and the various countries is no straightforward matter.

Regarding portfolio flows, there are likely to have been stronger inflows into bonds although equities have been seeing outflows. On the former, dated bond flow numbers show an inflow of $0.38bn for March but we believe that inflows are likely to have picked up in Apr. This would be on the basis of a rising expectations for a BNM rate cut and at around the end of Apr, the MGS curve has actually bull steepened. Our fixed income analyst's 10y MGS yield forecast for 2025 has been reduced to 3.55% from 3.75%, which implies that bonds are looking to receive more support in the coming future. Meanwhile, regarding equities, for the month to date up to 28 Apr, there was an outflow of -$0.50 as equity markets faced a volatile month. However, we do take note that the KLCI has about recovered all its post liberation day 2 Apr losses by the end Apr. Nonetheless, we remain cautious on equity flows for the rest of the year due to uncertain trade situation.

Risks to look out for in Apr 2025. Downside risks include Malaysia being singled out alone for higher reciprocal tariffs among regional peers or a major downturn in China's economy. However, upside risks may also materialize such as a more benign trade friction scenario, with US-China trade tensions averted, which could lead to significantly lower USDMYR.

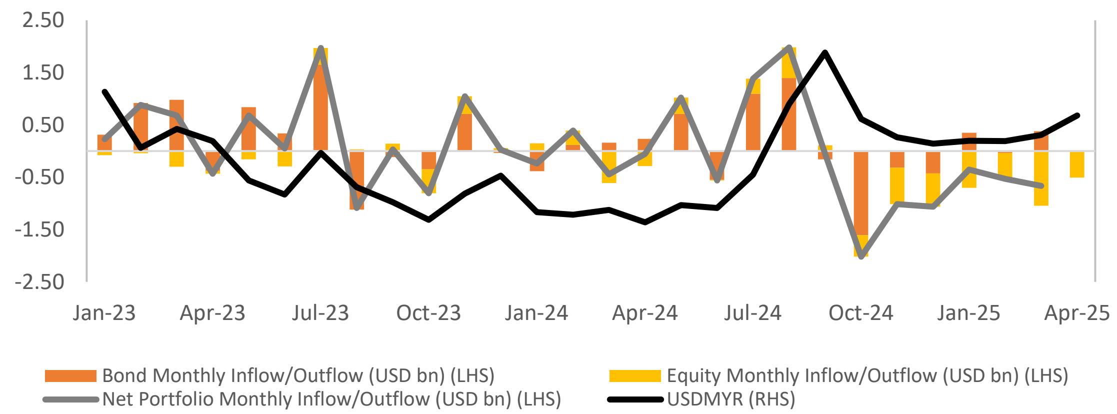
Key domestic events and issues to watch in Apr: Mar IP (8 May), Mar mfg sales (8 May), BNM policy decision (8 May), 30 Apr foreign reserves (8 May), 1Q GDP (16 May), 1Q BoP CA (16 May), Apr trade data (20 May), Apr CPI (22 May) and 15 May foreign reserves (22 May).

USD/MYR Performs Strongly on a Softening USD



Sources: Bloomberg, Macrobond, Maybank FX Research & Strategy
Note: 1. RHS is axis for MYRUSD whilst LHS is axis for all other data point, 2. Apr 2025 data is as of either 28 Apr 2025 or 29 Apr 2025

Bond Inflows Likely Picked Up in Apr amid Rate Cut Expectations



Sources: Bloomberg, Maybank FX Research & Strategy
Note: Equity inflows for Apr 2025 is as of 28 Apr 2025

IDR: EM Challenges but Conditions Can Improve

USD/IDR	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	16500	16250	16150	16000
	(17000)	(16500)	(16250)	(16150)

Previous Forecasts in Parentheses

Motivation: We revise our forecasts for the IDR stronger on the back of softer dollar environment and expectations of a US-China trade deal. This year, the IDR has come under quite significant domestic and external pressure. Regarding the former, uncertainty over government policies especially in relation to the operations of Danantara and the fiscal deficit level (concern if it would exceed the legal ceiling of 3.00%) has kept investors anxious and uneasy. Externally, global trade tensions between the US and various countries have also sapped appetite for risk assets including those in the EM space. Despite these concerns, we are of the view that peak weakness would likely be in 2Q 2025 and that conditions can change to become more supportive for the IDR to trend stronger in 2H 2025. US asset diversification could continue further into the year guiding the dollar softer whilst investors would get better clarity on Danantara's operations and the fiscal situation in time. Also, we expect BI to cut rates by 50bps this year, which can give support to the bonds and back more foreign inflows into it.

BI kept rates on hold at 5.75% at the Apr meeting as again they look to prioritize IDR stability. This time though the central bank looked to be more cautious as they see growth would fall slightly below the midpoint of their target range of 4.7 – 5.5% amid the global trade tensions. The decision to hold therefore appeared to reflect their concerns about the stability of the IDR given that such growth concerns should have backed easing. The central bank did as usual express strong words about their commitment to ensure the currency's stability as they mentioned that they are intervening in the offshore NDF, spot, DNDF and bond market. Nonetheless, the Governor Perry Warjiyo did say that BI "continues to monitor room for further rate cuts considering rupiah stability, inflation prospects, and the need to boost economic growth", which implies that they have a dovish tilt albeit waiting for the opportunity for a cut to emerge (when the currency is more stable). Our economist has kept to his expectations for two more rate cuts of 25bps this year, making a cumulative 50bps. He does see that BI would prefer to make its next 25bps cut within the second quarter but on the basis that the USDIDR can stabilize well below the 17,000 mark and closer to the 16,500 level.

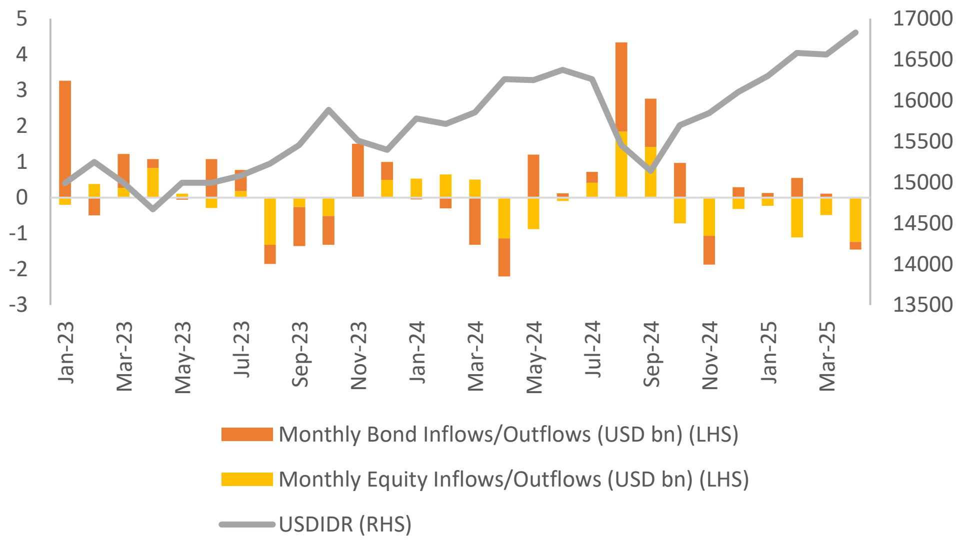
Regarding the trade front, Indonesia was slapped with a high reciprocal tariff rate of 32% although talks are ongoing between the two sides. Both the US and Indonesian delegations have met and Indonesia has said that the two have agreed to a 60 days timeline to finalize a cooperation framework. Finance Minister Sri Mulyani has cited US Treasury Secretary Scott Bessent as saying that it would take 2-3 years for a US trade re-balancing depending on the country involved. Talks have revolved around a range of topics that include energy security, markets access to the US, deregulating trade and investment, cooperating on strategic industrial and critical mineral supply chains as well as accessing knowledge and technology in the health, agriculture and renewable energy sectors. Earlier, Indonesia had said that they would commit to buy more LPG, crude oil and gasoline from the US in addition to offering cooperation in access to critical minerals, simplifying procedures on imports of horticultural products among other items. At this point, Indonesia has said that they would consult domestic stakeholders on technical-level negotiations over the next 60 days. Indonesia as a whole is a more domestic orientated economy and it stands among the least trade exposed countries in the region. This makes its economy relatively less vulnerable to the ongoing trade tensions.

Indonesia saw large net portfolio outflows for the month of April so far, which reflects cautious sentiment amid concerns about the domestic and external environment. Equity net outflows for the month to date until 25 Apr was at -$1.23bn as the stock market came under heavy pressure from both Danantara related concerns and the global stock market volatility. However, we do take note that most of this pressure came in the earlier part of the month and that outflows began to slow later in the month, which is also at a time when the JCI rebounded. We are of the view that the JCI valuations are low and look attractive at this point, making further upside more likely. Outflows from equities therefore can slow much more from here onwards. On bonds, the net outflow was actually much more measured at -$0.22bn as Indonesian bonds rallied in Apr. Some investors could have made an exit from Indo GBs as they sold off in riskier EM assets but it is also possible that could have been some offsetting flows arising from investors selling off in equities. Also, it cannot be ruled out that some investors may also choose to position in EM bonds such as Indonesia, where rate cuts can eventually come amid a weakening global economy. As more domestic clarity slowly emerges and BI engages in rate cuts again, we see that there could be some turnaround for flows into Indo GBs.

Risks Ahead: Downside risks include significant budget slippage beyond the 3% legal limit or worsening concerns about Danantara, which has not been factored into our forecasts. Other risks include a major 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.

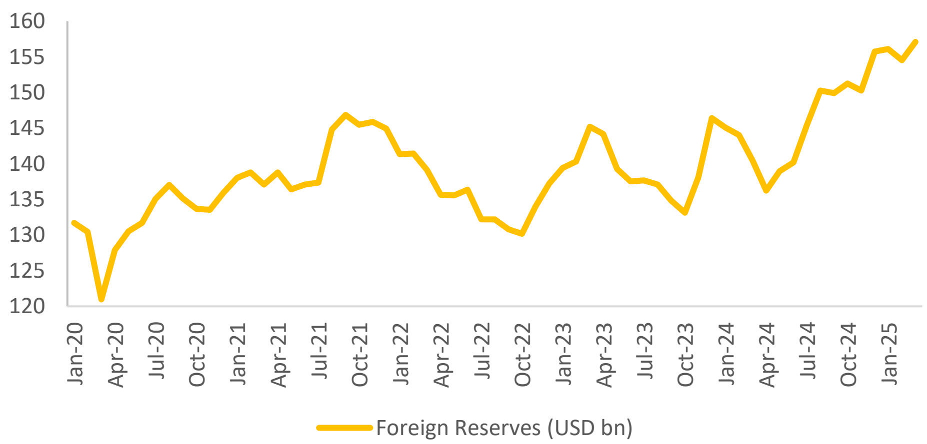
Key Data/Events: Apr S&P Global PMI mfg (2 May), Apr CPI (2 May), 1Q GDP (5 May), Apr foreign reserves (8 May), Apr consumer confidence index (9 May), Apr local auto sales (11 – 15 May), Mar external debt (15 May), Apr trade data (15 May), BI policy decision (21 May) and 1Q BoP CA balance (22 May).

Portfolio Outflows Amid Domestic and Global Uncertainties Have Weighed on the Currency



Source: Bloomberg, Maybank FX Research & Strategy
Note: Mar 2025 data for equities until 25 Apr 2025 and for bonds it is until 22 Apr 2025
USDIDR rate is as of close on 25 Apr 2025

Foreign Reserves Stand Sufficient and Continue to Rise



Source: Bloomberg, Maybank FX Research & Strategy

PHP: Potential Shelter from Global Turmoil

USD/PHP	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	55.50 (59.00)	55.00 (58.00)	54.50 (58.00)	54.00 (57.50)

Previous Forecasts in Parentheses

Motivation: We lower our forecasts for the USDPHP as global conditions are appearing to be more favorable for the PHP than we had initially expected. Being a more inward looking economy, the Philippines is relatively shielded from the impacts of the ongoing trade tensions between the US and the various countries. The PHP compared to its peers is therefore relatively less sensitive to the CNH (the anchor currency within Asia) whilst at the same time, it has benefited from a softening USD too. Flows into the country's equity and bond markets could also strengthen in time. The Philippines equity markets looks to become more favorable given the more domestic focus nature of its companies whilst ongoing BSP cuts also make the country's bonds attractive. A gradual downward trajectory for the USDPHP we believe should hence be in place for this year. On the flipside, we do note of certain risks including a domestic economy that slows significantly.

The BSP cut rates by 25bps at the Apr meeting to 5.50% in line with our expectations and we see the possibility of further cuts. Governor Remolona has already been expressing a dovish tone even before the meeting as he mentioned that the central bank is on an "easing cycle". Post the meeting, he also said again that they "contemplate further rate cuts" whilst also highlighting the economic concerns as he mentioned they are "looking at slower growth" and "lower inflation". BSP for that matter has continued to maintain its view that 2025 GDP would end up reaching the lower end of the government's target for 2025 – 2028 of 6.0 – 8.0%. Headline inflation at the same time in Mar 2025 was also at its lowest level since May 2020 at 1.8% YoY. The Governor has previously spoken that cumulative rate cuts in 2025 could amount to about 75bps and with 25bps in the bag, that leaves open the possibility of another 50bps of easing. Our economist sees another 25bps in 2H 2025 but does not rule out that there could be an additional 25bps on top of that depending on how conditions evolve in relation to Fed interest rate path, domestic economy and trade war. The lower volatility of the PHP is also helping to put the central bank in a better position to ease.

We are optimistic of the potential of more inflows in the months to come given the country's favorable position in the ongoing tense trade environment. There were only marginal bond outflows of -$0.081bn for month to date until 25 Apr 2025 whilst dated equity data showed inflows of $3.097bn in Feb 2025. Bond inflows could pick up in time with the BSP still looking to be on an easing cycle as the Governor has talked of the possibility of more cuts to come. Whilst the Philippines are not alone in the rate cut game regionally, the lower volatility of the PHP relative to other regional peers puts the BSP in a better position to move ahead with easing amid a softening economic environment. Meanwhile, on equities flows, we are seeing that the country's stock market could increasingly become more favored given the domestic focus nature of it (amid the trade war) in addition to its attractive valuations, which have been lagging peers. The currency too which had also held back interest in the country's stocks is now also looking to be more stable given the inward looking nature of the economy.

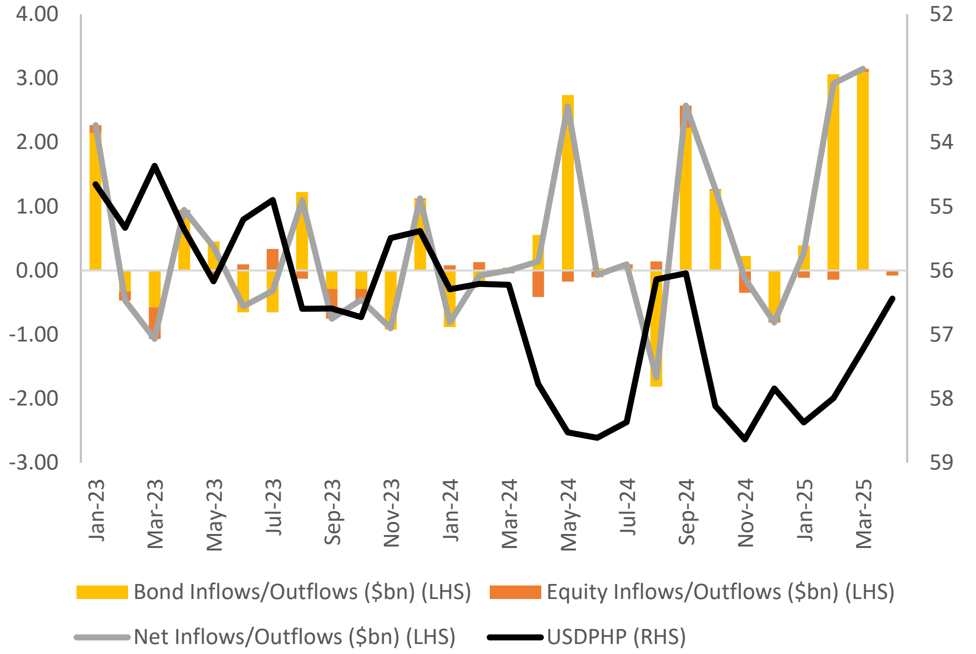
Economic data for the last month showed more softness in the economy, which backs further BSP easing. Mar S&P Global PMI mfg fell into contraction at 49.4 (Feb. 51.0) whilst Mar CPI was at it softest since May 2020 at 1.8% YoY (est. 2.0% YoY, Feb. 2.1% YoY). The Feb unemployment rate fell slightly to 3.8% (Jan. 4.3%) and stands higher compared to last year's levels at 3.50%. The recent readings as a whole added to the continued concerns about the economy. Not to forget too, 4Q GDP had previously disappointed below expectations at 5.2% YoY (est. 5.5% YoY). Meanwhile, Feb budget balance fell back into a deficit at -171.4bn pesos.

OFWR growth in the month of Feb fell below expectations at 2.7% YoY (est. 2.9% YoY, Jan. 2.9% YoY) with the absolute number at $2720m. Our economist continues to see that OFWR growth can still be strong in 2025 at 2.9% YoY as the global PMI should stay in expansion levels of above 50.0 despite the various concerns. OFWR therefore can still act as a support for the PHP.

Risks Ahead: Downside risks include domestic economic weakness that can hurt interest in Philippines assets. Political uncertainty can also impact investor appetite. Upside risks meanwhile would be Fed rate cuts that exceed our call of 50bps as this would help support EM sentiment as a whole.

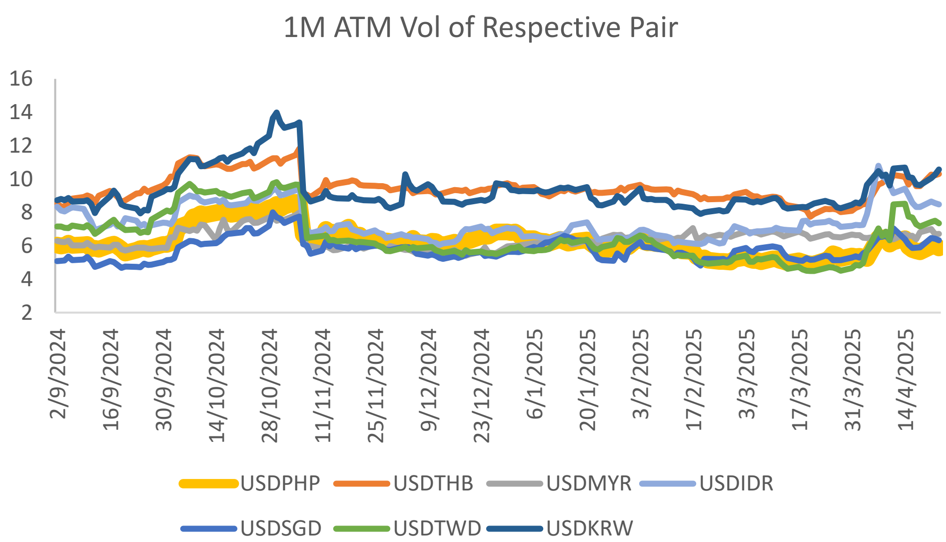
Key Data/Events: Apr S&P Global PMI mfg (2 May), Apr CPI (6 May), Apr foreign reserves (7 May), Mar unemployment rate (7 May), 1Q agriculture output (7 May), 1Q GDP (8 May), Mar bank lending (8 May), Mar OFWR (15 May), Apr BoP overall (19 May), Apr budget balance (27 May) and Apr trade data (30 May)

Portfolio Flows Are Likely to Strengthen Overtime Amid More Rate Cuts and Improving Appetite for Philippines Stocks



Source: Bloomberg, Maybank FX Research & Strategy
Note: Bond flow data not available for Apr 2025 whilst equity flow and USDPHP data for Apr 2025 is as of 28 Apr 2025.

PHP Volatility Stands Much Lower Compared to Peers



Source: Bloomberg, Maybank FX Research & Strategy

THB: Gold, Rate Cuts, Softer Dollar all Helps

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/THB	33.00 (36.00)	32.00 (35.30)	31.50 (35.30)	31.00 (35.00)

Previous Forecasts in Parentheses

Motivation: We have lowered our USDTHB forecast to better reflect a global environment that has actually been more supportive to the currency than we initially thought. A few factors look to be giving support to the THB, which include a softer dollar, elevated gold prices and inflows into Thai bonds. The former two have been driven by an exodus from US assets amid concerns about the country due to the trade policy uncertainty. As for the latter, flows were likely supported by expectations of more BOT cuts in addition to possibly some reallocation out of risk assets such as equities. Into the rest of this year, we see the possibility that a continued exodus from US assets and a more sanguine risk environment could prevail, guiding the dollar softer and both gold and Thai bonds higher. Our economist for that matter is also expecting that the BOT could cut rates by an additional 25bps after having slashed by 25bps at the Apr meeting. Therefore, this backs the trajectory of our USDTHB to keep trending downwards throughout the rest of 2025. However, at the same time, we do recognize that Thailand is among the most trade exposed countries in the region and therefore this makes the country's economy vulnerable to the US reciprocal tariffs in additional to the ongoing US – China tensions. This can therefore somewhat limit the gains for the THB.

The BOT slashed rates by 25bps in Apr to 1.75% as the central bank looks to be leaning more dovish. This time around, the BOT is sounding much more cautious about both the global and domestic economy. They commented that there are high uncertainties and see a slower pace of global growth, noting that the world is just at a beginning part of a process where significant changes would be caused by US trade policies and the potential retaliations. More importantly, they now see that Thailand's economy would grow by approximately 2% in 2025 if the US tariffs remain close to the current rate but that it would grow at only 1.3% if it is set a higher rate. These numbers are much lower than the previous forecasts of around 2.5% back when the Feb decision was made. On inflation, the central bank sees that the headline number would come out at 0.5% YoY, which would actually be much lower than its target rate of 1% – 3%. The forecasts as a whole just simply reflect the level of concerns that they have regarding the economic prospects. In light of this, our economist is expecting that the central bank would stay on hold in June but cut by 25bps in 3Q 2025. This though would be in the event that a Thai-US trade deal results in US tariffs that are only slightly higher than the current 10%. However, if global trade tensions were to worsen, she does not rule out more forceful monetary easing in 2H 2025. Thai bonds meanwhile should remain supported given the possibility of further easing happening.

Thailand's economy remains under significant threat from the US reciprocal tariffs that could be placed on it. On 2 Apr, the US government had announced that the country would be subjected to a reciprocal tariff rate of 36%, which would later be suspended for 90 days as announced by Trump on 9 Apr. Since then, the state of US – Thai relations remains unclear as trade talks between the two has been postponed even as they have started for other regional countries such as Malaysia, Indonesia, Vietnam, South Korea and Japan. The US government has reportedly asked Thailand to review specific items including the misuse of certificate of origin and currency manipulation. The issue regarding the latter does appear to be quite strange too given that Thailand only actually meets one out of three criteria for the US Treasury's definition of currency manipulator which is having a trade surplus of over $15bn with the US. The Thai government has looked to potentially propose some concessions to the US that include importing more energy products, clamping down on the misuse of certificates of origin by Chinese companies and reducing duties on US imports and eliminating non-tariff barriers to trade. It remains to be seen how the ongoing trade negotiations evolves but if the 36% tariff remains in place, it could be quite damaging resulting in growth being lower at 2.0% YoY compared to our economist expectations 2.3% YoY (which looks to assume reciprocal tariffs between 10% - 20%). Currency wise, we are wary also that the reciprocal tariffs can limit gains for the THB and it can be a risk to our forecasts if Thailand is singled out for such high tariffs among its regional peers.

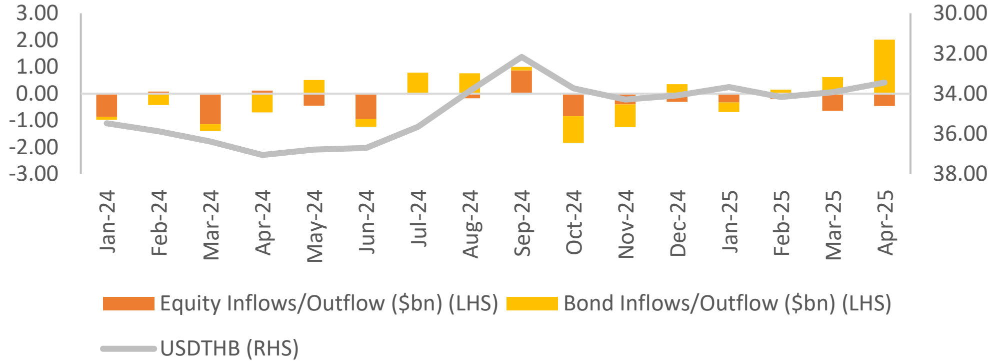
Thailand did see net portfolio inflows of $1.56bn for the month to date until 24 Apr 2025 although equities saw outflows of -$0.46bn and bonds saw inflows of $2.02bn. The former comes as little surprise given that global equity markets have come under significant pressure amid the uncertainty associated with the Trump tariffs. Whilst there can be rebounds in the interim, we are cautious about any significant recovery for Thai equities given the ongoing vulnerability of the country to the US tariffs. Resultantly, we are seeing that equity outflows can risk weighing on the currency in the coming months. Meanwhile, we interestingly see that Thai bonds have actually been performing reasonably well over the last month. Flows into bonds though could have likely been supported by expectations of more BOT cuts in addition to possibly some reallocation out of risk assets such as equities. We expect flows could continue into the bonds given that more central bank easing can still occur. Overall, bond inflows can outweigh equity outflows, which could give the currency support.

Elevated gold prices remain a major support for the THB given Thailand's position as a gold trading hub. Our analysis has shown that higher gold prices likely supported the THB's outperformance in Apr. We are bullish on gold prices as appetite could remain strong amid the uncertainty ahead still and the precious metal has shown to be an effective safe haven in the last few years. Therefore, we expect higher gold prices to keep boosting the THB.

Risks Ahead: There can be upside risks for the THB if there is a strong China growth recovery given the trade links between the two. On the downside, Thailand being singled out alone for the high additional reciprocal tariffs can weigh on the currency.

Key Data/Events: Apr S&P Global PMI mfg (2 May), Apr business sentiment index (2 May), Apr CPI (5 May), Apr consumer confidence (7 – 13 May), Apr car sales (18 – 24 May), 1Q GDP (19 May), Apr customs trade (21 – 26 May), Apr ISIC capacity utilization and mfg index (26 – 30 May), Apr trade data (30 May) and Apr BoP overall/CA balance (30 May).

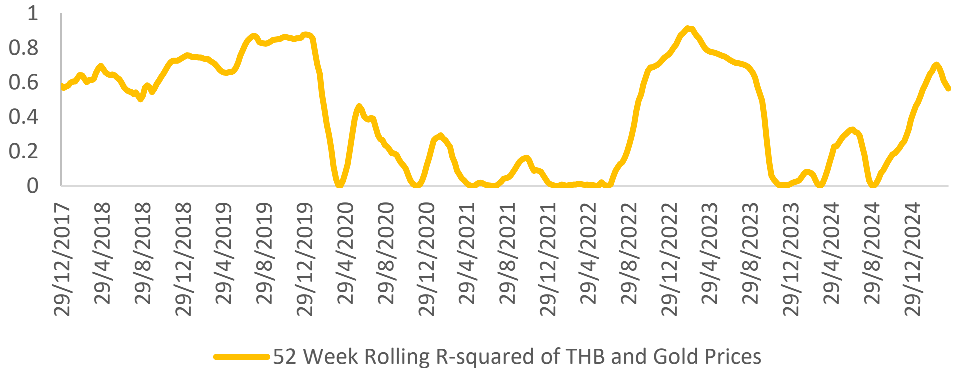
Higher Inflows into Bonds due to BOT Rate Cut Expectations



Source: Bloomberg, Maybank FX Research & Strategy

Note: Equity and bond inflow data for Apr 2025 data is month to date until 24 Apr 2025 whilst the USDTHB rate is as of close onshore 24 Apr 2025

Gold Looks to Have Provided a Lift to the THB



Source: Bloomberg, Maybank FX Research & Strategy
Note: R-squared a measure of the proportion of the variance for a dependent variable explained by an independent variable.

VND: Recovery to Lag

USD/VND	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	25800 (--)	25800 (--)	25600 (--)	25500 (--)

No Change to Previous Forecasts

Motivation: USDVND edged lower amid growing optimism that US is at the cusp of trade deals with at least 17 nations. Easing concerns that Trump would act further to escalate the trade war likely lifted the VND against the USD. That said, the recovery of the VND is likely to lag regional peers amid lingering fears that Vietnam would be affected by sectoral specific tariffs (semi-conductor and lumber) but eyes are on the upcoming trade talk (7 May). The broader sentiment could still be lifted by trade deals and as the US continues to slow, the USDVND could remain on a gradual drift lower toward 25500 over the next twelve months. Softer gold prices could also ease pressure on the VND.

How To Cope with Trade War - Short Term Reliefs and Long-Term Plans. Vietnam is slapped with 46% tariff by the Trump administration on Liberation Day (Apr 2nd) but allowing VND to weaken is one of the ways that the authorities have to cope with the trade war. On the fiscal front, the Finance Ministry proposed to delay the implementation of alcohol excise tax to 2027 from 2026. There is also a plan to diversify its export markets for its agricultural, forestry and fishery products. Deputy Director Nguyen Xuan Hoa of the National Authority of Agro-Forestry-Fishery Quality highlighted that Southeast Asia, the EU, Japan, South Korea and the Middle East offer promising opportunities for the long-term sustainability of Vietnam's agriculture sector (Saigon News). The officials emphasized that plans to diversify would benefit Vietnam in the long term and it is not just a reaction to trade war fluctuations.

Growth is starting to show signs of pressure with the latest Apr PMI sharply lower at 45.6 vs. previous 50.5. Trade balance swung into a surplus of $1.635bn in Mar from previous -$1.55bn. Exports slowed to 14%y/y from previous 25.7% while the growth of imports softened to 19.0%y/y from previous 40.0%. Retail sales of domestic vehicles seem to have slowed drastically to 8.1%y/y from previous 71.5% while retail sales on the whole picked up pace to 10.8%y/y from previous 9.4%. Retail sales remained a silver lining, buoyed by the surge in tourism at +25.1%y/y from previous 17.3%.

Industrial production on the other hand slowed to 8.6%y/y from previous 17.2%. The deceleration was broad-based – we saw the fall in mining & quarrying (-3.9%y/y vs. previous +0.4%), deceleration of manufacturing to 10.2% from previous 20.0%. Electricity and water supply output were also slower at 6.7% and 9.2% vs. 9.9% and 13.9% respectively.

Our economist continues to look for growth to be impacted, downgrading GDP growth to 5.9% in 2025 (from 6.9%) and 5.9% in 2026 (from 6.5%), with risk to the downside. The Vietnam statistics office estimated 10% decline in exports to the US to take GDP growth lower by -0.84%. Household consumption is expected to take a hit eventually amid rising economic headwinds. There could also be factory layoffs in the manufacturing sector but there would be coordinated fiscal and monetary response.

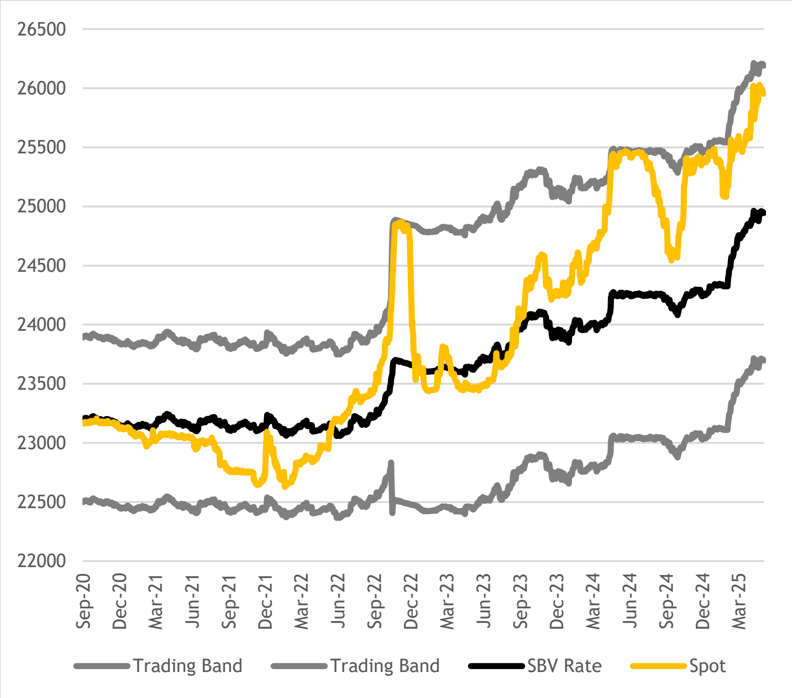
PM Pham insisted that the economic target for Vietnam's GDP remains for a growth of 8% in 2025 and double-digits in the coming years as he addressed the National Assembly in Hanoi. Pham added that Vietnam will manage the currency and interest rates in a flexible manner to ensure demand for loans that will help support growth. There will also be more developments of high-speed railway, nuclear power plants and he pledged to attract more foreign investment into semiconductor and AI sectors.

Earlier, SBV Governor Hong had urged commercial banks to cut operation costs in order to lower lending rates and increase business' access to loans repeatedly. Inflation goal was already adjusted higher to 4.5-5.0% to achieve the higher growth forecast this year. On top of that, Vietnam's government has raised foreign ownership of a few banks from 30% to 49% with effect from 19 May to pave the way to get more foreign investments and find strategic partners from overseas. SBV had said that commercial banks will participate in a VND500trn credit package (imbued with preferential interest rate) for businesses to invest in infrastructure and digital technology. SBV is expected to cut policy rates by 25bps.

Risks to the VND: 1) A 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.

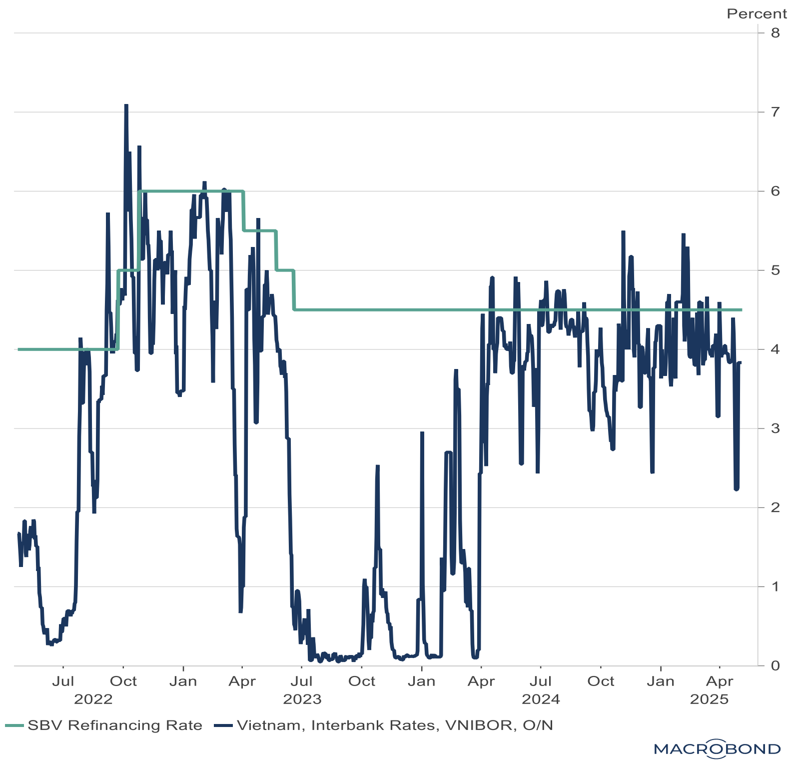
Key Data/Events: Apr trade, IP, CPI and retail sales [6 May].

USDVND Spot has been stable within the band, albeit Elevated. Reference Rate Higher



Source: Bloomberg, Maybank FX Research & Strategy

Liquidity Conditions Are Easing in Vietnam Even as Refinancing Rate Keeps Steady



Source: Macrobond, Maybank FX Research & Strategy

INR: RBI Shifting to Accommodative

USD/INR	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	84.50	84.25	84.00	83.75
	(87.75)	(88.00)	(88.25)	(88.00)

Previous Forecasts in Parentheses

Motivation: We revise our USDINR forecasts lower and incorporate a downward trajectory on the belief that Asian currencies can continue to broadly appreciate against the USD on fading US exceptionalism and an easing of trade tensions. India has been one of the more proactive in negotiating a trade deal with the US and US Vice President JD Vance has expressed positivity over negotiations. Reports are that India is proposing a reciprocal zero tariff deal for steel, car parts and pharmaceuticals up to a certain threshold. While we expect INR to appreciate against the USD, we remain wary that the RBI will continue its stance of leaning against the wind and preferring a stable INR, and this is reflected in the relatively gentler appreciation of the INR in our forecasts.

USDINR NDF traded within an 84.68 to 86.97 range in Apr 2025, broadly lower than the 85.86 to 87.66 range in Mar 2025. Broad-based USD moves are still the dominant driver as we believe RBI is watching the INR closely. India has been very proactive in engaging the US on trade talks, in contrast to China's harder and somewhat unyielding stance. This has provided some reason for previous pressures from the trade front on the INR to ease. Indeed, good relations with the US could potentially improve the situation for India against the highly uncertain and challenging external environment.

In 2025 we see RBI cutting rates by a further 50bps to bring the policy rate to 5.50%. RBI has become accommodative and cut rates by 25bps to 6.00% on 9 Apr 2025. Our expectations are largely in line with market pricing (5.46%) and consensus forecasts (5.45%). 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 accommodative stance. We expect this to moderate INR appreciation, in line with our view in the Annual 2025 highlighting the potential for some catch up for the currencies with central banks that have eased early.

Inflation is expected to ease into 2025 with consensus forecasts suggesting 4.6% YoY. 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% YoY (prev: 6.3%) in real terms, with probability of a recession estimated to be close to 0%.** The fiscal deficit is projected to narrow to 4.8% of GDP in 2025. While these factors are largely supportive of the INR, the RBI and a narrowing yield differential could help to moderate the appreciation of 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.

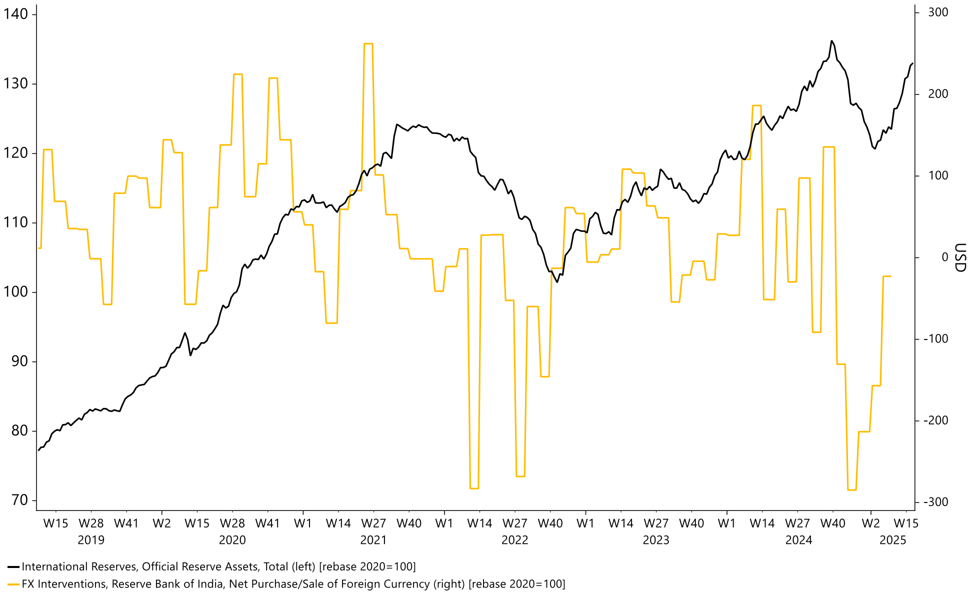
Modi's proactive engagement with Trump should pay dividends. While the Indian economy is not reliant on exports to the US and they are unlikely to be flagged for specific measures from Trump, the mention of reciprocal tariffs could put them in the administration's crosshairs. India is prepared to propose reciprocal zero-tariff arrangements with the US, which if accepted could provide some upside for the INR. 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. Good relations should also mitigate the fact that India is firmly in the crosshairs of the Trump administration as one of the "Dirty 15" that are "cheating on trade" and that could pressure the INR further. Trump could also use India as a sign to show China that trade deals are not only possible, but potentially rewarding.

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. With escalating tensions between India and Pakistan, a potential war between the two could weigh on the Indian economy and the INR.

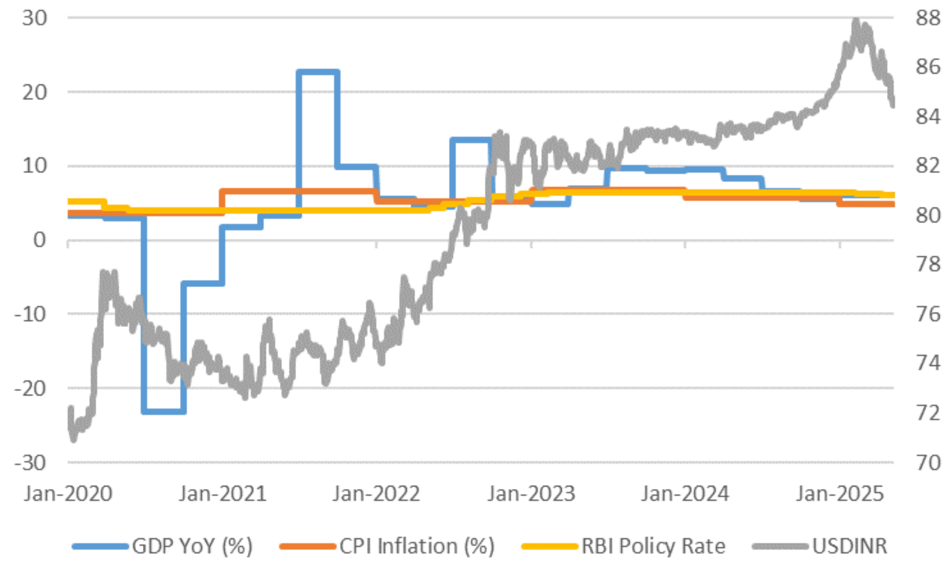
Key data/events: Apr Mfg PMI (2 May), Apr Svcs/Comp PMI (6 May), Apr CPI (12 to 13 May), Apr Trade Balance (15 May), Apr Eight Infrastructure Industries (20 May), May P PMIs (22 May), Apr Industrial production (28 May), 1Q GDP/GVA, Apr Fiscal Deficit (30 May)

Reserve Position Improving



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Some Way to Go to be Accommodative



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Gold: Breather for Now but Climb from Here Will Be Less Steep

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
XAU/USD	3350	3400	3450	3500
	(3200)	(3250)	(3300)	(3300)

Previous Forecasts in Parentheses

Motivation: Gold touched a high of $3500 before easing back to levels around $3300 at the start of May. The 33% run-up (to 3500) from the start of the year was a reflection of concerns over the USD and USTs' safe haven status as well as the potential for geopolitical conflicts. Underpinning factors for the gold remain 1) outlook for real UST yields remain bearish, 2) geopolitical conflicts that could still occur that spur more safe haven demand, 3) inflation expectations in the US have risen due to tariffs, 4) de-dollarization or rather the diversification away from USD or even the fiat may pause but not end. In an environment of rate cuts, growth concerns and inflation fears, gold is likely to remain supported. **However, the cadence of its climb could reduce with the worst of trade uncertainty likely behind us.**

Geopolitical Conflicts/tensions have paused alongside Trump's Tariffs – Driving Safe Haven Demand for gold. The US daily trade policy uncertainty index (that monitors the press coverage on policy-related economic uncertainty that also contain references to trade policy) indicated that the trade uncertainty remained elevated could continue to underpin gold.

The rise of gold notwithstanding the pause in easing cycle. Even as rate cuts were paused this year, gold continues to head higher. This underscores the strong haven demand of the bullion due to multiple geopolitical events and conflicts. We are still looking for two rate cuts (in line with the Fed's guidance) within 2025.

Gold may continue to play a role as an inflation hedge (at least in the US). Surveys (NY Fed 1Y inflation expectations, Univ. of Mich. Sentiment 1Y and 5Y inflation, ISM Mfg and Services prices paid) suggest that inflation expectations could be at risk of unanchoring as the high 145% tariffs on China, 10% tariffs on most US imports as well as other sector tariffs (25% on aluminum, steel) remain in place.

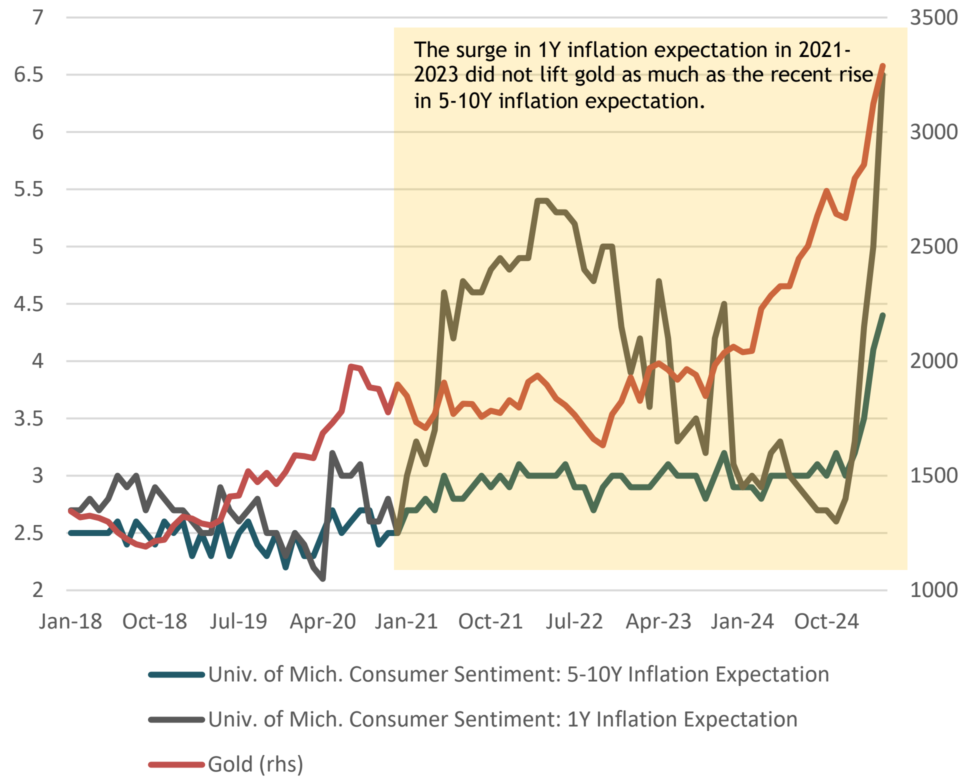
US GDP contracts in 1Q, Apr Mfg PMI Deteriorates in Asia, Downside Risks to Real Yields. Growth faces downside risks – the Fed downgraded GDP forecast for 2025-2027 in its Mar summary of economic projection and the advanced estimate of 1Q GDP confirmed a -0.3%q/q contraction. After taking the Fed Funds Target rate 100bps lower from its peak of 5.25-5.50% last year, the Fed could be in for an extended pause. And as such, the balance of risks to real yields is to the downside, especially if US growth takes a hit and inflation becomes increasingly sticky. That is an environment that remains constructive for gold.

More recently, we have been in a period of a 90-day tariff pause (9 Jul). Trump has spoken about trade talks with around 17 nations with some deals coming as soon as this week (5 May). Any sign of trade de-escalation with China and the rest of the world would be negative gold. Gold has fallen into May due to speculation of trade talks between the US and China and edged higher when Trump clarified there was not going to be one this week, underscoring the bullion's sensitivity to trade developments. **That said, gold's rise goes beyond just the fear of geopolitical tension and safe haven demands. It is also due to the diversification away from the USD as the greenback's safe haven status come into question.** Trump's move to threaten the Fed's monetary independence at one point, the use of financial sanctions in the past and trade sanctions on almost all territories spurred investors, reserve managers and corporates to switch their USD holdings to other liquid currencies (EUR, GBP, CHF, JPY) and also to gold. The de-dollarization or diversification move did not start in 2025 but accelerated due to Trump's policies and unlikely to reverse. As such, it is also less likely for gold to correct significantly in the near-term and especially in an environment of rate cuts, growth concerns and inflation fears. In addition, finite supply in gold and its lure as a physical reliable asset adds on to the support.

Trump's unpredictable policies could keep investors cautious for the rest of his term. We recall that gold had risen around 50% by the end of Trump's first term even with the phase 1 of trade deal inked with China.

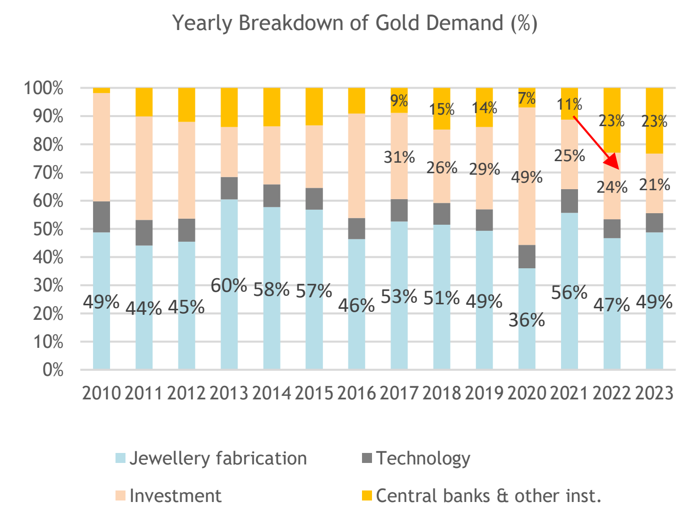
Technical Analysis: Gold retraced lower to levels around $3330 from its high of $3500. Momentum on the daily chart is bearish but uptrend remains intact. Support is seen around 3260 (21-dma) before the next at 3140. Resistance at 3500 and then at 3520. Break of the year high would expose next key target at 3750.

The Fear of Higher Inflation (Tariff-induced) Drives Gold Higher



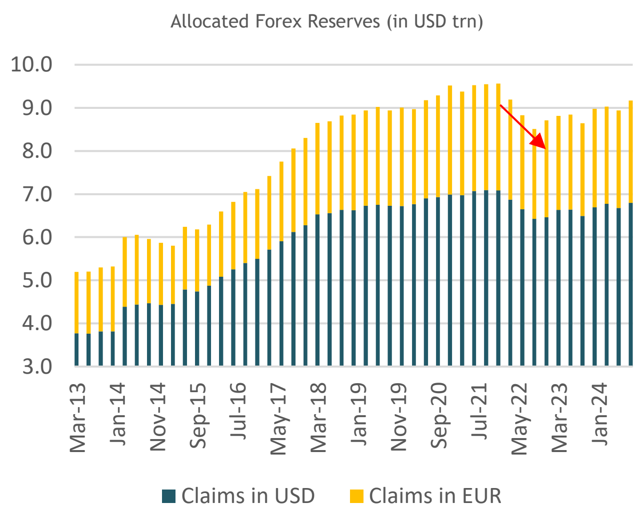
Source: Bloomberg, Univ. of Michigan, Maybank FX research & Strategy

The rise in gold acquisition by central banks…



Source: World Gold Council, Maybank FX Research & Strategy

… Coincides with the drop in forex holdings



Source: Bloomberg, IMF COFER, Maybank FX Research & Strategy

FX Forecast Table

	End Q2-25	End Q3-25	End Q4-25	End Q1-26
USD/JPY	140.00	135.00	132.00	132.00
EUR/USD	1.1300	1.1400	1.1500	1.1600
GBP/USD	1.3350	1.3400	1.3450	1.3450
AUD/USD	0.6350	0.6400	0.6400	0.6500
NZD/USD	0.5800	0.6000	0.6100	0.6100
USD/CAD	1.3900	1.3700	1.3500	1.3400
USD/CHF	0.8300	0.8250	0.8200	0.8150
USD/SGD	1.2950	1.2800	1.2650	1.2600
USD/MYR	4.2500	4.2000	4.1000	4.0500
USD/IDR	16500	16250	16150	16000
USD/THB	33.00	32.00	31.50	31.00
USD/PHP	55.50	55.00	54.50	54.00
USD/CNY	7.25	7.20	7.18	7.15
USD/CNH	7.25	7.20	7.18	7.15
USD/HKD	7.75	7.75	7.75	7.75
USD/TWD	31.80	31.60	31.50	31.30
USD/KRW	1400	1390	1370	1360
USD/INR	84.50	84.25	84.00	83.75
USD/VND	25800	25800	25600	25500
DXY Index	99.74	98.58	97.35	96.67
Gold ($/oz)	3350	3400	3450	3500
	End Q2-25	End Q3-25	End Q4-25	End Q1-26
SGD/MYR	3.28	3.28	3.24	3.21
JPY/SGD	0.93	0.95	0.96	0.95
EUR/SGD	1.46	1.46	1.45	1.46
GBP/SGD	1.73	1.72	1.70	1.69
AUD/SGD	0.80	0.82	0.81	0.82
NZD/SGD	0.74	0.77	0.77	0.77
CAD/SGD	0.93	0.92	0.94	0.94
CHF/SGD	1.56	1.55	1.54	1.55
SGD/IDR	13127	12891	12846	12817
SGD/THB	26.25	25.78	25.30	25.00
SGD/PHP	43.24	43.36	43.48	43.25
SGD/CNY	5.60	5.63	5.68	5.67
SGD/HKD	5.98	6.05	6.13	6.15
SGD/TWD	24.56	24.69	24.90	24.84
SGD/KRW	1081	1086	1083	1079
SGD/INR	65.25	65.82	66.40	66.47
SGD/VND	19923	20156	20237	20238
	End Q2-25	End Q3-25	End Q4-25	End Q1-26
JPY/MYR	3.04	3.11	3.11	3.07
EUR/MYR	4.80	4.79	4.72	4.70
GBP/MYR	5.67	5.63	5.51	5.45
AUD/MYR	2.64	2.69	2.62	2.63
NZD/MYR	2.42	2.52	2.50	2.47
CAD/MYR	3.06	3.02	3.04	3.02
CHF/MYR	5.12	5.09	5.00	4.97
MYR/IDR	4000	3929	3963	3988
MYR/THB	8.00	7.86	7.80	7.78
MYR/PHP	13.18	13.21	13.41	13.46
MYR/CNY	1.71	1.71	1.75	1.77
MYR/HKD	1.82	1.85	1.89	1.91
MYR/TWD	7.48	7.52	7.68	7.73
MYR/KRW	329	331	334	336
MYR/INR	19.88	20.06	20.49	20.68
MYR/VND	6071	6143	6244	6296

*Source: Maybank FX Research as of 7 May 2025. *These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.*

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