FX Monthly

2025, Issue 3: Bracing for Broader Tariffs

What Has Changed This Month?

- We revised our forecasts for EUR and GBP stronger against the USD to reflect the optimism from the fiscal expansion and defence spending narrative in Europe. We still expect some support for the USD from US trade policy and factor in a near-term 2Q 2025 peak for the USD. We also revised gold higher, taking into account strong safe haven demand. Our forecasts for our currencies remains unchanged. Our hearts are with our colleagues, clients and friends that are affected by the earthquake in Myanmar and Thailand.

Our Strategies and Views

- The USD has come off rather precipitously in 1Q due to three main factors 1) the fading of US exceptionalism as confidence slips in the US, 2) the ramp-up of military spending that is EUR and GBP-positive, 3) China's tight control of the yuan enabled it to be the anchor for the region. While we are reluctant to rule out an escalation in trade conflicts and further concomitant two-way volatility within the FX space, the above factors and the growing concerns that Trump's trade policies' could hurt the US economy could mean that sentiment-driven USD gains could be susceptible to reversal. We continue to see much of trade angst to occur within this half of the year (or even within the early part of 2Q) and to look for USD to drift lower as sensitivities to trade headlines dull further and as Fed resume easing in the second half of the year. Meanwhile, US Treasury Scott Bessent's endeavours to bring UST 10y yield lower could also be negative for the greenback.

- Following a tense encounter between Ukrainian and US leaders while meeting to discuss a peace deal, European leaders have stepped up to commit to increasing defence spending as a deterrent towards potential future threats. This has resulted in various proposals and commitments on both an EU, as well as on a country level to ramp up spending. This will likely result in a boost to the Eurozone and UK economies. Key to this is the passage of a spending bill through German parliament that will allow the circumvention of the German "debt brake". We anticipate that this narrative of increased fiscal spending and the resulting growth should be positive for the EUR and GBP, although we recognize that there are relevant risks.

- We stay cautious of the ASEAN FX space as we see the possibility that the major currencies of the region could trade more subdued into 2Q 2025 amid the trade tensions. Trade exposed currencies could be more affected. The PHP and IDR, whilst having a domestically focused economy, would too be affected but through the impact the tensions would have on EM sentiment. The IDR also faces pressure from concerns related to local government policy and the country's fiscal situation. Meanwhile, the SGD looks to be softer given Singapore's trade openness but safe haven flows into the currency should be an offsetting supportive factor.

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Top 3 Currency Plays for Apr

Sell USD on Sharp Rallies, Long Gold on Dips (Strategic)
Short SGDMYR into MAS Policy Decision
Short CHF, EUR against JPY

Key Events for the Month Ahead

Date	Event
28 Apr	Canada's Federal Election
3 May	Australia's National Election
2Q - 3Q 2025	Singapore General Elections

USD: Emergence of Tariff Driven Inflation Concerns

USD DXY	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	105.03	103.40	102.48	102.05
	(108.11)	(108.18)	(108.09)	(--)

Previous Forecasts in Parentheses

Motivation: Global market volatility are likely to peak in 2Q in line with severity of tariff announcements and implementation by the Trump administration. The risk of a broadening global trade war could happen in April onwards as President Trump plans to introduce reciprocal tariffs – which will be customized to individual trading partners – and a 25% tariff on imports of semiconductors, pharmaceuticals and autos on 2 April. Our baseline scenario is for a managed trade war with US and China eventually reaching a mutual understanding and there are partial tariffs (partial cooperation) which implies a stronger USD and safe havens suchs JPY, CHF and Gold followed by an eventual stabilisation in EM Asia FX by end 2025. A prolonged trade war is likely to lead to an extended USD strength for most of 2025 while a trade deal could lead to riskier currencies perform better and USD and safe havens starting to weaken.

We are revising the USD DXY to reflect changes in our EUR and GBP outlook on the back of optimism from the anticipated fiscal spending which should continue to provide a sustained boost for both the EUR and GBP. We have revised our EUR forecasts higher and changed the trajectory for the EUR through the next four quarters. The trajectory for the EUR is also meaningfully altered for an upward path as political risks ease and we expect the optimism from fiscal spending to offset tariff uncertainty and partially offset political risks. In addition, there are potentially further upsides from the peace dividend and fading US exceptionalism. We make a similar forecast adjustment for the GBP, although the GBP trajectory remains largely intact given that it was seen to be more resilient to potential US trade action. In the near-term, we see a peak for the USD in 2Q 2025 and this is reflected as such in the forecasts. We do however note that there are salient risks on the horizon, and in particular we recognize the tremendous uncertainty from Trump trade policy or if the Russian-Ukraine peace deal falls through.

USD DXY has fallen around 3% since 28 Feb 2025, on the back of milder tariff developments so far, softer US economic data, Deepseek driven US equity declines, more positive results from Eurozone and UK boosted by positive developments from a Russia/Ukraine peace deal and Germany's unprecedented fiscal spending program as well as JPY resilience. Uncertainty regarding his policies are still likely to create more market volatility this year. Meanwhile, the Fed is leaning less dovish, possibly delaying rate cuts even as US economy has softened but inflation holds up with concerns of inflationary pressures emerging from tariffs. Against this backdrop of fading US exceptionalism amid trade-tariff plans, UST yields and the broad dollar volatility and trading ranges for affected FX is evident.

We expect the USD likely to still trade at elevated levels over the next few months. We still factor in some further moderate support in the DXY before the greenback eases by end 2025 after some clarity from the US administration becomes clearer by middle of the year. Fundamentally, we still remain negatively biased towards the USD in the medium term as the pivot away from current higher rates and yields materialises as the economic cycle turns and given the country's structural twin deficits and the national debt expected to rise further over the next few years with a fiscal cliff potential in 2025. We reiterate that USD moves in Apr and its pace depends on (1) the speed and depth of the Fed cuts FOMC, (2) extent and dynamics of global growth (excluding US); and (3) how external factors such as tariff imposition and severity, geopolitical risks and ongoing global central bank moves.

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

Fed kept the fed funds rate (FFR) at 4.25%-4.50% for the second consecutive FOMC meeting at the 18-19 Mar 2025 meet. FOMC statement flags increased uncertainty in economic outlook and Fed cuts growth forecasts and bumped up projections on inflation and unemployment rates, plus slowing quantitative tightening (QT) pace beginning Apr 2025.
Maintain our 2025 FFR outlook of -50bps cuts to 3.75%-4.00% and another -50bps cut in 2026 to 3.25%-3.50%.

While maintaining the views that the US economy continued to expand at solid pace amid low and stable unemployment rate on the back of solid labour market conditions as well as inflation that remains somewhat elevated, FOMC statement noted that the "uncertainty around the economic outlook has increased" (vs "economic outlook is uncertain" previously) and removed the remark about the risks to achieving Fed's employment and inflation goals are roughly in balance to underscore the heightened uncertainty. In addition, Fed announced a partial easing in its quantitative tightening (QT) by slowing the pace of the reduction in its holdings of Treasury securities to USD5b from USD25b beginning Apr 2025, while maintaining the USD35b per month reduction in its holdings of agency debt and agency mortgage-backed securities at USD35b.

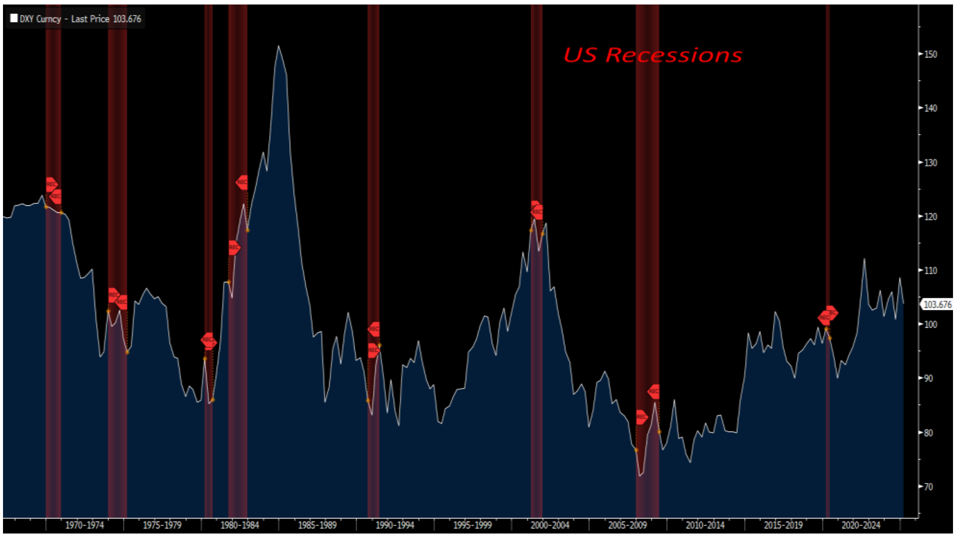
Fed's latest "dot plot" maintain the signals of slower easing cycle in 2025 vs the -100bps cuts in 2024 i.e. -50bps cuts in 2025 (unchanged vs Dec 2024's dot-plot) to be followed by another -50bps in 2026 (unchanged) and -25bps in 2027 (unchanged). The latest dot-plot also maintains the projection for FFR to settle at 3.00% in the longer run. Latest Summary of Economic Projection (SEP) – updated quarterly – saw less sanguine macro outlook. This is as Fed trims its real GDP growth forecasts to +1.7% for 2025 (+2.1% previously), +1.8% for 2026 (+2.0% previously) and +1.8% for 2027 (+1.9% previously). On inflation i.e. based on Fed's preferred measure of inflation – Personal Consumption Expenditure (PCE) price index, Fed bumped up its headline inflation forecast for 2025 to +2.7% from +2.5% and for 2026 to +2.2% from +2.1% while leaving it unchanged at +2.0% for 2027. As for core PCE inflation, Fed raised the forecast for 2025 to +2.8% from +2.5% but kept the projections for 2026 and 2027 at +2.2% and +2.0% respectively. Meanwhile, Fed expects the unemployment rate this year to be slightly higher at 4.4% vs 4.3% previously while keeping the outlook at 4.3% for both 2026 and 2027.

We keep our forecast of two cuts totaling -50bps in FFR for both 2025 and 2026 i.e. end-2025F: 3.75%-4.00%; end-20206F: 3.25%-3.50%. The volatile futures market pricing of FFR is currently also looking at two cuts totaling -62bps for this year and 1-2 cuts around -36 bps next year.

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

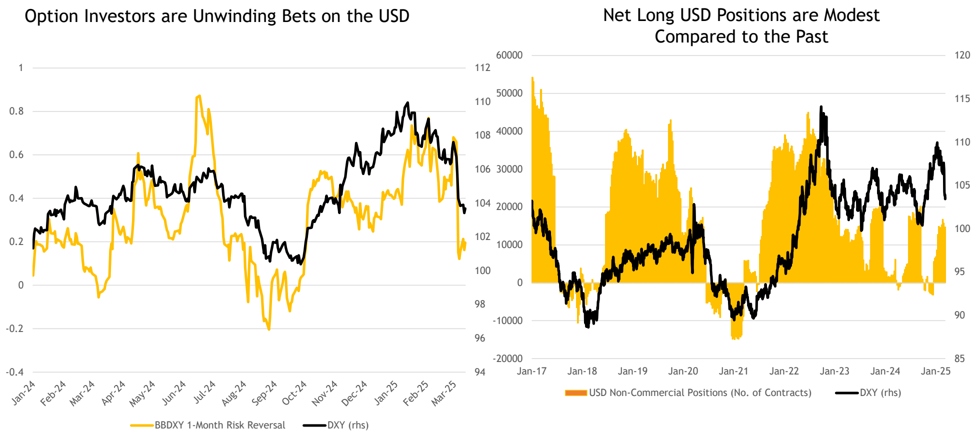
Key Data/Events in Apr 2025: NFP (4 Apr); S&P Global US Manuf PMI (3 Apr); Durable Goods (2 and 24 Apr); ADP (2 Apr); Factory Orders (2 Apr and 26 Mar); Trade Balance (3 Apr); CPI for Mar (10 Apr); Uni Of Michigan Sentiment (11 Apr); Retail Sales (16 Apr); Ind Prodn (16 Apr); GDP 1Q (30 Apr); Core PCE (30 Apr); FOMC (8 May); FOMC Minutes (10 Apr).

DXY (1970-2025) and US Recessions - DXY tends to remain supported but falls thereafter



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

Bullish Bets on the USD Unwind - Still Two-Way Risks for USD



Source: Bloomberg, Macrobond, Maybank FX Research

EUR: Turn Bullish, Recognize Two-Way Risks

EUR/USD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	1.0700	1.0900	1.1000	1.1000
	(1.0250)	(1.0150)	(1.0100)	(--)

Previous Forecasts in Parentheses

Motivation: We revise our EURUSD forecasts higher as we turn bullish on the EUR with the latest plans for increased defence spending and fiscal expansion. Germany has passed its landmark spending bill which will allow for spending beyond the enshrined fiscal rules. We expect that the longer-term headwinds which we saw 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 from the planned increase in fiscal spending and a possible Ukraine peace dividend. Sentiment has improved and political uncertainty has somewhat abated. As such, we revise slightly our forecasts for EUR higher and incorporate an appreciating trajectory amid continued signs of softening US exceptionalism. Nevertheless, we continue to recognize that there are two-way risks although we factor in a peak for the USD in 2Q 2025 as the trade war narrative escalates.

EURUSD traded higher in a 1.0371 to 1.0955 range in Mar, compared to the 1.0141 to 1.0529 range in Feb 2025 on the back of the increased fiscal spending (for defence) narrative). Movements in the EUR continue to be affected by market sentiment over Trump trade policy and the resulting USD moves. US trade policy is likely to continue to provide volatility to the pair. Trump has announced a 25% automobile tariff effective from 2 Apr. Some political risks remain for EUR as we await the formation of the German coalition. The passage of the spending legislation however suggests that a meaningful coalition without the far-left or far-right should not prove difficult. Ultimately, the external environment remains challenging and uncertain for the EUR, although this could now be offset by the optimism from the defence spending narrative.

ECB dovishness is well priced and risks for EUR could be to the upside if ECB surprise to the hawkish side. We expect ECB not to deviate from their data-dependent approach and expect 50bps more of cuts and for the ECB deposit facility rate to end 2025 at 2.00%. The ECB cut by 25bps on 6 Mar 2025 and as expected did not deviate from their earlier position. The fiscal spending narrative could challenge the ECB rate cut outlook although we expect the ECB to remain supportive. A cut is priced on 17 Apr 2025 is priced at 79.2%. At the same time, we recognize that there is a risk that inflation could surprise to the upside once again and that could force the ECB to be more measured on rate cuts later in 2025.

Eurozone growth has been tepid with significant downside risks from potential Trump trade policies and political issues in Germany and France. However, the defence spending narrative should provide a boost to future growth. Eurozone growth had not rebounded as much as we had expected in 2024 and one key issue that remains is that Germany's growth remains weak. Eurozone recession probability is estimated at 30% (prev: 32.5%) and Germany's is at 50.0% (prev: 50.0%). Leading indicators for major Eurozone economies are weak and the EUR is vulnerable to potential Trump trade policies. While we see this as a headwind for the EUR that was unlikely to reverse, optimism from increased fiscal spending could offset trade policies and current tepid growth.

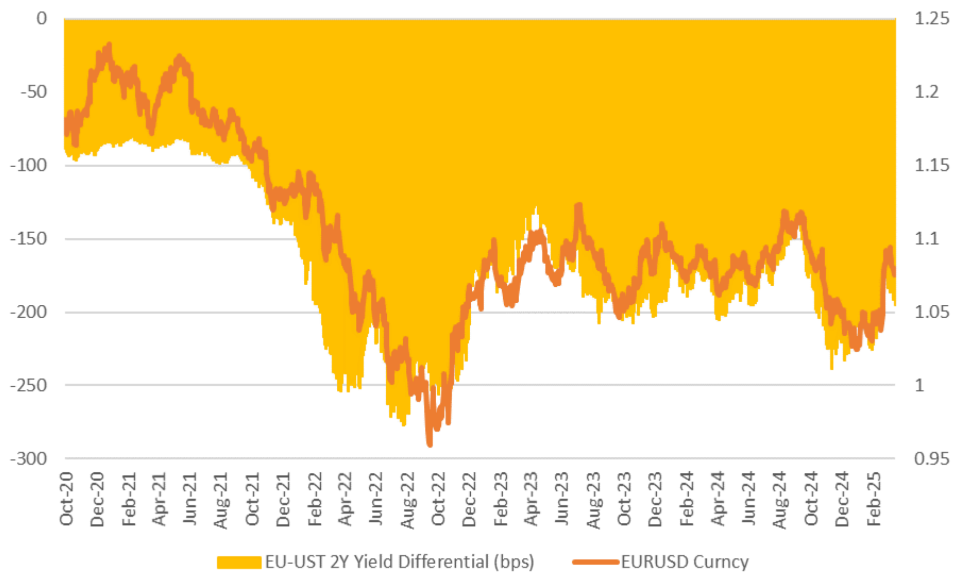
While the political issues in France and Germany have not been completely resolved, the worst should have been avoided. Moreover, the defence spending plan should provide some improvement to sentiment. Nevertheless, we recognize the risks as France runs budget deficits that are rather large and has a very divided parliament. In Germany, a coalition needs to be formed as well, although there is some comfort that the far-right AfD are unlikely to be involved in a coalition.

EURUSD technical levels have been redefined with the breakout on the defence spending narrative. We expect that current supports at 1.0730 and 1.0600 should hold. Meanwhile the 1.1000 resistance should still cap movement in the near-term, with even the defence spending narrative not providing enough impetus for EURUSD to test that level. Stochastics are flagging overbought conditions although these are falling. RSI and momentum are 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.

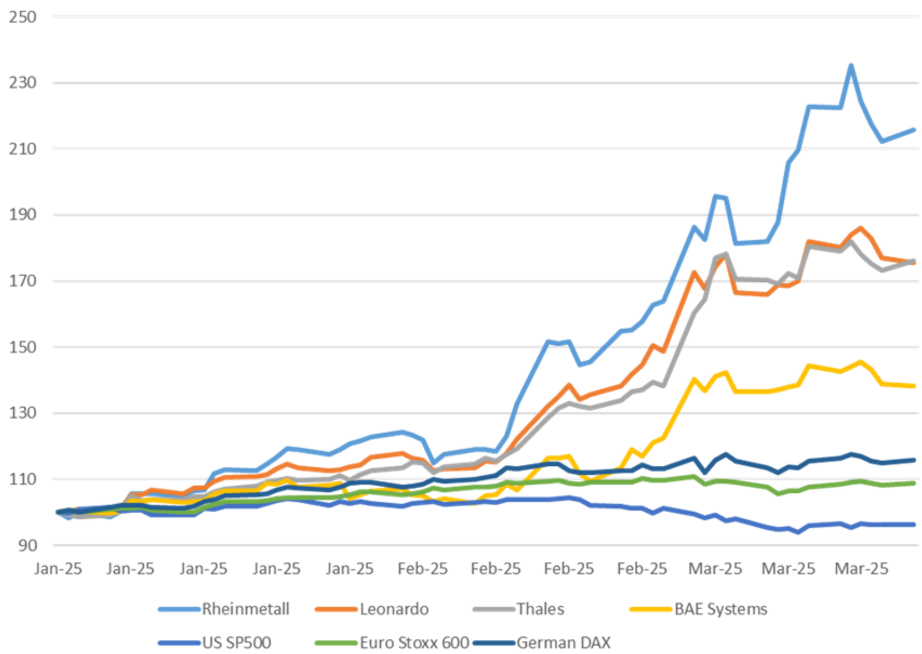
Key data/events: Mar F Mfg PMI, Mar P CPI Inflation, Feb Unemployment Rate (1 Apr), Mar F Svcs/Comp PMIs, Feb PPI (3 Apr), Apr Sentix Investor Confidence, Feb Retail Sales (7 Apr), Apr ZEW Survey Expectations, Feb Industrial Production (15 Apr), Feb ECB Current Account, Mar CPI Inflation (16 Apr), **ECB Policy Decision (17 Apr),** ECB Survey of Professional Forecasters, 2024P Debt/GDP, Apr P Consumer Confidence (22 Apr), Apr P Mfg/Svc/Comp PMI, Feb Construction Output, Feb Trade Balance (23 Apr), Mar ECB 1Y/3Y CPI Expectations (24 Apr to 30 Apr), Mar Money Supply, Apr Consumer/Economic/Industrial/Services Confidence, 1QA GDP (29 Apr).

Yield Differentials Continue to Drive EURUSD



Source: Bloomberg, Maybank FX Research & Strategy

Defence Spending Narrative Evident in Equity Outperformance



Source: Bloomberg, Maybank FX Research & Strategy

GBP: Easing Stagflation Risks

GBP/USD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	1.2900	1.3000	1.3050	1.3100
	(1.2550)	(1.2600)	(1.2600)	(--)

Previous Forecasts in Parentheses

Motivation: We revise our GBPUSD forecasts higher and turn more bullish on the GBP with its plans to increase defence spending, maintain fiscal discipline and easing stagflation risks. We maintain our belief that the GBP will be more resilient on the basis that the UK as a services-oriented economy is less likely to be influenced by Trump trade policies. As a close ally of the US, it will probably also be spared from significant actions by the Trump administration. This is in spite of an external environment that remains highly uncertain and challenging, which could weigh on a high-beta currency like the GBP.

GBPUSD traded in a 1.2570 to 1.3015 range in Mar, broadly higher than the 1.2249 to 1.2716 range in Feb. The increased defence spending narrative at the turn of the month was the main reason for the stronger GBP. 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.

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 broadly consistent with market pricing and consensus forecasts. 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 35% (prev: 35%) and UK economic data has generally been robust. The prospects for a services-oriented economy are also likely better than for goods-oriented economies against a backdrop of tariffs and potential escalation in trade tensions. As a close ally of the US, the UK is also unlikely to be flagged by the Trump administration for further trade measures. The 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.

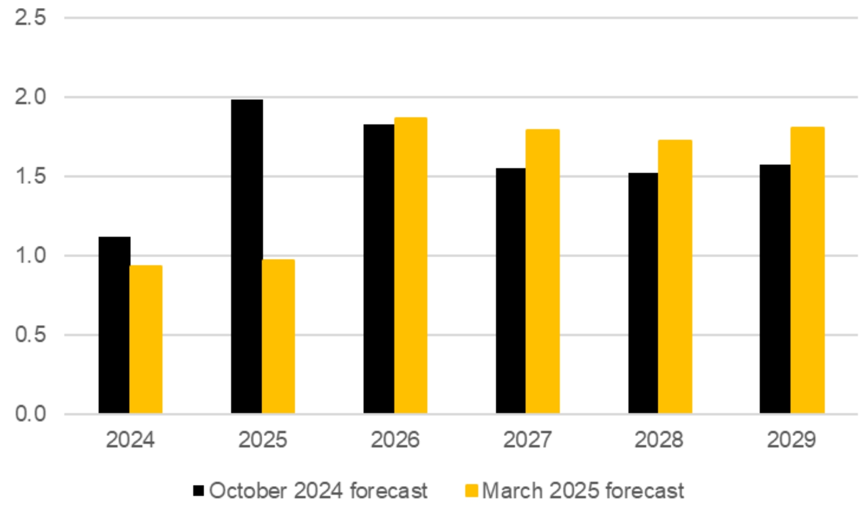
The continued approach by Starmer administration towards improving relations with the EU should be supportive of the GBP. UK fiscal deficits are expected to narrow to 3.8% of GDP in 2025 and 3.3% of GDP in 2026. We earlier expected reduced fiscal deficits to be better for the GBP, but this has thus far played out to the contrary, with tightening of the fiscal deficit associated with weaker growth prospects for the UK economy. 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. We note that a debate on the UK applying to join the EU is scheduled for 24 Mar 2025 in Westminster Hall in response to a petition. 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. On net, we expect this to be GBP supportive.

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 part of 2024) should greater clarity on trade policies be supportive of a global growth environment. It is possible that Trump uses tariffs and trade policies as a negotiation tool to achieve his goals for the US, i.e. as a means to an end and not as an end. Should China not be as badly hit as expected, then the global growth outlook could pick up and we should see some resilience return for the GBP.

Risks to our view: GBP remains a high beta currency that is susceptible to changes to the global economic outlook. More specifically, if Trump's policies threaten a soft landing for the global economy and threaten the resilient economic outlook for the UK, that could weigh on the GBP 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. The Conservatives could derail efforts to improve UK-EU relations and this could ruin the expected boost for the GBP from warmer relations between the EU and the UK. Risks to the defence spending narrative could also jeopardize confidence in the UK and the GP (recall Liz Truss).

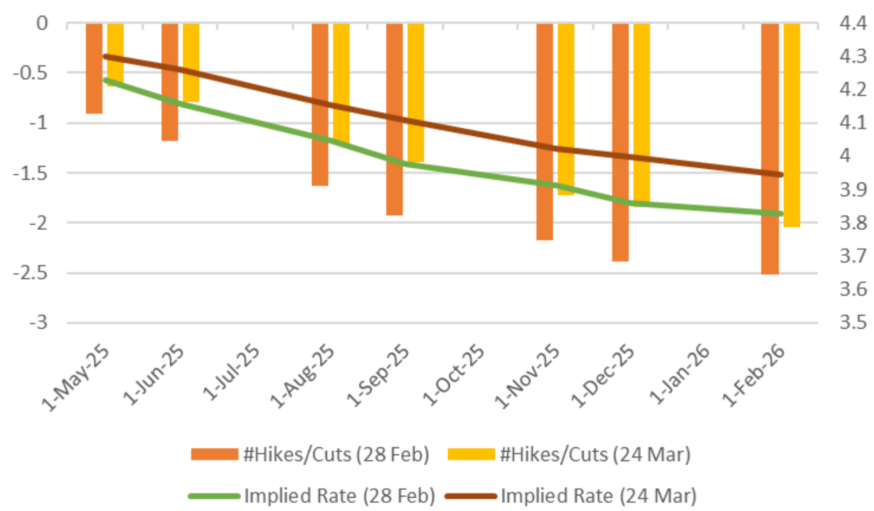
Key data/events: Mar BRC Shop Price Index, Mar Nationwide House Px, Mar F Mfg PMI (1 Apr), Mar Official Reserves Changes, Mar DMP 3M Output/1Y CPI Expectations, Mar F Svcs/Comp PMI (3 Apr), Mar Construction PMI (4 Apr), Mar RICS House Price Balance (10 Apr), SP, KPMG and REC UK Jobs Report, Feb Monthly GDP, Feb Industrial/Manufacturing Production, Feb Trade Balance (11 Apr), Apr Rightmove House Prices, Feb Weekly Earnings, Feb ILO Unemployment, Mar Jobless Claims (15 Apr), Mar CPI/RPI/PPI (16 Apr), BOE Liabilities/Credit Conditions (17 Apr), Apr Trends/Optimism (18 Apr to 24 Apr), Apr CBI Sales (21 Apr to 27 Apr), Mar Public Finances, Apr P Mfg/Svcs/Comp PMIs (23 Apr), Apr GfK Consumer Confidence, Mar Retail Sales (25 Apr), Apr BRC Shop Price Index (29 Apr), Apr Nationwide House Px, Llyods Business Barometer (30 Apr).

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



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

BOE Cuts Should Be Measured and Supportive of GBP



Source: Bloomberg, Maybank FX Research & Strategy

CHF: Safe-Haven Support Against Dovish SNB

USD/CHF	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	0.8850	0.8850	0.8850	0.8875
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our forecasts for a relatively flat trajectory for USDCHF amid safe-haven support and a dovish SNB. The outlook for the CHF is nuanced in that as a safe-haven it should perform well in an increasingly uncertain external environment. At the same time, the SNB has expressed a preference for CHF weakness. 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 and has yet to become the funding currency of choice. 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. As such, we maintain our relatively flat USDCHF forecasts for the four quarters ahead on safe-haven support for CHF and an offset from a dovish SNB

USDCHF traded in a broadly lower 0.8756 to 0.9031 range in Mar compared to the 0.8912 to 0.9197 range in Feb 2025. USDCHF was largely dragged lower alongside a stronger EUR and GBP on the defence spending narrative. There were episodes of broad USD weakness that were precipitated by an improvement in sentiment over US trade policy and falling UST yields. However, there were also episodes of USD strength, although the CHF was on net stronger against the USD. Nevertheless, the CHF maintained some resilience through these episodes, as expected of a safe-haven. Moving forward, we expect safe-haven properties to remain intact amid highly uncertain and volatile US trade and foreign policy.

We expect the SNB to cut rates by 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 prints remained within the target band at 0.3% YoY (exp: 0.2%; prev: 0.4%), and although Swiss REERs and NEERs remain at elevated levels, the stronger EUR and GBP should mitigate the risk of inflation falling below the target band.

Economic growth in Switzerland is tepid. While probability of a recession is relatively low at 17.5% (prev: 17.5%), growth is expected to print at 1.3% in 2025 and 1.5% in 2026 (prev 2025: 1.4%; prev 2026: 1.5%). 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.

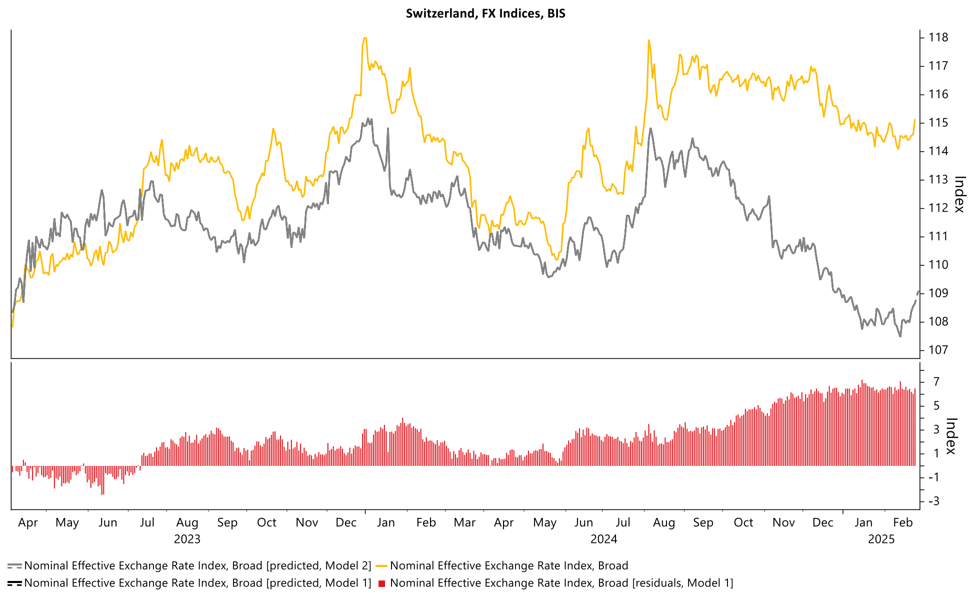
With BOJ expected to hike and SNB expected to ease, we approach a potential pivot where CHF could replace JPY as the funding currency of choice. BOJ overnight rate is now at 0.50% and SNB is at 0.25%. BOJ is also expected to hike further while SNB should ease to 0%. Should the conditions for carry trades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

The earlier double top seems has played out and the USDCHF rests at the region of support around the 0.88 level. We see resistances at 0.8960 (50dma, 100dma) and 0.9000 levels. Support is at 0.88 figure. Stochastics are flagging oversold conditions while RSI and momentum are neutral. Continue to see two-way risks for the pair.

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

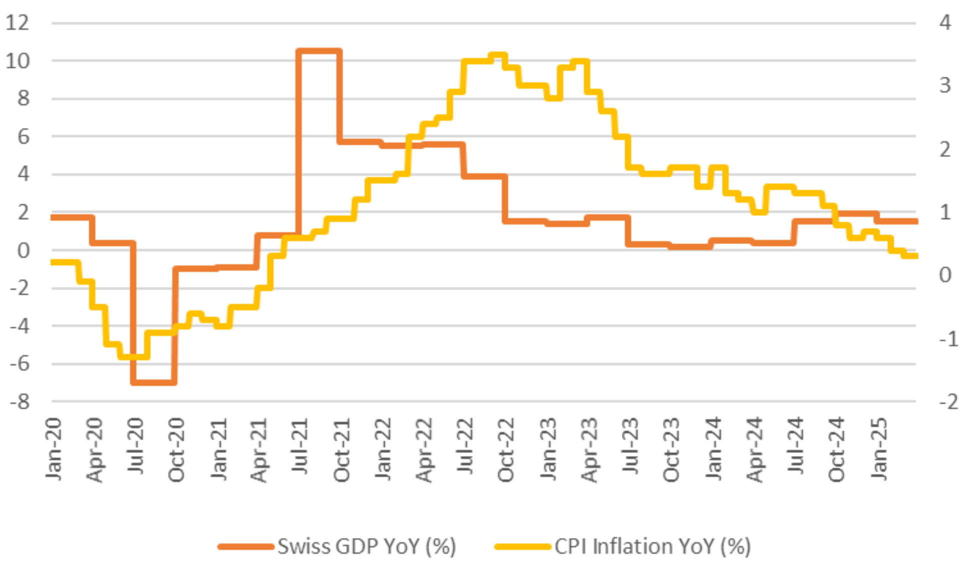
Key data/events: Feb Retail Sales, Mar Mfg/Svcs PMI (1 Apr), Mar CPI (3 Apr), Mar Unemployment Rate (4 Apr), Mar FX Reserves, 1Q Real Estate Index Family Homes (10 Apr to 15 Apr), Mar SECO Consumer Confidence (11 Apr), Mar Producer & Import Prices (14 Apr), Mar Exports/Imports (17 Apr), Mar Money Supply (22 Apr)., Apr KOF Leading Indicator, UBS Survey Expectations, Mar Retail Sales (30 Apr).

Swiss NEER Remains Elevated



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Swiss Inflation is Benign and Growth is Tepid



Source: Bloomberg, Maybank FX Research & Strategy

AUD: On the Cusp of Liberation Day

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
AUD/USD	0.6000	0.6100	0.6200	0.6300
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: True to our expectations, AUDUSD was unable to sustain gains above the 0.64-figure for long and spent much of March in two-way swings. AUDUSD fell from its year highs along with risk sentiment Trump's tariffs on Canada, Mexico, steel and aluminium take effect in early Mar and there could be more coming on the so-called Liberation Day on 2 Apr where Trump would impose reciprocal tariffs on 15 "dirty nations" with persistent trade surplus with the US according to Treasury Secretary Scott Bessent.

We retain our view that AUD could fall towards 0.60 from here, <u>albeit with more caution than before.</u> Our view has long been based on our expectations for Trump to start imposing tariffs on China within the first half of the year and it did, 20% thus far. However, tariff announcements seem to have ricocheted on the US economy and took a hit on business and consumer confidence at home. With Trump wanting to be "more lenient" on Liberation day, the USD seems more vulnerable than before. We do not want to rule out more volatility into Apr, especially with the run-up in copper prices.

<u>A Bearish Reversal of Copper Could be Negative for AUD.</u> Trump's tariffs on copper prices have taken a while to be "investigated" and that had also allowed time and room to spur stockpiling of copper. Trump had reiterated on 26 Mar that tariffs could be imposed on copper imports within several weeks. He said that the levies are meant to boost domestic production of critical minerals. **Copper has been on a rise amid fears of tariffs that can drive up the cost of this critical metal used widely by US manufacturers. That result in a growing gap between the NY Comex price vs. the London Metal Exchange of around $1700/ton (17%). Inventory restocking of copper and urgent shipments to capture the premium had also been somewhat supportive of the AUD and keeping the AUDUSD from slipping further. That could mean that once the gap reaches 20% (a speculated level of tariff rate), copper may not have much room to gain. Some unwinding of copper may also see AUDUSD fall in 2Q. We retain our view that AUDUSD could fall towards 0.60.**

<u>What Happens At Home.</u> The Feb labour report shocked with a sharp decline of 52.8K net employment - 35.K of which was full-time employment. That said, we keep in mind that these figures tend to be choppy. Unemployment rate is still steady at 4.1%. A more recent study by RBA also saw a fall in the NAIRU estimates and the current unemployment rate remains well below the NAIRU, which still indicates a rather tight labour market. Household spending eased to 2.9%y/y from previous 4.2%for Jan. On a monthly basis, spending actually picked up oace to 0.4% from previous 0.2% (revised lower). Consumer confidence rose 4.0% to 95.9. A more cautious business sentiment belie this healthy picture of consumption at home with NAB business confidence down to -1 for Feb from 5 in the month prior. This is likely due to the bombardment of tariff headlines that have soured sentiments and dampened confidence.

<u>Meanwhile, inflation continues to ease</u>. Feb CPI inflation has slowed to 2.4%y/y from previous 2.5%. Trimmed mean has also eased in tandem to 2.7%y/y from previous 2.8%. Breakdown suggests that the slowdown was due to softer housing inflation and a fall in fuel costs. That should nudge the RBA into making another cut in May after RBA receives the full quarterly CPI report on 30th Apr.

RBA is poised to make a policy decision on 1 Apr (next week). We look for a rate cut in May rather than in Apr. 1) RBA had repeatedly mentioned about how further cuts cannot be assumed simply because of its decision to start easing on 18th Feb with a 25bps reduction in cash target rate. The central bank wishes to monitor the labour market tightness and has more recently emphasized that the labour market remains tight with reference to its latest NAIRU estimate at around 4.69%. 2) Unemployment rate is steady at 4.1% for Feb, well below the NAIRU estimate. 3) Pre-election budget presented is expansionary and that could support the economy and reduce the need for the central bank to cut. As such, it is more than likely for RBA to keep cash target rate unchanged at 4.10% next Tue. We expect reiteration on the tight labour market,

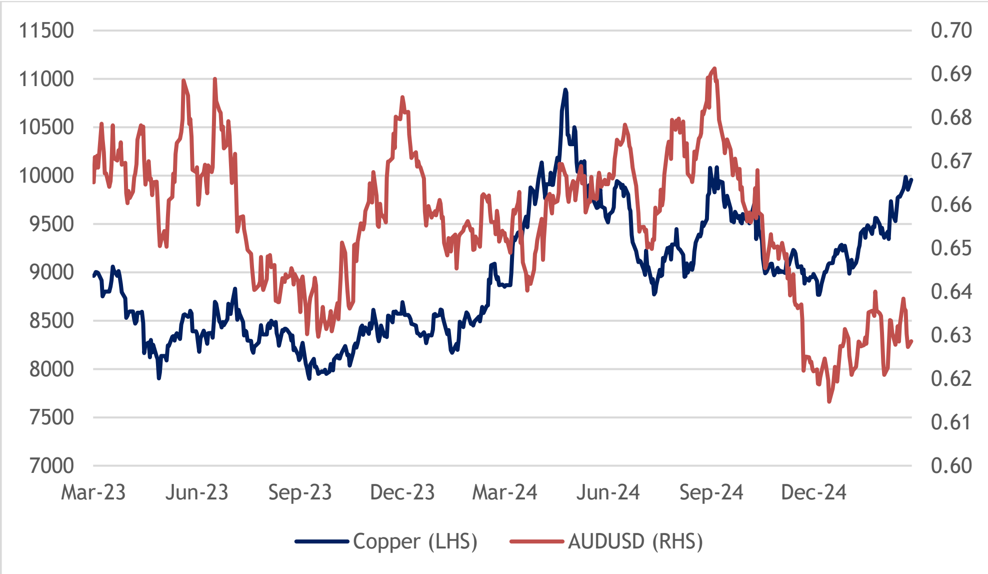
RBA Bullard has mentioned about being in no rush to cut rates. With inflation easing, consumer confidence supported, it is likelier for the RBA to wait for another inflation print before taking the cash target rate lower by another 25bps in May. Cash target rate implies

0% probability of a rate cut on 20 May and close to nothing for Apr. We suspect that the decision will not move the AUDUSD much.

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

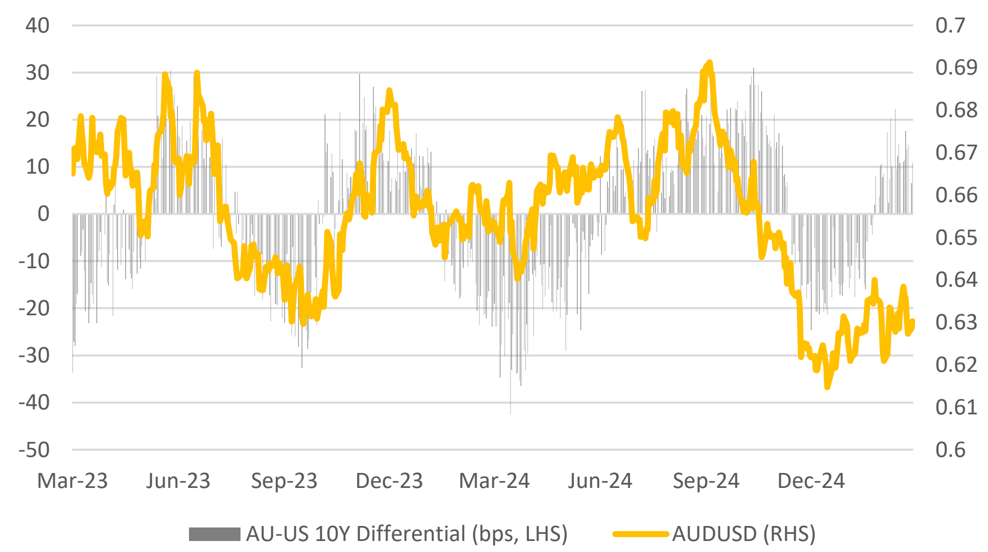
Key Data/Events: Feb retail sales, RBA cash target rate decision [1 Apr], Feb trade [3 Apr], Feb household spending [4 Apr], ANZ-Indeed mar Job advertisements [7 Apr]. Apr Westpac consumer confidence, Mar NAB business survey [8 Apr], Mar labour market [17 Apr], Mar CPI and 1Q CPI [30 Apr].

Copper Prices Have Been Supportive of Aud, Offsets Negative Risk Sentiment



Source: Bloomberg, Maybank FX Research & Strategy

AU-US Yield Swings Also Lift the AUDUSD



Source: Bloomberg, Maybank FX Research & Strategy

NZD: Room for outperformance against the AUD

NZD/USD	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	0.5500	0.5700	0.5800	0.5900
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: A rounding bottom has formed for the NZDUSD which portends further recovery. Our expectations for NZD to outperform AUD played out well in Mar, benefitting those who look for lower-beta FX play. The outlook for NZDUSD continues to remain positive as the economy recovers and the pace of easing is likely to slow, notwithstanding the sudden departure of Governor Adrian Orr.

A case for further easing macroprudential capital rules. Deputy Governor Christian Hawkesby would be acting governor until 31 Mar. A decision on the temporary Governor is not expected to be made before 1 Apr who will serve for at least six months until a permanent replacement is found. After his resignation on 5 Mar, banks complained that RBNZ's recommended capital levels (in 2019) that are meant to ensure banks can withstand a one in 200 year shock has been too severe and had pushed up interest rates. FinMin Nicola Willis seem to agree, saying that there could be "a case for both rebalancing the risk weightings the RBNZ attaches to business lending and mortgage lending to encourage the former, as well as a generalized relaxation of the rules". The IMF begged to differ – noting that capital requirements are not perceived to have restricted credit growth of the economy and urged for rates cuts, broader tax policy reforms and initiatives to address fiscal challenges and growth. IMF recommends another two 25bps rate cut by mid 2025 to keep inflation within the target band of 2-3% and that would make 3.25% the estimated A neutral level, a tad higher than RBNZ's neutral estimate at 2.90%.

RBNZ is likely to slow in the pace of easing, cut 25bps on 9 Apr. We continue to expect another 75bps rate cut for this year, taking the OCR to 3.00% by end 2025. We look for RBNZ to take the OCR lower by 25bps on 9th Apr, a slowdown in the pace of easing. This was already guided by RBNZ Chief Economist Conway earlier in Feb. Markets now look for approximately -68bps cut, roughly in line with RBNZ's guidance for another 65bps by 1Q 2026. While growth continues to contract in 4Q 2024 on a year-on-year basis, it was a smaller contraction than expected. NZ has also exited a recession with a sequential growth of 0.7%q/q in 4Q of 2024, a rebound from the -1.1% contraction in the quarter prior. Breakdown suggests that service exports drove the rebound, helped by strong tourist arrivals. Domestic demand still looked a tad weak with private consumption up +0.1% while higher public demand, business investments contributed to the stronger headline GDP growth. Growth may still need further boost from rate cuts.

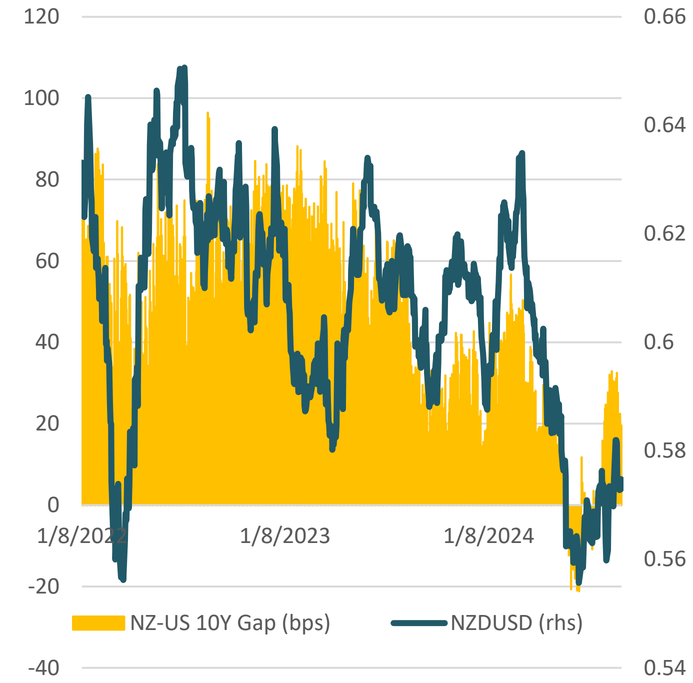
Some fragility in domestic demand along with Trump's trade policies support the case for further rate cuts. Higher frequency data suggests that confidence could be taking a hit - performance services index has fallen to 49.1 in Feb form previous 50.4. However, if we look at the indicator, it is still on an uptrend, possibly due to the fact that RBNZ has been one the most aggressive central banks in this easing cycle. Retail card spending has risen +0.3% in feb, from -1.6% decline seen in Jan. Total card spending however, was still unchanged on the month. That certainly suggests some bolstering required from further rate cuts that could potentially reduce mortgage costs for residents. We are also wary of the impact of Trump's frictional trade policies that could slow global growth and weigh on pro-cyclical NZD.

Trade. Trade balance had been improving with 12m rolling trade deficit narrowing to NZ$6.7bn in Feb from prev. NZ$7.3bn. 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.

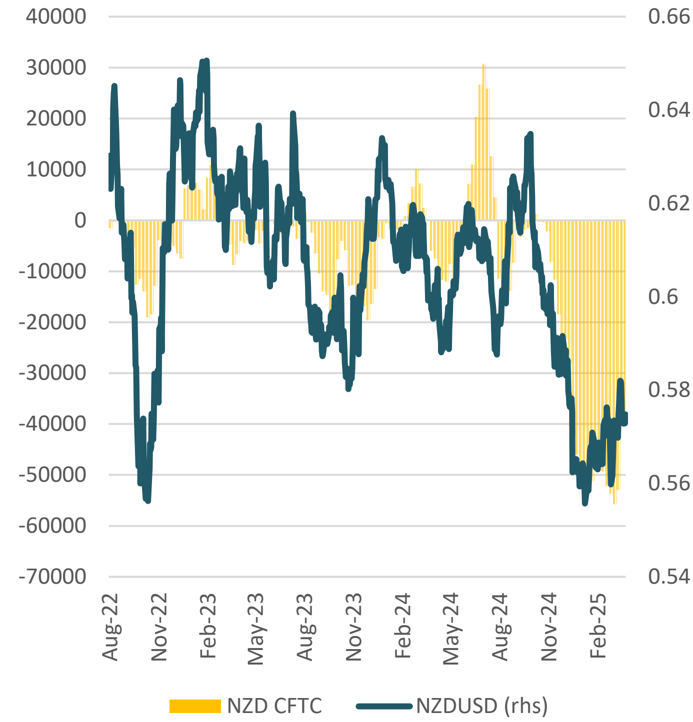
Risks: 1) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the NZD via the sentiment as well as the trade channel; 2) Trump's trade policies could continue to generate greater volatility for the NZD in the near term;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

Key Data: Mar ANZ business confidence [3 Apr], **RBNZ policy decision [9 Apr]**, Mar BusinessNZ Mfg PMI [11 Apr], Mar Performance services index, Mar card spending [14 Apr], Mar food prices [15 Apr], Mar trade [16 Apr], 1Q CPI [17 Apr], Apr ANZ consumer confidence [24 Apr].

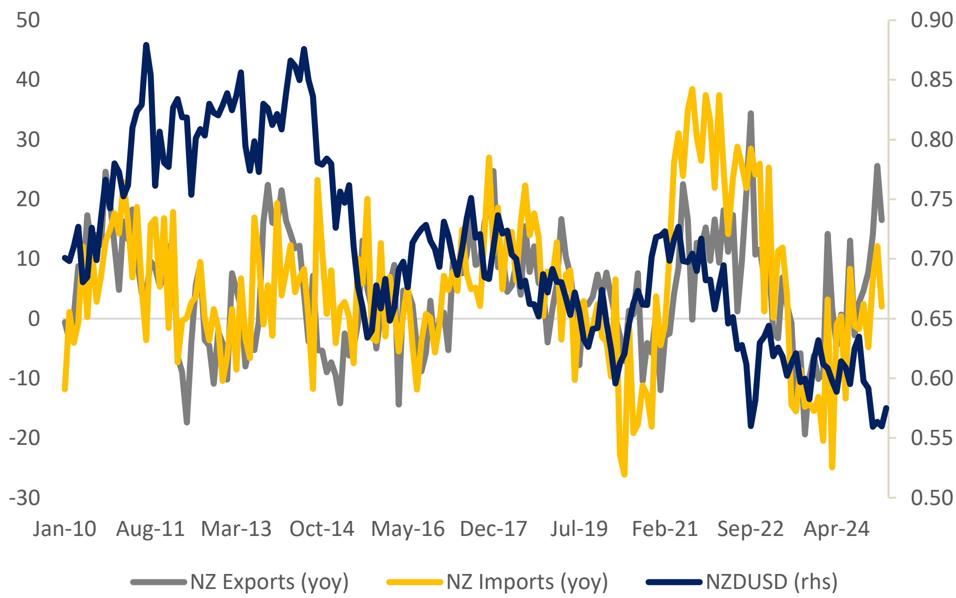
NZ-US Yield Differential Lift the NZDUSD



Net Short NZD Positions Are Correcting



Improvement in Trade Help Cushion the NZDUSD



Source: Bloomberg, Maybank FX Research & Strategy

CAD: Trade War Comes and Goes - Worst Is Likely Priced

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/CAD	1.4600	1.4500	1.4300	1.4000
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: New PM Mark Carney had called for snap elections on 28 Apr and he seems to be in a strong position to lead the Liberals to victory on polling day. At last check, the Liberals hold a six-point lead over Conservatives according to the Leger poll with 44% of decided voters surveyed that they would vote Liberal, ahead of the Conservatives at 38%. Thus far, the CAD has been little affected by the call for election, namely because it was widely expected and also because Carney seems to be enjoying a strong lead and that suggests a high likelihood of policy continuation. We see possibility that the CAD would remain increasingly resilient to tariff announcements as the worst of trade conflict could be priced in. A growth slowdown for the US and further policy easing by the Fed should on net, bring the USDCAD lower. Over in Canada, there is also the potential for BoC to cut rates more than what markets expect (-38bps) in order to boost growth. Our view is for a gentle move lower in the USDCAD towards 1.40 in four quarters.

<u>The US-Canada Trade War.</u> US has allowed the 25% of tariffs to take effect on 4 Mar, 10% on Canadian energy. On 26 Mar, another 25% tariff is now levied on all foreign cars, which could take tariffs on Canadian tariffs up to 50% as well. Thus far, Canada retaliatory tariffs include 25% levy on C$60bn of goods. The scope of the tariffs would broaden to $155bn if the current US tariffs are maintained. In response to the latest tariffs on auto, PM Carney had described it as a “direct attack” on Canada’s auto sector, a violation of the USMCA agreement. He is considering to impose counter-tariffs. Just today (27 Mar), Trump had threatened to impose more tariffs on the EU and Canada if they worked together “to do economic harm” to the US. We see the worst of US-Canada conflict likely in the price of the CAD for a while now. As such, CAD was able to maintain relative resilience to other peers such as the AUD and the SGD.

Sovereignty issue. In response to Trump’s desire for Canada to be the 51st state of the US, PM Canada promised to boost defense spending if he wins the national elections. He promised an “unprecedented acceleration of investment” in Canada’s armed forces. The Conservatives also planned to “maintain defense budget increases” should they take over.

Growth-wise, some leading indicators suggest that business sentiment has deteriorated including the CFIB where small business optimism had fallen to the lowest on record at 25.0 in Mar vs. previous 49.8. Wage plans have become more conservative falling to 1.9% vs. prev. 2.2%. Intention to decrease staffing has risen significantly. Retail sales have fallen -0.6%m/m in Jan vs. previous 2.6%. **Inflation-wise**, CPI actually picked up pace in Feb by 1.1% vs. 0.1% in Jan which boosted yoy inflation to 2.6% vs. prev. 1.9%. To a certain extent, the fading of the general sales tax holiday had boosted the headline. There are expectations that the current uncertainty would further dampen demand and ease inflation further.

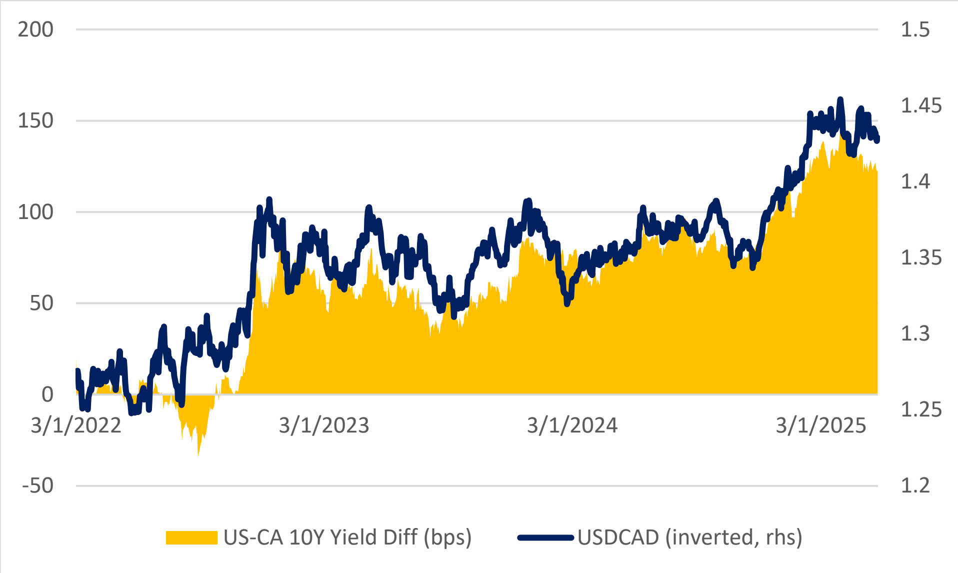
BoC cut the bank rate by 25bps on 12 Mar and took policy rate to 2.75%, in line with our expectations as well as consensus. Based on the summary of deliberation, there was a debate on whether the BoC should pause in its easing cycle in Mar but policymakers eventually decided on the cut to ease borrowing costs for consumers and businesses affected by the trade war. The committee agreed to “proceed carefully” with further rate changes. Governor Macklem had said that policymakers will be “less forward looking than normal until the situation is clearer”. This does raise the bar further easing and potentially lend some boost to the CAD from here. We do think that as growth continue to falter, there is room for BoC to cut policy rate (overnight lending rate) by another 50bps within the year and take the policy rate to 2.25%.

US-CA yield differential Little Changed in Mar. The US-Ca rate differential has been driven primarily by the US treasuries and its effects on global yields. Bounce up in UST yields such as the 10Y to around 4.36% is matched by a bounce in 10y Canadian yields to 3.13%, as such differential remained roughly at a premium of 123bps, leaving USDCAD sideways.

Risks Ahead: (1) US inflation and concomitant policy trajectory is key for USD direction and any re-accelerations to boost USD against the CAD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a global recession is negative for the CAD. (3) An escalation of the middle-east conflict could boost the USDCAD as it had before as supply-induced higher oil prices tend to be more negative for risk sentiment and concomitantly positive for USD.

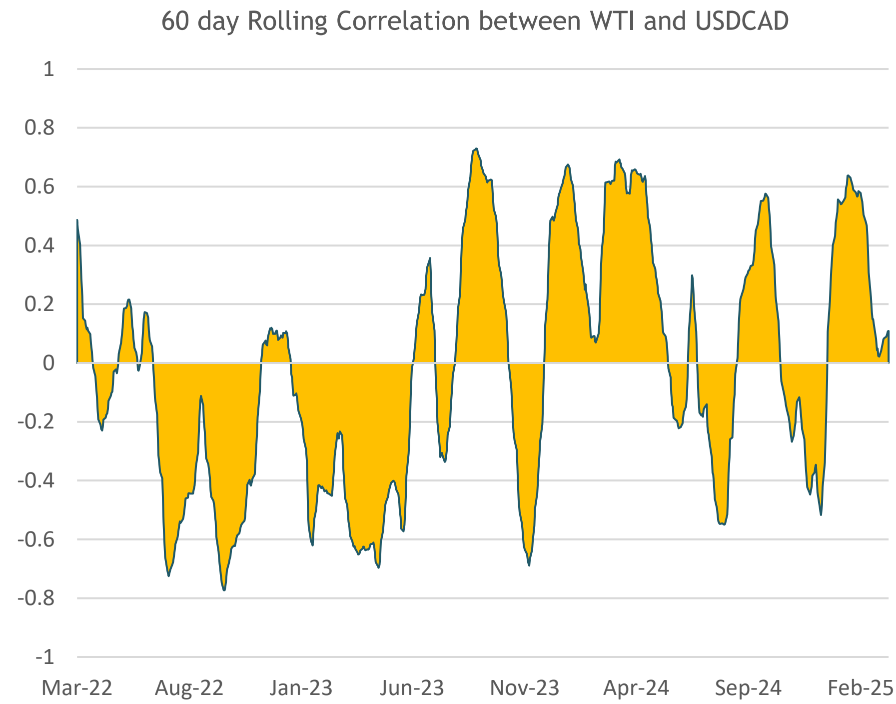
Key Data/Events: Jan GDP [28 Mar], Feb Trade [3 Apr], Mar labour report [4 Apr], BoC business outlook future sales [1Q], Mar CPI [15 Apr], BoC rate decision [16 Apr], Apr CFIB business barometer [24 Apr], Feb retail sales [5 Apr], Feb GDP [30 Apr].

USDCAD Trended Lower



Source: Bloomberg, Maybank FX Research & Strategy

CAD has little Boosts from WTI



Source: Bloomberg, Maybank FX Research & Strategy

JPY: Hiking Path Intact

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

No Change to Previous Forecasts

Motivation: We keep to our USDJPY forecasts expecting the pair to trend downwards given that current conditions appear to be playing out as we had expected. JPY strengthening this year looks like it would continue to be supported by a central bank divergence of the Fed easing and the BOJ tightening. Both central banks had seemed to reassure this path at their recent Mar meeting with the Fed median dot plot still showing two cuts this year whilst the BOJ continues to point to more tightening as data continues to back it. JGB yields looks set to keep rising this year given the BOJ normalization whilst UST yields should pullback, narrowing the UST - JGB yield differential and backing JPY appreciation. Meanwhile, more tariff concerns are lingering on the horizon for Japan with the reciprocal tariffs due to be announced on 2 Apr. So far, the country has not been successful in getting any exemptions for both the auto and steel and aluminium tariffs. However, we see the tariffs may have a more neutral effect on the JPY. Whilst the direct tariffs on the country is a negative on the currency, haven demand could offset some of this impact. We do note of the possibility that if Japan can reach a compromise with the US, the USDJPY can see more decline than our expectations. Near term, expect USDJPY to trade sideways as we build up to the Apr 2 “liberation day” for tariffs.

The BOJ held rates at 0.50% at their latest Mar meeting but we see that they would hike twice this year by 25bps each in Jul and Dec. The BOJ meeting statement released in Mar looks to have repeated some crucial key points including that they see that the virtuous wage-price cycle is intensifying whilst also keeping an upbeat expectation of the economy seeing that it is “likely to keep growing at a pace above its potential growth rate”. Whilst the statement did mention that they “remain high uncertainties” given the “evolving situation regarding trade”, Ueda would clarify that tariff uncertainties should clear up in April. The governor had also noted that the Spring wage talks results so far were somewhat strong and “on track”. Shunto preliminary results had come out at 5.4%, which was still strong even if there was expectations of around 6.0%. Part time workers though saw pay increases of 6.5%. As a whole, the BOJ comments look to have provided the assurance that the central bank remains on a hiking path albeit it would be gradual and likely to follow our six monthly basis expectation of increases. Real wage growth is only gradually edging up whilst the inflation holds just above the 2.00% target.

We remain wary of the impact of tariffs on Japan although we would not rule out the country reaching a compromise with the US. Japan is vulnerable to both Trump reciprocal and sectoral tariffs (particularly autos). The Trump administration has already announced a 25% tariffs on non-US made autos in addition to the same amount for steel and aluminium imports but so far, Japan has not gotten any exemptions yet. Reciprocal tariffs are looking to be announced on the 2 Apr “liberation day” and on the basis of effectively applied AHS weighted average of tariff rates, Japan’s tariffs level on the US is about 2.06% higher than that of which the US imposes on Japan. Trump has himself said that the levels imposed could be lower than expected. PM Ishiba has so far been measured on his response to Trump having recently said that all options of responses are still open. The impact of the tariffs on the JPY we see at this point could be said to be neutral. Whilst the tariffs look to have a negative impact, safe haven demand for the JPY could offset some of this. If a reasonable compromise is reached between the US and Japan, then the JPY could see more upside than our expectations.

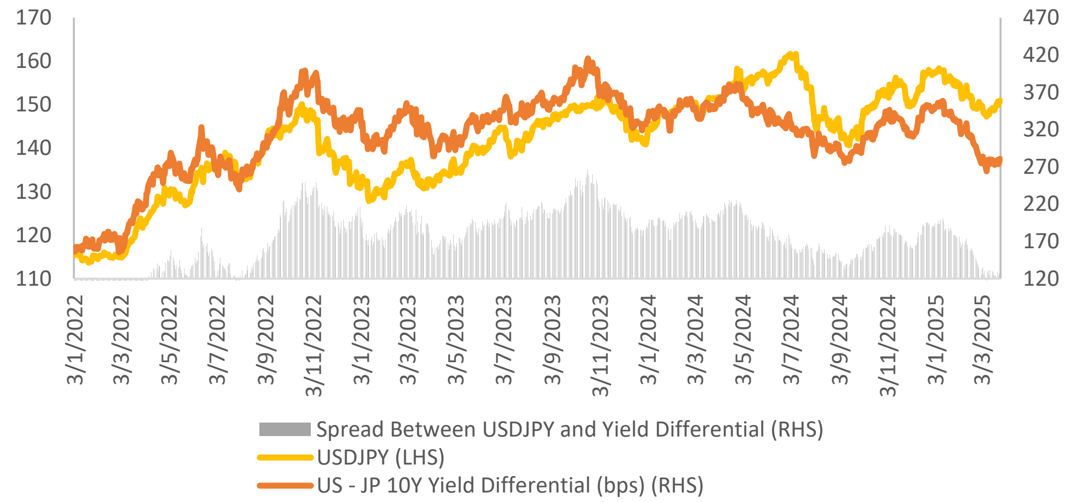
JGB yields continue their rise this month and we expect this to continue. The longer end in particular has seen more increase as the curve continues to bull steepen. BOJ as discussed earlier in their latest meeting looks to continue to provide an assurance that they would remain on hiking cycle, which would support the climb in the JGB yields. The governor had also mentioned at the last BOJ meeting that the current situation does not amount to an exceptional case where emergency market operations to stabilize the long-term yields be necessary. On a monthly basis, we do note that the climb in yields at the long end do still look aggressive but a lot of the increase had occurred early in the month. Since then, the longer end yields have either risen more steadily or been stable. We expect slower increases in the yields going forward.

Meanwhile, we see the possibility of any rapid JPY appreciation happening to be unlikely. A repeat of the carry trade unwind episode seen last year is not likely to occur again we think. Whilst there is no perfect and comprehensive method to capture the carry trade, we do try to examine this matter from two angles. The first is that the CFTC CME JPY net non-commercial combined positions is strongly bullish which contrasts to the bearish positioning seen prior to the carry trade unwind episode in 2024. The second angle is we notice a strong relationship between the JGB 10Y yields and the Nasdaq 100. This points to the possibility (though not definitively) that leveraging in equity markets could be backed heavily by borrowing in JPY. However, we think there would not be a sudden unwind of such positions given that we don't expect any major quick collapse in the US equity markets. Also, the BOJ does look intend to avoid any sharp market movements as had occurred last year and they have also not been in favor of rapid climbs in JGB yields.

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

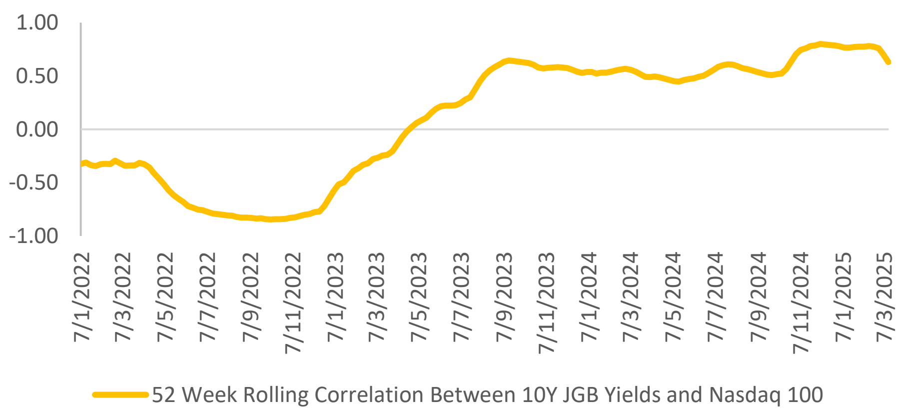
Key Data/Events: Feb jobless rate (1 Apr), Feb job-to-applicant ratio (1 Apr), 1Q Tankan indexes (1 Apr), Feb household spending (4 Apr), Feb labor cash earnings (7 Apr), Feb P leading/coincident index (7 Apr), BoP CA and trade balance (8 Apr), Mar eco watchers (8 Apr), Mar consumer confidence (9 Apr), Mar P machine tool orders (9 Apr), Mar PPI (10 Apr), Mar bank lending (10 Apr), Mar Tokyo average office vacancies (10 Apr), Feb capacity utilization (14 Apr), Feb core machine orders (16 Apr), Mar nationwide/Tokyo dept sales (16 – 22 Apr), Mar trade data (17 Apr), Mar CPI (18 Apr), Apr P Jibun Bank PMIs (23 Apr), Feb tertiary industry index (23 Apr), Mar PPI services (24 Apr), Apr Tokyo CPI (25 Apr), Mar P IP (30 Apr), Mar retail sales (30 Apr) and Mar housing starts (30 Apr).

Yield Differentials Point Towards More JPY Strength



Source: Bloomberg, Maybank FX Research & Strategy

Relationship Between the NASDAQ100 and JGB 10Y Yields, Pointing to Rapid JPY Appreciation if Equity Market Collapses But the Latter Unlikely to Happen



Source: Bloomberg, Maybank FX Research & Strategy

RMB: PBoC Fixes Daily USDCNY With More Confidence

USD/CNY	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	7.50	7.45	7.40	7.35
	(--)	(--)	(--)	(--)

Previous Forecasts in Parenthesis

Motivation: PBoC has been fixing the USDCNY above the 7.17-figure, allowing more room for USDCNY to rise. USDCNH has also been rising into the last week of Mar. This is a sign of confidence that the speculative pressure on the yuan will not snowball as it would in an environment of USD strength, USD exceptionalism and USD dominance. With the US economic strength seemingly getting hurt by Trump's own trade policies, the USD looks increasingly vulnerable with sentiment-driven gains susceptible to reversal. That is certainly a more comfortable environment for PBoC to "let go" of the fix.

Does that mean that the yuan sentiment has improved? The CNY CFETS TWI has fallen around 3.2% from 3 Jan. This was due in part to the fact that the USD has fallen against most currencies including majors such as the EUR, GBP, JPY amongst others. Yuan has lagged in recovery against the USD and that had resulted in the fall of the CNY on a trade-weighted basis. That would aid the export competitiveness for Chinese exports to the rest of the world. China manages to achieve this without compromising on stability in its financial markets or exacerbating capital outflow. Once the fix is allowed to rise a tad, the fix-spot gap and the estimate-actual fix gap had widened. That still suggests some fragility in the yuan sentiment. That said, we see downside risks to the USDCNY forecast for 2Q as US exceptionalism is already under question and the worst of the trade war could be already priced. Notwithstanding some volatility, we see yuan reverting to a gentle climb against the USD into the rest of the year, as our original trajectory suggests.

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 deficit is raised to 4% of GDP. Special loan government bond quota is raised to CNY4.4trn, 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.

Update on the US-China Conflict: 10% blanket tariff takes effect on China on 1 Feb. Another 10% blanket tariff also takes effect on China on 4 Mar. 25% tariff on steel and aluminium would take effect on 12 Mar. China's steel and aluminium would be subject to 45% tariff as a result. In addition, China being a buyer of Venezuelan oil and gas would also see all its exports to the US subject to another 25% of "secondary tariff". That would raise tariff on its steel and aluminium to 70%. This could significantly inflate the input costs of many other US manufacturers. On top of that, the White House has added more than 50 companies on its blacklist of exports to counter China's advancement in AI, quantum computing and military. The reaction of the USD against most currencies in recent days underscore just how desensitized FX markets are to tariff announcements.

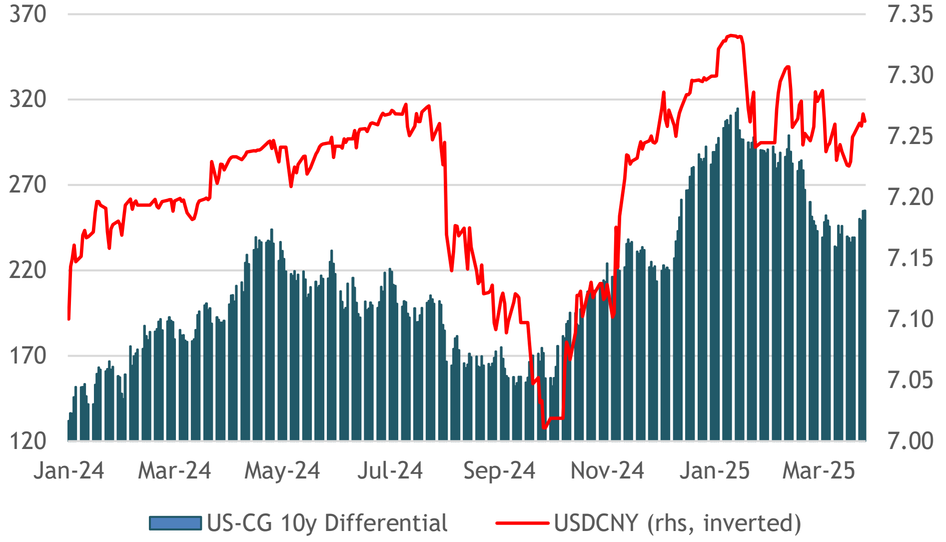
What is Ahead of Us? Key dates to watch 1 Apr. Since the start of Feb, apart from the Memorandum on America's First Trade Policy (AFTP), Trump had also released the America's First Investment Policy (AFIP) aka a National Security Policy Memorandum – which limits restrictions on foreign investors' access to US assets. There would be a review on China's compliance to phase 1 of trade deal, a decision on China's Permanent Normal Trade Relation status as well as the possibility of tariff adjustments. Trump had seemed eager for the Tiktok sale to go through and hinted at reducing tariffs for China in exchange for the approval from the Chinese government on the sale. He also wanted to extend the deadline for the sale, originally on 5 Apr. In respond,

2nd Apr is the so-called "Liberation Day" and could see Trump impose reciprocal tariffs on Scott Bessent's dirty 15. However, this has been well telegraphed. Trump's desire to be "more lenient" suggest that Trump could be less willing to ratchet up this trade war significantly given that it has dampened consumer and business confidence at home.

Export Resurgence Expected Before Fading into 2H 2025. In anticipation of the tariffs, the surge in Chinese shipment to the US as well as to Southeast Asia has already started, providing a buffer for yuan against sentiment effects. The cushioning impact would be limited. China has only started to see nascent signs of consumption recovery but this could be limited should housing prices continue to remain shaky.

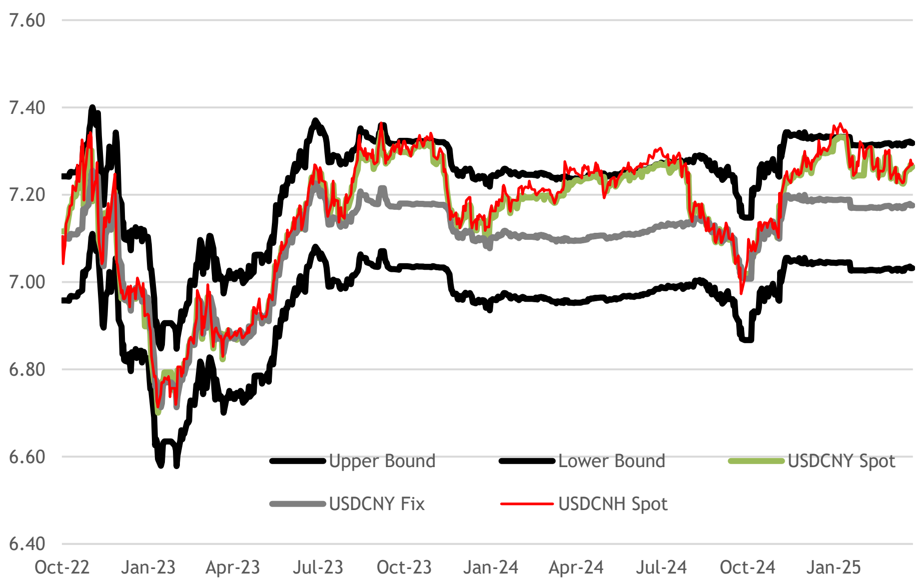
Key Data/Events: NBS Non-mfg, mfg PMI for Mar [31 Mar], Mar Caixin PMI Mfg [1 Apr], Mfg PMI [3 Apr], foreign reserves [7 Apr], new yuan loans, aggregate financing, money supply [9-15 Apr], Mar PPI, CPI [10 Apr], Mar trade [14 Apr], Mar new home prices, old home prices, activity data - IP, retail sales, FAI ex rural, 1Q GDP [16 Apr],1Y LPR [21 Apr], industrial profits [27 Apr], NBS Apr PMI [30 Apr].

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: Confidence Issues from Political Turmoil

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

No Change to Previous Forecasts

Motivation: We continue to expect some near-term weakness in the KRW given the political uncertainty and potential US trade policy overhang. Our USDKRW forecasts factor in 2Q 2025 peak for the USD and we think that greater clarity on Trump policies then could lead to a repricing of risk premiums. Vulnerabilities for the KRW are likely to be front-loaded with current political uncertainty and uncertainty over China weighing on the KRW. The risk of confidence issues from political turmoil continues with President Yoon's impeachment verdict delayed and impeached PM Han reinstalled as acting president. At the same time, strengths for the KRW could take some time to be priced. As such, we maintain our KRW forecasts for the four quarters ahead.

USDKRW NDF traded within a 1435.56 to 1468.58 range in Mar 2025, within the 1421.92 to 1470.46 range in Feb 2025. The KRW has managed to find some support, but staying above the 1400 handle suggests that confidence issues over political developments still linger. Pair also tends to ebb and flow with sentiment over US trade policy. In the meantime, we expect resistance of around 1490 to cap the pair, and the 1400 handle to be a strong support. BOK could also elect to cap upside above 1490 for the pair, although restoring confidence in a currency is likely trickier than mere intervention to cap losses. The delay in delivering an impeachment verdict could result in confidence issues that could spill over to KRW weakness.

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%, largely in line with expectations. We see a further 75bps of rate cuts by the BOK in 2025 and this is more dovish than the further 22bps of cuts implied by market pricing and 50bps 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. This is 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 1.6% (2024: 2.1%) in real terms, with a 20.0% (prev: 20.0%) probability of a recession. Korea is potentially vulnerable to further US trade measures. Trump has already signalled potential measures on Taiwan for "stealing" US chip business and Korea could also similarly be flagged. Moreover, Korea has a trade surplus with the US and that could be a reason for further trade measures being applied. However, the flip side is that Korea could be viewed as a US strategic ally and be spared from Trump's ire. Should this case materialize, then there could be cause for joy for the KRW.

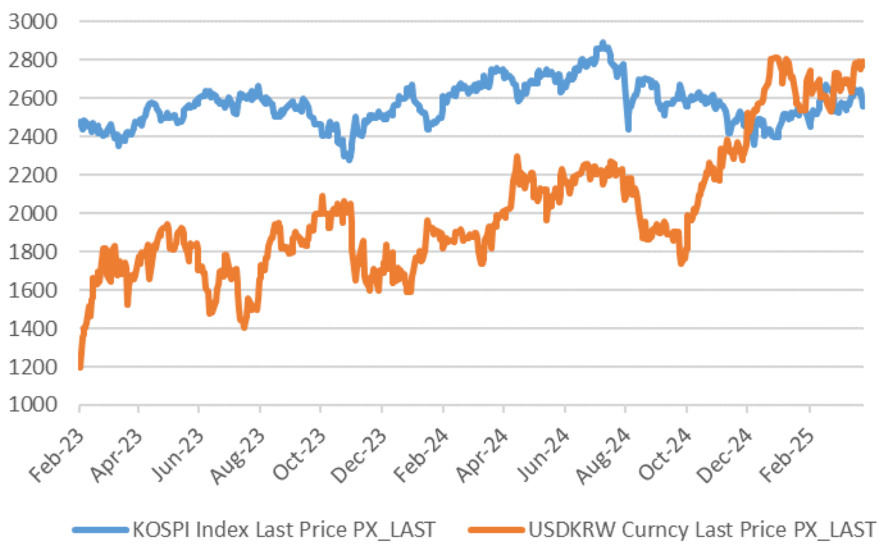
Political uncertainty could now last beyond the near-term. President Yoon's brief declaration of martial law has shaken confidence in Korea and the subsequent drama that has ensued has led to confidence issues and weighed on the KRW. We thought that this could be short-lived earlier but now recognize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

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

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

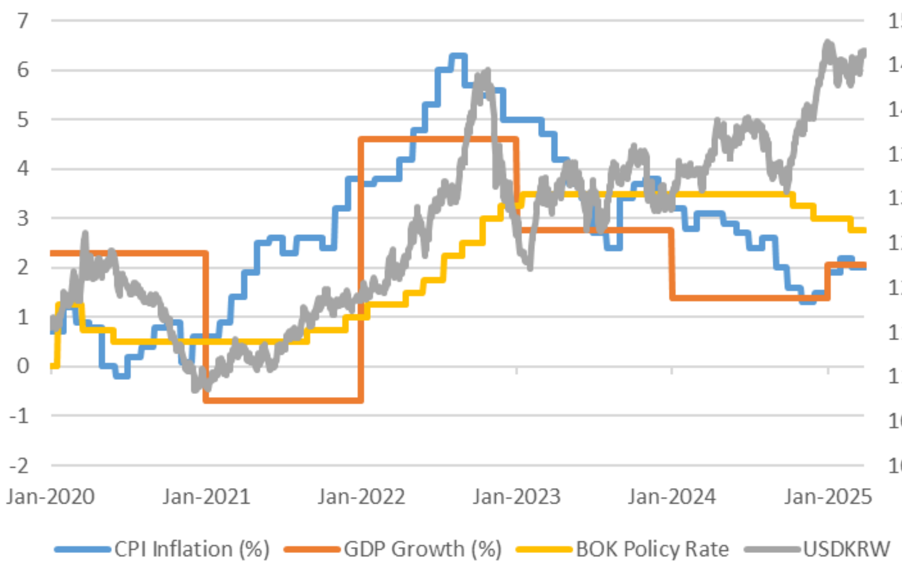
Key data/events: Mar Exports/Imports/Trade Balance, Mar Mfg PMI (1 Apr), Mar CPI (2 Apr), Mar Foreign Reserves, Feb BoP Goods/CA Balance (8 Apr), Mar Unemployment Rate SA, Mar Bank Lending to Household (9 Apr), Apr Exports/Imports 10-Days (11 Apr), Feb Money Supply (15 Apr), Export/Import Price Index (16 Apr), **BOK Policy Decision** (17 Apr), Apr Exports/Imports(21 Apr), Mar PPI (22 Apr), Apr Consumer Confidence (23 Apr), Apr Mfg/Non-Mfg Business Survey, 1QA GDP (24 Apr), Mar Retail Sales (24 apr to 30 Apr), Mar Industrial Production, Mar Cyclical Leading Index Change (30 Apr).

USDKRW Higher Alongside KOSPI Selloff



Source: Bloomberg, Maybank FX Research & Strategy

Balance of Risks Tilting to Growth Over Inflation



Source: Bloomberg, Maybank FX Research & Strategy

SGD: Another Easing in Apr?

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/SGD	1.3750	1.3600	1.3450	1.3400
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

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

USDSGD traded within a 1.3279 to 1.3520 range in Mar 2025, lower than the 1.3312 to 1.3700 range in Feb 2025. On a whole, this was broadly in line with other currencies although SGDNEER has had its dips, and was last seen at +0.90% above the midpoint of the policy band. SGDNEER has come off highs of around 1.59% (20 Feb 2025) as we head to the next MAS decision in Apr (no later than 14 Apr). As we suggested earlier, there has not been excessive SGDNEER weakness from MAS' easing. A mini "double-bottom" has formed at about +0.60% above the mid-point, which should serve as a relatively strong support.

MAS eased via a slight slope reduction on 24 Jan with a balanced statement. In our view, MAS is becoming more growth supportive while retaining some hold over inflation. Current pace of SGDNEER appreciation (1.0%) should be seen as consistent with medium-term price stability. MAS noted the considerable external uncertainty surrounding both growth and inflation. **Our economists think that MAS could ease once more with the Apr meeting being a likely date.** There is however a risk that MAS could opt to wait and see given the considerable uncertainties from the external environment. Our Taylor Rule estimates suggest some merit to standing pat given that the upward trajectory for the SGDNEER should continue. MAS could also opt to retain the policy space to react to any future downside shocks to growth that could arise from US trade policy uncertainty. We note that MAS has never reduced the slope slightly at consecutive meetings, instead MAS has preferred to set the appreciation to 0% after a slight reduction (Oct 2015, Apr 2016 & Oct 2019, Mar 2020). Mar 2020 was also a response to the Covid-19 pandemic. However, we also note that MAS has moved to quarterly (from semi-annual) meetings and this could also be to facilitate more nuanced 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. Feb Core CPI dipped to 0.6% YoY (exp: 0.7%; prev: 0.8%) **and o**ur economists forecast core inflation at +1.1% (prev: +1.4%), headline inflation at 1.3% and see real growth of +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. There was a surprise manufacturing contraction in Feb of -1.3% YoY (prev: 8.0%) with larger drags from both electronics and biomedical manufacturing. Singapore remains a bellwether for the global economy and a slowdown could be reflective on the likely state for the rest of the world.

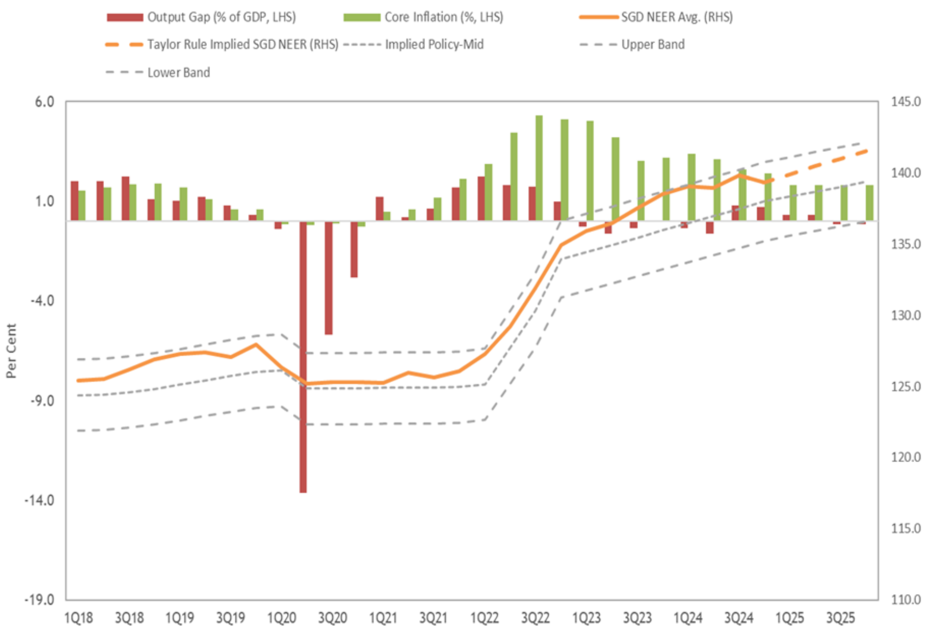
Budget 2025, the last budget for this term of government was delivered by PM Wong on 18 Feb 2025. The budget was expansionary, and yet a healthy S$6.8b (or 0.9% of GDP) fiscal surplus is still expected. Key budget initiatives included household goodies and social policies and support for businesses as 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 in achieving medium-term price stability. A further slight slope reduction would still be supportive of the SGD. 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. In an environment of heightened external uncertainty, the SGD is likely to outperform its peers.

Risk to our view: Developments that could derail MAS' expected path for inflation to come off or cause growth prospects for Singapore to worsen. This could include oil price shocks or supply chain disruptions that could arise from geopolitical conflicts. In the absence of such developments, our base case expectations for SGD appreciation should hold. We cannot rule out further MAS easing and possibly the need for fiscal policy as part of a macro policy mix, if downside risks to growth or inflation materialize. At the same time, MAS could also elect to tweak policy tighter should inflation once again become a concern.

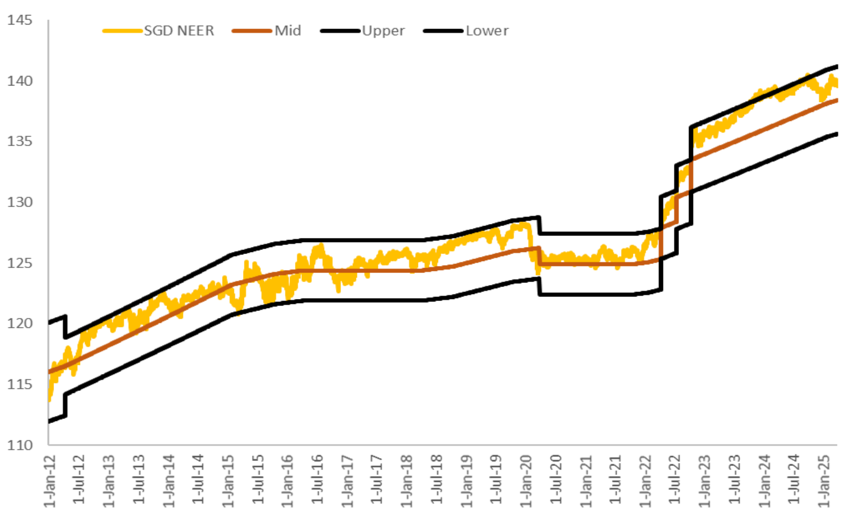
Key data/events: Feb PMI/ESI (3 Mar), Feb Global PMI, Jan Retail Sales (5 Mar), Feb FX Reserves (7 Mar), Feb NODX, Electronic Exports (17 Mar), Feb CPI (24 Mar), Feb Industrial Production (26 Feb), Feb Money Supply (28 Feb).

Taylor Rule Continues to Imply Upward Trajectory for SGDNEER



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

SGDNEER Appreciation Over Time



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

MYR: Dissipation of Tariff Risk Premiums

USD/MYR	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	4.60	4.45	4.35	4.30
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: The Ringgit was largely unchanged month-on-month up by only around 0.7% vs the USD (as at 27 Mar 2025). Over the past 1-2 months, we are likely to still continue to see ups and downs in the risk dynamics largely due to US related trade policy announcements. There has been some USD softness in March on the back of concerns of fading US exceptionalism (signs of softening in US growth and concerns on inflation emerging from Trump tariffs). More recently a less dovish Fed signalling, and new auto tariffs have led to some support for the USD again. Against this backdrop and future implementation of reciprocal tariffs in Apr, USD strength could intensify in 2H 2025. We are likely to continue to see two sided risks to US yields due to the unpredictable nature of Trump's policy approach.

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

We maintain our MYR forecasts and trajectory to reflect the currency's resilience but remain cautious of new tariff developments if any out of the US. By the end of 2025, we anticipate the MYR to trade around 4.35 or lower vs the USD. Looking ahead to the medium term, there is significant upside potential for the MYR. Our Maybank behavioural equilibrium exchange rate (BEER) model estimate shows that, on average, the MYR is undervalued by about 10% to 12%. As global conditions stabilise and market uncertainties dissipate, the MYR is expected to gradually appreciate towards its fair value or equilibrium exchange rate.

Compared to its regional peers, the MYR has held up impressively well, now at +6.5% stronger versus the USD since mid-2024 (specifically 28 Jun 2024 to 27 Mar 2025) after having kept much of its gains from its earlier 2024 rally. On a nominal effective exchange rate (NEER) basis, which measures it against a basket of key trading partners' currencies without considering price level differences, it still outperforms its peers. This resilience can be attributed to solid domestic fundamentals and sound policymaking supporting the MYR. We expect Malaysia's domestic economic fundamentals to remain robust. Bank Negara Malaysia (BNM) has held its benchmark interest rate steady at 3.00% while economic performance has been robust, with 2024 GDP growth at 5.1%. The growth outlook is likely to be resilient at 4.9% for 2025 underpinned by domestic tailwinds, namely due to a pick up in consumer spending and momentum in private investment growth, while inflation is expected to stay manageable at 3%.

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

We expect OPR to remain at 3.00% this year to support domestic demand as we forecast slight easing in GDP growth this year (2025F: +4.9%; 2024: +5.1%) amid the combo of external headwinds from President Trump's trade/tariff policy moves, and the domestic tailwinds from firmer consumer spending and continued investment upcycle. Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% for the eleventh consecutive time after the 5-6 Mar 2025 Monetary Policy Committee (MPC) meeting. Presently, we expect OPR to remain at 3.00% for the rest of 2025 after being kept unchanged in the first two Monetary Policy Committee (MPC) meetings of this year on 21 -22 Jan and 5 -6 Mar (note: OPR has been at 3.00% since 3 May 2023) - to support domestic growth amid external headwinds from US trade policy uncertainties and the upside risk to – albeit manageable - domestic inflation.

Inflation eased to +1.5% YoY (Jan 2025: +1.7% YoY) while core inflation edged up to +1.9% YoY (Jan 2025: +1.8% YoY). Impact of +13.3% minimum wage hike effective 1 Feb 2025 was muted amid +0.4% MoM CPI rise (Jan 2025: +0.1% MoM). With 2M2025 average of +1.6%, we cut 2025 headline inflation forecast to +2.3% from +3.0% (2024: +1.8%), keeping in mind of RON95 petrol subsidy rationalisation, Tenaga's tariff review and foreign labour costs (i.e. multi-tier levies; EPF contributions) expected in mid/2H 2025.

BNM's 2025 inflation rate forecast stays at +2.0% to +3.5% (2M 2025: +1.6%; 2024: +1.8%). The forecast range of 1.5 percentage points reflects the uncertain degree of upside risk to inflation, especially from mid/2H -2025 amid pending domestic policy reforms measures and price adjustments i.e. RON95 petrol subsidy rationalization (note: BNM expects mid - year implementation as indicated during the tabling of Budget 2025 in Oct 2024); Tenaga's tariff review (July 2025) and foreign labour costs i.e. foreign workers' multi -tier levies and EPF contributions (in 4Q 2025).

BNM released its 2024 Annual Report, Economic & Monetary Review and Financial Stability Report on 24 Mar 2025. BNM maintains official 2025 real GDP growth forecast range of +4.5% to +5.5% (2024: +5.1%) as domestic demand growth forecast is upgraded (2025F revised: +6.3%; 2025F previous: +6.1%; 2024: +6.5%) while net external demand growth outlook is trimmed (2025F revised: +4.5%; 2025F previous: +5.7%; 2024: +2.2%).

This year's growth outlook is subject to considerable external uncertainties amid the downside from a more restrictive trade policies underpinned by higher US import tariffs under Trump 2.0 and retaliation by the affected trade partners that in turn could adversely impact consumer confidence and business sentiment. BNM expects global GDP growth of +2.8% to +3.3% (2024: +3.2%) and world trade growth of +2.7% to +3.2% (2024: +3.4%). The 2025 domestic growth forecast range also reflects considerations of positive spillovers from global tech upcycle [i.e. global chip sales growth forecast of +11.2% (2024: +19.1%) translating into BNM's outlook of +11.0% growth in Malaysia's chip exports (2024: +10.6%)] and more robust tourism sector e.g. travel receipts of MYR104.7b (2024: MYR95.7b; 2023: MYR68.0b), plus faster implementation of investment amid its upcycle.

BNM expects the factors driving Ringgit to be "balanced" between the "positives" such as narrowing interest rate differentials between Malaysia and advanced economies – namely the US; sustained domestic economic growth momentum; and domestic reforms (including fiscal reforms) vs the "negatives" like fewer US interest cuts this year vs last year; US traded policies and tariffs threats/actions; and geopolitical risks. To note, Ringgit has been more stable against USD so far this year i.e. moving in a narrow range of around 4.40 -4.50 compared with the volatile swings during 2022 -2024 of between 4.10 and 4.80. BNM acknowledges that in the short term, Ringgit can be primarily influenced by external factors, hence the importance of staying the course on strengthening domestic economic fundamentals and resilience over the longer term e.g. economic transformation, restructuring and reforms for productivity growth and medium -term fiscal consolidation

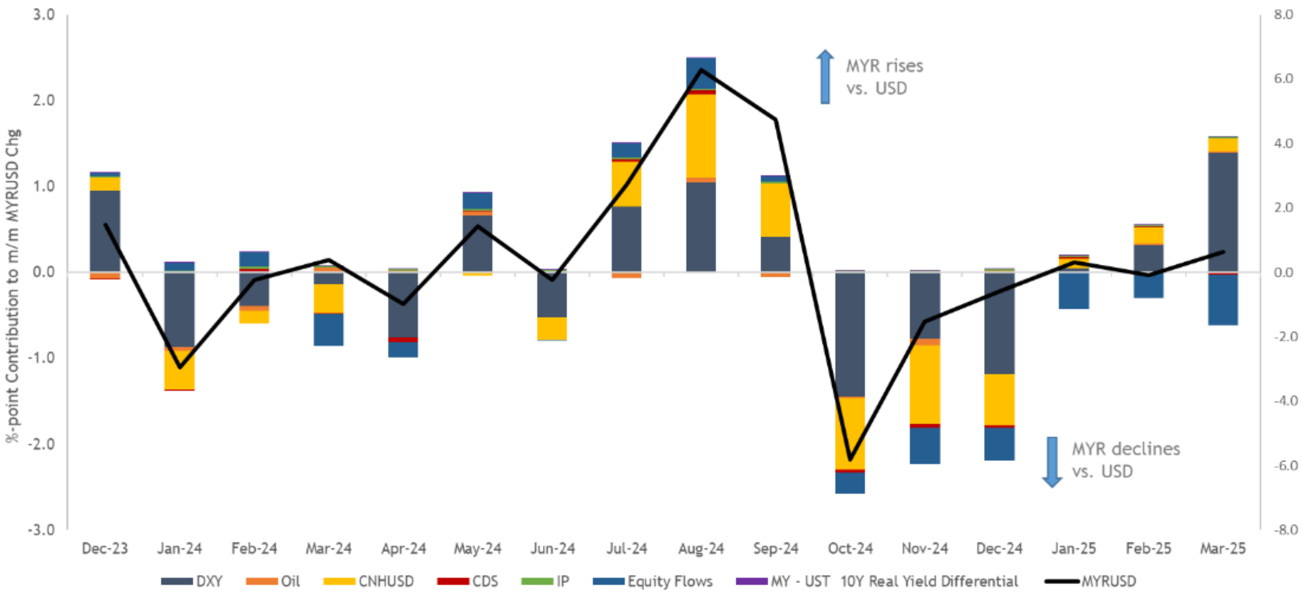
Malaysia has made significant strides in fiscal consolidation. The government's efforts to narrow the budget deficit toward its medium-term target of 3% of GDP are progressing well. The budget deficit for 2024 is now estimated to be 4.0%-4.1%, better than the initial forecast of 4.3%, taking cue from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

External trade outlook for 2025 is clouded by uncertainties and fluid news flows on Trump 2.0's trade policy and tariffs, hence our forecasts of slower exports and imports +4.5% (2M2025: +3.1%; 2024: +5.7%) and +6.3% (2M2025: +5.9%; 2024: +13.2%), and smaller trade surplus of +MYR120b (2M2025: +MYR16.3b; 2024: +MYR137b).

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

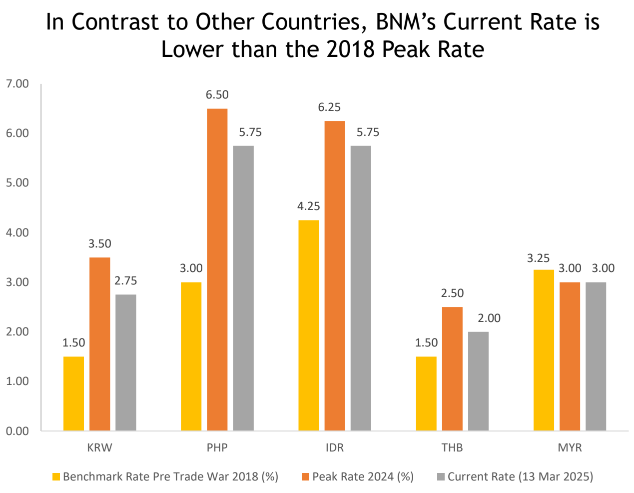
Key domestic events and issues to watch in Apr: BNM Policy Meeting (8 May); S&P Global PMI mfg (2 Apr); Foreign reserves (8 Apr); Feb mfg sales (11 Apr), Feb IP (11 Apr), Mar trade data (18 Apr), Foreign reserves (22 Apr), GDP 1Q (18 Apr) and Mar CPI (23 Apr)

USD/MYR Resilience On the Back of USD and CNY Moves

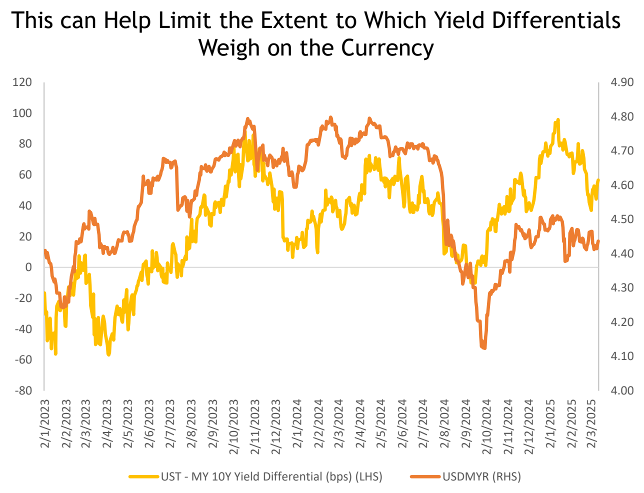


Sources: Bloomberg, Macrobond, Maybank FX Research & Strategy

Rates are Lower than 2018 Peak Level, Helping to Limit Yield Pressure



Source: *Bloomberg, Maybank FX Research & Strategy*



Source: *Bloomberg, Maybank FX Research & Strategy*

Sources: Bloomberg, Maybank FX Research & Strategy estimates.

IDR: EM Pressure Weighs In

USD/IDR

2Q 2025	3Q 2025	4Q 2025	1Q 2026
17000	16500	16500	16400
(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our forecasts for the USDIDR seeing that both external and domestic factors could keep the upward pressure on the pair. Externally, there remains immense uncertainty on Trump's tariffs and the risk that it could intensify in the near future. Whilst Indonesia is less trade exposed than other regional peers, the impact the tariffs could have on global sentiment can potentially affect appetite for EM assets including those of Indonesia. On the domestic front, investors are also anxious about government policies. Whilst there are positive aspects for the country's economic fundamentals (BOP surplus, manageable inflation levels, solid growth rates), there are concerns about the fiscal conditions and Danantara. Regarding the latter, markets still look to seek more clarity on the operations and governance of the entity even as many of its management staff have been appointed. On the fiscal part, the new administration looks to be undertaking additional expenditure on top of the original budget with our economist now seeing the budget deficit hitting 2.9% in 2025, which is just below the 3.0% legal ceiling but above the government forecast of 2.53%. Meanwhile, we expect two more rate cuts this year of 25bps each as BI looks to provide support to the economy. Into 2Q 2025, we forecast the USDIDR to trade higher although it would come off from 2H 2025 onwards amid more clarity on the domestic and external front in addition to the possibility of the Fed easing by then.

BI kept rates on hold at 5.75% again at the Mar meeting, which was in line with consensus as they looked to prioritize IDR stability. The meeting had come in the midst of market volatility as the Jakarta Composite Index (JCI) had slumped by as much as 7.11% the prior day before paring losses and ending that session by 3.84% lower. Whilst the governor had simply justified the decision based on being in line with their inflation, growth and FX goals, market concerns this time could have been the main reason behind the decision to keep rates on hold. The governor too did make some references directly to the Indonesian market selloff as he attributed it to have been "more driven by technical factors" due to the US tariff jitters. He emphasized too Indonesian assets are still "fundamentally attractive". Nonetheless, our economist is expecting 50bps of cuts this year from BI as they likely would look to try to provide more support to the economy. If anything, inflation has been softening whilst there are quite some risks to growth especially as domestic demand is softening. We think they could choose to stay on hold at the Apr meeting given that market volatility can potentially persist for the coming month still. Easing may only come at a later date. The impact of any future easing on the IDR though would depend on its timing and whether it coincides with a Fed cut too. For the Apr meeting, we expect them to stay on hold. We do note that narrow yield differentials look to be weighing on the currency.

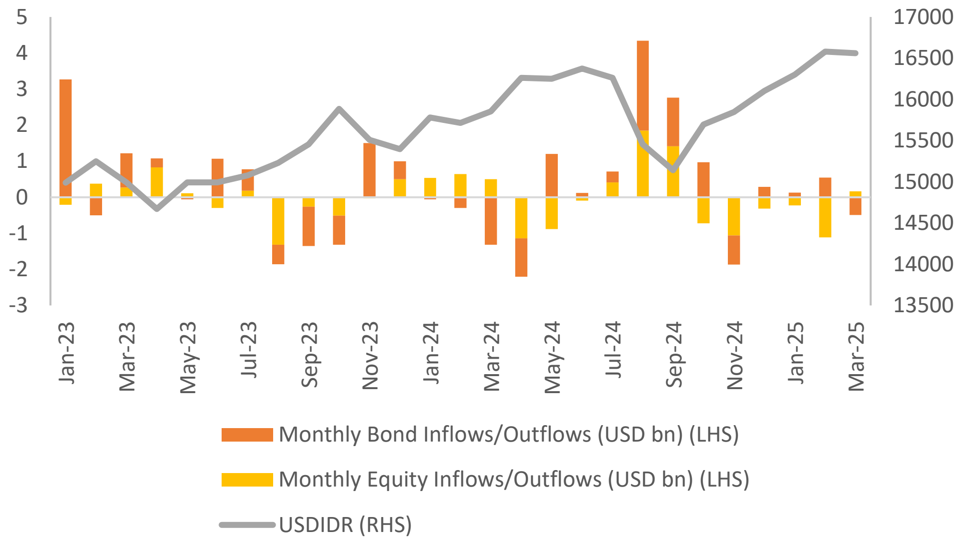
Market volatility could persist as investors seek more clarity on Danantara and the country's fiscal conditions. Regarding the former, markets may closely look to watch the operations of the sovereign wealth fund (SWF) in the coming months. The SWF has appointed Jeffrey Sachs, Ray Dalio, Joko Widodo and Susilo Bambang Yudhoyono into the advisory panel. On the fiscal front, investors would be paying close attention to the government's spending plans and whether it would be realized. Beyond what has been budgeted, the government is looking to spend more on expanding the free school lunch program (100tn rupiah), raising teacher's salaries (16.7tn rupiah), building 3m houses (20.2tn rupiah) and expanding other economic stimulus packages (14.3tn rupiah). Given this, our economist believes there is a risk that the budget deficit could hit 2.9% of GDP this year, which is higher than the government's 2.53% forecast. The country did report a rare budget deficit of 31.2tn rupiah for Jan and Feb, which weighed on investor sentiment although the cause could be due to revenue collection disruption caused by an upgrade to the tax system.

On portfolio flows, there was a substantial net outflow from equities at -$0.7bn month to date (mtd) until 25 Mar 2025 whilst bonds saw a net inflow at $0.4bn mtd until 24 Mar 2025. The former looks to have been driven by the anxiety regarding Danantara and the fiscal position, of which we have elaborated on in the prior paragraph. Foreign outflows from equities could continue for the coming future although we are inclined to believe that it maybe more limited given the selloff has already been quite excessively aggressive (JCI is about nearly 20% down from peak as of writing). Regarding bonds, whilst there has been inflows, the IDR still came under significant pressure as it recently even hit the lowest level since the Asian financial crisis. There is a possibility that such flows may not be providing support to the currency given investors could be hedging their positions. We are cautious though on the flow levels going forward given the uncertainty regarding the fiscal situation and the pace of BI easing. We would though like to point out that foreign ownership of SRBIs are stable as the high interest rates could somewhat still be attractive although we again do not rule out that foreign investors could be hedging their positions, limiting the support for the IDR.

Risks Ahead: Downside risks include significant budget slippage beyond the 3% legal limit, which has not been factored into our forecasts. Other risks include a US recession which can significantly weigh on EM assets and FX including that of the IDR. Higher oil prices arising from geopolitical tensions can also hurt the IDR given the country is a net oil importer.

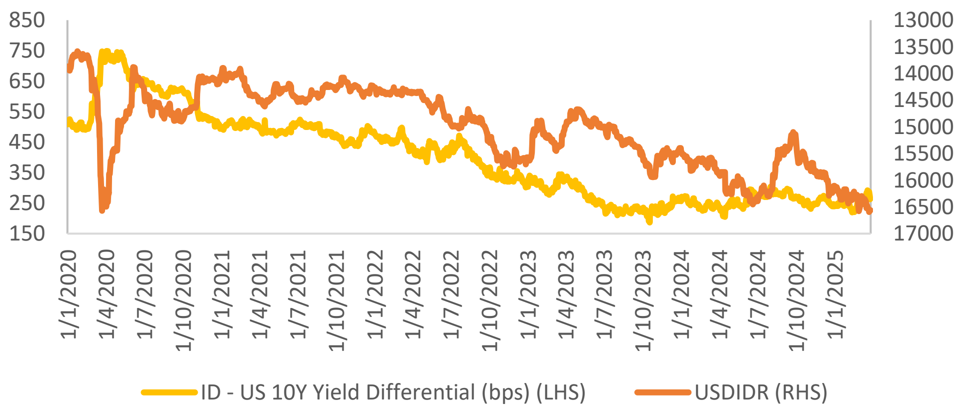
Key Data/Events: Mar S&P Global PMI mfg (2 Apr), Mar CPI (8 Apr), Mar local auto sales (11 - 15 Apr), Mar foreign reserves (14 Apr), Mar consumer confidence index (15 Apr), Feb external debt (15 Apr), Mar trade data (21 Apr), BI policy decision (23 Apr).

Cautious on Portfolio Flows Going Forward Given Global and Domestic Uncertainty



Source: Bloomberg, Maybank FX Research & Strategy
Note: Mar 2025 data for equities until 27 Mar 2025 and for bonds it is until 26 Mar 2025
USDIDR rate is as of close on 27 Mar 2025

Narrow Yield Differentials Weigh on the IDR



Source: Bloomberg, Maybank FX Research & Strategy

PHP: Pressure from Uncertainty

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/PHP	59.00	58.00	58.00	57.50
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We stick to our forecast for the USDPHP as global and domestic conditions in the coming future can still evolve as we expect. Although the PHP had performed well in the last month, we see the possibility of some reversal due to certain less favorable factors emerging. This would include that the BSP is looking likely to cut rates ahead of the Fed and at a faster pace. Governor Remlona has implied there would be a 25bps cut in Apr and cumulatively 75bps of easing this year (which would be more than the Fed's median dot plot of 50bps of cuts in 2025). Aside that, trade tensions can potentially stay elevated in coming months. Whilst the Philippines is less vulnerable to the US tariffs given it is less trade exposed, the negative sentiment that can emerge from global trade tensions can still weigh on the EM sentiment and in turn hurt the PHP. We are expecting the USDPHP to edge up to the end of 2Q 2025 before coming off and stabilizing after that as more clarity emerges on the tariffs and the Fed can potentially start easing by then. We do take note that fund repatriation by overseas workers can help limit the PHP weakness throughout the year.

We see the possibility that the BSP would cut rates by 25bps at the Apr meeting given governor Remolona's comments. Specifically, the governor had mentioned that there is a good chance they will cut by 25bps and that they are on an "easing cycle". The governor had also mentioned the central bank is intervening less in the currency market, which is expected given the outperformance of the PHP. Such comments more importantly imply that the central bank could be more comfortable with the current FX. His comments as a whole come after the BSP had done a surprise hold of rates in Feb, which in turn cast doubt on the pace they would ease. The governor overall also sees that the cumulative rate cuts in 2025 could reach 75bps. However, our economist is expecting that the central bank would ease by only 50bps, which is just one cut less than what the governor had mentioned. Nonetheless, whilst we expect the cuts to have an impact on the currency, we do not see the government's comments leading to a change in our currency forecast given more importantly it looks like the BSP is going to act ahead of the Fed (who may only ease again in 2H 2025). Such a scenario of the BSP front running the Fed has already been factored into our forecasts.

There was only marginal equity inflows up until 26 Mar 2025 of $0.05bn but so far it has at least marked a reversal from the outflows of the prior months. The PSEi has performed much better than the previous months but we attribute that possibly to the strengthening in the PHP. We have previously been highlighting Philippines' equities have been relatively undervalued (forward PE of 9.57 as of writing) but that it has underperformed as concerns of currency weakness could be sapping appetite (as it erodes investor returns). In Mar, the PHP has strengthened amid a decline in the broad dollar and the equity markets have climbed together even as little has changed fundamentally for stocks. However, we are wary of further equities inflows from here given the possibility of PHP weakness returning amid BSP rate cuts and softer risk-sentiment from heightened trade tensions. Meanwhile, bonds in Jan saw inflows of $0.39bn, which could have been driven by continued expectations of rate cuts by the BSP in the month Feb. However, the BSP had surprised markets by holding rates then and therefore, we see the possibility that there could have been outflows in Feb. There is a possibility of more inflows in Mar given the central bank pointing to a rate cut for Apr. However, we do note that inflows even last year had not necessarily been supporting the PHP and this could have been due to hedging.

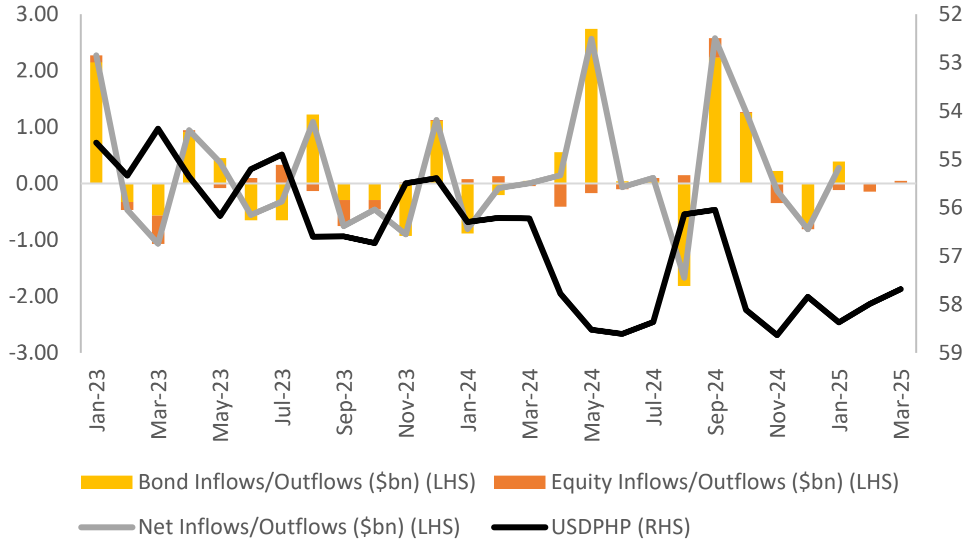
Economic data for the last month looks to back BSP easing. Feb S&P Global PMI mfg remained in expansion but it did slow to 51.0 (Jan. 52.3) whilst Feb CPI softened below expectations to 2.1% YoY (est. 2.6% YoY, Jan. 2.9% YoY). Jan unemployment rate also rose to 4.3% (Dec. 3.1%). Jan bank lending though was higher at 11.3% YoY (Dec. 10.1% YoY). The recent readings as a whole still highlight 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, Jan budget balance was in surplus at 68.4bn pesos but this is unlikely to hold up as government spending picks up.

OFWR growth in the month of Jan was in line with expectations at 2.9% YoY (est. 2.9% YoY, Jan. 3.0% YoY) with the absolute number at $2920m. Our economist continues to see that OFWR growth can still be strong in 2025 at 2.9% YoY as the global economy should sufficiently hold up despite the various concerns. OFWR therefore should keep helping to offset other pressures that the PHP is facing.

Risks Ahead: Risks include selective implementation of tough tariffs (such as only on Europe and China) that can somewhat spur flows more into the USD, which can in turn weigh down on the PHP. The Fed pausing and the BSP continuing with rate cuts would also be another concern to watch out for. A scenario of a global recession can too hurt sentiment towards EM currencies, including the PHP.

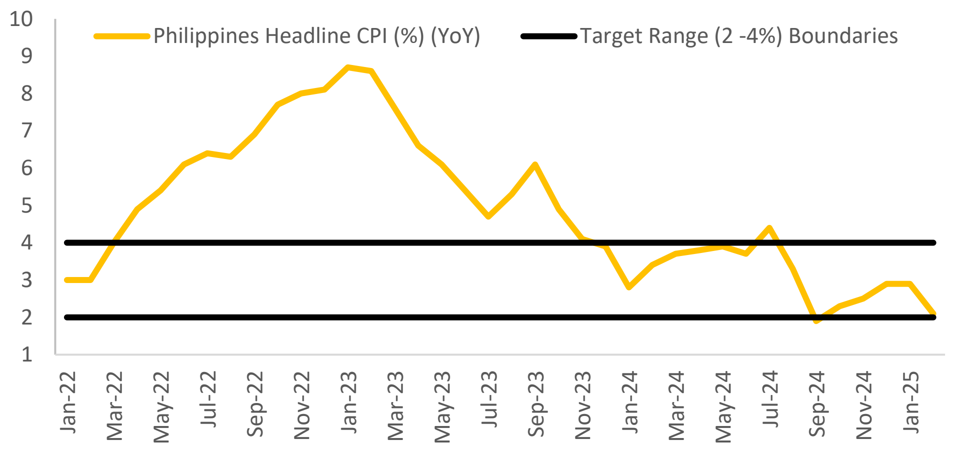
Key Data/Events: Mar S&P Global PMI mfg (2 Apr), Feb budget balance (2 Apr), Mar CPI (4 Apr), Mar foreign reserves (7 Apr), Feb unemployment (8 Apr), BSP policy decision (10 Apr), Feb OFWR (15 Apr), Mar BoP overall (21 Apr), Mar budget balance (29 Apr), Mar trade data (30 Apr), Mar bank lending (30 Apr).

Portfolio Flows Likely to be Neutral in Mar as Rate Cut Bets Support Bonds But Appetite for Equities May Soften as Currency Weakens Towards Month End



Source: Bloomberg, Maybank FX Research & Strategy
Note: Bond flow data not available for Feb 2025 and Mar 2025 whilst equity flow and USDPHP data for Mar 2025 is as of 26 Mar 2025.

Softening Inflation Backs BSP to Cut Rates Further



Source: Bloomberg, Maybank FX Research & Strategy

THB: Cautious Amid Tariff Concerns

USD/THB	2Q 2025	3Q 2025	4Q 2025	1Q 2026
	36.00	35.30	35.30	35.00
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

As of publication of this report, *we would like to note that Bangkok has been hit by a 7.3 magnitude earthquake and the Thai PM has declared a state of emergency in Bangkok.* At this point, we are still awaiting further reports on the impact of the earthquake although the stock market has halted trading. USDTHB had climbed after the earthquake but further movements would depend on how the situation unfolds.

Motivation: We leave our USDTHB forecast unchanged on the basis that global conditions could still evolve in the coming months as per our expectations. Whilst the THB has held better in 1Q 2025 than we had initially forecasted, we do think that several factors are likely to play out in the coming months that could guide the USDTHB higher. This includes that trade tensions may intensify in the coming months especially with Trump looking to announce reciprocal tariffs come "liberation day" on 2 Apr. Thailand is especially vulnerable to both the US reciprocal and sectoral tariffs and the country too is also one of the most trade exposed in the region. Given this, the USDTHB could still head higher into 2Q 2025. The pair though we believe should come off after 1H 2025 and stabilize as we get more clarity on the tariff situation and the Fed starts easing. Elevated gold prices which could hold throughout this year would be an offsetting support for the THB. Meanwhile, our economist expects the BOT to stay on hold at 2.00% in 2025 although the economy is looking soft and therefore rate cuts cannot necessarily be ruled out. Negative impact from cuts on the currency can occur if the BOT does cut at a faster pace than the Fed.

BOT is likely to keep rates on hold at the upcoming Apr meeting. At the prior meeting in Feb, the BOT had surprised markets with a 25bps cut to 2.00% as they justified the move on the basis to "align financial conditions with the economic and inflation outlook as well as financial stability, and to better cope with increasing downside risks to the economy". At that point, it does look like the BOT was increasingly concerned about both the growth conditions and financial vulnerabilities. In the month of Mar though, economic data is not anymore reassuring. Headline Feb CPI continued to soften to about 1.08% YoY (est. 1.10% YoY, Jan. 1.32% YoY) although the core number was slightly higher at 0.99% YoY (est. 0.90% YoY, Jan. 0.83% YoY). Both numbers are still subdued. Feb customs trade data did show quite some strength as exports was above expectations at 14.0% YoY (est. 8.0% YoY, Jan. 13.6% YoY) although this may not necessarily hold as it could just simply represent front loading ahead of potential tariff risks and higher gold exports. Imports growth on the other hand weakened to 4.0% YoY (est. 5.4% YoY, Jan. 7.9% YoY), which could be indicative that domestic conditions are continuing to soften. Given continuing concerns about the economy, further cuts by the BOT this year cannot be ruled out although our economist sees that the BOT would still stay on hold at 2.0% this year. The impact on the currency from any rate cuts would depend on whether it would coincide with the Fed's easing. If the cuts do front run the Fed, there is a risk that the currency could come under downward pressure.

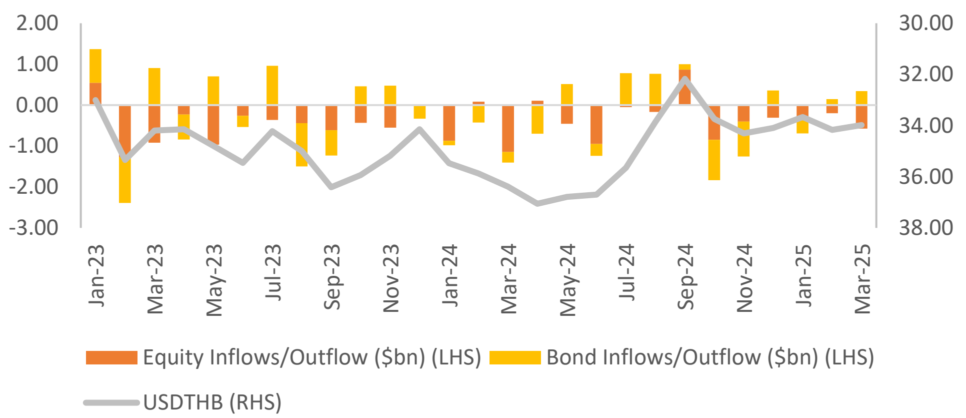
There is a rising risk that Thailand could come under direct tariffs from the US, which can significantly hurt the THB. The country is at the crosshairs of both Trump's reciprocal tariff and sectoral tariffs. On the basis of effectively applied AHS weighted average of tariff rates, Thailand's level is about 5.34% higher than that of the US. The country is also vulnerable on potential US tariffs on semiconductors. However, we do note that nothing is a certainty at this point on which tariffs the Trump administration may eventually impose. President Trump has said that the reciprocal tariffs to be announced on 2 Apr could be lower than expected. That said, even if Thailand is to avoid US tariffs, the country is also highly trade exposed to China and the THB actually has a high sensitivity to the CNH. Any worsening in US – China trade relations can therefore risk weighing on the currency. Meanwhile, on the local political front, a no confidence vote against PM Paetongtarn Shinawatra was heavily defeated by a vote of 319 to 161. The result is some reflection that the current administration still has the sufficient support of a good majority of the parliament.

There was net portfolio outflows for the month to date until the 26 Mar 2025 with equities seeing an outflow at -$0.6bn although bonds did actually see inflows of $0.3bn. The SET continued to take a hard beating in the earlier part of the month although it did rebound slightly and stabilize later in the month. Domestic economic and trade concerns look to have constantly weighed on sentiment towards the equity markets. It remains unclear to investors if the government would be able to spur growth beyond just depending on tourism whilst financial vulnerabilities issues strongly linger. Despite the announcement of the Vayupak fund last year, Thai equities have generally just sunk since Trump's election. The government has recently announced tax incentives with an allowance of THB300,000 for new investments of individuals in equity funds, called ESG X. They have also attempted to curb down on short selling and high frequency trading. For now, it remains to be seen whether these measures can effectively stop the market slide and whether the recent bounce up is only just temporary. We are cautious though given the uncertain global environment and do not rule out more equity outflows in the coming months. Meanwhile, on the bond side, net inflows for the month could potentially be due to expectations of BOT rate cuts with the sovereign curve shifting downwards. Further inflows can continue although it may be more measured.

Risks Ahead: There can be upside risks for the THB if there is a strong China growth recovery given it can provide a boost to both Thailand's tourism and trade. On the downside, aggressive imposition of US tariffs (base case for it to be gradual) directly on Thailand and China can hurt the THB more than our expectations.

Key Data/Events: Mar S&P Global PMI mfg (1 Apr), Mar business sentiment index (1 Apr), Mar CPI (4 Apr), Mar consumer confidence (7 – 14 Apr), Mar car sales (18 – 24 Apr), Mar customs trade (21 – 26 Apr), Mar ISIC capacity utilization and mfg index (26 – 30 Apr), BOT policy decision (30 Apr), Mar trade data (30 Apr) and Mar BoP overall/CA balance (30 Apr).

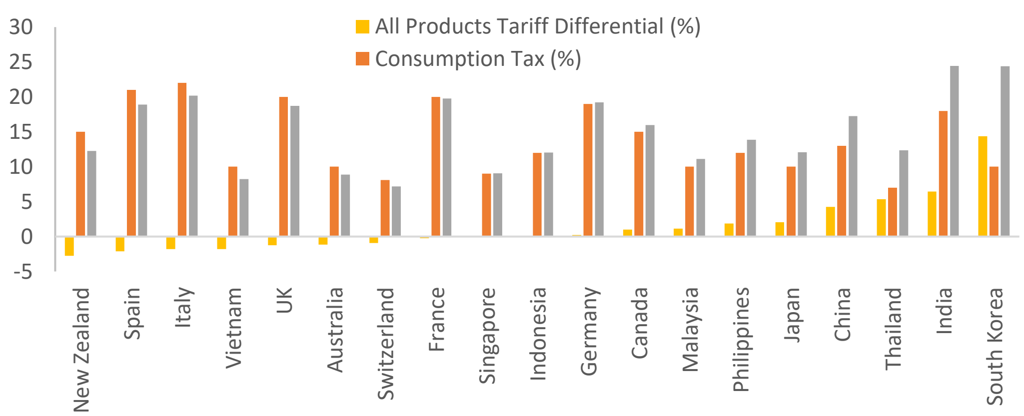
Equity Outflows as Thai Stocks Slump Whilst there has Been Bond Inflows Amid the Potential for BOT Cuts



Source: Bloomberg, Maybank FX Research & Strategy

Note: Equity and bond inflow data for Mar 2025 data is month to date until 26 Mar 2025 whilst the USDTHB rate is as of close onshore 26 Mar 2025

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



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

VND: Brace for Reciprocity but Hope for the Best

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

Previous Forecasts in Parentheses

Motivation: USDVND continued to remain elevated for much of Mar. It was arguably stable given the fact that SBV had fixed the reference rate roughly 2.1% higher since Tet (3 Feb - 28 Mar) while spot had only risen around 1.1% over the same period. A rising gold environment may be less supportive of the VND. The domestic-international gold premium has widened a tad more recently to around 5-6% this week. The USD environment had become more benign in this quarter and that has allowed VND to consolidate in Mar.

The Prep for Global Trade War. VND weakness is likely one of the ways that the Vietnamese administration has prepared the economy for Trump's global trade war – something that PM Pham had been emphasizing on. While Vietnam does not have a huge tariff gap with the US, Vietnam has quite a substantial VAT (10%) and the effectively applied tariffs applied stands at 2.9% on the US that could technically make the economy (one of the many) targets of the Trump administration. Meanwhile, Vietnam Minister Nguyen Hong Dien welcomed the US to participate in "new energy projects, oil and gas areas, as well as mining" during a meeting with the US envoy, Marc E. Knapper. More recently, Vietnam also pledged to import more US agricultural products, to cut import taxes on some type of cars by up to half to 32%, tariffs on other items such as ethanol to halve to 5% and fresh apples to 5% from 8%. Tariffs on LNG to cut to 2% vs. 5%. The revised decree on the MFN tariff adjustment is expected to be issued within this month. In addition to the reduction in tariffs, Deputy Prime Minister Nguyen Chi Dung approved a controlled pilot programme to deploy telecommunications services using low Earth orbit satellite technology to be carried out by US' SpaceX. There will not be any restrictions on foreign ownership.

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

Wary of What is to Come in Mar-Apr. That said, risks are still to the upside for the USDVND. The "America First Trade Policy" memo issued by Trump would have some findings that allow Trump to potentially impose more tariffs on China beyond 1st April (the deadline for reports of the investigations ordered on trade, PNTR status, etc). The deferment of the tiktok ban will also expire on 4 Apr. As such, there is a possibility that we may see more pressure on Asian currencies, including VND then. We see two-way risks at this point – given that Liberation Day is already well-telegraphed, the worst might be priced, US economic, technology and carry exceptionalism is now in question and these factors may mean that sentiment-driven gains could be susceptible to reversal.

Growth target is raised to 8% for 2025 and the government seems to be determined to utilize both fiscal and monetary policies to achieve that. However, SBV had more recently spoken about balancing inflation priorities with growth to maintain macroeconomic stability (25 Mar 2025) and that suggests limited room for SBV to cut rates this year. Nonetheless, 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.

Data-wise, our economist noted strong external demand with exports up 8.4%y/y for the first two months while industrial production was up 7.2%y/y over the same period. Exports to the US rose 16.5%, up 13.3% to EU and 15.1% to Japan, a contrast to the decline of -2.1% to China. Retail sales up 9.4% in Feb vs. 9.5% in Jan, supported by tourism spending (+17.3%).

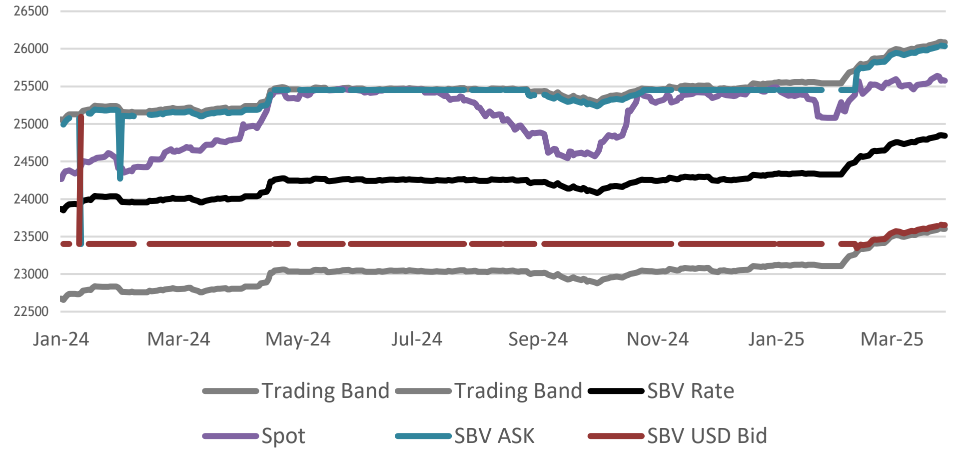
Tourist arrivals jumped 23.7%y/y in Feb and was above pre-pandemic levels by in the first two months of the year. FDI Disbursement and registration remained firm with registered FDI up 35.5%y/y.

Our economist raised GDP forecast to 6.9% for 2025 from previous 6.4%, taking into account the ambitious growth target of the government and a ramp up in expansionary fiscal and monetary policy, albeit still cautious of a broader global trade war. 2026 GDP forecast is also raised to 6.5% from 6.1%. GDP for 1Q is expected to come in at 7.4% vs. 7.6% in 4Q 2024. Headline inflation is expected to be 3.4% in 2025.

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. 3) Thus far, Trump and Secretary of State Marco Rubio had been constructive in their dialogue with Vietnam, urging the country to find a solution to rebalance trade. However, there is a possibility that the administration could still change tack with Vietnam or with China. Both scenario brings a risk to the VND.

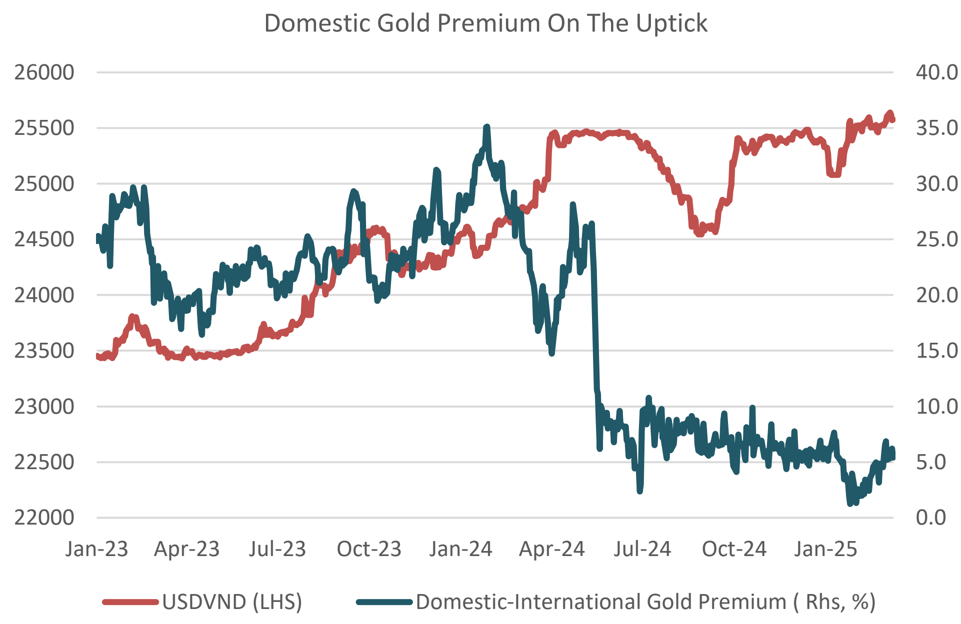
Key Data/Events: Mar trade, IP, CPI, retail sales and 1Q GDP [6 Apr].

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



Source: Bloomberg, Maybank FX Research & Strategy

<u>**Uptick in Domestic-International Gold Premium Does Not Help VND**</u>



Source: Bloomberg, Maybank FX Research & Strategy

INR: Pivoting to a Neutral Stance

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
USD/INR	**87.75**	**88.00**	**88.25**	**88.00**
	(--)	**(--)**	**(--)**	**(--)**

No Change to Previous Forecasts

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

USDINR NDF traded within an 85.86 to 87.66 range in Mar 2025, broadly lower than the 86.59 to 88.23 range in Feb 2025. Nevertheless, growth concerns, reciprocal tariffs and general US trade policy fears are likely weighing on the INR. In addition, the INR could be weighed by outflows from India's equities. INR outperformance in Mar was likely due to seasonal inflows such as profit repatriation. Notwithstanding this, we expect broad-based USD moves to dominate as US trade policies remain a major focal point for markets.

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

Inflation is expected to ease into 2025 with consensus forecasts suggesting 4.7% 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: 6.4%) 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 narrowing yield differential with the US, challenging external environment and considerable uncertainty make it difficult to be positive on the INR. **India's population dynamics remain favourable for growth.** The population is younger than those of China or the US, with the proportion of Indians who are 65 and older likely to remain under 20% in 2063 and will not approach 30% until 2100 by UN median projections.

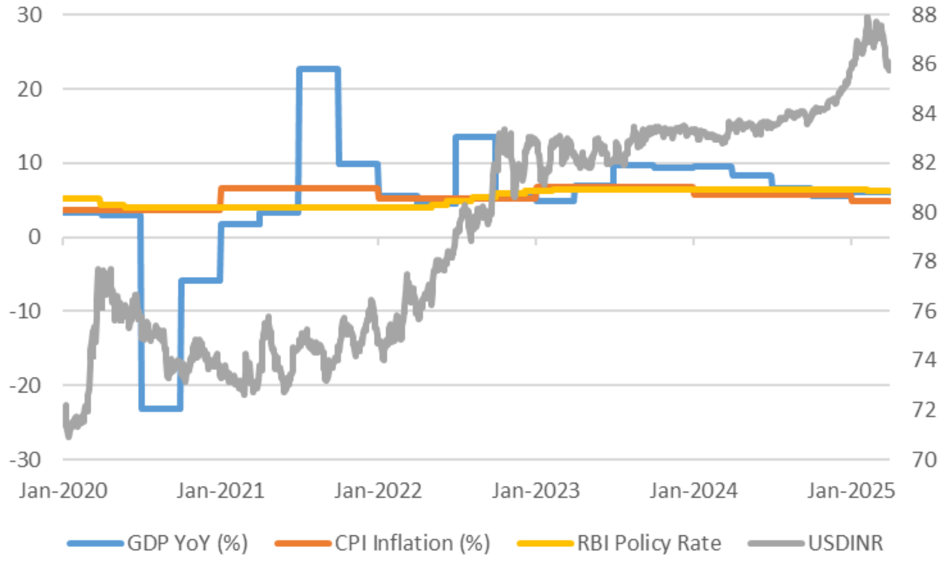
INR could be one of the more vulnerable to reciprocal tariffs. While the Indian economy is not reliant on exports to the US and they are unlikely to be flagged for specific measures from Trump, the mention of reciprocal tariffs could put them in the administration's crosshairs. However, we maintain the RBI's preference for stability should provide the currency with some support against a backdrop a strong USD. Inflows into India after its inclusion in global bond indices should also provide the INR with some support, although we expect gains to the INR to be limited by RBI's preference for stability. India 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.

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

Risk to our view: The RBI switching out of its stance to lean against the wind. This could occur as a matter of policy change or if there is too much scrutiny, possibly by the US Treasury. Should a challenging external environment result in higher inflation or poorer growth prospects, that should also challenge our view on the INR. Governor Sanjay has not shown an inclination to ease prematurely and we think that him being a career bureaucrat and a safe pair of hands should mitigate some of these risks.

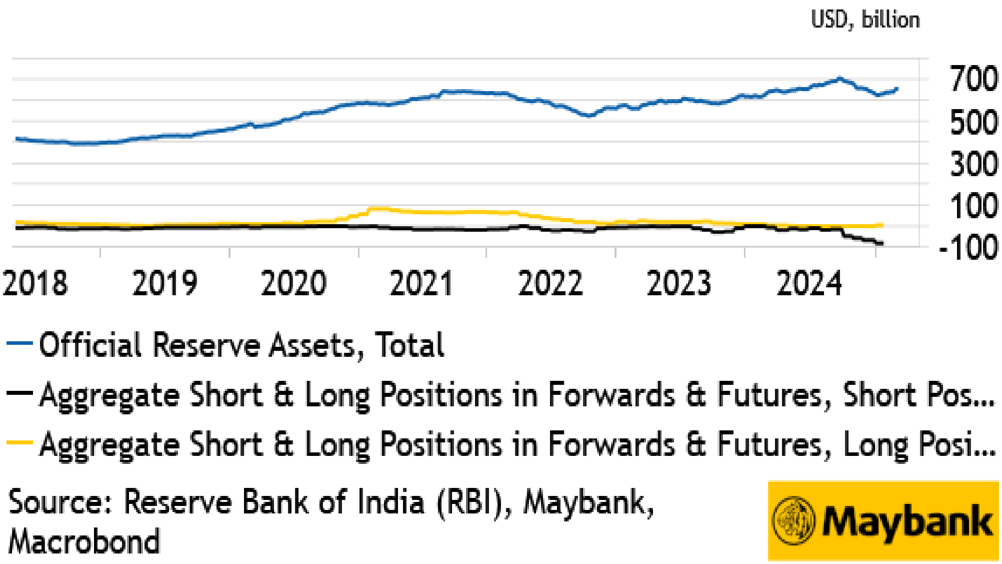
Key data/events: Mar F PMI Mfg (2 Apr), Mar F PMI Svcs/Comp (4 Mar), **RBI Policy Decision (9 Apr),** Mar Wholesale Prices, Mar CPI (15 Apr), Mar Imports/Exports/Trade Balance (15 to 17 Apr), Apr P PMIs Mfg/Svcs/Comp (23 Apr), Feb Industrial Production (28 Apr), Mar Eight Infrastructure Industries, Mar Bank Credit (30 Apr).

RBI's Restrictive Rate Could Hurt Growth Prospects



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Preference for INR Stability Evident in Recent OFR Drawdown



Gold: Still a Buy-On-Dip

	2Q 2025	3Q 2025	4Q 2025	1Q 2026
XAU/USD	3200	3250	3300	3300
	(3000)	(3050)	(3100)	(--)

Previous Forecasts in Parentheses

Motivation: Gold successfully reached our 2Q 2025 forecast at $3000 in Mar and remained elevated. While we are wary of technical pullbacks and break below the psychological support at around 3000 towards 2800, there remains a few compelling drivers for the bullion 1) outlook for real UST yields remain bearish, 2) geopolitical conflicts could spur more safe haven demand, 3)inflation expectations in the US have risen due to the barrage of tariff threats, 4) de-dollarization or rather the diversification away from fiat may not end.

Geopolitical Conflicts/tensions Have Been on the Rise - Driving Safe Haven Demand for gold. The Global Economic Political Uncertainty index is a monthly index that runs from 1997 to the present and mainly reflects terms pertaining to the economy, policy and uncertainty in local newspapers of 21 countries and imputing missing values for certain countries using a regression-based method to yield a balanced panel of monthly index values. So when we overlay the GEPU index over gold, there is a general positive correlation between the GEPU and gold prices over almost two and half decade. The recent spike in GEPU coincides with the rise in gold prices. We recall that gold had ended Trump's first term, around 65% higher in spite of phase 1 of the trade deal inked with China.

The rise of gold notwithstanding the pause in easing cycle - Even as rate cuts were paused in Jan and Mar 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 as an inflation hedge as inflation expectations in the US show signs of un-anchoring. What we note is that gold seems less perturbed by shorter term inflation expectation (1Y inflation) than longer-term expectations (5-10Y inflation) based on the Univ. of Mich. Consumer sentiment. The recent rise in 5-10Y inflation expectation could have played a part in lifting the gold prices above $3000. It may take a significant drop in demand for inflation expectations to ease given the exogenous nature of the price shock.

Growth downgrades in the US and Downside Risks to Real Yields. While inflation expectations seem to be unanchored in anticipation of Trump's myriad of tariffs, there is still little expectation for the Fed to hike rates from here given that the outlook for growth turns increasingly uncertain – the Fed downgraded GDP forecast for 2025-2027 in its Mar summary of economic projection. After taking the Fed Fund 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 is typically constructive for gold.

What is Ahead of us? Trump's Liberation Day approaches on 2 Apr. He wants to impose reciprocal tariffs on various countries based on non-tariff barriers, currency management and tariffs imposed on US products as well as any unfair practices that limit market access. Our economists noted that ASEAN countries such as Indonesia, Philippines and Thailand are vulnerable based on these criteria with Malaysia and Singapore particularly at risk of sector tariffs (auto, pharmaceutical and chips). Very few countries in the region are spared, in other words.

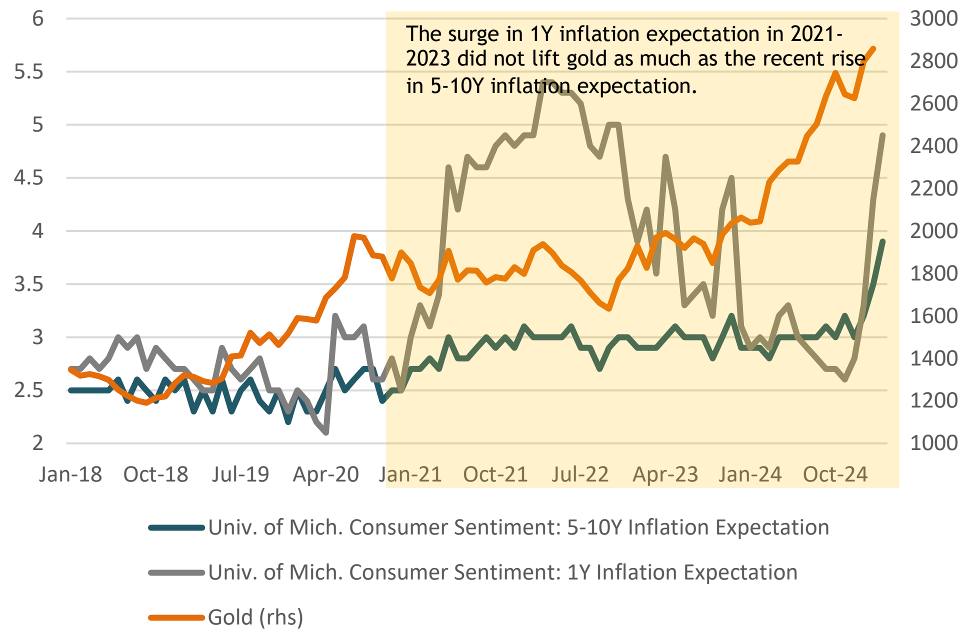
More recently, Trump seems to have hinted that reciprocal tariffs will be less "sweeping" and more targeted and many countries will receive breaks from next week's "reciprocal tariffs". He also mentioned that he will proceed with sector-specific tariffs on lumber and semiconductors "down the road" and reiterated to impose duties on pharmaceutical drugs that could come in "the very near future".

The EU has announced a delay of its retaliatory tariffs to allow for time and room for negotiations. The countermeasures were meant to take effect on 1 Apr but has now been pushed back to 13 Apr. Reciprocal tariffs seem to be thus far, a prompt for negotiations and there could be some success in bringing down trade barriers for the US. On the other hand, nations may react with retaliations too. The possibility of further trade frictions could continue to underpin the bullion for now. Any sign of deal making may mean some corrective move lower for gold as well. However, Trump's unpredictable policies could keep investors cautious for the next four years. 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.

Beyond the near-term, if we are of the view that UST yields could be set for another move lower due to US growth slowdown and Scott Bessent's endeavours to bring them lower, the balance of risks to real yields (10y UST yield) could be tilted to the downside. That could potentially be supportive of gold prices in the next six to nine months.

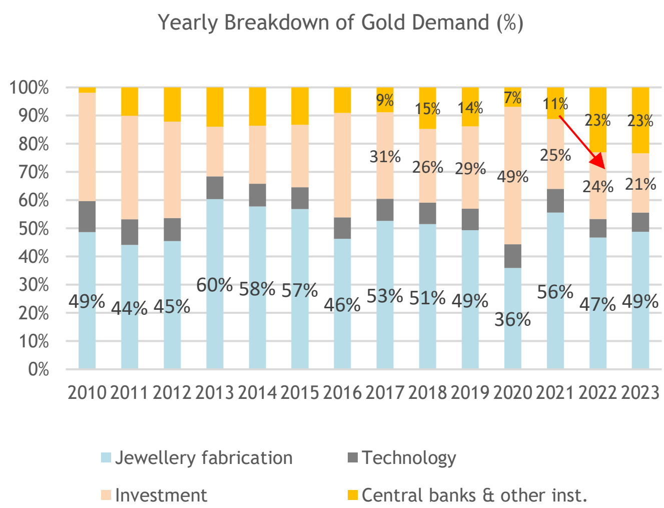
Technical Analysis: Gold has been on a strong rally since 2022 and recent moves have formed a rising wedge on the weekly chart. A move lower from current levels cannot be ruled out given this formation. MACD forest has also formed a bearish divergence with recent peaks as well. Support eyed at around 2880 before 2790. Beyond recent high of 3057, we see next resistance at 3100.

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



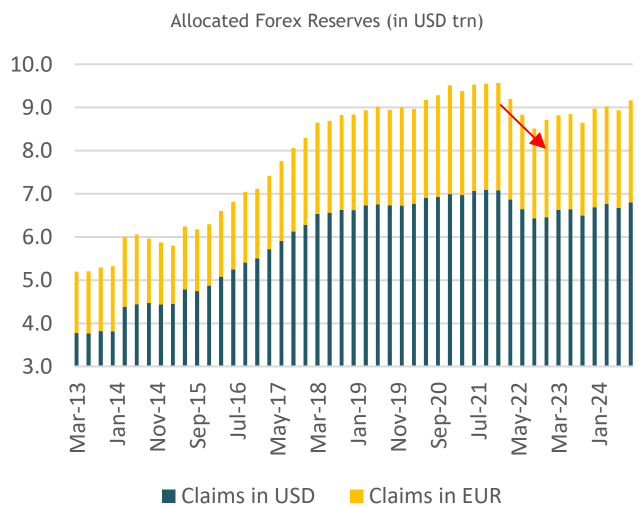
Source: Bloomberg, Univ. of Michigan, Maybank FX research & Strategy

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	145.00	142.00	140.00	138.00
EUR/USD	1.0700	1.0900	1.1000	1.1000
GBP/USD	1.2900	1.3000	1.3050	1.3100
AUD/USD	0.6000	0.6100	0.6200	0.6300
NZD/USD	0.5500	0.5700	0.5800	0.5900
USD/CAD	1.4600	1.4500	1.4300	1.4000
USD/CHF	0.8850	0.8850	0.8850	0.8875
USD/SGD	1.3750	1.3600	1.3450	1.3400
USD/MYR	4.6000	4.4500	4.3500	4.3000
USD/IDR	17000	16500	16500	16400
USD/THB	36.00	35.30	35.30	35.00
USD/PHP	59.00	58.00	58.00	57.50
USD/CNY	7.50	7.45	7.40	7.35
USD/CNH	7.50	7.45	7.40	7.35
USD/HKD	7.77	7.78	7.79	7.80
USD/TWD	32.70	32.80	33.00	32.50
USD/KRW	1470	1410	1400	1390
USD/INR	87.75	88.00	88.25	88.00
USD/VND	25800	25800	25600	25500
DXY Index	105.03	103.40	102.48	102.05
Gold ($/oz)	3200.00	3250.00	3300	3300.00
	End Q2-25	End Q3-25	End Q4-25	End Q1-26
SGD/MYR	3.35	3.27	3.23	3.21
JPY/SGD	0.95	0.96	0.96	0.97
EUR/SGD	1.47	1.48	1.48	1.47
GBP/SGD	1.77	1.77	1.76	1.76
AUD/SGD	0.83	0.83	0.83	0.84
NZD/SGD	0.76	0.78	0.78	0.79
CAD/SGD	0.94	0.94	0.94	0.96
CHF/SGD	1.55	1.54	1.52	1.51
SGD/IDR	12364	12132	12268	12239
SGD/THB	26.18	25.96	26.25	26.12
SGD/PHP	42.91	42.65	43.12	42.91
SGD/CNY	5.45	5.48	5.50	5.49
SGD/HKD	5.65	5.72	5.79	5.82
SGD/TWD	23.78	24.12	24.54	24.25
SGD/KRW	1069	1037	1041	1037
SGD/INR	63.82	64.71	65.61	65.67
SGD/VND	18764	18971	19033	19030
	End Q2-25	End Q3-25	End Q4-25	End Q1-26
JPY/MYR	3.17	3.13	3.11	3.12
EUR/MYR	4.92	4.85	4.79	4.73
GBP/MYR	5.93	5.79	5.68	5.63
AUD/MYR	2.76	2.71	2.70	2.71
NZD/MYR	2.53	2.54	2.52	2.54
CAD/MYR	3.15	3.07	3.04	3.07
CHF/MYR	5.20	5.03	4.92	4.85
MYR/IDR	3696	3708	3793	3814
MYR/THB	7.83	7.93	8.11	8.14
MYR/PHP	12.83	13.03	13.33	13.37
MYR/CNY	1.63	1.67	1.70	1.71
MYR/HKD	1.69	1.75	1.79	1.81
MYR/TWD	7.11	7.37	7.59	7.56
MYR/KRW	320	317	322	323
MYR/INR	19.08	19.78	20.29	20.47
MYR/VND	5609	5798	5885	5930

*Source: Maybank FX Research as of 28 Mar 2025. *These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.*

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