UOB HOUSE VIEW

2Q2017

GLOBAL MACRO

Global growth since our last publication (in late 2016) was actually better than what we had initially projected with a synchronized global revival currently taking place. And yet the broad market sentiment remains downbeat or gotten even more downbeat despite the more positive economic outlook and that is because of rising geo-political risks which may be the dominant theme in 2Q 2017.

ASSET ALLOCATION

From a tactical asset allocation, the underlying trends still point to EQUITIES LOOKING MORE ATTRACTIVE THAN FIXED INCOME in 2017, but the delays in policy and the possible peaking of leading indicators imply that the reflation theme may turn more gradual.

EQUITIES

While equities may be in for some near-term consolidation after recent gains, the reflationary theme appears broadly intact and is expected to continue to be supportive for global equities. That said, equities will continue to be VOLATILE given the likely headline political risk on the horizon.

FIXED INCOME

We are UNDERWEIGHT fixed income relative to other asset classes. Within fixed income markets we underweight government bonds relative to corporate credits and are neutrally balanced between developed and emerging markets. We advise shorter durations than average for the start of 2017 and prefer USD credits with low levels of hedging to SGD.

COMMODITIES

We recommend being OVERWEIGHT the overall commodities sector. Growth sensitive sectors like base metals and bulk commodities have performed strongly in recent months, and leading indicators continue to support their outlook. We are cautious, however, of the positive outlook for the USD due to its negative correlation between commodity prices in recent years.

FX & INTEREST RATES

Even as we had our first 2017 rate hike in the 14/15 March FOMC, we still maintain the forecast of 3 Fed rate hikes this year (including the March hike). Meanwhile, with the Trump reflation policies delayed (but not derailed), we have recalibrated our US dollar view where we still expect a stronger US dollar by end-2017 but at a lowered trajectory.

UOB

Economically Better But Politically More Uncertain

Global growth since our last publication (in late 2016) was actually better than what we (and probably many others) had initially projected. Indeed, a synchronized global revival is taking place as we write this piece, led by (but not limited to) the developed markets including US, Europe and Japan.

Asian economies, which have mostly reported a stable set of 4Q16 and 2016 GDP numbers, are looking at a generally positive outlook in 2017 as recent exports and manufacturing data suggest some positive momentum in the global demand recovery, supported to some extent by the low price base effect. Commodity exporting countries are also benefiting from the stabilization in prices since late 2016 while stronger commitments to infrastructure investments in the region could also contribute more strongly to growth as governments including Malaysia, Indonesia and Thailand step up their infrastructure developments.

And yet the broad market sentiment remains downbeat or gotten even more downbeat despite the more positive economic outlook. And that is because geo-political risks are also rising, led by (but again not limited to) the developed economies. The initial euphoria driven by US President Donald Trump's pledges of US tax reform, expansionary fiscal plans & a trillion dollar infrastructure bill has fizzled out as the reality of hard-bargaining politics are putting these plans on hold or even derailed altogether. Trump's failure to get the US House to repeal and replace the Affordable Care Act ("Obamacare") is his first major legislative setback. He is for now looking to refocus on reversing energy policies (Obama's clean energy plan), tax reform and infrastructure spending proposals. We still expect Trump to get most of his tax reform and infrastructure spending proposals approved through Congress but it may or may not happen by 2017. With the Trump reflation policies delayed (but not derailed), we have recalibrated our US dollar view where we still expect a stronger US dollar by end-2017 but at a lowered trajectory.

In Europe, the key political event in 2Q is the French Presidential election (first round to be held on 23 April) and it remains too close to call and will likely be a key variable affecting sentiment towards Europe and the volatility of the euro. And across the English Channel, the UK government as expected, triggered the Article 50 – the formal notification of Britain's intention to leave the European Union (EU) – on 29 March, setting the country on an irreversible path. Under the terms of Article 50, this means that the UK will be out of the EU by the end of March 2019, unless an extension of the negotiation period is agreed by both sides (a move that would require unanimous support of the EU Council).

And as for China, its growth slows further and the country will continue to struggle with issues including its high leverage, banking sectors' increased dependence on wholesale funding, falling FX reserves and RMB depreciation risks. China's has the largest corporate debt pile in the world, amounting to US$18 trillion in 2016, compared to US$13 trillion in the US and US$12 trillion in the Eurozone. The speed of increase has raised eyebrows. China's corporate debt soared from 96% of GDP prior to the Global Financial Crisis to 167.6% in 2016. In contrast, China's local government debt repayment pressures are expected to be more manageable in the next 1-2 years. The increase in debt balances is expected to slow as a result of regulatory responses including closer scrutiny and debt-for-equity swaps. For the banking sector, the increased dependence amongst the smaller banks on wholesale funding has increased systemic risks due to the interconnectedness of banks and other financial institutions, and investment products via interbank and repo markets. Even as China-related risks remain on our radar, we expect to see the continuation of stability going into the Communist Party's 19th National Congress in the autumn of 2017. The "leadership transition" in itself will also have implications on the pace of economic and market reforms in China in the years to come.

The Korean Peninsula is likely to be the geo-political hotspot in Asia. From North Korean missile tests, to the on-going spat between China and South Korea on THAAD to the upcoming South Korean Presidential elections on 9 May 2017 following the impeachment of former President Park Geun-hye, South Korea has all the elements to make it a potentially very volatile 2Q this year, despite its robust exports growth and KRW being the strongest Asian currency against the USD so far this year (up 5.85% YTD as of 11 Apr 2017).

One possible surprise for 2017 we highlighted in our previous report was the resurgence of inflation. While the latest inflation data from some economies were above expectations, it may be premature at this juncture to warrant monetary policy tightening especially against the rather troubled global political backdrop. And the risk of an unexpected commodity-led inflation spike in 2017 is further lowered with a potential delay in US reflationary fiscal policies (Trumpflation) although crude oil prices did see upside pressure in the first weeks of April following supply outages in Libya and Canada, with the US airstrike on Syria adding fuel to the rally.

To conclude our thoughts on outlook and risks, it is perhaps not surprising US President Trump may still have the final word. One area of temporary comfort is that Trump's much feared anti-trade/protectionist/anti-globalization policy remains all talk for now, while the actualization of the "Border Adjustment Tax" is probably still some distance away. Having said that, there are two events that we will be following closing in April: 1) the release of the US Treasury's Semiannual Report on International Economic and Exchange Rate Policies (likely on 15 April but may be delayed) and the key concern is whether the US will label any country, especially China, as a currency manipulator in this report or is it more a case of firing warning shots, and 2) the US Congress needs to reach a budget agreement and avoid a government shutdown by mid-night of 28 April (the government shutdown is unlikely in our view but if it does happen, then that will be a bigger legislative setback than trump's failure to repeal Obamacare). Incidentally, if these two events take place as scheduled, it will fall within the first 100 days of Trump's Presidency (till end April 2017). The best/worst is yet to come and it may take a while longer to make it past 100.

ASSET ALLOCATION

Normalization Continues But Elements Of The Reflation Theme Consolidate

We expect the "reflation theme" of the normalizing of inflation trends from very low levels to target levels will persist through 2017. But as some of the macro improvements have slowed, the key investment themes have consolidated in recent months.

In particular the key investment elements of a reflation theme are that 1) equity returns will increase, 2) interest rates will increase and be a moderate headwind for fixed income markets and 3) the US dollar should be well supported. Through most of 2017, global equity markets have indeed continued to perform well, but rates and the US dollar have mostly been range bound if not slightly weaker.

The combination of improving macroeconomic trends and the surprise Republican sweep of the US Presidency and congress that ended gridlock, left global investors more convinced that global conditions could finally normalize. Macro improvements have continued into 2017 and the US FED has in fact led the way by hiking the FED Funds rate in March to continue the normalization process. In previous episodes where the US FED has made efforts to normalize conditions such as in 2013, long term rates rose rapidly and the US dollar was strong.

But in recent months, trends have reduced the pressure on long term rates. Firstly, the expectation of simulative US policy has been reduced. While gridlock has ended, early signs in the Trump Presidency is that getting consensus among his own party on his policy agenda will be harder and slower than expected.

Global macroeconomic indicators continue to improve but some leading indicators have been slightly less robust in recent months. For example the US ISM manufacturing index declined from 57.7 to 57.2, implying manufacturing activity is expanding at a healthy rate, but slightly slower rate than the previous month. Additionally the US jobs data showed mixed signs with weak new jobs numbers but improving signs of full employment. Additionally, 1st quarter 2017 estimates for the US GDP have been reduced by economists due to weather and inventory effects.

At the same time, other global trends remain robust. European manufacturing indices remain strong, and its political backdrop appears to be improving. Asian macro tends and markets have been improving as well.

At the start of the year global investors saw both the improving macro-economic trends and the likely US fiscal policies as dual reasons to expect a period of normalization. It increasingly appears as though markets will have to rely on economic trends alone as simulative policy could take longer than expected to develop. Currently, we expect economic trends should be able to support equity markets on their own. A potentially bullish equity market outcome would be that economic trends supported equity earnings and prices in 2017, and then tax cuts and simulative policies support markets in 2018 giving equities a potential multiyear positive trend.

From a tactical asset allocation, the underlying trends still point to equities looking more attractive than fixed income in 2017, but the delays in policy and the possible peaking of leading indicators imply that the reflation theme may turn more gradual.

We think expected returns for global equities in the next 12 months should be in a range of 7% to 12%. We expect fixed income markets would achieve returns of 2-4% over the next year.

Multi-asset income strategies have filled a useful sweet spot between fixed income and equities. The yield focus of the income strategies is likely to feel some pressure from rising yields but we expect that the income strategies will continue to offer that balance of better yields than fixed income markets but better volatility levels than what come with equities and thus will remain relevant.

Commodities usually benefit in a reflating cycle and we think economic trends are supportive of most commodity sectors but warn that there are still uncertain supply and demand situations in most commodities that make pricing more volatile.

EQUITIES

Global equities have generally done well since 2017 began. Much of the performance can be attributed to an upward shift in growth expectations, which began in the second half of 2016 and received a boost from pro-growth elements of US President Donald Trump's policy agenda. While equities may be in for some near-term consolidation after recent gains, the reflationary theme appears broadly intact and is expected to continue to be supportive for global equities. That said, equities will continue to be volatile given the likely headline political risk on the horizon. Once again, investors are advised not to chase short term rallies or sell into panics and instead use intermittent market sell-offs as opportunities to build positions.

We maintain an overweight position in US equities. While there has recently been some disappointment over Trump's ability to deliver on his policy agenda, the reflationary theme runs deeper than the new administration's growth plans and reflects a recovery of growth and inflation expectations from highly depressed levels. Economic activity has begun to pick and hiring has been robust, which should support better earnings performance.

European equities retain their neutral weight. The reflationary theme appears to have reached the other side of the Atlantic, with economic and investment sentiment registering improvement in Europe and equities trading higher. However, we remain cautious on political risk in view of key elections in France and Germany, and would prefer to see signs of the improvement in sentiment translating to improvement in tangible economic activity before turning more sanguine on Europe.

We maintain an overweight position in Japanese equities. While Japanese equities have admittedly underperformed due to their typically positive correlation to a declining USDJPY, we see some promising signs for the market. The link between the two instruments appears to be weaker than in the past, with Japanese equities managing to finish the first quarter unchanged despite a weaker USDJPY over the same horizon. In any case, we anticipate a higher USDJPY towards the end of the year. In addition, there are signs of improvement in some segments of the economy, with manufacturing sentiment improving and indications of investment spending higher.

In broad terms, we shift to a neutral view on emerging market equities. As the year began, we were of the view that higher US rates and a stronger USD would be negative for emerging markets, as has typically been the case historically. Emerging market equities are proving more resilient however, as structural reforms and/or asset price corrections in recent years have made them more resilient to a tighter USD environment. It also appears that unlike in the past, the current economic cycle in emerging markets has diverged from that of the developed world. Within emerging markets, we are overweight on Chinese equities due to the earnings recovery and low valuations, Indian equities due to the strong support for Prime Minister Narendra Modi's reform efforts and Indonesian equities due to the more domestically-oriented economy.

COMMODITIES

Overview – We recommend being overweight the overall commodities sector. Growth sensitive sectors like base metals and bulk commodities have performed strongly in recent months, and leading indicators continue to support their outlook. We are cautious, however, of the positive outlook for the USD due to its negative correlation between commodity prices in recent years.

Agriculture - We remain slightly underweight position in agriculture commodities. Grain prices remain depressed given the strong US harvest, high crop-to-use levels and anticipated planted area for the coming year.

Base Metals – We are overweight on base metals. The evidence of supply-side shortages continues to mount, with zinc, lead, nickel and tin production appearing constrained given new mine capex which peaked in 2011. Metals like copper and aluminium remain well-supplied at this current time, but tend to be sensitive to global growth which appears to be improving.

Bulk Commodities – We remain with a slight underweight position in bulk commodities. The price spike in coking and thermal coal, was due to the Chinese government enforcing lower domestic production targets. The resulting price spikes were unintended, and in fact, the government is now encouraging all mines to produce at a maximum level. This will inevitably lead to lower bulk commodity prices as previously restricted capacity comes back onto the market.

Energy - We move to a neutral position in energy. Crude oil prices have rebound to a range of $50 to $60 for most of 2017, but it is unlikely that crude oil prices can rally above US$60/barrel in the coming year given potential for US onshore share production to ramp up quickly and profitably at that price point.

Gold - We remain overweight on gold due to the potential for negative interest rates in developed economies, and concerns over further anti-EU catalysts in the coming quarter. We advise investors to look beyond the widespread expectation of a US interest rate hike in December 2016 and anticipated further rate hikes in the New Year. The high level of indebtedness in the US economy, together with continued variability in US economic data, means that further hikes risk curtailing growth.

FIXED INCOME

Fixed income back to steady performance after volatile end to 2016

The rapid US 10yr Treasury rate spike at the end of 2016 triggered fears of a rate increase overshoot similar to what occurred in 2013 after the US FED announced that it would taper its QE program. But after hitting a yield of 2.6% in December 2016, the US 10yr yield has remained in a range of 2.6% to 2.3%. Fixed income markets have returned to steady positive returns in the first quarter of 2017.

Global macro leading indicators are still pointing to improving global growth and the US Fed is indicating that the US economy is at full employment. Core US inflation is still below target at 1.8% but has been steadily improving and getting close to the 2% target. This implies that markets should continue to expect the US Fed to hike the Fed Fund rate through 2017. The higher Fed Funds rate hikes should put pressure on long term US rates to move toward a 3% range.

But we continue to expect these moves to be more gradual than we have seen in prior cycles. The deflationary forces in the world coming from aging demographics and accumulated savings and globalization trends still limit the risks of inflation surprises necessitating more rapid rate increases by the Fed.

We don't think fixed income investors need to be overly alarmed by these trends. We think investors should be advised that the strong fixed income returns of recent years is likely to be less attractive this 2017. For example, during the past five years, Asian bond funds have delivered an average annual return of 7% per year according to the JACI benchmark. But given the rate rises that will be a headwind for returns we think that returns in 2017 is likely to be in the range of 2-4%.

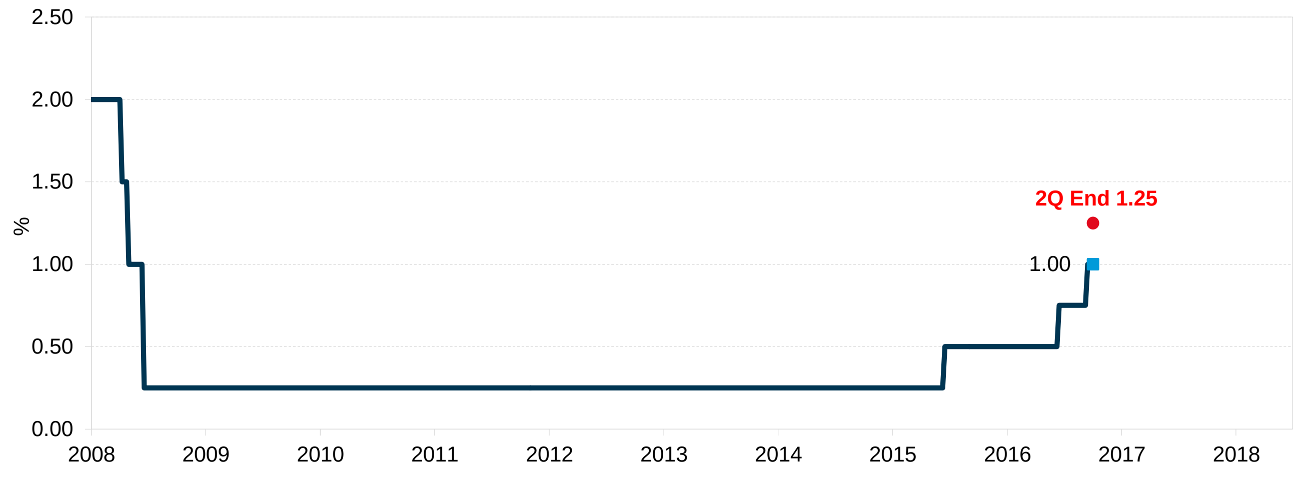
We continue to believe that many investors that do not have the risk tolerance for equity volatility would still benefit from being in fixed income markets over shifting to cash. Also the positive part of the fixed income outlook is that the multiyear outlook can improve as yields of fixed income funds rise.

We are underweight fixed income relative to other asset classes. Within fixed income markets we underweight government bonds relative to corporate credits and are neutrally balanced between developed and emerging markets. We advise shorter durations than average for the start of 2017 and prefer USD credits with low levels of hedging to SGD.

FX & INTEREST RATES

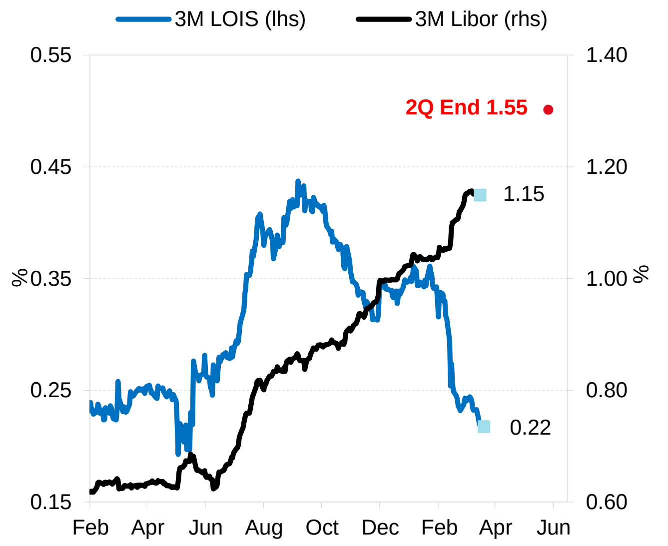
UNITED STATES

FED Funds Rate



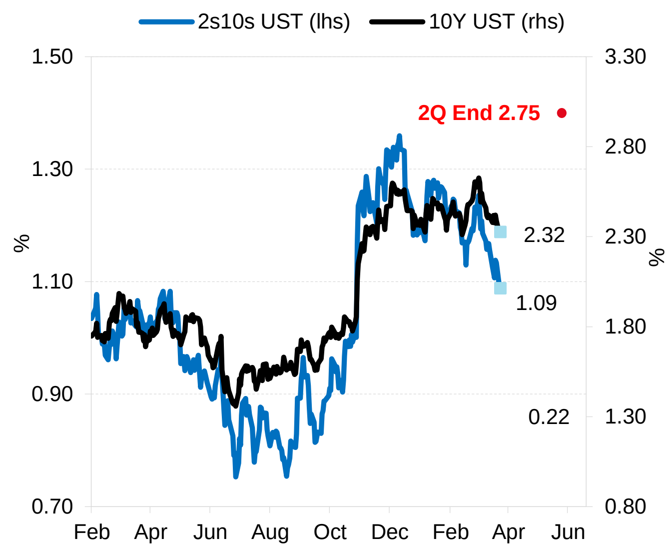
Even as we had our first 2017 rate hike in the 14/15 March FOMC, we still maintain the forecast of 3 Fed rate hikes this year (including the March hike). Against the backdrop of positive US economic data & rising US inflation together with robust US financial market performance, we expect two more 25bps rate hikes in 2017 (in June and September FOMC), remain on pause in 4Q-2017 before resuming hiking rates by another 4 times in 2018. The latest Fed talk about reducing its balance sheet later this year has the market building a consensus that it may take place in the 12/13 Dec 2017 FOMC. While that development will not derail our 2017 rate hike trajectory, the potential December announcement may affect our 2018 Fed rate hike trajectory. We will probably get more definitive Fed forward guidance on the decision to reduce the Fed balance sheet most likely in the coming summer months.

3M US Libors



We expect to see 3M Libor resume its upward trend towards 1.55% by the end of 2Q2017. Libors have started 2Q in a stagnant fashion mainly because there is no FOMC in April. However, we are likely to see a resumption of Libors upward trajectory in order to incorporate consensus, and our, expectation for a June rate hike. Risk of overshooting remains while the market is underpriced relative to official FED dots, but this gap has been very resilient to convergence and may require more convincing hard data improvements first.

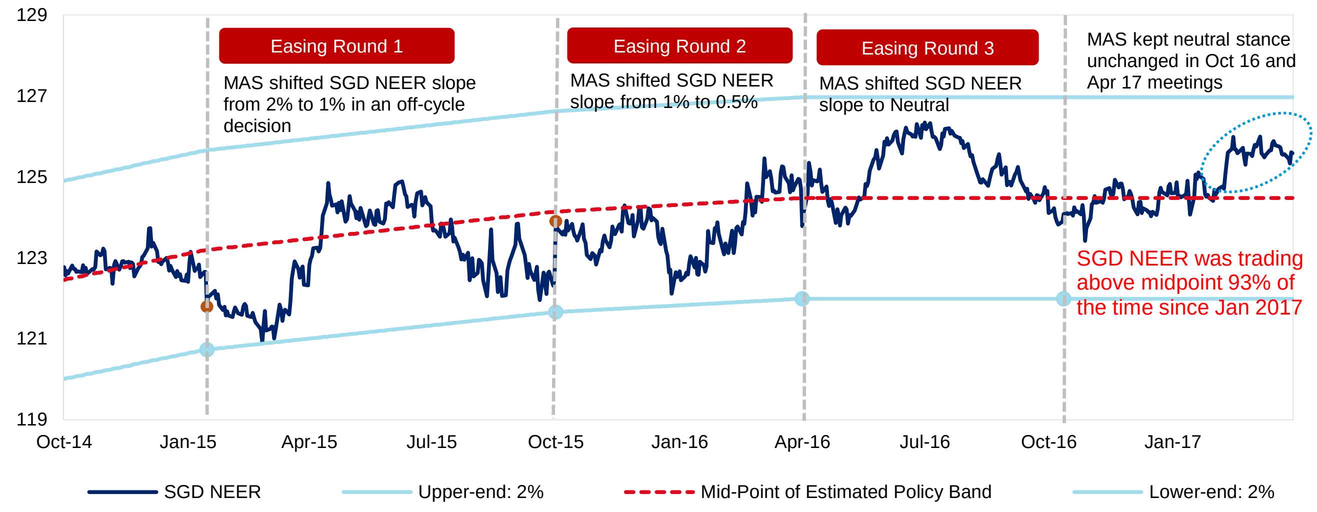
10Y US Treasuries



We expect to see 10Y UST at 2.75% by the end of 2Q2017. 10Y UST yield has stalled between 2.30% and 2.60% as enthusiasm over reflation themes moderated alongside signs of US political grid lock. We continue to see potential fiscal policy outcomes this year as favouring higher 10Y UST yields. On the downside, 10Y UST significantly below 2% will overlap with an elevated probability of a recessionary scenario. Besides FED hike probabilities and Fiscal policy announcements, 10Y UST will also be influenced by FED balance sheet discussions currently taking shape.

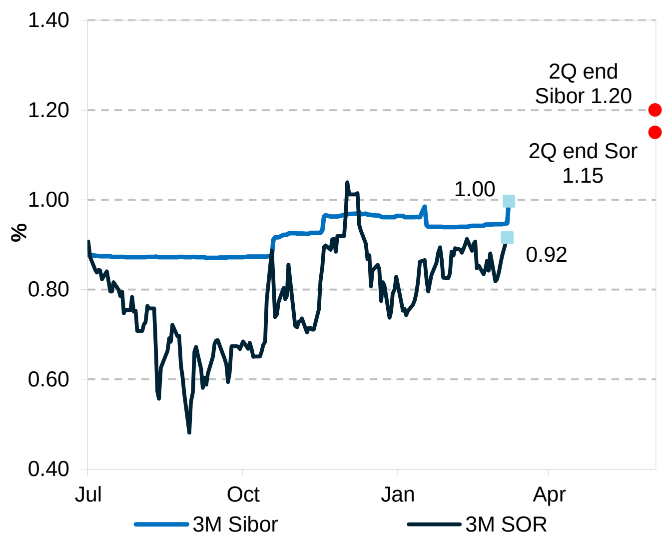
SINGAPORE

SGD NEER



Monetary Authority of Singapore (MAS) on 13 April maintained the current policy of a zero appreciation of the SGD NEER for the 3rd consecutive policy meeting (since April 2016), and had also kept the midpoint and bandwidth of the policy band unchanged. More importantly, the MAS had kept their statement "a neutral policy stance is appropriate for an extended period and should ensure medium-term price stability". We now believe the central bank will also keep to the existing policy stance in the October 2017 meeting, unless actual economic conditions turn out drastically different from their forecast. Singapore's advance estimates of 1Q 2017 GDP growth registered 2.5% y/y, slightly better than consensus estimates of a 2.4%y/y growth. On a q/q SAAR basis, GDP pulled back 1.9%.The sequential slowdown in 1Q GDP growth was mainly due to the 6.6% q/q SAAR contraction in the manufacturing sector, as well as a 2.2% q/q SAAR contraction in the services sector.

3M SOR and Sibor

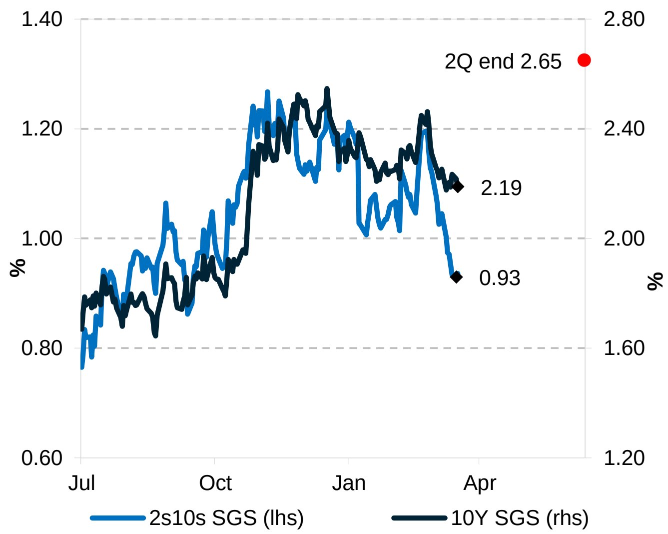


We expect to see 3M SOR and SIBOR at 1.15% and 1.20% by the end of 2Q2017 respectively.

Benign domestic liquidity conditions and a SGD NEER that has been sticky on the strong half of the policy band have contributed towards capping the upside on USDSGD FX swaps. April's MAS statement could validate pricing in the direction of SG yield discount going forward if the statement turned out less dovish than expectations.

The primary trend in SORs and SIBORs will be dictated by US rates. Elevated SG risk premium will be required before the 2015 SG rate dynamics can take hold.

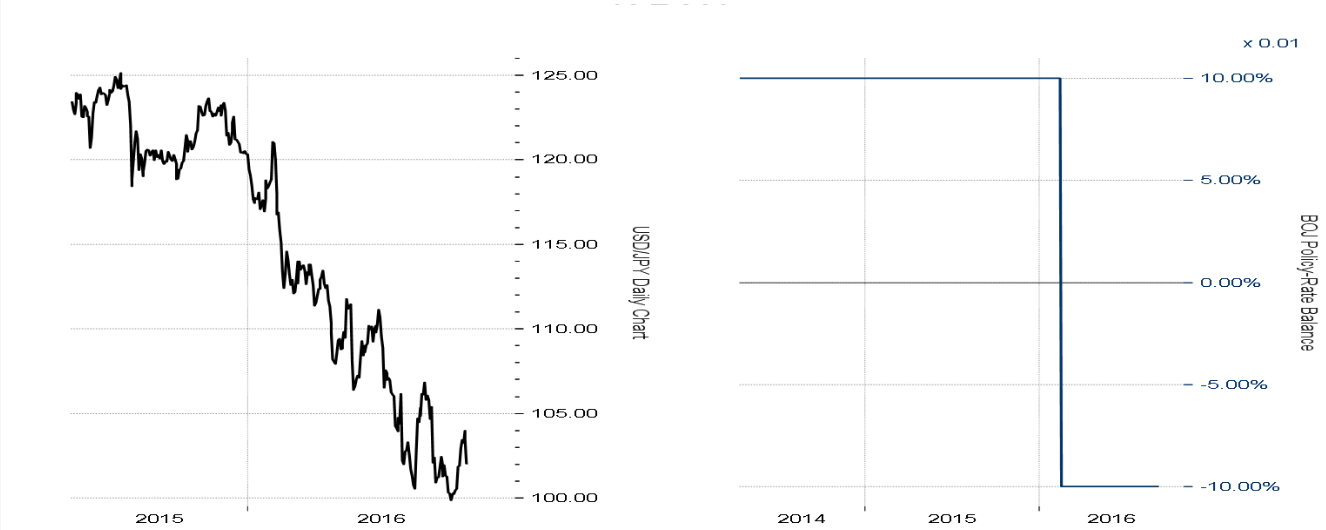
10Y SG Bonds



We expect to see 10Y SGS at 2.65% by the end of 2Q2017.

10Y SGS has been a combination of influences from 10Y UST as well as SG yield discount extending up the maturity ladder. Further outperformance from 10Y SGS will face some headwinds from back to back long end auctions, 20Y in April and 30Y in May, but this should be a temporary speed hump as the case for deepening SG yield discount remains valid.

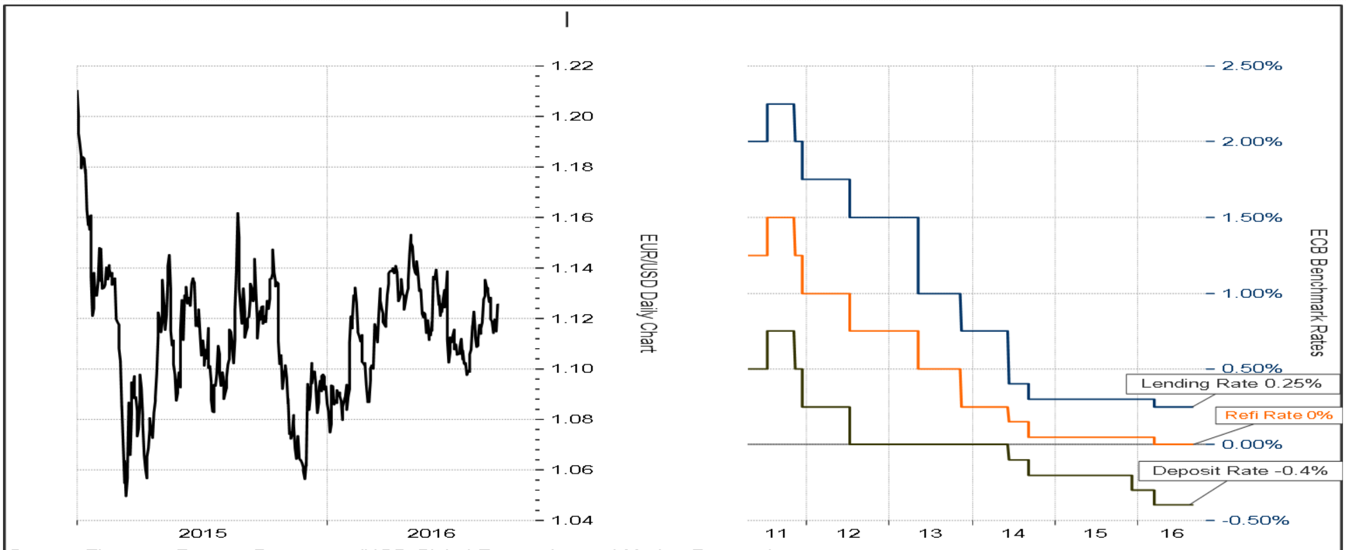
JAPAN



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

There is increasing market expectation that the next BOJ move is to taper its easing program, but we think this may be premature in 2017 because Japan is still far away from its 2% inflation target and BOJ has consistently reminded the markets that the BOJ will continue its current policy until stable 2% inflation is achieved and it is inappropriate to debate exit of monetary policy easing at this stage. Thus, the most likely outcome for the BOJ may be to maintain status quo at least in the near term, 6-9 months.

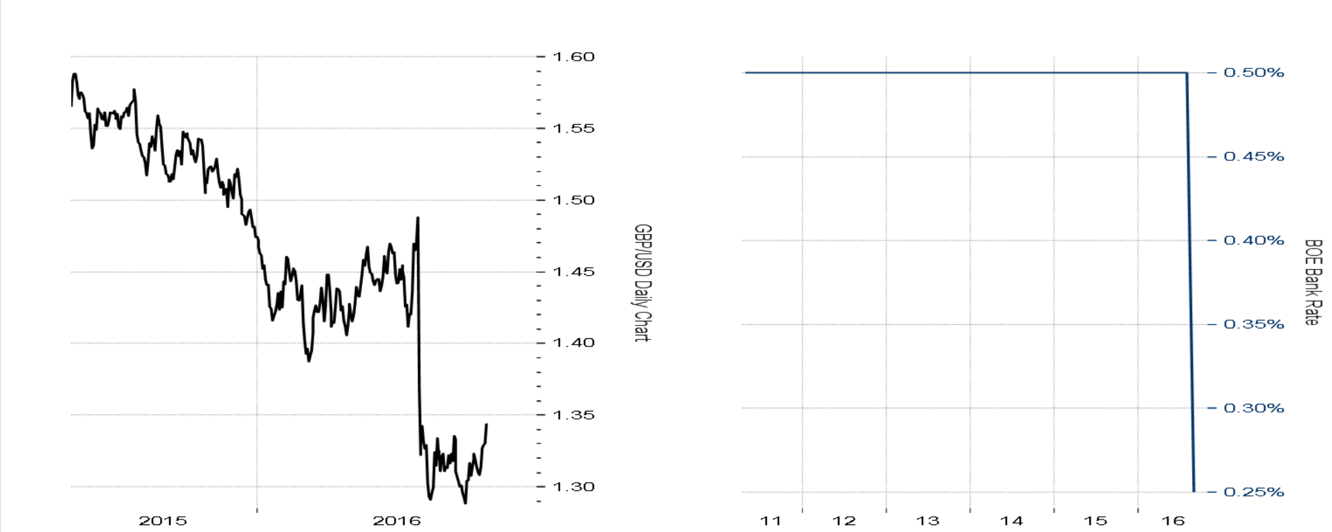
EUROZONE



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

Draghi's message at the 9 March ECB meeting was in line with our expectations. In fact, we thought he did a successful job of tweaking the ECB's policy language to show that the economic risks to the Euro area are starting to recede, yet, at the same time, insisting that monetary stimulus must continue. We think the ECB will make baby-steps, probably making the first move of changing the forward guidance in June depending on the outcome of the key European elections ahead. Meanwhile, French voters will be going to the polls on 23 April and 7 May in the two-round election. We think EUR remains vulnerable to further volatility and weakness over the next couple of months as the FX market will increasingly focus on the political risks as we get closer to the French elections.

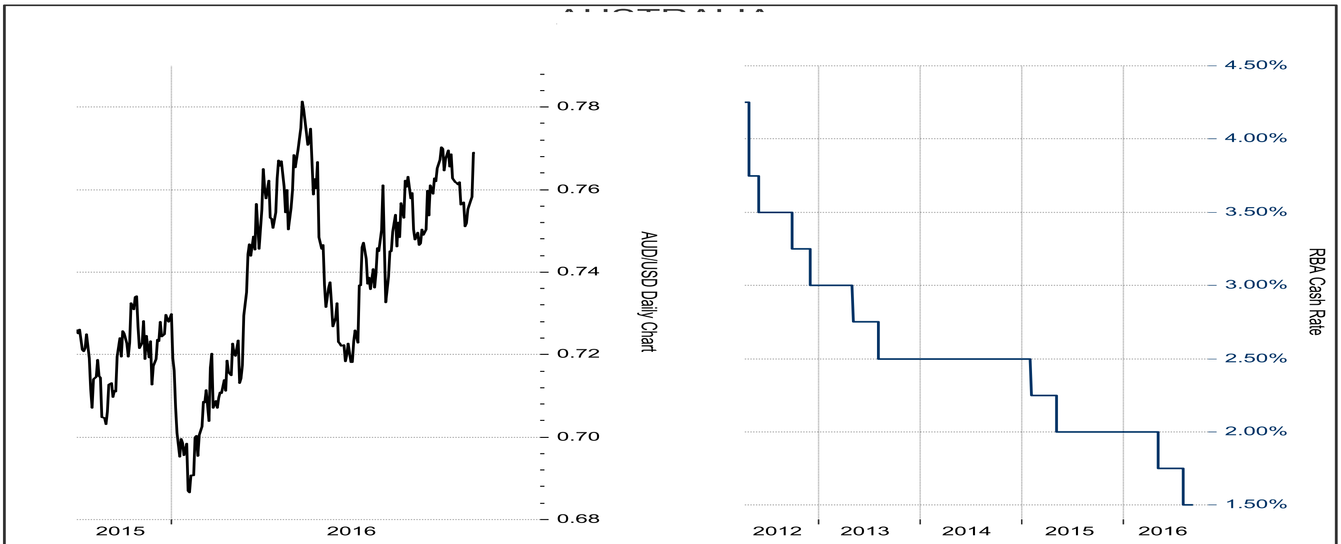
UNITED KINGDOM



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

On 29 March, the UK finally triggered Article 50 of the Lisbon Treaty via a letter to European Council President Donald Tusk. This begins the formal process of the UK leaving the EU. We expect GBP/USD to remain volatile, and we still see potential for further weakness as we believe there will be significant hurdles to overcome, and it is extremely unlikely that Brexit negotiations with the EU will be smooth. As for the BoE, we continue to see a status quo policy for the rest of this year, especially given the major uncertainties over the UK economic and political outlook. We will nonetheless continue to keep a close eye on economic data, as well as on any MPC speeches to better gauge just how many MPC members hold the more hawkish view expressed in March.

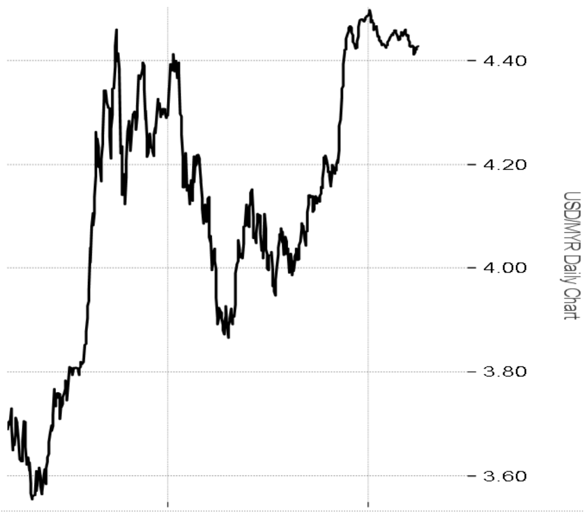
AUSTRALIA

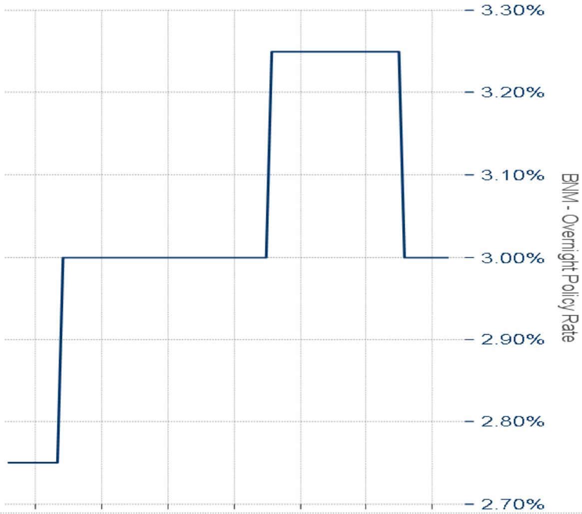


Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

There is nothing to change our view that the RBA will stay accommodative for an extensive period of time, as it remains torn between a surging housing market and a sputtering economy. In fact, the recent round of macro prudential controls would in fact give the RBA flexibility and the risks are that the RBA could cut rather than hike if the situation of rising unemployment and softening wage prospects continue. Still, AUD/USD should continue to benefit from improved global economic conditions and rising commodity prices; although we think the RBA would want to limit the upside in AUD.

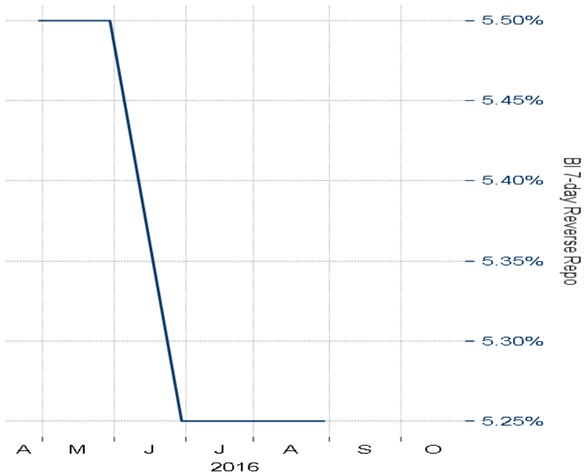
MALAYSIA





Post US elections, USD/MYR gapped up above the 4.00-4.20 range to end last year at 4.48. The pair has since steadied within 4.42-4.46 since February. The Ringgit remains undervalued on a real effective exchange rate basis despite more encouraging macro conditions, suggesting that factors weighing on Ringgit are beyond fundamentals. Malaysia's foreign reserves inched up to US$95.4bn at end-March. Following the introduction of new FX measures and intensified actions to clamp down offshore Ringgit non-deliverable forwards (NDFs), the onshore FX market is still undergoing adjustments and the central bank has been supplying liquidity in addressing demand and supply mismatches. We think there is genuine interest in Malaysian assets judging by its compelling valuations. However until market liquidity normalizes, foreign selling of bonds recedes and sentiment improves, USD/MYR is expected to trade within 4.40-4.50 assuming moderate dollar strength.

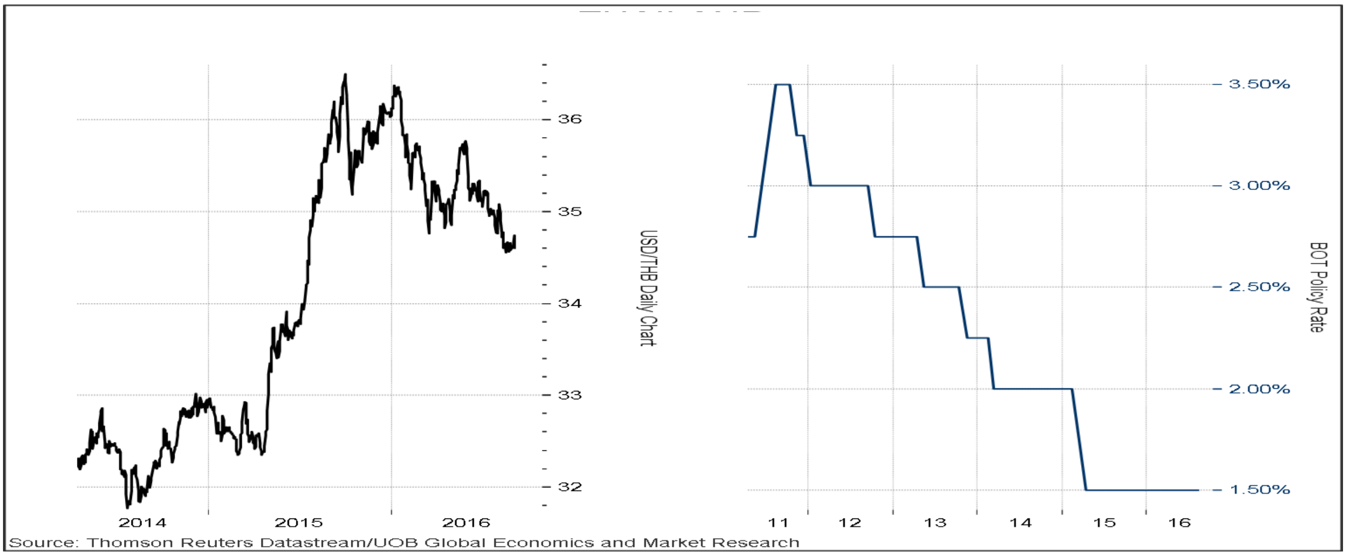
INDONESIA



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

After the unexpected dip in March, we expect to see greater pass-through in the electricity tariff increases to inflation in the subsequent months. As real interest rate falls in Indonesia, the central bank's ability to maintain stability in the IDR will be key for the rate direction. We maintain our call for BI to stay on hold in the next two quarters but the prospect of a rate hike cannot be totally discounted at this point. Meanwhile, improvements in Indonesia's FX reserves to near-record high and strong foreign holdings of IDR-denominated government bonds (at 38.2% end-Mar) were clear indications of receding capital flight risk. Following Fitch's upgrade of Indonesia's outlook to positive in Dec 2016, a similar move by Moody's in Feb 2017 had further reaffirmed the improvement in sentiment. The focus for the rest of the year will be whether S&P's upgrades their rating for Indonesia to investment grade. We continue to maintain our forecast of a moderate upward trajectory in USD/IDR to 13,600 by end-2Q17 and 13,800 by end-4Q17, in line with expectation of widening current account deficit (CAD) in Indonesia this year.

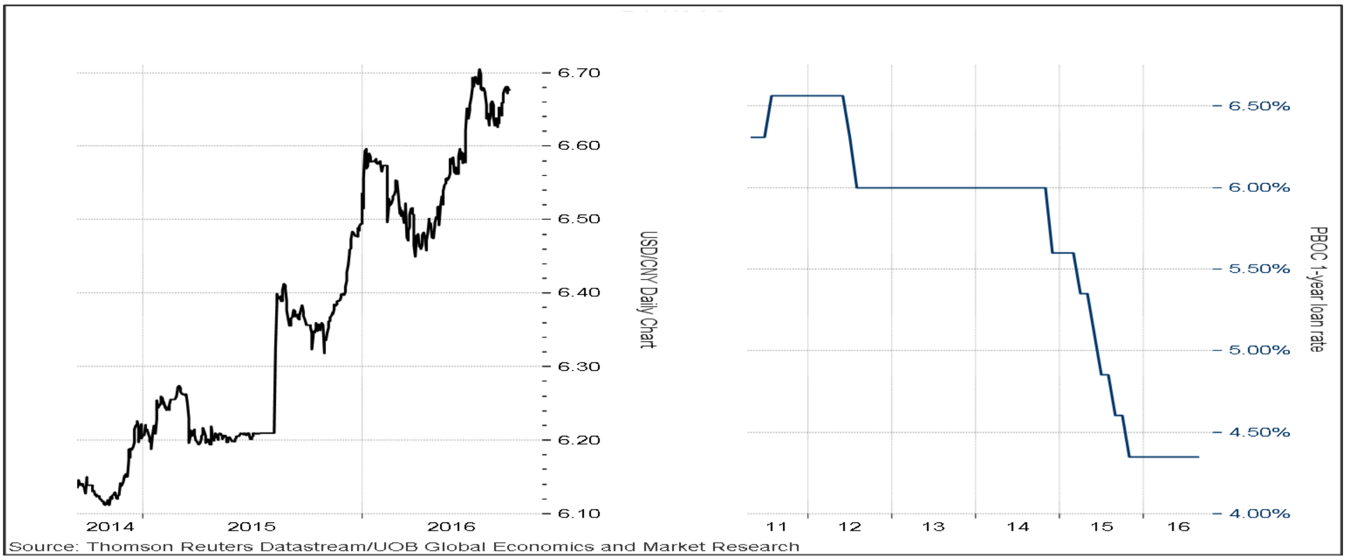
THAILAND



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

Capital flows and exchange rates would continue to be highly volatile going forward as external uncertainties remain considerable, depending on the actual implementation of US fiscal stimulus and the pace of the Fed's monetary policy normalization. We reckon monetary policy divergences will eventually drive USD/THB higher this year. Currently, we expect THB to weaken against USD towards 35.8 at end-2Q17 from around the 34.4 level currently. In addition, we expect the BoT to keep the policy rate unchanged at 1.50% through 2017 since overall financing conditions remain accommodative and conducive to the economic recovery. Moreover, headline inflation is expected to rise at a gradual pace mainly due to low demand-pull inflationary pressure.

CHINA



Source: Thomson Reuters Datastream/UOB Global Economics and Market Research

There certainly is further scope for PBoC to raise market interest rates to nudge banks into rationalizing their activities, and no one should be surprised by more of these small rate increments through 2017. However, benchmark policy interest rates are likely to remain for now (at 4.35% for 1Y lending and 1.50% for 1Y depo), so as not to increase financing costs to end borrowers as the economy slows. On the currency front, further shifts toward the use of interest rate as a policy tool would suggest that RMB exchange rate policy is on track to be liberalized further, and to watch for further market reform measures on the RMB. Widening divergence between the Fed and regional central banks and uncertainty on US President Trump's fiscal plans should continue to keep USD supported. For China, the bias is towards US dollar accumulation which has been curbed by the current restrictions on capital flows. As such we maintain our USD/CNY forecasts of 7.02 for mid-2017 and 7.16 for end-2017.

FX OUTLOOK

FX	End 2Q17F	End 3Q17F	End 4Q17F	End 1Q18F
USD/JPY	115	117	118	119
EUR/USD	1.06	1.06	1.08	1.09
GBP/USD	1.23	1.22	1.21	1.20
AUD/USD	0.78	0.79	0.79	0.80
NZD/USD	0.70	0.71	0.71	0.72
USD/SGD	1.43	1.45	1.46	1.47
USD/MYR	4.46	4.48	4.50	4.52
USD/IDR	13,600	13,700	13,800	13,900
USD/THB	35.8	36.2	36.5	36.8
USD/PHP	50.2	50.6	50.9	50.9
USD/INR	67.9	68.8	69.8	69.8
USD/TWD	31.0	31.1	31.4	31.6
USD/KRW	1,140	1,150	1,160	1,170
USD/HKD	7.80	7.80	7.80	7.80
USD/CNY	7.02	7.09	7.16	7.20
USD/MMK	1,365	1,370	1,395	1,395
USD/VND	22,900	23,050	23,200	23,400

Source: Bloomberg, UOB Global Economics & Markets Research

SGD Crosses	End 2Q17F	End 3Q17F	End 4Q17F	End 1Q18F
100 JPY/SGD	1.2435	1.2393	1.2373	1.2353
EUR/SGD	1.5158	1.5370	1.5768	1.6023
GBP/SGD	1.7589	1.7690	1.7666	1.7640
AUD/SGD	1.1154	1.1455	1.1534	1.1760
NZD/SGD	1.0010	1.0295	1.0366	1.0584
MYR/SGD	0.3206	0.3237	0.3244	0.3252
1000IDR/SGD	0.1051	0.1058	0.1058	0.1058
100THB/SGD	3.9944	4.0055	4.0000	4.0000
PHP/SGD	0.0285	0.0287	0.0287	0.0289
100INR/SGD	2.1060	2.1076	2.0917	2.1060
100TWD/SGD	4.6158	4.6571	4.6428	4.6513
100KRW/SGD	0.1254	0.1261	0.1259	0.1256
HKD/SGD	0.1833	0.1859	0.1872	0.1885
CNY/SGD	0.2037	0.2045	0.2039	0.2043
100MMK/SGD	0.1048	0.1058	0.1047	0.1054
1000VND/SGD	0.0624	0.0629	0.0629	0.0628

Source: Bloomberg, UOB Global Economics & Markets Research

THE TEAM

Global Economics & Markets Research
Asset Management
Private Bank