

UOB Investment Insights

FX Insights

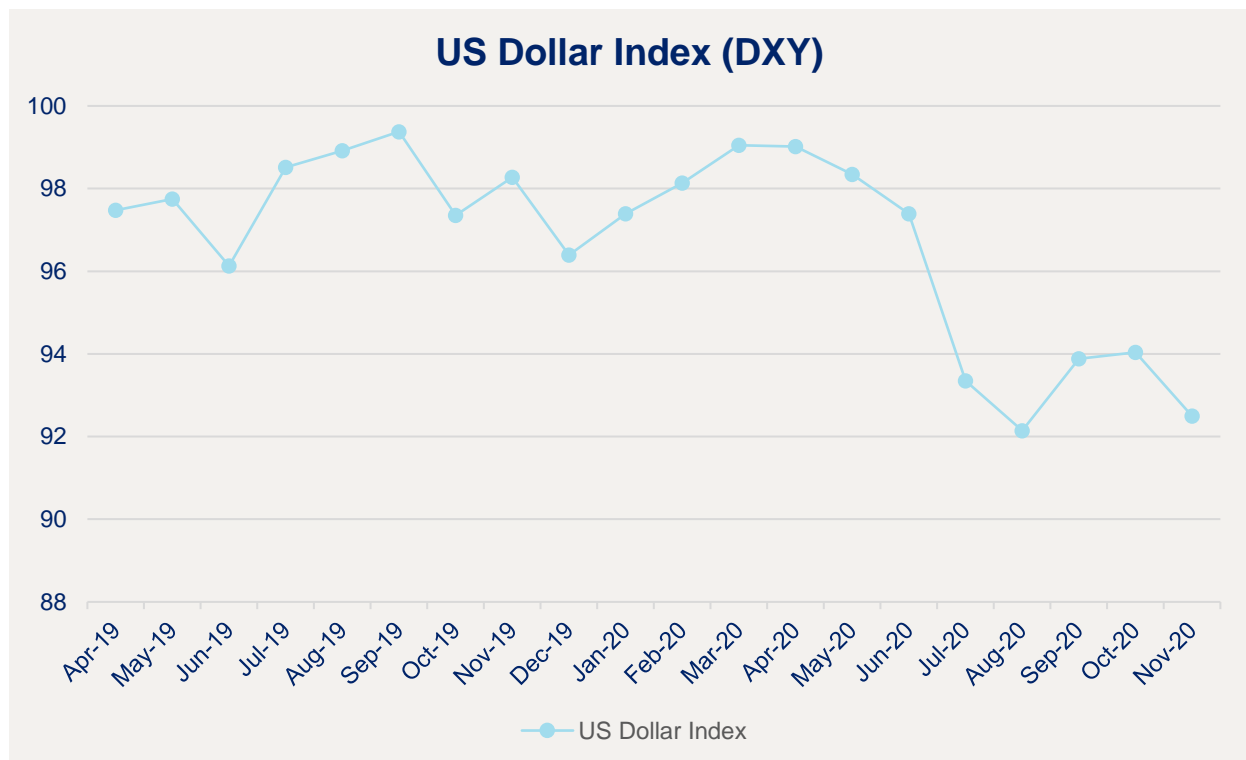
19 November 2020

Continuing to stay negative on the US dollar

- The US dollar's bearish trend remains intact after the US presidential election 2020
- However, a divided US Congress limits excessive US dollar weakness
- We expect the US Dollar Index to weaken towards 90 in the coming quarters

As the event risks surrounding the US presidential election recede, it is becoming clearer that the bearish trend of the US dollar (USD) looks set to resume. Our base case remains that the USD will weaken gradually in the quarters ahead. Many of the prevailing drivers for USD weakness have not changed at all – these include the easing of monetary policy by the Federal Reserve, which has resulted in a spike in US money supply and a deteriorating interest rate advantage of the USD versus its developed peers.

On the other hand, the prospect of a divided US Congress greatly reduces the probability of the passing of massive fiscal stimulus and infrastructure investments. This in turn may limit excessive downside for the USD. At current levels of about 92, we expect the US Dollar Index (DXY) to weaken towards the psychological level of 90 in the coming quarters. Overall, we maintain our view that the EUR, AUD and CNY will likely benefit as the USD weakens further.





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