



UOB Investment Insights

FX Insights

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The New Zealand Dollar to benefit further from risk-on markets

- The NZD has recouped its year-to-date losses against the SGD
- In the second half of 2020, the global recovery theme looks set to continue
- The NZD expected to edge higher in the coming months

Like most currencies, the New Zealand dollar (NZD) has seen a volatile first half of the year due to the COVID-19 outbreak. As a currency that is sensitive to risk sentiments, the NZD tumbled to an 11-year low of about 0.80 against the SGD in March 2020 when global equities went into a free-fall as a result of the pandemic.

Since then, the NZD – supported by massive monetary and fiscal stimulus – has stabilised and rebounded to above 0.92 as of end July 2020. New Zealand's effective control of its domestic COVID-19 situation has also helped its economy recover to pre-crisis levels faster than most of its developed peers.

In the second half of 2020, the global recovery theme looks set to continue. We expect most economies, including New Zealand, to gradually emerge from the depths reached in the second quarter. Unless the US-China trade situation deteriorates further, global risk sentiments are likely to be reinforced by easy monetary conditions and further fiscal support.

Against this backdrop, we expect NZD/SGD to continue to appreciate, albeit gradually. The support level for the currency pair is at 0.90, while 0.95 is an upside that target markets may be keen to explore in the coming months.



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