UOB

UOB Investment Insights
FX Insights

4 August 2021

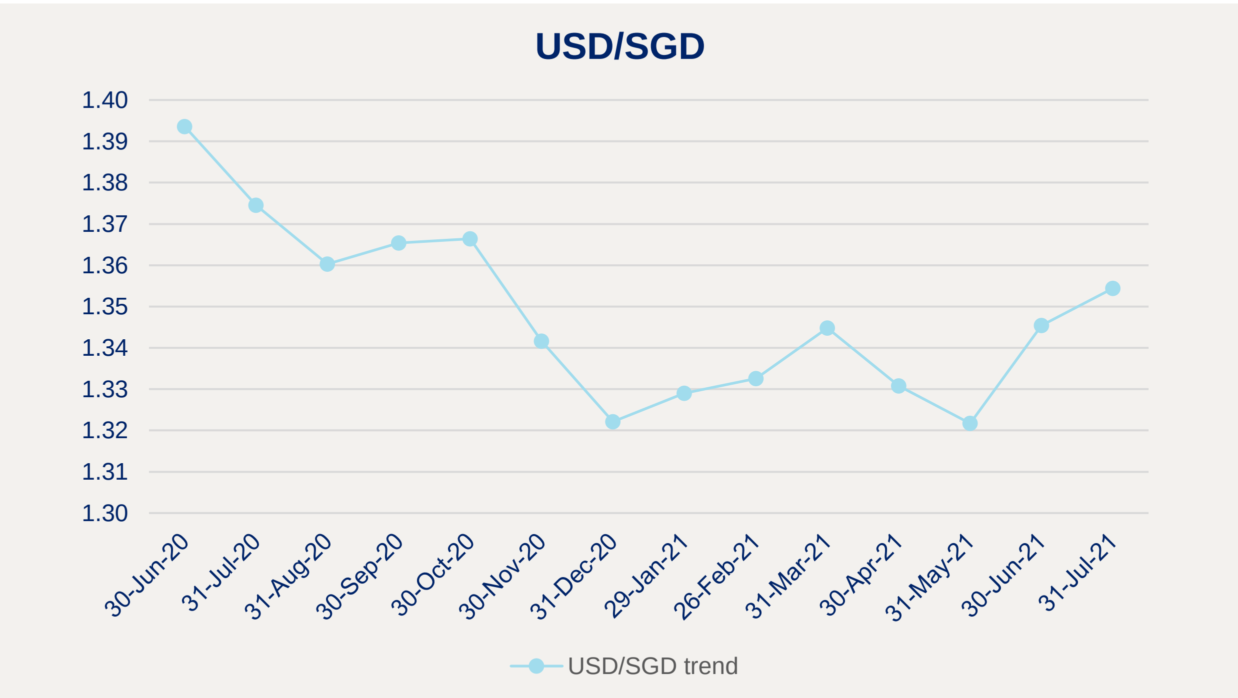
Expect a modest upside in the USD/SGD going forward

- The latest virus resurgence in Singapore has weighed on the Singapore dollar (SGD)
- Concurrently, the Singapore Dollar Nominal Effective Exchange Rate (S$NEER) has dipped below its policy midpoint
- We expect the USD/SGD to strengthen towards 1.38 by end-2021

The latest surge in COVID-19 community cases in Singapore has taken a toll on the SGD in July 2021. Not only did USD/SGD jump to an 8-month high from about 1.3450 at the start of July to 1.3693 on 20 July 2021, the Singapore Dollar Nominal Effective Exchange Rate (S$NEER) has also dipped below its midpoint – a level which S$NEER has largely stayed above at since last March.

Notwithstanding the latest setback, Singapore's reopening plans are delayed but not derailed, especially when its vaccination rate is expected to increase to 80% (from 62% as at 1 August) of the population by September 2021. As such, we maintain our outlook of a strong 6.5% recovery in GDP this year.

With the country's economic fundamentals still going strong, the underperformance of the S$NEER may be short-lived. Meanwhile, a hawkish shift by the US Federal Reserve to hike interest rates by 2023 has spurred a broad-based US dollar (USD) recovery since mid-June this year. Overall, we keep to a view of modest weakness in the SGD against the strengthening USD. Our updated USD/SGD forecasts are at 1.37 in 3Q21, 1.38 in 4Q21 and 1.39 in both 1Q and 2Q22.



Source: Bloomberg. Data as at 31 July 2021.

RIGHT BY YOU

IMPORTANT NOTICE AND DISCLAIMERS:

The information contained in this publication is given on a general basis without obligation and is strictly for information purposes only. This publication is not intended to be, and should not be regarded as, an offer, recommendation, solicitation or advice to buy or sell any investment or insurance product and shall not be transmitted, disclosed, copied or relied upon by any person for whatever purpose. Any description of investment or insurance products, if any, is qualified in its entirety by the terms and conditions of the investment or insurance product and if applicable, the prospectus or constituting document of the investment or insurance product. Nothing in this publication constitutes accounting, legal, regulatory, tax, financial or other advice. If in doubt, you should consult your own professional advisers about issues discussed herein.

The information contained in this publication, including any data, projections and underlying assumptions, are based on certain assumptions, management forecasts and analysis of known information and reflects prevailing conditions as of the date of the publication, all of which are subject to change at any time without notice. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, United Overseas Bank Limited ("UOB") and its employees make no representation or warranty of any kind, express, implied or statutory, and shall not be responsible or liable for its completeness or accuracy. As such, UOB and its employees accept no liability for any error, inaccuracy, omission or any consequence or any loss/damage howsoever suffered by any person, arising from any reliance by any person on the views expressed or information contained in this publication.

Any opinions, projections and other forward looking statements contained in this publication regarding future events or performance of, including but not limited to, countries, markets or companies are not necessarily indicative of, and may differ from actual events or results. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. Investors may wish to seek advice from an independent financial advisor before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider whether the investment or insurance product in question is suitable for you.