



## UOB Investment Insights

# FX Insights

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### Looking beyond Singapore Dollar (SGD) weakness

- SGD has fallen almost 4% against the USD since the start of 2020
- The COVID-19 outbreak and possible monetary easing weighed on the SGD
- SGD is likely to recover in the second quarter of 2020 alongside a growth rebound

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The Singapore Dollar (SGD) is one of the worst performing Asian currencies year-to-date. Starting the year at about 1.35 against the US Dollar (USD), the SGD weakened almost 4% to 1.40 in late February 2020 – its weakest levels since May 2017 – before paring some losses to current levels of about 1.38.

The weakness of the SGD is largely a result of the expected economic slowdown due to the novel coronavirus (COVID-19) outbreak. Singapore also downgraded its official growth target to a lower range of -0.5% to +1.5% for 2020, from the previous target of +0.5% to +2.5% made back in November prior to the outbreak.

Given the uncertain backdrop and weakened growth outlook, we expect the Monetary Authority of Singapore to ease monetary policy in April by dropping the estimated +0.5% appreciation path of the policy band currently to a neutral stance.

However, we note that the USD/SGD move from 1.35 to 1.40 in the past month has been one of the steepest climb in recent years. Unless the outbreak deteriorates further, we are not likely to see further SGD weakness. Moving forward, assuming that new COVID-19 cases peak in late-April to early May, a growth rebound in the second quarter of 2020 may spur a recovery of the SGD towards 1.37 by the end of the second quarter.



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