

UOB Investment Insights

FX Insights

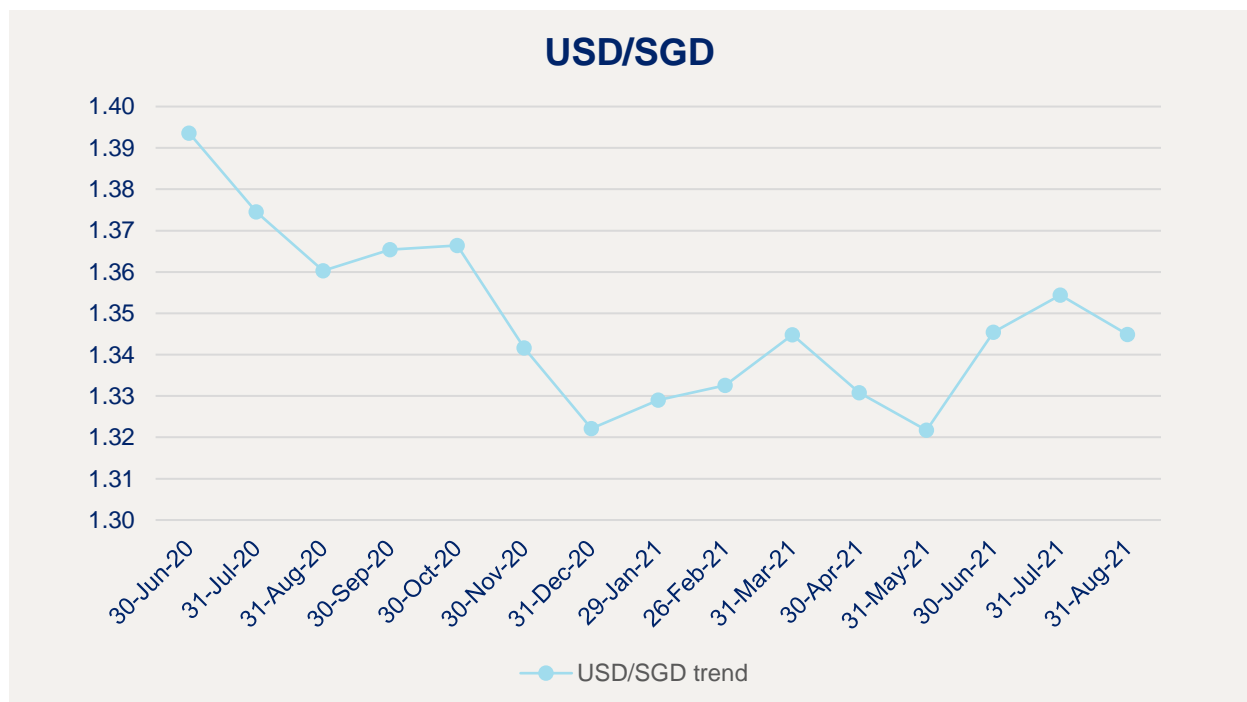
6 September 2021

USD Will Regain Footing After Recent Soft Patch

- US dollar (USD) pared some of its recent gains due to an uneventful Jackson Hole Symposium
- The Federal Reserve (Fed) is on track to taper asset purchases later this year
- USD/SGD is on track for 1.38 by end-2021 and 1.39 by mid-2022

While the USD has weakened after a recently concluded Jackson Hole Symposium on 27 August 2021, its recovery since June is likely to remain intact. The minutes of the July FOMC meeting saw Fed officials build a consensus to reduce asset purchases "in coming months", setting the stage for a tapering announcement by December 2021. This is seen as a first step for the Fed to dial back on its massive monetary stimulus in response to the pandemic and argue for further strengthening of the USD.

After a strong rebound from 1.32 to almost 1.37 across June – July 2021, the USD/SGD has since pulled back to just above 1.34. Our short-term technical analysis showed that while a break of 1.34 is not ruled out, chance for a subsequent break of 1.33 is deemed as low. We maintain our longer-term view of a higher USD/SGD, towards 1.38 by end-2021 and 1.39 by mid-2022. This is in-line with a broad-based rally in the USD as the Fed's monetary policy normalisation gets underway.



Source: Bloomberg. Data as at 31 August 2021.



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