



What's Been Happening

Global

Red Sea Crisis - The ongoing interruption of shipments along the trade route due to attacks by Houthi rebels has prompted companies to temporarily halt their shipments. Due to the disruption, the pressure is slowly building up on the global supply chain as inventory products are being used up quickly in places where they're consumed.

US

The US central bank held its key interest rate steady at 5.50% for the fifth consecutive during the March meeting, as the central bank awaits more data to determine when to cut rates. US annual inflation rate for February stands at 3.2% compared to 3.1% in January. The uptick is due to increased cost of energy prices and elevated prices for rent and home purchases.

UK

UK economic growth accelerated in February, with the early PMI survey data pointing to the fastest growth of business activity for nine months after a brief spell of decline late last year. The UK PMI was reportedly rose from 52.9 in January to 53.3 in February. However, price pressures have intensified.

Singapore

Singapore's inflation heated up more than expected in February, with headline inflation rose to 3.4% Y-o-Y, higher than the 2.9% recorded in January. The higher inflation is a reflection of a pickup in accommodation inflation, in addition to higher core prices.

Looking Ahead

- Global growth is projected at 3.1% in 2024 with a focus on elevated central bank policy rates to fight inflation and low underlying productivity growth with global headline inflation expected to fall 5.8% in 2024.
- The US economy is projected to slow down, with the US central bank to deliver 3 rate cuts from mid-2024, depending on data.
- UK's economy is forecast to grow by 0.8% this year after entering a recession in the 2H2023. The Bank of England (BoE) anticipated that the consumer prices are expected to fall below its 2.0% target in May for the first time since early 2021, but warned that inflation may return above target later this year amid robust pay growth in the British economy and the fading impact from lower energy prices.
- Singapore's economy is expected to grow at 2.4% in 2024, with its 1Q2024 GDP is expected to receive a boost from Taylor Swift's Eras Tour. While its headline inflation is forecast to come in at 3.1%.

Source: Bloomberg, MPS, MUFG and Reuters.

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Global Benchmark Rates

	As of 29 Mar	As of 29 Feb
US (The Federal Reserve)	5.50%	5.50%
UK (Bank of England)	5.25%	5.25%
MAS 3 month	3.68%	3.65%

FX Rates

	As of 29 Mar 2024	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.3500	0.10	0.32	2.24
EUR/SGD	1.4550	-0.21	0.03	-0.39
GBP/SGD	1.7040	0.23	0.31	1.43
AUD/SGD	0.8790	-0.02	0.56	-2.16
NZD/SGD	0.8070	-0.21	-1.54	-3.26
CAD/SGD	0.9970	0.56	0.61	0.12
JPY/SGD	0.8920	0.19	-0.55	-4.63
CHF/SGD	1.4960	-0.46	-1.66	-4.59
HKD/SGD	0.1730	0.00	0.35	2.13
SAR/SGD	0.3600	0.08	0.33	2.30
MYR/SGD	0.2860	0.25	0.67	-0.56
AED/SGD	0.3680	0.08	0.33	2.31

FX News

USD/SGD strengthens after the Fed pushed back against June rate cut expectations and diminished hopes for cuts before the summer. However, the dollar underwent a small decline following the release of US Core PCE data, the preferred Fed's inflation gauge which confirms slowing inflation and sustained its retracement from a 6-week high of 1.3505 subsequent to strong rebound in Singapore's Industrial production for February.

GBP/USD remained under strain after release of UK economic data underscoring recession with GDP having contracted by 0.3% Q-o-Q in fourth quarter. The Bank of England (BoE) left the level of interest rate unchanged but allowed its lowering in the foreseeable future. The dovish shift in BoE policy resulted in market expectations for the start of monetary easing cycles of major central banks to be more aligned.

The EUR/USD pair consolidated as markets pricing in the probability of all central bank rate cuts as well as the positive performance of USD during the start of the month. European Central Bank Governing Council member Piero Cipolletti stated that ECB is confident in reducing inflation to its target of 2% by mid-2025. The BoE and ECB are now expected to begin cutting rates in June.

FX Outlook

While previous expectations of rate cuts were considered excessive, the current forecast appears overly cautious as investors will be scouring economic data for clues to the timing of the first rate cut. Markets anticipate that the Fed to remain on hold again in the next Federal Open Market Committee meeting as moderation in US personal consumption expenditure price index deflator may support the decision.