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Wealth Management Global Chief Investment Office
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Global Market Outlook

A textbook **landing?**

Important disclosures can be found in the Disclosures Appendix.

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Investment strategy and key themes

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Our top preferences

Foundation Allocations

- OW Global equities
- *In equities:* US, Japan

Opportunistic Allocations

Equity BUY ideas

- *US technology sector*
- *US comms. Services sector*
- *US energy sector*
- *India large cap equities*
- *China non-financial divi SOEs*

Bond BUY ideas

- *US inflation-protected bonds*
- *Europe govt. bonds (fx-hedged)*
- *INR local currency bonds*

FX views

- Rangebound USD

A textbook landing?

- Q1 24 data suggests a soft landing of the US economy is the most likely outcome. We expect the Fed and the ECB to cut rates in concert starting mid-year, leading to a rangebound USD.
- In Foundation allocations, we are Overweight global equities. Globally, we prefer US and Japan markets. In Asia, we are Overweight Korea, India and Taiwan equities. We still see an attractive opportunity in global bonds, but yields may fall less than previously expected.
- In Opportunistic allocations, we introduce a new set of equity and bond Buy ideas.

Rising policy convergence amid a soft landing

In our Outlook 2024, we argued that the first half of 2024 was likely to resemble a soft landing in the US economy even as hard landing risks lurked in the background. This led us to suggest investors to ‘Sail with the Wind’ by being overweight equities. Thus far, this view has played out well. US growth data has been relatively resilient, with manufacturing registering an uptick. Labour market data has shown some weakness under the surface but has thus far held up well at the headline level. Inflation has been a little more persistent than expected.

We would not interpret the benign data as the evaporation of hard landing risks – indeed the labour market is one example of macro data which argues that we should remain on the watch for any unexpected deterioration. Nevertheless, hard landing risks have likely reduced, or at least have been delayed. For the Fed, this still argues for rate cuts this year starting in June. However, more-persistent-than-expected inflation means we now expect three rate cuts (75bps) this year as opposed to five (125bps) previously.

This brings our Fed view in line with our ECB rates outlook, which, together with a macro environment of falling FX volatility, argues for an increasingly rangebound USD.

Fig. 1 US equities are likely to keep outperforming amid strong earnings growth in our preferred sectors

S&P500 expected EPS growth vs. ISM mfg new orders

Source: FactSet, Bloomberg, Standard Chartered

Fig. 2 We expect US government bond yields and the USD to fall later this year as the Fed starts cutting rates

10yr US govt. bond yield vs. Dec 2024 Fed expectations

Source: Bloomberg, Standard Chartered

Staying the course in equities

For equity markets, relatively little has changed since the start of 2024. The improvement in the earnings outlook makes up for a smaller-than-expected tailwind from lower Fed rates, in our opinion. We remain Overweight global equities relative to bonds and cash. This is partly driven by our preference for the US. As the chart illustrates, the nascent upturn in manufacturing sector new orders is likely to support earnings growth amid still-strong margins. In our view, these positives outweigh the risks from valuations and concentration, leaving us Overweight US equities.

In Japan, the Bank of Japan's policy tightening proved to be less of a short-term headwind than feared. Absent an imminent jump in the JPY, we believe this will allow markets to continue focusing on shareholder-friendly reforms and rising share buybacks, which we believe can help sustain equity gains. We remain Overweight Japanese equities.

In Asia, prefer Korea, India and Taiwan

In Asia, Chinese equities appear to be staging a short-term rebound. Our prior work on momentum suggests gains have room to extend further short term once MSCI China gains cross 10% from their recent trough. Having said that, greater policy support for growth is still likely needed for equity gains to sustain long term. We remain Neutral Chinese equities.

Elsewhere in Asia, we believe Indian equities have room to extend gains amid a US soft-landing environment and likely policy continuity after the upcoming elections. Korean and Taiwan equities should gain from their correlation with resilient US growth data and a potential semi-conductor sector upturn. We are now Overweight Korea, India and Taiwan equities.

Attractive yields, but muted price gains?

Extended US economic resilience, still-robust inflation and our view that the Fed is likely to cut rates only thrice this year raise the question of whether bonds still face the same magnitude of tailwinds as we expected at the start of the year.

Directionally, our expected path of bond yields remains unchanged. We believe US bond yields are likely near a cyclical peak and have room to move lower as the Fed starts cutting rates in June. However, the move in yields is unlikely to be as significant as we anticipated at the beginning of the year. We revise up our 12-month expectation for US 10-year government bond yield to 3.75-4.00% (from 3.25-3.50%).

For investors, this does not take away from our broader view that we would use the current opportunity to lock in attractive yields. It does mean, however, that total returns may be somewhat lower than we previously expected as the fall in yields (rise in bond prices) is more muted. We now have a Neutral allocation to fixed income as we see equity returns outpacing bond returns. Within bonds, we also turn Neutral Developed Market IG bonds based on the same rationale.

Opportunistic allocations: our BUY ideas

While our asset allocation views illustrate our highest convictions within long-term Foundation portfolios, we introduce a new set of Buy ideas, which represent our highest convictions to populate Opportunistic portfolios.

Within equities, we would Buy the technology, communication services and energy sectors in the US. The first two are likely to lead performance of US equities should the rally extend as expected. The energy sector is likely to benefit from increasingly shareholder-friendly efforts of US oil producers against a backdrop of relatively stable oil prices. We would also Buy India large-cap equities, which we believe offer an attractive risk/reward in an ongoing Indian equity rally, and Buy China non-financial high dividend equities of state-owned enterprises (SOEs), for which we expect higher demand amid lower policy rates and yields.

In bonds, we would Buy US inflation-protected bonds, which appear undervalued relative to inflation risks. We would Buy European government bonds (FX-hedged) given they offer exposure to downside growth risks in the region. We would Buy Indian Rupee government bonds given their attractive yield relative to EM peers and ongoing support from flows driven by the global benchmark index inclusion.

Perspectives on key client questions

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Head, Asset Allocation

Tay Qi Xiu
Investment Strategist

What are the implications of a second Trump presidency?

Former President Donald Trump is heading towards a likely election rematch with President Joe Biden in November. However, this time, Trump is also juggling campaigning with 91 felony charges. Despite that, Trump's continued resilience as a candidate remains on display, with the latest surveys showing Trump leading Biden in opinion polls. In this report, we examine the odds of a Trump re-election and the potential implications on financial markets. In summary:

- A Trump victory is far from an assured outcome, but his chances in the White House will improve if the US descends into a recession in the coming months
- Trump's proposed policies are inflationary, but election outcomes for Congress will determine what he can and cannot do and the sequencing of his policies
- Equities tend to perform well during an election year. After the elections, whether stocks continue to perform well will depend on several factors

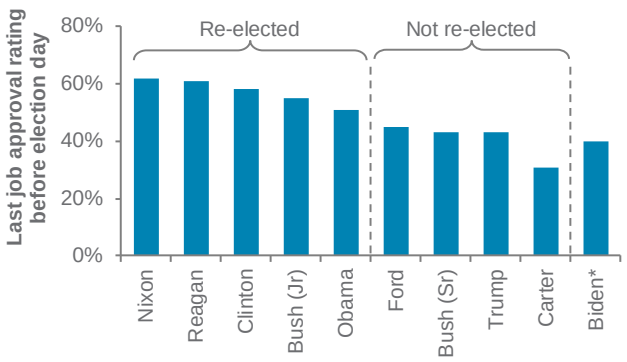
2024 election odds: nothing is certain at this stage

A sitting president is re-elected 75% of the time if there is no recession during an election year. But if a recession occurs, the odds of a sitting president winning re-election fall to around 15%. These odds underscore the importance of economic conditions as a factor in election outcomes. It also suggests that if the US avoids a recession in the coming months, Biden could enjoy some incumbent advantage. This is crucial for Biden, given his weak approval ratings, as no incumbent president since Nixon has won a re-election with an approval rating below 50% by the election day.

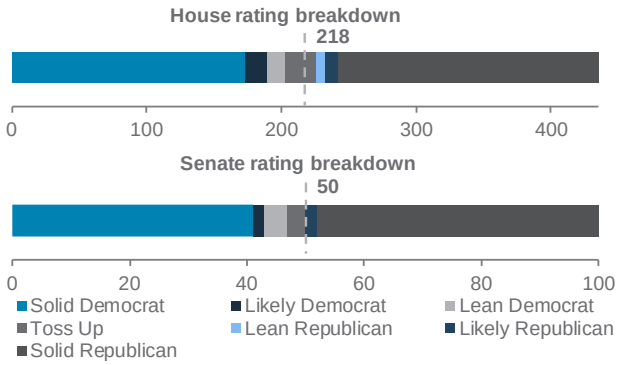
Notably, while Trump also suffers from poor favourability ratings, he currently leads President Biden in the polls. There is also no sign that Trump's legal troubles have dented his polling numbers. However, a Trump victory is far from an assured outcome, regardless of the current polling. Trump's legal challenges have introduced substantial uncertainty into his re-election odds, given the possibility of convictions and the removal from the ballot in certain states. At this stage, it is thus too soon to tell which candidate has the upper hand. For the remainder of this report, we will assume that Trump is successful in his re-election bid and focus on the implications of his proposed policies.

Fig. 3 No sitting President since Nixon has won re-election with a job approval rating below 50% by the election day

Job approval ratings of past presidents



2024 House and Senate ratings breakdown



Source: GallUp, The Cook Political Report, Standard Chartered. * As of 20 March 2024. Solid: Races are not competitive and not likely to be closely contested. Likely: Not competitive but have the potential to become engaged. Lean: Competitive, but one party has an advantage. Toss up: Most competitive; either party has a chance of winning

House and Senate election outcomes will determine how aggressively Trump can pursue his political agenda

Even if Trump wins, the outcome of the elections for the Senate and House will determine to a large extent what he can and cannot do. According to analysis by the Cook Political Report, the Republicans have better chances of winning the Senate, but the Democrats have marginally better odds of securing the House. A party divide between the White House and the Congress would mean that Trump would focus on what he can control (appointments, tariffs, global affairs) rather than on what he cannot (taxes and spending). In contrast, the not insignificant odds of a Republican clean sweep, in the event of a Trump victory, means investors should take seriously Trump's formal policy agenda, especially those on trade and foreign policy.

Fig. 4 Trump's policies diverge sharply from Biden's

Key policy proposal from Trump and Biden

Key policies expected under Biden	Key policies expected under Trump
Continue with his economic plan (Bidenomics) that aims to boost the economy and raise middle class incomes	Aim to achieve 4% economic growth by restraining federal spending and pursuing pro-work tax policies: the 2017 Tax Cuts and Jobs Act to be permanent
Create new, innovative trade arrangements with allies and partners while enforcing existing ones	Aggressively enforce existing trade laws and impose tariffs when appropriate to counter unfair practices leading to an unbalanced trade
Taking diplomatic, economic and security measures to limit the transnational reach and influence of China	Ensure the Phase One Trade Agreement is enforced and maintain elevated tariffs on Chinese goods
Boost security at the southern border while still providing a safe, orderly and humane immigration system	Prohibit intellectual property transfers to Chinese entities with strict punishments; ban China's access to US infrastructure
A likely divided Congress would limit the implementation of policies by either candidates, especially Biden	Aggressive use of executive authority to increase border security and restrict immigration, legal and illegal
Respect the Fed's independence and continue to show support for it	Reinforce the primacy of price stability in the Fed's dual mandate

Source: Bloomberg, Standard Chartered

Trump's policies are inflationary over the long run

Despite considerable policy uncertainty, we can draw some conclusions about the likely macroeconomic impact of Trump's policy agenda. Trump's political priorities on reducing immigration, increasing tariffs, and preserving/increasing tax cuts mean that the Trump administration would likely oversee large budget deficits, labour shortages, higher import prices and expansionary fiscal policies, all of which are inflationary in nature. Heightened geopolitical tensions, likely the result of a withdrawal of support for Ukraine or the resumption of Trump's 'maximum pressure' policy on Iran, would also keep energy prices elevated and feed into higher inflation.

Equities tend to perform well during an election year

If history is any guide, investors can take comfort in the fact that equities tend to perform well during election years. Since the 1928 presidential election, the S&P500 has only seen six years of negative returns during election years. Notably, the Fed has also kept policy rates unchanged in the six months before each of the past three elections. While this could prove to be a spurious link, it may also suggest that the bar for policy changes is raised increasingly higher as the election day draws nearer. It is possible that the Fed could come under increasing political pressure to pause policy decisions after an anticipated rate cut in June.

The outlook for financial markets after the election depends on several factors

Assuming a Trump victory, the outlook for equity markets after the election will depend on 1) whether a recession has already occurred; 2) whether the Republicans managed a clean sweep of both the White House and Congress. If a recession has already occurred, this means that inflationary policies by the Trump administration could occur early in the new economic cycle. This is likely to be an environment in which financial markets will be more receptive to policies that increase the budget deficit. If a recession has not occurred, inflation risks could re-emerge, potentially pushing back the timing of Fed rate cuts.

In the event of a Republican clean sweep, the sequencing of policies will be important to monitor. For instance, a legislative priority of immigration over tax cuts, alongside the imposition of tariffs, could bode badly for risk assets. However, if tax cuts are instead prioritised, equities could benefit from some near-term tailwinds. In contrast, a divided Congress means that Trump would likely focus on what he can control. This suggests that his policies relating to trade, immigration and global affairs would be high on the agenda. This would have implications for international equities and currencies, while also bolstering the appeal of safe-haven assets, such as gold.

Fig. 5 US equities perform well during election years

Average election year returns/changes since 1928*

		Average Returns				Average Change (Bps)
Incumbent	Elected	S&P 500	US Treasu-ries	US dollar	EM Equities	Fed Funds Rate*
Republican	Republican	13.2%	8.3%	3.8%	28.7%	96.8
Republican	Democrat	-2.7%	10.2%	2.7%	-9.9%	-137.5
Democrat	Republican	8.9%	6.7%	4.2%	-11.6%	175.0
Democrat	Democrat	10.4%	2.3%	1.7%	9.5%	-12.5
Unconditional		7.5%	7.6%	3.3%	2.6%	25.9

Source: Bloomberg, Standard Chartered. *Calculations for average returns subjected to the availability of data for the underlying. S&P500 (1928-2020), US Treasuries (1976 - 2020), US dollar (1968 – 2020), EM equities (1988 – 2020), Fed Funds Rate (1972 – 2020)

Macro overview – at a glance

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Zhong Liang Han, CFA
Investment Strategist

Key themes

We expect the global disinflationary trend to resume after a few months' pause. This is likely to boost global real incomes and enable the Fed and the ECB to cut rates starting in June, reducing policy rates by a total 75bps this year. **We now see a 50% chance of a soft-landing and a 30% chance of no-landing in the US in the next 12 months.** Besides the lift from real incomes, the US expansion is likely to last longer, as a surge in immigration helps in easing a tight job market, preventing wage pressures to build. The increasing labour force is also sustaining consumption just as excess savings built during the pandemic, which has fuelled the expansion so far, become depleted. There are also signs of a global manufacturing recovery.

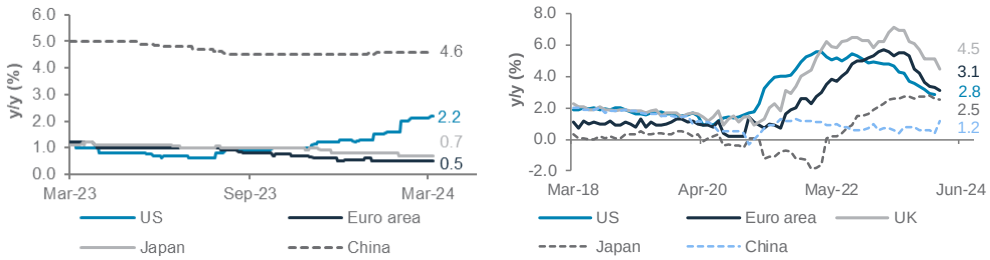
The outlook for Europe and China remains relatively weak. While both economies are likely to benefit from the upturn in the global manufacturing cycle, the Euro area continues to struggle with high energy costs, following Russian sanctions and record high policy rates. We expect ECB rate cuts starting in June to partly ease financial conditions. Meanwhile, China continues to face deflationary pressures, led by the downturn in the property sector. Authorities appear keen to stabilise growth around 5% through measured policy easing, and focus on 'quality' growth, rather than boost the economy through large-scale stimulus.

Key chart

We see a 50% chance of a US soft-landing as Fed rate cuts and a spurt in immigration sustain the consumption; The Euro area and China are likely to benefit from a global manufacturing upturn, although both face structural challenges

Fig. 6 US growth estimates have been upgraded, while global disinflation continues

Consensus 2024 growth estimates of major economies; core inflation* for major economies



Source: Bloomberg, Standard Chartered; *core PCE inflation for the US

Monetary policy*	Macro factors positive for risk assets	Macro factors negative for risk assets
US ▼ ◇ △	+ Resilient jobs, immigration lifting consumption + Disinflation, stable wages to buoy real income + Fed rate cuts to easing financial conditions + Early signs of manufacturing, capex recovery	– Elevated policy rates sustain recession risk – Tight lending conditions; credit contraction – Negative fiscal thrust, falling excess savings – Fed policy error, sticky inflation, election
Euro area ▼ ◇ △	+ Robust job market, savings to sustain demand + Disinflation, stable wages to lift real income + Early signs of industrial recovery; ECB to ease	– Weak exports, fiscal and credit contraction – Weak manufacturing; weakening services – Tight policy, ECB policy error, Russia risk
China ▼ ◇ △	+ Macro green shoots; normalising consumption + Fiscal and monetary policy to prioritise growth + Property sector easing; new growth drivers	– Weak property, local governments; geopolitics – Weak external environment to limit exports – Investment outflows, weak sentiment, deflation
Japan ▽ ◇ ▲	+ Trend growth; boost from weak JPY + Sustained wage growth, robust services data + Dovish BoJ guidance; govt. economic package	– Soft exports; supply disruption by earthquake – Broadening inflation; risk of JPY strength – BoJ policy mistake, balance sheet unwind
UK ▼ ◇ △	+ Robust job market, savings to sustain demand + Disinflation, stable wages to lift real income + Improving business activity; BoE to ease	– Elevated policy rates sustain recession risk – Fiscal consolidation, tight financial conditions – Election uncertainty; Brexit-linked disruption

Source: Standard Chartered Global Investment Committee; *Next move **Legends:** ▲ Tighter policy | ▼ Easier policy | ◆ Neutral policy

Top macro questions

What are the drivers of your US 'soft landing' thesis? We assign a 50% probability to the US achieving a 'soft-landing' (below-trend, but positive growth) and a 30% chance to a 'no-landing' (above-trend growth) scenario in the next 12 months. This view is based on **i)** sustained consumption driven by a structurally tight job market and boost to disposable real income from continued disinflation; **ii)** sustained housing investment amid a structural shortage of residential homes; **iii)** continued investment in manufacturing plants as a result of reshoring of production and due to President Biden's green infrastructure incentives; **iv)** a nascent rebound in global manufacturing, aided by a recovery in the inventory cycle; **v)** sustained consumption fuelled by household net worth boosted by the past year's stock market rally, which is helping to offset dwindling excess savings built during the pandemic; **vi)** a surge in immigration last year, easing a shortage of workers and helping keep wage pressures in check, while providing additional fillip to consumption; and **vii)** the Fed's apparent eagerness to cut rates later this year.

Of these, the last three have lately emerged as increasingly important factors helping to extend the US expansion.

US household net worth surged by USD 4.8trn in Q4 23, according to the Fed's latest estimates, primarily due to stock market gains, and was up USD 39.3trn (140% of GDP) since Q4 19 (the pre-pandemic quarter). Higher net worth is likely to encourage households to sustain consumption by paring down savings. The net worth boost is also likely to offset dwindling excess savings built during the pandemic, a key factor that has sustained the US consumption growth so far.

Immigration boost: Latest estimates from the Congressional Budget Office and independent researchers suggest the US experienced 2% population growth last year, almost three-fourth of which was driven by undocumented workers. This explains the economy's resilience (3.1% GDP growth in 2023) against the backdrop of labour shortages, but also implies that the productivity of the new workers fell short of that for the overall economy. The immigration surge is positive for the economy in the near term as it helps in keeping wage pressures in check. However, any economic downturn is likely to result in a jump in unemployment, given the recent upsurge in workers.

The Fed's increasing eagerness to ease policy is an added factor that leads us to stay positive on the US economic outlook. The Fed's latest projection retained three policy rate cuts for this year even as it bumped up core inflation estimate for end-2024 well above its 2% target. This suggests the Fed plans to cut rates several times even if annual inflation stays above 2% for some time. We believe the 6-month annualised core PCE inflation rate is a key indicator to determine the timing of the first rate cut. This rate briefly fell below 2% in Q4 23, before rising above this threshold in January. A couple of months of sub-2% print for this metric would likely trigger the first rate cut. Given this, we expect the first rate cut in June.

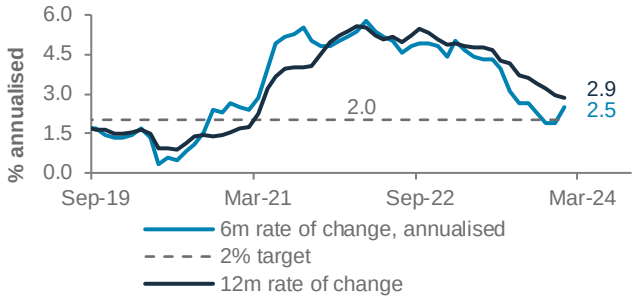
The positive drivers notwithstanding, we assign **a 20% chance of** a **US recession in the next 12 months**. The Leading Index of 10 key economic indicators (LEI) has reported a y/y decline for the past 20 months, a trend that has historically preceded recessions. Additionally, the US government bond yield curve has remained inverted (2-year yield has remained above the 10-year yield) since July 2022, the longest stretch in history. Historically, a US recession has started 9-22 months (median: 16 months) after an inversion.

Euro area likely to avoid a recession. The Euro area narrowly escaped a technical recession in H2 23, but the region faces rising intra-regional disparities. Germany, the region's largest economy, has structural challenges from higher energy costs and the transition of its auto industry towards battery-powered cars. In 2024, it also faces a fiscal drag estimated at 1.4% of GDP, the largest in the Euro area. However, Spain and Italy are likely to benefit the most from the EU's peak recovery fund disbursements. A global manufacturing recovery should also help Europe's exporters. We expect the ECB to cut rates 75bps this year, starting in June, likely easing financial conditions and supporting growth.

China recovering. China's economy appears to be gradually recovering. Major indicators, except for retail sales and property investment, beat expectations. A rebound in business confidence indicators (PMIs) suggests a modest recovery is underway, aided by increased credit growth and a rebound in the global manufacturing cycle. The annual National People's Congress has set an ambitious 5% annual growth target, which suggests increased issuance of local government bonds and potential issuance of CNY 1trn of special central government bonds to fund infrastructure projects. We expect further cuts to bank reserve requirements in the coming months to ease liquidity and support growth.

Fig. 7 US inflation picked up lately, delaying rate cuts

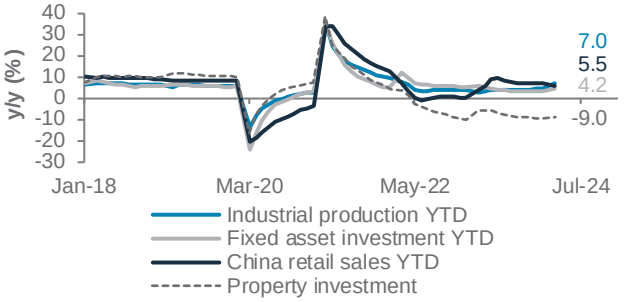
US 12-month and 6-month annualised inflation rate



Source: Bloomberg, Standard Chartered

Fig. 8 China's economic indicators are improving

Retail sales, factory output, fixed asset, property investment



FX – at a glance

Manpreet Gill
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Iris Yuen
Investment Strategist

Key themes

We expect the USD to be largely flat over the next 3 and 12 months. One unusual characteristic of FX markets today is low and falling FX volatility. G7 currency volatility is now not far from lows achieved over the past 3 decades. This, together with our view that major central banks, such as the Fed and the ECB, are likely to follow an increasingly converged rate cut path, means we expect the USD to stay rangebound around an unusually flat path over the next 3 and 12 months. Our EUR/USD view is largely a mirror image of this view, given its large weight in the US Dollar Index.

JPY and CHF have the most potential to deviate from this low volatility environment. The BoJ's dovish tone can keep the JPY weak over a shorter 1-3-month horizon and result in USD/JPY testing recent decade highs; but, longer-term, a narrowing yield differential after the recent rate hike will likely strengthen the JPY. The Swiss National Bank's rate cut makes further CHF strength unlikely, though outright weakness that causes USD/CHF to break above 0.91-0.92 will likely need a fresh catalyst.

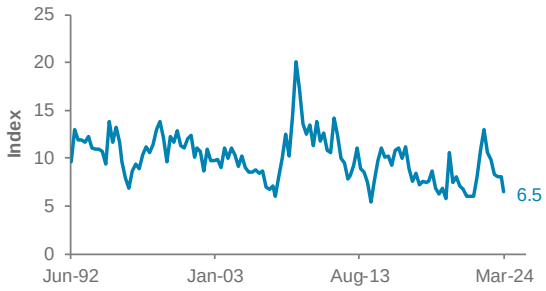
AUD and NZD likely to remain well-supported by relatively hawkish central banks. Inflation that has been relatively more persistent than in peer countries, and support from strong prices for key commodity exports (eg., gold for the AUD) mean these currencies are likely to remain relatively well supported on both 3- and 12-month horizons. The nascent rebound in Chinese economic optimism is also likely to be supportive, albeit one that also places modest downward pressure on the CNH.

Key chart

Our unusually flat US Dollar Index (DXY) forecast is consistent with low and falling FX market volatility

Fig. 9 FX volatility falling towards recent decade lows

G7 FX Volatility Index; table of forecasts



Currency	3m forecast	12m forecast
USD (DXY)	102.8	102.7
EUR/USD	1.10	1.10
GBP/USD	1.30	1.28
USD/JPY	153	142
AUD/USD	0.68	0.69
NZD/USD	0.62	0.64
USD/CAD	1.35	1.35
USD/CNH	7.22	7.25
USD/CHF	0.90	0.92

Source: Bloomberg, Standard Chartered

Fig. 10 Summary of major currency drivers

12-month outlook	The bullish case	The bearish case
USD (DXY)	+ Safe-haven demand, US exceptionalism	– Dovish Fed, non-US growth, expensive valuation
EUR/USD	+ Rising real rates as EU inflation falls	– Weak growth, energy dependency
USD/JPY	+ Falling real yields at inflation rises	– Further BoJ rate hikes, safe-haven
GBP/USD	+ Hawkish BoE due to sticky inflation	– Recession risk, consumption weakness
USD/CHF	+ SNB policy pause, lower safe-haven demand	– Sale of FX reserves,
AUD/USD	+ Terms of trade, China growth rebound	– Capped commodity prices, risk-off sentiment
NZD/USD	+ Hawkish RBNZ, China dairy/tourism demand	– Elevated CA deficit, housing risk
USD/CAD	+ Vulnerable housing market, lower growth	– Lower rate differentials, resilient oil prices
USD/CNH	+ Geopolitics, unfavourable rate differentials	– China growth rebound, capital inflows

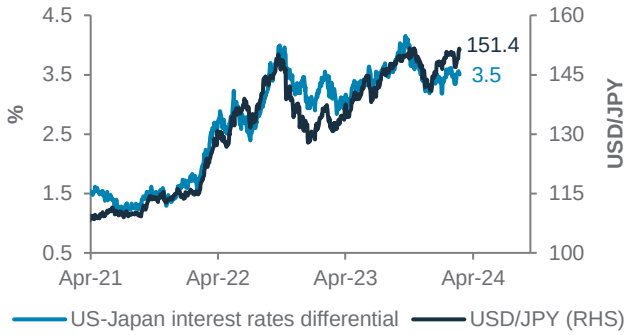
Source: Standard Chartered Global Investment Committee

Converging policy paths

The Fed and the ECB are likely to follow similar paths in terms of timing and magnitude of rate cuts in 2024. We expect the ECB to cut rates by 75bps this year, starting in June, largely mirroring the Fed. This is likely to result in a largely flat EUR/USD. **Therefore, we see EUR/USD at 1.10 over the next 3 and 12 months,** with the trading range around this bordered by 1.07 on the downside and 1.12 on the upside**.** The **GBP is likely to rebound modestly higher within recent ranges to 1.30 over the next 3 months** as macroeconomic data improves modestly, **but is likely to ease to 1.28 over the next 6-12 months** as rate cuts keep it within the recent broad range.

Fig. 11 EUR could edge higher with yield differentials

USD/JPY and US-JP rate differentials

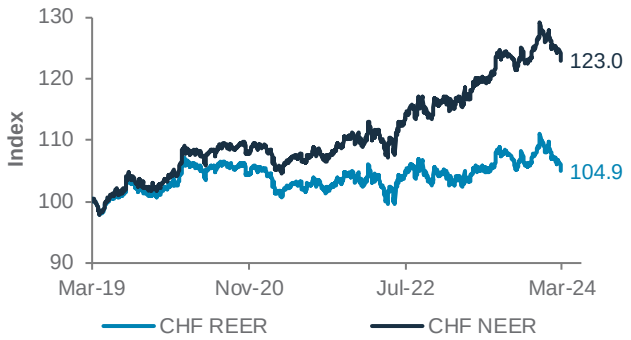


Source: Bloomberg, Standard Chartered

The Yen's weakness after the recent rate hike created some consternation among market participants who expected the start of BoJ tightening to result in Yen gains. We believe the BoJ's active efforts to strike a dovish tone to limit expectations of further tightening explain this. In the short term, we expect this to result in downward pressure on the Yen, resulting in a testing (and potentially a break) of recent decade highs of just above 151.7. **We expect USD/JPY at 153 over the next 3 months.** Nevertheless, further BoJ tightening is likely in the offing. This, combined with rate cuts by the Fed later in 2024 is likely to intensify rate differentials in favour of the JPY, resulting in a stronger Yen. **We, therefore, expect USD/JPY to fall to 142 over the next 12 months**.

Fig. 12 Expected decline in the SNB FX reserves to support CHF valuations

CHF Nominal and Real exchange rates



Source: Bloomberg, Standard Chartered

We see USD/CHF weakening to 0.90 over the next 1-3 months and 0.92 over the next 12 months. The SNB's rate cut and rise in reserves likely indicates that the central bank no longer sees a need for an active strong-CHF policy as inflation falls further below 2%. We believe this is sufficient to avoid any significant further CHF strength. However, a fresh catalyst is likely needed for the CHF to weaken significantly. For now, we expect USD/CHF to weaken to 0.86-0.92.

Commodity currencies should remain well-supported. Relatively more hawkish central banks and supportive terms of trade driven by price gains of key commodity exports are likely to underpin **AUD/USD and NZD/USD (we expect 0.69 and 0.64, respectively, in 6-12 months).** USD/CAD continues to be an exception.

We expect USD/CNH to rise to 7.22 in 3 months and 7.25 in 12 months. The persistence of long-term deflation risks is likely to keep downward pressure on the CNH. Near-term growth resilience may result in greater policy comfort with modest weakness, as signalled by the recent policy fix. **We expect USD/INR to decline modestly towards 82.40 over the next 12 months,** albeit with more volatility than in recent months, supported by strong growth and rising equity and bond inflows. **We expect USD/SGD at 1.32 in 3 months and 1.34 in 12 months.** Monetary policy is likely to remain unchanged for now, leaving USD/SGD to be driven by the broad USD. A flat USD and EUR means other Asian currencies face modest downward pressure.

Fig. 13 Summary of Asian currency drivers

Forecast	USD/SGD 1.32 (3m) / 1.34 (12m)	USD/INR 82.40	USD/MYR 4.70	USD/KRW 1300
The bullish case	+ SGD vulnerable to weak global growth + Oil price surge due to geopolitical events	+ RBI may bolster FX reserves + Risk premia due to 2024 elections	+ Relatively low FX reserve + Increased commodity price risks	+ Vulnerability to global growth and trade + Reliance on USD and CNY trend
The bearish case	– Resilient domestic growth – CNY's rebound	– Lower oil price to ease current account deficit – Strong growth; inflows	– Reversal in local dollarisation trends – Resilient GDP growth	– Export growth and tourism inflows – Cheap value; inflows

Source: Standard Chartered Global Investment Committee

Gold, crude oil – at a glance

Zhong Liang Han, CFA
Investment Strategist

Key themes

We remain Neutral on gold vs. other major asset classes, seeing it as a portfolio ballast against any meaningful recession and geopolitical risks. The gold market has been on a tear in March on higher tactical demand and continued official sector appetite. We expect gold prices to rise to USD 2,200/oz over the next 12 months as rate cuts materialise, dragging real yields lower. Meanwhile, institutional investors could increasingly add to their positions on higher rate cut expectations. Structural central bank demand remains a key driver, but they could delay purchases, given current elevated prices. However, overbought conditions and lacklustre ETF flows are short-term drags. Thus, gold is prone to corrections in the next 3 months, in our view.

We revise our 12-month WTI oil forecast higher to USD 81/bbl amid tighter demand-supply dynamics. On demand, conditions remain firmer than expected as most major economies, in particular the US and China, showed little signs of a slowdown. In terms of supply, the extension of OPEC+'s 2.2mb/d of voluntary cuts into the second quarter limits the upside for crude oil supply. Moreover, thin spare capacity and low producer elasticity mean that US output is unlikely to see new highs. In the near term, we maintain the view that the oil markets are likely to be in deficit given the elevated demand from the still-robust global economy. This suggests a higher WTI oil price at around USD 84/bbl in the next 3 months.

Key chart

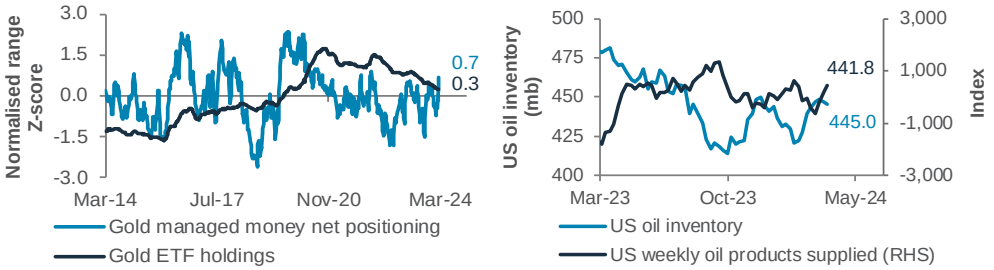
A revival of the lacklustre ETF flows is required to power the next leg of the gold rally

Oil demand conditions remain firmer than expected

Fig. 14 While tactical positioning rebounded, ETF outflows remained persistent; US oil demand is recovering, drawing down on oil inventory in recent weeks

LHS chart: Gold managed money net positioning, ETF holdings

RHS chart: US oil inventory vs EIA weekly product supplied (an oil demand measure)



Source: CFTC, Bloomberg, Standard Chartered

	The bullish case	The bearish case
Gold *12m TAA* ◆ *12m forecast:* USD 2,200/oz	+ A normalisation in Fed rates + Escalation of geopolitical tensions + Safe-haven bids + Reserve diversification for central banks + Strong central bank and physical demand + USD weakness + Entry of CTAs	– Rising real yields increase opportunity costs of holding gold – Geopolitical risk premium in gold tends to be short-lived – Positive correlation with equities – Resurgence in USD strength – Risk-on sentiment – Demanding valuations

	The bullish case	The bearish case
Crude oil *12m WTI forecast:* USD 81/bbl	+ Resilient DM economies + Stable demand growth in Asia + Supply reduction from geopolitical conflicts + OPEC+ supply cuts + Low inventories + US shale underinvestment + US SPR refill	– Tight monetary policies and resulting growth slowdown – Redirection of Russian oil flows – Easing of sanctions against Venezuela – Significant global spare capacity – OPEC+ supply discipline – Lower demand from energy transition

Source: Standard Chartered Global Investment Committee

Legends: ▲ Overweight | ▼ Underweight | ◆ Neutral

Our key forecasts and calendar events

Currency	USD (DXY)	EUR/ USD	GBP/ USD	USD/ JPY	AUD/ USD	NZD/ USD	USD/ CAD	USD/ CNH	USD/ CHF	Oil (WTI, USD/bbl)	Gold (USD/ oz)	Fed policy rate (upper bound)	US Treasury 10y yield (%)	ECB policy rate
3m forecast	102.8	1.10	1.30	153	0.68	0.62	1.35	7.22	0.90	84	2150	5.25% (Jun-24)	4.00-4.25%	3.75% (Jun-24)
12m forecast	102.7	1.10	1.28	142	0.69	0.64	1.35	7.25	0.92	81	2200	4.50% (Mar-25)	3.75-4.00%	3.00% (Mar-25)

Source: Standard Chartered

APR
- 1 Apr > China: Politburo meeting on economy
- 11 Apr > Germany: ECB policy meeting
- 19 Apr - 1Jun > India: General election
- 25-26 Apr > Japan: BoJ policy meeting
- 30 Apr > US: Fed policy meeting

MAY
- 9 May > UK: BoE policy meeting

JUN
- 6 Jun > Germany: ECB policy meeting
- 6-9 Jun > EU: European Parliament election
- 11 Jun > US: Fed policy meeting
- 13-14 Jun > Japan: BoJ policy meeting
- 17-19 Jun > Italy: 50th G7 summit
- 20 Jun > UK: BoE policy meeting
- 27-28 Jun > EU: European council

JUL
- 1 Jul > China: Politburo meeting on H2 economic work
- 15-18 Jul > US: US Republican national convention
- 18 Jul > Germany: ECB policy meeting
- 30 Jul > US: Fed policy meeting
- 30-31 Jul > Japan: BoJ policy meeting

AUG
- 1 Aug > UK: BoE policy meeting
- 19-22 Aug > US: US Democratic national convention

SEP
- 12 Sep > Germany: ECB policy meeting
- 17 Sep > US: Fed policy meeting
- 19 Sep > UK: BoE policy meeting
- 19-20 Sep > Japan: BoJ policy meeting
- 22-23 Sep > UN: Summit of the future in 2024

OCT
- 1 Oct > Russia: BRICS summit
- 17 Oct > Germany: ECB policy meeting
- 25-27 Oct > US: The World Bank / International Monetary Fund (IMF) Annual meetings 2024
- 30-31 Oct > Japan: BoJ policy meeting

NOV
- 5 Nov > US: US Presidential election
- 6 Nov > US: Fed policy meeting
- 7 Nov > UK: BoE policy meeting
- 18-19 Nov > Brazil: 19th G20 summit

DEC
- 1 Dec > China: China central government annual economic work conference
- 12 Dec > Germany: ECB policy meeting
- 17 Dec > US: Fed policy meeting
- 18-19 Dec > Japan: BoJ policy meeting
- 19 Dec > UK: BoE policy meeting

Legends: Central bank policy | Geopolitics

X – Date not confirmed | ECB – European Central Bank | FOMC – Federal Open Market Committee (US) | BoJ – Bank of Japan | BoE – Bank of England

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