

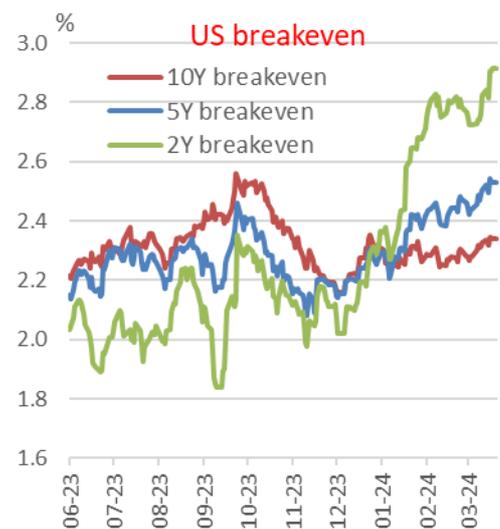
### Cautious

- DM rates.** Safe-haven flows pushed global yields lower on Friday and at Asia open this morning, with NZGB yields down 6-7bps across and ACGB yields down 3-4bps. On Friday, Bunds outperformed again as the ECB is now seen as the next central bank to cut rates, while UST yields also retraced lower after days of upticks. After market pared back Fed rate cuts expectation materially, there are factors which support USTs at current levels. First, upside risk to energy prices partly emanates from geopolitics, which shall result in safe haven flows into USTs; Second, with higher market rates now, financial condition is getting tighter which works towards Fed's easing agenda instead of being against it when the market was running ahead of the curve at the start of the year; Third, QT taper may come soon, with latest FOMC minutes revealing that "the vast majority of participants thus judged it would be prudent to begin slowing the pace of runoff fairly soon". The high-for-longer narrative, however, may not change much near-term given only second-tier data from the US this week, while Fed officials including both doves and hawks may err on the cautious side as they speak this week. These factors will leave USTs trading in ranges near-term.
- DXY. Bullish but Overbought.** USD extended its rise against most FX amid risk-off trades. Most AXJs including KRW are under pressure. Geopolitics situation in the Middle East worsened. Though Iran's weekend attack on Israel was not successful, another attack is not ruled out while the follow-up response from Israel is also closely monitored. This morning, prices of LME metals such as aluminium, nickel, copper all jumped after US, UK decided to impose sanctions on Russian supplies. Elsewhere, the revival of the high for longer narrative (following red hot CPI report last week) also added to the allure of long USD being a positive carry trade. Last seen at 106 levels. Bullish momentum on daily chart intact but RSI rose into overbought conditions. Retracement risks now ruled out. Support at 105.76 (76.4% fibo retracement of Oct high to Jan low), 105 levels. Resistance at 106.70, 107.40 (Oct high). Day ahead brings empire manufacturing, retail sales and NAHB housing market index.
- EURUSD. Bearish Bias but Pace May Slow.** EUR fell further amid rise in geopolitical tensions and broad USD rebound. Meanwhile the policy divergence between hawkish Fed and dovish ECB continued to underpin the bearish bias. The move lower was also consistent with our technical call for bearish crossover. Pair was

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Source: Bloomberg, OCBC Research

last at 1.0650. Bearish momentum on MACD intact but RSI shows early signs of turning higher from near oversold conditions. Pace of decline may moderate. Support at 1.0610 (76.4% fibo), 1.0520 levels. Resistance at 1.0710 (61.8% fibo retracement of Oct low to Jan high), 1.0795 (50% fibo).

- **USDSGD. Consolidation.** USDSGD rose amid broad USD strength. Escalation in Middle East tensions un-nerved risk sentiments. Pair was last at 1.3610 levels. Bullish momentum on daily chart intact while rise in RSI moderated. Consolidation likely after the recent run-up. Resistance here at 1.3620 (76.4% fibo), 1.37 levels. Support at 1.3530 (61.8% fibo retracement of Oct high to Dec low). 1.3460/70 levels (200 DMA, 50% fibo). S\$NEER has eased post-MAS meeting. Our model estimates show S\$NEER has eased from 1.7% above model-implied mid to slightly below 1.4% at one point this morning. The current level at 1.43% is at its 6-month low and has broken out of its 1.5% to 1.9% range seen for in the last few months. We would continue to monitor if this may imply a slightly lower range going forward. But that said, S\$NEER is likely to continue trading on the strong side given MAS' policy stance and sticky core inflation profile. We would expect S\$NEER strength to fade at some point this year should core inflation in Singapore start to ease.
- **GOLD. Pullback Underway.** Gold spiked as high as 2431.52 at one-point last Fri before closing sharply lower. Last seen at 2357 levels. Bullish momentum on daily chart intact but shows signs of fading RSI eased from overbought conditions. Still see the risk of pullback in the near term. Support at 2340, 2305 levels. Resistance at 2400, 2440. While markets have pushed back the timeline of first Fed cut and reduce the quantum of rate cut, the view that the next step is still a cut remains unchanged. Prospects of global monetary easing, central banks' sustained purchase of gold and geopolitical concerns remain the key drivers underpinning gold's bullish outlook. On monetary easing, it is not just the Fed, but also other DM central banks including ECB, BoE, SNB and BoC which are expected to transition to an easing cycle. This synchronous easing should continue to boost the appeal of gold. On geopolitics, situation in the Middle East remains fragile even though Iran's attack on Israel was not successful over the weekend. Another attack is not ruled out while the follow-up response from Israel is also closely monitored. Meantime, prices of LME metals such as aluminium, nickel, copper all jumped after US, UK decided to impose sanctions on Russian supplies. Heightened geopolitical risks should also add to gold's appeal as a hedge. That said, from a positioning and velocity point of view, we remain cautious of the risk of near-term retracement given the rapid rise in such a short time and stretched long gold.

- **CNY rates.** PBoC granted CNY100bn of MLF against maturity of CNY170bn, thereby net withdrawing CNY70bn of liquidity. The partial rollover of MLF should not have much implication on the policy outlook given that the maturity amount was not big while PBoC have a whole list of tools in its toolbox. Market will likely continue to hold expectation for some form of easing down the road. A combination of fiscal and monetary measures shall sustain a steepening bias to the CGB curve. NCD rates fell further on Friday, with the 12M AAA NCD rate last at 2.08% versus 12M implied CNY rate at 1.21%. On the offshore DF curve, front-end CNH rates have stayed high as the authorities try to cap spot, while back-end points edged lower. Front-end CNH rates shall stay volatile with bias to the upside.
- **KRW rates.** To recap, the Bank of Korea kept its Base Rate unchanged at 3.50% on Friday as widely expected. There are a couple of dovish tilts: 1/ In terms of forward guidance, the April MPC statements said the Board will maintain a restrictive monetary policy stance “for a sufficient period of time”, instead of “for a sufficiently long period of time” in previous statements. 2/ At the post-meeting press conference, Governor Rhee opined that the BoK “can do it [cut rate] earlier or later than US”, and that now the BoK has greater independence to make its own rate decision based on domestic factors rather than US rate decision. These opinions echo the phrase “decoupling of major economies’ monetary policies” in their MPC statement. 3/ In terms of the timeline for a potential rate cut by the BoK itself, Rhee commented that the May forecasts are very important, and that the Board will not rule out rate cut if CPI slows in second half. KRW rates market is pricing in between one and two 25bp cuts this year, compared to our base-case of three 25bp cuts this year.



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