

## US Core PCE, Tokyo CPI in Focus

- **DXY. Core PCE in Focus Tomorrow.** USD was bid in early trade on hawkish remarks from Fed's Waller. He said that the US economy is giving US no reason to implement big cuts and that it would need a dramatic change in inflation picture to hike. He also said that data warrants fewer cuts or later start to easing and pointed out that he needs to see a couple months of better inflation data to cut. That said, USD ran out of momentum to carry itself higher, as of writing. DXY was last at 104.32 levels. Daily momentum is bullish while RSI was flat. Resistance at 104.50 (recent high) before 105 levels (Feb high). Support at 104 (23.6% fibo), 103.30 (38.2% fibo) and 102.80 (50% fibo retracement of Dec low to Feb high). We remain cautious of over-interpreting price action this week due to quarter-end flows and shorter week that may distort price action. Data focus this week on core PCE (Fri). Consensus expects data to come in steady at 2.8%. Firmer print will reaffirm Fed's caution on rate cuts, basically reinforcing the no hurry to cut narrative. And the USD can find support. But downside surprise to data can help to soften the strong USD narrative.
- **USDJPY. Tokyo CPI on Tap (Fri).** USDJPY's attempt to trade near 152 failed as fears of intervention and subsequent 3-agencies meeting saw the pair ease lower. That said, the pair has also refused to trade much lower. The 3 agencies (MOF-BOJ-FSA) met yesterday in what some may perceive it as an indication of their tolerance being breached. Historically, this can be a precursor to some form of intervention in coming sessions if USDJPY continues to trade beyond their tolerance. We remain cautious of intervention on the JPY especially if moves are rapid or excessive. That said, moves in the past couple of sessions were considered milder as compared to a week ago. While it is of popular belief that 152 may be the line in the sand (given that it capped USDJPY from breaking higher on 3 occasions in the last 2 years), we think it is also more of the magnitude of the move that may matter. Taking stock, Japan last intervened to buy JPY on 3 occasions in 2022: once in Sep and twice in Oct. USDJPY then was between 145 to 152. Subsequently USDJPY peaked at 151.95 in Oct 2022 and traded to a low of 127-ish in Oct 2023 (alongside Fed's calibration in pace of tightening from 75bps per hike to 25bp, which also resulted in USD easing). Recall then USDCNH was also near 7.35 peak in Oct 2022 and fell to trade lower at around 6.71 during the same period. To add, CFTC JPY positioning saw record shorts and we reckon JPY bears maybe complacent and under-prepared for

**Christopher Wong**  
FX Strategist  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

Global Markets Research  
Tel: 6530 8384

any policy surprises or actual intervention. In terms of data release, Tokyo CPI for Mar is key as it is typically seen as a leading indicator of nationwide CPI which is released 2-3 weeks later. Consensus expects the data to come in roughly in line with its Feb print of 2.5%. A hotter than expected print may result in a re-think on BoJ's gradual pace of policy normalisation. By then, if Fed starts rate cut cycle, USDJPY can start to ease more materially. USDJPY was last at 151.30. Mild bullish momentum shows tentative signs of fading while RSI eased from near-overbought conditions. Resistance remains at 152 (triple top). Support at 150.90, 149.75 (21 DMA).

- **GBPUSD. Risks Skewed to Downside.** GBP consolidated. Last at 1.2630. Mild bearish momentum on daily chart intact while RSI fell. Risks skewed to the downside. Support at 1.2590 (50% fibo retracement of Aug high to Oct low), 1.2550. Resistance at 1.2650 (100 DMA), 1.2680 (50 DMA). Markets are still pricing in 3 cuts for the year, with the first cut likely in Jun (76% probability). On BoEspeaks earlier, Mann said markets are pricing in too many cuts and that BoE is unlikely to lead a global shift to cut rates.
- **USDCHF. Retracement Risk; Better Buyers on Dips.** USDCHF continued to inch higher, in line with our bullish bias. Pair was last at 0.9050. Daily momentum is bullish while RSI rose into overbought conditions. Retracement risks not ruled out but bias to buy dips. Resistance here at 0.9030/50 levels (76.4% fibo). Break out puts next resistance at 0.9110, 0.9240 levels. Support at 0.89 (61.8% fibo), 0.8820 (21, 200 DMAs) and 0.8790 (50% fibo retracement of Oct high to Dec low). SNB's vice president (contender for next SNB chief) said that the SNB has no target for CHF. We see room for SNB's monetary policy to ease further as inflation is falling, growth is slowing in Switzerland and domestic companies are feeling the pain. The cost outweighs the benefits of holding a strong FX policy to curb imported inflation. Markets look for another 2 cuts by Sep 2024.
- **NZDUSD. Is the RBNZ Next to Pivot?** NZD continued to trade with a heavy bias, in part driven by moves in RMB so far (given its higher sensitivity). This morning, RBNZ Governor Orr spoke on national radio on how aggregate demand is slowing, core inflation pressures are coming off and inflation expectations are coming back to target. Hopes of low, stable inflation on the horizon would mean more normalised interest rates on the horizon. Pair was last at 0.5997. Momentum is bearish while RSI is near oversold conditions. Risk to the downside. But falling wedge observed – can be associated with bullish reversal. Support at 0.5940, 0.5910 (76.4% fibo retracement of Oct low to Jan high). Resistance at 0.6040, 0.6070 (50% fibo, 200 DMA).

- **AXJ FX. *Interim Weakness.*** RMB and JPY remain the focus for AXJ FX. To some extent, there remains lingering uncertainty on RMB and growing bias that there may be more weakening in JPY (aside from intervention risks), given the slow and steady pace of policy normalisation. Taken together, alongside Fed in no hurry to cut, AXJs may stay under pressure in the interim. Based on FX sensitivities, KRW and THB will be most vulnerable amongst AXJ FX should RMB and JPY weakness persist. On CNY fix today, the fixing came in at 7.0948 (largely in line with yesterday's fix of 7.0946). But onshore spot continues to trade higher and close to the 2% upper band. Persistent weakness in onshore CNY will continue to undermine sentiments in the interim.
- **USDSGD. *Supported.*** USDSGD traded bid on Fed Waller's hawkish comments in early trade but has since eased lower. Last at 1.3474 levels. Daily momentum is mild bullish while RSI is flat. Support at 1.3460/70 levels (200 DMA, 50% fibo), 1.3420 (50 DMA) and 1.3390/1.34 (38.2% fibo retracement of Oct high to Dec low, 21, 100 DMAs). Resistance at 1.3500/30 (61.8% fibo). Pair is likely to trade sideways and subdued ahead of US data risk – core PCE tomorrow while market liquidity in the region thins ahead of Good Fri holiday.

## Macro Research

Selena Ling  
Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

Tommy Xie Dongming  
Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

Keung Ching (Cindy)  
Hong Kong & Macau Economist  
[Cindyckeung@ocbc.com](mailto:Cindyckeung@ocbc.com)

Herbert Wong  
Hong Kong & Macau Economist  
[HerbertWong@ocbc.com](mailto:HerbertWong@ocbc.com)

Lavanya Venkateswaran  
Senior ASEAN Economist  
[LavanyaVenkateswaran@ocbc.com](mailto:LavanyaVenkateswaran@ocbc.com)

Ahmad A Enver  
ASEAN Economist  
[Ahmad.Enver@ocbc.com](mailto:Ahmad.Enver@ocbc.com)

Jonathan Ng  
ASEAN Economist  
[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

Ong Shu Yi  
ESG Analyst  
[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

## FX/Rates Strategy

Frances Cheung, CFA  
Rates Strategist  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

Christopher Wong  
FX Strategist  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

## Credit Research

Andrew Wong  
Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

Ezien Hoo, CFA  
Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

Wong Hong Wei, CFA  
Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

Chin Meng Tee, CFA  
Credit Research Analyst  
[MengTeeChin@ocbc.com](mailto:MengTeeChin@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.: 193200032W