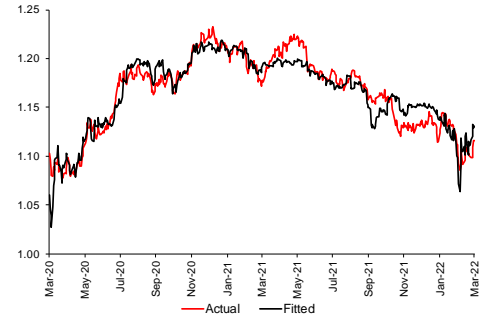


Daily Market Outlook – Key Currency Updates

24 May 2022

EUR-USD

Rally extended. EUR extended its rally overnight as Lagarde said the central bank “is likely to be in a position to exit negative interest rates by the end of the third quarter”. EUR OIS pricing has adjusted higher in line with our expectation, which has lent support to the EUR. Current market pricing of 125bp of hikes by year-end looks fair to us. More limited room for a further re-price may cap EUR/USD at 1.0768 near-term. Watch PMI data this week.



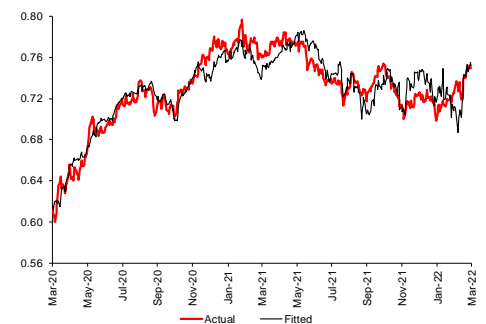
USD-JPY

Consolidate. USD/JPY has been consolidating over the past two sessions. While the yen may continue to benefit from safe-haven flows on and off as the risk sentiment swings, bias for USD/JPY is neutral to upward beyond the short-term on the back of sustained policy divergence. On the chart, a key cross on the 14 DMA and 21 DMA may put a cap on the pair for now, while a steady RSI and weekly low of 127.03 stay supportive in the near term.



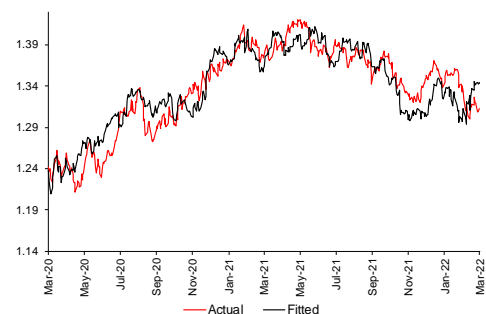
AUD-USD

Headlines driven. AUD-USD strengthened further overnight on China-related positive headlines along with the broad dollar weakness. On RBA, the plan to begin QT is not fresh news, and the amounts of maturing assets are also known – AUD4bn this year compared to the overall portfolio of AUD283bn. Given market’s hawkish pricing of RBA policy and the small amounts of QT this year, additional support to the AUD from the monetary policy side is likely to be limited. The pair is likely to be driven by headlines and sentiment near-term, with resistance at 0.7147 and then 0.7233; support sits at 0.7025.



GBP-USD

Bounce may have topped. Sterling has enjoyed a solid rebound over the past week as investors increased rate hikes expectations. Current GBP OIS pricing of additional rate hikes of 129bp by year-end looks roughly fair to a tad too hawkish to us. A potential dovish repricing amid resurgence of Brexit-related and growth concerns may cap further upside to GBP-USD for now. Technical wise, immediate resistance at 1.2650 and support at 21DMA 1.2440.

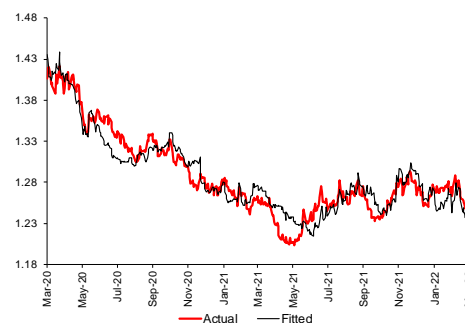


Daily Market Outlook – Key Currency Updates

24 May 2022

USD-CAD

Heavy. The USD-CAD fell about 0.57% on Monday, but the CAD still underperformed other commodity currencies. We believe there is room for the CAD to catch up as the BoC is likely to tighten aggressively with inflation hitting a 31-year high in April. On the chart, MACD and RSI indicators continue to fall from overbought conditions. Support levels are seen at 1.2770 and 1.2714.



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