

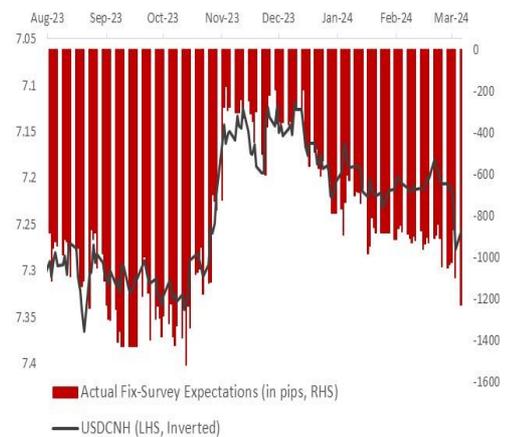
### Stronger RMB Fix Calm Sentiments

- DXY. Pause in Bullish Run.** Focus for FX markets was on RMB fix following the weaker than expected fix last Fri, that triggered a round of AXJ FX weakness into NY close. This morning, USDCNY fix came in at 7.0996 (below Friday's fix of 7.1004). The stronger CNY fix shows that policymakers are still sticking with the same playbook to manage RMB expectations via daily fix. USDCNY fix-survey expectations was much wider at -1226pips today (vs. -1015pips last week's average). Most AXJs, including AUD, TWD rebounded following the fix this morning. The USD's recent rise has also moderated in pace. DXY was last at 104.32 levels. Daily momentum is bullish but the rise in RSI shows signs of moderation. Compression of moving averages observed, and this typically precedes a break-out or pivot – continue to watch price action. 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). Data focus today on CFNAI, new home sales and Dallas Fed manufacturing activity. On Fedspeaks, Bostic, Goolsbee and Cook are scheduled to speak later today. Stronger US data and hawkish Fed speaks may keep USD broadly supported. At this point, USD still present a relative yield advantage and Fed has communicated that they are in no hurry to cut rates. This would probably change only when US data starts to show more signs of softening and this puts focus on core PCE this Fri.
- EURUSD. Consolidate.** EUR fell. The recent round of ECBspeak have been dovish with a number of officials somewhat voicing support for an earlier easing, given the retreat in Euro-area inflation. Even the usually hawkish Bundesbank Governor admitted that the probability of a first cut before the summer break in August is increasing though he did add that rates cuts would not be automatic once they begin. Pair was last at 1.0816. Bearish momentum on daily chart intact while decline in RSI moderated. Consolidation likely intraday. Support at 1.0795 (50% fibo retracement of Oct low to Jan high), 1.0715 (61.8% fibo). Resistance at 1.0840 (50, 200 DMAs), 1.0870/80 levels (21, 100 DMAs, 38.2% fibo).
- GBPUSD. Consolidate.** GBP fell last week as BoE outcome was interpreted as dovish, with a risk of earlier than expected BoE rate cut. Markets are pricing in ~80% chance of first cut in Jun. Focus today on comments from BoE's Catherine Mann, whom was a hawk and the latest MPC member to vote for no change to policy (from hike in previous meetings). She may share further details behind her latest move. GBP was last at 1.2615 levels. Daily momentum is bearish while decline in RSI moderated. Consolidation likely intra-day after the 2% decline over the last 2 weeks. Next support at 1.2590 (50% fibo retracement of Jul high to Oct low), 1.2530 levels. Resistance at 1.2680 (50 DMA), 1.2720 (61.8% fibo).

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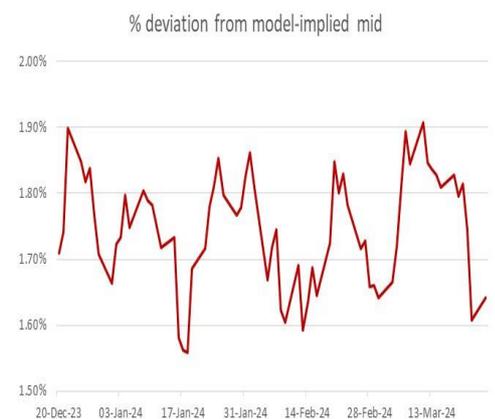
Same playbook of using the fix to manage RMB expectations



Source: Bloomberg, OCBC Research

- USDJPY. Intervention Threat is Rising.** USDJPY eased lower, tracking the drift lower in UST yields while the tone of Japan officials potentially intervening in FX markets grew. Top currency official Kanda told reporters that officials have seen large fluctuation of 4% in 2 weeks and this is not reflecting fundamentals and he found this unusual. He also replied that “we are always prepared”, when asked about possible direct intervention in the FX markets. Last week, Finance Minister Suzuki said that the government will continue to monitor developments in currency market with high sense of urgency – potential jawboning ahead of 152 levels (which we are paying close attention to). Pair was last at 151.20 levels. Bullish momentum on daily chart intact while RSI shows signs of turning from near overbought conditions. Resistance at 152 (triple top). Support at 149.60 (21 DMA), 149 (50 DMA). This week, the focus in on Tokyo CPI (Fri). Another hotter print may ignite a case of faster than expected pace of policy normalisation.
- USDSGD. CPI In Focus (1pm SGT).** Data release is of interest and that may have implications on S\$NEER. Recall in the last report, core unexpectedly came in softer at 3.1%. MAS-MTI joint statement then indicated that core inflation is expected to pick up in February, reflecting the effects of the Lunar New Year. Feb print is expected to show a re-acceleration with core at 3.4%. In the event that core CPI comes in softer than expected, S\$NEER could potentially ease further. Our model shows that S\$NEER has been trading in the range of 1.5% to 1.9% above our-model implied mid over the last 3 months. And is now around 1.64% above the model-implied mid. However, if core CPI comes in within expectations, then we should still expect the S\$NEER to stick to the observed ranges. USDSGD eased slightly after CNY fix came in stronger than expected. Pair was last at 1.3480 levels. Daily momentum is mild bullish while RSI rose towards overbought conditions. Upside risks for now. Resistance at 1.3530 (61.8% fibo). 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). Apart from SG CPI report, USDCNY daily fix will also be of interest in coming sessions after the weaker than expected CNY fix last Fri triggered fears that policymakers may allow for another round of RMB weakening. That said, USDCNY fix came in at 7.0996 (below Friday’s fix of 7.1004). The stronger CNY fix this morning pushed back speculation that policymakers may allow another round of RMB depreciation. Most USDAXJs eased lower following the fix this morning.

S\$NEER Deviation Movements (%)



Source: Bloomberg, OCBC Research



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