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JPY Jawboning and Stronger CNY Fix Anchor Sentiments

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- **USDCNH. *Stronger Fix Brings Relief.*** Stronger CNY fix for a second consecutive day reaffirmed the view that Chinese policymakers are sticking with the same playbook to anchor stable RMB via daily fix. This morning, USDCNY fix came in at 7.0943 (vs. yesterday's fix of 7.0996. This should help to alleviate pressure on AXJs, including KRW, THB as well as AUD, NZD, which have stronger sensitivity to RMB moves. That said, the bounce in AXJ FX lacked momentum and this may still be due to the lingering uncertainty with RMB, quarter-end FX flows and USD still somewhat supported (as Fed is in no hurry to cut rates). USDCNH last at 7.2470 levels. Mild bullish momentum on daily chart intact while RSI fell from overbought conditions. Room for pullback but onshore spot needs to retreat further below 7.20 (current spot ref at 7.2175). Support at 7.23 (200 DMA), 7.2160 (21, 50 DMAs, 50% fibo retracement of Nov high to Jan low). We continue to monitor USDCNY fix in coming sessions.

- **DXY. *Consolidate.*** USD eased modestly overnight on softer US data. Dallas Fed manufacturing and new home sales disappointed. On Fedspeaks, Goolsbee said he is amongst the policymakers looking for 3 cuts this year as inflation cools. Specifically he was referring to the rapid disinflation seen in 2H 2023. Bostic reiterated his take on 1 cut this year and Lisa Cook said the Fed must take cautious approach to lowering rate to allow more time for inflation to slow in some segments of the US economy. Elsewhere, a stronger CNY fix boosted sentiments. DXY was last at 104.17 levels. Daily momentum is bullish but RSI shows signs of easing from near-overbought conditions. 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 durable goods order, conference board consumer confidence and Richmond Fed manufacturing. We are also cautious of over-interpreting price action this week due to quarter-end flows that may distort price action while potentially thinner liquidity conditions due to Good Fri holiday may exacerbate price action.

- **EURUSD. *Consolidate.*** EUR was a touch firmer amid USD pullback. Pair was last at 1.0840. Mild bearish momentum on daily chart intact while decline in RSI moderated. Consolidation likely intraday. Resistance here at 1.0845 (50, 200 DMAs), 1.0870/80 levels (21, 100 DMAs, 38.2% fibo). Support at 1.0795 (50% fibo retracement of Oct low to Jan high), 1.0715 (61.8% fibo). On ECBspeaks, Lane said that pay growth in Euro-area is returning to more normal levels. On inflation, he noted good progress to contain inflation and should stabilise around 2% target in 2025. He further added that if this assessment is confirmed then policymakers will start looking more closely at reversing some of the rate increases.

- **USDJPY. *Jawboning Continues.*** We opined that the risk of *leaning against the wind* is on the rise for USDJPY. Finance Minister Suzuki said that he is watching FX moves with high sense of urgency and the government will take steps against excessive currency moves, without ruling out any measures. Yesterday, top currency official Kanda told reporters that officials have seen large fluctuation of 4% in 2 weeks and this unusual move is not reflecting fundamentals. Elsewhere, CFTC JPY positioning saw record shorts and we reckon JPY bears maybe complacent and under-prepared for any policy surprises or actual intervention. Also of interest is the 3m JPY basis swap, which had risen to 2y high – a reflection of decreasing demand for hedging as markets are less concerned that JPY will strengthen sharply in the short term. USDJPY consolidated near recent highs. Pair was last at 151.35 levels. Bullish momentum on daily chart intact while RSI shows very tentative signs of turning from near overbought conditions. Resistance at 152 (triple top). Support at 149.60 (21 DMA), 149 (50 DMA). This week, data focus on Tokyo CPI (Fri). Another 2-3 hotter than expected prints may should result in a re-think on BoJ's gradual policy normalisation. By then, if Fed starts rate cut cycle, USDJPY should then start to ease further.

- **USDSGD. *Industrial Production in Focus (1pm SGT).*** Re-acceleration in SG CPI reflected the effects of Lunar New Year and was well within guidance of policymakers that core CPI is expected to rise in current quarter. Higher CPI should dampen market chatters that a potential MAS easing is round the corner. S$NEER strength is likely to persist in the interim and likely only fade at some point later this year when core inflation in Singapore start to ease more materially. We expect MAS to maintain policy status quo at the upcoming MPC meeting in Apr. S$NEER is still expected fluctuate in the range of +1.5% to +1.9% above our-model implied mid. Last seen at 1.75% above model-implied mid. USDSGD eased lower on stronger than expected RMB fix. Last seen at 1.3445 levels. Daily momentum is mild bullish but RSI fell from overbought conditions. Retracement ahead. Support at 1.3420 (50 DMA) and 1.3390/1.34 (38.2% fibo retracement of Oct high to Dec low, 21, 100 DMAs). Resistance at 1.3460/70 levels (200 DMA, 50% fibo), 1.3500/30 (61.8% fibo).

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