Daily Market Outlook

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JPY Coming Close to 152

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- **DXY. *Bid.*** USD firmed overnight as US data continues to display resilience - durable goods, capital goods orders rose. DXY was last at 104.39 levels. Daily momentum is bullish while RSI rose. 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). We remain 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 Friday holiday may exacerbate price action. Data focus this week on core PCE (Fri). A cooler print could see USD strength slow. Overall, the possibility of a synchronous easing amongst the G3 central banks including Fed, ECB and the BoE should not be ruled out. Synchronous easing would suggest that the USD may continue to stay supported in the meantime, assuming US exceptionalism continues to hold up while EUR and GBP trade on the back foot on dovish pivot. Other DM FX, such as AUD and NZD may benefit to some extent, given that RBA, RBNZ may be late joiners to the dovish pivot party while global rates environment become a little less restrictive (due to potential rate cuts at Fed, ECB and BoE).

- **GBPUSD. *Risks Skewed to Downside.*** Decline in GBP post-BoE MPC last week somewhat stabilised. There was quite some focus on what BoE member Catherine Mann was going to say at her interview with Bloomberg TV yesterday. Recall she was one of the last 2 MPC members who switched from voting for rate hike to voting for a pause last week. She said markets are pricing in too many cuts and that BoE is unlikely to lead a global shift to cut rates. Her comments did little to change markets' expectations at the moment. Markets are still pricing in 3 cuts, with the first cut likely in Jun (75% probability). GBP was last at 1.2615. 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).

- **USDCHF. *Bullish Bias.*** USDCHF has continued to trade one way following SNB's surprise cut last week. The move was motivated by disinflation trend which was well underway in Switzerland. We had indicated that that SNB could face a policy regime shift as inflation is falling, growth is slowing in Switzerland and domestic companies are feeling the pain. The benefits of holding a strong

FX policy to curb imported inflation has diminished and there is room for SNB's tight policy to ease. We still favour USDCHF trading higher. Pair was last at 0.9035. Daily momentum is bullish while RSI rose into overbought conditions. Retracement risks not ruled out but bias to buy dips. Resistance 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)

- **USDJPY. *152 Defended Again.*** USDJPY continued to inch slightly higher. BoJ's Tamura said that policy normalisation will be slow and steady. And he is typically regarded as one of the more hawkish MPC members. Pair was last at 151.90 levels. Bullish momentum on daily chart intact while RSI is near overbought conditions. Resistance at 152 (triple top). Decisive break could see follow-thru buy flows. 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 result in a re-think on BoJ's gradual policy normalisation. By then, if Fed starts rate cut cycle, USDJPY can start to ease further. In the interim, we remain cautious of the risk of *leaning against the wind* for USDJPY, 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. Elsewhere, CFTC JPY positioning saw record shorts and we reckon JPY bears maybe complacent and under-prepared for any policy surprises or actual intervention.

- **AXJ FX. *Interim Weakness.*** RMB and JPY remain the focus for AXJ FX. To some extent, there is still lingering uncertainty on RMB and growing bias that there may be more weakening in JPY, 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 7.0946 (largely in line with yesterday's fix of 7.0946). But onshore spot continues to trade higher and close to the 2% upper band. This will continue to undermine sentiments in the interim. We also noted yesterday that 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).

- **USDSGD. *Supported.*** USDSGD inched higher, tracking moves in broad USD. Pair was last at 1.3470 levels. Daily momentum is mild bullish. 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). 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 1.74% above model-implied mid.

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