

## Daily Market Outlook

13 May 2025

### Quick De-escalation

- **DXY. Short Squeeze Underway.** Tariff de-escalation narrative further gained traction, with a temporary 90-day trade truce between US and China. US reciprocal tariff on China will fall to 30% while China will cut tariff on US goods to 10% during this period. A full trade talk is expected to commence in the coming weeks. Separately, Trump said the trade talks achieved a “total reset” with China, he called it a very good deal and that he may have a call with President Xi this week. The magnitude of tariff reduction exceeded market expectations and came after just two days of dialogue in Switzerland — marking a sharp pivot from trade war to constructive engagement. Safe haven proxy, including gold, CHF and JPY continue to see further reduction in long positions, while direct beneficiaries on US-China trade deal, DXY and RMB, strengthened broadly. The USD short squeeze we cautioned for continued to play out. DXY was last at 101.65 levels. Bullish momentum on daily chart intact while RSI rose towards near overbought conditions. Risks remains somewhat skewed to the upside. Resistance at 101.85 (50 DMA), 102.60 (38.2% fibo). Support at 100.80 (23.6% fibo retracement of 2025 peak to trough), 99.70 (21 DMA). Focus today on US CPI report. In particular, market expectation is for core CPI inflation to re-accelerate to 0.3% MoM in Apr after a surprise 0.1% decline in Mar. A softer-than-expected print may perhaps help to curb USD’s advance. That said, Apr CPI data may only see partial tariff increase impact. However, given the recent de-escalation, this report may be viewed with slightly less importance.
- **USDJPY. Look for Rally to Fade Into.** USDJPY extended its rally. US-China 90-day trade truce agreed over the weekend and US-UK deal last week were some of the drivers to add to the de-escalation narrative, resulting in further sell-off in safe haven proxies, including JPY. Market expectations for Fed cut has also been pushed back in terms of timing and quantum, in turn driving up UST yields and adding to bid tone in USDJPY. Pair was last at 147.90 levels. Bullish momentum on daily chart intact while RSI rose to near overbought conditions. Resistance at 149.40/70 levels (50% fibo, 200 DMA) before 150.30 (100 DMA). Support at 147.10 (38.2% fibo retracement of 2025 high to low), 146.30 (50 DMA). We look for a rally to fade into. In BoJ’s summary of opinions report, one BoJ board member said that the central bank’s policy path could change at “any time” depending on the course of US tariff

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measures while another urged for a wait-and-see mode until tariffs settle. Separately, BoJ's Uchida said that BoJ will raise rates if economic outlook is realised.

- **USDCNH. At Risk of Breaking Lower.** USDCNH continued to trade lower, below 7.18 at one point intra-session. The move lower was driven by a surprise quick de-escalation and a lower-than-expected USDCNY fix at 7.1991 today (vs 7.2066 yesterday). The sub-7.20 fix opened up room for RMB bulls but we believe policymakers are likely to still adopt a measured approach to appreciation (if any), similar to how they took on a measured approach with regards to depreciation. Maintaining RMB stability is likely a key objective for policymakers. Pair for last at 7.1820 levels. Bearish momentum on daily chart intact while RSI fell. Bearish crossover observed with 21 DMA cutting 50, 100 DMAs to the downside. Risks skewed to the downside. Next support at 7.1475 (61.8% fibo retracement of 2024 low to 2025 high), 7.11 levels. Resistance at 7.2010 (50% fibo), 7.2230 (200 DMA). Focus next will be whether there is indeed a follow-up call between Trump and Xi. Further positive development may accelerate downside momentum.
- **USDSGD. May Trade Range.** USDSGD rebounded to an intra-day high of 1.3086 yesterday, in line with our caution for bullish divergence. The quick tariff de-escalation caught the markets by surprise and oversold USD rebounded. That said, a lower-than-expected USDCNY fix this morning somewhat restrained the rebound in USDSGD. Pair was last at 1.3040 levels. Daily momentum turned bullish while RSI rose. Bullish divergence on daily MACD is underway. Rebound can have legs if next resistance at 1.3060 (21 DMA) is decisively broken. Support at 1.3020 (76.4% fibo retracement of 2024 low to 2025 high), 1.2910 levels. Meanwhile, we watch 1.30–1.3070 range intra-day. S\$NEER last seen around 1.79% above model-implied mid.



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