

US Core PCE, Tokyo CPI in Focus

- **DXY. Core PCE in Focus Tomorrow.** USD was bid in early trade on hawkish remarks from Fed's Waller. He said that the US economy is giving US no reason to implement big cuts and that it would need a dramatic change in inflation picture to hike. He also said that data warrants fewer cuts or later start to easing and pointed out that he needs to see a couple months of better inflation data to cut. That said, USD ran out of momentum to carry itself higher, as of writing. DXY was last at 104.32 levels. Daily momentum is bullish while RSI was flat. 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 and shorter week that may distort price action. Data focus this week on core PCE (Fri). Consensus expects data to come in steady at 2.8%. Firmer print will reaffirm Fed's caution on rate cuts, basically reinforcing the no hurry to cut narrative. And the USD can find support. But downside surprise to data can help to softer the strong USD narrative.
- **USDJPY. Tokyo CPI on Tap (Fri).** USDJPY's attempt to trade near 152 failed as fears of intervention and subsequent 3-agencies meeting saw the pair ease lower. That said, the pair has also refused to trade much lower. The 3 agencies (MOF-BOJ-FSA) met yesterday in what some may perceive it as an indication of their tolerance being breached. Historically, this can be a precursor to some form of intervention in coming sessions if USDJPY continues to trade beyond their tolerance. We remain cautious of intervention on the JPY 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. Taking stock, Japan last intervened to buy JPY on 3 occasions in 2022: once in Sep and twice in Oct. USDJPY then was between 145 to 152. Subsequently USDJPY peaked at 151.95 in Oct 2022 and traded to a low of 127-ish in Oct 2023 (alongside Fed's calibration in pace of tightening from 75bps per hike to 25bp, which also resulted in USD easing). Recall then USDCNH was also near 7.35 peak in Oct 2022 and fell to trade lower at around 6.71 during the same period. To add, CFTC JPY positioning saw record shorts and we reckon JPY bears maybe complacent and under-prepared for

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any policy surprises or actual intervention. In terms of data release, Tokyo CPI for Mar is key as it is typically seen as a leading indicator of nationwide CPI which is released 2-3 weeks later. Consensus expects the data to come in roughly in line with its Feb print of 2.5%. A hotter than expected print may result in a re-think on BoJ's gradual pace of policy normalisation. By then, if Fed starts rate cut cycle, USDJPY can start to ease more materially. USDJPY was last at 151.30. Mild bullish momentum shows tentative signs of fading while RSI eased from near-overbought conditions. Resistance remains at 152 (triple top). Support at 150.90, 149.75 (21 DMA).

- GBPUSD. Risks Skewed to Downside.** GBP consolidated. Last at 1.2630. 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). Markets are still pricing in 3 cuts for the year, with the first cut likely in Jun (76% probability). On BoEspeaks earlier, Mann said markets are pricing in too many cuts and that BoE is unlikely to lead a global shift to cut rates.
- USDCHF. Retracement Risk; Better Buyers on Dips.** USDCHF continued to inch higher, in line with our bullish bias. Pair was last at 0.9050. Daily momentum is bullish while RSI rose into overbought conditions. Retracement risks not ruled out but bias to buy dips. Resistance here 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). SNB's vice president (contender for next SNB chief) said that the SNB has no target for CHF. We see room for SNB's monetary policy to ease further as inflation is falling, growth is slowing in Switzerland and domestic companies are feeling the pain. The cost outweighs the benefits of holding a strong FX policy to curb imported inflation. Markets look for another 2 cuts by Sep 2024.
- NZDUSD. Is the RBNZ Next to Pivot?** NZD continued to trade with a heavy bias, in part driven by moves in RMB so far (given its higher sensitivity). This morning, RBNZ Governor Orr spoke on national radio on how aggregate demand is slowing, core inflation pressures are coming off and inflation expectations are coming back to target. Hopes of low, stable inflation on the horizon would mean more normalised interest rates on the horizon. Pair was last at 0.5997. Momentum is bearish while RSI is near oversold conditions. Risk to the downside. But falling wedge observed – can be associated with bullish reversal. Support at 0.5940, 0.5910 (76.4% fibo retracement of Oct low to Jan high). Resistance at 0.6040, 0.6070 (50% fibo, 200 DMA).

- **AXJ FX. *Interim Weakness.*** RMB and JPY remain the focus for AXJ FX. To some extent, there remains lingering uncertainty on RMB and growing bias that there may be more weakening in JPY (aside from intervention risks), 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 7.0948 (largely in line with yesterday's fix of 7.0946). But onshore spot continues to trade higher and close to the 2% upper band. Persistent weakness in onshore CNY will continue to undermine sentiments in the interim.
- **USDSGD. *Supported.*** USDSGD traded bid on Fed Waller's hawkish comments in early trade but has since eased lower. Last at 1.3474 levels. Daily momentum is mild bullish while RSI is flat. 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). Pair is likely to trade sideways and subdued ahead of US data risk – core PCE tomorrow while market liquidity in the region thins ahead of Good Fri holiday.

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