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GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Relative Calm

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- **DXY. *Momentum Eased.*** There was no follow-through escalation in geopolitical tensions in the Middle East as Iran attempted to defuse tensions. A senior Iran official told Reuters there were no plans to respond against Israel for the incident and the explosions reported were due to air defences hitting 3 drones over the city of Isfahan in Central Iran. US futures and regional bourses traded in positive territory this morning. Risk-proxy FX including AUD, NZD firmed while safe-haven proxy such as gold, CHF and JPY slipped. Brent has also fallen in response. That said, geopolitics remains a risk to watch. This week, Fedspeaks entered into blackout period ahead of FOMC on 2 May. Focus is the data calendar. US durable goods orders, 1Q GDP and core PCE would be of interest. Recent run of strong US data has built up expectations that upcoming reports may exceed expectations. Hence, any disappointing print on US data may potentially dent USD's momentum. DXY was last seen at 106.05. Bullish momentum on daily chart shows signs of easing while RSI eased from near overbought conditions. Risks skewed to the downside. Support at 105.76 (76.4% fibo retracement of Oct high to Jan low), 105 levels. Resistance at 106.70, 107.40 (Oct high).

- **Brent. *Evening Star.*** Brent fell as geopolitical tensions faded. Brent was last at 86.52. Bullish momentum on weekly chart shows signs of fading while RSI eased. Weekly price pattern suggests an evening star pattern, which typically is associated with a bearish setup. Support seen at 84.60 (38.2% fibo retracement of 2024 low to high), 82.10 (100 DMA). Resistance at 88.50 (21 DMA), 90.70.

Brent: Evening Star Bearish Setup

Source: Bloomberg, OCBC Research

- **EURUSD. *June Cut Priced.*** EUR's recent decline somewhat stabilised as USD bulls paused while geopolitical tensions in the Middle East eased. ECBspeaks have somewhat pointed to a Jun cut being consensus but the rate path trajectory beyond that remains uncertain amongst ECB members. Muller said that ECB should not rush further rate cuts after Jun; Lane pointed to data-dependent and to set policy on a meeting-by-meeting basis and Kazaks said that it is too early to declare victory over inflation and sees no need to hastily bring borrowing costs down to levels where they stop restraining demand. Wunsch said ECB has a clear case to lower rate twice but what happens after that is difficult to predict because of uncertainty over domestic inflation pressures. He added that July meeting will give signal on rate path. On the other spectrum, Simkus spoke about 3 cuts this year, Stournaras wanted to see 4 cuts and Scicluna even floated the idea of bigger, 50bps cut should inflation fall below 2% target. Markets have largely priced in first cut to occur at the upcoming meeting (6 Jun) while for the year, markets priced in 3 cuts. While some in the markets have started to bet on Euro reaching parity, we opined that a growth re-rating on the Euro-area/ Germany is probably not priced. ECB's Lagarde and Bundesbank have recently spoken about signs of activity picking up pace in Germany. A better growth story in Euro-area can push back against aggressive rate cut expectations and this can be supportive of EUR. Pair was last seen at 1.0665 levels. Bearish momentum on daily chart is fading while RSI rose. Rebound risks not ruled out. Resistance at 1.0710 (61.8% fibo retracement of Oct low to 2024 high), 1.0750 (21 DMA). Support at 1.0610 (recent low), 1.0550 levels. Week ahead brings prelim PMIs (Tue); ECB 1y, 3y CPI expectations.

- **USDJPY. *Bearish Divergence?*** USDJPY resumed its uptick as geopolitical tensions faded. The pair continued to trade near recent highs, tracking the moves in UST yields. USDJPY was last at 154.70. Bullish momentum on daily chart shows signs of fading while RSI is in overbought conditions. Bearish divergence may be forming on MACD. Some signs of pullback are emerging. Support at 152.65 (21 DMA), 151 (50 DMA). Resistance at 155, 156.40 (138.2% fibo of Nov high to Jan low). There should be self-inflicted caution over intervention risks as USDJPY approaches those levels. Last week, Japan's top currency official Kanda said that G7 reaffirmed its commitment to past G7 policy responses, including exchange rates. Some interpreted this as a green light for Japan authorities to intervene while some may see it as BoJ buying time before its next MPC on 26 Apr. At the same time, there was also a joint statement following a trilateral meeting between Finance ministers of Japan, Korea and US. The statement mentioned that the 3 countries will continue to consult closely on FX market developments in line with existing G20 commitments while acknowledging the serious concerns of Japan and Korea with regards to the sharp depreciation in JPY and KRW. Taken together, we opined that these actions may be sufficient to setup a psychological resistance for the USD.

- **USDSGD. *Sell Rallies.*** USDSGD eased slightly as geopolitical tensions subsided. Last at 1.3610 levels. Bullish momentum on daily chart shows some signs of fading while RSI fell from overbought conditions. Retracement risks not ruled out. Support at 1.3530 (61.8% fibo retracement of Oct high to Dec low). Resistance at 1.3660/70 levels. Our model estimates show S$NEER strengthened. Last at 1.66% above model-implied midpoint. We reiterate our view that S$NEER is likely to continue trading on the strong side given MAS' appreciating policy stance and sticky core inflation profile.

- **USDMYR. *Magnitude Muted.*** USDMYR continued to trade near recent high, largely tracking moves in broader USDAXJs. Pair was last at 4.7850 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI eased from overbought conditions. Our recent observation shows that MYR's sensitivity to market developments is somewhat more muted lately compared to previous episodes. This could be due to a few reasons including increased frequency in BNM communications with the market, earlier efforts to encourage GLCs and GLICs to repatriate foreign income and corporate to increase FX conversion as well as BNM's pledge to provide support. BNM said in a statement last Monday that it stands ready to deploy the tools to ensure the Malaysian financial markets remain orderly and continue to function efficiently. The increase in communication gives markets the impression that regulators are closely watching MYR FX markets closely.

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