

## Daily Market Outlook

20 June 2024

### CHF Bulls Await SNB Decision

- **USDCHF. Split Risks Ahead of SNB MPC.** USDCHF continued to trade with a heavy bias. Some of the reasons could be due safe-haven proxy for French election risks as well as some unwinding of rate cut bets ahead of SNB meeting (330pm SGT). It is a close call and we see split risks between a cut and hold. SNB chief had indicated that the SNB sees "small upward risk" to the central bank's inflation forecast. He added that if this risk were to materialise, then their monetary policy would be deemed more accommodative than intended. Indeed, inflation fell to a low of 1% in Mar and subsequently has ticked higher towards 1.4%. SNB's comments, inflation uptick and signs of economic activity picking up slightly may suggest that an SNB rate cut may be delayed to Sep meeting. We think the risk may somewhat be asymmetric for CHF. In the event of a cut, CHF may see a bigger sell-off as recent gains in CHF may have partially factored in market expectations for SNB to hold. On the other hand, a decision to keep policy rate on hold may see moderate gains. That said, with French election uncertainty lingering in the background, CHF may still end up better bid on dips closer to French election day (30 Jun, 7 Jul). Pair was last at 0.8836. Bearish momentum on daily chart intact while RSI has fallen towards oversold conditions. Next support at 0.8780 (50% fibo retracement of 2024 low to high), 0.8730 levels. Resistance at 0.8890 (200 DMA, 38.2% fibo), 0.8960 (100 DMA).
- **GBPUSD. BoE in Focus (7pm SGT).** Policy decision is due today. It is widely expected that the MPC will vote 7-2 to keep bank rate steady at 5.25%. The unexpected call for early election and still elevated inflation print somewhat cemented the view that BoE may not be willing to cut rate during an election campaign. The risk is a vote count change to 8-1, with Ramsden voting for hold given the stickiness of core inflation. If this were to happen, GBP can be lifted momentarily. Pair was last at 1.2715. Momentum is mild bearish while the rise in RSI moderated. Near term retracement (lower) not ruled out. Support at 1.2660, 1.2620 (50 DMA). Resistance at 1.2740 (21 DMA).

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- **DXY. Range.** USD was little changed overnight as US markets were closed for Juneteenth holidays. DXY was last at 105.26. Mild bullish momentum on daily chart intact while RSI was flat. Support at 104.80 (61.8% fibo retracement of Oct high to 2024 low), 104 (50% fibo). Resistance at 105.50, 105.75 (76.4% fibo). 2-way trade likely in the range of 104.80 – 105.50 in absence of key catalyst. For the week remaining, focus is on jobless claims (Thu) and prelim PMIs (Fri). Softer data should weigh on USD. On Fedspeaks, Musalem acknowledged that recent data on real consumer spending and nominal retail sales have mostly underwhelmed. He also said that he will need to observe a period of favourable inflation, moderating demand and expanding supply before becoming confident that a reduction in rate is appropriate. He added these conditions could take months and more likely quarters to play out. Separately, Collins said Fed should be patient as it considers when to lower rates despite encouraging data on inflation.
- **USDJPY. Intervention Risks.** USDJPY continued to drift higher. Pair was last at 158.05. Daily momentum is showing a mild bullish bias though rise in RSI moderated. 2-way trades likely. Resistance at 158.60, 160. Support at 156.80 (21 DMA), 155.80 (50 DMA). We still see risks of USDJPY mounting a challenge into the 158-160 arena, and any rapid pace of rise in USDJPY should raise the risks of intervention, especially when the pair has already diverged from the directional move in US treasury yields and UST-JGB yield differentials. That said, intervention is at best an option to slow the pace of depreciation and not a tool to reverse the trend. For USDJPY to turn lower more meaningfully would either require the USD to ease or for BoJ to signal an intent to normalise urgently (rate hike or increase pace of balance sheet reduction). And none of the above appears to be taking place. As such, the path of least resistance for USDJPY may still be to the upside, for now.
- **USDCNH. Higher Daily Fix Today.** USDCNH traded a touch firmer this morning after daily fix was set much higher at 7.1192 than yesterday's level of 7.1159. The magnitude of the increase (+33pips) was the largest in ~2months and the level that it was fixed at was also much higher than its 5day average of 7.1146. This is despite the USD trading subdued overnight and adds to our view that PBoC may be pursuing a very, very measured pace of RMB depreciation carefully but still maintaining the RMB broadly stable. This puts the 2% upper bound of the USDCNY at 7.2615. We reckon the daily fix should get more attention going forward, as another weaker RMB fix could see CNHCNY basis (currently at +237pips) widen further, implying further weakness in CNH in the short term. USDCNH was last at 7.2837. Daily momentum is mild bullish while RSI rose. Risks skewed to the upside. Resistance here at 7.2835 (76.4% fibo retracement of Nov high to Jan low) before 7.30. Support at 7.2650 (21 DMA), 7.25 levels (50 DMA).

- **USDSGD. *Sideways.*** USDSGD was little changed in absence of fresh catalyst. Pair was last at 1.3512 levels. Mild bullish momentum on daily chart intact while RSI is flat. Sideways trade looks likely. Resistance at 1.3530/40 levels (50 DMA, 61.8% fibo retracement of Oct high to Jan low), 1.3560. Support at 1.3460 (50% fibo), 1.3420 levels. Our estimates show S\$NEER was at 1.88% above model-implied midpoint.



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