

Daily Market Outlook

21 June 2024

Eyes on Prelim PMIs

- **DXY. Range.** USD was a touch firmer, taking cues from the jump in USDCHF after the surprise SNB cut yesterday. Later in the evening, a dovish BOE hold added momentum to USD. Focus today on prelim PMIs (Fri). Softer data should temper USD gains but hotter prints may continue to fuel USD momentum. On Fedspeaks, Barkin reiterates the need for sustained, broad inflation progress before adjusting borrowing costs lower. Goolsbee said that the Fed can cut if inflation continues to cool as it did last month. He also reiterated that Fed doesn't need inflation to hit 2% before rate cut. DXY was last at 105.60. Mild bullish momentum on daily chart intact while RSI was flat. Resistance at 105.75 (76.4% fibo). Support at 105.20 (50 DMA), 104.80/90 (61.8% fibo retracement of Oct high to 2024 low, 21 DMA) and 104 (50% fibo). 2-way trade likely in the range of 104.90 – 105.75 intra-day.
- **USDCHF. Split Risks Ahead of SNB MPC.** SNB lowered policy rate by 25bps to 1.25%. This is the second consecutive cut, after SNB first cut rate at its last meeting in March. SNB said that the cut was due to lower inflationary pressure as projected inflation path was lowered across its forecast horizon. USDCHF jumped after SNB surprised with a cut. The reaction was in line with our call for asymmetric risks 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.* Pair was last at 0.8916. Bearish momentum on daily chart faded while RSI rose from oversold conditions. Next resistance at 0.8925 (23.6% fibo retracement of May high to Jun low), 0.8970/80 levels (21, 100 DMAs, 38.2% fibo). Support at 0.8890 levels (200 DMA), 0.8830 (recent low). CHF may still end up better bid on dips with French election uncertainty lingering in the background.
- **USDJPY. Intervention Risks on the Rise.** USDJPY continued to trade higher, briefly breaching above 159 this morning after CPI came in slightly below expectations and services PMI unexpectedly dipped below 50-mark. But the pair has since eased slightly. Last at 158.95. Daily momentum is showing a mild bullish bias though rise in RSI moderated. 2-way trades likely. Resistance at 159.20, 160 levels. Support at 156.80 (21 DMA), 155.80 (50 DMA). We still see risks of USDJPY mounting a challenge towards 160, and any rapid pace of rise in USDJPY should heighten the risks of intervention. This is especially so when the recent upmove in USDJPY has already

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diverged from the directional move in US treasury yields and UST-JGB yield differentials (breakdown in traditional correlation may suggest that speculative flows should not be ruled out). 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. Pursuing a Measured Pace of Depreciation.** USDCNH fell in knee-jerk reaction after the daily fix was set at 7.1196. This was +4pips higher than yesterday and just under the 7.12. The attempt to fix the RMB less weak than yesterday's magnitude of +33pips reinforced our view that the PBoC is pursuing a very, very measured pace of RMB depreciation and with the intent of still maintaining the RMB broadly stable. CNHCNY basis narrowed from +306pips yesterday to +260pips this morning. USDCNH was last at 7.2869. Daily momentum is mild bullish but RSI showed tentative signs of it turning from near overbought conditions. Slight pullback not ruled out intra-day. Support at 7.2660 (21 DMA), 7.2520 levels (50 DMA). Resistance at 7.2920 (recent high) before 7.30.
- **USDSGD. Sideways.** USDSGD was a touch firmer but still largely trading in recent range. Pair was last at 1.3535 levels. Mild bullish momentum on daily chart intact while RSI is flat. Sideways trade looks likely. Resistance here 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 1.84% above model-implied midpoint.



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