Daily Market Outlook

1 April 2025

Await Liberation Day

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- **DXY. *Await Tariff Details.*** USD traded modestly firmer vs. most FX amid cautious sentiment as markets await reciprocal tariff announcement on 2 Apr. USTR's annual 2025 National Trade Estimate report (nearly 400 pages) was released on 31 Mar. There was mention of VATs and their implementation as burdensome to US imports in some countries including Argentina, Mexico and UAE; Canada's out-of-quota tariffs on cheese at 245% and butter at 298%. On South Korea, the report pointed out US pharma and medical device industries' concerns regarding the lack of transparency in South Korea's pricing and reimbursement policies. US government also raised concerns about South Korea's emission-related components regulations under Korea's Clean Air Conservation Act, as it stressed increased access to Korea's automotive market for US automakers remains a "key priority" for the US. On Australia, US voiced concerns over Australia's biosecurity laws and subsidised medicine system. Ultimately, 2 Apr reciprocal tariff is still the big known unknown as worries on global trade and growth mount. Cyclical FX and those exposed to open trade such as KRW, SGD, MYR and TWD may face some pressure. Countries at risk of being directly hit by reciprocal tariffs may also see their currencies come under pressure. China, EU, South Korea, Japan, India and Thailand are amongst some of the countries that may be hit (for having tariff on US goods and a trade surplus with US). To some extent, Australia, Singapore and HK may not be as affected. Apart from country-specific tariffs, Trump is looking to roll out sector-specific tariffs (likely on lumber, semiconductors and pharmaceutical drugs) in due course. DXY was last at 104 levels. Daily momentum is mild bullish while RSI fell. Not ruling out the risk of a pullback. Support at 103.10, 102.50 levels (76.4% fibo). Resistance at 104.00/10 levels (21 DMA, 61.8% fibo retracement of Oct low to Jan high), 104.60 and 105 levels (50% fibo, 200 DMA). This week, watch ISM manufacturing, JOLTS job openings (Tue); ADP (Wed); ISM services (Thu); payrolls (Fri). Softer data should weigh on USD.

- **EURUSD. *Consolidation.*** EUR continued to trade range bound as markets await clarity on reciprocal tariffs. Last week, Trump confirmed 25% tariffs on imports of all auto and auto parts, with effect from 3 April. More importantly, 2 Apr is the day to watch for reciprocal tariffs while other tariffs on alcohol (200% tariff), lumber, semiconductors and pharmaceutical drugs may still be forthcoming in next few weeks, if not days. Tariff imposition may weigh on EUR. We look for dips to buy into, considering the emergence of several positive factors, including EU defence spending (supportive of growth), chance that ECB easing may slow and prospects of a complete ceasefire in Ukraine at some point. EUR was last seen at 1.0825 levels. Daily momentum is bearish while RSI rose. Range-bound trades likely. Support at 1.0810 (21 DMA), 1.0700/30 levels (200 DMA, 50% fibo retracement of Oct high to Jan low). Resistance at 1.0950/70 levels (76.4% fibo, recent high), 1.1020 levels.

- **USDJPY. *Bias to Sell Rallies.*** USDJPY remains caught in a tug of war between safe haven demand and JPY being directly hit by reciprocal tariffs. Earlier, Japan was one of the countries being singled out by Trump for taking advantage of the US. For instance, Japan imposes over 20% tariff rate on several agricultural products including beef, cheese and around 30% on leather shoes and about 10% on clothing and commercial trucks. There have been chatters of production adjustments or supply chain shifts in attempt to avoid being hit by reciprocal tariff adjustment, but it remains uncertain if this would be useful. Hence 2-way trades for USDJPY is still likely in the interim unless Japan is exempted from reciprocal tariffs. In this scenario, JPY is likely to strengthen in risk-off trades. USDJPY was last at 149.80 levels. Bullish momentum on daily chart intact but decline in RSI moderated. 2-way trades likely. Retain bias to sell rallies. Death cross formed (50 cuts 200 DMA to the downside). Support at 149.10/20 levels (21DMA, 50% fibo), 148.70 and 147 levels (61.8% fibo). Resistance at 151.20/50 levels (38.2% fibo retracement of Sep low to Jan high, 50, 200 DMAs), 153 (100 DMA).

- **USDSGD. *Mild Upside Risk.*** USDSGD continued to inch higher amid cautious sentiments ahead of reciprocal tariffs. Although Singapore may be at lesser risk of being hit by reciprocal tariffs, SGD is a currency that can be affected by trade and global growth. Pair was last at 1.3430 levels. Daily momentum is mild bullish while RSI rose. Mild upside risk likely. Resistance at 1.3440/80 levels (50, 100 DMAs). Support at 1.3390 levels (38.2% fibo retracement of Sep low to Jan high), 1.3340/60 levels (21, 200 DMAs), 1.3310 levels. S$NEER was last seen at 0.75% above model-implied mid. MAS quarterly MPC meeting is less than 2 weeks away from now (no later than 14 Apr). Judging from our S$NEER model, markets are starting to price in some risk of an easing. We think it remains a close call especially after another downside surprise to core CPI. We see a good chance of MAS easing policy slope slightly (i.e. adjusting lower the rate of appreciation). But MAS policy is only one factor affecting SGD. In the interim, tariff uncertainties may keep the SGD under pressure.

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