Daily Market Outlook

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Tariff Relief

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- **USD rates.** Short-end UST yields rose by 15-18bps overnight as markets pared back rate cut expectations on the 90-day pause in reciprocal tariff implementation. Fed funds futures last priced 78bps of rate cuts for this year, back to our base-case of three 25bp cuts which we have long argued reflects a no-recession scenario. We recently trimmed our 2Y UST yield forecast (from 3.9% to 3.6% for end-Q2) assuming markets would be ahead of the curve in rate cut pricings due to growth fears, despite that our base-case for Fed funds rates has remained unchanged. Now with the 90-day pause and subsequently the lessened growth fears, risk to our short-term yield forecasts is to the upside. Long-end yields, on the other hand, stabilised overnight as sentiments improved which meant there was no follow-through from the across asset classes selling, while growth risk is not entirely cleared. This situation may allow 10Y UST yield to settle in a range; near-term trading range for 10Y UST yield is seen moving back to 4.20-4.40%. Over our 1-year forecast horizon, we maintain a downward bias to 10Y UST yield. Focus will quickly shift to March CPI tonight, the base effect is favourable which have likely resulted in an easing in terms of YoY headline inflation; in terms of breakdown, we are looking for a pick-up in core goods prices back to positive territory, while core services YoY inflation is likely to have eased marginally.

- **USDCNH. *2-Way Trades.*** Despite Trump raising tariffs on China to 125% overnight, USDCNH fell as broader sentiment improved. Trump unexpectedly paused higher tariffs on 56 nations (excluding China) for 90 days. Tension between US and China remain elevated, as China tariffs on US goods stand at 84% while US tariff on China goods are at 125%. US Treasury secretary Bessent has indicated all options remain on the table, including the possibility of delisting Chinese companies from US stock exchanges. Yesterday, Reuters reported that PBoC is asking state lenders to reduce dollar purchases. We do not rule out the risk of further measures from both US and China but at the same time, we also do not rule out a chance of conciliation. So, risks are both ways as developments are very fluid. On RMB, we are neutral on the outlook for now. There are market chatters of RMB potentially seeing more depreciation to perhaps devaluation pressure, but we believe policymakers are likely to favour only some degree of measured RMB weakness while still maintaining a stable composure. In a way, this is like another line of defence in terms of providing an anchor for investor sentiments. This can also be seen as providing an anchor for regional FX stability. The trend for daily USDCNY fix is still an important source to gauge policymakers' preference. A softer magnitude of increase in USDCNY fix should calm sentiments for RMB, as well as provide a breather for AxJs. But any larger adjustment seen in the fix may be taken as a hint that policymakers may allow for greater RMB flexibility. USDCNH was last at 7.26 levels. Bullish momentum on daily chart shows tentative signs of fading while RSI eased slightly from overbought conditions. Range-bound trade intact. Support at 7.34, 7.29 (100 DMA). Resistance at 7.38, 7.42 levels. Currency bias may change or improve dependent on how trade negotiations pan out to be or if the de-dollarisation trend overwhelms.

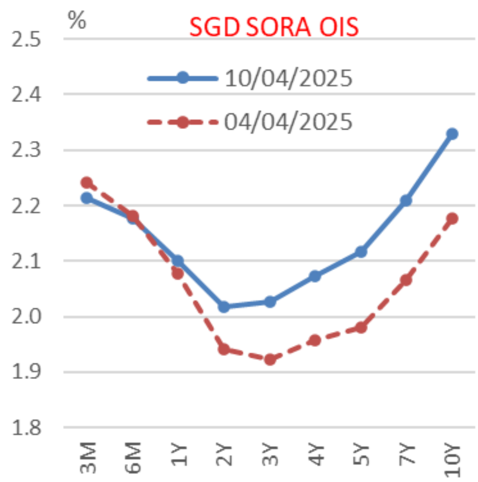
- **AUDUSD. *Tariff Relief.*** AUD rebounded 4% from its lows overnight after Trump pauses tariffs on most nations for 90 days. Regional equities traded sharply higher. Taiwan was up >9% while KOSPI, STI and Nikkei were up more than 5%. This morning, AUD drifted higher slightly on news that China leaders will meet to discuss stimulus after Trump's tariff shock. Pair was last at 0.6170 levels. Bearish momentum on daily chart waned while RSI rose from near oversold conditions. Resistance here at 0.6160 levels (23.6% fibo retracement of Oct high to Apr low), 0.6250/80 levels (21, 50 DMAs) and 0.6310 (38.2% fibo). Support at 0.60, 0.5915 (recent low).

- ***USDJPY. Sell Rallies.*** USDJPY jumped sharply to 148.27 overnight as safe haven trades unwind after Trump announced a 90-day tariff pause. We had cautioned for the risk of a short squeeze in our report yesterday. Pair was last at 146.70 levels. Daily momentum is mild bearish while RSI fell. Risks skewed to the downside. Support at 145, 144.10 levels. Resistance at 147, 148.75 (21 DMA) and 150.30 (50 DMA). Cutting through the noise, we still look for USDJPY to trend lower, premised on safe-haven flow and Fed-BoJ policy divergence (Fed rate cut cycle while the BoJ has room to further pursue policy normalisation). Wage growth, broadening services inflation and upbeat economic activities in Japan should continue to support BoJ policy normalisation although tariff uncertainty may complicate BoJ outlook to some extent. Fed-BoJ policy divergence should bring about further narrowing of UST-JGB yield differentials, in turn underpinning the broader direction of travel for USDJPY to the downside.

- ***Gold. Bulls Strike Back.*** Gold rose back above 3100, from under 3000 overnight as earlier sell-off dissipated. It is likely that the previous sell-off was more a case of broad liquidation across asset classes (or margin calls, etc) but as the sell-off settles, gold is still a hedge in times of uncertainty. Gold's rebound reflects growing investor anxiety over tariff threats and the potential reshaping of global trade norms. As protectionist rhetoric escalates, markets are increasingly pricing in policy uncertainty and the risk that established economic and trade frameworks could be rewritten. In this environment, gold has its role as a strategic hedge – not just against inflation, but also against geopolitical fragmentation and the risk of a more disorderly global economic order. XAU was last at 3123 levels. Bearish momentum on daily chart faded while RSI rose. Risks skewed to the upside. Resistance at 3167 (recent high). Support at 3048 (21 DMA), 2960 (50 DMA).

- ***USDSGD. Consolidate.*** USDSGD fell as sentiments improved after Trump pauses higher tariffs on most nations. Pair was last at 1.3405 levels. Bullish momentum on daily chart faded while RSI eased. Range-bound trade likely, with slight risk to the downside. Support at 1.3400/20 levels (21, 50 DMAs), 1.3380, 1.3330 (200 DMA). Resistance at 1.3520, 1.3580 levels. S$NEER was last seen at 0.7% above model-implied mid. MAS MPC will be on 14 Apr (Mon). Our base case is for MAS to ease policy slope slightly as policymakers take into consideration softer core CPI and potential growth implications from US tariff hit. We do not rule out an outside chance MAS flattens policy slope (i.e. 0 rate of appreciation), if the assessment of both external and domestic growth outlook is drastic. Implications on USDSGD to the upside can be significantly more if MAS is deemed to be very dovish.

- **SGD rates.** 1Y and 2Y SGD OIS were paid up by 8-9bps at open, following USD rates direction but outperformed USD rates movements since late session Asia yesterday. 6M implied SGD rate was trading at around 2.27% this morning; we refresh expected range for 6M T-bills cut-off to 2.45-2.55%, higher than the 2.35-2.45% range we expected yesterday. The SGD SORA OIS curve has adjusted higher over recent day; 2Y and 3Y rates have stayed as the lowest points on the SORA OIS curve, which appear to have incorporated the view of an extended period of flush liquidity condition and for the floating rate SORA to move lower from here. This outlook is highly uncertain. 1M SGD basis (implied rate minus OIS) eased to 18bps as of writing, probably on reduced precautionary liquidity demand as market somewhat stabilised. Still, SGD liquidity appears not as flush as at one point in late March/at the start of this month.



Source: Bloomberg, OCBC Research

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