Daily Market Outlook

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Await US CPI

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- **DXY. *Bears Need Softer CPI Print.*** USD slipped overnight after PPI missed estimates (+0.2% m/m vs. 0.4% expected). Earlier report on Trump team considering a schedule of gradual tariffs increasing by about 2% to 5% a month also helped to support sentiments. Most non-USD FX rebounded while DXY eased but it remains to be seen if the recent move has legs. Admittedly, the idea of gradual tariff increase remains in the early stages for now. DXY was last at 109.25. Mild bullish momentum on daily chart intact but RSI eased. Broader bias remains skewed to the upside, but we do not rule out retracement play in the short term. Bearish divergence observed on RSI – we continue to monitor price action for confirmation. Support at 108.50 (21 DMA), 107.15 (50DMA). Resistance at 110.10, 110.90 levels. Focus today on CPI. We would need a much softer print to help to apply brakes on dollar. Failing which, another hot print should fuel USD higher.

- **EURUSD. *Consolidate With Mild Rebound Risks.*** EUR held on to small gains overnight amid USD's pullback. On ECBspeaks, Holzmann said it is unclear whether ECB will lower rates again at its upcoming MPC on 30 Jan, as he pointed to "hiccups" in euro-area inflation. He highlighted that core inflation is still closer to 3% than to 2% and policymakers have a lot of challenges with regard to energy. EUR was last at 1.03 levels. Daily momentum turned flat while RSI rose from near oversold conditions. Mild rebound not ruled out in the near term. Resistance at 1.0350 (21 DMA), 1.0405 (50% fibo). Support at 1.01, 0.9950 levels (76.4% fibo retracement of 2022 low to 2023 high).

- **AUDUSD. *Watch Employment Report Tomorrow.*** AUD's decline slowed this week as USD bulls took a breather, while on tariff aspect, there was report that the Trump team is considering more gradual pace of increases. Rebound in Chinese equities did provide some relief for risk assets. This week's focus on data – employment report (Thu) before next week's much anticipated US presidential inauguration. A hotter print may lend strength to AUD momentum. Elsewhere, markets are keen to find out how soon and what magnitude and scope are for tariffs. Worries of tariffs may keep sentiment pressured and AUD trading soggy. But at the same time, a less drastic approach or any delay to tariff implementation could see risk proxies take an extended breather.

AUD was last at 0.6190 levels. Daily momentum is mild bullish while RSI rose. Rebound risks not ruled out but may require the blessing of a robust AU labour market report and for China to hold up. Resistance at 0.6210 (21 DMA), 0.6320 (23.6% fibo retracement of 2024 high to 2025 low) and 0.6360 (50 DMA). Support at 0.6130 (recent low), 0.60 psychological level.

- **USDSGD. *Mild Pullback Risk.*** USDSGD continued to trade modestly lower amid mild USD pullback while broader risk appetite found relief for now. Pair was last at 1.3683. Daily momentum turned mild bearish while RSI fell. Price action still shows a potential rising wedge pattern in the making. This can be associated with a bearish reversal. Near term risks continued to suggest downside bias though conviction level is not strong. Support at 1.3635 (21 DMA). Resistance at 1.3760 levels, 1.38. The focus next is on NODX (Fri), CPI (next Thu) and upcoming MAS MPC (no later than 31 Jan). We are looking for MAS to ease policy at the upcoming MPC by reducing the policy slope slightly but still maintain a mild appreciation stance. Given that the disinflation journey has made good progress, we believe MAS now has optionality to ease especially if it takes on a pre-emptive stance in the face of policy transmission lag. In terms of USDSGD, the outcome of a reduction in policy slope in an environment of USD strength points to further upside risks for USDSGD. S$NEER was last at 0.69% above model-implied mid.

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