Daily Market Outlook

19 February 2025

RBNZ Cut; Trump Tariff Threats

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- **DXY.** ***Subdued Trading.*** USD was a touch firmer amid hawkish Fedspeaks. Daly said policy needs to remain restrictive until there is more progress on inflation. Earlier, Waller mentioned preferring to keep rates on hold for now until it is clear that inflation is fading (like it did in 2024). Week remaining brings housing starts, building permits (today); FOMC minutes (Thu 3am SGT); prelim PMIs (Fri). Better print should be supportive of USD's rebound momentum. DXY was; last at 107. Daily momentum is bearish but rise in RSI moderated. Potential bullish divergence on MACD may be forming. Near term rebound risks not ruled out. Resistance at 107.30, 107.80 (23.6% fibo, 21 DMA) and 108.50 levels. Support at 106.20/40 levels (100 DMA, 38.2% fibo retracement of Oct low to Jan high). Overnight, Trump told reporters that he will impose 25% tariff on autos, pharmaceuticals and chips on 2 Apr. He had earlier set a 25% tariff on all steel and aluminium imports effective 12 Mar. FX reaction was relatively muted overall as it is somewhat within expectations. The bigger uncertainty is still on reciprocal tariffs, where details should be expected sometime later.

- **NZDUSD.** ***Pace of Rate Cut to Slow Going Forward.*** RBNZ cut rate by 50bp to bring OCR to 3.75%. This is widely expected. Its economy slipped into a technical recession in 3Q, with service sector showing a faster rate of contraction in Dec while manufacturing activity was in contraction territory. Consumer confidence, business confidence and activity outlook indicators were also lacklustre. That said, recent data in Jan saw a pick-up in manufacturing and services sector. MPS also noted that *economic growth is expected to recover during 2025. Lower interest rates will encourage spending, although elevated global economic uncertainty is expected to weigh on business investment decisions. Higher prices for some of our key commodities and a lower exchange rate will increase export revenues. Employment growth is expected to pick up in the second half of the year as the domestic economy recovers.* At the press conference, Governor Orr guided for further cuts, of about 50bps by mid-July but indicated that the series of larger-than-usual interest rate cuts has come to an end. He is looking at a 25bp cut each in Apr and May. NZD fell first on policy decision as MPS continued to guide for easing bias – scope to lower the OCR further through 2025 if economic conditions evolve as projected. But NZD erased losses after Governor Orr signalled an end to the larger-than-usual magnitude of rate cuts and to revert to 25bp cuts instead. The OCR forecast table also indicated rates to bottom around 3.1% later this year. An end in sight for RBNZ's rate cut cycle may imply that NZD may be forming a base, assuming the tariff impact is not overly drastic and China's recovery finds better footing. NZD was last at 0.5710 levels. Mild bullish momentum on daily chart intact though RSI eased. Consolidation likely. Support at 0.5655/75 levels (21, 50 DMAs). Resistance at 0.5750, 0.5810 (100 DMA).

- **AUDUSD. *Holding Pattern.*** AUD continued to trade near recent highs post-RBA cut yesterday. RBA cut its OCR by 25bps as expected, citing restrictive financial conditions "which is weighing on demand and is helping to bring down underlying inflation". The tone of the statement is somewhat balanced but still underscores our view that the rate-cutting cycle is likely to be a shallow one. RBA opined that "the labour market has remained strong" and revised down unemployment rate to 4.2% from 4.4% previously anticipated. Labour cost growth has eased but remains high. At the press conference, Governor Bullock emphasised that the decision to cut rates "do not imply that future rate cuts along the lines suggested by the market are coming" and later described market pricing as "unrealistic". She mentioned that the board will need more data that inflation is continuing to decline. RBA reiterated that they would highly prioritise "sustainably returning inflation to target", and cautioned that "disinflation could stall, and inflation would settle above the midpoint of target range". Overall, we continue to view RBA rate cut cycle as shallow and is in a no-hurry-to-cut type of easing path. AUD was last at 0.6360 levels. Bullish momentum on daily chart intact while RSI is near overbought conditions. 2-way trades likely. Resistance at 0.6370, 0.6420 (100 DMA). Support at 0.6310, 0.6280 (21 DMA).

- **USDJPY. *Consolidate.*** USDJPY traded on a softer footing this morning on comments from BoJ's board member Takata – it is important for BoJ to continue to consider policy adjustments even after last month's rate hike in order to avoid excessively high expectations that monetary easing might persist. He also touched on the need to avoid letting upside inflation risks be realised. That said, tariff concerns somewhat negated the downside pressure on USDJPY. Trump's mention of 25% tariff on auto is likely to impact Japan as US is one of Japan's largest trading partners. Japanese cars are amongst the top 5 most popular in US and the automotive industry is a key component to Japan's economy. Japanese officials have already sought exemption from the US, but it's status and how reciprocal tariffs (another concern) may pan out for Japan remains unclear at this point. USDJPY was last at 151.95 levels. Daily momentum is flat while RSI rose slightly. Consolidation likely in the interim. Support at 151.50 (38.2% fibo retracement of Sep low to Jan high), 150 levels. Resistance at 152.70 (200 DMA), 153.50/85 levels (21, 100 DMAs) and 154.30 levels.

- **USDSGD. *2-Way Trades.*** USDSGD traded little changed despite tariff news. Pair was last seen at 1.3422. Daily momentum is mild bearish while RSI rose from near oversold conditions. 2-way trades likely. Resistance at 1.3460, 1.3510/20 (23.6% fibo, 21 DMA). Support at 1.3410 (100 DMA), 1.3380 levels (38.2% fibo retracement of Sep low to Jan high), 1.3360 (200 DMA). S$NEER was last seen around 1.28% above model-implied mid.

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