Daily Market Outlook

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USD on Back Foot; Watch Prelim PMIs

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- **DXY.** ***Break Below 100 DMA May Open Room for Further Downside.*** USD fell overnight as UST yields retreated while US equities slipped. US Treasury Secretary Bessent told Bloomberg TV in an interview that any move to boost the share of longer-term treasuries in government debt issuance is some ways off, given elevated inflation and Fed's QT. On Fedspeaks, Bostic said that he expects that Fed will lower rates twice in 2025 though uncertainty around that projection has risen. Earlier during Asia time yesterday, Trump's remark that a "new trade deal with China is possible" also weighed on USD/AxJs. Elsewhere, US exceptionalism (US equities over MSCI world) has been easing, albeit from elevated levels amidst chatters of rotation into Chinese equities. Fading US exceptionalism can weigh on USD, especially if the rest of the world still holds up. DXY was last at 106.50. Daily momentum is bearish while RSI is near oversold conditions. Key support here at 106.30/40 levels (100 DMA, 38.2% fibo retracement of Oct low to Jan high). Decisive break here may open room for further downside towards 105.50, 105.20 levels (50% fibo). Resistance at 107, 107.50/80 levels (23.6% fibo, 21 DMA) and 108 (50 DMA). Day ahead to watch prelim PMIs, Uni of Michigan sentiment and existing home sales. Weaker print can weigh on USD.

- **EURUSD.** ***German Elections Sunday.*** As of 17 Feb, Politico's poll of polls shows CDU/CSU leading at 30%, AfD at 21%, SPD at 16% and Greens at 13%, while other smaller parties are in the region of 5% or so. This suggests that none of the parties can secure an absolute majority, meaning a coalition will need to be formed. The most likely coalition would have been the union (CDU/CSU) with SPD but Monday evening's TV show in Berlin saw both leaders Merz (from CDU/CSU) and Scholz from SPD ruled out serving together in the same cabinet. Hence, government formation may take a while and is likely to involve a grand coalition between CDU/CSU and a few other smaller parties. On recent ECBspeaks, Makhlouf warned that the disinflation process is subjected to a very high degree of uncertainty surrounding the outlook while Schnabel said that they are getting closer to the point where the ECB may have to pause or halt rate cuts. She added that officials should discuss at their March meeting the possibility of removing language from their post-decision statement that monetary policy is still restraining the euro-zone economy. EUR drifted higher amid broad USD pullback. Pair was last seen at 1.05 levels. Bullish momentum on daily chart intact while RSI rose. Resistance at 1.0540/70 levels (100 DMA, 38.2% fibo retracement of Sep high to Jan low). Break out puts next resistance at 1.0620, 1.07 (50% fibo). Support at 1.0420 (21 DMA, 23.6% fibo), 1.0390 (50 DMA).

- **USDJPY. *Technical Rebound; Fade Rallies.*** USDJPY fell to a low of 149.29 this morning before rebounding to above 150 on Governor Ueda's comments. Markets were looking out for clues from Ueda with regards to the rise in JGB yields. Takata's remarks earlier this week stated that there was no outright discomfort with the rise as yields moving higher is in line with the market's view of the economy. However, Ueda's comments (this morning) on buying bonds nimbly if yields rise sharply serves as a reminder that BoJ is watching the markets closely and that policymakers can step in if there is any "excessive volatility" in the bond space. He also said that yields reflect economic recovery, rising price trend – consistent with Takata's earlier comments. Ueda also reiterated that BoJ will raise rates if economic conditions improve as expected. USDJPY's mover higher this morning was more likely a case of knee-jerk technical rebound after the recent >3% drop. Further rebound not ruled out in the near term but more broadly, the direction of travel remains skewed to the downside as BoJ policy normalisation remains on track amid prospects of wage growth and broadened services inflation. Core CPI (this morning) also came in higher than expected at 3.2% (vs. 3.1% expected). USDJPY was last at 150.35 levels. Daily momentum is mild bearish while RSI rose. Consolidation likely. Support at 150, 149.20 (50% fibo). Resistance at 151, 151.50 (38.2% fibo retracement of Sep low to Jan high) and 152.60 (200 DMA). That said, we still caution that Trump's tariff threat remains a risk to watch, and that JPY may potentially come under pressure if tariffs hit Japanese goods.

- **USDSGD. *Lean against S$NEER Strength?*** USDSGD continued to trade lower, tracking moves in UST yields and USDCNH lower. Pair was last seen at 1.3340 levels. Daily momentum is mild bearish while RSI is near oversold conditions. Support at 1.3320, 1.3270 levels (50% fibo). Resistance at 1.3380 levels (38.2% fibo retracement of Sep low to Jan high), 1.3430 (100 DMA). S$NEER strengthened; last seen around 1.52% above model-implied mid.

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