

# Asia FX Monthly Outlook

Expected Chinese stimulus and weak US economic data may boost risk assets

## CNY (7.222) —

- The yuan initially faced pressure due to strong US nonfarm payroll data and a hotter-than-expected US inflation, hovering near its four-month low of 7.20/USD. It later breached this level on March 21 as the PBoC raised its yuan fixing. Despite escalating volatility, the PBoC signalled its commitment to bolstering the CNY, echoing Beijing's stance on yuan stabilisation outlined during the Two Sessions.
- The yuan may stabilise around its current level due to the absence of domestic catalysts. However, if China's 1Q24 GDP surprises on the upside, the yuan may stand to benefit. Market attention will be on the Politburo's economic meeting for potential stimulus measures. To add, data from the US remains pivotal in determining the Fed's policy direction and the strength of the USD. Any further signs of weakness, particularly in spending, could lend support to the yuan.

## JPY (151.350) ▲

- Despite the pivotal decision by the Bank of Japan (BoJ) to terminate its negative interest rate policy and discontinue yield curve control, the yen depreciated close to its intervention level of 152.0/USD. This is partly due to the enduring strength of the USD, fuelled by uncertainties surrounding the Fed's monetary policy outlook and the lack of immediate prospects for rate hikes from the BoJ.
- Further insights from the 2024 Shuntō wage negotiations, which encompass SMEs as early as April 4, are anticipated to influence yen movements. Should robust wage growth extend to the remaining 70.0% of Japan's workforce, the BoJ may lean towards a more hawkish stance in the upcoming April meeting, potentially favouring the yen. Moreover, indications of stronger consumer spending, such as increased services inflation and stronger retail sales, could further bolster the yen's position.

Table 1: Currencies Outlook

	Long Term*						Trend
	Q1-24	Q2-24F	Q3-24F	Q4-24F	Q1-25F	Q2-25F	
USDCNY	7.222	7.115	7.009	6.904	6.699	6.500	▼
USDJPY	151.350	138.775	134.023	132.023	128.102	124.297	▼

	Short Term (Technical)						
	RSI (14)	EMA (21)	R1	R2	S1	S2	Trend
USDCNY	62.459	7.206	7.241	7.259	7.193	7.163	▼
USDJPY	61.971	150.222	153.123	154.897	148.123	144.897	▼

Signal for USD Trend = ▲ Bullish    — Neutral    ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (14): 14-day Relative Strength Index

Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 75 or above indicates an overbought situation while a reading of 25 or below indicates an oversold condition.

EMA (21): 21-day Exponential Moving Average

EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

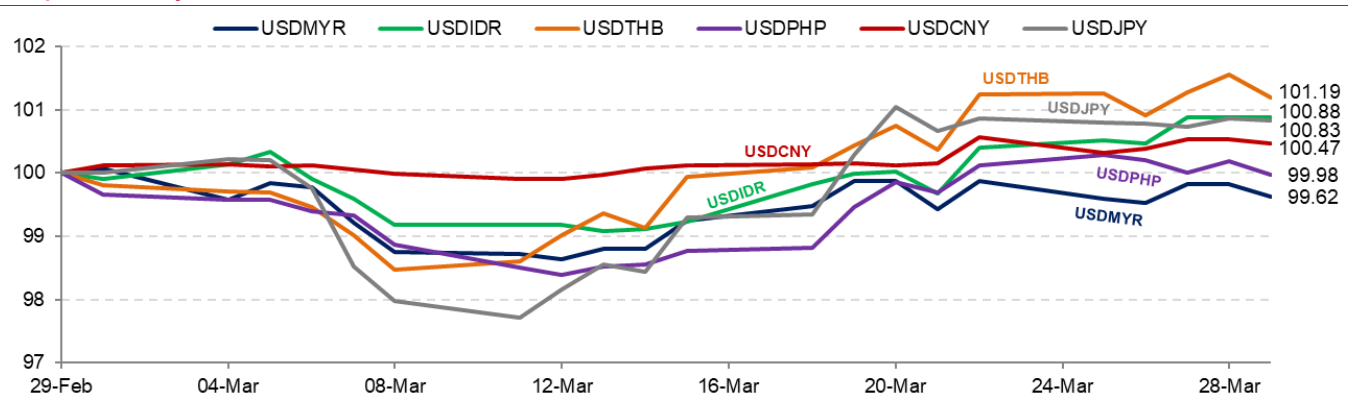
$$EMA = (P \times \alpha) + [Previous\ EMA \times (1 - \alpha)]$$

Table 2: Key Macroeconomic Indicators

Countries	Inflation Rate (% YoY)	Unemployment Rate (%)	GDP (% YoY)	Interest Rate (%)	10-year Government Bond Yield (%)
China	0.7 (Jan: -0.8)	5.3 (Jan: 5.2)	5.2 (3Q23: 4.9)	3.45 (1Y LPR)	2.30 (end-Feb: 2.35)
Japan	2.8 (Jan: 2.2)	2.6 (Jan: 2.4)	0.4 (3Q23: -3.3)	0.00-0.10	0.73 (end-Feb: 0.71)

Source: Kenanga Research, Bloomberg

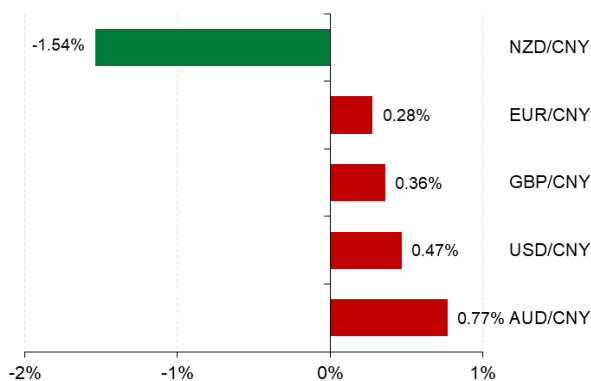
Graph 1: Monthly Asia FX Indices Trend



Source: Kenanga Research, Bloomberg

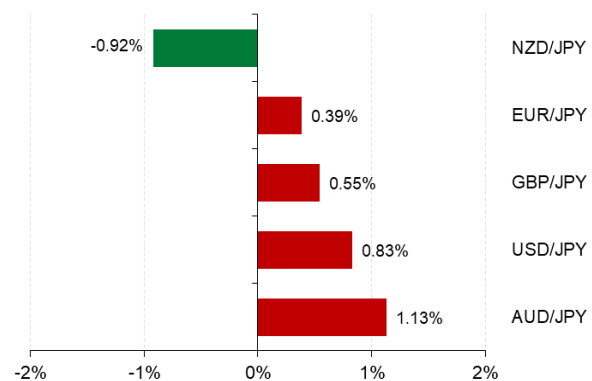
01 April 2024

Graph 2: Monthly Performance of Core Pairs (CNY)



Source: Kenanga Research, Bloomberg

Graph 3: Monthly Performance of Core Pairs (JPY)



Source: Kenanga Research, Bloomberg

Table 3: Key Major Data Release And Policy Announcement for the Month

Date	Country	Indicator	Previous	Consensus/Forecast
1/4/2024	CN	Caixin Manufacturing PMI (MAR)	50.9	51.0
1/4/2024	US	ISM Manufacturing PMI (MAR)	47.8	48.3
2/4/2024	US	JOLTs Job Openings (FEB)	8.863m	8.775m
3/4/2024	US	ISM Services PMI (MAR)	52.6	52.8
5/4/2024	US	Non Farm Payrolls (MAR)	275.0k	200.0k
10/4/2024	US	Core Inflation Rate (MAR)	0.4% MoM	0.3% MoM
11/4/2024	US	FOMC Minutes	N/A	N/A
11/4/2024	CN	Inflation Rate (MAR)	0.7% YoY	N/A
11/4/2024	US	PPI (MAR)	0.6% MoM	0.2% MoM
15/4/2024	US	Retail Sales (MAR)	0.6% MoM	N/A
16/4/2024	CN	GDP Growth Rate (Q1)	5.2% YoY	N/A
20/4/2024	JP	Inflation Rate (MAR)	2.8% YoY	N/A
22/4/2024	CN	Loan Prime Rate (1Y)	3.45%	N/A
25/4/2024	US	GDP Growth Rate Advance (Q1)	3.4% QoQ	N/A
26/4/2024	JP	BoJ Interest Rate Decision	0.0-0.1%	0.0-0.1% (status quo)
26/4/2024	US	Core PCE Price Index (MAR)	0.3% MoM	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

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