中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

FX Outlook: USD, AUD & NZD

Video highlights:

- On February 20, the US Supreme Court ruled that using IEEPA to impose global tariffs was illegal and the U.S. must refund the collected duties to importers. Meanwhile, the U.S. announced it would increase global import tariffs from 10% to 15% as a form of retaliation. The U.S. government is already facing a massive deficit and now must refund as much as $175 billion in tariff revenue. Although the refund process will take time, the intensifying long-term fiscal pressure could potentially further undermine the credit of the USD.

- Some recent U.S. economic data has shown improvement—including an increase in non-farm payrolls, an improved unemployment rate and core PCE rose to 3% in Dec—the conditions for the Fed to further adjust monetary policy have diminished. Furthermore, minutes of Fed meeting in Jan revealed that some officials suggested that if inflation remains persistently high, the possibility of adopting tightening policies cannot be ruled out.

- Coupled with recent strength in oil prices, which may push future inflation higher and limit the Fed's room to cut interest rates, a dip-and-rebound for the USD cannot be excluded. DXY index short-term resistance can reference to the 100-day moving average at 98.58, with support at the 96 level.

- The RBA raised interest rates by 25 bps in Feb, increasing the cash rate from 3.6% to 3.85%, as expected. This marks the first rate hike since Nov 2023 and positions the RBA as the central bank with the highest interest rate among the G7, this has bolstered capital inflows into the AUD. RBA's decision was driven by persistently rising inflation and a tight labor market. Officials reached a consensus that the current interest rate level remains insufficient to suppress inflation, and they have not ruled out further hikes in the future—factors that continue to support the AUD.

- Australia's unemployment rate remained steady at 4.1% in Jan, while full-time employment grew by more than 50K, investors should pay attention to CPI data on February 25. Markets anticipate that CPI will remain above the RBA's 2–3% target, which could further influence expectations for upcoming rate hikes. Interest rate futures currently indicate 70% probability of another 25bps rate hike in May. AUD/USD has held steady above the 0.70 level for the past two weeks; if it successfully breaks through the previous high of 0.7147, it may test 0.7480 level.

- New Zealand's Q4 CPI rose to 3.1%, leading markets to initially expect RBNZ to signal a more hawkish stance at its Feb meeting. However, following the meeting, the RBNZ Governor stated that inflation is likely to return to the 1–3% target range this quarter. She added that if the economy evolves as expected, the monetary policy stance will need to remain accommodate. This dashed market hopes for a rate hike, causing the NZD/USD to tumble by more than 1% immediately following the announcement.

- New Zealand continued to record a trade deficit in Jan, while the unemployment rate rose more than expected to 5.4%. As a smaller economy facing tariff uncertainties alongside instability in both trade and the labor market, it is indeed difficult to adjust monetary policy. Markets now expect that any potential RBNZ rate hike will have to wait until the end of the year. While a weaker USD may provide some support to NZD, the NZD is expected to lag behind the AUD. For NZD/USD, support level can be referenced at the 200-day moving average at 0.5875**.**
- Full version is only available in Chinese language.