

Daily Market Outlook

17 December 2024

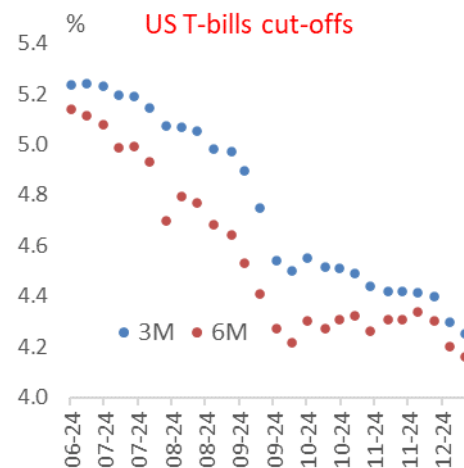
Consolidation

- USD rates.** UST yields rebounded from intra-day lows upon services PMIs to end the day little changed. December services PMI unexpectedly improved to 58.5 points while manufacturing PMI eased to 48.3 points. Fed funds futures slightly pared back 2025 rate cut expectation to 49bps. At the upcoming FOMC meeting, the dot-plot will be in focus. The September dot-plot which had the median dot pointing to 100bps of rate cuts for 2025. It would require five individual dots to move up by 25bp to push the median dot up by the same magnitude, hence the bar is not particularly low. Market appears positioned for a higher median dot; 25bp higher may probably be seen as neutral; 50bp higher will be taken as hawkish and is likely to push market to further pare back rate cut expectation; and an unchanged median dot will be a dovish outcome. Usage at the Fed’s o/n reverse repo fell to USD111bn on Monday when there was net coupon bond settlement of USD65bn. Rest of the week brings net bill paydown of USD34bn ahead of the reinstatement of the debt ceiling comes January. Overnight, 3M and 6M T-bill cut-offs came in at 4.25% and 4.16% respectively, which were 5bps and 4bps lower than cut-offs at previous auctions. The 6M bills garnered a bid/cover ratio of 3.29x versus 2.90x prior. Next to watch are the auctions of USD13bn of 20Y coupon bond and of USD22bn of 5Y TIPS.
- DXY. Bias for Downside Play.** USD slipped in quiet trade overnight. US data was mixed as prelim manufacturing PMI and services PMI continued to diverge. Data focus this week on retail sales, IP (Tue); housing starts, building permits (Wed); GDP, existing home sales (Thu); core PCE, personal spending, income, Kansas City Fed manufacturing index (Fri). The bigger focus is on FOMC meeting this Thu (3am SGT). A 25bp cut is more or less a done deal (markets pricing ~95% probability of a cut) but the focus is on the refreshed dot plot, which will provide guidance on Fed members’ expectation on rate cut trajectory into 2025 - 26. The previous dot plot back in Sep guided for 4 cuts and markets are now pricing in about 2 cuts for 2025. This risk is the dot plot showing fewer than 2 would be interpreted as hawkish and USD can strengthen on that. DXY was last at 106.79 levels. Daily momentum is flat while RSI fell. Head and shoulders (H&S) pattern remains intact with DXY rejecting the second shoulder. We continue to watch price action. A play-out of the H&S pattern requires a decisive break below

Frances Cheung, CFA  
 FX and Rates Strategy  
[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

Christopher Wong  
 FX and Rates Strategy  
[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

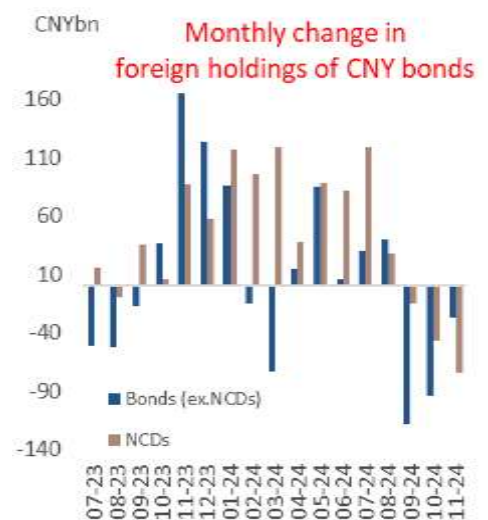
Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

neckline support. Next support at 106.20/50 levels (23.6% fibo, 21 DMA), 105 levels (38.2% fibo retracement of Sep low to Nov high, 50 DMA). Resistance at 107.20 (both shoulders), 108 (2024 high).

- EURUSD. Consolidation.** EUR continued to hold steady despite political uncertainties in Germany, France and a Moody's rating downgrade on French rating (last Fri). German Chancellor Scholz loses confidence vote and this paves the way for snap elections on 23 Feb 2025. EUR was at 1.0520 levels. Mild bullish momentum on daily chart is intact while RSI rose. Risks are modestly skewed to the upside. Resistance here at 1.0540 (23.6% fibo retracement of Oct high to Nov low), 1.0610 and 1.0670/80 levels (38.2% fibo, 50DMA). Support at 1.0460, 1.0410 levels. Today brings ZEW survey expectations, trade (Tue); final CPI, construction output (Wed); current account (Thu); consumer confidence (Fri).
- USDSGD. Triple-Top?** USDSGD continued to trade near recent highs; last at 1.3486. Mild bearish momentum on daily chart faded but rise in RSI shows signs of fading. Consolidation likely. Immediate resistance here at 1.3490, 1.3520 levels (triple top). Support at 1.3340 (200 DMA, 23.6% fibo retracement of Sep low to Nov high), 1.3310 (50 DMA). Pair should continue to take directional cues from USD and CNY moves ahead of FOMC event risk later this week. S\$NEER was last at 0.83% above model-implied mid.
- CNY rates.** Repo-IRS was paid up by 2-3bps at open, before materialisation of additional monetary easing the hope of which was dampened by the injection of 7-day liquidity. Latest data show bond outflows eased in November to CNY27.7bn (excluding NCDs) from the outflows of CNY94.3bn in October; there were outflows of CNY20bn from CGBs and of CNY16bn from PFBs in November. NCD outflows however widened to CNY74.5bn despite some improvement in asset swap pick-up, as the pick-up was after all not as wide as those seen earlier in the year, while positioning and potential mark-to-market loss on the swap side were likely the constraints. Asset swap pick-up has improved further over recent days as implied CNY rates slid by more than NCD rates, but the flow prospect does not look particularly optimistic. Beyond the short end, UST-CGB yield differentials have widened further since the start of the month, which is not conducive to inflows either. In offshore, front-end implied CNH rates have been choppy, with the 1W rate last at 2.45%, after rising to above 4% level in the recent days from as low as 1.3% last week. We stay cautious at the front-end, with risk of sporadic spikes should spot move become disorderly, counteracted by dollar demand running into year end.



Source: CEIC, OCBC Research

## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathannq4@ocbc.com](mailto:jonathannq4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyionq1@ocbc.com](mailto:shuyionq1@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).



## GLOBAL MARKETS RESEARCH

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W