

Daily Market Outlook

17 October 2024

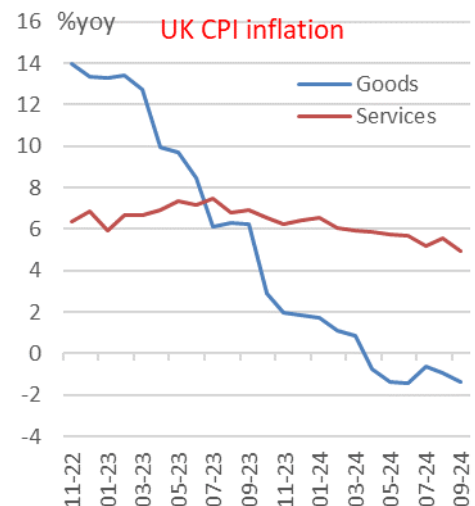
Focus Shifts to ECB

- GBP rates.** Gilt yields and GBP OIS slid upon the September CPI prints. GBP OIS added to rate cut expectation, last pricing a total of 43bps of cuts before year end, versus 37bps priced a day ago. September CPI inflation eased by more than expected to 1.67%YoY; CPIH (CPI including owner occupiers’ housing costs) eased to 2.6%YoY versus 3.1%YoY prior. The main drag was price of transport, with larger negative contributions from airfares (-5.0%YoY) and motor fuels (-10.4%YoY). Owner occupiers’ housing (OOH) costs inflation edged up to 7.2%YoY versus 7.1%YoY prior, which was the highest since March 1992, and this component helped explain the difference between CPI and CPIH. The ONS (Office for National Statistics) sees CPIH as the most comprehensive measure of inflation. BoE’s inflation target is on CPI, though they also look at CPIH. On balance, we stick to our call for a 25bp cut at the November MPC meeting and will review the potential for another cut in December.
- DXY. Looking Stretched Technically.** USD continued to push higher overnight as Trump hedge continues to gain momentum as we inch closer to US elections. Polls show the election as neck and neck between Trump and Harris but prediction markets, such as PredictIt and Polymarket show Trump with a significant lead (by as much as 58.5) over Harris (41.5). Traditional polls and decentralized betting polls have diverged significantly, even as we get closer to elections. And as such, defensive positioning/ trump hedges (long USD, long gold, short CNH) may still gather traction given the fluidity of election developments. DXY was last at 103.49 levels. Daily momentum remains bullish but RSI is still around overbought conditions. 2-way trades still likely but the run up does look stretched technically. Resistance at 103.30 (100 DMA), 103.80 levels (200 DMA, 50% fibo). Support at 101.75/90 levels (50 DMA, 23.6% fibo retracement of 2023 high to 2024 low), 101.30 (21 DMA). Not ruling out a pullback in the near term. Data docket today sees IP, retail sales, initial jobless claims and Philadelphia Fed business outlook survey.
- EURUSD. ECB Guidance is Key.** Markets have moved closer to price in 25bp cut with 98% probability. Rate cut looks like a done deal. Focus on press conference for any dovish shift in guidance towards a preset rate cut path or would ECB continue to maintain

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



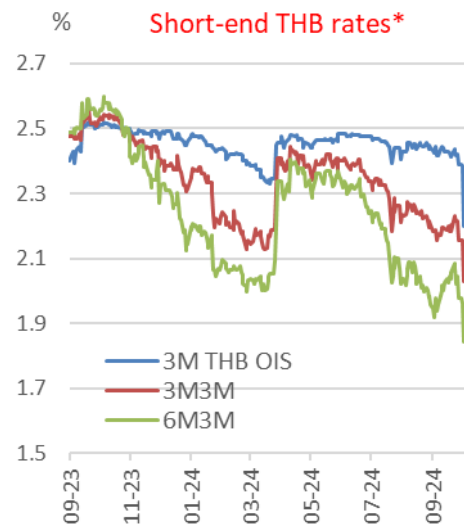
Source: CEIC, OCBC Research

optionality. Beyond this meeting, markets have also priced in roughly 25bp cut for each of its next 3 meetings in Dec, Jan and Mar 2025. With dovish expectations already baked in, EUR may even rebound if ECB falls short of dovish guidance (possibility of sell EUR on rumor, buy on fact) heading into ECB meeting today. EUR's double-top bearish reversal is now coming close to completing its textbook objective at around 1.08 levels. Last seen at 1.0860. Momentum remains bearish but cautious of oversold conditions in the short term. Support at 1.0830 (61.8% fibo retracement of 2024 low to high), 1.08-figure. Resistance at 1.09, 1.0940.

- **NZDUSD. Dovish Expectations.** NZD slipped in reaction to softer CPI print yesterday. Headline CPI came in at 2.2% (vs. 3.3% prior). This puts CPI back within RBNZ's 1 – 3% target range. This also somewhat reinforced RBNZ's choice of stepping up the pace of rate cut to 50bp at the last MPC. Markets projection for RBNZ rate cut trajectory turned aggressive in the aftermath, with 60% probability of 75bp cut coming into the picture. This has now been pared to 35% probability. NZD was last at 0.6067. Bearish momentum on daily chart intact while RSI is near oversold conditions. With much dovishness in the price, downside may be limited from here unless there are external shocks. We look for consolidation. Support at 0.6060, 0.6000 (61.8% fibo retracement of 2023 low to high). Resistance at 0.6120 (100 DMA), 0.6140 (38.2% fibo).
- **USDSGD. Overbought.** USDSGD rose past 1.31, tracking the rise in broad USD. Pair was last at 1.3120. Daily momentum is bullish while RSI shows signs on turning from near overbought conditions. Pullback is not ruled out. Support at 1.3030 (50 DMA), 1.2970/80 levels (23.6% fibo, 21 DMA). Resistance at 1.3140 (recent high), 1.32 levels (50% fibo retracement of Jul high to Sep low). S\$NEER fell; last estimated at 1.75% above model-implied mid. MAS maintaining status quo on policy stance means that S\$NEER strength may linger and only fade at some point when core inflation in Singapore start to ease more. When that happens, markets will probably then be guided to price in weaker S\$NEER. For now, we expect MAS to continue to adopt wait-and-see approach – to ease policy only when core CPI falls towards their projection.
- **IndoGB.** Bank Indonesia kept its BI Rate unchanged at 6% in line with expectations, as “the focus of monetary policy in the near term is on Rupiah stability”. The direction of monetary policy remains on the easing side, as BI continue to monitor opportunities to lower the policy rate. BI said to continue to use monetary operations, including SRBI, SVBI, SUVBI, DNDF, to support Rupiah stability. OCBC Economists continue to expect a 25bp within this quarter, i.e. in either November or December,

followed by 75bps of cuts in 2025. On the IndoGB curve, we prefer short tenors. First, yield differentials appear relatively more favourable for short-end bonds - 2Y IndoGB-UST yield differential is around 0.5 standard deviation wider than 6-month average, while 5Y and 10Y yield differentials have narrowed somewhat. Second, a domestic easing cycle shall benefit the short end more.

- THB rates.** THB OIS were offered down by more than 10bps across the curve upon BoT decision to cut its policy rate by 25bps, against economist consensus. The rates market had priced in a cut on a 3-month horizon. Given that the cut happened at the 16 October MPC meeting, market added further to rate cut pricings taking into account the delivered 25bp cut. Chasing THB rates lower from here is not preferred, as the Committee said a neutral stance is appropriate. The statement tried to explain how the rate cut would not impede debt deleveraging and opined that the policy rate should not be too low. OCBC Economists maintain expectation for the next 25bp cut to come in Q1-2025 and for the rate cutting cycle to be shallow. The initial market reaction in THB OIS appears mostly done. Nevertheless, ThaiGBs may still benefit from potential downward move in USD rates.



Source: Bloomberg, OCBC Research

\*forward rates are implied

## 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 publication 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 publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. 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 publication 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 publication 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 publication 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, they 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. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), its 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 services to such issuers. 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, Bank of Singapore Limited, OCBC Investment Research Private Limited, OCBC Securities Private Limited 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).

Co.Reg.no.: 193200032W