

## Daily Market Outlook

18 December 2024

### A Flurry of Central Bank Meetings

- **USD rates.** UST yields rose during European session probably taking cue from gilts but then retraced from session high as there was not much follow through; the bond rally was not extended as the 20Y coupon bond auction tailed. While a Fed funds rate cut tonight is almost fully priced, focus is on 2025 outlook. Fed funds futures priced around 50bps of cuts for next year. The September median dot pointed to 100bps of cuts in 2025, while the rates market appears to be positioning for a higher median dot. A median dot that is 25bps higher may probably be seen as neutral; 50bps higher will be taken as an endorsement of current market pricing and is likely to push market to further pare back rate cut expectation; an unchanged median dot will be a dovish outcome. In addition, a 5bp cut in the o/n reverse repo rate has been flagged by FOMC minutes, to align with the bottom of the target range for the Fed funds rate; if a 25bp Fed funds rate cut is delivered that may mean a 30bp cut in the o/n reverse repo rate.
- **DXY. FOMC in Focus (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 (or 100bps) in 2025 and markets are now pricing in about 2 cuts (or 50bps). If the dot plot points to 2 cuts or less for 2025, markets would read it as hawkish, and the USD could see another round of strength. But if dot plot points to 3 cuts, then this would be interpreted as less hawkish than expected. On this note, we may see a sigh of relief for risk proxies and USD strength can be pared back. However, if dot plot still points to 4 cuts (no change from previous), then we can expect to see USD trade much softer. DXY was last at 106.92 levels. Daily momentum and RSI indicators are flat. 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 (bearish reversal) requires a decisive break below 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). Data focus this week on 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).

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

- **GBP rates.** Short-end GBP OIS were paid up by more than 12bps while short-end Gilt yields were also up by around 10bps as October wage growth picked up more than expected in the Aug-Oct period to 5.2%YoY versus 4.9% (upwardly revised from 4.8%) prior. Market trimmed expectation for a February rate cut to 58% chance from 82% chance seen earlier. Wage growth re-accelerated before the expansionary Autumn budget is likely to have made an impact on inflation (official estimates put the impact on inflation at 0.5pp at its peak) and before wage growth is expected to be given a boost when the 2025 National Living Wage (NLW) uplift of 6.7% takes effect from April 2025. But then payroll was on the weak side falling month-on-month and job vacancies fell; these echoed the weak employment component under PMIs released a day ago pointing to worry of stagflation. Tax hikes and increase in employer's National Insurance Contributions (NIC)" are putting pressure on corporates. Key release before BoE decision is November CPI tonight, which is expected to have ticked up to 2.5-2.6% (ours and consensus) mainly due to base effect. We and market expect BoE to keep rates on hold on Thursday; the split of votes will again be monitored – as to whether there is any member voting for a cut.
- **JPY rates.** We continue to see Thursday's BoJ meeting a live one with members considering a rate hike. Economic fundamentals, notably the wage-price virtuous cycle, argue for continued monetary policy normalisation; but it is a matter of when the next hike comes. Consensus is looking for a hold on 19 December but with a significant minority calling for a hike. Our base-case is a 15bp hike in the BoJ target rate; while the exact timing of each hike is uncertain, we expect additional rate hikes which will bring the BoJ target rate to 0.85% by end-2025. Market has pared back expectation for a December hike as recent media reports citing sources pointing to an opinion that members can afford to wait. JPY OIS last priced a 4bp hike and as such, risk to market reaction is asymmetric. At the longer end, 10Y JGB yield has been hovering around the lower end of our expected range of 1.05-1.15%; a more hawkish BoJ would be a trigger to push yields higher in the range.
- **Asean FX. Central Banks in Focus.** BoT and BI MPCs are in focus today before FOMC (3am SGT Thu morning), BoJ, Taiwan's CBC, and BoE come into focus. For BoT, our house view looks for policy rate to be on hold at 2.25% - likely a non-event in our opinion unless there are surprises. Our Economist shared that BoT needs to preserve ammunition given limited policy space. For BI, it is a close call. Markets are split between a cut and hold. Our house view looks for a 25bp cut. USDIDR was last at 16065 levels. Daily momentum turned bullish while RSI rose into overbought conditions. Risks skewed to the upside. Resistance at 16145 (76.4% fibo retracement of 2024 high to low), 16330 levels. Support at 15940 (61.8% fibo), 15910 levels (21 DMA). USD

directional bias matters and this largely depends on upcoming FOMC in the near term. A less hawkish dot plot for 2025 may provide a breather for Asean FX, including IDR. For USDTHB, pair was last at 34.20. Bearish momentum shows signs of fading while RSI rose. Consolidation likely. Support at 34 (38.2% fibo retracement of Jul high to Oct low, 50 DMA), 33.60 levels. Resistance at 34.35 (21 DMA), 34.56 (50% fibo).

- **GBPUSD. CPI Today Before BoE Tomorrow.** GBP rose on better-than-expected labor market report. Employment change jumped +173k (vs. 5k expected) while weekly earnings saw a significant jump of 5.2% YoY (vs. 4.6% expected). Focus this week on CPI (Wed); BoE MPC (Thu) and retail sales (Fri). BoE MPC likely a non-event as a hold is likely. The last MPC meeting (Nov) saw BoE putting an emphasis on making sure inflation stays close to target. This reinforces the view for a gradual approach to removing restraint. GBP was last at 1.2705 levels. Mild bullish momentum on daily chart intact while rise in RSI slowed. Consolidation likely. Resistance at 1.2730 (61.8% fibo retracement of 2024 low to high), 1.2830 levels (50, 200 DMAs). Support at 1.2680 (21 DMA), 1.2610 and 1.2570 (76.4% fibo).
- **USDJPY. BoJ In Focus Tomorrow.** Consensus leans towards no move while we stuck to our view for a hike. Typically, BoJ MPC decision can matter for USDJPY but this time, the USDJPY may also matter for BoJ given the >3% decline in JPY lately. For BoJ MPC (Thu), we are looking for BoJ to carry on with policy normalization with a hike. Recent uptick in base pay supports the view about positive development in labor market, alongside still elevated services inflation, better 3Q GDP and expectations for 5-6% wage increases for 2025. For USDJPY, it is not just JPY or BoJ in the equation, the Fed and US data also matters. While we are of the view that broader direction of travel for USDJPY is skewed towards the downside as Fed cuts and BoJ hikes. The risk is a slowdown in pace of respective policy normalisation, especially if Fed guides for a much slower pace of cuts or BoJ shows hesitation. Then the USDJPY may face intermittent upside risks. USDJPY was last at 153.70 levels. Mild bullish momentum intact but RSI eased. Moving averages compression (MAC) observed and this typically precedes a breakout trade. Support at 152.70, 152.10 (21, 100, 200 DMAs) and 150.20 (38.2% fibo). Resistance at 154.80, 155.90 levels.
- **USDSGD. Triple-Top?** USDSGD continued to hover near recent highs; last at 1.3505 levels. Mild bearish momentum on daily chart faded while RSI rose. Risks to the upside should triple top fails to hold. Immediate resistance at 1.3520 levels (triple top), 1.36 levels. Support at 1.3450 (21 DMA), 1.3340 (200 DMA, 23.6% fibo retracement of Sep low to Nov high) and 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 0.88% above model-implied mid.

## 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