Daily Market Outlook

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BoJ Data-Dependent; SGS 2025 Calendar

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- **USD rates**. UST yields rose to session highs upon data releases but retraced lower afterwards as the risk-off sentiment took hold. The curve pivotal steepened on Friday. Fed funds futures pricing was little changed after some intra-day fluctuations; market last priced a 65% chance of a 25bp rate cut at the December FOMC meeting. October retail sales came in mostly in line to a tad softer but import price and export price indices printed firmer. The data calendar turns heavier this week, with initial/continuing jobless claims, existing home sales, PMIs, University of Michigan survey, and regional Fed activity indices. Fed speakers are lining up as well. Short-end USTs may trade in relatively wide ranges with 2Y yield seen at 4.25-4.45% near-term, as market constantly reassesses rate cut prospects upon data releases and Fed commentaries. At the longer end, this week brings the auctions of USD16bn of 20Y coupon bond and of USD17bn of 10Y TIPS; the size of the 20Y coupon bond represents the usual upsize at the start of each quarter. Market will still watch how these bonds are absorbed to gauge the next direction for long end bond yields.

- **DXY. *Consolidation.*** USD bulls show signs of fatigue even as better US data last Fri did not fuel further USD upticks. In response to better-than-expected US data and less dovish rhetoric (from Powell), markets have already scaled back probability of 25bp cut in Dec meeting to ~65% chance (vs 71% chance a week ago). Prospects of Fed cut will continue to adjust as US data comes. This puts focus on data this week: prelim PMIs, Uni of Michigan sentiment data (Fri) before core PCE (27 Nov). Firmer print will add to US exceptionalism narrative, keeping USD rates and USD elevated for longer, until the trend turns. DXY was last at 106.67 levels. Bullish momentum on daily chart moderated while rise in RSI slows near overbought conditions. Potential bearish divergence may be forming on daily MACD, but price action requires further monitoring. Near term, not ruling out a technical retracement. Support at 106.50, 105.60 (76.4% fibo) and 104.50/60 levels (21DMA, 61.8% fibo retracement of 2023 high to 2024 low). Resistance at 107, 107.40 (2023 high).

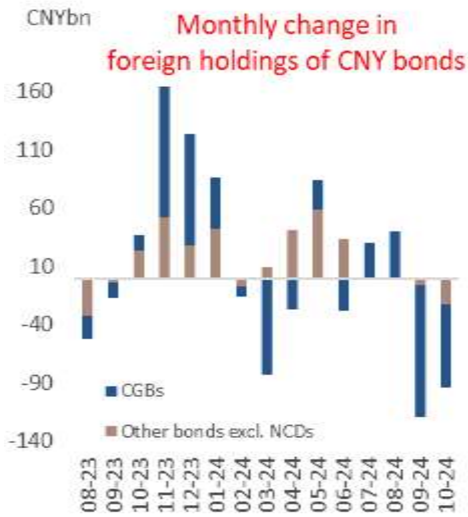
- **USDJPY. *Consolidation.*** USDJPY rose sharply this morning. Markets were earlier anticipating some hint on policy moves from Governor Ueda at an event in Nagoya but his remarks were interpreted as less hawkish. He said that actual timing of adjustments will continue depending on developments in economic activity and prices as well as financial conditions – akin to policy decision being data dependent. Last Fri, Finance Minister Kato said authorities will respond appropriately to any excessive move and authorities see one sided, sudden move in FX markets. In the very near term, self-inflicted concerns of officials' intervention may slow pace of USDJPY rise. USDJPY was last at 154.65. Bullish momentum on daily chart faded while RSI was flat. Potential bearish divergence on RSI observed. Further downside play not ruled out. Support at 153.00/30 (21 DMA, 61.8% fibo retracement of Jul high to Sep low) needs to be broken for bears to gather further traction towards 150.70 (50% fibo). Resistance at 156.50 (76.4% fibo).

- **USDCHF**. ***Bullish but Overbought.*** CHF weakening this episode (QTD) comes alongside the decline also seen in other major FX, though the magnitude of CHF depreciation was slightly lesser (-4.7% vs USD) compared to JPY, EUR, GBP, AUD (down over 5-8% vs USD). Safe-haven characteristic of CHF was likely one of the mitigating factors that saw CHF fell by less. Nevertheless, US election outcome was one of the main reasons that triggered broad USD strength as market contemplates a return of US exceptionalism under Trump presidency/ Red sweep. USDCHF was last seen at 0.8880 levels. Bullish momentum on daily chart intact though RSI shows signs of easing from near overbought conditions. Near term retracement not ruled out. Support at 0.8800/20 (200 DMA, 50% fibo retracement of 2024 high to low), 0.8720 (21 DMA). Resistance at 0.89 (61.8% fibo), 0.9020 (76.4% fibo). Data of interests this week include sight deposits (Mon), trade data, Swiss watch exports (Tue).

- **USDSGD. *Rising Wedge.*** USDSGD eased into Fri NY close and continued to trade on the back foot this morning. Pair was last seen at 1.3420 levels. Daily momentum is mild bullish but rise in RSI moderated. Bearish divergence on MACD and rising wedge pattern appear to be forming. Technical patterns point to signs of bearish pullback in the near term. Support at 1.3340 (200 DMA), 1.3290 (61.8% fibo retracement of Jun high to Oct low). Resistance at 1.3490, 1.3520 levels. Policy uncertainties associated with Trump policies, swings in RMB and JPY should continue to drive USDSGD in the near term. S$NEER was last at 1.27% above model-implied mid.

- **CNY rates**. CGBs saw another month of big outflows in October, at CNY93.4bn, while NCDs saw outflow of CNY47.7bn. UST-CGB yield differentials widened further during October, rendering the domestic bonds less appealing to foreign investors. At the front end, implied RMB rates stayed relatively high during the first half of October which might have affected NCD flows from an asset-swap perspective. Looking ahead, yield differentials probably need to narrow from here before inflows make a strong comeback. Net FX sales and settlement registered inflows of USD16bn in October; the willingness to convert FCY receipts into RMB fell from September's high of 70.1% to October's 64.3% which was still within range. In offshore, the FX swap curve flattened further with front-end implied CNH rates trading higher; 1W implied CNH rate was last at around 4.38% this morning.

- **SGD rates**. MAS has announced 2025 SGS issuance calendar. In 2025, "outstanding SGS bonds is expected to grow at a slightly faster pace than in 2024". We had noted that the 3.04% growth in outstanding SGS in 2024 was at the low end, and we had put a range of expected gross SGS supply corresponding to 3-5% growth in outstanding. Now given MAS' guidance, we expect gross SGS supply in 2025 at SGD26-27bn which corresponds to outstanding SGS growth of 3.5-4.0%. As usual, MAS can calibrate the issuance sizes of each bond depending on demand and market liquidity. The sizes of T-bills will also only be decided nearer each auction date; we suspect T-bills sizes will be reduced from this year's high levels. While we expect a constructive environment for short end bonds in general, due to the broader base of investors in the T-bills market, when rates are at lower levels, some retail demand may subside as the benchmarks they use for comparison are not necessarily fast-moving market rates. As for this week, the size of 6M T-bills stays on the high side at SGD7bn; 6M implied SGD rate was trading at around 2.84% this morning, which was similar to the level around the time of the last 6M T-bills auction.



Source: CEIC, OCBC Research

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