Daily Market Outlook

2 September 2024

US Jobs Data in Focus This Week

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **DXY. *Consolidate; US Markets Closed Today.*** US data last Thu/Fri where core inflation, 1y inflation expectations eased, 2Q GDP was revised higher and personal spending rose - suggested that US economy is on course for soft-landing. Such a scenario remains consistent with our house call for no panic and gradual pace of Fed cut – 50bps cut for this year, starting in September. Given that the Fed has shifted focus towards supporting labour market, the USD and markets can be more sensitive to a busy week of US labour market-related releases including ISM employment data (Tue), JOLTs job openings (Wed), ADP employment, ISM services employment (Thu), and the highlight US payrolls report on Fri. Data interpretation may be tricky this time, given that markets are already pricing in a very dovish outcome for the Fed this year (about 100bps cut; 31% probability of 50bp cut in Sep). We identified 3 possible scenarios: 1/ if US data comes in much better than expected. This may imply that US economy is faring better than expectations. US equities can rally, USD can go up while dovish Fed cut expectations can unwind. 2/ If US data comes in much worse than expected. Then the soft landing view may be in doubt. US equities are at risk of being sold off (recall the 5 Aug market crash). Risk-off trades may pressure high-beta FX, including AUD, NZD, KRW while JPY, CHF and to some extent, USD can benefit. 3/ If US data comes in largely in line with estimates – not good, not bad. This supports soft landing story. US equities can find relief rally while USD can revert back to trading near its lows. Scenario 3 will be the least disruptive to markets. DXY was last at 101.66. Daily momentum turned mild bullish but rise in RSI moderated. We still see some risks of further short squeeze but bias to fade rallies. Resistance at 102 (21 DMA), 102.20 (23.6% fibo retracement of 2023 high to 2024 low). Support at 100.50 levels. Clean break puts 99.60 in focus. US markets are closed for labour market holiday today.

- **EURUSD. *Will Support at 21 DMA Hold?*** EUR further slipped amid softer CPI prints out of Euro-area, Germany and Spain. This adds to expectation that ECB may lower rate again at its upcoming meeting on 12 Sep. This week, focus is on mfg PMI (today), services PMI, PPI (Wed), retail sales (Thu) and GDP (Fri). ECBspeaks this week is largely quiet with Nagel tomorrow, Villeroy on Thu. It is perhaps worth mentioning that ECBspeaks lately have **not** been outright dovish and officials seemed to posture for a more gradual pace when it comes to policy easing. That said, markets have priced in a 25bp cut at this meeting and about 37bp cut for remainder of the year (another 1.5 cut). Another series of underwhelming data print could move the needle for markets to price in a more dovish ECB and for the EURO to trade lower. EUR was last at 1.1055 levels. Daily momentum turned mild bearish while RSI fell. Support at 1.1040 (21 DMA), 1.10, 1.0930 (61.8% fibo retracement of 2024 high to low). Resistance at 1.12 (recent high) and 1.1280 (2023 high).

- **AUDUSD. *Double-Top Bearish Reversal Underway.*** AUD fell on growth concerns in China (weaker NBS PMI seen over the weekend), softer iron ore prices while USD broadly rebounded. The move lower remains in line with our technical caution for the pullback lower. Pair was last at 0.6765 levels. Bullish momentum on daily chart is fading while RSI eased from near overbought conditions. We remain cautious of a corrective pullback in the near term. Support at 0.6730, 0.6660. Resistance at 0.6830, 0.6870. Data focus this week on 2Q GDP (Wed). A softer print may see AUD come under pressure.

- **USDCNH. *Mild Rebound Risk.*** USDCNH traded a low of 7.0710 last Fri following the break below 7.10 psychological level. Market chatters of exporters caught long USD, rushing to offload after the pair broke key levels and month-end distortion. Pair was last seen near 7.1020 levels. Daily momentum is flat while RSI shows signs of turning higher near oversold conditions. Rebound risk is not ruled out but technical levels can be breached if the USD bear trend continues. Ongoing market chatters of USD conversion flows from exporters, funds may see bigger slippage if there is a panic rush and typically the break of downside key level can accelerate this move. Potential unwinding of Trump bets/hedges may also be another driver adding to the sell-off in USDCNH. Key support at 7.07/7.08. If broken puts next support at 7.03, 7 levels (major support). Resistance at 7.1120, 7.14 levels. We will also pay close attention to USDCNY daily fix for gauge on how comfortable policymakers are with regards to the pace of RMB appreciation. Today's fix was set at 7.1027 even though USDCNH was trading around 7.09. This may imply that policymakers are trying to slow the pace of appreciation this time.

- **USDSGD. *1.30 Holds for Now.*** USDSGD continued to trade a subdued range near recent lows. RMB strength, broad USD softness are some factors that continued to underpin SGD strength to some extent. S$NEER was last estimated at ~1.85% above our model-implied mid, with implied lower bound at 1.3010. S$NEER near the stronger side of its band somewhat suggests that additional gains in SGD may continue to "lose pace" vs. its peers although SGD may still appreciate vs a broadly softer dollar. USDSGD was last at 1.3035. Bearish momentum on daily chart is waning while RSI rose from near oversold conditions. We remain somewhat cautious of rebound risks. Resistance here at 1.3040, 1.31 and 1.3210 (21 DMA). Support at 1.30, 1.2960 levels.

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee
Credit Research Analyst
mengteechin@ocbc.com