GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Technical Retracement

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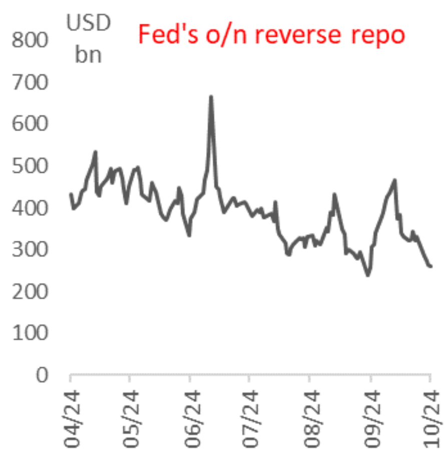
Global Markets Research and Strategy

- **USD rates**. UST yields fell upon the releases of housing starts and building permits, but overall USTs stayed in ranges. Fed funds futures pricings were little changed, last at 43bps of cuts before year end and a total of 104bps of cuts in 2025. September housing starts fell by a more than expected 0.5%YoY while August number was revised downward to 7.8%MoM from 9.6%MoM; building permits also fell by a more than expected 2.9%MoM. These are second-tier data and for the week ahead, there are existing home sales, initial jobless claims, PMIs and durable goods order, etc. Investors are likely to take an overall assessment of second-tier data with any single piece of these data unlikely to sway the market too much. At the front end, usage at the Fed's o/n reverse repo stabilised at around USD260bn after last week's net coupon bond and bills settlement; this week, net bills settlement amount to USD41bn which is the normal size. Again, net bills issuances in this quarter have been planned on the low side in view of the debt ceiling deadline, likely leaving the liquidity situation supportive in the interim.



Source: Bloomberg, OCBC Research

- **DXY. *Rejected at 200DMA.*** USD drifted lower, tracking the decline in UST yields. Softer housing data was the trigger. Elsewhere, Fed's Bostic said that he is not in a hurry to lower rates to neutral levels of 3 – 3.5% (by his estimation). He reiterated the central bank's benchmark rate is still "a ways" above the level at which it neither boosts nor slows the economy. He also said he expects inflation will fall to the Fed's target by the end of next year. DXY was last at 103.44 levels. Daily momentum remains bullish but RSI turned lower from overbought conditions. We reiterate that the recent run up looks stretched technically and pullback is not ruled out. Resistance at 103.80 levels (200 DMA, 50% fibo). Support at 103.30 (100 DMA), 101.75/90 levels (50 DMA, 23.6% fibo retracement of 2023 high to 2024 low), 102 (21 DMA).

- **AUDUSD. *Lifted.*** AUD was a touch firmer this morning amid supported risk sentiments and on comments from RBA's Hauser. Some of the highlights of his recent fireside chat include: inflation is still "too high".. was surprised by overall employment growth.. labour market outcome in good news story.. firms finding it hard to fill vacancies. He also said that RBA is not certain on level of neutral rate but most RBA models should between 3% and 4%

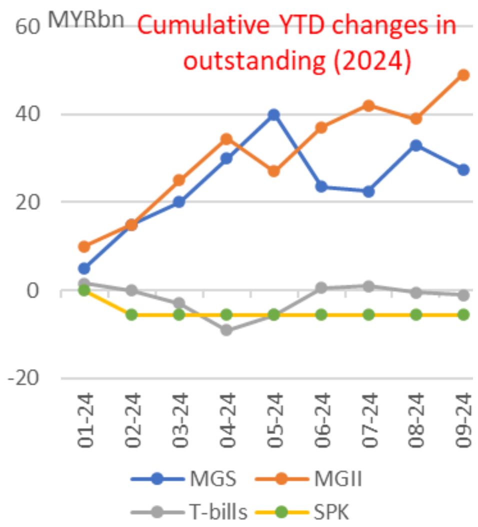
neutral rate. He repeated again that RBA rate won't fall as much or as early as other bans. Remarks were somewhat hawkish and reinforces RBA's case for standing pat on policy rate for now. AUD was last at 0.6716. Bearish momentum on daily chart shows signs of fading while RSI rose from overbought conditions. Risks skewed to the upside. Next resistance at 0.6780/90 levels (21 DMA), 0.6820 levels. Support at 0.6690, 0.6660 levels

- **USDJPY. *Bias for Downside Play.*** USDJPY eased lower, tracking the dip in UST yields last Fri while markets continue to watch BoJ rhetoric. Last Fri, Governor Ueda said that the outlook for overseas economies including the US is uncertain and financial markets continue to be unstable. He also said that the FX rate is now more likely to impact prices than in the past. Earlier, FX chief Mimura flagged "sudden, one-sided move" in FX. He also said "We'll keep monitoring the forex market with a high sense of urgency, including any speculative moves. USDJPY was last at 149.20. Bullish momentum on daily chart shows signs of fading while RSI shows signs of easing from near overbought conditions. Bias for pullback play. Support seen at 148, 147 (21 DMA). Resistance at 150.70/80 levels (50% fibo retracement of Jul high to Sep low, 100 DMA).

- **USDSGD. *Pullback Underway.*** USDSGD traded lower, in line with our call for pullback. Move lower came amid broad pullback in USD. Pair was last at 1.31 levels. Daily momentum is bullish while RSI turned lower from near overbought conditions. Further pullback likely. Support at 1.3020 (50 DMA), 1.2970/80 levels (23.6% fibo, 21 DMA). Resistance at 1.3140/50 levels (recent high), 1.32 levels (50% fibo retracement of Jul high to Sep low). Decline in S$NEER has moderated and is now stabilizing in its range of 1.6 – 2% above model implied mid. Last estimated at 1.7% above model-implied mid.

- **CNY rates**. 1Y and 5Y LPR are each cut by 25bps this morning, to 3.10% and 3.60% respectively. These cuts are in line with the deposit rate cuts by major banks on Friday, following the 20bp cuts in the 7-day reverse repo rate at end-September. Major banks cut deposit rates effective last Friday; most cut the 1Y fixed deposit rate by 25bps to 1.1%. Reaction to this morning's LPR outcome is muted thus far. Market likely looks past this expected LPR cut and looks forward to more easing. Another RRR cut before year end is highly likely, amid heavy MLF maturity and the prospect of additional bond supply. We continue to expect the 10Y CGB yield to trade in the range of 2.05-2.25% over the coming weeks; this range reflects our upward bias to long end yields. On the FX swap curve, off-onshore spread widened over recent days as onshore points fell, last at 428pips at the 12M, not far away from the full impact of 20% reserve requirement of around 650pips.

- **MYR rates.** Budget 2025 represents the plan to continue with fiscal consolidation which is in line with expectations. Fiscal deficit has been budgeted at MYR80bn, versus an estimated MYR84.3bn for 2024. How much the reduction in net borrowings translates into lower net MGS+MGII issuances depending on MoF's strategy on bill issuances. Assuming minimal net bill issuances or a small bills paydown, we expect gross MGS+MGII supply in 2025 at MYR163-164bn. The supply outlook shall point to a constructive backdrop for the domestic bond market, but after all, the reduction in supply is not dramatic. We remain of the view that MGS shall trade in a relatively stable manner with yields lagging our expected downward moves in UST yields. Year-to-date gross issuances (excluding today's auction) amounted to MYR153.5bn, on track with full year borrowing needs. FX swap points were little changed to a tad lower at the back end this morning.



Source: CEIC, OCBC Research

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