Daily Market Outlook

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Gold Rush

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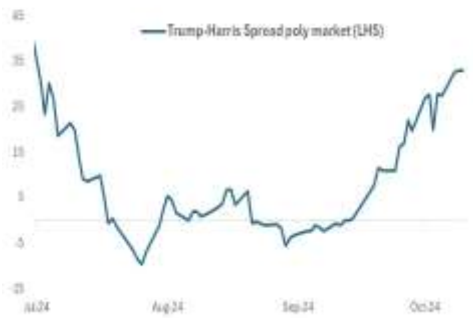
- **USD rates**. UST yields retraced from intra-day highs to end the day mildly lower as the 7Y coupon bond auction went well. UST yields initially rose on spillover from bunds and gilts. Then, market appeared confused when both the JOLTS job openings and Conference Board survey were released. Conference Board consumer confidence, present situation and expectation all improved. JOLTS jobs openings fell by 418K to 7443K in September while August's number was revised downward to 7861K. Thereafter, UST yields slid upon the 7Y coupon bond auction which cut off at 4.215%, about 2bps below market level; the bond sales garnered a bid/cover ratio of 2.95x versus 2.86x prior, with indirect accepted higher at 72.0% versus 70.8% prior. While Monday's 2Y and 5Y coupon bond sales garnered somewhat lukewarm demand, indirect accepted at the 5Y also went up, reflecting additional demand when yield moved to higher levels. That said, investors may mostly stay on the sidelines ahead of US elections. Before that, details on individual auctions are released tonight, and core PCE and nonfarm payroll later this week. 10Y UST yield has risen by 64bps from its low in mid-September while the 10Y term premium as per NY Fed ACM model has risen by 49bps from its recent low, explaining part of the upticks in nominal yields which in turn likely reflect fiscal worries. With US elections and fiscal worries in play, uncertainty is high as to how market will react to labour market data this week.

- ***Gold. Bid.*** Gold surge pushes on as markets continue to factor in US election risk premium as we inch closer to election day. In the de-centralised betting markets (poly market as a reference), Trump-over-Harris spread continued to widen sharply in favour of Trump. And that brings back worries of tariffs, inflation and fiscal concerns. Trump's proposed tax cut would add $7.5tn more to US debt (according to estimates from nonpartisan nonprofit committee for responsible federal budget). The potential ballooning in US debt also stirred up the narrative of de-dollarisation, adding to demand for gold. Defensive positioning/ trump hedges (i.e. long USD, long gold, short CNH) may still gather traction in the near term given the fluidity of election developments and geopolitical uncertainties. US election results should be known on the night of the election (6 Nov SGT). Outcome is a big unknown, judging from polls which is too close to call. There will be implications on prices of asset classes including gold, FX, etc as shifts in fiscal, foreign and trade policies may occur, depending on whether Trump or Harris is elected as the next President. A Trump outcome may see a play-up of US-China trade tensions and should inject some uncertainty to markets and continue to fuel demand for gold. While a Kamala Harris outcome should see some of these volatility and uncertainty ease. On this outcome, we may possibly see gold prices find a breather after a near 35% rally this year. XAU was last at 2777 levels. Momentum is bullish while RSI is near overbought conditions. Next resistance at 2800. Support at 2720, 2690 (21 DMA).

Prediction markets show Trump lead widening over Harris



Source: Bloomberg, OCBC Research

- **DXY. *ADP employment, 3Q GDP.*** USD traded 2-way overnight with gains on the back of strong consumer confidence but turned lower after JOLTS job openings slumped to lowest level since early 2021. Moves reinforced our view for more 2-way trades in the USD this week amidst a slew of tier-1 data releases. Tonight, we have ADP employment, 3Q GDP before core PCE tomorrow and payrolls on Fri. DXY was last at 104.25. Daily momentum remains bullish but there are signs of it fading while RSI eased lower from overbought conditions. We see room for USD to retrace lower. That said, pullback may also be shallow ahead of US elections next week. Support at 103.80 levels (200 DMA, 50% fibo), 102.90/103.20 levels (21, 100 DMAs, 38.2% fibo fibo retracement of 2023 high to 2024 low) and 101.90 (50 DMA). Resistance at 104.60 (61.8% fibo), 105.20 levels.

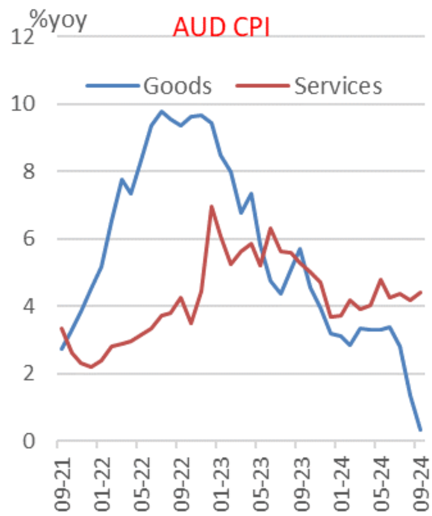
- **EURUSD. *Short squeeze?*** EUR held up above 1.08-handle overnight albeit still near 2-month lows. Quite a bit of negativity is in the price of EUR following recent dovish rhetoric out of ECB, softer growth/ economic momentum, USD strength and the fear of Trump win and the threat of that 10-20% tariff. But with much negativity in the price, we do caution for the risk of rebound if EU data this week surprise to the upside. 3Q GDP will be one to watch later today and CPI estimate will be key on Thu. EUR was last seen at 1.0820. Momentum remains bearish though there are signs of it fading while RSI is rising from near oversold conditions. Resistance at 1.0830 (61.8% fibo retracement of 2024 low to high), 1.0870 (200 DMA), 1.0910/30 levels (21, 100 DMAs). Support at 1.0780, 1.0740 (76.4% fibo).

- **USDJPY. *BoJ MPC Tomorrow.*** Government formation is key but this may take up to weeks or even months. Uncertainty on this front may complicate fiscal-monetary policy, and weigh on JPY in the interim. LDP coalition can either form a coalition with another smaller party such as DPP or JIP (which won 28 and 38 votes, respectively) or attempt to govern with a minority government with ad-hoc cooperation on certain issues with the smaller parties. But these parties have previously critic BoJ for raising interest rates. Alternatively, the opposition CDP leader, Noda (whom was a PM himself in 2011-12) can push to seek a coalition with other opposition parties. But it was last known that his party has had little success finding partners due to policy differences. Local news reported there may be a vote on 11 Nov on who will take premiership in a special parliamentary session. And there is now greater uncertainty if PM Ishiba will win enough votes to lead a new government as the new PM. But before that, the focus is on BoJ MPC tomorrow. Consensus is for hold as policymakers may want to wait for greater clarity on government formation and economic policies before deciding on policy choice. That said, one may not want to rule out any surprises as policymakers may consider a hike tomorrow as an opportune time to tame JPY bears. Recent labour market report pointed to a tightening labour market in Japan with 1/ jobless rate easing, 2/ job-to-applicant ratio increasing to 1.24 and 3/ even female labour participation rate rose to1.2ppts (vs. a year ago). Japan's trade union confederation (or Rengo) is again calling for wage increase of 5% or more overall and 6% or more for SMEs for 2025. Wage growth remains intact, and this is supportive of BoJ normalizing rates. Our house view continues to look for 10-15bp hike before year-end. USDJPY's 9% move over the last month may have look excessively stretched. Pair was last at 153.30 levels. Bullish momentum on daily chart intact while RSI is from near overbought conditions. Near term retracement not ruled out. Support at 151.50 (200 DMA), 150.60/70 levels (50% fibo retracement of Jul high to Sep low, 100 DMA). Resistance at 155 and 156.50 (76.4% fibo). Slowing BoJ policy normalisation and Fed in no hurry to cut, alongside US election risks may imply that USDJPY may well stay supported in the interim.

- **GBPUSD. *Watch Budget.*** Chancellor Reeves said there would be new rules in her budget governing Treasury borrowing, allowing debt levels to increase by up to £50bn over 5 years – to facilitate investment in Britain's infrastructure. There were concerns if her plans would be similar to former PM Liz Truss's infamous mini-budget in 2022 although Reeves was quick to pre-empt in saying that she would stick firmly to a requirement for day-to-day spending to be matched by tax receipts. Increase in borrowings may keep rates elevated for longer. This suggests that the BoE may not have much room to lower rates, which may run in contrast to Governor Bailey's recent dovish shift in rhetoric, in which he said that BoE could become a "bit more aggressive" and "a bit more activist" in its approach to cutting rates if the news on inflation continued to be good (Telegraph interview). GBP was last seen at 1.30 levels. Bearish momentum on daily chart shows signs of fading while RSI shows rose from near oversold conditions. Resistance at 1.3040 (21 DMA), 1.3110 (38.2% fibo retracement from Sep high to Oct low). Support at 1.2975 (100 DMA), 1.2910 (recent low).

- **USDSGD. *Rising Wedge.*** USDSGD continued to trade near recent high with SGD weakness mirroring JPY and CHF softness. Last at 1.3245 levels. Daily momentum remains bullish while RSI is near overbought conditions. Potentially, a rising wedge pattern is coming into sight. This is typically associated with a bearish reversal. We monitor price pattern if a turn lower is near. Resistance at 1.3290 (61.8% fibo retracement of Jun high to Oct low), 1.3350 levels (200 DMA). Support at 1.3190 (50% fibo), 1.31 (38.2% fibo). S$NEER was last at 1.44% above model-implied mid.

- **AUD rates**. There was little reaction in cash rate futures and bank bills futures upon the releases of Q3/September CPI – if anything, these futures edged lower meaning higher implied rates. Q3 headline CPI inflation eased to 2.8%YoY (consensus 2.9%) versus the 3.8% in Q2, and September headline CPI inflation eased to 2.1%YoY (consensus 2.3%) versus August's 2.7%. While easing in inflation was largely expected due to energy bill rebates and cost-of-living rebates, the outcome was a tad softer than consensus. Apart from this policy driven easing, there were mixed outcomes from other CPI components. Overall, the easing in inflation shall be welcome, though it is unlikely to trigger an imminent rate cut in November; the window of opportunity for a rate cut in December is not entirely close yet, in our view. Cash rate futures price only an 18% chance of a 25bp cut by year end.



Source: CEIC, OCBC Research

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