

Daily Market Outlook

5 September 2024

Cooling Labour Market

- USD rates.** USTs rallied for a second day as US data continued to print soft. The yield curve bullish steepened with short-end yields being more responsive to the data and market doubled down on rate cut bets. Fed funds futures price a total of 112bps of cuts by year end and 127bps of cuts in 2025. The 10Y real yield broke below the key 1.7% level, while 10Y breakeven is now near the 2% mark, together pushing the 10Y UST yield towards the near-term floor of 3.70% that we see. JOLTs job openings fell to 7673K in July, while the previous month’s number was revised downward to 7910K; for July, most of the falls in jobs openings came from the transport and utilities sector, and education and health services sector. Meanwhile, according to the Fed’s September Beige Book, the labour market has cooled further. The overall assessment remained that “employment levels were generally flat to up slightly”, but “a few Districts reported that firms reduced shifts and hours, left advertised positions unfilled, or reduced headcounts through attrition - though accounts of layoffs remained rare”. Employers were more selective with their hires and less likely to expand their workforces; and firms felt less pressure to increase wages and salaries. Market awaits August payroll and labour market statistics to gauge how rapidly the labour market has been cooling. Friday’s outcome will drive market volatility and may dictate as to whether market holds onto aggressive rate cuts expectations.
- DXY. ADP Employment, ISM Services.** USD fell after job openings disappointed while Fed’s Beige Book showed that economic activity was flat to slightly down in most districts. On employment, levels held steady overall, though some firms are becoming more selective in hiring and less likely to expand their workforces, citing concerns about demand and uncertain economic outlook. It was also reported that candidates faced increasing difficulties and longer times to secure a job while firms felt less pressure to increase wage and salaries as competition for works eased and staff turnover has fallen. On net, wage growth was reportedly modest, in line with the slowing trend described in recent reports. Focus shifts to ISM services and ADP employment tonight. We reiterate that USD should remain sensitive to job data this week given that Fed’s focus has shifted towards supporting labour market. DXY was last at 101.30. Daily momentum is mild bullish but RSI fell. Consolidative price action. Resistance at 101.82 (21

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



Source: Bloomberg, OCBC Research

DMA), 102.20 (23.6% fibo retracement of 2023 high to 2024 low). Support at 100.50 levels.

- **EURUSD. Taking Cues From Dollar.** EUR was a touch firmer amid broad USD softness overnight. Pair was last seen at 1.1077. Daily momentum is mild bearish while RSI was flat. Sideways trade likely with USD the main driver of direction. Support at 1.1026 (recent low), 1.10, 1.0930 (61.8% fibo retracement of 2024 high to low). Resistance at 1.12 (recent high) and 1.1280 (2023 high). This week, focus is on retail sales (Thu) and GDP (Fri). Underwhelming data print could move the needle for markets to price in a more dovish ECB and for the EUR to trade lower.
- **USDJPY. Sideways Near The Lows.** USDJPY continued to trade lower, following the broad decline in USD, UST yields. Earlier in the week, BoJ Governor submitted a document to government panel, which reiterated that the BoJ would continue to raise interest rates if the economy and prices perform as expected by the BoJ. Fed-BoJ policy shifts will bring about a narrowing of UST-JGB yield differentials and this should continue to underpin the broader direction of travel for USDJPY to the downside. Pair was last seen at 143.85. Bullish momentum on daily chart is fading while RSI fell. Sideways trading likely. Support at 143.45 (recent low), 142 levels. Resistance at 145.90 (21 DMA), 147.20 (recent high).
- **AUDUSD. Sideways.** AUD saw a mild rebound amid broad USD softness after jobs data disappointed while AU GDP data held up. This morning, RBA Governor Bullock reiterated “that it is premature to be thinking about rate cuts”. She explained that RBA board is *seeking to balance reducing inflation in a reasonable timeframe and maintaining as many of Australia’s recent labour market gains as possible, with unemployment at a low 4.2%*. She also spoke about the drawbacks of prolonged periods of high inflation and how the current episode is disproportionately hurting lower income earners and young Australians. Pair was last at 0.6725 levels. Bullish momentum on daily chart faded while decline in RSI moderated. Recent pullback have found an interim support at 0.6690/0.6700 (21 DMA, recent low). Decisive break may open room for further downside towards 0.6640. Resistance at 0.6730, 0.6790.
- **USDSGD. To Consolidate Near Lows.** USDSGD fell. Pair was last at 1.3030 levels. Daily momentum is mild bullish while RSI fell. Consolidation likely as markets await US jobs data. Softer print may lead to markets further pricing in 50bp cut for the Fed at upcoming FOMC. That may translate into USD softness. Support at 1.30 (recent low). Resistance at 1.31 (21 DMA), 1.3160 levels (23.6% fibo retracement of 2024 high to low). S\$NEER was last estimated at ~1.89% above our model-implied mid.

- **CNY rates.** PBoC continued to withdraw part of the short-term liquidity that had been injected to cover month-end. Separately, unverified media articles reported that authorities were considering cutting interest rates for existing mortgages – if this policy came through, this would be expected to be done through renegotiating existing contracts and allowing refinancing which would then effectively encourage renegotiation. At the margin, this policy may reduce hope for a near term interest rate cut. Over the coming months, we continue look for monetary easing both in the form of liquidity injections and outright interest rate cut(s). Heavy MLF maturity profile in the coming months provide a window of opportunities for the PBoC to retire some of MLF and replace them with other forms of liquidity, including those released from RRR cut(s) or from bond buying under monetary operations. These potential operations shall point to some further downside to 1Y and 2Y repo-IRS if they are to catch up with bond yields, with 1Y bond/swap (IRS - yield) last at 24bps and 2Y bond/swap at 21bps.

Repo-IRS traded on the soft side as expectations remain for monetary easing. CNY591bn of MLF matures on 18 September and the maturing profile is getting heavier over the coming months with CNY789bn in October, CNY1450bn in November and another CNY1450 in December. These would provide a window of opportunities to retire some of the MLF and replace them with other forms of liquidity, including those released from RRR cut(s) or from bond buying under monetary operations. We continue to look for another interest rate cut, which shall point to some further downside to 1Y and 2Y repo-IRS if they are to catch up with bond yields. On the day, PBoC net withdrew CNY276.6bn of liquidity via OMOs upon reverse repos maturity, in line with expectations.

## 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  
[jonathanng4@ocbc.com](mailto:jonathanng4@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyiong1@ocbc.com](mailto:shuyiong1@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**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

This publication is solely for information purposes 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 publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. 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 publication 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 publication 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 publication 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, they 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. OCBC Bank, its 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 services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. 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).

Co.Reg.no.: 193200032W