Daily Market Outlook

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Vote Count Underway

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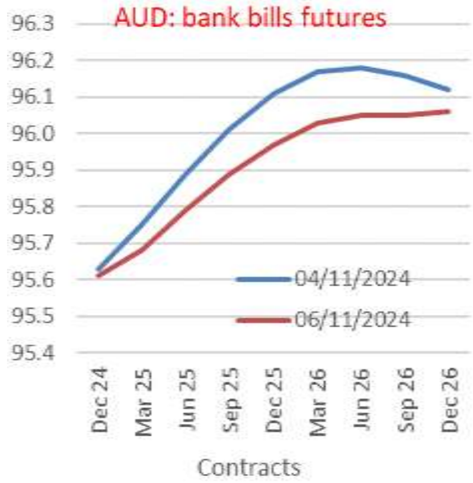
- **USD rates**. UST yields have been choppy overnight and at Asia open this morning. Yields rose to NY session highs upon the firm prints of ISM indices, before retracing lower in a flattening manner as investors reduced election-related positions. Yields rose at Asia open, as the vote count is underway; market has to brace for near-term volatility. We mentioned asymmetric risk with 40bp potential downside versus 20bp potential upside to 10Y UST yield making references to the movement in the term premium. At the front end, there was largely a continuity in monetary policy around past US elections - front-end yields moved mostly according to the prevailing monetary policy cycle, which was in turn based on the then economic fundamentals, in our view. That is to say, we do not expect the Fed's rate cut agenda to be materially affected by certain election outcome, especially in the current cycle which is more of a monetary policy normalisation. There could be adjustments in the pace of rate cuts in so much that the inflation outlook is affected – indirectly by policies on fiscal front and on tariffs; but after all, there will be adjustments in the expected pace of rate cuts over time as data come in. For this week, we expect the FOMC to deliver a 25bp rate cut. On liquidity, usage at the Fed's o/n reverse repo fell to USD144bn on Wednesday. Nevertheless, SOFR went back to 4.82% on Monday passing months end.

- **DXY. *2-Way Trades to Dominate.*** USD traded higher, as vote count skews in favour of Trump at time of writing. The 7 swings states of Georgia, North Carolina, Pennsylvania, Michigan, Wisconsin, Arizona and Nevada matter (account for 93 electoral votes). Early count (based of 79% votes counted) shows Trump gaining the momentum in Georgia while West Virginia flipped in favour of Trump. It is still early to call at this point and news flow of tally count should continue to drive 2-way trades in FX markets intra-day. DXY was last at 104.18. Daily momentum remains bearish while RSI rose from near oversold conditions. Resistance at 104.60 (61.8% fibo) and 105.20 levels. Support at 103.70/80 levels (21, 200 DMAs, 50% fibo), 102.90/103.10 levels (100 DMAs, 38.2% fibo retracement of 2023 high to 2024 low) and 102.30 (50 DMA). Outcome will have implications on FX 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 pose upward pressure on USD, UST yields (i.e. long gold, short CNH). However, a Kamala Harris outcome should see anxiety ease. On this note, USD, UST yield can ease and Asian/ high-beta FX should find a breather.

- **AUD rates**. Bank bills futures fell (implied rates higher) on Tuesday while RBA kept OCR unchanged as widely expected. The tone at the November MPC Statement is similar to the September one, i.e. no pivot yet. 1/ “Underlying inflation remains too high” and RBA still does not see inflation returning sustainably to the midpoint of the target until 2026, although here is a subtle change referring to “midpoint” instead of just “target” alongside the downward revision to inflation forecasts; 2/ “A range of indicators suggest that labour market conditions remain tight”; the paragraph on the labour market was slightly longer than in the previous statement. 3/ “Sustainably” returning inflation to target is the priority; the statement added “sustainably” to the sub-title of the last paragraph, likely in response to the recent easing in inflation, suggesting they are not going to react to that. 4/ The statement keeps the phrase “the need to remain vigilant to upside risks to inflation and the Board is not ruling anything in or out”.



Source: Bloomberg, OCBC Research

- **EURUSD. *2-Way.*** EUR traded sharply lower, in response to US elections. The sensitivity of EUR to US elections appears to have picked up by quite a fair bit. Threat of Trump tariff on all imports by up to 20% can hurt EUR as US was the largest partner for EU exports of goods in 2023. Pair was last seen at 1.0810 levels. Momentum is mild bullish but RSI fell. Support at 1.0760 (recent low). Resistance here at 1.0830 (61.8% fibo retracement of 2024 low to high), 1.09 (50% fibo), 1.0940 (100 DMA). Risks remain 2-way dependent on outcome of US election results (which is still trickling as we write).

- **JPY rates**. The minutes for the September MPM showed that BoJ members stayed confident about inflation being sustained. Some members pointed out that “steady progress had been made in moves to pass on higher personnel expenses to prices, particular for services”; one said, “even among items for which prices had not previously shown signs of an increase, the uptrend in prices had clearly strengthened for some items.” This is only to quote a couple of these comments. Overall assessment remains that the virtuous cycle between wages and prices has continued to intensify. Our view also remains that the BoJ is likely to hike its policy rate at the December meeting, with uncertainty over the magnitude but we have pencilled in a 10-15bp hike versus JPY OIS pricing of 8bps. Next support for 10Y JGB is seen at 1.10% in terms of yield. The JGB curve has steepened across the 10s20s segment over recent days, pointing to further potential upside to the 10Y yield. Next support for 10Y JGB is seen at 1.05-1.10% in terms of yield referencing previous highs in 10Y JPY OIS.

Source: Bloomberg, OCBC Research

- **USDJPY. *Sell Rallies.*** USDJPY rose, as polls skewed in favour of Trump at point of writing. Pair was last seen at 153.85. Daily momentum is flat while RSI rose. Near term risks skewed to the upside. Resistance at 155 and 156.50 (76.4% fibo). Support at 151.60 (200 DMA), 150.60/70 levels (50% fibo retracement of Jul high to Sep low, 100 DMA). Aside from US elections, Japan is holding a special parliamentary session on 11 Nov to choose the Prime Minister. Ishiba's cabinet will formally resign on the morning of 11 Nov. Prime ministerial vote can take up to two rounds, where in the first round, lawmakers of different political party typically vote for their respective leaders making it unlikely for any candidate to secure a clear majority. In this case, top two candidates will go into a run-off (in the second round) that only requires a simple majority to win. Assuming no major upset. i.e. Ishiba may still win and a minority government may suffice with opposition DPP and JIP as partners on confidence and supply agreement. Point to note is that these opposition partners had earlier critique BoJ for raising rates. This morning in release of BoJ minutes, one member indicated that policy rate could be 1% in 2H 2025. Last week, Governor Ueda indicated that the current political situation in Japan wouldn't stop him from lifting rates if prices and the economy stay in line with BoJ's forecast. Elsewhere, data continues to show wage pressure growing and services inflation broadening. Policy normalisation at BoJ and Fed takes different form (Fed cut vs. BoJ hike cycle) and this should continue to underpin the broad direction to the downside. But in the interim, US election noises may cloud the outlook. We also caution that any sharp, excessive move to the upside may soon bring in chatters of intervention to smooth one-sided moves.

- **USDSGD. *Driven by US Election Vote Count.*** USDSGD rose as US vote count skewed in favour of Trump, at time of writing. Pair was last at 1.3275. Daily momentum is flat while RSI rose. Near term risks skewed to the upside. Resistance at 1.3290 (61.8% fibo retracement of Jun high to Oct low), 1.3350 (200 DMA). Support at 1.3190 (50% fibo), 1.31 (38.2% fibo), 1.3040 (50 DMA). S$NEER was last at 1.48% above model-implied mid.

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