Daily Market Outlook

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Disappointment

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **USDCNH. *2-Way Risks.*** The NDRC press conference appears to run short on details with regards to stimulus measures. Hopes were raised but the delivery was disappointing. Post-opening rally in Chinese equities has partially fizzled out as the lack of follow-through is a setback to sentiments, and CNH-sensitive FX, including AUD, KRW, MYR. Near term, USDCNH should continue to face 2-way risks as markets digest 1/ the disappointment over the lack of details on China stimulus; 2/ monitor daily fix for a sense of how comfortable policymakers may be with RMB's recent price action; 3/ potential return of US exceptionalism and ahead of US elections (potentially supportive of USD). USDCNH was last at 7.0675. Bullish momentum on daily chart intact which RSI rose. Support at 7.0630 (21 DMA), 7.0320 levels. Resistance at 7.11 (50 DMA).

- **DXY. *Bulls Face Fatigue?*** The recent leg up in dollar index appears to show tentative signs of fatigue. Dovish bets on Fed cut trajectory have somewhat unwound. Markets are just eyeing about 50bp cut for the rest of the year, as opposed to 75bps cut seen just 2 weeks ago. Focus shifts to FOMC minutes, CPI (Thu), PPI (Fri). Hotter print may bring back chatters of US exceptionalism and reinforces the view that Fed can slow pace of rate cut. This can be supportive of USD's rebound momentum. Elsewhere, geopolitical tensions in middle east appears to have deteriorated. Brent has risen over 10% in the last few sessions. This further undermined FX, such as THB, KRW that are vulnerable to risk-off and surge in oil prices (net-oil importer). DXY was last at 102.40. Daily momentum remains bullish while RSI shows signs of turning lower from near overbought conditions. Retracement risk (lower) not ruled out in the interim. Support at 101.75/90 levels (50 DMA, 23.6% fibo retracement of 2023 high to 2024 low). Resistance at 102.90 (38.2% fibo).

- **NZDUSD. *RBNZ to Up Pace of Rate Cut?*** RBNZ policy decision is due tomorrow at 9am (SGT). Markets are largely expecting the RBNZ to quicken the pace of rate cut to 50bp each at the remaining 2 MPCs for the year and another 100bp cut cumulatively for 1H 2025. NZIER's quarterly survey of business opinions says that only a net 3 percent of firms were able to raise prices to pass on costs, down from 23% in previous quarter. The same report also indicated that significant proportions of firms are now reporting it easy to find skilled and unskilled labour. With dovish expectations already in the price and Kiwi having corrected >2% in the last week, the NZD risks being a "sell on rumor, buy on fact" into the policy decision unless RBNZ doubles down on dovish rhetoric. NZD was last at 0.6130 levels. Bearish momentum on daily chart intact while decline in RSI shows signs of turning from near oversold conditions. Support comes in at 0.61 (200 DMA), 0.6070 levels. Resistance at 0.6160 (50 DMA), 0.6620 (21 DMA).

- **GBPUSD. *Decline Nears Interim Support.*** GBP continued to trade with a heavy bias after BoE Governor Bailey unexpectedly spoke about adopting a more aggressive easing stance. In an interview with the Guardian last week, he said that the 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. This is a flip from the last MPC in Sep where policymakers emphasized the need for policy to stay restrictive for "sufficiently long" and that most members saw the need for gradual approach to removing restraint. A catch-up in dovish re-pricing should continue to dampen GBP bulls. Our house view on rates remains unchanged - another 25bp cut in the Bank Rate before year-end, likely at the November MPC meeting. Thereafter, we expect one 25bp Bank Rate cut in every quarter in 2025. Our rate cut expectation is based on our lower inflation forecasts than BoE's. Governor Bailey's latest comments have to reflect a change in the assessment of inflation and/or growth outlook. We would review the inflation outlook, pending September CPI outcome. Pair was last at 1.3090 levels. Daily momentum is bearish bias while decline in RSI slowed near oversold conditions. Consolidation likely for now. Support here at 1.3090 (50 DMA), 1.30 (38.2% fibo retracement of Apr low to Sep high) and 1.2935 (100 DMA). Resistance at 1.3166 (23.6% fibo), 1.3230 (21 DMA).

- **USDSGD. *Consolidation.*** Recent rally in USDSGD shows tentative signs of moderation. Pair was last at 1.3030 levels. Daily momentum is bullish while rise in RSI moderated near overbought conditions. Resistance at 1.3060 (50 DMA), 1.31 (38.2% fibo retracement of Jul high to Sep low) Support at 1.2980 (23.6% fibo), 1.2940 (21 DMA). S$NEER was last estimated at ~1.95% above our model-implied mid. MAS policy decision will be announced on 14 Oct, alongside 3Q GDP. We expect MAS to maintain policy status quo again at the upcoming Oct MPC meeting as prevailing appreciating path of the S$NEER policy band remains appropriate. But we do not rule out an outside chance that the MAS may surprise with an earlier easing, given that MAS adopts a forward-looking approach to monetary policy making and that the core CPI's disinflation journey remains intact, apart from the slight bump-up in August.

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, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com