

Daily Market Outlook

16 April 2025

Mark Time

- **USD rates.** USTs rallied by another 2-5bps overnight, with long-end bonds mildly outperforming, as US Treasury said regulatory changes regarding the SLR was under consideration. Exemption of USTs has been called for and under discussion for some time now – the move higher in swap spreads (i.e. less negative bond/swap spreads) earlier in the year was in response to such expectations. To put things into perspective, 10Y swap spread was last at -53bps; above -40bps at one point in February with expectations of SLR de-regulation; as high as -20bps area when USTs were temporarily exempted during 2020/21. Whether or not long-end USTs will be supported to such extent remains to be seen, given the different economic environment and financial conditions. 10Y real yield last at 2.14% still appears somewhat high compared to the growth outlook but the term premium is at play; term premium has been pushed up by a confluence of factors, including concerns about further re-allocation away from USD assets and worries about US fiscal positions. On the latter, the 5Y TIPS and 20Y Bond sales will be a test to the market. Near-term range for 10Y UST yield is seen at 4.22%-4.40%.
- **DXY. *Still a Heavy Bias.*** DXY inched modestly higher overnight but continues to trade near recent lows. Trump launched a probe into the need for tariffs on critical minerals, the latest action in an expanding trade war that has targeted key sectors of the global economy. Tariff and Trump policy uncertainty, alongside ongoing protectionist measures, fading US exceptionalism and ballooning US debt are some catalysts that should keep the “sell USD on rally” trade intact as USD’s status as a reserve currency and safe haven continues to come under scrutiny. While tariff concerns remain, it does appear to suggest that Trump and his team may be ready to cut a deal with some nations. In the event a watered-down deal is reached between US and several nations, including India, Japan and South Korea (ex China), there may be a tactical chance safe haven proxy FX may unwind. FX with moves that have moved outside of 2 standard deviations (on 30 trading day period) such as USDCHF and USDJPY may be exposed to rebound risk (assuming there is some sort of “conciliatory tone”).

Frances Cheung, CFA
FX and Rates Strategy
FrancesCheung@ocbc.com

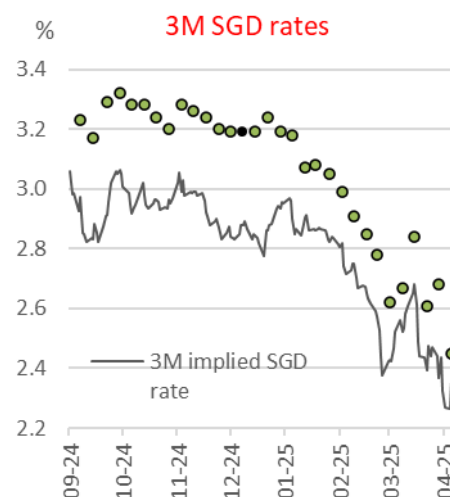
Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

DXY was last at 99.83. Daily momentum is bearish but RSI shows signs of turning higher from oversold conditions. Resistance at 100.5, 101.20 levels. Support at 99.5, 99.1 levels. Week ahead brings retail sales and IP today, followed by housing data on Thu.

- **EURUSD. Consolidation.** EUR consolidated as markets re-assess tariff concerns and await ECB meeting (tomorrow). On ECB, our house is looking for a 25bp cut. Trade tensions pose growth concerns while the drop in energy prices and much stronger EUR are likely to have added to disinflationary pressures. More importantly, ECB's rhetoric is key – if policymakers will be guiding for further cuts or make mention that the EUR's recent rally is excessive, etc. Dovish comments may partially negate EUR's ascend. Pair was last at 1.1326 levels. Daily momentum is bullish while RSI rose into near overbought conditions. Consolidation likely. Resistance at 1.1460/70 levels before 1.15. Support at 1.1280, 1.1160 levels.
- **USDJPY. Sell Rallies.** USDJPY continue to trade with a heavy bias amid tariff uncertainty and growing doubts over USD's status as a safe haven/ primary reserve currency. This week, there was also confirmation that US Treasury secretary Bessent and Japan's Minister of Finance Kato will discuss FX matters. Kato also said that a weak JPY won't be tolerated when the nation needs to hold trade talks with US. Bias remains to sell rallies for USDJPY. Pair was last at 142.95 levels. Daily momentum is bearish but decline in RSI moderated. Bias remains skewed to the downside but cautious of USDJPY near oversold conditions. Rebound risk not ruled out but bias to fade. Resistance at 144.10, 145 levels. Support at 142 (recent low) before 141.60, and 140 levels.
- **USDSGD. Bearish but Near Oversold.** USDSGD continued to trade near recent lows. Pair was last at 1.3160 levels. Daily momentum in bearish while RSI shows tentative signs of turning near oversold conditions. Support at 1.3130/50 levels (61.8% fibo retracement of 2024 low to 2025 high), 1.3090 levels. S\$NEER was last at 1.38% above model implied midpoint. MAS' downgrade to growth, inflation projections for 2025 alongside a highly uncertain external environment suggests that the door remains open for further easing, should macro conditions deteriorate further. But at this point, it may be too early to jump the gun. Near term, we expect USDSGD to trade range in 1.3100 – 1.3250 levels driven by counteracting forces of softer USD trend, modest depreciation in RMB as well as firmer JPY. Potential sectoral tariffs on pharmaceuticals and semiconductors are additional factors that may undermine SGD at some point, when they are imposed.

- **SGD rates.** 4W and 12W MAS bills cut off at 2.55% and 2.45%, respectively, below expectations. The spreads between cut-offs and implied SGD rates narrowed a lot to within 10bps, which might have represented some safe-haven flows into the SGD market. Domestic investors may prefer to stay within the local currency market; for foreign investors, asset swap pick-up has generally been preserved or improved, upon bond/swap moves and the mildly lower SGD basis. Pick-up was last at around SOFR+53bps (before bid/offer spread) at 5Y SGS, around SOFR+63bps at 10Y SGS, and around SOFR+73bps (with 10Y hedge) at 20Y SGS.



Source: Bloomberg, OCBC Research



Macro Research

Selena Ling

Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong

Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Jonathan Ng

ASEAN Economist
jonathannq4@ocbc.com

Tommy Xie Dongming

Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ong Shu Yi

ESG Analyst
shuyionq1@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist
cindyckeung@ocbc.com

Ahmad A Enver

ASEAN Economist
ahmad.enver@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

This report is solely for information purposes and general circulation 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 report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. 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 report 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 report 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 report 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, it 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. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective 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 or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. 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).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!