

Daily Market Outlook

17 February 2025

Cautious Optimism

- **USD rates.** USTs rallied further by 3-6bps on Friday amid soft retail sales print, with yields mostly ending the day below levels before CPI release. Fed funds futures brought forward the expected timing of the next rate cut slightly, now pricing a 60% chance of a cut by June FOMC meeting; still, rate cut pricing is not aggressive at 40bps of cuts for this year. We see the bar as high for the market pricing to shift further away to the hawkish side. UST futures opened a tad weaker with limited price action, ahead of US holiday tonight. This week, liquidity condition is supportive with net coupon bond settlement of USD18.8bn and net bills paydown of USD1bn. 10Y yield is back below the key 4.52% level and range remains at 4.40-4.60%. In terms of the curve, our view remains that in the absence of negative tariff headlines, we do not see much room for flattening, as front-end pricing is not dovish (and the breakeven curve is very inverted) while near-term downside to the term premium appears limited after the recent retracement.
- **DXY. Bearish Crossover.** USD longs continue to unwind as tariff concerns fade. Prospects of a Ukraine peace deal as well as a re-rating of Chinese tech stocks also helped to support sentiments while counter-cyclical USD comes under pressure. A potential meeting between President Xi and prominent Chinese tech entrepreneurs, Jack Ma and DeepSeek founder Liang Wenfeng is perceived as a positive signal. Markets are hoping that the outcome of the meeting shows Xi's support for private sector and/or AI developments. Last Fri, US retail sales disappointed, further adding to USD woes. DXY was last at 106.70 levels. Daily momentum is bearish while RSI fell. Bearish crossover observed (21 DMA cuts 50 DMA to the downside). Risk remains skewed to the downside. Support at 106.20/40 levels (100 DMA, 38.2% fibo retracement of Oct low to Jan high). Resistance at 107.80 (23.6% fibo), 108.00/10 (21, 50 DMAs), and 108.50 levels. US markets are closed tonight for Presidents' Day holiday.
- **EURUSD. Cautious Optimism.** EUR continued to drift higher on prospects of a Ukraine peace deal and on news of a delay in reciprocal tariffs. Tariff concerns remain and **appears to open up EU's willingness to negotiate.** At the Munich Security Conference on Fri, European Commissioner for Trade and Economic Security, Maroš Šefčovič said that Brussels is ready to discuss "anything" to

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

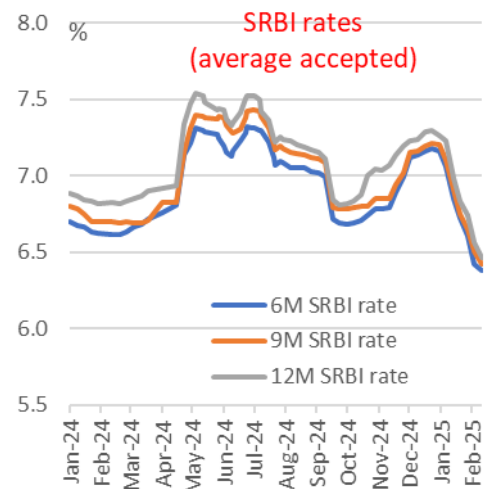
Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

avoid Trump's tariff on European exports. He mentioned that Brussels is willing to reduce its substantial surplus in goods and services with the US, which reached €50 billion last year and has also signalled that the EU is ready to reduce its 10% tariff rate on cars, which is four times higher than the US rate. He also indicated that the EU could boost purchases of US goods such as LNG and soybeans. EU officials confirmed that Šefčovič will travel to Washington on Monday to hold talks with senior Trump administration officials, including Commerce Secretary nominee Howard Lutnick, trade representative nominee Jamieson Greer, and National Economic Council chief Kevin Hassett. EUR was last seen at 1.0495. Daily momentum is mild bullish while RSI rose. Immediate resistance at 1.05, 1.0540 levels. Break-out puts next resistance at 1.0570 (38.2% fibo retracement of Sep high to Jan low, 100 DMA), 1.0620 levels. Support at 1.0390 (21, 50 DMAs), 1.03 levels.

- **USDJPY. Lower on BoJ Hike Prospects.** USDJPY extended its decline as stronger 4Q GDP print (2.8% QoQ, saar) solidified expectations for another BoJ hike to be in due course. There were also chatters of a 8% increase in wages for large Japanese bank, adding to the list that a handful of Japanese corporates are likely to see another year of wage increases, meeting one of BoJ's prerequisites for policy normalisation. USDJPY fell, last at 151.60 levels. Daily momentum is flat while RSI fell. Consolidation likely, with slight risks to the downside in the interim. Support at 151.50 (38.2% fibo retracement of Sep low to Jan high), 150 levels. Resistance at 152.70 (200 DMA), 153.40 (100 DMA) and 154.30 levels. Elsewhere, tariff concerns remain but it appears that Japan is attempting to seek exemptions with regards to Trump's proposed reciprocal tariffs. Ministry of Foreign Affairs Takeshi Iwaya also raised the issue of automobile tariffs and sought exclusion from the 25% tariff on imported steel and aluminium products at the Munich Security Conference last Fri.
- **USDSGD. 200 DMA Eyed.** USDSGD continued to fall further amid supported sentiments and a sharp pullback in UST yields. Delayed tariffs, prospects of a Ukraine peace deal and a re-rating of Chinese stocks are supportive of risk sentiments, leading to continued unwinding of USD longs. Pair was last seen at 1.3390. Daily momentum is mild bearish while RSI fell. 2-way trades likely with risks still slightly skewed to the downside. Support at 1.3380 levels (38.2% fibo retracement of Sep low to Jan high), 1.3360 (200 DMA). Resistance at 1.3410 (100 DMA), 1.3510/20 (23.6% fibo, 21 DMA). S\$NEER continued to strengthen; last seen around 1.35% above model-implied mid.
- **IndoGBs** traded on the strong side on Friday, with the upbeat sentiment being further extended upon SRBI auction results. 6M, 9M and 12M SRBI rate (average) fell further to 6.383%, 6.425% and 6.464%, respectively. From the recent peaks in late December, SRBI rates have fallen by cumulative 78.3-83.6bps, while implied rates

only softened mildly during the period. Foreign holdings of IndoGBs stood at IDR888trn, or 14.49% of outstanding, as of 11 February, upon inflows of IDR7trn in the five days to 11 February. We earlier wrote “10Y IndoGB-UST yield spread at around 245-250bps level appears stable; we see room for IndoGB yields to go lower upon any UST rally”. The spread has since narrowed to around 220bps; before another leg of UST rally, further downside to 10Y IndoGB yield may be limited. Tuesday’s conventional bond auction comprise the reopening of FR104 (2030 bond), FR103 (2035 bond), FR106 (2040 bond), FR107 (2045 bond), FR102 (2054 bond), FR105 (2064 bond), and bills. Indicative target is IDR26trn with potential to be upsized to IDR39trn. Again, we would expect a small upsize if the demand and bid yield levels are favourable.



Source: CEIC, OCBC Research

- CNY rates.** Liquidity appears to remain on the tight side without PBoC support. CGB yields and Repo-IRS traded a tad firmer at open this morning. There is around CNY1trn of reverse repo maturity this week, as PBoC has been pacing out its post-holiday liquidity withdrawal. Meanwhile, CNY500bn of MLF matures on Tuesday. On top of these, NCD maturity is heavy this month and through coming months, while NCD rates have rebounded from recent lows with 12M AAA rate last at 1.8% level. Today, PBoC net withdrew CNY38.5bn of liquidity via daily OMOs. In the coming days, we expect there will be some short-term liquidity provisions in the interim to buffer MLF maturity before MLF operations later in the month. On the data front, January aggregate financing and new yuan loan printed higher than expected. In offshore, RMB12.5bn of offshore CGBs and reopening of 3Y HKSAR Government Bonds are to be tendered on 19 February. Last week’s offshore PBoC bills auction was well received. 3M PBoC bills cut off at 2.60% versus 3M implied CNH rate of 2.4%, and 12M PBoC bills cut off at 2.32% versus implied rate of 2.1%; spreads above implied rates were within ranges. Bid/offer ratios were high at 3.39x and 3.28x, respectively, for the 3M and 12M PBoC bills. We continue to expect offshore supply to be readily absorbed.

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
herberthwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathannq4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyionq1@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.