

Daily Market Outlook

21 March 2025

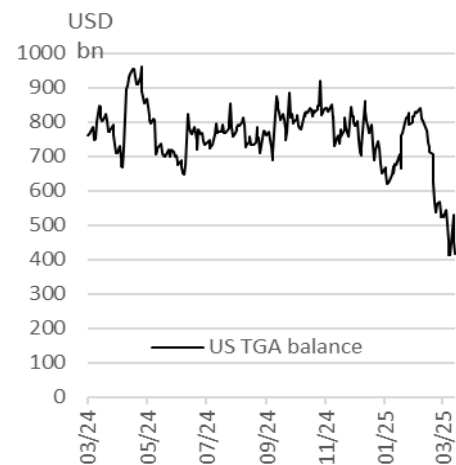
Slight Caution

- USD rates.** USTs consolidated within recent ranges, in the absence of fresh catalysts. Fed funds futures priced 67bps of cuts for this year, little changed from a day ago. Jobless claims/initial claims came in mostly in line; existing home sales rebounded to +4.2% MoM but the sequential changes have been volatile. Near-term range for 10Y UST yield remains at 4.20-4.34%; only when the yield breaks decisively on either side we will be eyeing a new range. We have long seen 10Y breakeven in the range of 2.2-2.4% as fair; movements in nominal yield have been more driven by real yield, which may remain so. Next week, there will be further bills paydown of USD51bn, while net coupon bond settlement is at USD28bn. TGA balance fell further to USD415.8bn as of 19 March, as bill issuances are constrained by the debt ceiling; amount of remaining extraordinary measures has been estimated at USD106bn as of 12 March. Bank reserves stood at USD3.4trn and reverse repos (all tenors) at USD522bn as of 12 March. The higher bank reserves resulted from limited bills issuances and the subsequent drawdown in TGA balance, which more than offset the shrinkage in the overall balance sheet; this is expected to reverse once the debt ceiling issue is resolved. Slower QT from 1 April will help buffer the potential volatility in money market rates upon and after a resolution of the debt ceiling.
- GBP rates.** Gilts initially did not react much to the 8-1 vote at BoE decision, but yields rose as Governor Bailey’s comments hit the wire. Bailey suggested a wait-and-see mode, as there is a lot of economic uncertainty. Nevertheless, he added that he thinks “interest rates are on a gradually declining path”. GBP OIS pared back rate cut expectation to 46bps for the rest of this year, versus 53bps priced before the decision. Our base-case is for additional 75bps of cuts this year, although we acknowledge the risk that the BoE may delay rate cuts in view of potential inflation pressure. On balance, we believe one 25bp cut per quarter remains consistent with the “gradual and careful” approach to the further withdrawal of monetary policy restraint. The uncertainty Bailey mentioned refers to both inflation and growth, which does not sound as hawkish to us as interpreted by the market. In terms of the split of vote, it has tilted marginally to the less dovish side; that said, the votes reflect more of the view at a particular meeting (which did move the market as we expected), rather than representing a

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

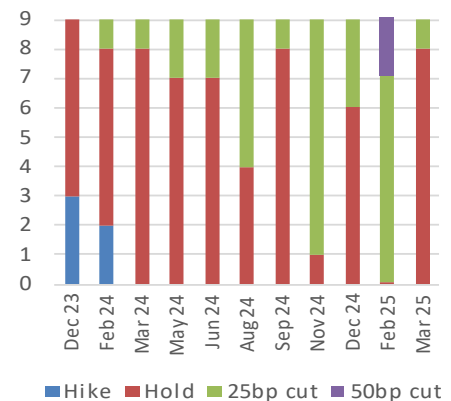
Christopher Wong
 FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

BoE voting history



Source: BoE, OCBC Research

strong forward guidance. The next key event for the bond market is the Spring Statement 2025, to be released on 26 March.

- **DXY. Caution May See USD Rebound.** USD rebounded in cautious trading as 2 Apr reciprocal tariff deadline draws closer while markets keep a close watch over “triple-witching” (a quarterly event when index futures, index options and stock options contracts estimated at ~\$4.5tn, all expire simultaneously. This event is typically associated with higher volatility). To recap on reciprocal tariffs, Trump earlier said it will affect “everyone” and is intended to “equalise” trade. Trump wants to hit any country that charges a duty on US-made goods with “the same exact tariff.” Tariff imposition can undermine sentiments and lead to spikes in the USD, unless the implementation dates are rolled back again. The likes of KRW, JPY and IDR may be undermined in the near term. In addition, there remains some caution of EM contagion risks after Turkish Lira and Colombian Pesos saw a sharp sell-off at one point yesterday, driven by idiosyncratic (domestic) factors. Tariff war and some EM contagion fears can bring back memories of the 2018 EM sell-off. This risk reinforces our view that USD shorts may be unwound in the near term. DXY was last at 103.90 levels. Bearish momentum on daily chart faded while RSI is rising from near oversold conditions. Mild rebound risk is not ruled out. Resistance at 104 (61.8% fibo retracement of Oct low to Jan high), 105 levels (50% fibo, 21, 200 DMAs). Support at 103.10, 102.50 levels (76.4% fibo).
- **USDJPY. Rebound Risk Near Term.** USDJPY ticked higher. BoJ policy may take a back seat for now as a confluence of external risk factors, including Trump’s reciprocal tariff threats on 2 Apr and JPY dividend seasonality trends may prove “noisy” for USDJPY. Pair was last at 149.10 levels. Bullish momentum on daily chart intact while RSI rose. Slight rebound risk not ruled out. Resistance at 150, 151.50 (38.2% fibo retracement of Sep low to Jan high). Support at 148.30, 147 levels (61.8% fibo). Wage growth outcome (from shunto negotiations likely end-Mar or early Apr) and inflation pressure are key markers to watch to get a sense on the timing of the next policy move. Our view remains unchanged - prospects of wage growth, broadening services inflation and upbeat economic activities in Japan continue to support BoJ policy normalisation. Fed-BoJ policy divergence should underpin broader direction of travel for USDJPY to the downside.
- **EURUSD. Watching Upper House Vote.** EUR fell, in line with our caution for EUR gains to slow. EUR was last at 1.0840 levels. Bullish momentum on daily chart faded while RSI fell. Risks skewed to the downside. Support at 1.0820 (61.8% fibo retracement of Sep high to Jan low), 1.0700/20 levels (200 DMA, 50% fibo). Resistance at 1.0940, 1.0970 (76.4% fibo). German spending plan will need to clear the upper house today. A 2/3 majority is required and there

is some uncertainty as the Free voters of Bavaria party has yet to express support for the deal. Any unexpected surprise may have an asymmetrically larger downward pressure on EUR. The German spending plan and hopes of a Ukraine peace deal are positive catalysts for EUR but given the sharp run-up in EUR, and ahead of reciprocal tariff risks on 2 Apr, we continue to caution for risk of near-term pullback.

- **USDSGD. *Watching CPI Report Next Monday.*** USDSGD rebounded, tracking the bounce in USD as caution over 2 Apr reciprocal tariff comes into play. Pair was last at 1.3355 levels. Daily momentum turned mild bullish while RSI rose. Risk skewed towards the upside. Resistance at 1.3370/90 levels (21 DMA, 38.2% fibo retracement of Sep low to Jan high), 1.3470/80 levels (50, 100 DMAs). Support at 1.3300/10 levels, 1.3270 (50% fibo) and 1.32 levels. S\$NEER was last seen at 1.11% above model-implied mid. MAS quarterly MPC meeting is about one month away from now. Judging from our S\$NEER model, markets are not expecting a move at the upcoming meeting, at least for now. Next CPI print release is on next Mon (24 Mar). A softer print may move expectations on MAS policy. But MAS policy is only one factor affecting USDSGD. In the interim, tariff uncertainties may keep the pair supported.

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.