

Daily Market Outlook

24 March 2025

Soggy Sentiment

- **USD rates.** USTs traded in ranges on Friday but opened weaker in Asia this morning following weekend news of narrower tariff scope. Ahead of the April 2 deadline, media reported Trump's planned reciprocal tariff could be more targeted and some countries would be exempt. Bond futures opened a tad weaker, and cash bonds saw yields higher this morning in a steepening manner. Fed funds futures last priced 68bps of cuts this year. There are auctions of 2Y, 5Y and 7Y coupon bonds this week, with settlement next week. For this week, net coupon bond settlement is at USD28bn, while there is net bills paydown of USD51bn. TGA balance fell further to USD383bn on 20 March. The mildly improved risk sentiment may set a floor to UST yields for now, but the news flows are very fluid and there is a line-up of data this week: March PMIs, February new home sales, February durable goods orders, March Conference Board, and February PCE. Near-term range for 10Y yield remains at 4.20-4.34% with 10Y breakeven stable at around 2.3% level, while 2Y yield at 3.90-4.00% appears consistent with current Fed funds rate pricing.
- **DXY. Interim Bottom.** USD inched higher as 2 Apr reciprocal tariff deadline draws nearer. Officials said that Trump will announce widespread reciprocal tariffs on nations or blocs but is set to exclude some. As of now, Trump administration is not planning separate, sectoral-specific tariffs to be unveiled at the same event. It was also mentioned that only countries that don't have tariffs on the US, and with whom the US has a trade surplus, will not be tariffed under the reciprocal plan. So likely, Australia, Singapore, HK and perhaps, UK may be excluded while China, EU, South Korea, Japan, India and Thailand are amongst some of the countries that may be hit (for having tariff on US goods and a trade surplus with US). Tariff imposition (although not blanket but targeted to some extent) can undermine sentiments and lead to spikes in the USD. The likes of KRW, JPY, CNH, MYR, IDR may be undermined in the near term. In addition, there remains some caution of EM contagion risks. Weekend arrest and subsequent imprisonment of Istanbul's mayor may continue to weigh on Lira and EM FX today. Tariff war and lingering EM contagion fears can undermine risk sentiment. USD may continue to be better bid in the near term. DXY was last at 104 levels. Daily momentum turned mild bullish while RSI rose. Rebound risk remains likely in the interim. Resistance here

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

at 104 (61.8% fibo retracement of Oct low to Jan high), 104.40 and 105 levels (50% fibo, 21, 200 DMAs). Support at 103.10, 102.50 levels (76.4% fibo). Day ahead brings CFNAI, prelim PMIs.

- **EURUSD. Corrective Pullback.** EUR fell for a 3rd consecutive session. The German/European spending plans 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. To add, TRY sell-off may also have spillover effects on EUR, given some exposure of European banks to Turkish borrowers (about EUR100bn). On tariffs, it remains uncertain in terms of timing on whether the 25% tariff on European auto and other products or the 200% tariff on European alcohol will be effective soon. Confirmation of the tariffs may see EUR dip, but the pullback may not translate into a larger decline. Instead, it may even be seen as a chance to buy dips, considering the emergence of new positive factors: potential Ukraine peace deal, expectations of defence spending (supportive of growth) and chance that ECB easing may slow. EUR was last seen at 1.0825 levels. Bullish momentum on daily chart is fading while RSI fell. Risks skewed to the downside in the interim. That said bullish crossovers observed: 21 cut 200 DMA to the upside while 50 cuts 100 DMA to the upside. Bias to buy dips. Support here at 1.08, 1.0700/20 levels (21, 200 DMAs, 50% fibo retracement of Oct high to Jan low). Resistance at 1.0950/70 levels (76.4% fibo, recent high), 1.1020 levels.
- **USDJPY. Rebound Risk Near Term.** USDJPY inched higher. Data and BoJ policy may take a back seat for now as the focus shifts to Trump's reciprocal tariffs on 2 Apr. Earlier, Trump had ordered his administration to consider imposing reciprocal tariffs on numerous trading partners, singling out Japan and South Korea as nations that he believes are taking advantage of the US. We had also flagged that Japan may be at risk of being hit by US reciprocal tariffs as Japanese cars are the top 5 most popular in US. (Japan shipped 1.37mio vehicles to US in 2024, accounting for 28% of Japan's exports to US). Currently, US imposes a 2.5% tariff on imported Japanese cars and this tariff rate may rise, leading to a potential demand hit for Japanese cars. There have been chatters of production adjustments or supply chain shifts in attempt to avert being hit by reciprocal tariff adjustment, but it remains uncertain if this would be useful. In terms of agricultural products, Japan also has a high tariff rate of 204.3% for rice and 23.3% for meat. The risk is a direct tariff hit on Japanese goods that can potentially put a downward pressure on JPY. Also not forgetting JPY dividend seasonality trends that may weigh on JPY in the near term. Pair was last at 149.80 levels. Bullish momentum on daily chart intact while RSI rose. Slight rebound risk not ruled out in the near term but bias to sell rallies. Death cross appears to be in the making (50 cuts 200 DMA to the downside). Resistance at 150, 151.50 (38.2% fibo

retracement of Sep low to Jan high) and 152 (50, 200 DMAs). Support at 148.30, 147 levels (61.8% fibo).

- **USDSGD. *CPI On Tap Today.*** USDSGD continued to inch higher, tracking the bounce in USD as caution over 2 Apr reciprocal tariff comes into play. Pair was last at 1.3360 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), 1.3460/70 levels (50, 100 DMAs). Support at 1.3300/10 levels, 1.3270 (50% fibo) and 1.32 levels. S\$NEER was last seen at 1.18% above model-implied mid. MAS quarterly MPC meeting is less than one month 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 today is key. A softer print may move expectations on MAS policy. But MAS policy is only one factor affecting USDSGD. In the interim, tariff uncertainties may still keep the pair supported.
- **CNY rates.** Repo-IRS traded on the soft side this morning but with limited price action. Funding rates have eased, with FR007 last at 1.82% versus around 2.00% level in the past two days and NCD rates edged further below 2.00%. Last week, PBoC net injected CNY498.5bn (combining reverse repos operations/maturities and MLF maturity). There is a total of CNY1.4trn of reverse repos maturing this week; PBoC net withdrew CNY346bn via daily OMOs this morning. Markets watch as to whether part of these will be replaced by outright reverse repos. At PBoC Q1 monetary policy meeting, the central bank reiterated it would cut interest rates and RRR at an appropriate time, while adding “reducing the overall cost of social financing”. Markets may not react too much to these comments just yet, as outright easing will still be deployed “at an appropriate time”.

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
herberhtwong@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.