GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Headlines Driven

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **USD rates.** UST yields rose during NY session, initially on the news about a 90-day pause in tariff implementation; the sell-off in USTs did not reverse when White House denied the 90-day pause, as investors took the chance to take profit after the massive rallies. The rollercoaster intra-day movements illustrated how sensitive markets are to headlines and development on the trade/tariff front and puts into perspective the magnitude of potential correction. The overnight upticks in yields are better seen as a correction, instead of a reversal to an extended uptrend, as tariff uncertainty lingers. Trump already threatened an additional 50% tariffs on imports from China. Overall, yields are still likely to fluctuate within low ranges. 10Y real yield being back to almost 2% appears a bit elevated; 10Y nominal yield approaching 4.20-4.25% may attract some investors to reload positions. Fed funds futures last priced 97bps of cuts this year, which appears more realistic than the four and a half or five rate cuts priced earlier before more concrete signs of a US recession. March CPI is to be released on Thursday; the favourable base effect might mean an easing in headline YoY inflation but markets are likely to look past this data print unless there are material surprises.

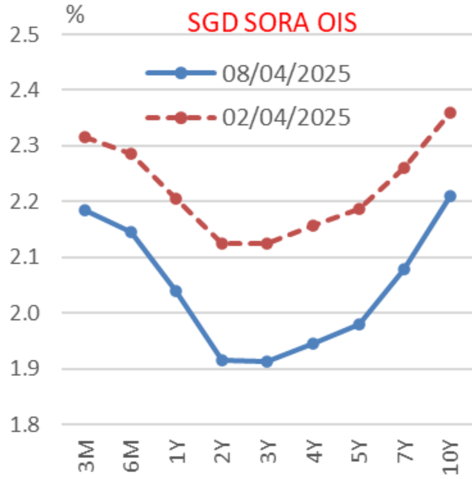
- **DXY.** ***Mixed.*** USD continued to trade mixed, with strength more pronounced vs. AxJ FX including IDR, MYR and THB. Markets are very reactive to headlines concerning tariffs. Overnight, Trump threatened to impose an additional 50% import tax on China if it does not pull back from its plan to impose retaliatory levies on US goods while China said that “US threat to escalate tariffs on China is a mistake on top of a mistake, which once again exposes the extortionate nature of the US”. China Ministry of Commerce said that “If the US insists on its own way, China will fight to the end”. This morning, China set the daily USDCNY fix above 7.20 – an unspoken line in the sand that capped RMB from weakening previously. This saw USDAxJs trading higher briefly in response. Near term, we continue to caution 2-way choppy trades, driven by tariff headlines while data releases may take a back seat temporarily. DXY slipped; last at 102.90 levels. Daily momentum turned mild bearish while the rise in RSI moderated. Death cross about to be formed (50 DMA cuts 200 DMA to the downside) – this can typically be associated with a bearish bias. Support at 101.50 (overnight low), 100.60 before 100.15 (2024 low). Resistance at

102.50 (76.4% fibo retracement of 2024 low to 2025 high), 103.70 (21 DMA).

- **EURUSD. *Consolidate.*** EUR held steady despite the barrage of tariff headlines. European Commission backtracked slightly on retaliation. The Commission proposed its first 25% retaliatory tariff on a range of US imports in response to Trump's steel and aluminium tariffs rather than the broader levies. The list was also shortened – removing bourbon, wine and dairy from the list. EU said it had offered a "zero-for-zero" tariff deal to avert a trade war with Trump as EU ministers agreed to prioritise negotiations. EUR was last seen at 1.0965 levels. Daily momentum is flat while RSI shows signs of rising. Consolidation likely. Resistance at 1.1020, 1.1140 levels (recent high). Support at 1.0910 (23.6% fibo retracement of 2025 low to high), 1.0860 (21 DMA).

- **USDSGD. *Consolidate.*** USDSGD eased slightly on relative calm. Softer UST yields, USD, relative stability in yuan and corrective rebound in equity markets are factors anchoring sentiments for now. Pair was last at 1.3485 levels. Bullish momentum on daily chart intact but rise in RSI moderated. Range-bound trade likely. Resistance here at 1.3520 levels. Support at 1.3370 levels (21 DMA), 1.3335 (200 DMA). S$NEER was last seen at 0.48% above model-implied mid. Judging from our S$NEER model, markets may already be pricing some risk of an easing at the upcoming MPC on Monday. While it may be a close call, we believe there is a strong chance that MAS will slightly adjust its policy slope downward, particularly in light of another downside surprise to core CPI. Escalation in US-China trade tensions has reignited concerns over global trade fragmentation and added a fresh layer of persistent uncertainty to the macroeconomic landscape. Highly uncertain trade environment complicates supply chains and dampens export sentiment, especially for open economies in the region. In the currency markets, procyclical FX such as the AUD, KRW, MYR, SGD, and TWD may come under renewed depreciation pressure. Potential sectoral-tariffs on pharmaceuticals, semiconductors may undermine tech and trade-dependent FX such as SGD. Additionally, MAS may ease policy at its next MPC meeting, further constraining SGD strength.

- **SGD rates**. SGD OIS were paid up by 9-14bps at open, mostly following USD rate direction, while we earlier cautioned against chasing 2Y and 3Y rates lower. First, these rates have stayed as the lowest points on the SORA OIS curve, reflecting not only an extended period of the current supportive liquidity condition, but also a view for the floating rate SORA to move lower from here. This outlook is highly uncertain. While SGD liquidity has stayed supportive, it appears to have become less flush. SORA the overnight rate itself has rebounded from lows for a few times, moving in a wide range of 2.08%-2.98% in a matter of one month. SORA was last at 2.3164%, compared to the recent low of 2.08%. And this compared to 2Y and 3Y SGD OIS at around 1.90% level. At today's MAS bills auctions, we watch as to whether the spreads between cut-offs and implied SGD rates will widen, as there may be higher precautionary demand for liquidity. Second, should MAS further ease its policy via another slope reduction, there might be a mild upward pressure on the forward points and short-end SGD rates, although the impact on rates appeared to have been minimal when MAS last reduced the slope in January. For one, 1M implied SGD rate has been edging higher over recent days. That said, current bond/swap spreads appear supportive of SGS; there is room for SGS to outperform swaps near-term.



Source: Bloomberg, OCBC Research

GLOBAL MARKETS RESEARCH

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

Co.Reg.no.: 193200032W