

Daily Market Outlook

8 January 2025

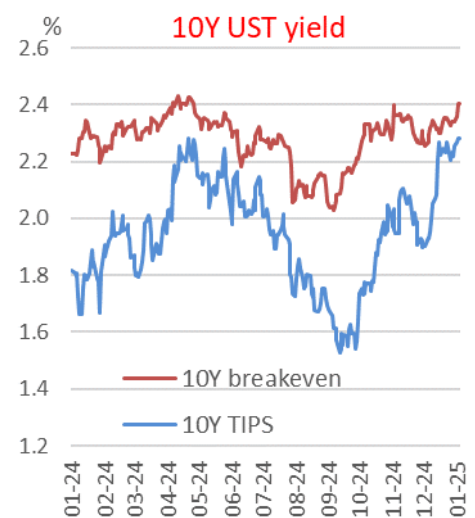
US Exceptionalism?

- USD rates.** The UST curve bear steepened as ISM Services Index printed higher than expected with the prices paid component rising to 64.4 versus 58.2 prior. 10Y breakeven rose by 4bps to 2.4% which was the main driver for the higher 10Y nominal yield. Reaction at the front-end was tamer, not least because pricings were not dovish to start with. Fed funds futures mildly pared back rate cut expectation to 38bps from 39bps for this year. While JOLTS jobs openings printed higher, quit rate was lower and layoffs were higher, not reflecting a decisively firmer picture. Overall, the trading environment is likely to stay challenging ahead of Trump’s inauguration and given the timeline for US Treasury to hit the debt ceiling. Demand at the 10Y coupon bond auction overnight was lukewarm; bid/cover lower at 2.53x versus 2.70x and indirect accepted lower at 61.4% versus 70.0%. 10Y term premium was last estimated by the Fed’s ACM model at 54bps, having risen by a cumulative 49bps from the low in early December. While the rise in term premium has been rapid, the absolute level is not particularly elevated in historical context, which worths monitoring. Nevertheless, given how market has been set up, any downside surprises to the data may be able to lend some support to USTs; ADP employment data, initial jobless claims and payrolls are lining up, and FOMC minutes tonight.
- DXY. ADP Employment, FOMC Minutes Next.** USD traded firmer overnight, after ISM services, prices paid data added to US exceptionalism narrative, which in turn reinforced the notion that Fed may take on a cautious path on rate cut cycle. Concerns of high for longer weighed on sentiments as yield differentials favor USD longs. EMs that take on a more dovish stance may see their FX come under pressure. For instance, RMB, PHP, INR and to some extent, IDR. Near term focus on ADP employment (Wed); FOMC minutes (Thu) and payrolls report (Fri). Firmer prints may keep USD supported on the interim. But given that USD has enjoyed a significant run-up, we caution that downside surprise to US data, in particular payrolls report, may dent USD’s momentum. DXY was last at 108.35. Mild bullish momentum on daily chart is fading while RSI fell. Potential bearish divergence on daily RSI observed though price action requires further monitoring. Pullback lower not ruled out. Support at 107.50 (21 DMA), 106.40 (50DMA). Resistance at 109.50 levels (recent high), 110.10 levels.

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

Christopher Wong
 FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

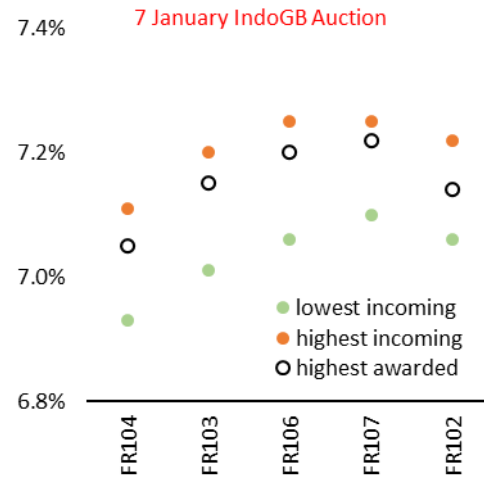


Source: Bloomberg, OCBC Research

- **EURUSD. PPI Estimate in Focus.** EUR's rebound stalled as USD saw broad rebound while Euro-area CPI estimate was in line with expectations (2.4% headline, 2.7% core). EUR was last at 1.0355 levels. Daily momentum shows signs of turning mild bullish while RSI rose. Near term rebound not ruled out but weak fundamentals may restrain the magnitude of the bounce. Resistance at 1.0420 (21 DMA), 1.0460 (23.6% fibo retracement of 2024 high to 2025 low) and 1.0540 (50 DMA). Support at 1.03, 1.0200/20 levels (recent low). Focus today on PPI (today), retail sales (tomorrow).
- **USDJPY. Hovering Near Highs.** USDJPY remains supported, tracking the rise in UST yields. But the pace of gain may have moderated slightly after Finance Minister Kato's jawboning yesterday. He said that he saw one-sided and rapid moves in the market and is deeply concerned about such moves. That said, we believe verbal intervention in the face of strong USD trend and policy inaction can only be at best in slowing JPY's depreciation pressure. Moreover markets do not expect Japan to intervene in a big way until 160 levels is reached. What can stop JPY from further weakening in the near term would be a less dovish BoJ, some guidance in expectations for BoJ hike in due course and/or USD to correct lower. Pair was last seen at 158.17. Bullish momentum on daily chart faded while RSI is near overbought conditions. Pair may consolidate for now until a new catalyst (or hint) comes along. Resistance at 158.90 levels. Support at 156.67 (76.4% fibo retracement of Jul high to Sep low), 155.70 (21 DMA) and 154 levels (50 DMA).
- **USDSGD. 2-Way Trades.** USDSGD was a touch firmer, tracking the USD bounce but moves remain subdued. Pair was last at 1.3650 levels. Mild bullish momentum on daily chart faded while RSI was flat. 2-way trades likely after the recent pullback. Support at 1.3590 (21 DMA). Resistance at 1.3760 levels, 1.38. The focus next is on upcoming MAS MPC (no later than 31 Jan). We have changed our house call – now looking for MAS to ease policy at the upcoming MPC by reducing the policy slope slightly but still maintain a mild appreciation stance. Given that the disinflation journey has made good progress, we believe MAS now has optionality to ease especially if it takes on a pre-emptive stance in the face of policy transmission lag. S\$NEER was last at 0.62% above model-implied mid.
- **MYR rates.** The reopening of 7Y MGS was well received, garnering a bid/cover ratio of 2.81x and cutting off at 3.803% - gap between highest and lowest successful bids was narrow. To recap, we expect annual gross issuance at MYR163-164bn – this took into account the mild fiscal consolidation plan, lighter maturity this year versus last year, and the assumption that there will be minimal net bill issuances or a small bills paydown. MGS/MGII maturity is heaviest in Q3 followed by Q4, while there is no maturity in Q2. Quarterly issuance amounts may be adjusted

accordingly to achieve a relatively smooth profile of net supply. Key risk to our MGS/MGII supply outlook is bigger-than-expected bills paydown (2024 bills paydown was at MYR5bn). On balance, the bond supply outlook is neutral to mildly constructive.

- IndoGBs** traded weak on Tuesday as cut-offs at the conventional bond auction came in on the high side. MoF awarded IDR26.2trn of bonds against indicative target of IDR28trn. Cut-offs were nearer highest incoming bids levels for most of the bonds, in particularly for FR107 (2045 bond). To recap, quarterly issuance target has been set at IDR228trn, similar to the realised issuances of IDR231trn in Q1-2024. With 6 conventional and 5 sukuk auctions in the quarter, each being one fewer than that in Q1-2024, individual auction sizes will need to be higher at around IDR28trn for conventional and IDR12trn for sukuk to meet the quarter's issuance target. IndoGBs saw two days of inflows, on 3 and 6 January, with foreign holdings stabilizing at IDR879trn as of 6 January.



Source: DJPPR, OCBC 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
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.