

Daily Market Outlook

11 September 2025

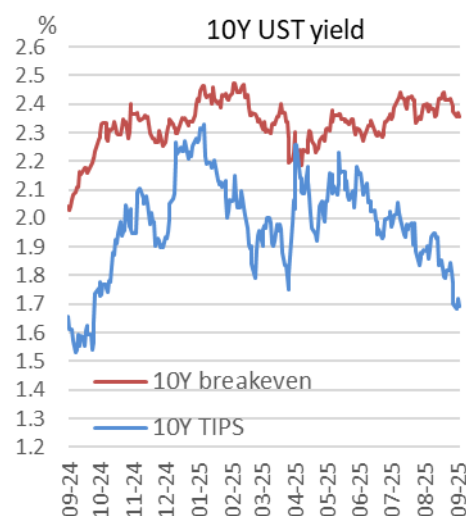
ECB decision and US CPI

- USD rates.** UST yields fell further as August PPI surprised to the downside. PPI final demand and PPI ex food and energy unexpectedly fell, by 0.1%MoM, while year-on-year readings decelerated by more than expected to 2.6% and 2.8% respectively. The MoM fall in headline was mainly driven by services prices the fall of which more than offset the increases in the prices of core goods. The PPI outcome has solidified the call for the Fed to resume rate cuts, now pending only tonight's August CPI. Fed funds futures pricings were little changed as a slew of rate cuts have already been in the price. Estimates for August core CPI range from 0.2% to 0.4%MoM with median at 0.3%; or from 3.0% to 3.1%YoY. With the tight ranges of forecasts, a print of 0.4%MoM or 3.2%YoY may be enough to trigger some correction in 2Y UST and the expected fed funds rate trajectory, but not enough to dent September rate cut expectation. Overnight's 10Y coupon bond auction garnered strong demand despite the richening in the bond over recent days which was extended going into the auction. Bid/cover ratio was higher at 2.65x versus 2.35x prior; indirect accepted was high at 83.1% versus 64.2% prior, leaving primary dealer with 4.2%. With further falls in the 10Y yield, the 2s10s segment was last at 51bps, near the bottom of our expected 50-55bps range. 10Y breakeven at 2.36% and 10Y real yield at 1.69% appear fair; near-term range for 10Y UST is seen at 4.00-4.15%.
- DXY. Two-way intraday trades.** US headline PPI unexpectedly declined in August — marking its first drop in four months, with core readings (exclude food and energy) also surprised to the downside. A softer-than-expected US PPI reinforced market expectations that the Fed will resume cutting rates next week, with 27bp of cuts priced for next week. In other news, US judge has ruled that Governor Lisa Cook will remain in her position and be able to participate in next week's FOMC meeting. The DXY initially dipped on the dovish inflation surprise but quickly recovered, leaving the index little changed on the day. Looking ahead, tonight's key events include the release of US CPI data and the European Central Bank (ECB) policy meeting. Against this backdrop, we anticipate two-way intraday trading for the DXY, with a bias towards selling rallies in the U.S. dollar. Resistance is at 98.10 levels (21, 50 DMAs), 98.70 (100 DMA) and 99.60 (23.6% fibo retracement of 2025 high to low). Support sits at 96.40 levels.

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

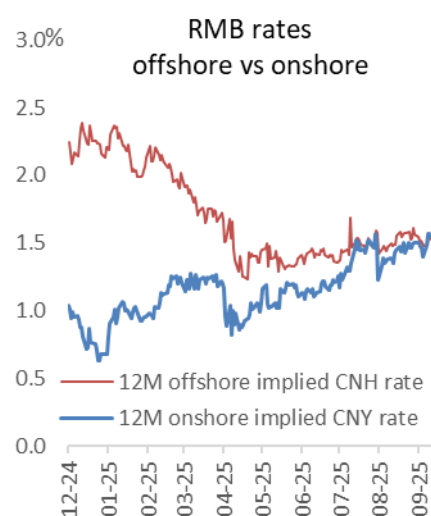
Herbert Wong
Herberthtwong@ocbc.com

Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

- EUR rates.** Today's ECB decision may come as a non-event, as the central bank is widely expected to keep key policy rates unchanged. Lagarde is likely to stay non-committal, while the overall rhetoric may remain as "policy is in a good shape". The central bank is also due to announce an updated set of forecasts, where possibility is for mild upward revisions to both growth and inflation. We still have one final 25bp cut in our forecast profile, which is a close call. Regardless, the ECB is seen at or nearing the end of the easing cycle. EUR OIS priced a 26% chance of a 25bp cut before year end. Bunds appear to be lacking impetus to rally while OATS stabilised of late.
- CNY rates.** 30Y CGB was under selling pressure yesterday, as market reacted further to the proposed changes to mutual fund fees and risks of bond fund redemptions. We expect PBoC to stay supportive of liquidity, amid heavy NCD maturity, while there is CNY300bn of outright reverse repos and CNY 300bn of MLF maturing later in the month. 12M AAA NCD rate was last at 1.68%, versus 12M implied CNY rate at 1.55%, not providing much pick-up for foreign investors. Meanwhile, the August CPI outcome is unlikely to put a near-term rate cut back onto the table. CPI fell by 0.4% YoY in August, due to decline in food prices and the high base a year ago. Meanwhile, PPI fell by 2.9% YoY in August, indicating easing deflationary pressure at production front. Short-end repo-IRS may remain floored at 1.5% level. Likewise, further downside to offshore CNH rates may be limited, especially given that there is no yield premium in offshore rates.
- SGD rates.** SGD rates edged lower across the curve on Wednesday, while implied rates were offered down to nearer Monday's levels. SORA was fixed lower at 1.4302% on Wednesday, versus 1.7149% on Tuesday. SGS outperformed swaps. Buying interests were seen across tenors, with bond/swap spreads moving further up at mid to long tenors. SGD OIS continued to trade on the soft side at open this morning. SGD7.8bn of 6M T-bills are auctioned later today. 6M implied SGD rates last traded at around 1.14%, which was around 6bps below the level two weeks ago, pushing our expected range for the 6M T-bills cut-off a tad lower to 1.38-1.43%.



Source: Bloomberg, OCBC Research



Macro Research

Selena Ling

Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong

Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Jonathan Ng

ASEAN Economist
jonathannq4@ocbc.com

Tommy Xie Dongming

Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ong Shu Yi

ESG Analyst
shuyionq1@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist
cindyckeung@ocbc.com

Ahmad A Enver

ASEAN Economist
ahmad.enver@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

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