

Daily Market Outlook

12 June 2025

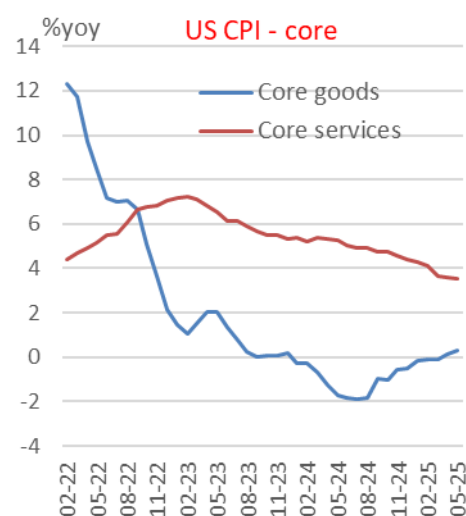
Markets responded to the data

- USD rates.** USTs rallied on the softer than expected CPI prints while the 10Y coupon bond auction was well received. The UST yield flattened as investors brought forward expectation for the next rate cut to September (84% chance priced) from October. The 10Y coupon bond auction stopped through at 4.421%, with bid/cover of 2.52x and indirect accepted at 70.6% both being decent. May CPI rose by 0.1% MoM, versus expectation for a 0.2% increase; the index for shelter rose by 0.3% and was the primary factor for the headline CPI inflation, while the energy index fell by 0.1%. Core CPI also rose by 0.1% MoM, versus expectation for 0.3%; indices that decreased included those for airline fares, used cars and trucks, new vehicles, and apparel. On a year-on-year basis, disinflation in core services prices continued, at a slow pace. While rent of shelter was a major contribution to headline YoY inflation, inflation in this category nevertheless has also continued to ease. Granted, inflation impact of tariff is uncertain, but with underlying disinflation on progress, market added mildly back to rate cut expectations. Bonds extended rallies at Asia open. 10Y real yield was last at 2.1% and 10Y breakeven at 2.3%; near-term range for 10Y yield remains at 4.35-4.52%.
- DXY. Data Matters.** USD fell on softer than expected CPI. This puts focus on PPI data tonight (8:30pm) before the lead up to FOMC next week. In the event of a higher print, we may well see the overnight move reverse. But further downside data surprise (which cannot be ruled out given that the last PPI print was negative) may see DXF break below 2025 low. DXF was last at 98.40 levels. Daily momentum is not showing a clear bias while RSI fell. Support at 97.90 (2025 low). Resistance at 99.40 (21 DMA), 99.90 levels (50 DMA).
- EURUSD. ECB Boosting Appeal.** EUR extended its move above 1.15-handle on broad USD softness overnight (post-CPI) and ECB comments. Apart from Lagarde, other Governing Council members echoed views relating to ECB nearing the end of the easing cycle, after 200bps of cut via 8 meetings. Kazimir said "As things stand now, ECB is nearly done, if not already at the end of the easing cycle". Stournaras said that the bar for more rate cuts is high. He also added that the views among the Governing Council (difference between doves-hawks) "have converged". Lane said that latest reduction in borrowing costs will guard against inflation getting

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: CEIC, OCBC Research

stuck below 2%. Moreover, Lagarde took opportunity yesterday to bump up the role EUR can play as a reserve currency. She said the further shifts may be underway in global currencies and that currency shift may boost euro's international role. Elsewhere, progress on EU-US trade talks remains on the radar as the 9 Jul deadline draws closer. EU officials believe that this deadline may be extended. EUR was last at 1.1520 levels. Daily momentum is bullish while RSI rose. Next resistance at 1.1570 levels, if broken may trigger "buy-on-break" trades, with next resistance around 1.17 levels. Support at 1.1360 (21 DMA), 1.1305 (50 DMA).

- **USDSGD. Consolidation.** USDSGD slipped, tracking broad USD softness after US CPI underwhelmed. Pair was last at 1.2870 levels. Mild bullish momentum faded while RSI fell. Consolidation still likely. US PPI tonight is also another data to watch – softer print may see USD softness resuming while firmer print may see USD shorts unwind further ahead of FOMC. But beyond the near term, we continue to expect USDSGD to trend lower. Support at 1.2790 (Sep 2024 low). Resistance at 1.2920 (21 DMA), 1.3020 (76.4% fibo retracement of 2024 low to 2025 high). S\$NEER is at ~1.86% above our model-implied mid. With S\$NEER trading near the upper bound of its band, we continue to see room for SGD to trade less strong against its trade peers (i.e. JPY, KRW), if tariff de-escalation momentum and softer USD trend continue to play out.
- **SGD rates.** SGD OIS were offered down by 3-4bps this morning, mildly underperforming USD OIS. SORA the overnight rate itself normalised back up to 1.8919% on Wednesday. On levels, SGD OIS continued to trade at the low end of ranges; chasing the 2Y rate lower is not preferred given the deep V-shape on the SORA OIS curve. Meanwhile, 2Y SGS has outperformed swaps with bond/swap spread (OIS – yield) last at around -20bps versus the range of -40bps to -35bps earlier in May/April. Any rallies in 2Y SGS may turn less rapid from here. Asset-swap pick-up was last at around SOFR+45bps (before bid/offer spreads) at 10Y SGS, and at around SOFR+60bps at 20Y SGS (on 10Y hedge), which are still decent.



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

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.

Co.Reg.no.: 193200032W

Follow our podcasts by searching 'OCBC Research Insights' on Telegram!