Daily Market Outlook

13 August 2025

US CPI in line

- **USD rates**. Short-end UST yields eased as July CPI printed mostly in line with expectations. Contribution from core goods inflation to overall inflation edged up further, but in a mild way suggesting that tariff impact may be contained. Market holds onto expectation for a September Fed funds rate cut; Fed funds futures price 61bps of cuts for this year and 65bps of cuts for 2026. July Core services inflation was steady at 3.6%YoY while core goods inflation edged up to 1.2%YoY. On a month-on-month basis, core CPI rose by 0.3%; indexes that increased over the month include medical care, airline fares, recreation, household furnishings and operations, and used cars and trucks. There is still a slew of data to be digested for the rest of the week, including PPI, jobless claims, retail sales, industrial production etc. There is no coupon bond auction this week but net coupon bond settlement of USD35bn on Friday; net bills settlement was USD55bn overnight to be followed by another USD42bn on Thursday. TGA balance was at USD504bn as of 11 August, up by a cumulative USD222bn from the low in July and USD346bn away from target. 10Y breakeven at 2.39% still looks a bit elevated; range for 10Y UST yield is seen at 4.20-4.34%.

- **DXY. *Sell Rallies.*** USD traded under pressure overnight post-CPI release and on comments from Treasury Secretary Scott Bessent. In an interview with Fox Business, he said that the “Fed could have been cutting in June, July” had it had the revised figures (referring to job market data) in hand at the time. He also said that “The real thing now to think about is should we get a 50 basis-point rate cut in September”. Fed fund futures priced >95% probability of 25bp cut for Sep FOMC. On CPI, headline CPI was steady at 2.7% YoY while core CPI saw a pick-up (3.1% YoY), driven by services. USD price action suggest that markets were worried about more significant price increases (owing to tariffs) before the CPI report, but data release suggests that worries were misplaced - inflation did not accelerate in a meaningful way. Meanwhile, Fed’s other mandate – labour market showed signs of softening. Recent data developments and the dovish tilt seen in some FOMC members suggest that a Sep cut is more or less a done deal while there may be speculation for 50bp cut, dependent on data outcome or Fedspeaks. This week, we hear from Fed’s Barkin, Bostic and Goolsbee. On the data docket, Thu has PPI and Fri has retail sales

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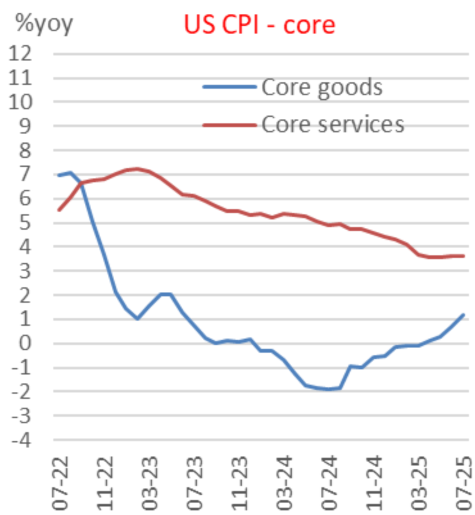

Source: CEIC, OCBC Research

and inflation expectations. Data releases this week and Fedspeaks may shape expectations on the trajectory of Fed cut. DXY was last at 98.10 levels. Daily momentum shows tentative signs of turning mild bearish while RSI is flat for now. Bias for downside play but favour selling rallies instead. Support here at 98 levels, 97.20. Resistance at 99.30 (100 DMA), 100.20 levels.

- **AUD rates**. RBA cut its OCR by 25bps on Tuesday as widely expected, citing "underlying inflation continuing to decline back towards the midpoint of the 2–3 per cent range and labour market conditions easing slightly". The decision was unanimous. In the MPC statement, the Board said labour market conditions "remain a little tight, although have eased further in recent months" versus "remain tight" at the July statement. Governor Bullock said at the post-meeting press conference that there was a tension because they were overestimating GDP and consumption forecasts. The RBA downgraded GDP forecasts for 2025 through to 2027, more notably for 2025 to a year-average of 1.6% from 1.9% prior. She also said RBA's forecasts "are conditioned on a couple more cuts…If we didn't cut then there would be implications for our forecasts". The RBA's assumption of OCR for their forecasting exercise is, as usual, based on market implied rate which does not necessarily reflect the central bank's own expectation. Still, given OCR assumption at as low as 2.9%, if that didn't materialise, that would post downside risk to RBA's GDP forecasts. Rate futures last priced 39bps of cuts for the rest of the year, while our base case is one 25bp cut in Q4. 1Y AUD IRS at 3.3% is around 30bps below 3M BBSW, which looks roughly fair.

- **AUDUSD**. ***Favour Buying Dips.*** AUD slipped post-RBA yesterday, but dip was brief. A softer USD post-US CPI saw AUD reclaimed 0.65-handle. On RBA, Governor Bullock's press conference did not indicate any major shift in policy bias. She did say that further moves (referring to cut) are possible if data warrants but she also said that larger cut was not discussed at the meeting. From a FX point of view, RBA is cutting rate from a position of stability not distress. Bias remains to buy dips. Pair was last at 0.6530 levels. Bearish momentum on daily chart faded while RSI rose. Resistance at 0.6550, 0.66 levels. Support at 0.65, 0.6430 levels. Week remaining brings labour market report (Thu).

- **USDSGD. *To Take Cues from USD.*** USDSGD was a touch softer amid broad USD softness post-US CPI. Pair was last at 1.2830 levels. Daily momentum and RSI indicators are flat. 2-way trades likely for now. Support at 1.28, 1.2760 levels. Resistance at 1.2850 (21 DMA), 1.29 levels. S$NEER continues to hold steady at around 1.95% above our model-implied midpoint, and that leaves the spot implied lower bound around 1.2820/25 levels.

- **USDTHB. *Close Call on BoT.*** USDTHB remains caught in the crossfires of USD softness and domestic drags. Pair was last at 32.34 levels. Daily momentum and RSI are not showing a clear bias. Sideways trade in 32.10 – 32.50 likely. BoT meeting decision due later (3pm). Consensus switched to 25bp cut but it remains a close call. Risk of sharper growth slowdown and subdued inflation outlook (17-month low) still support the case for BoT to ease at some point.

- **HKD rates**. Overnight, HKMA bought HKD7.065bn worth of HKD, which will push Aggregate Balance (interbank HKD liquidity) further lower to HKD57.1bn, near the tipping point which may be generally seen as around HKD50bn level. Front-end HKD rates may soon become more responsive to additional liquidity drainage. T/N staying at around -9pips per day continues to encourage carry trades; further FX intervention cannot be ruled out until material increases in short-end HKD rates. We expect the benchmark 3M HIBOR to normalise back to 2.0-2.5% area over time. HKD IRS – USD OIS spreads have edged higher over recent days, as HKD rates underperformed; we maintain a mild upward bias on these spreads and look for 1Y spread to play some catch-up.

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