

Daily Market Outlook

14 August 2025

USD on Back Foot; PPI Next

- **USD rates.** USTs rallied by 5-6bps on Wednesday as investors added further to rate cut expectations, which did not appear to be reacting to Bessent's call for rate cuts though. But then his opinion that rate should be 150-175bps lower, while dovish, is not dramatic considering the full easing cycle. Fed funds futures now more than fully price a 25bp cut at September FOMC meeting, price a total of 63bps of cuts for this year, and 68bps of cuts for 2026. On the other hand, Goolsbee, after recently saying the September meeting is live, commenting on the latest CPI report that "the most concerning thing" is the increases in prices of some services. Tonight brings July PPI, and thereafter there is still one round of labour market and inflation data before September meeting. Consensus is looking for some upticks in PPI, hence it is a matter of whether the data will bring upside surprise. 10Y breakeven at 2.38% still looks a bit elevated; range for 10Y UST yield is seen at 4.20-4.34%.
- **DXY. Sell Rallies.** USD continued to trade under pressure, as Fed fund futures shifted to fully price in a 25bp cut at the Sep FOMC. Treasury Secretary Scott Bessent said on Bloomberg TV interview that "We could go into a series of rate cuts here, starting with a 50bp cut in Sep". He went on to say that we should probably be 150, 175bps lower if you look at any model. It is typically not common for Treasury secretaries to make specific comments on rate cuts. Separately in an earlier 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. For the week remaining, PPI, initial jobless claims data are due later while IP, retail sales, empire manufacturing, Uni of Michigan sentiment, inflation expectations data are due tomorrow. Data releases this week and upcoming Fed speaks may shape expectations on the trajectory of Fed cut. If US data continue to come in softer and that more Fed officials start to tilt dovish, then the probability of 50bp cut at Sep FOMC may rise. While the next FOMC is more than a month away, next week's (over 21-23 Aug) Jackson Hole symposium is one key event to watch. Historically, Jackson Hole has served as a platform for signalling shifts or reinforcing monetary policy directions. This may offer Fed Chair Powell an opportunity to adopt a more dovish tone, given the softening of US labour market and that inflation so far shows limited tariff-related price pressures. DXY was last at 97.75 levels.

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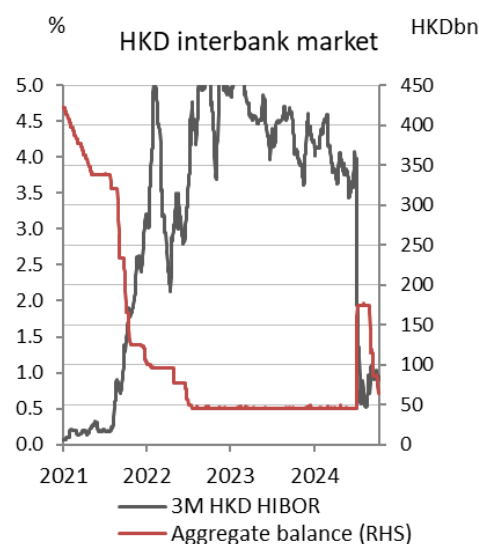
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Daily momentum shows signs of turning mild bearish while RSI fell. Bias for downside play but favour selling rallies. Support at 97.20, 96.40 (2025 low). Resistance at 98.10/40 levels (21, 50 DMAs), 99.30 (100 DMA).

- USDJPY. Bearish Flag Playing Out.** USDJPY fell on comments from US Treasury Secretary Scott Bessent on Fed and BoJ. He told Bloomberg TV his opinion that BoJ is behind the curve in addressing inflation and that he had discussed inflation in Japan with BoJ Governor Ueda. He added that "So they're going to be hiking and they need to get their inflation problem under control". On Fed, he suggested a 50bp cut in Sep. We have long argued that a resumption of Fed-BoJ policy divergence should underpin the direction of travel for USDJPY to the downside. Wage growth, broadening services inflation and upbeat economic activities in Japan should continue to support BoJ policy normalisation. Pair was last at 146.70. Daily momentum turned mild bearish while RSI fell. Risks skewed to the downside. Immediate support at 146.40 (50 DMA), 145.50 (100 DMA) and 144.10 (61.8% fibo retracement of Apr low to Aug high). Resistance at 147.80 (21 DMA), 148.32 (23.6% fibo).
- AUDUSD. Steady Bulls.** AUD extended its move higher, in a steady manner. Upside surprise to the labour market report was the latest catalyst while a softer USD, and expectations for Fed cut continue to underpin a conducive environment for AUD bulls. Full time employment printed 60.5k (vs. 38.2k prior) while headline of 24.5k was largely in line with expectations. We reiterate that "cautious and gradual" pace of rate cut remains the policy stance for RBA and that RBA is cutting rate from a position of stability not distress. Bias remains to buy dips, not chase rally. Pair was last at 0.6555 levels. Daily momentum turned mild bullish while RSI rose. Resistance here at 0.6560, 0.66 levels. Support at 0.65, 0.6430 levels.
- USDSGD. Slow Grind.** USDSGD slipped amid broad USD softness. Pair was last at 1.2795. Daily momentum turned mild bearish while RSI fell. Slight risks to the downside. Support at 1.2740/60 levels before 1.27. Resistance at 1.2820/50 levels (21, 50 DMAs), 1.29 levels. S\$NEER continues to hold steady at around 1.95% above our model-implied midpoint. S\$NEER near the upper bound of the band suggests that the room lower for USDSGD is a slow grind unless other currency peers strengthen further (vs. USD).
- USDPHP. Consolidate Intra-day.** The BSP has recently struck a notably dovish tone, with Governor Remolona noting that a rate cut in August is "on the table" and "two is more likely than one". However, he did say that the possibility of 3 cuts is "unlikely". Taking stock, BSP has already lowered rates by a total of 125bp since easing cycle begun in Aug 2024. A 25bp cut at the 28 Aug

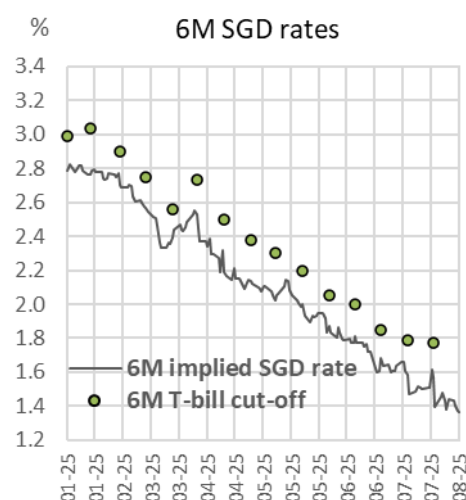
meeting is not ruled out, to bring policy rate to 5%. Subdued inflation (1.7% average for first 7 months) and slowing growth (5.4% for 1H vs. 6.2% a year ago) reinforced the view that BSP may not be done easing yet. That said, not all is gloomy. Inflation though subdued is still expected to settle towards BSP's target range of 2 - 4%. We are also expecting the Fed to resume rate cuts (our house view looks for 75bps cut in 2025). Recent US CPI report suggests that US inflation did not accelerate in a meaningful way (i.e. tariff impact may be more contained than expected). 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. Overall, Fed resuming cut and a broadly softer USD can help to bring USDPHP lower. Spot last at 56.74 levels. Bearish momentum on daily chart intact while decline in RSI moderated. Support here at 56.60 (38.2% fibo retracement 2025 high to low, 100 DMA). Resistance at 56.82 (50 DMA), 57 (50% fibo). Expect some consolidation intra-day in 56.50 – 56.80 range.

- HKD rates.** Overnight/early this morning, there was another round of FX intervention where HKMA bought HKD3.376bn worth of HKD. FX intervention at weak side Convertibility Undertaking since late June amounted to HKD120bn, reversing almost all of the HKD129.4bn of liquidity injected in May. Aggregate Balance (interbank HKD liquidity) will fall to HKD53.7bn, 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. Investors have turned more cautious towards swaps, with HKD-USD rates spreads edging higher over recent days, in line with our upward bias.



Source: Bloomberg, OCBC Research

- SGD rates.** SGD OIS fell further over recent days, with the 2Y SGD OIS dipping below 1.30% this morning. With S\$NEER staying near the top end of the band, and before additional bill issuances that mop up liquidity, SGD liquidity may stay flush. The forward curve traded heavy as well. Today's 6M T-bill cut-off may fall to around 1.60% level, as the 6M implied rate has fallen by around 17bps since the last 6M T-bill auction on 31 July. Asset swap pick-up at SGS has improved after the recent swap outperformances against SGS and the mildly lower SGS basis curve. Pick-up was last at around SOFR+32bps at 2Y SGS, around SOFR+45bps at 10Y SGS and around SOFR66bps at 20Y SGS (10Y hedge). While the pick-up is similar to or a tad narrower than that at USTs, SGS remains appealing to foreign investors who look to diversify their portfolios and after all, Singapore is AAA-rated.



Source: Bloomberg, OCBC Research



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