

Daily Market Outlook

14 July 2025

Trump Tariffs Weigh on Sentiments

- **USD rates.** UST curve bearish steepened on Friday, and cash bonds extended falls upon further tariff headlines over the weekend. USTs underperformed Bunds and Gilts, while reaction in ACGBs this morning appears muted, probably because of the different implications of tariff on inflation perceived for the US versus the rest of the world. Investors have stayed cautious ahead of Tuesday's US June CPI print, waiting to see if there is any tariff passthrough, when the base effect is already not favourable. Consensus looks for mild acceleration in CPI and core CPI inflation; given current market sentiment, in-line inflation prints may be enough to prevent market from getting more dovish, while any upside surprise may push yields to higher ranges. Upon UST sell-off on Friday, swap outperformed resulting in lower swap spreads at the long end. 10Y swap spread was last at -55bps and 30Y swap spreads was at -87bps. Upticks in 10Y yield was driven by both higher breakeven and higher real yield; 10Y yield has moved onto a higher range of 4.34-4.52%. Fed funds futures last priced around 51bps of cut with the chance for a 25bp cut by the September FOMC meeting seen at 70%.
- **DXY. Plenty of US Data This Week.** USD held on to mild gains, amid rise in UST yields and ahead of US CPI (Tue). Trump announced tariffs over the weekend – 30% on all imports from Mexico and the EU (wef. 1 Aug) somewhat weighed on risk proxies. US and European futures were down while Asian equities traded mixed this morning. Asian and high-beta FX were largely trading on the back foot with NZD, AUD, PHP and IDR leading losses while precious metals were firmer. DXY was last at 97.9 levels. Bullish momentum on daily chart intact but rise in RSI moderated. We continue to caution for the risk of mild USD rebound in the near term but look for opportunities on rally to fade into. US data this week – CPI (Tue); PPI (Wed); retail sales (Thu); Uni of Michigan sentiment (Fri) in focus. Any slippage in data may serve as a good entry point to fade this USD bounce. Overall, we still expect USD to trade weaker as USD diversification/ re-allocation trend, Fed cut cycle take centre-stage. US policy unpredictability, and concerns of about the rising trajectory of debt and deficits in the medium term should continue to underpin the broad (and likely, bumpy) decline in the USD.

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **EURUSD. More Downside if 21DMA Breaks.** EUR fell last week, in line with our caution for some “speed bumps” in the interim. Trump’s announcement of 30% tariff on all imports from EU over the weekend dampened European futures and EUR this morning. But the impact appears somewhat muted. This could be partially mitigated by France announcing plans to increase (from EUR32bn to EUR64bn) and expedite defence spending – double the military budget by 2027 (3 years earlier than initially planned) in response to geopolitical situation. PM Bayrou will provide more details on Tue. On tariffs, Ursula, president of the European commission said that EU remains ‘ready to continue working towards an agreement’ by the 1 Aug deadline. EU’s countermeasures (worth about \$24.5bn of imports from US) will be delayed until early Aug and leaders have also prepared a second list of countermeasures that is “by now agreed to”. EUR was last at 1.1680 levels. Bearish momentum on daily chart intact while RSI fell. Risks remain skewed to the downside for now. Next support at 1.1660 levels (21 DMA), 1.1620. If these levels break, then more downside may play out. Next big support at 1.1470 levels (50 DMA). Resistance at 1.1710, 1.1830 levels. Overall, tariff concerns and comments from ECB officials (on pace of EUR gains) may slow EUR’s appreciation but overall, the constructive outlook remains intact.
- **USDSGD. Consolidation.** USDSGD was a touch firmer, tracking the broad rise in USD. Pair was last at 1.2810 levels. Daily momentum is mild bullish while RSI rose. Consolidation likely. Resistance at 1.2860 (50 DMA), 1.2910 levels. Support at 1.28, 1.2750 levels. US CPI data tomorrow may influence USDSGD. S\$NEER was stable near upper bound; last at ~1.93% above our model-implied mid. From a trade weighted point of view, there may be limited room for SGD to appreciate against trade peers, like KRW and TWD, EUR.
- **CNY rates.** Reverse repo maturity is light this week, at CNY425.7bn (including today’s); PBoC net injected CNY119.7bn via daily OMOs this morning. MLF maturity is on the low side, at CNY100bn tomorrow followed by another CNY200bn later in the month; still, market watch as to whether there will be another net MLF injections later in the month. Liquidity tightness may arise from tax payments and NCD rollover needs. 12M AAA NCD rate appears to be floored at around 1.6% level. Repo-IRS and CGB yields have been trading in ranges, failing to break lower probably constrained by the 1.4% OMO reverse repo rates, while investors hold hope for some additional stimulus in the property sector. In offshore, front-end CNH rates have stayed anchored. Southbound Stock Connect flows recovered to HKD80bn in June versus the HKD46bn in May, although that was still below the volumes in earlier months. Month to date (as of 11 July) inflows amounted to HKD35bn. Prospect remains for inflows to come to the HKD market through the various Connect programs, adding to CNH liquidity. This week’s date

releases include China exports-imports trade, aggregate financing and new yuan loans.



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!