

Daily Market Outlook

16 June 2025

Central Bank Week

- **USD rates.** USTs weakened on Friday, paring some of the gains attained earlier last week, probably as investors paid more attention on the implications of higher oil prices. At this week's **FOMC** meeting, the Committee is to update their GDP forecasts, inflation forecasts and the dot plot (Summary of Economic Projections, SEP). On the economy, FOMC officials have thus far refrained from putting details on their thoughts on potential impact of tariff, only highlighting the uncertainty in the outlook. At the June SEP, they nevertheless have to put some numbers – median and central tendency – which presumably incorporate the impact of trade development since the March FOMC. 2025 GDP forecast was last at 1.7% at March SEP, versus OCBC house view of 1.3%. On the dot plot, market watch as to whether the median dot will move up, to indicate one cut instead of two cuts. Our view remains that the trigger for the next rate cut is likely (further loosening in) the labour market. Fed funds futures last price 49bps of cuts for this year, with the chance of a 25bp cut by September FOMC meeting seen at 81%.
- **DXY. Rangebound.** USD remains a touch firmer amid geopolitical escalation between Israel and Iran. This morning, Bloomberg headlines stated that Iran's new Israel strike was "more crushing" than before. While USD rebounded last Fri, the constrained price action suggests it has yet to fully reclaim its safe haven status. Geopolitical risks—especially renewed tensions between Israel and Iran—may keep risk sentiment fragile. As such, high-beta FX such as AUD and NZD may trade on the back foot if tensions continue to rise. That said, de-escalation would likely weigh on the dollar and bring support back to risk proxies. Focus this week is on FOMC (Thu 2am SGT). Status quo likely, but all eyes are on the dot plot and the press conference. Markets look for 2 cuts by year-end. If the Fed signals just one cut (last dot plot looks for 2 cut) or pushes back easing expectations, then USD could get another lift, but anything less hawkish/more dovish could trigger USD selling. DXY was last at 98.20 levels. Daily momentum is mild bearish bias while RSI shows signs of rising from near oversold conditions. Resistance at 99.20 (21 DMA), 99.70 levels (50 DMA). Support at 97.60 (recent low). Day ahead bring empire manufacturing data.

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

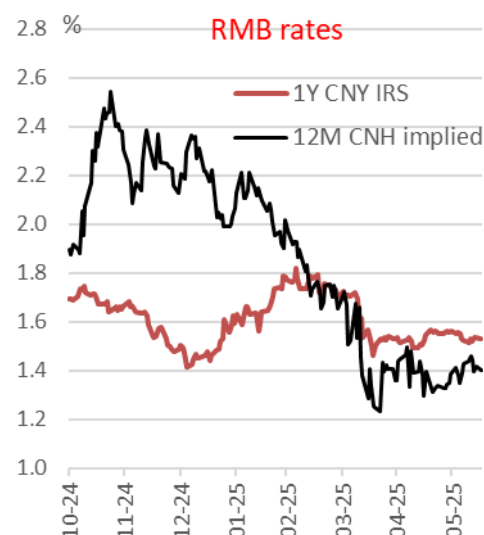
Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- JPY rates.** BoJ is widely expected to stay put on policy rate on Tuesday. Focus is on the interim review of its JGB purchase plan. According to the plan set out in July 2024, BoJ's monthly JGB purchase is on a step-down schedule by the quarter; Apr-Jun 2025 monthly purchases are set at JPY4.1trn (April actual was JPY3.95trn and May was JPY4.00trn), to be reduced to JPY3.7trn/3.3trn/2.9trn over the next three quarters. Our base-case is for BoJ to stick with this plan, with some shifts in allocation of reductions by remaining maturity. That said, the central bank may also discuss JGB purchase plans beyond April 2026 and if they were to slow the pace of JGB purchase reduction, they might make up for it during the months from April 2026 onwards. Separately, MoF is meeting with primary dealers this Friday to gauge bond demand; expectation is for some further tweaks (reduction) in the auction size of 40Y JGBs; the slack is likely to be taken up via bigger sizes at 2Y and/or 5Y auctions — this appears actionable given there are six 40Y bond auctions in FY2025 while there are twelve auctions each for 2Y and 5Y JGBs.
- USDJPY. *BoJ Next.*** Geopolitical escalation in Middle East saw safe haven proxies, including JPY strengthening last Fri. USDJPY touched a low of 142.80 before rebounding. Surge in oil prices saw UST yields rising, leading to USDJPY's rebound. BoJ MPC on Tue may complicate JPY's safe haven story. Governor Ueda's recent comments that BoJ is still some distance from 2% goal gave the impression that the timing of next hike may be pushed back. Although the timing of BoJ policy normalisation may be deferred, policy normalisation is not derailed. Broadening price pressure and wage growth suggest that BoJ's next course of action remains a hike but in the interim, BoJ may prefer to stay on hold due to uncertainties on outlook and tariff. Nevertheless, we remain watchful for any surprise hawkish tone as that may pose downward pressure on the pair. USDJPY was last at 144.40 levels. Mild bullish momentum on daily chart intact while RSI rose. 2-way trades likely in the interim. Support at 144 (21, 50 DMAs), 142.50 levels. Resistance at 145.10, 145.50 levels.
- GBPUSD. *Pullback.*** GBP eased further as escalation in geopolitical tensions weighed on sentiments. Pair was last at 1.3540 levels. Daily momentum shows tentative signs of turning mild bearish while RSI fell. Pullback lower not ruled out in the near term. Support at 1.3510 (21 DMA), 1.3440 levels. Resistance at 1.3630 (overnight high). This week's focus on BoE (Thu). No change is expected, but weaker labour market report and downside surprise to growth already saw markets add to rate cut expectations later this year. Dovish tilt in MPC vote may see GBP extend recent pullback.
- USDTWD. *Renewed Selling.*** USDTWD saw another round of sell-off this morning, in line with USD sell-off against some Asian FX including KRW. While the USD did bounce on geopolitical tensions,

the magnitude of USD's jump was not convincing. Given there is demand for exporters/FIs to reduce USD exposure, market participants want to avoid missing out on selling USD. This led to USDTWD trading heavily this morning. There is a risk of a cycle in which fears of another sharp pace of TWD appreciation lead exporters/FIs to rush to reduce their USD holdings/exposure. This may further result in excessive TWD strength and volatility (that may not be desirable for policymakers). Spot was last at 29.57. Bullish momentum on daily chart shows tentative signs of fading while RSI fell further into oversold conditions. Bias skewed to the downside but cautious of snapback risk should geopolitical/macro conditions worsen. Support at 29.50, 29.20 levels. Resistance at 29.72, 29.94 (21 DMA). CBC MPC this Thu – we do not expect a move this round.

- USDSGD. Near Term Rebound.** USDSGD was a touch firmer amid geopolitical escalation in Middle East. Pair was last at 1.2830 levels. Mild bullish momentum faded while RSI shows signs of rising. Rebound likely in the near term. Resistance at 1.2870 (21 DMA), 1.3020 (76.4% fibo retracement of 2024 low to 2025 high). Support at 1.2760 levels (recent low). S\$NEER continued to strengthen slightly; last at ~1.92% above our model-implied mid. Geopolitical escalation saw demand for safe-haven proxies, and SGD benefited from a trade-weighted perspective.
- CNY rates.** PBoC conducted CNY400bn of outright reverse repos of tenor 182-day this morning; together with the CNY1trn of 91-day outright reverse repos conducted earlier, net injection amounts to CNY200bn given CNY1.2trn matured/matures in the month. This is in line with our expectation for PBoC to be supportive of liquidity. There are CNY2.3trn of NCDs maturing for the rest of the month. 12M AAA NCD rate was last at 1.67% versus 1Y implied CNY rate at 1.11%, still providing decent pick-up. Front-end funding rates stay anchored, with DR001 at 1.3850% and DR007 at 1.5191% this morning. In offshore, CNH points traded a tad lower this morning, on higher USD rates. 1Y implied CNH rate will likely stay below onshore 1Y repo-IRS before additional monetary easing upon which onshore rates may fall more. Southbound Stock Connect registered net-buy for 13 days in a row, although the daily amounts fluctuated.



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

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!