

Daily Market Outlook

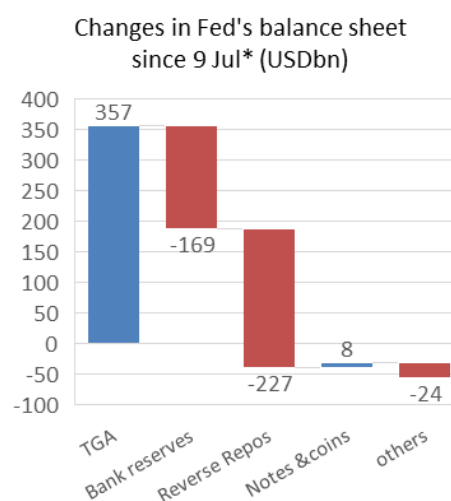
16 September 2025

Liquidity is another Focus

- USD rates.** UST yields edged lower overnight in the absence of major catalysts, as investors awaited FOMC decision. The Fed's Standing Repo Facility (SRF) was tapped at USD1.5bn on Monday, the highest since the Fed established SRF to serve as a backstop in money markets in July 2021. USD1.5bn is well within the aggregate operation limit of USD500bn of the facility, but as we highlighted in an earlier report, funding rates have been one of the focuses in the USD money market, as bank reserves have started to fall. US Treasury has been rebuilding its cash positions since early July. TGA balance was last at USD708bn as of 12 September, USD142bn away from quarter-end and year-end target of USD850bn. The increase in TGA balance has been matched with decreases in reverse repos and in bank reserves, in line with our expectations. From weekly data, bank reserves stood at USD3.16trn and reverse repos (all tenors) at USD383bn as of 10 September. We maintain the view that bank reserves are likely to stay above the USD3trn mark when US Treasury replenish cash position to target. While we see chance of persistent USD liquidity tightness as low, front-end funding rates may become a tad more sensitive as bank reserves move from abundant to above ample, when liquidity is unlikely to be evenly distributed among entities. There was coupon bond settlement of USD78bn on Monday which might have contributed to the slightly tighter liquidity condition. Tonight, there will be net bills paydown of USD50bn, followed by net bills settlement of USD11bn on Thursday. The bar appears high for a surprise at FOMC meeting that is dovish enough to lead to another leg of rally at short-end USTs, while 10Y UST yield at 4.00-4.15% appears fair to us.
- CNY rates.** PBoC stays supportive of liquidity, as demand is on the high side upon tax payments and NCD maturities. PBoC auctioned CNY600bn of 6M outright reverse repos on Monday, more than rolling over the maturity of CNY300bn of outright reverse repos of original maturity of 6M. Earlier in the month, PBoC fully rolled over CNY1trn of 3M outright reverse repos. Hence, there was net injection of CNY300bn of medium-term liquidity in the month. Later in the month, CNY300bn of MLF will mature, and we expect PBOC to roll it over. NCD maturities are still high at CNY850bn this week followed by CNY969bn next week, while interest from foreign investors has likely remained subdued. Asset swap pick-up at NCDs is narrow – e.g. 12M AAA NCD rate last at 1.68% versus 1Y implied CNY rate at 1.55%. In offshore, CNH rates

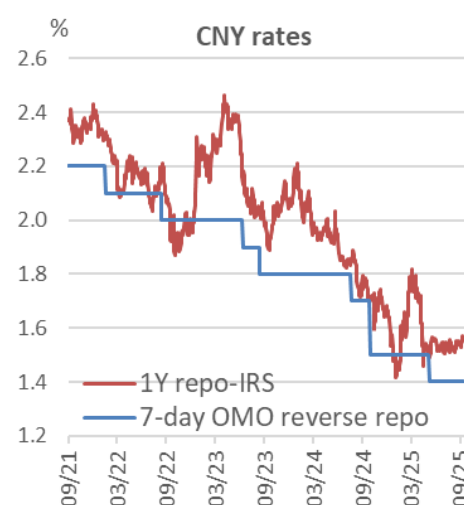
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Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

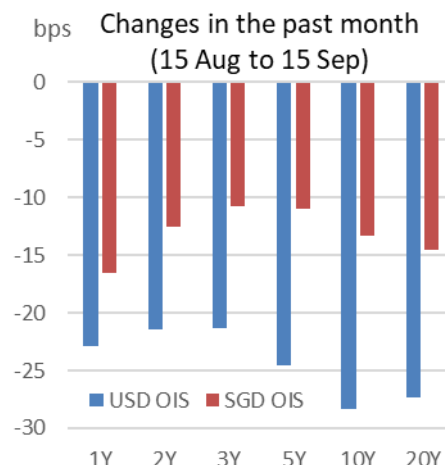
*as of 10 September



Source: Bloomberg, OCBC Research

mostly stayed anchored amid continued Southbound Stock Connect flows. Bet-buy under Southbound Stock Connect amounted to HKD108bn in the first half of the month (as of 15 September), near the HKD112bn attained in the whole of August. That said, downside to CNH rates is also limited as onshore short-end repo-IRS remain floored at 1.50% level for now, while there is no yield premium in CNH rates over CNY rates. On balance, we continue to expect 1Y CNH CCS to range at 1.45-1.55%.

- **SGD rates.** SGD OIS edged further lower over the past month at tenors 5Y and beyond, while front-end rates were steady. Over the past month, as USD rates slid, SGD rates underperformed by falling less, resulting in mildly less negative SGD-USD rates spreads. Still, SGD rates remain well below USD rates. We continue to see 2Y bond/swap spread (OIS – SGS yield) at below -20bps level providing relative value. There are auctions of 4W, 12W and 36W MAS bills today, with cut-offs likely coming in below 1.40% as implied SGD rates went lower compared to last week. The size of the reopening of 50Y Green SGS (Infra) will be announced on 22 September.



Source: Bloomberg, OCBC Research



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