Daily Market Outlook

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Precious Metals Shine

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- **DXY. *ISM Mfg Today.*** USD a touch firmer this morning in quiet trade as US markets were closed for Labour Day holiday yesterday. Focus this week shifts to ISM manufacturing (Tue); JOLTS job openings report (Wed); ADP employment, ISM services, initial jobless claims (Thu) and more importantly, NFP report (Fri). Softer data print may potentially change the narrative and weigh on USD. In particular, we will be on the lookout for any pick-up in discussion for a jumbo 50bp cut at Sep FOMC. DXY last at 97.80 levels. Mild bearish momentum on daily chart intact while RSI was flat. 2-way risks likely. Resistance at 98.00/20 levels (21, 50 DMAs), 98.70 (100 DMA) and 99.60 (23.6% fibo retracement of 2025 high to low). Support at 97.50, 97.10 levels. Data surprises (if any) this week should see reactive trades. On Fedspeaks, Musalem, Williams and Goolsbee are lined up this week before Fedspeaks go into a communication blackout on 6 Sep.

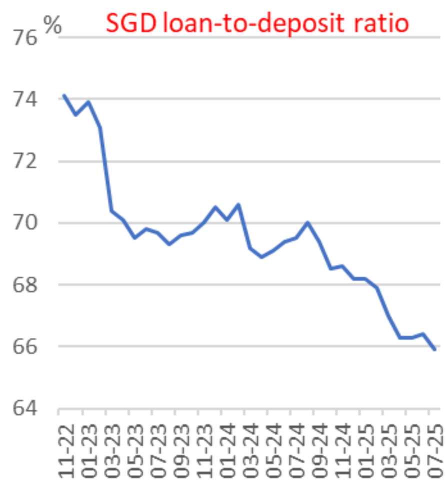
- **Gold. *Watch Price Action.*** Prices of precious metals - gold and silver pushed through recent highs on prospects of Fed cutting rates soon. Gold pushed above 3500 briefly this morning, before easing below. We would be watching how price action behaves given that the room above 3500 is uncharted. The last time when gold traded 3500 was during intra-day in Apr-2025. We would be keen to see if gold manages to make a daily close above that level as that could lend some momentum to gold. More broadly, we still look for gold prices to trend higher over time but expect the pace of gains to moderate vs. the sharp rally seen earlier this year. The drivers that had driven gold prices sharply higher, including geopolitics and tariff uncertainties have somewhat subsided a bit. Nevertheless, there is still risk of fresh geopolitical risks and policy uncertainties returning, and that would lend a kicker to gold. Gold last seen at 3494 levels. Bullish momentum on daily chart intact while RSI rose into overbought conditions. Watch price action. Immediate resistance at 3500/10 levels. Decisive close could point to further upside towards 3750, 3890 levels. Support at 3380 (21 DMA), 3355 (50 DMA).

- **EURUSD. *Political Risk Premium Misplaced?*** EUR slipped modestly but still traded near recent highs of 1.17 levels. FX markets have so far “ignored” the French political drama risk and we cautioned against complacency in the near term. The risk of a French government fallout and without a leader for weeks or even months should not be ruled out. Prediction market is looking for 96% chance that the confidence vote on 8 Sep fails. Recall last year, a no-confidence vote gamble (although not on budget) saw the exit of former PM Barnier. That said, we acknowledged that political risk may only have short term implication on EUR and broader fundamentals should still support EUR, on a buy on dips. Pair was last at 1.1697. Daily momentum is mild bullish, but RSI shows very tentative signs of it turning. 2-way trades likely. Resistance at 1.1750, 1.1830 levels (2025 high). Support at 1.1650/60 levels (21, 50 DMAs) and 1.1570 (23.6% fibo retracement of Mar low to Jul high).

- **USDCNH. *On the Rebound.*** USDCNH rebounded again this morning after USDCNY daily fix was set higher (at 7.1089 on Tue and 7.1072 on Mon vs. 7.1030 last Fri), snapping the 5-day streak of lower fixes. Pair was last at 7.1418. Bearish momentum on daily chart intact but shows tentative signs of moderation while RSI rose from oversold conditions. Inverted hammer observed on Friday's price pattern may point to bullish reversal in the short term. We continue to flag the risk of a short term rebound in USDCNH, given a relatively large decline (on a multi-week horizon). Resistance at 7.1460 (61.8% fibo retracement of 2024 low to 2025 high), 7.1720/40 levels (21, 50 DMAs) and 7.20 levels (100 DMA, 50% fibo). Support at 7.1160 (recent low), 7.11 levels.

- **USDSGD. *2-Way Risks.*** USDSGD firmed, tracking mild USD upticks this morning. But price action remains caught in very subdued range. Pair was last at 1.2850 levels. Daily momentum is flat while RSI rose. 2-way risks likely in the interim. Resistance at 1.29 levels. Support here at 1.2830 (50 DMA), 1.28 and 1.2760 levels. S$NEER eased slightly away from its upper bound; last seen around 1.84% above our model-implied midpoint. Nevertheless, this still implies limited room for SGD to strengthen unless its peers appreciate significantly. A stronger RMB and softer USD would be a recipe for SGD to appreciate more. But in the interim, the pair may well see 2-way trades as markets await US data releases, that may frame expectations for Fed easing cycle.

- **SGD rates**. Short-end SGD OIS were offered down 4bps thus far this morning, while SORA was fixed lower at 0.7261% yesterday reflecting very flush SGD liquidity. Other overnight rates were mostly below 1% as of writing. S$NEER staying near the top end of the band points to past and potential liquidity injections. Meanwhile, net bills issuances have probably not been enough to mop up the excess liquidity. And at the background, SGD loan-to-deposit ratio has stayed low, and edged further lower to 65.8% at end July. Instead of chasing short-end SGD OIS lower, we continue to focus on bond/swap spreads to capture the softening



Source: CEIC, OCBC Research

of SGD rates, being mindful of potential upward normalisation in swap rates given the volatile short-end rates. On the curve, 2Y bond/swap spread, and to a lesser extent 5Y bond/swap spread, exhibit relative value compared to other tenors vis-à-vis historical levels. 2Y bond/swap spread (SGD OIS – SGS yield) was last at -26bps, slightly below 1-year average; 5Y bond/swap spread was last at -13bps, only mildly above 1-year average. On the other hand, bond/swap spreads at longer tenors were further above their 1-year averages, and were also higher than 2Y or 5Y spreads. Asset swap pick-up remains wider further out the curve thanks to the inverted SGD basis curve; last at around SOFR+30bps at 2Y SGS, around SOFR+32bps at 5Y SGS, around SOFR+40bps at 10Y SGS, and around SOFR+50bps at 20Y SGS (10Y hedge).

- **HKD rates**. HIBOR fixings showed some stabilisation over the past two days, after the cumulative increases since mid-August which overshot our already hawkish forecasts. The rapid upward adjustment in HIBORs may be mostly done, but HKD liquidity will probably stay tight this month amid dividend payments, the silver bond offering, and potential equity inflows. Nevertheless, given that HKD rates have normalised upward, there is room for HKD rates to respond to some extent to Fed funds rate cuts going forward. HKMA Discount Window was tapped at HKD1.4bn on Monday, when o/n HIBOR was fixed 64bps higher at 4.65% that day. As Aggregate Balance has already fallen back to HKD53bn level, liquidity demand from a limited number of participants would be enough to move o/n rate. On balance, we expect the benchmark 3M HIBOR to settle at around the 3% level.

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