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GLOBAL MARKETS RESEARCH

Daily Market Outlook

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US Payrolls Data in Focus ahead of US Holidays

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Global Markets Research and Strategy

- **DXY. *Eyes on Payrolls, ISM Services*.** USD traded mixed overnight, with losses seen vs. TWD, THB and precious metals but traded largely firmer against most currencies including GBP, AUD, NZD and MYR. Chatters of markets adjusting their positions ahead of US payrolls data tonight and the long weekend (US markets closed for Independence Day holiday on Fri). The One Big Beautiful Bill Act (OBBBA) was returned to the House of Representatives, where it is being met with objections from certain GOP members, and Trump still intends to get it signed by 4 July. Overnight, Trump called for Fed chair Powell to 'resign immediately'. The big focus in the near term is US payrolls report tonight (830pm SGT). Consensus is looking for NFP to slow to 106k (vs. 139k prior), unemployment rate to pick up to 4.3% (vs. 4.2% prior) and hourly earnings to slow slightly to 0.3% m/m (vs. 0.4% prior). A softer print may weigh on USD, but an upside surprise print may see USD bounce ahead of 9th July trade truce deadline. Elsewhere, we also monitor initial jobless claims, ISM services data. DXY was last at 96.80 levels. Mild bearish momentum on daily chart intact but RSI shows tentative signs of turning around from near oversold conditions. Support at 96.40, 96.10 levels. Resistance at 97.50/60 levels, 98.10 (21 DMA). Technically, we caution that the decline in the USD may see a slower speed or even pause in the interim. But more broadly over the medium term, we continue to expect USD to trade weaker as USD diversification/ re-allocation trend takes centre-stage while Fed cut cycle potentially comes into focus in 2H 2025. US policy unpredictability, and concerns of about the rising trajectory of debt and deficits in the medium term should continue to undermine sentiments and confidence in the USD. Note that US markets are closed tomorrow for holidays.

- **EURUSD. *Near Term Consolidation.*** EUR gains slowed overnight, in line with our caution. Technical readings and comments from ECB officials earlier likely marked the first hint of concern or slight discomfort around the EUR's pace of appreciation (though the level is not the concern). We noted that several ECB officials made remarks on currency this week. ECB Vice President Guindos said that a rise in the euro beyond $1.20 could make things "much more complicated", though he sees current levels as no cause for concern. ECB's Simkus also commented that the speed at which the

EUR Long Position at 1 ½ Year High

Source: Bloomberg, OCBC Research

EUR is rising is something the ECB must monitor particularly carefully. That said, there are also ECB officials who do not seem overly concerned. ECB's Centeno said, "we need to think about the current exchange rate as reflecting the strength of the euro, what's going on globally," He also said "we're also pushing a lot to increase the international role of the euro debt. It will bring more investors to Europe. It will increase interest in the euro so that's good". Muller signalled he is less concerned about the latest movements in EUR while Nagel said that EUR has averaged 1.1829 since it was introduced in 1999 … and policymakers "are taking into account all the factors that are leading to higher and lower inflation and this is the relevant way we should see it." Our constructive outlook on EUR remains intact though we see risks of slower pace of appreciation in the interim due to event risks – recent ECB comments may imply an implicit cap, 9th July truce deadline and from a positioning point of view (where EUR is stretched). Bias remains to buy dips. EUR was last at 1.18 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI shows signs of turning lower from overbought conditions. Next resistance at 1.1820 levels, before 1.1920 levels. Support at 1.1630, 1.1550 (21 DMA). We continue to caution for slower pace of gains or even some consolidation in the interim.

- **GBPUSD. *Corrective Pullback Underway.*** GBP fell, alongside Gilts on signs of division within Labour party. A total of 49 rebel Labour MPs voted against the second reading of the Welfare Reform Bill – basically to scrap the cuts to welfare spending. To avoid defeat of the bill, PM Starmer was forced to do a U-turn, saying it would not change personal independence payment (Pip) rules until it had time to consider the review's conclusions. This puts pressure on Chancellor Reeves' spending plans, as potential savings of around £5bn will now be delayed or lost entirely. There was also rumour that Reeves may lose her job as Chancellor though PM Starmer later told BBC that Reeves would remain in the job for "a very long time to come". GBP was last at 1.3630 levels. Bullish momentum on daily chart is fading while RSI fell. Risks remain somewhat skewed to the downside though we noted that a large part of the corrective move has taken place (in line with our caution from FX Weekly). Next support at 1.3580 (21 DMA), 1.3470 (50 DMA). Resistance at 1.3690, 1.3750 levels.

- **USDSGD. *Technical Rebound Risk.*** USDSGD saw a mild rebound off its recent lows but moves remain fairly subdued. Last at 1.2730 levels. Daily momentum turned flat while RSI rose modestly from near oversold conditions. We reiterate that we may see some slowdown in the pace of USD decline against SGD or even a case of technical rebound. Support at 1.2710, 1.2650 levels. Resistance at 1.2780, 1.2820 levels (21 DMA), 1.2930 (50 DMA). US payrolls tonight may influence USDSGD. S$NEER eased slightly near upper bound; last at ~1.94% 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.

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