

## Daily Market Outlook

30 April 2025

### Weak US consumer confidence and JOLTS job openings

- USD rates.** USTs rallied across the curve in a parallel manner, as JOLTS data printed weak while Conference Board consumer confidence fell. March JOLTS job openings printed 7192K, down by 288K from the downwardly revised 7480K in February. Fewer job openings were most seen in transport and utilities, education and health services, and government. Jobs opening rate unexpectedly edged lower to 4.3% matching the September low. Separately, Conference Board consumer confidence fell by more than expected, to 86.0; consumer confidence expectations fell to 54.4, lowest since October 2011. Fed funds futures added to rate cut expectation, pricing a total of 97bps of cuts this year. At the longer end, the downward move in 10Y UST yield since 21 April was entirely driven by lower 10Y real yield (behind which the term premium), while 10Y breakeven was little changed. Real yield is likely to remain as the main driver for 10Y UST yield movements, as long-term inflation expectation may stay in a range with 2.1-2.3% looking fair. Near-term range for 10Y UST yield is seen at 4.06-4.34%, while our quarter-end forecast stays at 4.05%. For long-end yields to go lower, the growth impact of tariffs will need to resonate more among investors, together with some further easing in concerns over fiscal positions (on a multi-quarter horizon).
- AUD rates.** Bank Bills futures fell (implied rates edged higher), mildly paring back rate cut expectations upon CPI releases. Q1 CPI trimmed mean accelerated more than expected, to 0.7% QoQ. March headline CPI stayed at 2.4% YoY against expectation for an easing to 2.2%; March CPI trimmed mean stayed at 2.7% YoY. We expect additional 50bps of cuts for the rest of this year, given a more subdued growth outlook amid uncertain impact of tariffs. According to RBA minutes, “members observed that the May meeting would be an opportune time to revisit monetary policy setting” with additional information. We believe additional information has thus far added to the chance that the RBA will deliver another rate cut as soon as at the May meeting. Markets still price an aggressive 119bps of cuts by year end, which appear overly dovish to us. Nevertheless, the residual chance of a bigger single rate cut at May meeting, which has been expected by a minority, is likely to fade.

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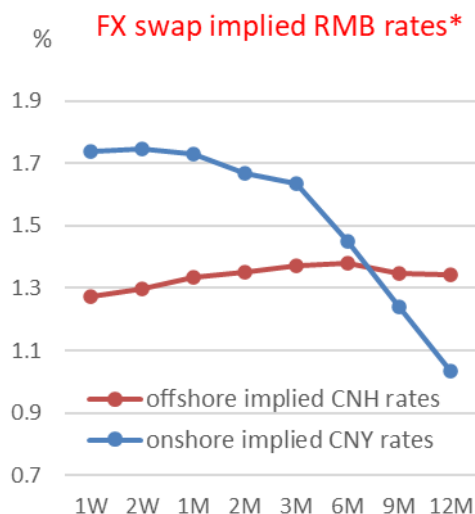
Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

- CNY rates.** PBoC net injected CNY422.8bn via daily OMOs this morning, in line with our expectations for continued liquidity injections before the holidays. Repo-IRS traded on the firm side while CGB yields were a tad higher as investors probably choose to stay on the sidelines. Meanwhile, the weak PMI prints may add to expectations for continued/additional fiscal and monetary policy support. PMIs printed softer than expected; April official manufacturing PMIs dipped below the 50-threshold to print 49.0, while non-manufacturing PMI was also lower to 50.4 versus 50.8 prior. Separately, April Caixin Manufacturing PMI fell to a better-than-expected 50.4 versus 51.2 prior. In offshore, front-end implied CNH rates have stayed at low levels but higher than recent lows; we remain of the view that further downside to front-end CNH rates is limited. With upcoming onshore holidays, there will also be a lack of Southbound Stock Connect flows in the interim.

- MYR rates.** This morning, MGS traded with limited price action thus far, failing to track UST rally, probably upon profit-taking flows especially after the recent bond outperformances against swaps. Result of Tuesday's 10Y MGII auction was fair, at a bid/cover ratio of 1.995x – higher than the 1.67x bid/cover at March's 10Y MGS sales but not as high as 3.00x plus at some other auctions. Cut-off was at 3.625% while average yield was 3.612%, meaning the spread between the two was greater than 1bp versus the usual <1bp. Overall, yields were near the high end of but still within expected range and in line with WI level. At current bond/swap spreads levels, room for short-end MGS to outperform may be more limited, while the spreads still look supportive of long-end MGS.



Source: Bloomberg, OCBC Research

\*30 April 2025



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