

Daily Market Outlook

4 September 2025

Labour market softness

- **USD rates.** UST yields fell across the curve upon the weak JOLTS job report. Separately, the Fed Beige Book continued to show the dilemma the FOMC face with their dual mandate but somewhat skewed to softness in the labour market. Fed funds futures now fully price a 25bp cut at the September FOMC meeting which is also our base case. July JOLTS job openings fell by more than expected to 7181K, while layoff rose to 1808K and June's layoff level was revised upward. The biggest decline in job openings was in the sector of education & health services, followed by professional & business services, leisure & hospitality, and the government. The September issue of Fed Beige Book, with information collected on or before 25 August, said "seven Districts noted that firms were hesitant to hire workers because of weaker demand or uncertainty. Moreover, contacts in two Districts reported an increase in layoffs". Regarding prices, "nearly all Districts noted tariff-related price increases...especially impactful on the prices of inputs". It is a matter as to whether firms can pass the cost onto customers and on this, "while some firms reported passing through their entire cost increases to customers, some firms in nearly all Districts described at least some hesitancy in raising prices, citing customer price sensitivity, lack of pricing, power, and fear of losing business." With more signs underlining our view that the US labour market is loosening and Fed funds rate is overly restrictive, the remaining obstacle for the resumption of rate cuts is inflation. 10Y yield fell to 4.213%, nearing the lower end of the recent range of 4.20-4.33% while our quarter-end expectation stays at 4.10%.
- **DXY. ISM Services, ADP Employment Today.** USD slipped overnight after rising the session before. Price action remains largely range-bound as markets are still waiting for more evidence - NFP data (Fri), PPI, BLS prelim benchmark revision to establishment survey (next Wed) and CPI (next Thu), in the lead-up to next FOMC. Overnight, JOLTS openings fell to 7.18mio in Jul - lowest in 10 months and this is also below the number of unemployed workers for the first time since Apr 2021. The report also indicated layoffs rose to 1.81mio in Jul, from an upward revised print of 1.8mio in Jun. These add to evidence that the labour market is softening. Data focus for the week remaining is on ADP employment, ISM services, initial jobless claims (Thu) and more importantly, NFP report (Fri). Consensus looks for a 75k print (below 6m average of

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

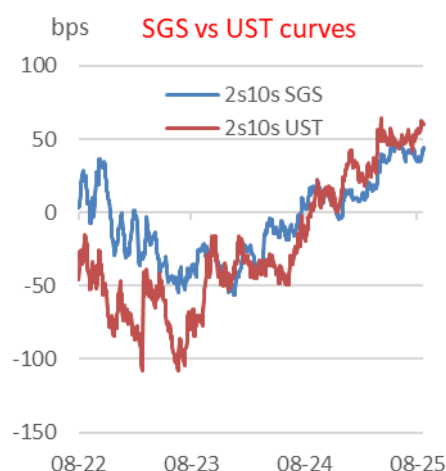
Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

81k) for NFP. Much softer-than-expected data print may potentially change the rate cut narrative and weigh on USD. In particular, we will be on the lookout for any pick-up in speculation for a jumbo 50bp cut at Sep FOMC. DXY last at 98.40 levels. Daily momentum turned mild bullish while the rise in RSI moderated. 2-way risks likely. Resistance at 98.70 (100 DMA) and 99.60 (23.6% fibo retracement of 2025 high to low). Support at 98.00/20 levels (21, 50 DMAs), 97.50 and 97.10 levels. On Fedspeaks, Williams and Goolsbee are lined up tonight before Fedspeaks go into a communication blackout on 6 Sep.

- USDJPY. Political Risks.** Focus on 8 Sep as LDP members submit responses to decide if the party presidential election should be brought forward. Earlier, 4 LDP members including Secretary-General Hiroshi Moriyama indicated their intention to step down after the election review report was presented. Report had indicated nine factors on why voters are not supporting the LDP. This included the loss of trust brought on by money scandals, measures to deal with higher CPI, etc. It remains unclear if PM Ishiba will resign and if any new leadership will bring about any positive change. The risk of an earlier LDP election may temporarily undermine the JPY and it is likely political-driven JPY depreciation reverses when the domestic house is in order. USDJPY rose sharply to 149.14 yesterday before easing lower. Last at 148 levels. Daily momentum and RSI indicators are not showing a clear bias for now. 2-way risks ahead. Bias to lean against strength. Resistance at 148.80 (200 DMA), 149.20 levels. Support at 147.20 (50 DMA), 146.70 (38.2% fibo retracement of Apr low to Aug high).
- EURUSD. Watching Out for French Vote.** EUR saw a modest rebound overnight, following the larger pullback seen the session before. Apart from the moves in USD, the focus is squarely on French politics in the near term. Prediction market is looking for 97% chance that the confidence vote on 8 Sep fails and PM Bayrou will be out as French PM by 31 Dec. Recall last year, a no-confidence vote gamble (although not on budget) saw the exit of former PM Barnier. The risk of a French government fallout and without a leader for weeks or even months should not be ruled out. To add, Dutch holds General Elections on 29 Oct. These political noises may have short term bearish implication on EUR. Nevertheless, broader fundamentals should still support EUR, on a buy on dips. Pair was last at 1.1655. Daily momentum and RSI indicators are showing a clear bias. 2-way trades still likely. Resistance here at 1.1655/65 levels (21, 50 DMAs), 1.1750, 1.1830 levels (2025 high). Support at 1.1620, 1.1570 (23.6% fibo retracement of Mar low to Jul high).

- USDSGD. 2-Way Risks.** SGD strength has started to fade a bit more than slightly, with S\$NEER easing away from its upper bound this week. Last seen around 1.69% above our model-implied midpoint. The MAS survey of professional forecasters published recently also noted that 42% of respondents anticipated MAS to ease policy in Oct. This is an increase from about 17% respondents seen in the Jun survey results. USDSGD continued to trade near recent highs. Pair was last at 1.2880 levels. Daily momentum is mild bullish while the rise in RSI moderated. Range-bound trade still likely. Resistance at 1.2920, 1.2950 levels. Support at 1.2830 (50 DMA), 1.28 and 1.2760 levels.
- SGD rates.** Various overnight SGD rates rose notably on Wednesday, with SORA fixed higher at 1.4808% versus 0.9315% on Tuesday. SGD OIS opened steady at the short-end, and 3-4bps lower at the mid to long end this morning, underperforming USD OIS thus far. SGD liquidity stays in the system before more MMOs that mop up the liquidity. For one, net MAS bills issuances continue to be on the low side, with outstanding MAS bills having increased by a modest SGD1.3bn during August. Still, we caution against extrapolating the downtrend in SGD interest rates, in view of the volatile nature of the liquidity situation and hence front-end SGD rates. Instead, we have focused on bond/swap spreads; 2Y bond/swap spread (SGD OIS – SGS yield) was last at -25bps which was a tad below 1-year average, and lower than bond/swap spreads at other tenors. On the SGS curve itself, 10Y SGS exhibits some relative value, as the SGS curve has steepened alongside the UST curve in the absence of fiscal concerns domestically. For foreign investors, asset swap pick-up was last at around SOFR+30bps at 2Y and 5Y SGS, at around SOFR+40bps at 10Y SGS, which appear decent.



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!