

Daily Market Outlook

5 August 2025

Subdued Trading

- **USD rates.** USTs traded in ranges on Monday after Friday's rally, with yields ending the day a tad lower. Daly, who is a non-voter and will become one only in 2027, commented that she "can't wait forever" in terms of cutting rates; while she sees two 25bp cuts as an appropriate amount and the Fed can cut fewer or more, she thinks "the more likely thing is that we might have to do more than two". Daly also noted that there is "evidence after piece of evidence" that the labour market is softening, and there is "no evidence tariffs seeping into inflation". While Daly is not a voting member until 2027, she represents one of the dots on the Fed's dot plot and is involved in the decision-making discussion. At the June dot plot, there were two dots looking for three cuts, and as such her dovish comments still reflect some shifts in the opinions among the Committee. Fed funds futures added mildly to rate cut expectation for this year to 63bps, while short-end USTs were little changed given that a fair bit of dovishness is already in the price. 10Y UST yield is approaching our year-end expectation of 4.10% with the next resistance (for the bond) at 4.06%. There are coupon auctions of 3Y, 10Y and 30Y tenors tonight, which will be a test to market demand at current levels after the recent richening in the bonds.
- **DXY. Range-Bound.** USD traded subdued overnight as markets await data and Fedspeaks this week. Soft labour market report has already swung the probability of Fed cut in Sep to 95% (vs. 40% as of 31 Jul). DXY was last at 98.74. Bullish momentum on daily chart shows signs of fading but decline in RSI moderated. Some consolidation expected in the interim. Support at 98.30 (21, 50 DMAs), 97.20 levels. Resistance at 100 (100 DMA), 100.50 levels. Focus this week on ISM services data (Tue); initial jobless claims (Thu) and Fedspeaks.
- **CHFJPY. Sell on Rallies.** CHFJPY fell sharply from above 185-levels last Fri to trade a low of 182.70 low this morning. The triggers were downside surprise to US payrolls, which saw JPY strengthened while the unexpectedly high 39% tariff rate on Swiss imports to US weighed on CHF. The divergence saw the cross fell sharply. Swiss government has indicated that it will pursue discussions with US, if necessary, beyond the 7 Aug deadline. Potentially, lawmakers are looking at options including the purchase of US LNG or further

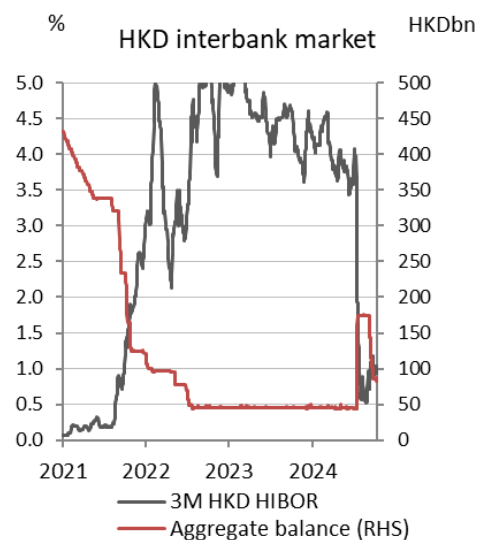
Frances Cheung, CFA
FX and Rates Strategy
FrancesCheung@ocbc.com

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

investments by Swiss companies in the US. US is one of Switzerland's top export markets for chocolates, watches, pharmaceuticals and Swiss is the 6th largest investor in US. Should the tariff go into effect, Swiss economic growth may be impacted, and inflation may ease, leading to higher likelihood of SNB lowering the rate into negative (SNB policy rate is already at zero). Cross was last at 181.90 levels. Bearish momentum on daily chart intact while RSI fell. Support at 181.30 (23.6% fibo retracement of 2025 low to high), 180.80 (50 DMA) and 178.30 (38.2% fibo). Resistance at 183.20, 184.40 (21 DMA). We look for opportunities on rally to fade into. The 12% run-up this year may also provide an opportunity to enter short, from a risk-reward perspective. SNB-BoJ policy divergence play could return, and this can underpin the direction of travel to the downside.

- USDJPY. Bias to Sell Rally.** USDJPY consolidated, after trading sharply lower post-NFP. Carry trade allure is now reduced as softer US data builds the case for Fed to resume rate cut cycle soon while BoJ is likely to continue to hike rate in due course. To some extent, political uncertainty (referring to PM Ishiba's political career/ LDP leadership) and credit rating concerns (dependent on fiscal health) can be supportive of the pair, but "sell USD" momentum and narrowing UST-JGB yield differentials can also counter. Pair was last at 147.10 levels. Daily momentum shows tentative signs of turning mild bearish though decline in RSI moderated. Near term consolidation; bias still to sell rallies. Support here at 147.10/40 levels (21 DMA, 38.2% fibo), 145.70/90 levels (50, 100 DMAs). Resistance at 149.40/50 levels (200 DMA, 50% fibo retracement of 2025 high to low), 151 levels (recent high).
- USDSGD. Consolidate.** USDSGD traded range-bound, in absence of fresh catalyst. Pair was last at 1.2880 levels. Bullish momentum on daily chart shows sign of fading but decline in RSI moderated. Support at 1.2830 (21, 50 DMAs), 1.2760 levels. Resistance at 1.30 (100 DMA). S\$NEER was steady at around +1.87% above our model-implied midpoint. This week bring SG retail sales (Fri). USDSGD is expected to take cues from USD, and other external/macro events.
- HKD rates.** After the recent clips of FX intervention, Aggregate Balance (interbank HKD liquidity) will fall to HKD72.5bn. FX intervention at weak-side convertibility undertaking totalled HKD97.5bn, versus the HKD129.4bn done at the strong side in May. While HIBORs were off the lows observed in June, they were not very responsive to liquidity drainage thus far. As Aggregate Balance falls to a lower level, nearer the tipping point which may be generally seen at around HKD50bn level, front-end HKD rates may soon become more responsive to additional liquidity drainage. T/N staying at around -9pips per day continues to encourage carry



Source: Bloomberg, OCBC Research

trades; further FX intervention cannot be ruled out until material increases in short-end HKD rates. We expect 3M HIBOR to normalise back to 2.0-2.5% area over time.

- **SGD rates.** SGD OIS edged lower week-on-week, underperforming USD rates which fell more. As a result, SGD-USD rates spreads turned slightly less negative. Today brings auctions of 4W, 12W and 36W MAS bills. Cut-offs at 4W and 12W MAS bills may come in a range of 1.70-1.75%, while cut-off at the 36W MAS bills may be at 1.60% or below. Further at the front-end, SGD rates have been volatile; overnight implied SGD rate traded at around 1.66% this morning. Before additional bills issuances, the liquidity stays in the system which may keep short-end SGD rates anchored. That said, instead of chasing 2Y OIS lower, we see the 2Y bond/swap spread as supportive of 2Y SGS. Bond/swap spreads were last at around -21ps at 2Y, -10bps at 5Y, -8bps at 10Y. Asset swap pick-up remains wider further out the curve, thanks to the inverted SGD basis curve. Asset swap pick-up was last at around SOFR+50bps at 15Y SGS and at 20Y SGS (10Y hedge), at around SOFR+40bps at 10Y SGS.



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!