Daily Market Outlook

6 August 2025

Holding Pattern

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **USD rates**. UST yields mostly went higher overnight which may be better seen as a correction after the recent bond rally. July ISM Services index came in soft in the headline and in the new orders and employment components, but prices paid component rose, underpinning the risk of stagflation. Hammack commented business are "coming to the point where their margins are getting squeezed and they need to start passing that onto consumers", after drawing down on inventories. Indeed, the risk to our expected Fed funds rate cuts is that a majority of the FOMC may stick with their wait-and-see approach; that said, if there are any further delays in rate cuts, chances are the Fed has to play catch-up later in the year or in 2026. Fed funds futures pricings were little changed overnight, at 58bps of cuts for this year and 72bps of cuts for 2026. The 3Y coupon bond auction result was fair with a bid/cover ratio at 2.53x; primary dealer took a slightly higher 17.9% versus 16.5% prior. There are 10Y and 30Y bond sales for the rest of the week, which will be a test to market demand at current levels after the recent richening in the bonds. Near-term range for 10Y UST yield is seen at 4.10-4.34%.

- **DXY. *Consolidation.*** USD consolidated near post-NFP lows. ISM services data flagged risk of stagflation in US economy – headline, new orders and employment underwhelmed while prices paid rose. Markets pricing for 25bp cut in Sep saw its probability slipped slightly under 90%, from 95% yesterday. Near term, there is a flux of risk events to watch including possible announcement of sectoral tariffs, appointments of BLS chief and new Fed nominee as well as any follow-up on the expiration of China trade truce next Tue. Overnight, Trump told CNBC that planned tariffs on pharmaceuticals imported into the US could start "small" but eventually rise to 150% "in a year to a year and a half maximum" and then to 250%. Last week, he sent letters to 17 drugmakers calling on them to commit to steps to lower US drug prices by 29 Sep. DXY was last at 98.80. 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 99.60 (100 DMA), 100.50 levels. No tier-1 US data tonight; Fed's Cook, Collins and Daly will speak later.

- **EURUSD**. ***Watch Price Action.*** EUR consolidated after the choppy move seen post-NFP. Pair was last at 1.1570 levels. Mild bearish momentum on daily chart intact while rise in RSI moderated somewhat. Range-bound trade likely. Resistance at 1.1630 (21 DMA), 1.1780 and 1.1830 (2025 high). EUR bulls need to clear these levels to see bullish momentum return more convincing. Otherwise, we may well see some consolidation trades into summer. Support at 1.1410 (38.2% fibo retracement of Mar low to Jul high), 1.1380 (100 DMA) and 1.1280 levels (50% fibo). Data release this week is relatively light with focus on services retail sales, German factory orders (today); German IP, trade (Thu).

- **AUDUSD. *Buy Dips.*** AUD continued to consolidate near recent lows. Softer 2Q CPI, PPI and decline in job advertisements paved the way for RBA to cut cash rate at the next meeting (12 Aug). For the year, cash rate futures point to about 65bps cut. Markets expecting further RBA cuts should weigh on AUD in the interim. Additionally, the month of Aug is seasonally bearish for AUD – average 0.84% decline over the last 10 months of August and AUD fell in 8 out of the last 10 months of Augusts. Pair was last at 0.6480 levels. Bearish momentum on daily chart intact while RSI rose. Bias to buy dips. Support at 0.6420/30 levels (100 DMA, 50% fibo retracement of 2024 high to 2025 low), 0.6380 (200 DMA) and 0.6310 (38.2% fibo). Resistance at 0.6510/20 levels (21, 50 DMAs), 0.66 levels.

- **USDJPY. *Bias to Sell Rally.*** USDJPY rebounded slightly overnight, but largely still in consolidation after the post-NFP move. Pair was last at 147.50 levels. Daily momentum is mild bearish while RSI is flat. Near term consolidation; but retain bias still to sell rallies. Resistance at 148 (21 DMA) 149.40/50 levels (200 DMA, 50% fibo retracement of 2025 high to low). Support here at 147.10 (38.2% fibo), 145.70/90 levels (50, 100 DMAs). Carry trade allure is now reduced as softer US data builds the case for Fed to resume rate cut cycle, though US stagflation risks may result in Fed delaying cycle while BoJ is likely to continue to hike rate in due course. Digital Minister Kono said that what we need is tight monetary policy to bring the JPY stronger. Last week, Niinami, chair of the Japan Association of Corporate Executives, told Bloomberg TV that the weak JPY is hurting households by driving up costs. "Every tariff issue will be settled and then I believe the BoJ must increase interest rates," 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. We look for opportunities on rally to fade into.

- **USDSGD. *Sideways.*** USDSGD continued to trade in subdued range, in absence of fresh catalyst. Pair was last at 1.2880 levels. Mild bullish momentum on daily chart intact while RSI was flat. Sideways trading likely Support at 1.2830/50 levels (21, 50 DMAs), 1.2760 levels. Resistance at 1.2990 (100 DMA). S$NEER was steady at around +1.89% above our model-implied midpoint. USDSGD is expected to take cues from USD, and other external/macro events.

- **USDTHB. *Consolidation.*** USDTHB consolidated this week, after the sharp decline last Fri, driven by the USD leg. US NFP disappointed to the downside, while ISM services data overnight suggests that stagflation economy should not be ruled out in US. USDTHB is likely caught in the crossfires of USD softness and domestic drags. BoT meeting next week (13 Aug) – our house view looks for an out-of-consensus cut premised on the risk of sharper growth slowdown and subdued inflation outlook. Typically, stagflation risk can favour gold prices, and with gold-THB correlation still significant, this can be another driver supportive on THB in the interim. USDTHB last seen at 32.40 levels. Mild bullish momentum on daily chart intact while RSI fell. Slight risks to the downside in the near term. But support at 32.30, 32.10 (recent low) should hold. Resistance at 32.55 (50 DMA), 32.82 (23.6% fibo retracement of Nov high to 2025 low).

- **IndoGB**. The sukuk auction on Tuesday garnered incoming bids of IDR43trn while IDR12trn of bonds were awarded representing an upsize against indicative target of IDR9trn. At current rate, gross issuances are on way to hit 122% of quarterly target. Domestic issuances, together with recent and upcoming international transactions, render the funding position comfortable. Upon the recent falls in US yields, IndoGB-UST yield differentials widened back to levels that are supportive of IndoGBs. Foreign holdings stood at IDR936trn or 14.6% of outstanding as of 4 August, after inflows of IDR2.1trn over the previous five days.

- **SGD rates**. 4W MAS bills and 12W MAS bills cut off at 1.73% and 1.70% respectively, within our expected range of 1.70-1.75%. The 36W MAS bills cut off at 1.63%, mildly higher than our expectation as the 9M implied SGD rate went higher running into the auction. Bid/cover at the 36W MAS bills was lower at 2.92x. Meanwhile, the overnight SGD rate stayed volatile, which fell to near 1.1% yesterday at one point, and last traded at above 1.9% this morning. 2Y SGD OIS remains as the lowest point on the SORA OIS curve. Instead of chasing 2Y OIS lower, we see the 2Y bond/swap spread as supportive of 2Y SGS. 2Y bond/swap spread offers some relative value compared to other tenors vis-à-vis historical levels, partly thanks to flush SGD liquidity conditions being priced in 2Y OIS. Bond/swap spreads were last at around -21ps at 2Y (similar to 1-year average), while bond/swap spreads at 5Y to 20Y tenors ranged -9bps to -6bps (above 1-year averages). Asset swap pick-up remains wider further out the curve, thanks to the inverted SGD basis curve; pick-up was last at around SOFR+50bps at 20Y SGS (10Y hedge), and at around SOFR+40bps at 10Y SGS. These pick-ups are narrower than the corresponding bond/swap spreads (absolute values) in the UST market, but we are of the view that investors may be willing to accept narrower pick-up for diversification purpose.

GLOBAL MARKETS RESEARCH

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@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

Co.Reg.no.: 193200032W