

Daily Market Outlook

8 September 2025

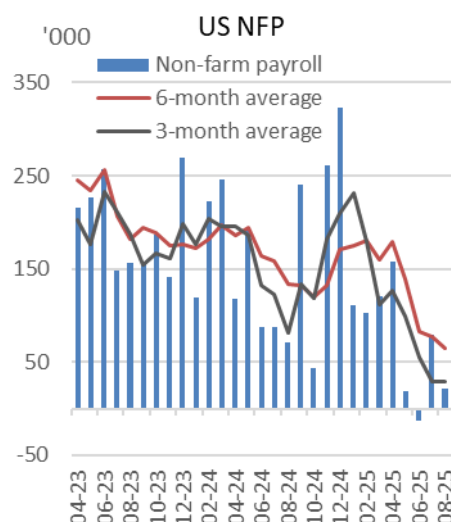
Weak payrolls; wait for inflation to give the green light

- USD rates.** UST yields slid and market added to rate cut expectations upon the payroll release. 2Y yield fell by 13bps at one point to an intra-day low of 3.46%; yields ended the day 5-8bps lower across the curve. Fed funds futures more than fully price a 25bp cut at the September FOMC meeting, and price a total of 69bps of cuts for this year. Our base-case remains for a total of 75bps of cuts this year, where we have pencilled in a 25bp cut at each of the remaining FOMC meetings. A continued cooling in the labour market justifies rates at a less restrictive level, but some FOMC members are waiting for inflation to give the green light. The fall in the 10Y UST yield was driven by lower real yield, rendering the curve little changed on the day, underlining our view that “the subdued growth outlook will probably constrain the steepening momentum across the 2s10s segment.” 10Y yield is now at our year-end target and near-term range is at 4.06-4.20%. Between now and end-2026, market prices a total of 146bps of cuts and the 2Y yield at 3.52% is roughly in line with such pricings; at current valuation, 2Y UST is prone to upside surprises in inflation prints – PPI on Wednesday and CPI on Thursday. Before these, there are also QCEW data for Q1-2025 and QCEW revisions for Q1 to Q4-2024 due on Tuesday. Back to the labour market data, August non-farm payroll was low at 22K while there were further revisions to previous months’ data which saw a fall of 13K in June payroll; three-month average of non-farm payroll was 29K. Meanwhile, the unemployment rate ticked up to 4.3% (versus 4.2% prior) and the underemployment rate rose to 8.1% (versus 7.9% prior) under the household survey.

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

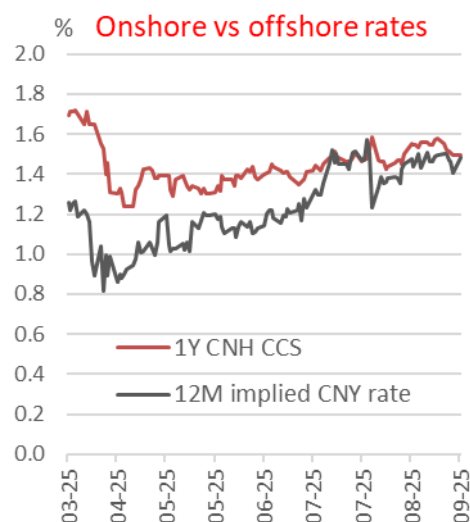


Source: Bloomberg, OCBC Research

- DXY. Bears to Watch Inflation Prints This Week.** USD fell as dismal US payrolls report adds to labour market woes in US. Some dovish repricing was observed with markets now more than fully pricing in a 25bp cut for Sep FOMC. This week, the focus turns to BLS prelim revision to payrolls on Tue; PPI on Wed and the CPI on Thur. Softer inflation print may be needed for markets to consider if a 50bp cut at Sep FOMC or a deeper Fed cut trajectory may be warranted. DXY was last at 97.90 levels. Daily momentum is not showing a clear bias while RSI fell. Risk skewed to the downside in the interim. Support at 97.50, 96.40 levels. Resistance at 98.70 (100 DMA) and 99.60 (23.6% fibo retracement of 2025 high to low). Fedspeaks are in blackout communication till FOMC (17 Sep).

- USDJPY. Political Risks vs USD Softness.** USDJPY gapped higher this morning, in response to weekend news that PM Ishiba said he will resign as LDP leader. The date for LDP party election race to look for the next LDP leader will be announced tomorrow and is likely to be held within weeks. A few names have been floated as potential contenders, and they include Sanae Takaichi - favours stimulus measures and was vocal against BoJ hiking rates; Shinjiro Koizumi - an agriculture minister and was responsible for bringing down rice prices; Yoshimasa Hayashi – chief cabinet secretary. Near term, political uncertainties in Japan may temporarily hinder BoJ from normalising policy at upcoming meetings and this can be one of the factors undermining JPY. But JPY weakness (due to politics) should reverse when uncertainty fades. Moreover, Fed cutting rate in due course should also help to bring USDJPY lower at some point amid Fed-BoJ policy divergence. Pair was last at 148.10 levels. Daily momentum is mild bullish while RSI rose. Near term risks skewed to the upside but retain bias to sell rallies. Resistance at 148.32 (23.6% fibo), 148.80 (200 DMA) and 149.30 levels. Support at 147.20 (50 DMA), 146.70 (38.2% fibo retracement of Apr low to Aug high) and 145.80 (100 DMA).
- EURUSD. French Vote Today.** EUR traded better bid amid USD softness as payrolls underwhelmed. A confidence vote on budget is expected today. Prediction market is looking for 99% chance that the confidence vote fails and PM Bayrou will be out as French PM by 31 Dec. Recall last year, a no-confidence vote 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. Unemployment rate near all-time low while inflation is well contained near 2%. Pair was last at 1.1710. Daily momentum is mild bullish while RSI rose. 2-way trades still likely. Resistance at 1.1750, 1.1830 levels (2025 high). Support at 1.1650/60 levels (21, 50 DMAs) and 1.1570 (23.6% fibo retracement of Mar low to Jul high). ECB meeting in focus (Thu). It is widely expected ECB will keep policy rate on hold as ECB is likely near end of rate cut cycle.
- USDSGD. Range-bound.** USDSGD traded lower post-NFP as USD fell. Pair was last at 1.2848. Bullish momentum faded somewhat while RSI was flat. Slight bias to the downside but likely still caught in recent range. Support at 1.2810/30 levels. Resistance at 1.2920, 1.2950 levels. Expect the pair to remain driven by moves in USD, JPY and RMB. There is no domestic data scheduled for release this week, apart from FX reserves (Mon). S\$NEER is about 1.73% above our model-implied mid.

- SGD rates.** SGD OIS opened little changed at the 1Y while 2Y to 10Y rates were down 1-2bps thus far. It is still early in the day, but front-end SGD OIS not falling as much as USD OIS is not surprising, given past massive outperformance in SGD rates, trigger for the latest falls in USD rates being idiosyncratic, and the volatile overnight SGD interest rate. O/n implied SGD rate traded lower at 1.63% this morning, versus 1.85% at Friday close and 1.56% at Thursday close. There are 4W and 12W MAS auctions tomorrow as usual. 1M and 3M implied SGD rates were trading at around 1.32% and 1.25% respectively this morning, which were 4bps higher and 5bps lower than the respective rates compared to last Tuesday. These point to a mild upside to 4W cut-off and downside to 12W cut-off, in the range of 1.40-1.50%. On SGS, 2Y bond/swap at around -25bps continues to be supportive of 2Y SGS.
- CNY rates.** PBoC net injected a small amount (CNY8.8bn) of liquidity via daily OMOs this morning. Focus this week and for the upcoming weeks is the provision of medium-term liquidity, given heavy NCD maturities and CGB supply. Last Friday, PBoC auctioned CNY1trn of 91-day outright reverse repo, which represented a rollover of the CNY1trn outright reverse repo of original maturity of 91-day. Later in the month, CNY300bn of outright reverse repo of original maturity of 182-day matures, while MLF maturity is at CNY300bn. We expect PBoC to stay supportive of liquidity. In offshore, CNH rates have stayed anchored, with the soft USD rates while CNH liquidity is supportive. There were net-buy under Southbound Stock Connect over the past six days. That said, further downside to CNH CCS may be limited, as these rates may be floored by onshore implied CNY rates, especially when offshore-onshore rate spreads have now narrowed. Near-term range for 1Y CNH CCS is seen at 1.45-1.55%.



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!