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Daily Market Outlook

9 June 2025

US-China Trade Talk In Focus

- **USD rates**. UST yields rose across the curve and ended Friday 10-12bps higher, as US labour market stayed resilient. Uptick in 10Y UST yield was mainly driven by higher real yield and rightly so as market responded to the data. Fed funds futures pared back rate cuts expectation to 45bps for this year with the chance of the next 25bp cut not fully priced until the October FOMC meeting. May non-farm payroll came in at 139K; the jobless rate stayed unchanged at 4.2% and underemployment rate was unchanged at 7.8%, while average hourly earnings accelerated to 0.4% MoM or 3.9% YoY. The next key release is May CPI where consensus is for a mild pick-up. This week brings auctions of USD58bn of 3Y, USD39bn of 10Y and USD22bn of 30Y coupon bonds; net bills paydown is at USD61bn. 10Y UST yield was last at 4.50%, and cash bonds showed some stabilisation at Asia open; range for 10Y yield is still seen at 4.34-4.52%.

- **DXY. *Sell-off Finds Breather for Now***. Better than expected US payrolls report last Fri and optimism over US-China talks (later today) supported equity risk sentiments in Asia today. On FX, the typical risk-on FX including AUD and NZD were better bid while AxJs traded mixed. The ~10% USD sell-off since the start of this year also showed some signs of tentative breather. In particular, XAUXAG cross fell sharply as US-China trade talks helped to partially reduce tariff uncertainty. DXY was last at 99 levels. Daily momentum and RSI indicators are not showing a clear indication. Support at 98.35, 97.90 (2025 low). Resistance at 99.80 (21 DMA), 100.20 (50 DMA). The more upbeat US payrolls report may potentially be a trigger for some USD short covering ahead of CPI, PPI reports (Wed, Thu, respectively) and FOMC event risk next week. Later today, US Treasury Secretary Scott Bessent, Commerce Secretary Howard Lutnick and US Trade rep Jamieson Greer will meet the Chinese delegation, led by Vice Premier He Lifeng for a second round of talks in London. Over the weekend, China approved some applications for rare-earth exports after Trump said that President Xi has agreed to restart the flow of minerals and magnets using the materials. It was also reported that Trump told Xi that Chinese students are welcome to study in the US. We continue to watch how developments pan out and if this round leads closer to a formalised agreement before the truce expires on 12 Aug.

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- **EURUSD. *Range-Bound.*** EUR was little changed, last at 1.1415 levels. Daily momentum is not showing a clear bias for now while RSI fell. Support at 1310 (21 DMA), 1.1235 (23.6% fibo retracement of 2025 low to high). Immediate resistance at 1.1420/30 levels before 1.15 levels. Last week ECB lowered rate by 25bps, as widely anticipated. But more importantly, Lagarde commented that the ECB is getting to the end of a monetary cycle "that was responding to compounded shocks, including COVID, the illegitimate war in Ukraine and the energy crisis". She also said that the ECB is now "in a good position" to deal with uncertainties ahead, not least due to US trade policies. Other ECB officials have also echoed similar views. Vujcic said that the ECB is nearly done while Stournaras said that the bar for more rate cuts is high. Our house view looks for 1 more cut this year, but this is already more than priced in. ECB signalling an "end is near" reinforced our earlier view that prospects of ECB cut cycle nearing its end and room for Fed to resume easing cycle in due course should see yield differentials narrow in favour of EUR.

- **USDSGD. *Consolidation.*** USDSGD traded a touch softer this morning, tracking upticks in JPY and EUR. Pair was last at 1.2870 levels. Daily momentum is mildly bullish but RSI eased. Consolidation likely for now, with the pair likely taking cues from external drivers. Resistance at 1.2920 (21 DMA), 1.3020 (76.4% fibo retracement of 2024 low to 2025 high). Support at 1.2850, 1.2790 (Sep 2024 low). S$NEER is at ~1.78% above our model-implied mid. With S$NEER trading near the upper bound of its band, we continue to see room for SGD to trade less strong against its trade peers (i.e. JPY, KRW), if tariff de-escalation momentum and softer USD trend continue to play out.

- **CNY rates**. Repo-IRS traded on the soft side this morning, as May PPI deflation deepened to 3.3% YoY in May, while CPI deflation stayed at 0.1% YoY. PBoC net injected CNY173.8bn of liquidity via daily OMOs this morning; there are CNY930.8bn of reverse repos maturing for the rest of the week; NCD maturity for the rest of the month amounted to CNY3.5trn. Front-end implied CNY rates edged lower and hovered around 1.6% level. We expect continued liquidity support where appropriate, which is likely to keep front end rates anchored. In offshore, implied CNH rates fell with the curve having dis-inverted reflecting flusher liquidity. There has been a return of Southbound Stock Connect flows – registered net-buy for eight days in a row. Offshore RMB at banks in Hong Kong went back to above the RMB1trn mark, standing at RMB1.03trn at end April, after dipping to RMB960bn at end March from RMB1.035trn at end February.

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