

Daily Market Outlook

1 October 2025

RBA nearing end cycle; Gold to fresh highs

- **USD rates.** USTs traded in ranges overnight, with short-end USTs supported arguably benefiting from some safe-haven flows amid the risk of government shutdown. Logan continued with her hawkish remarks, opining “there may be relatively little room to make additional rate cuts”, upon the combination of persistent inflation, resilient demand and modest labour market slack. Data-wise, JOLTs data beat market expectation by a small margin, while consumer confidence came in weaker than expected. In the scenario of a government shutdown, some key government departments – including the Fed, Treasury, Department of Defence and Department of Home Security - are said to keep running, but investors will probably not get timely labour market releases. During previous incidents of government shutdown, market impact was modest in the form of safe-haven flows, and reaction usually did not last. At the 10Y tenor, we continue to see breakeven in 2.3-2.4% range and real yield in 1.7-1.8% range.
- **AUD rates.** RBA kept OCR unchanged at 3.60% as widely expected. Bank bills futures fell (implied rates higher) as the statement and Bullock’s comments were seen as hawkish. The statement fell short of giving any hint of further easing and instead indicated that “inflation may be persistent in some areas”. Governor Bullock said policy is still “a bit” restrictive, but the board don’t know how restrictive it is; will look at rates meeting by meeting based on data; will decide in November whether to cut rates or hold. These signal that the RBA is nearing the end of the easing cycle. We maintain our view that there is likely only one final 25bp cut in the cycle. After the previous August MPB meeting, Cash Rate futures once priced additional 60bps of cuts for the rest of the cycle, but market has since pared back rate cut expectation to the latest additional 30bps of cuts (by mid-2026). We have pencilled in our expected cut in Q4-2025.
- **Gold. Testing Fresh Highs.** Gold extended its run higher, hitting intra-day high of 3875 levels, before backing off. Risk of US government shutdown raises concerns of economic slowdown. Earlier, Trump has threatened mass firings of federal workers if government shutdown is not averted. XAU last seen at 3865 levels. Underlying momentum remains bullish but RSI remains in overbought conditions. Resistance at 3,890 (138.2% fibo

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extension), 4,006 levels (150% fibo ext). Support at 3,750, 3,657 (21 DMA) and 3,500. While the underlying bias remains bullish, supported by central bank purchases, rise in gold ETF flows, Fed easing cycle (lower opportunity cost), tariff uncertainties, we do caution (albeit low probability) that any surprise twist in averting a slowdown before midnight (30 Sep US time) may see the exuberant run-up correct lower. Nevertheless, a shutdown persisting for longer should see gold prices extend higher. The last shutdown in 2018-19 (during Trump presidency 1.0) was one of the longest (over 30 days) in modern history.

- DXY. ADP, ISM Mfg Today.** USD traded a touch softer overnight in amid concerns of US government shutdown. BLS has already confirmed that it will delay the release of the jobs report (due on Fri) if the US government shutdown occurs. This puts greater emphasis on Fedspeaks and other data releases, including ADP employment, ISM manufacturing today. Softer print is likely to weigh on USD. Proxy play may likely include long gold, JPY; short USD if the shutdown persists for longer, in turn affecting risk appetite or even economic activities. Elsewhere on the latest round of sectoral tariffs, Fed's Goolsbee said the most recent round of tariffs may be causing businesses in his district to again pause decision-making in order to see where the levies settle. DXY last seen at 97.85 levels. Daily momentum is mild bullish while RSI shows tentative signs of turning higher. Resistance at 98.40/60 levels (100 DMA, 38.2% fibo retracement of May high to Sep low), 99 levels (50% fibo). Support at 97.60 (21 DMA, 23.6% fibo), 97.20 levels. On Fedspeaks overnight, Logan indicated that Fed should proceed cautiously on further rate cuts and there may be little room for more rate cuts. Susan Collins said further interest-rate reductions may be appropriate in 2025 given a weaker labor market, but officials need to remain on guard against the possibility of persistent inflation. This is consistent with the cautious remarks made by other Fed officials. Last week, Goolsbee said that he could be less willing to support "overly frontloading a lot of rate cuts" on the presumption that inflation will just be transitory and go away as many midwest businesses are still concerned that inflation was not under control. Fed Chair Powell also said that market expectations for another 2 cuts this year were far from a done deal.
- EURUSD. Consolidation.** EUR continued to trade modestly firmer. Pair was last at 1.1740 levels. Mild bearish momentum on daily chart shows tentative signs of fading while RSI rose. 2-way trades still likely, within recent range. Immediate resistance here at 1.1740/50 levels (21 DMA), 1.1810 and 1,1920 levels (2025 high). Support at 1.1640/70 levels (50 DMA, 23.6% fibo retracement of Mar low to Sep high), 1.16 (100 DMA) and 1.1460 (38.2% fibo). On data release yesterday, inflation for Germany and France was seen picking up pace in Sep (prelim readings). On ECBspeaks, Lagarde

said the inflation risks are quite contained in both directions. She also indicated that we are in a good place but the place is not fixed. Our house view believes that ECB rate cut cycle is nearing its end. Elsewhere, we continue to watch political risks. New French PM Sebastien Lecornu has ruled out wealth tax, aims to cut budget deficit to 4.7% of GDP in attempt to get budget 2026 by early Oct. It remains early to concur if he can turn things, but early polls show he only has a positive opinion of 16%. Additionally, the Netherlands will hold General Elections on October 29. These political developments may still pose short-term downward risk on the euro. However, the broader fundamental outlook remains supportive of the euro, suggesting a buy-on-dips approach.

- USDSGD. Awaiting Catalyst.** USDSGD continued to trade in subdued fashion in absence of fresh catalyst while China market closure (golden week holidays) provided little cues for the pair. Pair last seen at 1.2910 levels. Daily momentum is mild bullish while RSI shows signs of turning higher. Compression of moving averages (21, 50 and 100 DMAs) observed. This is typically a precursor to a breakout trade, though directional play is only confirmed on breakout. Support at 1.2890, 1.2845/55 levels (21, 50, 100 DMAs). Resistance at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.30 levels. US data this week, in particular payrolls report (if released) should influence USD's directional bias and there should be spillover effect onto USDSGD (given the significantly strong correlation between DXY and USDSGD) while expectations on MAS policy stance is another factor that could shape USDSGD play over the next 2-3 weeks. Elsewhere, broader USD moves, depending on the extent of US government shutdown (if it happens) should also have slight implication of USDSGD move. S\$NEER continues to ease; last seen at 1.41% above model-implied mid (vs. 1.75% seen in first half of Sep).
- CNY and CNH rates.** Onshore China is closed for holidays. PBoC has announced that it would carry out CNY1.1trn of 91-day reverse repo when they are back from holidays on 9 October, while CNY800bn of outright reverse repos with original maturity of 91-day mature in the month. There is also CNY500trn of outright reverse repo of originally maturity of 182-day maturing this month, where rollover is expected. In offshore CNH, 1Y CNH CCS went back to within the range of 1.45-1.55% yesterday. But with onshore absent, transient rises in offshore CNH rates over the coming days cannot be ruled out. Meanwhile, downside to CNH CCS is likely to remain limited by the onshore rates levels.



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