Daily Market Outlook

10 October 2025

BoJ Oct meeting still live

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**. USTs traded in ranges overnight, with yields retracing from session highs to end the day 1-2bps higher. The 30Y coupon auction was well received, with a bid/cover ratio of 2.38x which was the same as previously, while indirect accepted was a tad higher at 64.5% versus 62.0% prior. Next week, net coupon bond settlement is at USD39bn and net bills settlement at USD52bn. TGA balance was last at USD794bn on 8 October. October University of Michigan survey is released tonight, while September CPI may be released next week as it was reported BLS staff will resume work on the index. Consensus look for a 0.4%MoM in the headline and 0.3%MoM in core, while the YoY rate is expected to have ticked up to 3.1% versus 2.9% prior. If there is no upside surprise, market is likely to hold onto current rate cut pricings. Range for 2Y UST yield remains at 3.50-3.65%, and for 10Y UST at 4.10-4.20%.

- **JPY rates**. The 5Y JGB auction on Thursday was well received with a bid/cover ratio of 3.695x, similar to the 3.696x prior. This, together with the solid 30Y JGB sales earlier in the week, helped calm the bond market. The next test will be the 20Y JGB auction next week. While bonds may be stabilising somewhat, there is a lack of impetus for a rally, with fiscal uncertainty likely keeping the risk premium on the high side. On balance, support for the 30Y JGB remains at 3.28%. At the short end, JPY OIS last priced 6bps of a hike at October meeting, and a total of 16bps of a hike before year end. Our base case remains for a 25bp hike before year end, and we continue to see this month's meeting as a live one. Thereafter, we expect another 25bp hike in Q1-2026 which will then bring the BoJ Target Rate to 1.00%. Real interest rates are low compared to major economies, while earlier BoJ opined the impact of previous hikes "on Japan's economy as a whole has been extremely limited". September PPI came in at 2.7%YoY or 0.3%MoM, beating market expectations. September CPI is released before 30 October meeting. Prospect remains for sustained wage growth with pass-through onto prices. With the risk of market under-pricing monetary normalisation, short-end bonds are unlikely to be the trigger for a steepening move in the curve.

- **USDJPY. *Consolidation.*** The pace of USDJPY's rise shows tentative signs of moderation. PM-to-be Takaichi made her first comments on the wires overnight, saying that she has no intention of triggering an excessively weak JPY but as a general rule of thumb, there are both merits and demerits to a weak JPY. Finance Minister commented again on FX this morning: (1) one-sided, rapid moves in FX market; (2) will carefully examine excessive FX moves; (3) echoes Takaichi's comments that weak JPY has both positive, negative impacts. He had refrained from commenting on FX trends. Taken together, those comments did not decisively hint at verbal jawboning though there is attention on JPY moves. The risks remain skewed for some upside, unless USD corrects lower or if BoJ signals the chance of an Oct hike. Higher PPI this morning suggests BoJ has room to hike but they may also want some clarity on policies before committing. On political development, we shared yesterday that LDP leader Takaichi has yet to reach an agreement with partner Komeito party on their future partnership. A formal vote in parliament (on 15 Oct) is needed for Takaichi to be named a PM and it may not be as assured like in the past as the LDP-led coalition no longer commands a majority in either house and will likely require support from the smaller opposition parties. This also suggest that she may not be able to push through some of her policies as swiftly. Pair was last at 152.90 levels. Daily momentum is bullish while RSI shows tentative signs of turning from overbought conditions. A moderation in the pace of rise or some consolidation is likely. Resistance at 153.10, 154.40 (76.4% fibo retracement of 2025 high to low). Support at 151.60 (61.8% fibo), 150 levels.

- **DXY. *Nearing Overbought.*** DXY traded broadly higher overnight, in absence of data while technical pattern reinforces momentum. DXY last at 99.38. Daily momentum is bullish while RSI rose into overbought conditions. Double-bottom bullish reversal and a breakout of the descending wedge may still see DXY finding some momentum though an interim pullback is not ruled out intra-day. Support at 99.10 levels (50% fibo retracement of May high to Sep low), 98.40 (38.2% fibo) and 98 levels (21, 50 DMAs). Immediate resistance at 98.80 (61.8% fibo), 100.20 levels. On Fedspeaks overnight, Barr said that "common sense would indicate that when there is a lot of uncertainty, one would move cautiously" – referring to the pace of Fed cut. Williams said that he supported further interest-rate cuts this year and said he is paying close attention to risks of a further slowdown in the labour market. NYT reported that BLS is calling back some workers to help release CPI data for Sep despite government shutdown. The data was initially scheduled for release next Wed (15 Oct) and it remains unknown if CPI will still be released on the day itself or another later date, ahead of FOMC (30 Oct). The data drought so far puts emphasis on private sector data, and tonight Uni of Michigan sentiment dataset may find greater relevance. Elsewhere, renewed political noises in Europe, policy uncertainty associated with PM-to-be Takaichi have been weighing of EUR, JPY, respectively (the 2 currencies made up over 71% of DXY basket)

- **EURUSD. *Tactical Sell on Rally*.** French political drama continued to weigh on EUR. Lecornu appointed less than a month ago had resigned as PM on Monday. President Macron has to make a choice to either appoint another PM, dissolve the National Assembly or tender his resignation (which is of low probability at this point) by end of today (10 Oct). Chatters that he may soon appoint another PM but this still does not solve the budgetary disagreement. Another legislative election should not be ruled out. If he opts for this option, then France are to the polls within 20 – 40 days upon dissolution of the National Assembly. Additionally, the Netherlands will hold General Elections on October 29. These political developments may still pose downward pressure on the EUR in the near term. EUR last seen at 1.1570 levels. Bearish momentum on daily chart intact while RSI fell to oversold conditions. Interim support at 1.1550, 1.1460 (38.2% fibo retracement of Apr low to Sep high). Resistance at 1.1640 (100 DMA, 23.6% fibo), 1.1690 (50 DMA).

- **USDSGD. *2-Way Trades.*** USDSGD inched higher overnight, tracking the broad uptick in USD moves. Pair last seen at 1.2985 levels. Mild bullish momentum on daily chart intact but RSI shows tentative signs of turning lower from overbought conditions. Bullish crossover observed, as 21 DMA cut 50, 100 DMAs to the upside). Mixed technical readings continue to suggest 2-way trades ahead. Resistance at 1.3010, 1.3090/1.3100 levels (200 DMA, 38.2% fibo). Support at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.2880 (21 DMA). A prolonged USD short squeeze may have spillover effect onto USDSGD in the near term. Elsewhere on the data, policy front, we watch advance estimate of 3Q GDP, MAS policy decision (14 Oct) and NODX (17 Oct). On policy decision, it is likely a close call between flattening of the slope and keeping policy stance on hold. Softer core CPI print has likely added to expectations that MAS may ease policy at its upcoming MPC but path of inflation outlook matters. Our house view has inflation forecast skewed higher above 1% for 2026 while growth still holds up overall. The door for MAS to ease remains open should growth-inflation dynamics worsen more than expected. But for now, we expect MAS to preserve policy ammunition and maintain current policy stance – which is still a slight appreciating bias.

- **SGD rates**. 6M T-bills cut off at 1.44%, the same as previously, and within our expected range of 1.42-1.46%, as front-end SGD rates have turned stable after the earlier upward adjustments. Bid/cover ratio edged up, probably as some investors were attracted back to the instrument after the cut-off rose at the previous auction. We continue to expect some further upward adjustment in SGD interest rates on a multi-month horizon, but SORA fixing staying at relatively low levels may slow this expected move.

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