Daily Market Outlook

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Weak jobs data

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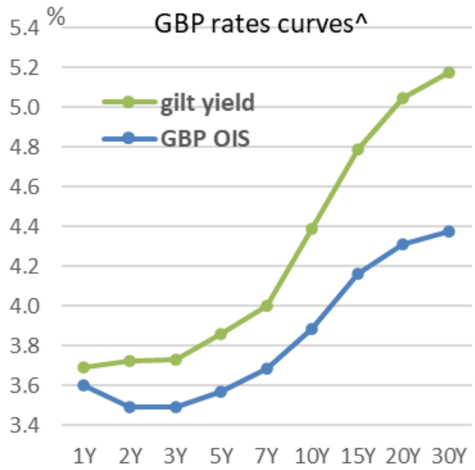
- **GBP rates.** Gilts outperformed other major DM government bonds overnight, rallying by 6-8bps as UK PAYE payrolled employees monthly change fell by 32K in October, while September's figure was also revised down to -32K versus initial estimate of -10K. Market added to rate cut expectation, with GBP OIS pricing in an 84% chance of a 25bp cut in December, moving in line with our call for such a cut. Thereafter, we expect another 25bp cut in the Bank Rate in Q1-2026. Wage growth slowed across measures, underling our view for inflation to ease in the quarters ahead. Next focus is the Autumn Budget; expected tax hikes may weigh further on growth and in turn support the case for some further monetary easing. Long end swap spreads lack momentum to break out of range for now, with 10Y swap spread (GBP OIS – gilt yield) hovering around -50bps and 30Y around -80bps, both being supporting of the bonds.



Source: Bloomberg, OCBC Research

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- **DXY. *Mixed.*** USD continued to trade mixed in absence of fresh catalyst. DXY was last at 99.50 levels. Mild bullish momentum on daily chart faded but decline in RSI slowed. 2-way trades likely to persist. Resistance at 100.40/60 levels (200 DMA, 76.4% fibo), 101.20 levels. Support at 99.10 levels (50% fibo retracement of May high to Sep low), and 98.20/40 levels (50, 100 DMAs, 38.2% fibo). On ending the government shutdown, a vote in the House is expected later today and is expected to have enough votes in the Republican-controlled House for passage. Question remains when will data releases resume normal flow after US government ends? CPI, PPI and retail sales data are supposed to be released on Thu, Fri this week but is likely to be delayed until further notice. Past data will be gradually released after shutdown is lifted, going by historical episodes. The statistical agencies can release the missed data as and when they are ready and need not wait till the next scheduled date to release.

- **USDMYR. *Sharp Decline.*** USDMYR fell sharply despite USD trading lacklustre while some Asian FX even depreciated. To some extent, MYR's outperformance was in line with our favourable outlook for MYR that we earlier envisioned, though the pace of appreciation may have outpaced our expectations. We had earlier anticipated USDMYR to go towards 4.16 our year-end forecast. Spot last seen at 4.1250 levels. Bearish momentum on daily chart intact while RSI fell into oversold conditions. We continue to keep a look out if USDMYR's sharp move lower finds some support around 4.08-4.10 area in the interim. Resistance at 4.16, 4.18 levels. MYR's recovery comes on the back of various factors: Domestic fundamental remains promising, supported by robust quality FDI, resilient growth that caught markets by surprise, wider trade surplus. Commitment to follow through fiscal consolidation also provides reassurance and strengthen foreign investor sentiment. This can also improve the prospects of portfolio inflows. To some extent, markets may also find confidence from policymakers' explicit mention of USDMYR going below 4 in 12 months. In terms of external factors, a more resilient RMB is helping to anchor relative stability in MYR while Fed resuming easing cycle is also helpful.

- **USDSGD. *Consolidation.*** USDSGD continued to trade subdued in absence of fresh catalyst. Pair continues to hold around 1.3030 levels. Price pattern last week flagged the risk of a bull trap though it remains early to concur especially when price action this week has been lacklustre. Weekly technical shows a gravestone doji, typically associated with a bearish reversal. On daily chart, daily momentum is flat but RSI showed tentative signs of turning higher. 2-way risks likely. Resistance at 1.31 levels (38.2% fibo, near recent highs). Support at 1.30 (21 DMA), 1.2950 (23.6% fibo retracement of 2025 high to low) and 1.2930 (50 DMA). Looking on, we expect broader market narratives, including USD trend, moves in RMB, JPY and risk sentiments, etc. to influence the pair more as MAS policy takes a back seat for now. S$NEER was last at 1.15% above model implied mid.

- **IndoGBs**. Tuesday's sukuk auction drew incoming bid amount of IDR43.4trn, while IDR10trn of bonds were awarded, upsizing from indicative target of IDR7trn. We continue to expect upsizes when the bond market condition is favourable. Quarter-to-date grow IndoGBs (conventional + sukuk including bills) gross issuances amounted to IDR114trn. If the recent auction sizes continue, total gross issuance in the quarter will hit IDR218trn versus target of IDR180trn. Year to date, gross issuances of international bonds including pre-funding amounted to IDR212.7trn. The most recent issuances were the offshore RMB bond issuances comprising RMB3.5bn of 5Y and RMB2.5bn of 10Y tenors. Overall, funding positions are comfortable. IndoGBs saw outflows of IDR5trn in the four days to 10 November, with foreign holdings lower at IDR873trn, or 13.46% of outstanding, as of 10 November. IndoGB-UST yield differentials were trading at the lower end of ranges, which may not look particularly appealing to foreign investors.

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