

Daily Market Outlook

15 October 2025

Dovish Powell; Lower USDCNY Fix

- **USD rates.** Short-end UST yields fell as Powell's commentaries reinforced market rate cut expectation. Powell commented "in this less dynamic and somewhat softer labor market, the downside risks to employment appear to have risen". Fed funds futures last priced 49bps of cuts for the rest of this year, and 73bps of cuts for 2026. September CPI is scheduled to be released on 24 October. 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 rate cut pricings. Before CPI, Fed's beige book is published tonight. On QT, Powell opined that the Fed may stop balance sheet run-off in the coming months. To recap, FOMC minutes noted that if balance sheet runoff were to continue at the current pace, bank reserves were expected "to be close to the USD2.8trn range by the end of Q1-2026". We do not expect QT to run beyond Q1-2026, with the decision to stop QT potentially being made earlier. 10Y swap spread has been edging up over recent days and was last at -45bps. QT pace in terms of US Treasury securities has already been slowed to USD15bn per quarter; as and when QT ends, expectation is for the Fed to allocate some of the proceeds into bills. The reaction in swap spread may be mostly done.
- **GBP rates.** Gilts rallied by 5-7bps on Tuesday upon soft labour market data prints. September PAYE payrolled employment fell by 10K, in line with expectation; weekly earnings ex-bonus and private earnings ex-bonus printed a tad softer than expected. August jobless rate edged up to 4.8%, the highest since April 2021. GBP OIS added mildly to rate cut expectation, but still only pricing in a 39% chance of a 25bp cut before year end. BoE Governor Bailey commented UK growth "was running a little bit under potential" and pointed to signs of weakness in the labour market. Earlier, Taylor, one of the two who voted for a 25bp cut at September meeting, said he saw rising risk of a hard landing. We maintain our expectation for one 25bp cut per quarter, with a terminal rate of 3.50%; these include an expected 25bp cut this quarter, and a final 25bp cut in Q1-2026. At the mid-tenor, we expect 10Y bond/swap spread to stay within the range of -55bps to -50bps near-term.

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **DXY. Powell Sets a Dovish Tone.** Recent rise in USD was stopped in its track. Fed Chair Powell sounded dovish in his speech, warning about sharp slowdown in job creation. He also spoke about putting a stop to reducing the size of Fed balance sheet soon. To add, USDCNY fix was set below 7.10 this morning – first time in 11 months. This helped to anchor sentiments in AXJs. And overnight, there seemed to be some breakthrough in French impasse after PM Lecornu agreed to reverse the proposed increase in retirement age – helping to lift EUR. We continue to expect USD to trade moderately softer as Fed resumes easing while US exceptionalism fade. For USD bears to return with more conviction would require US data to come in softer (when data gets released), alongside Fed easing rates more decisively. DXY last at 98.90 levels. Bullish momentum on daily chart shows signs of fading while RSI fell from overbought conditions. Pullback is not ruled out in the interim. Support at 98.40 (38.2% fibo) and 98 levels (21, 50 DMAs). Immediate resistance at 99.10 levels (50% fibo retracement of May high to Sep low), 99.80 (61.8% fibo), 100.20 levels. US CPI initially scheduled for release today will be released on 24 Oct.
- **EURUSD. French PM Survives Another Day.** EUR was a touch firmer overnight as political uncertainties in France found a breather. French PM Lecornu pledged to suspend President's Macron pension reforms, and importantly, he reversed the proposed increase in retirement age from 62 to 64. Socialist party (PS) agreed to not join efforts to topple the government. PM Lecornu faces 2 no-confidence motions and he faces a real risk of being ousted if Socialists join forces. Macron had indicated that any vote to topple Lecornu's cabinet would force him to dissolve parliament and call elections. The fragile situation still warrants caution for EUR bulls in the interim though the broader fundamental outlook remains supportive of the euro, suggesting a bias for buy-on-dips approach (but requires patience). EUR last seen at 1.1620 levels. Bearish momentum on daily chart shows signs of easing while RSI rose. Resistance at 1.1640 (100 DMA, 23.6% fibo), 1.1690/1.1700 (21, 50 DMAs). Support at 1.1550, 1.1460 (38.2% fibo retracement of Apr low to Sep high).
- **USDJPY. Unwinding of Takaichi Trade.** USDJPY extended its move lower as Japanese political developments continued to unravel. JPY fell 4% at one-point post-LDP election. This decline was termed the *Takaichi trade*, due to perceived policies associated with the PM to-be Takaichi while market pushed out BOJ rate hike expectations. But *Takaichi trade* lost momentum after long-time partner Komeito party withdrew from LDP coalition and that the opposition parties appear to be uniting. A meeting will be held between opposition parties DPP, CDP and JIP today to discuss how they can close policy gaps and pick their choice of leader. It was reported that parliament will convene an extraordinary session on 21 Oct, selecting the date for a session widely expected to include a vote

to pick the next prime minister. Both lower and upper houses of the parliament will vote on its choice of PM and a simple majority rule is sufficient. But LDP alone does not have a simple majority. In the Lower House, LDP only has 196 seats while DPP, CDP and JIP combined will have 210 seats. To some extent, this may suggest that some of Takaichi's policies may have to be watered down or there is greater risk that her proposed policies (if she wins) may not be passed smoothly in parliament. Further unwinding of *Takaichi trade* is not ruled out but it remains to be seen what the policies of the opposition coalition are, at this point. Political uncertainty may also delay BOJ policy normalisation timeline though we argue that macro conditions are in place for BOJ to hike, even at the Oct MPC. Pair was last at 151.10 levels. Bullish momentum on daily chart shows early signs of fading while RSI fell. Risks skewed to the downside. Immediate support at 151 (38.2% fibo retracement of the run-up) before 150.35 (50% fibo) and 149.67 (61.8% fibo). Resistance at 151.90 (23.6% fib), 152.60 levels.

- USDCNY. Lower Fix.** USDCNY gapped lower in the open this morning, guided by lower USDCNY fix at 7.0995 (vs. 7.1021 yesterday). It appears that 7.10 is no longer the line in the sand. Pattern of setting the fix stronger looks like a continuation of PBOC's "measured" pace of appreciation since Apr, via the fix to influence the path of RMB. This is consistent with the goal of RMB internationalisation. The next few days will be key to monitor if this is a one-off fix below 7.10 or the trend can continue. This can potentially have some spillover effect onto other USDAXJs especially if USDCNY can go below 7.10. A gradual pace of RMB appreciation can serve as a wealth-effect and confidence repair function. On wealth channel, it can stabilise domestic asset prices - equities, household wealth etc.. Stable/resilient RMB can also help encourage return of flows into RMB-denominated assets. From an optics perspective, firmer RMB and higher equity prices tend to go hand in hand. In a way, this helps to repair confidence and strengthen momentum. USDCNY last seen at 7.1265. Bullish momentum shows early signs of fading while RSI fell. Risks somewhat skewed to the downside. Support at 7.1240 (21 DMA), 7.1020 and 7.0870 (76.4% fibo retracement of 2024 low to 2025 high). Resistance at 7.1380 (61.8% fibo), 7.1490 (50 DMA).
- USDSGD. Revert to Tracking External Drivers.** USDSGD fell, tracking moves in broader USD and USDCNY this morning (after the fix was set below 7.10). Bullish momentum on daily chart shows signs of fading while RSI fell. Gravestone doji formed yesterday is typically associated with a short-term bearish reversal signalling an end of an uptrend. We watch price action for further confirmation. Support at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.2890 (21 DMA). Resistance at 1.3010, 1.3080 levels (200 DMA, 38.2% fibo). S\$NEER remains steady post-MAS decision; last at 1.42% above model implied mid.



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!