Daily Market Outlook

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USD on the backfoot

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

- **USDCNY. *Lower Fix Again.*** USDCNY fix was set lower again this morning at 7.0968 vs 7.0995 yesterday. This is the strongest since Oct-2024 and the pattern of setting the fix stronger looks like a continuation of PBOC's "measured" pace of appreciation (average of about 8pips per day) since Apr, via the fix to influence the path of RMB. This is in line with our long-held view for a measured pace of appreciation and also consistent with PBOC 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. USDCNH last seen at 7.1270. Bullish momentum on daily chart is fading while RSI fell. Risks somewhat skewed to the downside. Support at 7.1150, and 7.08 (76.4% fibo retracement of 2024 low to 2025 high). Resistance at 7.1330 (21 DMA), 7.1420/60 levels (50 DMA, 61.8% fibo).

- **AUDUSD. *Corrective Pullback.*** AUD has been under pressure over the last couple of sessions after the recent flare-up in US-China tensions over rare earth material controls and threat of fresh 100% tariffs as well as in reaction to softer than expect labor market print. Unemployment rate rose to 4.5% (a 4-year high), from 4.2% previously while employment change came in at 14.9k, underwhelming expectations of 20k. The dismal job report puts RBA rate cut story back in play. Cash rate futures priced in a full 25bp cut for Dec meeting post-labour market data (vs. 15bp cut a day ago). Heightened geopolitical uncertainty and renewed focus on RBA cut may weigh on AUD in the interim. Last seen at 0.6490 levels. Bearish momentum on daily chart intact while the rise in RSI moderated. 21 DMA looks on track to cut 50 DMA to the downside. Risks skewed to the downside for now. Support at 0.6420/30 levels (200 DMA, 50% fibo retracement of 2024 high to 2025 low). Resistance at 0.6550 (61.8% fibo, 50 DMA).

- **USDJPY. *Political Jostling.*** USDJPY continued to drift lower amid unwinding of *Takaichi trade*. Fallout of the alliance with Komeito, which means it becomes more challenging for LDP leader Takaichi to become PM, the recent flare-up in trade tensions between US and China and the lower USDCNY fix were some of the reasons behind the pullback in USDJPY. We should continue to expect more political jostling amongst politicians ahead of 21 Oct, when the parliament will meet and likely vote on choice of PM. LDP party has spoken to JIP while other opposition parties are discussing the plausibility of uniting support for a candidate. 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, short of 233 needed. 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 may not be passed smoothly in parliament (assuming if she wins and need to compromise on her earlier stance). On BOJspeaks, Tamura said that policy rate should be closer to neutral level, need to avoid risk of rapid rate hikes but no need to raise rate to restrictive levels. We believe macro conditions are in place for BOJ to hike, even at the Oct MPC. Pair was last at 150.80 levels. Bullish momentum on daily chart is fading while RSI fell. Risks skewed to the downside. Next support at 150.35 (50% fibo) and 149.67 (61.8% fibo). Resistance at 151 (38.2% fibo retracement of the run-up), 151.90 (23.6% fibo).

- **DXY. *On the Backfoot.*** USD continued to ease away from its recent high. Temporary respite in risk sentiment, pullback in UST yields and US government staying shut (with little urgency of reopening) were some factors weighing on USD. Elsewhere, stronger JPY, EUR and RMB also saw spillover influence. On Fedspeaks, Miran said recent trade tensions have increased uncertainty in the outlook for growth, making it more important for policymakers to lower interest rates quickly. DXY last at 98.50 levels. Bullish momentum on daily chart faded while RSI fell. Downside risks 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.

- **USDSGD. *Bears to Watch 21 DMA Support.*** USDSGD slipped further, tracking broader moves in USD, USDJPY and USDCNY. Bullish momentum on daily chart shows signs of fading while RSI fell. Gravestone doji formed on Tue is typically associated with a short-term bearish reversal signalling an end of an uptrend. We continue to watch price action for further confirmation. Key support at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.2910 (21 DMA). Breaking below these levels could open way for further downside. Bigger support at 1.2870. Resistance at 1.3010, 1.3080 levels (200 DMA, 38.2% fibo). S$NEER remains steady post-MAS decision; last at 1.40% above model implied mid.

GLOBAL MARKETS RESEARCH

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