Daily Market Outlook

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US CPI; Central bank decisions today

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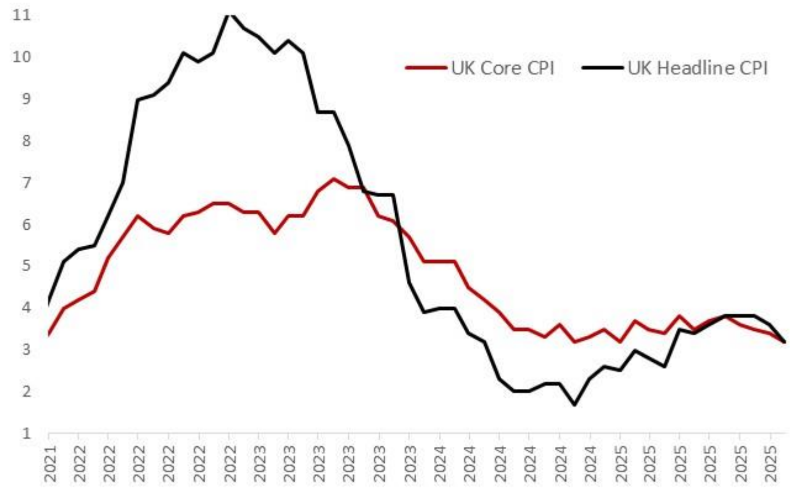
- **DXY. *Looking for cues from CPI.*** USD traded in subdued range overnight as markets await US CPI data (930pm SGT), following the payrolls report on Tue. Markets still implied ~26% probability of a Jan cut while expectation for cumulative cut in 2026 remains largely steady at -60bps. There needs to be new catalyst for market pricing to shift. And this puts focus on Nov CPI report tonight (930pm SGT). Data outcome can be binary - an underwhelming print should weigh on USD while a hotter print may point to upward pressure on US rates and USD. DXY was last seen around 98.30 levels. Mild bearish momentum on daily chart intact while RSI showed tentative signs of turning higher from oversold conditions. 2-way trades likely in the interim. Compression of moving averages observed with 21, 50, 200 DMAs converging. This typically precedes break-out trade. Support at 97.90, 97.60 (23.6% fibo). Resistance at 98.40/60 levels (100 DMA, 38.2% fibo), 99.10/20 levels (21, 50, 200 DMAs, 50% fibo retracement of May high to Sep low) and 99.80 levels (61.8% fibo). On Fedspeaks overnight, Waller supported further rate cuts to get Fed's setting back to neutral while also saying there is no need for policymakers to rush to cut (because inflation is still up). He also said that rates are still 50 – 100bps above neutral. Goolsbee told CNN in an interview that he is *pretty optimistic that the economy will sustain at a stabilized rate that's pretty decent, and if it can do that and inflation is headed down to something like 2%, I think rates can go down.*

- **EURUSD. *ECB today.*** EUR consolidated near recent highs. Focus today on ECB decision. Policy rate is widely anticipated to be on hold but attention is on staff projection. Recent comments from ECB officials were somewhat more upbeat about economy – from growth to labour market. Lagarde hinted at a potential upgrade to the staff projections for growth. Schnabel had earlier struck a hawkish chord in saying that she is rather comfortable with market expectations that ECB's next move will be a hike though she declined to comment on the timing of next rate move. She went on to caution about inflationary pressure, noting that the decline in core inflation has stalled at a time when the economy is recovering, the output gap is closing, and fiscal policy is expanding. Kazimir pointed out that the labour market remained tight. On inflation, core CPI rose by 2.4% yoy. Lane noted that had inflation had "moved in the opposite direction" relative to staff projection for inflation to move below target and on policy outlook. Other members including Kazimir and Villeroy had advocated for hold. On net, such a rhetoric suggests that ECB easing cycle may have ended. EUR was last seen at 1.1745 levels. Mild bullish momentum on daily chart intact while RSI rose to overbought conditions. Slower pace of gains not ruled out but bias remains to buy on dips. Resistance at 1.1760, 1.1820 levels. Support at 1.1640 (100 DMA), 1.1610 levels (21, 50 DMAs).

- **GBPUSD.** ***BOE in focus today (8pm SGT).*** Our house continues to call for a 25bp cut in the Bank Rate at the upcoming MPC meeting, and for another 25bp cut in Q1-2026. In consideration of the trend in administered prices, the likely fading impact of the previous increase in NICs, slower wage growth, and potential tariff impact, we expect YoY CPI inflation to ease in the quarters ahead. Meanwhile, the labour market has continued to cool. Monthly PAYE payrolled employees changes have printed negative (i.e. decrease) for most of the months this year. The job vacancy to unemployed ratio has been falling steadily since April 2022, to the latest 0.40 in September 2025. Market has added to rate cut expectation since September CPI printed softer than expected; YoY CPI inflation has continued to ease in Oct, Nov. UK headline CPI eased more-than-expected to 3.2% YoY in November (October: 3.6%). Similarly, core CPI eased more-than-expected to 3.2% YoY, down from 3.4% in October. According to the Office for National Statistics, lower headline CPI was mainly driven by "food and non-alcoholic beverages, and alcohol and tobacco divisions." The headline CPI is also the lowest level in eight months, ahead of the Bank of England's (BOE) meeting today. GBP OIS last priced a near 100% chance of a December rate cut, versus virtually no expectation of a cut back in early October.

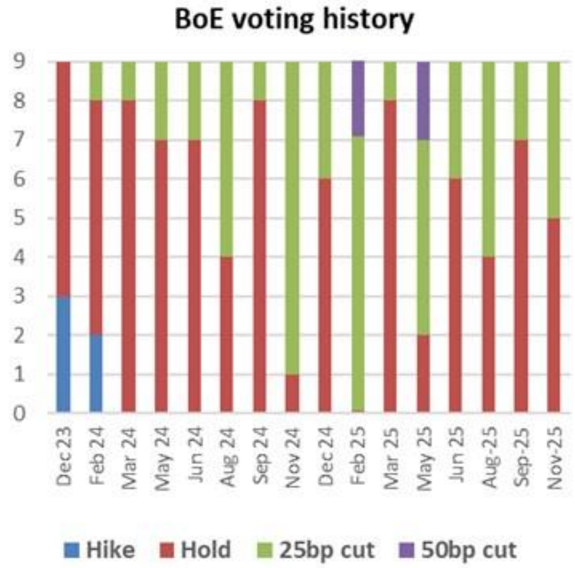
Softer CPI prints may boost bets for more easing next year



Source: Bloomberg, OCBC Research

- GBP fell overnight on softer than expected CPI prints. Pair was last at 1.3370 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI eased lower. Rising wedge pattern appears to be forming – typically associated with bearish reversal. Some downside risk is not ruled out. BOE MPC may be one trigger, the other being USD, owing to CPI releases. For BOE, we would pay close attention on the committee voting. At the last Nov meeting, committee voted 5-4 to cut rate. A similar split is expected today based on Bloomberg survey. A more dovish shift may be a potential trigger for GBP downside to play out. Support at 1.3350 (200 DMA, 23.6% fibo retracement of Nov low to Dec high), 1.3290 (21 DMA, 38.2% fibo) and 1.3255 (50 DMA). Resistance at 1.3460 (Dec high), 1.35 levels.

Watch the BOE vote split



Source: Bank of England, Bloomberg, OCBC Research

- **USDTWD. *Nearing Overbought Conditions.*** USDTWD continued its trend higher. NDF forwards have also flipped from discount to premium points, which is rare but a clear reflection of reduced demand for hedging activities. According to a Bloomberg estimate, derivatives such as forwards and currency swaps covered 52.3% of life insurers' overseas assets as of Sept. 30, based on the latest data from the six largest firms, down from 55.8% on 30 Jun. This is the lowest level since comparable data became available in 2013. The Lifer industry is seeking changes to accounting rules that will give it more flexibility to manage currency swings, pending FSC decision likely in Jan as the authorities are conducting feasibility study. Less demand for hedging activities (i.e. lesser sell USD flows) implies one less driver weighing on the pair, especially in a nuanced USD environment where idiosyncratic factors can influence the currency more. Spot was last at 31.56 levels. Daily momentum showed tentative signs of turning mild bullish while RSI is approaching overbought conditions soon. Immediate resistance at 31.56 (61.8% fibo retracement of Apr high to Jul low), 32 levels. Support at 31.35 (21 DMA), 31.05 levels (50% fibo, 50 DMA). Day ahead has CBC policy decision – we expect policy rate to stay on hold at 2%.

- **USDSGD. *Bearish but near oversold.*** USDSGD traded little changed; last at 1.2915 levels. Mild bearish momentum on daily chart intact while RSI rose from near oversold conditions. Consolidation still likely. Support at 1.2880, 1.28 levels. Resistance at 1.2975 (200 DMA), 1.2990 levels (21, 50 DMAs). S$NEER was last seen at 1.58% above model-implied mid. Our Chief Economist shared that given the upside surprise in the November NODX data, our house is now expecting the full-year 2025 NODX growth forecast closer to the 5% handle, even though the November outperformance was significantly driven by volatile pharmaceuticals. Looking ahead, we maintain our 2026 NODX growth forecast at 1-3% YoY given the high base in 2025. The familiar but persistent uncertainties for the 2026 outlook revolve around the anticipated US growth slowdown and market optimism about the Fed's interest rate cut trajectory, a potential re-escalation in US-China trade tensions, anticipated US product-specific tariffs (e.g., pharmaceutical tariffs), and the ongoing volatility in the AI industry.

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