GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Watching out for jawboning

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- **USD rates.** USTs were little changed overnight, while gilts outperformed as UK house prices fell by more than expected. Incoming commentaries from FOMC members have continued to point to a split Committee. While seeing risks to the labour market skewed to the downside, Jefferson said the Committee need to proceed slowly as rates move nearer neural. Waller, a known dove, repeated his opinion that the central bank should cut rate again in December. Fed funds futures last priced a 42% chance of a 25bp cut for December meeting. September payrolls and labour market statistics will be released on Thursday; again, expectation varies, from -20K to 105k and median forecast is 55K. A print higher than 70K may lead to yields breaking out of ranges with front-end UST yields prone to an upward correction. The 10Y yield may be able to stay in a range of 4.05-4.25% with real yield of 1.8% at the high end of the recent range. There are auctions of USD16bn of 20Y bond and of USD19bn of 10Y TIPS later this week. Net bills settlement is at USD32bn this week, while TGA balance stood at USD959bn as of 14 November.

- **DXY. *Reluctant Bounce.*** DXY rose modestly, despite the sell-off seen in global equity, commodity and crypto world. No single driver behind these moves apart from flows and pre-positioning ahead of US data releases and major US company earnings. Market narrative has shifted towards concerns of what the backlog of US data may reveal about the US economy but at the same time, there is also rising caution that Fed may slow pace of rate cuts. Dec cut is now <50% probability as Fed officials continue to paint a clear division in opinions. Jefferson said he sees increased downside risks to employment, though repeated his view that policymakers need to proceed slowly as interest rates approach neutral. Waller said he supports another cut as job market nears “stall speed”. DXY was last at 99.50 levels. Mild bearish momentum on daily chart is fading but RSI rose. 2-way trades likely to persist though risks skewed to upside. Resistance at 100 levels (200 DMA), 100.6 (76.4% fibo). Support at 99.10/30 levels (21 DMA, 50% fibo retracement of May high to Sep low), and 98.30/50 levels (50, 100 DMAs, 38.2% fibo). There are quite a number of Fedspeaks on 19 occasions this week, including Williams, Waller, Miran and FOMC minutes (Thu). On data releases this week, BLS confirmed that the employment situation report for Sep (initially scheduled for release on 3 Oct) will be

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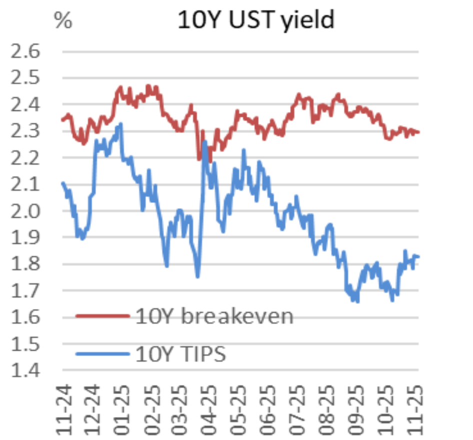


Source: Bloomberg, OCBC Research

Markets pricing lower probability of Dec rate cut

Source: Bloomberg, OCBC Research

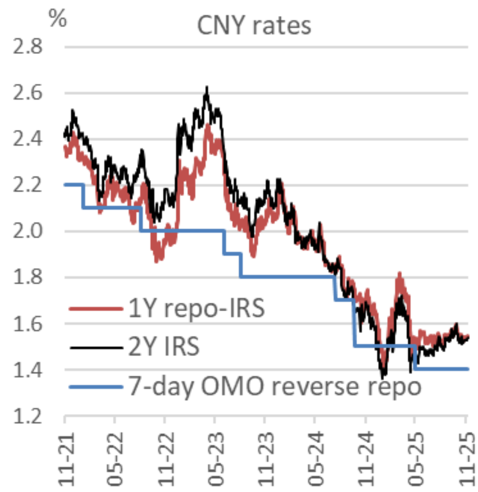
released on 20 Nov (Thu, 830pm SGT) and the real earnings report will be released on Fri.

- **AUDUSD. *Pullback; Buy Dips.*** AUD a touch softer this week amid pullback in global equities, crypto complex. Pair was last at 0.6495 levels. Daily momentum shows signs of turning lower alongside RSI. Near term risks skewed to the downside. Support a 0.6460 (200 DMA), 0.6420 levels. Resistance at 0.6550 levels (50 DMA), 0.6620. We continue to favour AUD to trend higher. Economic recovery is expected to remain sustained into 1H 2026, with impulse primarily coming from domestic demand, led by resilient household consumption, rebound in services and firmer housing activities. Inflation is projected to stay above 3% through most of 2026, before easing gradually to 2.6% by late-2027, implying a slower disinflation path than before. Labour market remains stable. Latest policy statement and subsequent press conference at the Nov-2025 meeting gave the impression that the easing cycle is shifting toward a longer pause.

- **USDJPY. *Intervention Risk Keep JPY Shorts at Bay.*** USDJPY pushed above 155 levels, taking cues from a firmer USD. Pair was last seen at 155.25 levels. Daily momentum and RSI indicators are flat for now. 2-way trades likely. Technically, a rising wedge is observed – typically associated with a bearish reversal (in the near term) – we watch price action if this pans out. Resistance at 155.40, 156 levels. Support at 153.70 (21 DMA), 151.60 (61.8% fibo retracement of 2025 high to low). Opposing forces of fiscal concerns, delayed BOJ policy normalisation, risk sentiments, emerging geopolitical concerns between Japan and China and intervention risks should continue to drive the pair. Last week, PM Takaichi signalled her intent to ramp up the active use of fiscal policy to power economic growth by dropping an annual budget-balancing goal. She said that the government's long-held target of achieving a primary balance surplus will no longer be reviewed on a single-year basis. She made mention of multi-year budgets and also favour net debt to GDP (which is a lower figure at 130% of GDP instead of gross debt to GDP of 230%). This may imply that government can issue bonds with greater ease, to finance bigger fiscal spending targeted to boost growth. Risk of heavier fiscal burden amid rise in debt servicing cost and worries of lack of fiscal discipline can undermine JPY in the interim. Elsewhere, intervention risks are on the rise as USDJPY continues to test higher. But the issue is intervention cannot alter the directional path if the trend is skewed to the upside. At most, it can only slow the pace of JPY depreciation.

- **USDSGD. *Consolidation.*** USDSGD inched this morning, amid USD rebound while risk-off sentiment persists. Pair last at 1.3040 levels. Daily momentum is mild bearish while RSI rose. 2-way trades likely. Resistance at 1.31 (38.2% fibo). Support at 1.3000/20 levels (21, 200 DMAs), 1.2930/50 levels (50 DMA, 23.6% fibo retracement of 2025 high to low). In the past week, USDSGD had fell due to moves in EUR and RMB. 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 last at 1.25% above model implied mid. 3Q final GDP is scheduled for release on Fri – markets including our Economist are looking for upward revision.

- **CNY rates**. PBoC granted CNY800bn of 182-day outright reverse repos on Monday, a relatively big outsize compared to matured amount of CNY300bn. We expect PBoC to stay supportive, as liquidity is on the tight side with front-loading of CNY500bn of local government bond issuances quota (for debt swap etc), while NCD maturity is heavy at CNY2.85trn this month and at CNY3.65trn in December and MLF maturity is at CNY900bn this month. 1Y repo IRS traded higher at almost 1.55% level, underlining our view that these rates are floored before the next interest rate cut. MoF's international bond issuances help set up the benchmark curves for potential Chinese issuers, while being helpful in keeping foreign investors engaged when CNY-denominated CGBs may not be particularly appealing to foreign investors at current yield levels. CNH rates traded at the high end of ranges taking cue from the onshore market, despite continued net-buy under Southbound Stock Connect. Near-term range for 1Y CNH CCS is now seen at 1.50-1.60%.



Source: CEIC, OCBC Research

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