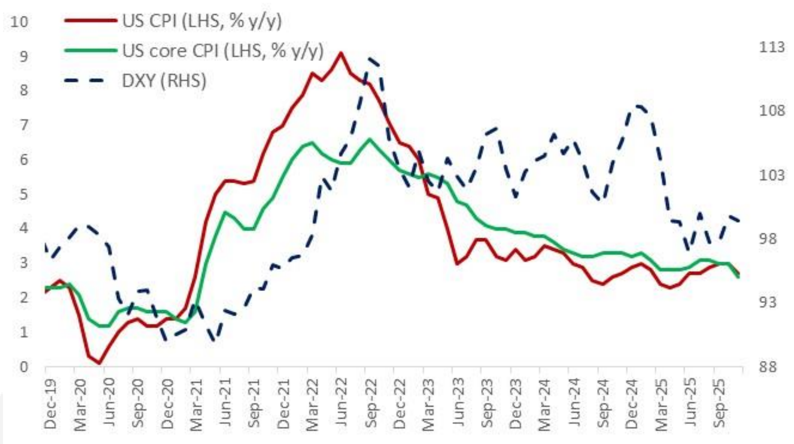
Daily Market Outlook

19 December 2025

BOJ next

- **DXY. *Skepticism on CPI print.*** USD fell post CPI report but subsequently retraced losses as markets scepticisms about CPI report grew. Inflation eased unexpectedly in Nov, with headline and core CPI at 2.7% and 2.6% (vs. 3.1% and 3% expected) respectively. Deceleration was due to decline in costs of hotel, recreation and clothing while shelter prices saw a relatively smaller increase. There are doubts over how much of the deceleration reflects genuine disinflation versus temporary or technical factors. In particular, the unusually large deviation between reported print and expectations has drawn attention to potential data-collection challenges caused by the government shutdown as well as possible distortion due to Black Friday sale. As a result, markets were reluctant to extrapolate the print into a materially more dovish Fed path, helping the USD stabilise after the initial knee-jerk reaction. 30d fed fund futures still implied ~26% probability of a Jan cut while expectation for cumulative cut for 2026 remains largely steady at -62bps.

Inflation decelerated in US



Source: Bloomberg, OCBC Research

- Attention now turns to the Dec CPI release scheduled for 13 Jan, which will be the final major inflation datapoint ahead of the 28 Jan 2026 FOMC meeting. That print will be critical in determining whether Nov's softness is corroborated by a second consecutive data point or dismissed as a statistical outlier. For the USD, sustained downside pressure likely requires clearer evidence of persistent disinflation. DXY was last seen around 98.40 levels. Mild

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This is the last Daily Market Outlook for the year. We will resume publication in January 2026. We wish all our readers a safe and happy holiday season!

bearish momentum on daily chart intact though there are tentative signs of it waning while RSI showed 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).

- **USDJPY. *BOJ in focus.*** USDJPY traded choppy overnight, tracking moves in UST yields. Last at 155.60 levels. Mild bearish momentum on daily chart intact but shows signs of fading while RSI was flat. 2-way risks likely. Support at 154.20/40 levels (76.4% fibo retracement of 2025 high to low, 50 DMA). Resistance at 155.90 (21 DMA), 157 and 158.87 (previous high in 2025). BOJ is top focus today. Market still implied about 95% probability of a 25bp hike at the upcoming BOJ MPC today (decision likely around 1030 – 1130 SGT) while also pricing in another 1 hike for 2026. We believe markets are going into BOJ meeting looking for clues about 2026 policy normalization profile (pace, terminal rate, etc.) and not just about Dec meeting outcome. Any meaningful recovery in JPY would require not just the BOJ to follow through with stronger guidance but also for policymakers to demonstrate fiscal prudence and for the USD to stay soft.

- **EURUSD. *Buy dips.*** The ECB left policy rates unchanged, as widely expected, marking the 4th consecutive meeting on hold. Lagarde reiterated that the Governing Council remains in a "good place" on rates, but emphasised that policy is "not static", reinforcing a stance of flexibility rather than pre-commitment. This framing was consistent with the ECB's continued desire to stay data-dependent amid still-uncertain inflation dynamics. Updated quarterly staff projections pointed to a modestly firmer growth outlook, with GDP forecasts revised higher across 2025, 2026 and 2027. The improvement is driven primarily by domestic demand, suggesting that tighter financial conditions are no longer exerting a materially increasing drag on activity. This reduces near-term growth downside risks. On inflation, both core and headline CPI projections were revised higher for 2026 and 2027. These reinforced the recent market chatters that ECB easing cycle has ended and there may soon be discussion and debate about rate hike among policy members. At the press conference, Lagarde addressed market speculation that the ECB's next policy move could be a rate hike rather than a cut, stressed that there was unanimity within the Governing Council that "all optionalities should remain on the table", underscoring the absence of a pre-determined policy path. While not explicitly endorsing a hiking bias, the refusal to rule it out was nonetheless perceived as mildly hawkish. Taken together, the combination of improved growth and higher CPI projections, alongside expectation that ECB has likely ended easing cycle are factors supportive of EUR. Pair was last seen at 1.1720 levels. Mild bullish momentum on daily chart intact though there are signs of it waning while RSI fell from overbought conditions. Corrective pullback lower is not ruled out but bias remains to buy on dips. Support at 1.1640 (100 DMA), 1.1610 levels (21, 50 DMAs). Resistance at 1.1760, 1.1820 levels.

- **GBPUSD. *Some downside pressure remains.*** GBP erased earlier drop post BOE outcome. While MPC voted 5-4 to cut rate by 25bp as widely expected, the rhetoric was less dovish than markets have expected. Accompanying statement noted that "On the basis of the current evidence, Bank Rate is likely to continue on a gradual downward path. But judgements around further policy easing will become a closer call." BOE Governor Bailey said "While I see scope for some additional policy easing, the path for Bank Rate cannot be pre-judged with precision, recognising in part the more limited space as Bank Rate approaches a neutral rate… We still think rates are on a gradual path downward. But with every cut we make, how much further we go becomes a closer call." Markets have also slightly trimmed rate cut bets next year to about 39bps. Next meeting is only scheduled on 5 Feb. GBP jumped post decision outcome but subsequently also pared back gains. Pair was last at 1.3380 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. 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.

- **USDSGD. *Sideways.*** USDSGD continued to trade in subdued range; last at 1.29 levels. Mild bearish momentum on daily chart intact but shows signs of waning but rise in RSI from near oversold conditions moderated. Consolidation still likely. Support at 1.2880, 1.28 levels. Resistance at 1.2960/85 levels (21, 50, 200 DMAs). S$NEER was last seen at 1.58% above model-implied mid.

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