

Daily Market Outlook

21 October 2025

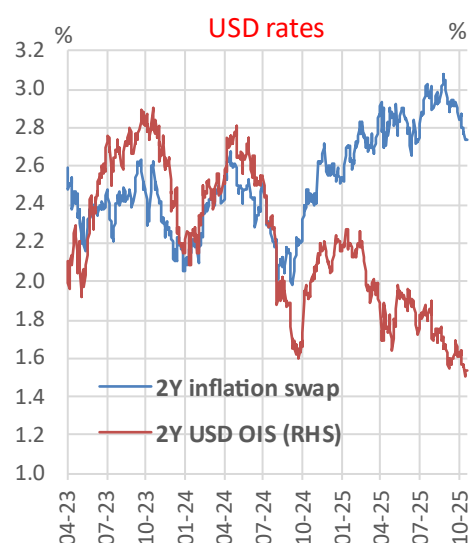
Consolidation

- USD rates.** Long-end UST yield fell overnight despite the risk sentiment generally held up. 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. Fed funds futures last priced 50bps of cuts for the rest of the year, and 74bps of cuts for 2026. Inflation concerns appear to have eased, with short-end inflation swap having started to fall since mid-September, ending the divergence with OIS. That said, 10Y breakeven at 2.27% is sticky downward; 10Y real yield needs to fall for 10Y nominal yield to break decisively lower. There are USD13bn of 20Y coupon bond auction on Wednesday and USD26bn of 5Y TIPS auction on Thursday. Net bills settlement amounts to USD52bn this week. TGA balance was at USD905bn as of 17 October.
- Gold. Double-Top in Sight?** Gold's attempt to hit above 4380 appeared to have run into some roadblocks for now. On technical charts, momentum remains bullish but RSI shows signs of easing lower from overbought conditions. On the tick chart, we observed a double-top formation, which can typically be associated with a bearish reversal though one can argue that it remains early to concur. Support at 4200, 4120 (23.6% fibo retracement of Aug run-up to Oct high) and 4001 (21 DMA). Resistance at 4380 levels (recent high). We had flagged on Fri that *gold's surge to record highs of over \$4,300 and in record pace (up >15% MTD and over 30% since mid-Aug)) may have stretched short-term valuations and risk-reward. Sentiment and speculative positioning are starting to look elevated, and there is a risk that gold may potentially be vulnerable to consolidation if geopolitical tensions stabilise or yields rebound. That said, our medium-term view stays constructive. Nominal rates are likely to trend lower as the Fed eases, while central-bank and institutional demand remain solid. The diversification or hedge argument for gold — against geopolitical, fiscal, and currency risks — also stays intact.* Over the last 48 hours, there were a few developments including, signs that US-China relations may improve while White House economic advisor Kevin Hassett indicated that US government shutdown may be lifted soon. Positive developments on this front may lead to some

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

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy



moderation in price action but the constructive outlook still support a buy-on-dips approach.

- USDJPY. *Parliament Votes.*** USDJPY inched higher in early week as eyes are on parliament vote this afternoon for choice of PM. There should be little to no surprise that LDP leader Takaichi is to be named the PM. LDP has found a coalition partner, Japan Innovation Party (JIP) making the coalition just 2 seats short of a simple majority of 233. JIP is also seen as a center-right political party that champions regulatory reform and decentralization of government power. The party previously spoke about achieving primary balance surplus within a realistic target period. Fiscal prudence should be reassuring for markets and JPY. Impact on USDJPY this episode will likely not be similar to the move seen post-LDP election as Takaichi's previous pro-stimulus stance may have to be compromised. Also, one less political uncertainty may potentially pave the way for BoJ to hike on 30 Oct, given that macro conditions allow for policy normalisation. Pair was last at 151 levels. Bullish momentum on daily chart faded but decline in RSI moderated. 2-way risks likely in the interim. Support at 150.35 (50% fibo), 149.67 (61.8% fibo), 148.50 (50 DMA). Resistance here at 151 (38.2% fibo retracement of the run-up), 151.90 (23.6% fib) and 152.50 levels. Elsewhere, we watch cabinet formation.
- USDSGD. *Subdued.*** USDSGD traded in subdued range in absence of clear catalyst. RMB strength appears to be offset by JPY weakness while risk sentiments appear supported on prospects that Xi and Trump may meet next week and US government may also reopen soon. Pair was last at 1.2945 levels. Daily momentum is mild bearish while RSI flat. 2-way trades likely in the interim. Support at 1.2920 (21 DMA), 1.2870 (50 DMA). Resistance at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.3010 levels. S\$NEER remains steady post-MAS decision; last at 1.48% above model implied mid.
- SGD rates.** SGD OIS were paid up 3-4bps this morning thus far. We continue to expect some upward normalisation in SGD OIS but the move may only come slowly as liquidity appears to have remained ample. First, SGD rates have shown a fair bit of decoupling from USD rates so far this year; upon materialization of additional Fed funds rate cuts, the spillover from USD rates onto SGD rates is not automatic. Second, for USD rates themselves, since a slew of rate cuts are already in the price, further downside to USD rates may be limited. Third, with S\$NEER having moved away from the top end of the band, liquidity injection from FX operations does not appear imminent, although liquidity stays in the system until being mopped up. Fourth, short-end OIS at 1.2% level appears overly stimulative against the economic backdrop. MAS expect core inflation "to trough in the near term and rise gradually thereafter";

“output gap will remain positive in 2025 and come in around 0% next year” – i.e. at potential growth. There are 4W and 12W MAS bills auctions on Wednesday. As per latest implied SGD rates levels, 4W and 12W cut-offs are likely to come in the range of 1.40-1.46%.



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!