

Daily Market Outlook

22 October 2025

Bond rally; Gold pullback

- **DM rates.** Major DM government bonds, including USTs, gilts, bunds, and ACGBs rallied on Tuesday, benefiting from safe-haven flows. There also seems to be some investor demand to lock in long-term yields at current levels. The 2054 ACGB auction on Tuesday was well received, garnering a bid/cover ratio of 4.05x. Medium to long end gilts rallied on Tuesday, with investors shrugging off fiscal concerns for now. Cumulative public sector net borrowings in the UK for the Apr-Sep period was GBP99.8bn, which was GBP11.5bn more than the GBP88.3bn during the same period in 2024. 10Y bond/swap spread (GBP OIS – gilt yield) has risen to -51bps from -57bps in late September; the spread is unlikely to rise much further from here ahead of Autumn Budget on 26 November. In US, 10Y breakeven at 2.27% is sticky downward; 10Y real yield needs to fall for 10Y nominal yield to break decisively lower. In US, there are USD13bn of 20Y coupon bond auction tonight and USD26bn of 5Y TIPS auction on Thursday. 10Y breakeven at 2.27% is sticky downward; 10Y real yield needs to fall for 10Y nominal yield to break decisively lower.
- **DXY. Some Upside Risk.** USD was a touch firmer this week on signs that US government shutdown may be lifted soon and US-China relations may stabilise. US Treasury secretary Bessent and China vice premier He Lifeng are expected to hold talks in Malaysia during the ASEAN summit (26-28 Oct). If talks go smoothly, this may pave the way for Trump and Xi to meet in Gyeongju next week (31 Oct). On data, markets are also eyeing the CPI report this Fri (initially scheduled for release on 15 Oct). DXY last at 98.95 levels. Daily momentum shows tentative signs of turning mild bullish while RSI rose. 2-way trades likely in absence of fresh catalyst. Resistance at 99.10 levels (50% fibo retracement of May high to Sep low), 99.80 (61.8% fibo), 100.80 levels (200 DMA). Support at 98.40 (38.2% fibo, 21 DMA) and 98 levels (50, 100 DMAs) and 97.60 (23.6% fibo).
- **Gold. Bearish Engulfing.** Gold fell sharply (almost 8% at one point 2-days change), in line with our caution for technical pullback. We had cautioned that the surge in gold prices to record high, in record pace *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*

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consolidation. We had also flagged a double-top bearish reversal pattern, reinforcing our caution for an interim top in the rally fever. To add, any positive developments on US-China tensions, an end to US government shutdown or some progress on Russia-Ukraine may also lead to some moderation in gold prices. That said, we remain constructive on gold outlook. 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. XAU last seen at 4060 levels. Bullish momentum on daily chart faded while RSI fell from overbought conditions. Double-top bearish reversal underway. Bearish engulfing on day before candlestick should reinforce the bearish pressure. Next key support levels at 4004 (21 DMA), 3971 (38.2% fibo) are key to watch. Daily close below those levels may open way for further downside towards 3845 (50% fibo), 3720 levels (50 DMA, 61.8% fibo). Resistance at 4120 levels (23.6% fibo retracement of Aug run-up to Oct high), 4200 and 4380 (recent all time high).

- USDJPY. 2-Way Risks.** USDJPY traded higher post-confirmation of LDP leader Takaichi as PM but the move was also driven by the broad rebound in USD. We believe if fiscal prudence is pursued, then the new government 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. Given some political clarity, we see room for BoJ to hike on 30 Oct, given that macro conditions allow for policy normalisation. Barring any policy surprises or sharp USD rebound, we do expect USDJPY to return back to pre-LDP election levels of below 148 over time. But in the meantime, broader thematics of USD, UST yields, risk sentiments, expectations of BoJ policy and Japanese policies (in particular relating to spending and debt) will drive the pair. Pair was last at 151.70 levels. Daily momentum is not showing a clear bias though RSI rose. 2-way risks still likely in the interim. Resistance here at 151.90 (23.6% fibo retracement of the run-up), 152.50 levels. Support at 150.35 (50% fibo), 149.67 (61.8% fibo), 148.50 (50 DMA).
- USDSGD. Slight Rebound Risk.** USDSGD was a touch firmer, taking cues from USD rebound. Pair was last at 1.2985 levels. Daily momentum is not showing a clear bias while RSI rose. Tentative risk to the upside. Resistance at 1.3010, 1.3065 (200 DMA). Support at 1.2930/50 levels (23.6% fibo retracement of 2025 high to low, 21 DMA), 1.2880 (50 DMA). S\$NEER remains steady post-MAS decision; last at 1.48% above model implied mid.

- **IndoGBs.** The conventional bond auction yesterday gathered solid incoming bid amount of IDR117.5trn, while IDR28trn of bonds were awarded, representing an upsize from the indicative target of IDR23trn. Most incoming bids went to FR106 (2040 bond), followed by FR109 (2031 bond) and FR108 (2036 bond). While Q4 gross issuance target of IDR180trn is consistent with individual sizes of IDR23trn for conventional and of IDR7-8trn for sukuk auctions, we continue to expect upsizes whenever the bond market condition is favourable, in preparation for higher funding need in 2026. 2026 bond financing requirement is estimated to be roughly consistent with individual auction size of IDR30-32trn for conventional bonds and of IDR12-14trn for sukuk. The domestic bond market sentiment remains upbeat, pressuring yields. The flip side is that a strong comeback of foreign flows may not be in sight yet. IndoGBs saw outflows of IDR9.18trn in the five days to 16 October; foreign holdings stood at IDR894trn, or 13.93% of outstanding, on 16 October.



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