

Daily Market Outlook

23 October 2025

Investors go for duration

- **USD rates.** The well-received 20Y coupon bond auction underlined our opinion that there is investor demand looking to lock in long-term yields at current levels. The bond sales stopped through at 4.506%, drawing a bid/cover ratio of 2.73x which was similar to the last 2.74x despite the richening in the bonds over recent weeks. USTs held modest gains with yields at low end of ranges. We remain of the view that the 2s10s segment is unlikely to widen beyond 55bps sustainably, while our multi-month forecasts put it at 45bps. With dovish Fed funds futures pricing, short-end yields are subject to some upward correction should there be upside surprises in CPI on Friday. Meanwhile, 10Y yield may stay in a tight range of 3.95-4.05%; 10Y breakeven at 2.27% is sticky downward; 10Y real yield needs to fall for 10Y nominal yield to break decisively lower.
- **GBP rates.** Gilt rallied by 7-9bps upon the soft inflation prints; long-end bonds pared gains afterwards, with the curve ending the day 5-9bps lower in a steepening manner as market added to rate cut expectations. September inflation printed softer than expected across measures. Headline CPI printed 3.8%YoY, and CPIH (CPI including owner occupiers' housing costs) printed 4.1%YoY, both staying the same as August's readings, while consensus was looking for a mild uptick. Core CPI eased to 3.5%YoY versus 3.6%YoY prior. RPI fell 0.4%MoM. GBP OIS last priced 18bps of cut by year end, versus 11bps priced a day ago and 6bps priced at the start of the month. We maintain our expectation for one 25bp cut this quarter, and a final 25bp cut in Q1-2026, which will then bring BoE Bank Rate to 3.50%. We concur with some BoE members' view that the inflation hump was partly due to one-off changes in administered prices and food inflation, not representing demand pressure. On the gilt curve, while there is demand for duration, investors may still choose to be cautious towards the long end ahead of Autumn Budget on 29 November; 30Y bond/swap spread may consolidate around the -85bps/-80bps area.
- **DXY. Mild Upside Risk.** USD consolidated near 5-day high, but price action remains lacklustre. Risk sentiments stay curtailed amid heightened geopolitical tensions. US is raising stakes ahead of showdown with China, in considering restriction of exports to China made with or containing US software. Meanwhile Trump lifted key restriction on Ukraine's use of long-range missiles allowing Ukraine

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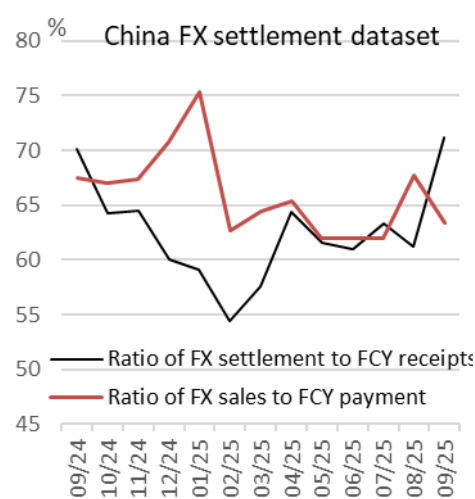
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to step up attacks inside Russia, which Trump later denied. US Treasury Secretary Scott Bessent said that US will announce "pickup" in Russia sanctions soon. Elsewhere, the meltdown in precious metals is also weighing on sentiments. Near term, DXY may continue to consolidate near the upper bound of recent range. DXY last at 99 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). CPI release awaits on Fri.

- USDJPY. Interim Upside Risks.** USDJPY continued to trade higher post-parliament vote but the move higher was also driven by the broad rebound in USD, instead of just policy uncertainty. New Minister of Finance Katayama had previously expressed concerns about the weak JPY. In an earlier interview in March, she said that the JPY should be about 120-130. She also floated the idea of providing tax incentives for individuals to invest in domestic equities rather than abroad. We believe if fiscal prudence is pursued, then the new government should be reassuring for markets and JPY. This move in USDJPY is likely more driven by USD leg. Given some political clarity, we still see room for BoJ to hike on 30 Oct as macro conditions allow for policy normalisation. Pair was last at 152.40 levels. Daily momentum is not showing a clear bias though RSI rose. Slight risk to the upside in the interim. Resistance here at 152.50, 153.40 levels. Support at 151.90 (23.6% fibo retracement of the run-up), 150.35/50 levels (50% fibo, 21 DMA).
- Gold. Bulls Need to Reclaim 4130.** Gold has yet to recover after the steep decline from all-time high, but pace of decline is starting to moderate. XAU last seen at 4080 levels. Daily momentum on daily chart shows tentative signs of turning bearish while decline in RSI moderated. Next key support levels at 4023 (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). Bulls will need to reclaim resistance around 4120/30 levels (23.6% fibo retracement of Aug run-up to Oct high) for sentiments to stabilise. Next resistance at 4200 and 4380 (recent all time high). Though we are cautious in the near term due to stretched technicals, we still maintain a constructive outlook into 2026 on a mix of structural and fundamental factors. Strong official-sector demand, Fed embarking on rate cut cycle and broader portfolio demand for gold as a reliable store of value and hedge against inflation, debt and geopolitical risks should help underpin the constructive outlook.

- USDSGD. *Slight Rebound Risk.*** USDSGD continued to inch higher amid risk-off sentiment and firmer USD. But price action remains confined to recent range. Pair was last at 1.2990 levels. Daily momentum is showing tentative signs of turning mild bullish while RSI rose. Risk to the upside. Resistance at 1.3010, 1.3060 (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 1.42% above model implied mid. CPI data to be released today.
- CNY rates.** PBoC net withdrew RMB23.5bn of liquidity via daily OMOs this morning. Focus is on medium-term liquidity. In the month, PBoC has already net injected CNY400bn of medium-term liquidity via outright reverse repos. We expect at least a full rollover of MLF next week. Despite liquidity injections, we remain of the view that short-end repo-IRS is likely to be floored at 1.5% before the next interest rate cut. Bank's net FX sales and settlement on behalf of clients registered a positive USD52bn and another positive USD28bn via forward contracts in September, both wider than those in August. Spot inflows were mainly supported by trade in goods. Willingness to convert foreign currency receipts into RMB rose to 71.2%, while tendency to buy foreign currencies for payment fell to 63.3%, reflecting the upbeat RMB sentiment. In offshore, the CNH CCS curve was offered down mildly over the past two days and stayed flat amid expectations for continued issuance-related flows. Offshore RMB bonds issuances amounted to RMB108.2bn and RMB125.7bn in August and September respectively, but activities have since slowed somewhat. That said, latest report of a potential foreign sovereign issuances of 5Y and 10Y offshore RMB bonds may keep the CNH CCS curve flat for now.
- IndoGBs.** Bond market reaction to BI's status quo decision was brief, probably as BI was seen as maintaining a dovish stance announcing measures to loosen liquidity and to incentivise banks to lower lending rates. OCBC economists continue to see additional 50bps of policy rate cuts before year end, although with the risk that these cuts are pushed into early 2026. As of 21 October, realised government financing amounted to IDR1147trn, with 17% via FX bonds. There is room for additional financing via upsizes at domestic auction, and via another tranche of FX bonds, in preparation for 2026 financing as well. The investor base to August's Kangaroo bonds sales was wide, across investors in Australia, Asia and EMEA/UK, and in terms of types of investors, spanning from asset managers to banks & PBs, hedge funds, and official institutions.



Source: CEIC, OCBC Research



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