

Daily Market Outlook

24 October 2025

Focus on US CPI

- USD rates.** USTs retraced overnight as the risk sentiment improved while investors took profits ahead of CPI prints while oil prices rose. Consensus look for a 0.4%MoM in the headline and 0.3%MoM in core, while the headline YoY rate is expected to have ticked up to 3.1% versus 2.9% prior. Short-end yields are subject to upward correction should there be upside surprises. At the 10Y, we remain of the view that 10Y breakeven at 2.30% level is sticky downward, which in turn limits the downside to 10Y nominal yield. Net coupon bond settlement amounts to USD58bn next week, while net bills settlement is at USD41bn. At the front end, GC repo rate and SOFR rose to 4.23%, while TGCR (tri-party GC rate) rose to 4.21% earlier in the week. Although according to NY Fed's October update on RDE (reserve demand elasticity), "reserves remain abundant", we hold the view that, at current bank reserves level (USD2.93trn as of 22 October), front-end funding rates will become more sensitive to any interim increase in liquidity demand, not least because liquidity is unlikely to be evenly distributed among market participants. The Fed has estimated, if QT were to continue at the current pace, bank reserves would fall to USD2.8trn by end Q1-2026. QT is likely to end before that, in our view.
- KRW rates.** KRW IRS were paid up upon BoK decision to keep the policy Base Rate unchanged at 2.50%. The status quo decision was in line with expectation, but market reacted to Governor Rhee's pushback on a potential November rate cut and the hawkish tilt regarding members' expectation – four of the six members are open to a rate cut over the next three months, versus five previously. "The Board will maintain its rate cut stance", but the central bank appears to focus on financial stability for now. Risk is for a further delay in the next policy rate cut, but we continue to see room for further monetary easing down the road, hinging on the effectiveness of housing cooling measures. As market pricing is not dovish, short-end KRW IRS is likely to consolidate after yesterday's initial reaction.
- DXY. Watching the Delayed CPI Report.** USD continued to consolidate near recent high though price action was subdued. Focus today on US CPI (830pm SGT). Bloomberg consensus is looking for core CPI to hold steady at 3.1% in Sep. Elsewhere prelim PMIs are also released today. Many leaders from China, US, and the

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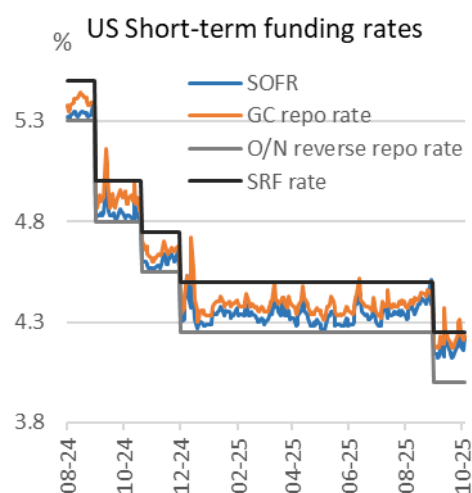
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Source: Bloomberg, OCBC Research

region will be in KL over 26 – 28 Oct for a summit, with keen focus on the meeting between US Treasury secretary Scott Bessent and Chinese vice premier He Lifeng. A promising outcome may potentially pave the way for Trump and Xi to meet in Gyeongju on 31st Oct. 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). Near term, DXY may continue to consolidate near the upper bound of recent range unless CPI surprises.

- **USDJPY. Upside Risks.** USDJPY continued to trade higher. Pair was last at 152.90 levels. Daily momentum is showing signs of turning mild bullish while RSI rose. Slight risk to the upside in the interim. Resistance at 153.30 (Oct high), 154.40 levels. Support at 151.70 (23.6% fibo retracement of the run-up), 150.60/70 levels (38.2% fibo, 21 DMA). We believe if fiscal prudence is pursued, then the new government should be reassuring for markets and JPY. Given some political clarity, we still see room for BoJ to hike on 30 Oct as macro conditions allow for policy normalisation. Fed-BoJ policy divergence should help underpin the direction of travel to the downside.
- **Gold. Consolidation.** Gold consolidated, following the steep decline. US CPI today may have some implications. In line with estimates or softer print may help to stabilise gold sentiment but a hotter print could risk another sell-off. XAU last seen at 4110 levels. Daily momentum on daily chart is mild bearish while RSI is flat (for now). Next key support levels at 4043 (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. Range.** USDSGD continued to trade subdued near recent high, in absence of catalyst. 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 1.4% above model implied mid. SG core CPI inched higher to 0.4% y/y for Sep. Our Economist noted that higher prices were recorded in retail and other goods (0.3% YoY versus -0.2% in August), driven by a rise in the prices of furniture and appliances for personal care. Food (1.1% YoY) prices remained unchanged while lower prices were registered in electricity & gas (-5.8% YoY versus -5.7% in August) and services (0.3% YoY versus 0.4%). Our Chief Economist is looking for headline and core inflation to tick higher into 4Q25 to 0.6% and 0.5% respectively (i.e. likely bottomed). This would bring full year 2025 headline and core CPI to 0.7% and 0.5%, respectively. Base effects did play a part. But prices also rose for transport, healthcare, food, and education, owed mainly to domestic price adjustments.

- **SGD rates.** SGS yields and SGD OIS edged higher on Thursday. The size of the 10Y SGS (reopened) auction has been announced at SGD2.5bn, with MAS intending to take SGD300mn. The size of the 5Y SGS (reopened) mini auction is at SGD1.4bn. We noted earlier that year-to-date gross SGS issuance amount was low. Adding in these two last auctions of the year, 2025 gross issuances will amount to SGD26.1bn, within our expected range of SGD26-27bn. This will result in a 3.5% growth in terms of outstanding SGS which is also in line with MAS guidance that “in 2025, outstanding SGS bonds is expected to grow at a slightly faster pace than in 2024”. While some pre-positioning ahead of the auctions may exert some upward pressure on yields, we expect these bond sales to be readily absorbed. 6M T-bills cut off at 1.41% at yesterday’s auction, in line with implied SGD rates which have stayed at relatively low levels. Demand was decent at a bid/cover ratio of 2.01x, thanks to the still flush SGD liquidity. Over the medium term, we expect some upward normalization in SGD interest rates, but this expected adjustment is likely to be slow.



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