

Daily Market Outlook

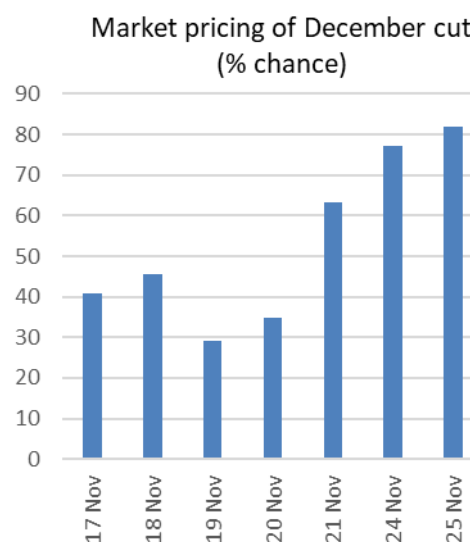
26 November 2025

Soft US data; UK Autumn Budget next to watch

- USD rates.** USTs rallied overnight, with 10Y yield dipping below 4% (traded a tad higher at Asia open). Market added further to December rate cut expectation seeing a chance of 82% amid soft data, while changes to the eSLR has been finalised. For depository institution subsidiaries, the final rule “is substantially similar to the proposal issued in June”, but “differs from the proposal by capping the enhanced supplementary leverage ratio standard at one percent, making the overall requirement for these institutions no more than four percent”. Long-end swap spreads have been trading in new ranges this month thus far, after having risen (become less negative) through July to October. Near-term range for 10Y swap spread is seen at -45bp to -40bps, and for 30Y swap spread is seen at -75bps to -70bps. Fresh triggers are probably needed for swap spreads to break higher. On the data, September PPI ex food and energy printed lower than expected. Retail sales were soft. Conference Board consumer confidence fell to 88.7 in November versus 95.5 prior; the labour-market differential — consumers saying jobs are “plentiful” minus those saying jobs are “hard to get” — slipped to 9.7 from 10.3, suggesting a cooling labour backdrop. ADP job losses (four-week period ending 8 Nov) amounted to 13.5K. A soft labour market helps mitigate second round inflation pressure. We maintain our call for a 25bp cut at the December FOMC meeting. On a medium-term horizon, market pricing of a total of 93bps of cuts between now and end-2026 appears overly dovish.

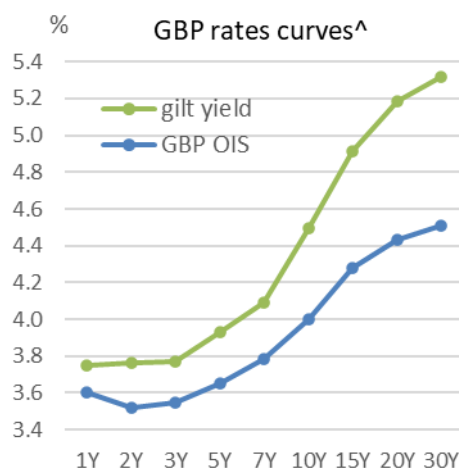
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Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

- GBP rates.** Long-end gilts outperformed further, ahead of the Autumn Budget. Reaction in gilts is likely through two channels, the implication on bond supply, and on the economy thereby BoE monetary policy outlook. Consensus is looking for an increase of GBP9bn in gilt remit. Long-end swap spreads are trading nearer the higher end of the February-November range. Any fiscal shortfall compared to expectation may see long end swap spreads lower. On monetary policy, we maintain our long-held call for a 25bp cut in the Bank Rate by year end, i.e. at the December meeting. CPI YoY inflation is likely to ease in the quarters ahead, in consideration of the trend in administered prices, the likely fading impact of the previous increase in NICs, slower wage growth, and potential tariff impact. The easing inflation outlook and a weakening labour market support some further removal of monetary policy restraints



Source: Bloomberg, OCBC Research
[^]25 November

under a careful approach. We expect another 25bp cut in Q1-2026, which will then bring BoE Bank Rate to 3.50%.

- **IndoGBs.** The sukuk auction on Tuesday garnered an incoming bid amount of IDR34.4trn, while IDR10trn of bonds were awarded, upsizing from the indicative target of IDR7trn. We continue to expect upsizes when the bond market condition is favourable, to provide a buffer for next year's funding need. While the incoming bid amount was low compared to some of the recent sukuk auctions, demand nevertheless supported the upsize. IndoGBs saw inflows of IDR5.67trn across the two days of 20 and 21 November followed by a small outflow on 24 November; foreign holdings recovered mildly to IDR873trn, or 13.4% of outstanding, as of 24 November. A sustained and strong comeback of inflows may still need to see IndoGB-UST yield differentials widening somewhat from here; the yield differentials have stayed at the low end of a 2-year range.



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