GLOBAL MARKETS RESEARCH

Daily Market Outlook

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Long-end gilts outperformed

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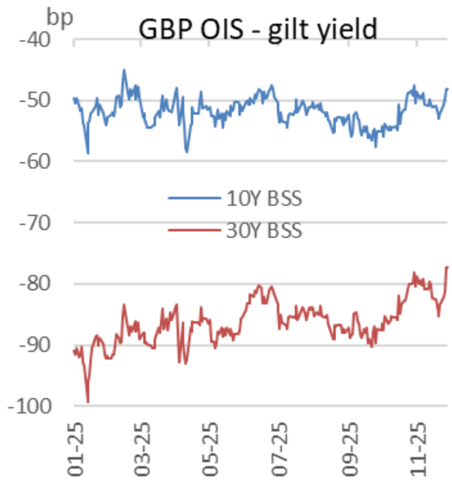
Global Markets Research and Strategy

- **USD rates.** USTs did a round trip and were little changed overnight. Data came in firmer than expected. Yields initially rose as initial jobless claims printed lower than expected and durable goods orders firmer than expected. Meanwhile, demand at the 7Y coupon bond auction was fair, with the bid/cover ratio stable at 2.46x but indirect accepted lower at 61.2% versus 65.3% prior. Nevertheless, yields have since retraced back as market held onto rate cut expectations. Fed's November beige book noted 1/ "employment declined slightly over the current period" versus "employment levels were largely stable in recent weeks"; 2/ "prices rose moderately" versus "prices rose further". Fed funds futures pricing was little changed at an 82% chance of a December cut. We maintain our call for a 25bp cut at the December FOMC meeting. We however do not see material downside to 2Y UST yield, as market pricing is of a total of 92bps of cuts between now and end-2026 is dovish enough.

- **GBP rates.** Gilts rallied with long-end outperforming, as net gilts sales for 2025/2026 (fiscal year ending March 2026) will be increased by a less-than-expected GBP4.6bn, while net T-bill issuances will be increased by GBP1.0bn. DMO (Debt Management Office) plan to increase net issuances of medium tenor, while reducing mildly the net issuances of long tenor gilts. In response, 20Y and 30Y bond/swap spreads rose further to -73bps and -77bps respectively while 10Y bond/swap spread was relatively stable. Long-end swap spreads at current levels are supporting of gilts. The fiscal headroom is raised to GBP22bn, but we do not read too much into it given the unpredictable nature of this number which is subject to revision. GBP OIS pricing was little changed, continuing to see an above 90% chance of a 25bp cut in the Bank Rate at December meeting. 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.



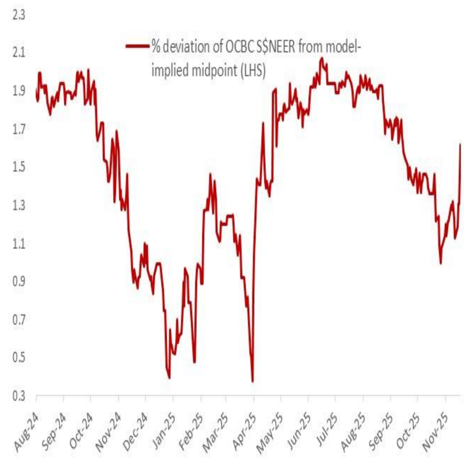
Source: Bloomberg, OCBC Research

- **DXY.** ***Thanksgiving Holiday Market Closure.*** DXY gapped lower in the open this morning as Dec rate cut probability continues to rise to 80% amid shift in Fed rhetoric earlier. DXY last seen at 99.50

levels. Our earlier technical caution for spinning top – an indication for indecision as well as a signal for some weakness in the recent USD rebound – played out. Daily momentum turned mild bearish while RSI fell. Still see 2-way risks with bias skewed to the downside. Support at 99.00/10 (50 DMA, 50% fibo retracement of May high to Sep low), 98.50 (100 DMA). Resistance at 99.70 levels (21, 200 DMAs, 61.8% fibo), 100.6 (76.4% fibo). US markets are out for Thanksgiving holidays today with no data and Fedspeaks for the week.

- **USDJPY. *Hawkish BOJ Rhetoric.*** USDJPY has started to ease lower in recent sessions, taking cues from a shift in BOJ rhetoric. The timing of the shift appears to coincide with Takaichi-Ueda meeting last week. Since then, BOJ rhetoric has tilted more hawkish. Masu said that the timing of rate hike was nearing while Koeda said that BOJ must keep raising real interest rates as prices have been "relatively strong." Ueda told parliament on Fri that BOJ will debate the "feasibility and timing" of rate hike in coming meetings. We stand by our long-held view that wage growth, broadening services inflation and upbeat economic activities in Japan are some conditions already supportive of BOJ policy normalisation. But the BOJ has strangely maintained a long pause. We still look for BOJ to hike in Dec. Probability of Dec hike has shifted to above 50% from 16% a week ago. USDJPY was last seen at 156 levels. Mild bullish momentum on daily chart is fading while RSI fell. Room for corrective pullback to play out in the interim. Support at 155.05 (21 DMA), 154.40 (76.4% fibo) and 151.60 (61.8% fibo retracement of 2025 high to low, 50 DMA). Resistance at 157.90 and 158.87 (previous high in 2025).

- **USDSGD. *Double-Top Bearish Reversal Played Out.*** S$NEER has strengthened rather sharply in a short span of time. Last at 1.6% above model implied mid (vs. about 1% in early Nov). This is likely in reaction to the recent SG GDP and CPI reports which have likely skewed market expectations towards an MAS hold. To take stock, October headline and core CPI rose to 1.2%. Last Fri, Singapore's 3Q25 GDP was revised up more than expected to 4.2% YoY, with upgrades seen across the board for manufacturing, construction and services sectors. While there is room for MAS to ease should growth-inflation dynamics worsen but given expectations for inflation to trough and rise gradually, alongside growth still holding up, the risks are probably balanced and do not require MAS to ease next. We believe MAS can continue to maintain policy hold at the Jan 2026 MPC. On USDSGD, we had flagged signs of exhaustion from the recent run-up. Pair has dipped below 1.30-handle. Last at 1.2955 levels. Daily momentum turned mild bearish while RSI fell. Double-top pattern – bearish reversal played out. More broadly, a rounding bottom pattern also appears to be forming. This can be a bullish setup but for the medium term. Support here at 1.2950/60 levels (50 DMA, 23.6% fibo retracement of 2025 high to low), 1.2910 (100 DMA). Resistance at 1.3030 (21 DMA), 1.31 levels (38.2% fibo).



Source: Bloomberg, OCBC Research

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