

Daily Market Outlook

3 December 2025

Liquidity tightness

- USD rates.** UST yields edged lower overnight, reversing the upticks on Monday, keeping yields in ranges in the absence of fresh catalyst. Funding rates including SOFR, GC repo rate, tri-party GC rate and DVP rate rose to above the 4% level (the SRF rate which is also the upper end of the Fed funds rate target range) at month end. Some of these rates are reportedly staying above 4% on Tuesday. The behaviour of front-end funding rates has kept market expectation for the Fed to start expanding its balance sheet. While some in the market expects an announcement as soon as this month, we however do not expect an imminent decision. First, bank reserves are expected to rise upon liquidity released from TGA; TGA balance was last at USD948bn on 1 December, still above target of USD850bn. Second, there is room for SRF usage to pick up further – facility limit of USD500bn versus usage at below USD50.35bn thus far, which will then mitigate the upward pressure on funding rates. That said, as SOMA Manager Perli and NY Fed president Williams recently said, we probably will “not need to wait long”. On balance, there may be an announcement on balance sheet expansion some time in Q1-2026.
- DXY. Consolidate lower.** USD traded subdued overnight, in absence of fresh catalyst while most major central bank decisions are largely priced. Sell-off in crypto has also tentatively stabilised overnight. DXY last seen at 99.40 levels. Daily momentum remains mild bearish while RSI fell. Some consolidation with slight bias to the downside. Support at 99.10 (50 DMA, 50% fibo retracement of May high to Sep low), 98.60 (100 DMA). Resistance at 99.60/70 levels (21, 200 DMAs, 61.8% fibo), 100.6 (76.4% fibo). Fed cut at Dec FOMC is largely priced and we would be watching for guidance for Fed cut trajectory going into 2026. Elsewhere, WSJ reported that Trump administration cancelled a slate of interviews with a group of finalists to be next Fed Chair. At an event overnight which Kevin Hassett was with him, Trump said “I guess a potential Fed chair is here too. I don’t know. Are we allowed to say that? Potential?”. Powell’s term runs until mid-May and Trump had earlier indicated announcing the final pick in early 2026. The nominee would still need to be confirmed by the Senate.

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FX and Rates Strategy

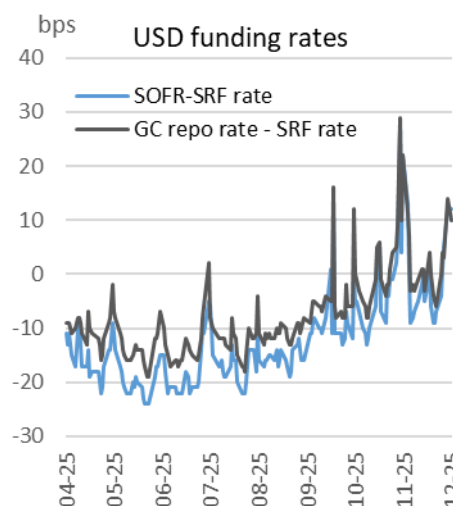
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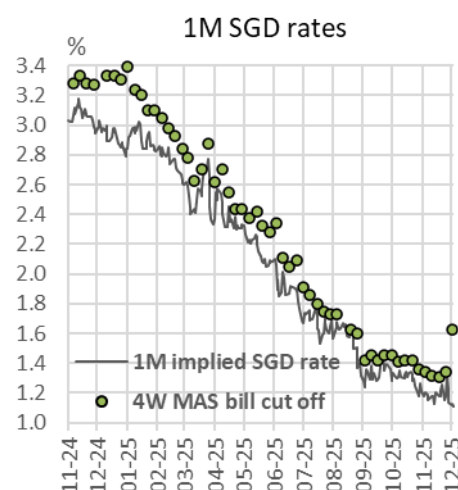
Global Markets Research and Strategy



Source: Bloomberg, OCBC Research

- **AUDUSD. *Stay long.*** AUD slipped in knee-jerk reaction to 3Q GDP missing estimates (0.4% vs. 0.7% expected). But a quick look at the details showed private demand led the contributions to growth through private investment (+0.5ppt, highest since 1Q 2021) and household consumption (+0.3ppt). Public demand continued to support growth through government expenditure (+0.2ppt) and investment (+0.2ppt). Net trade and changes in inventories were the components that detracted 0.1ppts and 0.5 ppts, respectively from GDP growth. Notably, ABS reported that mining inventories were drawn down to service increased export demand for coal while mining production was subdued following strength in the previous quarter. We still expect economic recovery to remain sustained into 1H 2026, with impulse primarily coming from domestic demand, led by resilient household consumption, rebound in services and firmer housing activities. AUD reversed losses to trade higher, despite the knee-jerk dip. Last at 0.6575 levels. Bullish momentum on daily chart intact while RSI rose. Bias to stay long. Resistance at 0.6610/40 levels before 0.67. Support at 0.6550, 0.6510 (21 DMA).
- **USDJPY. *21DMA key support to watch.*** USDJPY traded subdued as markets await catalyst. Markets have already priced 81% probability of Dec hike and the key question is likely what comes next - question if this is a one hike and another long wait. Any meaningful recovery in JPY would require not just the BoJ to follow through with stronger guidance but also for policymakers to demonstrate fiscal prudence and a softer USD, US rates environment. Pair was last seen at 155.70 levels. Daily momentum is mild bearish while RSI slipped. Risks modestly skewed to the downside. Key support at 155.40 levels (21 DMA). Decisive break puts next support at 154.40 (76.4% fibo) and 151.60 (61.8% fibo retracement of 2025 high to low, 50 DMA). Resistance at 156.70, 157.90 and 158.87 (previous high in 2025).
- **USDSGD. *Consolidation.*** USDSGD traded little changed, near recent lows as markets await catalyst. Pair was last at 1.2960 levels. Daily momentum is mild bearish while decline in RSI moderated. We continued to flag the rounding bottom pattern which can be a potentially bullish setup for the medium term. But near term, we see if price action resembles bearish flag formation. 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). S\$NEER strengthened further; last seen at 1.52% above model-implied mid.

- SGD rates.** SGD OIS were offered down 3-4bps at open this morning. We wrote earlier that “some interim retracements in short-end SGD rates cannot be ruled out”, while our expectation remains for short-end rates to revert towards the 1.40-1.55% area after dips – if any. The falls in SGD OIS helps alleviate some pressure off SGS, with bond/swap spread (OIS - yield) edging down across the curve, although staying positive. At yesterday’s auctions, 4W MAS bills cut off at 1.63%; we had expected cut-off to be higher than the previous auction as the 4W bills cover year-end, but 1.63% was still mildly on the high side. As a comparison, at the 3 December 2024 auction a year ago, 4W cut-off at 3.47% was 20bps higher than the previous cut-off, and at around 45bps above the 1M implied SGD rate. Yesterday’s 1.63% cut-off was 29bps higher than the previous cut-off, and at around 50bps above the 1M implied SGD rate. Overall, liquidity may be slightly tighter than implied rates suggest, but the cut-off was still not out of range.



Source: MAS, Bloomberg, OCBC Research



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