

Daily Market Outlook

3 November 2025

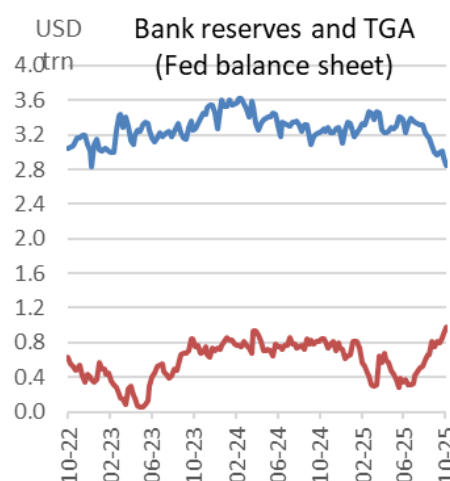
US bank reserves continue to fall; USD firmer

- USD rates.** USTs rallied by around 3bps across 2Y to 7Y tenors on Friday, in the absence of major catalyst. Bank reserves on the Fed's balance sheet fell to USD2.85trn as of 29 October, while TGA balance overshoot standing at USD1001bn on 30 October, which was USD151bn above target. When TGA balance falls back towards target, bank reserves may move back up nearer the USD3trn mark. Before that happens, there is likely to be sporadic upticks in funding rates. SOFR was at 4.04% last Thursday, 4bps above the upper end of the new Fed funds rate range of 3.75-4.00%. Separately, the first part of US Treasury quarterly refunding documents is to be released tonight with overall financial estimates, followed by the policy statement together with auction sizes on Wednesday. The coming end of QT will remove the final burden of USD5bn per month from refunding needs effective December, while the reinvestment from MBS redemption into T-bills may amount to USD180-200bn in a year. We expect US Treasury to be able to keep the guidance on "maintaining nominal coupon and FRN auction sizes for at least the next several quarters." 10Y swap spread has risen to -42bps after staying in the range of -55bps/-50bps for an extended period, and 30Y swap spread has risen to -72bps from -85bps/-80bps range. Market reaction appears to be done for now. We maintain our year end expectation for 2Y UST yield at 3.60% and for 10Y UST yield at 4.10%.

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Source: Bloomberg, OCBC Research

- GBP rates.** Short-end gilts continued to garner investor support, despite consensus for a BoE hold this week. Since the soft October inflation prints, market has added to rate cut expectation for December MPC meeting, with GBP OIS pricing 17bps of a cut by year end. Some BoE officials recently expressed preference for slowing rate cuts pace, saying "once-a-quarter easing pace is no longer appropriate as policy has become less restrictive". This view differs from some of the more dovish members in the MPC who focus on the weakening labour market. On balance, we maintain a 25bp cut this quarter and another 25bp cut in Q1-2026 on our forecast profile for now. Another focus is Autumn Budget on 26 November.
- DXY. Short Squeeze.** DXY extended its rise this morning. Fed Chair Powell's comments post-FOMC – *that December meeting is not a foregone conclusion* provided the excuse for markets to unwind

USD shorts. Looking on, the absence of US data due to government shutdown as well as a less committal and divisive Fed will likely allow for USD short squeeze to transpire in the near term. In addition, market expectations of Fed cut for 2026 may be overly priced for now, and any continued pare back in expectations may result in further USD upticks. This week brings ISM mfg (Mon); ADP employment change, ISM services (Wed). Payrolls data initially scheduled for Fri will likely be deferred until BLS announces details. Markets are likely to scrutinise Fedspeaks and US corporate earnings to get a sense of economy well-being. DXY last at 99.77. Daily momentum turned mild bullish while RSI rose. 2-way trades likely to persist, with slight bias to upside. Resistance at 99.80 (61.8% fibo), 100.50/60 levels (200 DMA, 76.4% fibo). Support at 99.10 levels (50% fibo retracement of May high to Sep low), 98.40 (38.2% fibo) and 98.00/20 levels (50, 100 DMAs) and 97.60 (23.6% fibo).

- **EURUSD. Heavy.** EUR drifted lower, amid broad USD rebound. Lingered political uncertainties due to French budget/government, hung parliament outcome in Dutch elections, French CPI underwhelmed, were among some of the factors weighing on EUR. On French politics, though PM Lecornu may have survived 2 rounds of no confidence motions and won some support from Socialist party (PS) in agreeing not to topple the government, the situation remains fragile. A left-wing bloc led by PS, Communist and Green parties is now demanding for a “Zucman tax” of 2% on wealth over EUR100mio. Lower house had voted against it (228 to 172) and this renewed disagreement may prove challenging for lawmakers to agree on a budget or worst, risk another government collapse. Political developments may still pose downward pressure on the EUR in the near term. However, the broader fundamental outlook remains supportive of the euro, suggesting a bias for buy-on-dips approach (with patience). EUR last seen at 1.1530 levels. Daily momentum turned mild bearish but RSI fell. Risks skewed to the downside. Support at 1.1460 (38.2% fibo retracement of Apr low to Sep high), 1.1320 (200 DMA, 50% fibo). Resistance at 1.1630/40 (21 DMA, 23.6% fibo), 1.1670/80 (50, 100 DMAs).
- **USDJPY. Watching for Signs of Intervention.** Move higher in USDJPY was a reflection of hawkish Fed cut and disappointment over dovish BOJ hold. USDJPY last seen at 154.10 levels. Daily momentum turned mild bullish while rise in RSI moderated near overbought conditions. Resistance at 154.40 (76.4% fibo retracement of 2025 high to low). Support at 153.30 (previous double-top), 151.60/80 (21 DMA, 61.8% fibo). Last week, Finance Minister Katayama has stepped by verbal intervention - that she's seeing very one-sided, rapid currency moves. Verbal intervention may only slow the JPY's decline at times but cannot change the broader market momentum. We watch if verbal intervention steps up intensity under the new Finance Minister or eventually progress

towards actual intervention, as JPY bears may exercise caution. Ultimately for USDJPY to turn lower would require a softer USD and BOJ showing more commitment to hike.

- **USDSGD. Range.** USDSGD was a touch firmer. Pair was last at 1.3020 levels. Daily momentum shows tentative signs of turning mild bullish while RSI rose. 2-way risks likely. Resistance at 1.3040 (200 DMA). Break out puts next resistance at 1.31 (38.2% fibo). Support at 1.2950/70 levels (23.6% fibo retracement of 2025 high to low, 21 DMA), 1.29 (50 DMA). S\$NEER continued to ease; last at 1.23% above model implied mid. We had earlier shared that S\$NEER does not necessarily need to return to its upper bound post-MAS. Keep in mind that the MAS's current policy stance aims for only a mild appreciation. Therefore, there is still potential for the S\$NEER to remain near its current level or even decline moderately. To some extent, the S\$NEER arguably should not have been that strong, considering the 2 rounds of easing in the first half of the year, if not for safe-haven inflows



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