

Daily Market Outlook

31 October 2025

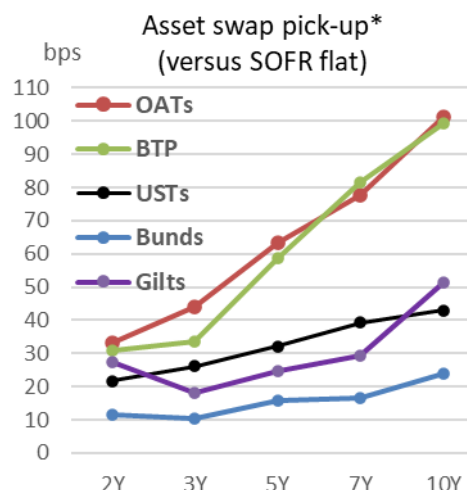
Delayed BoJ Hike; JPY under pressure

- EUR rates.** Market reaction was muted as ECB kept the three key ECB interest rates unchanged in line with expectation. The central bank said “inflation remains close to the 2% medium-term target and the Governing Council’s assessment of the inflation outlook is broadly unchanged. Lagarde maintains her stance that the central bank is “in a good place”. She highlighted that statement’s paragraph on risk assessment indicated “some of the downside risks to growth have abated”. Lagarde said she would not “complain too much about growth”, referring to the 0.2% QoQ growth for Q3 which was a tad more than expected by consensus. While the bias for monetary policy remains mildly on the easing side, the ECB is likely to keep rates unchanged again at the December meeting where EUR OIS is pricing in a status quo decision as well. We see limited room for OBL (short-end bunds) to rally, with 2Y to 5Y bond/swap spreads in the range of -9/-12bps.
- JPY rates.** Short-end JPY OIS edged lower by 1-2bps upon BoJ decision to keep the Target Rate unchanged at 0.5%. The vote was 7-2, same as at the last meeting, with two (Takata and Tamura) voting for a 25bp hike – interpretation is that the central bank has not got more hawkish. The assessment on the economy and prices has remained pretty much the same; “risks to economic activity are skewed to the downside for fiscal 2026. Risks to prices are generally balanced”. The downside risks to growth seen by the Bank appear to emanate mainly from the uncertainty on trade policies and economic performances in overseas economy. Domestically, the prospect remains for wage growth to be partially passed onto price levels, in our view. Rengo (the Japanese Trade Union Confederation) said it plans to ask for wage increase of around 5% or more in 2026 *shunto* (spring wage negotiations). Meanwhile, enterprises’ short-term (1-year), medium-term (3-year) and long-term (5-year) inflation expectations have stayed firmly above the 2% level, as per *Tankan* survey, reflecting a proactive attitude in price-setting. We continue to see the likelihood for a 25bp hike in the BoJ Target Rate before year end. This morning, Tokyo CPI printed higher than expected across measures of headline, core and core core indices. Headline CPI rose by 2.8%YoY, with higher YoY contributions from the sectors of recreation and culture, and of transport and communications, compared to last month.

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Source: Bloomberg, OCBC Research

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- USD/AXJs. Sell Rallies.** USD extended its rise in what looked like “buy rumor, sell the fact” post-Trump-Xi meeting and FOMC, while there were market chatters of month-end USD demand. On Trump-Xi summit, both sides reach an agreement. Some highlights include trade truce being extended for another year; China will restart buying 12m tons of soybeans this year, and 25m tons in 2026; China to postpone export restriction on rare earth for a year; US will reduce fentanyl tariff rate to 10%; both parties will hold off imposing port fees for another year; TikTok transaction will resume. Trump later told reporters that it was an amazing meeting and on a scale of 0 – 10 with 10 being the best, the meeting was a 12. USD rose broadly against a range of currencies. Even the USDCNY daily fix was set higher at 7.0880 while rise in USDJPY, post BoJ disappointment also contributed to the broad rise in USDAXJs. With US-China tensions better managed, USDAXJ may go back to being driven by idiosyncratic factors for now, until a clearer trend on the USD is established. We still look for USD to trend moderately lower but in the absence of US data and non-committal comments from Fed Chair Powell, some position adjustment may take place first. Fed on easing cycle and a more cordial relations between US and China should remain supportive of RMB, risk-proxy FX including AUD while USD may trade on the backfoot, unless equity sentiment faces a surprise shock.
- USDJPY. BoJ Disappoints; MoF Soothes.** USDJPY jumped, post-BoJ’s decision to keep policy rate on hold. 2 members dissented against the decision – unchanged from previous meeting. Governor Ueda also gave little hint on timeline, saying that *they want to see more data on domestic wage-setting behaviours while uncertainty remains high in overseas economies*. He added that “If we’re convinced, we’ll adjust rates regardless of the political situation.”. We have long argued that macro conditions are ripe for policy normalisation to take place. Data this morning – Tokyo CPI picking up pace in Oct –reinforced our bias. Given the sharp move over the last 24 hours, Finance Minister Katayama now said the government will be monitoring currency movements, including those driven by speculative moves, with a high sense of urgency. She added that she’s seeing very one-sided, rapid currency moves. USDJPY last seen at 153.80 levels. Daily momentum turned mild bullish while rise in RSI moderated. 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). Delayed BoJ hike may continue to pose downward pressure on JPY as verbal intervention may only slow the decline at times but cannot change the broader market forces.
- USDTWD. Taking Cues from External Factors.** USDTWD traded higher this morning, playing catch-up to gains in other USDAXJs, including USDKRW, USDJPY and USDCNH, as well as broader USD, post-FOMC. On CBC minutes released yesterday, some board

directors expressed support for the Bank's approach that kept the policy rates unchanged but still ensured ample liquidity conditions conducive to traditional industries and SMEs through open market operations, namely by reducing issuance of certificates of deposit. 2 board directors observed that there was limited scope for a rate cut as the projected GDP growth rate of Taiwan for this year was revised upward by the Bank. On the other hand, the gradual decline in the CPI annual growth rate this year followed by a further decrease next year suggested there was little need for a rate hike. On balance, a rate hold would be an appropriate policy action. USDTWD spot last seen at 30.74. Daily momentum is flat while rise in RSI moderated. 2-way trades likely intra-day. Resistance at 30.83. Support at 30.61 (21 DMA), 30.5 levels (50 DMA). Lesser incentive for lifers to hedge amid potential accounting rule changes, geopolitical risks and potential fade-out of export orders may be some of the factors that may see TWD lag its peers. Today, GDP report will be released.

- USDKRW. Sell Rallies.** USDKRW jumped yesterday after Trump-Xi meeting ended. But we reiterate our view that USDKRW may have seen an interim top. A few reasons ranging from anticipation of BOK cuts, sluggish growth in Korea and the persistent uncertainty on trade between Korea and US were some of the factors that weighed on KRW but we think some of this negativity is starting to fade and this may bode well for KRW recovery. For instance, Lee and Trump announced a deal. US tariffs on KR autos and parts will be reduced to 15% from 25%, putting Korean automakers on equal footing with their Japanese and European auto rivals. The agreement also includes a US\$350 billion investment pledge from South Korea, with \$200 billion in cash and equity investment and \$150 billion for supporting and guaranteeing loans to Korean firms in the shipbuilding sector. These details help to offer clarity on the investment fund's structure. Meanwhile 3Q GDP report released on Tue surprised to the upside, led by domestic demand due to cash handouts and asset market outperformance. Although construction activity contracted, the rate of contraction showed some signs of easing. Facility investment continues to show good recovery while exports rebounded. So in a way, if USD and US rates continue to trend lower, alongside a firmer RMB, then it is likely a top in USDKRW may have been formed. We are of the view that KRW should see recovery. Bias for downward play in USDKRW. Spot last seen at 1428.4 levels. Daily momentum is slight bearish while RSI fell. Bias for downside play but watch key support at 1420 (21 DMA), 1413 (200 DMA). Decisive break below would put next support at 1403.50 (50 DMA), 1390 (100 DMA). Resistance at 1435, 1445 levels.
- USDSGD. Range.** USDSGD firmed near recent highs, tracking the broader move in USD higher. Pair was near 1.30 levels. Daily momentum is flat while rise in RSI slowed. 2-way risks likely. Resistance at 1.3010, 1.3040 (200 DMA). Support at 1.2930/50

levels (23.6% fibo retracement of 2025 high to low, 21 DMA), 1.2890 (50 DMA). S\$NEER continued to ease; last at 1.27% 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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