

Daily Market Outlook

4 December 2025

Muted reaction to data

- **DM rates. USTs** did a round trip overnight, to end the day with yields a tad lower, while market has held onto rate cut expectations. November ADP private employment change unexpectedly fell by 32K, the deepest monthly fall since March 2023; job losses at small enterprises amounted to 120K, which was partially offset by job gains in medium to large enterprises. The outcome has continued to point to a cooling labour market but has had little impact on market pricings of Fed funds rate cuts as these pricings have been dovish enough. Fed funds futures last priced a 94% chance of a December 25bp cut, and a total of 90bps cut (including the expected December cut) between now and end 2026. Range for 2Y UST yield stays at 3.45-3.65% and for 10Y UST yield at 3.95-4.15%. On the other hand, short-end **ACGBs** extended their sell-off which started in mid-October, as the notion that the next move from the RBA is a hike rather than a cut has gained traction. RBA Governor Bullock yesterday commented “projections still see inflation coming back down...but obviously we’re alert to the possibility that there might be inflation pressures building, and the board would respond accordingly”. Cash rate futures priced more than an even chance for a 25bp hike by mid-2026, and a hike is fully priced by November 2026. Given market is hawkish, short end bonds may start to garner some support with bond swap spreads already trading at lower levels.
- **DXY. Consolidate lower.** USD drifted lower overnight amid softer US data print. ADP employment printed -32k (vs. 10k expected) while ISM services prices paid, new orders surprised to the downside. Meanwhile risk sentiment stays supported, with equities and crypto complex on firmer footing. DXY last seen at 98.90 levels. Daily momentum remains mild bearish while RSI fell to near oversold conditions. Some consolidation with slight bias to the downside likely. Support at 98.40/60 levels (100 DMA, 38.2% fibo). Resistance at 99.10 (50 DMA, 50% fibo retracement of May high to Sep low), 99.50/70 levels (21, 200 DMAs, 61.8% fibo), 100.6 (76.4% fibo). Day ahead challenger job cuts report.
- **USDINR. FX as the Shock Absorber; RBI can Hold.** USDINR extended its run-up beyond the 90-psychological mark, with 1m USDINR NDF trading above 90.6 intra-day. Net foreign outflow of domestic equities MTD and the market perception that authorities did not appear to show much interest in defending any level contributed

Frances Cheung, CFA
FX and Rates Strategy
FrancesCheung@ocbc.com

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Global Markets Research and Strategy

to INR softness. RBI meeting is in focus on Fri (1230pm SGT). Consensus is for 25bp cut to bring repo rate to 5.25%. Our house view expects an out-of-consensus hold. Our economist noted that India growth surprised to the upside. Economy grew 8.2% YoY in 3Q25 from 7.8% in 2Q25 driven mainly by private consumption, investment spending and exports. Domestic final demand contributed 6.8 percentage points (pp) compared to 7.4pp in 2Q25. The drag from net exports deepened to -2.1pp from -1.4 in 2Q25. Elsewhere we noted services PMI remains firmly in expansionary territory (59.8 vs 59.5). We opined that while INR may still trade under pressure due to outflows, the eventual outcome of an RBI hold and an economy on stable footing may help to restore INR stability at some point, especially when foreign outflows slow. 1m USDINR NDF at 90.67 levels. Bullish momentum on daily chart intact while RSI enters into overbought conditions. Resistance at 91 levels. Support at 90, 89.25 (21 DMA).

- AUDUSD. Supported.** AUD extended its run higher despite the initial slippage post-GDP report yesterday. Last at 0.6610 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). Run higher remains consistent with our view for long AUD bias, premised on RBA on extended pause, domestic economic remains resilience while external drivers stay conducive: steady RMB, softer USD and Fed on easing bias. Yesterday's GDP report further reinforced the view that AU economic recovery should be sustained into 1H 2026, with impulse primarily coming from domestic demand, led by resilient household consumption, rebound in services and firmer housing activities.
- USDJPY. Will 21DMA Hold?** USDJPY traded little changed in absence of fresh catalyst. In comments made in parliament this morning, Governor Ueda said that BoJ can only estimate neutral rate with wide range and cannot specify where terminal rate will be. He reiterated that policy setting remains accommodative while economic package to have positive impact on real economy. Markets have already priced 80% probability of Dec hike and the key question is what comes next- 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 while a softer USD, US rates environment would be supportive. Pair was last seen at 155.40 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 continued to trade little changed despite USD softness seen elsewhere. Slippage in RMB and JPY may have spillover effects onto SGD this morning. Pair was last at 1.2955. Daily momentum is mild bearish while RSI shows tentative signs of turning from near oversold conditions. We continued to flag the rounding bottom pattern which can be a potentially bullish setup 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). S\$NEER strengthened further; last seen at 1.48% above model-implied mid. Fri brings retail sales data.
- **CNY rates.** Repo-IRS traded on the firm side this morning, while PBoC continued to withdraw liquidity via daily OMOs for a fifth working day in a row. Daily OMOs are in reaction to the liquidity situation on that day which does not represent a certain monetary stance. PBoC net bought CNY50bn of bonds in the open market in November; the amount was still on the low side. Nevertheless, there was net injections of CNY600bn of medium-term liquidity (outright reverse repos + MLF) in the month. Overall, the liquidity condition has remains broadly constructive, while monetary policy stay on an easing bias. These are likely to lend support to short to mid tenor CGBs. We expect yields to trade in ranges and see the range for 10Y CGB yield at 1.80-1.90%. At the long end, 30Y CGBs have been under some selling pressure in recent days. Investors appear to stay defensive on duration as absolute yield levels are low, while there might also have been some spillover from the JGB market. In CNH market, a total of RMB7bn of offshore CGBs are to be tendered on 10 December. These comprise the reopening of RMB2bn of 2027 bonds, RMB3bn of 2028 bonds and RMB2bn of 2030 bonds.



Macro Research

Selena Ling

Head of Research & Strategy
lingssselena@ocbc.com

Herbert Wong

Hong Kong & Taiwan Economist
herberhtwong@ocbc.com

Jonathan Ng

ASEAN Economist
jonathannq4@ocbc.com

Tommy Xie Dongming

Head of Asia Macro Research
xied@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ong Shu Yi

ESG Analyst
shuyionq1@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist
cindyckung@ocbc.com

Ahmad A Enver

ASEAN Economist
ahmad.enver@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA

Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong

FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong

Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA

Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA

Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA

Credit Research Analyst
mengteechin@ocbc.com

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