

Daily Market Outlook

4 November 2025

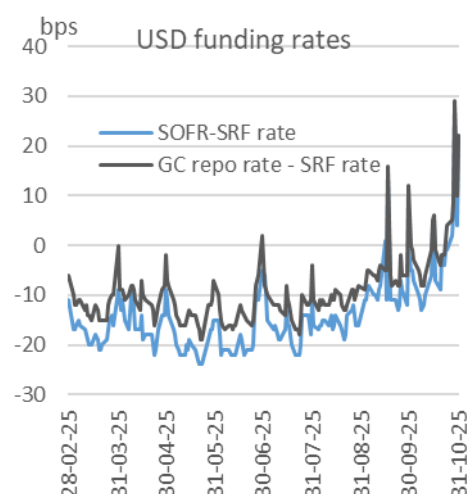
US funding in focus

- USD rates.** USTs were under some selling pressure overnight, but recent focus has been in the funding market. **Funding rates:** SOFR rose to 4.22% at month-end (31 October), 22bps higher than SRF rate; GC repo rate rose to 4.22%. While funding rates have usually rose at month end and quarter end, the magnitude of the increases was relatively big. Usage at the Fed's overnight repos was USD50bn and USD22bn on 30 and 31 October respectively. Before TGA balance normalises downward, funding rates likely remain sensitive to interim liquidity demand at current bank reserves level. There continue to be net bills settlement this week, at USD42bn. The ongoing shutdown is locking in extra cash in the account. On **US Treasury quarterly refunding:** During the Oct-Dec quarter, Treasury expects to borrow USD569bn via privately-held marketable debt, which is USD21bn lower than previous estimates, due to higher beginning-of-quarter cash balance although it is partially offset by lower projected cash flows. Excluding the cash position impact, borrowing estimate is USD20bn higher than previously estimated. For Jan-Mar 2026 quarter, borrowing estimate is USD578bn. Cash balance target remains at USD850bn. Additional financing details including auction sizes are to be announced on Wednesday. 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. We do not expect much further market reaction if the no change in auction sizes is confirmed. We maintain our year end expectation for 2Y UST yield at 3.60% and for 10Y UST yield at 4.10%.
- DXY. Funding Premium, Divisive Fed.** USD continued to drift higher, taking cues from a divisive Fed. Goolsbee said he is not decided going into Dec meeting and he is nervous about the inflation more than the job market. He added that he still believes interest rates can come down a "fair amount" but "it would probably be most judicious to have the rates come down with inflation." Meanwhile Cook said that risk to labor market outweighs inflation risk but stopped short of indicating if she supports another cut in Dec FOMC. Daly said she agreed with Fed's decision to lower rate for the second time in a row but said that Fed should "keep an

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Source: Bloomberg, OCBC Research

open mind” about the possibility of another cut at the next FOMC in Dec. We reiterate our view that *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*. Given dovish pricing for 2026, continued pare back in expectations may add to further USD upticks in the interim. Also, funding squeeze raises the cost of shorting USD, and this is another tailwind adding to USD rebound. But when funding situation normalises, the squeeze may reverse, and USD strength can fade. DXY last at 99.9 levels. Daily momentum is bullish while RSI rose towards near overbought conditions. 2-way trades likely to persist, with bias to upside. Resistance at 100.50/60 levels (200 DMA, 76.4% fibo). Support at 99.80 (61.8% fibo), 99.10 levels (50% fibo retracement of May high to Sep low), 98.40 (38.2% fibo). On data overnight, ISM manufacturing slumped further into contractionary territory. This week brings ADP employment change, ISM services (Wed). Payrolls data initially scheduled for Fri will likely be deferred until BLS announces details. Markets are expected to scrutinise Fedspeaks and US corporate earnings to get a sense of economy well-being.

- **USDJPY. Takaichi vs Katayama.** JPY came under pressure this morning after PM Takaichi said she will put a growth strategy for the economy by next Summer. The government will aim to boost tax revenue without raising tax rates, boost private-public investments, etc. Delayed BOJ policy normalisation, risk of heavier fiscal burden amid rise in debt servicing costs, increase in social and defence spending and chance of early snap elections (given Takaichi’s high approval rating of 74%) are some factors that may pose downward pressure on JPY in the interim. But on the same playbook, Finance Minister Katayama said “watching FX moves with high sense of urgency”. This helped to nurse JPY losses. 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. USDJPY last seen at 154.10 levels. Daily momentum is 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).
- **AUDUSD. RBA Hold.** AUD holds modest losses post-RBA decision to keep policy on hold, as widely expected. The SOMP projected for underlying inflation to accelerate to 3.2% this year and stay there through June 2026, while forecasts for unemployment were nudged up to 4.4%. SOMP also highlighted that last week’s third quarter inflation report as “stronger than expected,” which “suggests there could be a little more underlying inflationary pressure than we previously thought”. That said, RBA noted that wage growth has eased and some of 3Q underlying inflation

increase was temporary. AUD was last at 0.6530 levels. Mild bullish momentum on daily chart shows tentative signs of easing while RSI fell. Some risks to the downside is not ruled out, given the broader USD bounce. But we are biased to buy on dips. Support at 0.6510, 0.6480 before 0.6445 (200 DMA). Resistance at 0.6560 (50 DMA), 0.6620 levels.

- EURUSD. Pace of Decline Moderates.** EUR was a touch softer, amid broad USD rebound. Developments in France — including a fragile government that only narrowly survived two no-confidence votes, ongoing budget tensions, and new proposals for a wealth tax — added to investor unease. A hung parliament in the Netherlands, underwhelming French inflation data, and Italy's calls for the ECB to restart quantitative easing also dampened sentiment. While near-term political noise may keep the euro capped, the broader outlook remains constructive. EUR last seen at 1.1510 levels. Daily momentum is mild bearish but decline in RSI shows tentative signs of moderating near oversold conditions. Some consolidation not ruled out. 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).
- USDSGD. Range.** USDSGD firmed, tracking USD moves. Pair was last at 1.3050 levels. Daily momentum shows tentative signs of turning mild bullish while rise in RSI moderated. 2-way risks likely. Sustained close above resistance at 1.3040 (200 DMA) 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 1.14% above model implied mid. We had earlier shared that S\$NEER does not necessarily need to return to its upper bound post-MAS as 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 - this is playing out. 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.
- SGD rates.** SGD OIS traded on the soft side on Monday. Today brings 4W and 12W MAS bills auctions. Implied SGD rates were trading at levels similar to those of last week. Cut-offs may come in the range of 1.35-1.40%. On SGS, MAS has earlier announced 2026 SGS issuance calendar. In 2026, "SGS bonds are expected to grow at a similar pace to 2025". Outstanding SGS grew at 3.5% in 2025. Given MAS guidance, we put our preliminary expectation of gross SGS supply in 2026 at SGD27.5-28.0bn. The tenor profile (excluding the optional mini auctions) is similar to that of 2025, with a mild skew towards shorter duration, which is likely to be welcome by the market. The next supply of long end bonds is in March with the 30Y Green SGS (Infra) and in April with the 10Y SGS (MD). The recent steepening of the 2s10s segment of the SGS curve may come to a pause.



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