Daily Market Outlook

5 December 2025

2-way trades

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- **USD rates**. USTs continued to trade in ranges, with yields edging up by 2-3bps overnight as jobless claims printed lower than expected. The movements were better seen as a mild correction from dovish pricings, with yields staying in expected ranges of 3.45-3.65% for 2Y and of 3.95-4.15% for 10Y. Fed funds futures continue to fully price (at 98% chance) a 25bp cut at the December FOMC meeting next week, while mildly paring back 2026 rate cut expectation to 62bps from 65bps prior. Hassett opined the Fed should and likely to cut rate by 25bps at the upcoming meeting, and he wanted to "get to a much lower rate" over the long run. For now, investors have to rely on the updated dot-plot to gauge the Fed funds rate path beyond December. On Fed balance sheet policy, we expect an announcement on asset purchase some time in Q1-2026, instead of as imminent as at the December meeting. First, bank reserves are expected to rise upon liquidity released from TGA. 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. Further out, there is very likely to be a resumption of asset purchases (expected to be mainly T-bills) to ensure an ample level of reserves as other liabilities on the Fed's balance sheet may grow (thereby "displacing" bank reserves) and/or underlying demand for reserves may increase over time.

- **DXY. *2-way Trades; Core PCE Next.*** USD was a touch firmer overnight but largely traded within recent range. Sep core PCE data in focus tonight (11pm SGT). Though it is a delayed report, it may still have some market reaction, given the absence of catalyst. Softer print may give market the confidence to push USD lower while a hotter print may unwind some of the bearish bets on USD. In any sense, the delayed data is not expected to have an outsized reaction on markets unless the margin of surprise is much larger than expected. More importantly, the focus is on FOMC (11 Dec). The 25bp cut at Dec meeting is more or less a done deal with focus on Fed's guidance on policy trajectory going into 2026 will be key to watch - if Fed guides for more cuts going into 2026 (vs. its Sep guidance for 1 cut in 2026). Markets expect around 3 cuts for 2026 and risk for USD bears is the perception of hawkish cut as that may contribute to USD upside pressure. DXY last seen at 99 levels. Mild bearish momentum on daily chart intact while RSI showed tentative signs of rising from near oversold conditions. 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). Support at 98.40/60 levels (100 DMA, 38.2% fibo).

- **USDINR.** ***RBI in Focus Today (1230pm SGT).*** 1m USDINR turned lower. Market chatters of a step up in *leaning against the wind activities* deterred INR bears. Pair was last at 90.10 levels. Bullish momentum on daily chart shows early signs of fading while RSI slipped from overbought conditions. Bearish engulfing observed in overnight's price action – may hint at bearish reversal in coming sessions. Price action requires closer monitoring. Resistance at 90.50, 90.70 levels. Support at 90, 89.30 (21 DMA). RBI meeting is in focus today (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. Elsewhere we noted services PMI remains firmly in expansionary territory (59.8 vs 59.5). We opined that while INR may still trade subdued, 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.

- **USDJPY.** ***21 DMA Breached.*** USDJPY drifted past 21 DMA as markets mustered confidence to price in greater conviction of a 25bp hike at the upcoming BoJ meeting (19 Dec). Markets implied near 90% probability of hike, the highest observed so far. Therewas a Bloomberg report saying that key members of PM Takaichi's government wouldn't try to stop the BoJ if it decides to raise interest rates in Dec, though there are some senior officials who oppose the Dec timing. Pair was last seen at 155.10 levels. Daily momentum is mild bearish but decline in RSI moderated. Key support at 155.40 levels (21 DMA) appears to have broken, with 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). While the hike in Dec may be close to a done deal, the question lies in the pace of policy normalisation. 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.

- **USDSGD.** ***Retail Sales Data on Tap Today (1pm).*** USDSGD traded sideways in absence of fresh catalyst. Pair was last at 1.2960 levels. Daily momentum is mild bearish though here are tentative signs of it fading while RSI was flat, 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 last seen at 1.45% above model-implied mid.

- **CNY rates.** PBoC will conduct CNY1trn of 91-day outright reverse repo today, rolling over the same amount of maturity. There is still CNY400bn of outright reverse repo of original maturity of 182-day maturing in the month, where at least a full rollover is expected. On daily OMOs, PBoC has continued to withdraw liquidity, in reaction to prevailing liquidity conditions. PBoC's Pan wrote in an article yesterday that policy makers should avoid excessive policy adjustments – some might have interpreted this comment as "hawkish". Overall, the liquidity condition has remained broadly constructive, but PBoC is not flooding the market. Short to mid tenors CGBs may start to garner some support at current levels. We expect yields to trade in ranges and see the range for 10Y CGB yield at 1.80-1.90%. 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.

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