Daily Market Outlook

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BOE decision

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- **USD rates.** USTs fell amid a confluence of factors, including firmer data and US Treasury's additional guidance on auction sizes which is complicated by the headlines on Supreme Court's stance on tariffs. To be clear, US Treasury keeps the guidance of "maintaining nominal coupon and FRN auction sizes for at least the next several quarters" which is in line with our expectations, but it added "looking ahead, Treasury has begun to preliminarily consider further increases" to auction sizes. Among the limited set of data the market received, October ADP employment change printed firmer than expected, at 42K (consensus 30K, Sep revised mildly up to -29K); October ISM services indices were higher as well, across prices paid, new orders and employment. Market pared back rate cuts expectation, with Fed funds futures pricing in a 61% chance of a 25bp cut in December, or a total of 77bps of cuts between now and end-2026. Our base-case remains for a total of 50bps of cuts before end-2026. We still see the likelihood for a 25bp cut in December but have flagged the risk of a potential delay. Regardless, market pricing of the whole Fed rate cut trajectory is more dovish than our forecast profile. We do not expect material downside to UST yields upon materialization of additional Fed funds rate cuts. Overnight's uptick in 10Y UST yield was primarily driven by higher real yield, which might partly reflect a higher term premium. Near-term range for 10Y UST yield is seen at 4.05-4.25%, for 2Y UST yield at 3.60-3.70%.

- **GBP rates**. The gilt yield curve bearish steepened yesterday, ahead of Bank of England decision later today. While consensus and our base-case are for a status quo decision, the vote split could turn more dovish with more than two dissenters paving the way for a 25bp cut in December. 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. GBP OIS last priced a 62% chance of a 25bp cut by year end. Another focus is Autumn Budget on 26 November. Chancellor Reeves has given strong hints for some tax hikes including income tax hike which may weigh further on the economy, strengthening the case for a policy rate cut before year end.

- **DXY. *Watching for Signs of Turnaround.*** USD slipped this morning, taking cues from slight recovery in risk sentiments. Overnight, US data – ADP employment, ISM services - came in better than expected. DXY last at 100 levels. Daily momentum remains bullish, but RSI shows signs of turning from near overbought conditions. We continue to monitor if there are signs that the USD rebound has ran its course. Resistance at 100.30/60 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).

- **USDJPY. *Nearing Recent Highs Again.*** USDJPY rebounded to trade closer to 154, after trading briefly below 153 overnight. The rebound overnight tracked UST yields higher, after US data surprised to the upside. Elsewhere in a Bloomberg interview, Japan coalition partner JIP's co-leader Fujita said "We are at a stage of focusing more on the real economy… that nominal wages are getting closer to matching inflation levels and businesses are doing better… we're not at a stage to conduct monetary policy that ends up having a big impact." He added there is scope to consider incremental hikes at timings that are "appropriate," but he didn't specify when he thought the next rate hike should take place. Pair was last seen at 154 levels. Mild bullish momentum on daily chart shows signs of fading while RSI turned lower from near overbought conditions. Risks remain somewhat skewed to the downside. Support at 152.50 (21 DMA), 151.60 (61.8% fibo). Resistance at 154.40 (76.4% fibo retracement of 2025 high to low). 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 still pose downward pressure on JPY. But at the same time, we monitor if JPY moves risk becoming one-sided as that may see jawboning rhetoric play up again.

- **USDSGD. *Consolidation.*** Recent rise in USDSGD paused, tracking USD moves and broader risk sentiments. Pair was last at 1.3060 levels. Daily momentum is mild bullish while RSI eased from near overbought conditions. Some consolidation is likely as markets reassess the recent USD run-up. Next resistance at 1.31 (38.2% fibo), 1.3160 levels. Support at 1.3040 (200 DMA), 1.2950/80 levels (23.6% fibo retracement of 2025 high to low, 21 DMA), 1.2910 levels (50 DMA). Slippage in S$NEER moderated; last at 1.07% above model implied mid.

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