

Daily Market Outlook

7 November 2025

Dovish vote split at BoE

- **USD rates.** USTs rallied by 5-7bps across the curve, as October Challenger job cut printed high at 153K. Fed funds futures added back mildly to the expectation of a December cut, last pricing a 69% chance versus a 62% chance priced a day ago. Long end swap spreads consolidated, after edging lower on Wednesday. We opined the US Treasury Refunding documents did not come as a major surprise, with the timeline for potential increases in auction sizes not deviating much from consensus. What is clouding the fiscal outlook is the uncertainty on tariffs. Tariff-related revenue is one of the important inputs into fiscal deficit projections, without which wider deficit estimates would likely result. Near-term range for 10Y UST yield is seen at 4.05-4.25%, which is consistent with 10Y breakeven in the range of 2.30-2.40% and 10Y real yield in the range of 1.75-1.85%.
- **GBP rates.** Gilt yields edged lower upon the Bank of England policy rate decision. The BoE voted by a majority of 5-4 to maintain Bank Rate at 4.00%. Four members voted to reduce the Bank Rate by 25bps. The status quo result and the dovish split were in line with our expectations. The central bank's assessment on inflation has turned more dovish. The November MPS mentioned "CPI inflation is judged to have peaked", "the risk from greater inflation persistence has become less pronounced recently, and the risk to medium-term inflation from weaker demand more apparent". This is a subtle change in the forward guidance. November MPS said "if progress on disinflation continues, Bank Rate is likely to continue on a gradual downward path, while previous guidance was "a gradual and careful approach to the further withdrawal of monetary policy restraints remains appropriate". The removal of "gradual" may be interpreted as suggesting a potentially lower terminal rate but we do not read too much into that. We maintain our call for a 25bp cut in the Bank Rate at the December MPC meeting, and for another 25bp cut in Q1-2026 which will then bring the Bank Rate to 3.50%. GBP OIS last priced the chance of a December at 67%, little changed from the 64% priced before the BoE decision. Gilts continue to garner support, as investors focus on the upcoming Autumn budget as well. Fiscal consolidation with tax hikes is expected, which are lending support to bonds through the growth and the bond supply channels.

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Global Markets Research and Strategy

- Asia FX. Under Pressure.** AXJ FX traded under pressure this morning, with losses led by high-beta FX proxies including KRW. Asian equities traded lower this morning, taking cues from the slippage in US markets amid concerns over stretched valuations. KOSPI down >2% this morning. Meanwhile, PHP also traded softer as Philippines 3Q GDP surprised to the downside, adding to expectations that BSP may still need to remain on easing bias especially against a subdued inflationary pressure. Amongst AXJ FX, MYR outperformed.
- DXY. Bullish Run Capped.** USD slipped further overnight, in line with our earlier technical caution – that we were monitoring for signs that the USD rebound has turned its course. Indeed, the run-up failed to break above 200dma and turned lower. Last at 99.80 levels. Bullish momentum on daily chart faded while RSI fell. Support here at 99.80 (61.8% fibo), 99.10 levels (50% fibo retracement of May high to Sep low), 98.40 (38.2% fibo, 50 DMA). Resistance at 100.30/60 levels (200 DMA, 76.4% fibo). While absence of data and a non-committal, divisive Fed had allowed for USD squeeze to play out earlier this week, we had also said that *at some point, USD bears can return with more conviction but that would require US data to come in softer (when data gets released), alongside Fed easing rates more decisively.* Private sector data continued to reinforce the view that US labor market is softening – not only are job creations slowing, but layoffs are also beginning to increase. A report by Challenger, Gray & Christmas overnight saw job cuts surged 183% from Sep to 153k. YTD, companies have announced 1.1mio job cuts, the highest since Covid in 2020. In another set of jobs-related data, Indeed job postings and Indeed wage growth tracker have also been falling all year. Overall, we continue to expect USD to trade moderately softer amid Fed cuts underway while US data stays soft. USD has room to fall as long as broader risk-on sentiment stays intact and growth conditions outside US remains supported. Meanwhile, US government remains shut for 36 days – entering its longest stretch yet.
- USDJPY. Signs of Bearish Pressure.** USDJPY fell overnight, tracking UST yields lower while risk sentiment remained under pressure. Price pattern revealed a series of lower lows while highs appear flatlined – typically a descending triangle – which could signal fresh bearish pressure. Pair was last at 153.10 levels. Daily momentum shows tentative signs of turning mild bearish while RSI fell. 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).
- USDSGD. Consolidation.** USDSGD eased away from recent highs, tracking broader moves in USD, UST yields. Pair was last at 1.3050 levels. Mild bullish momentum on daily chart is fading while RSI eased from near overbought conditions. Some consolidation is

likely as markets reassess the recent USD run-up. 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). Resistance at 1.31 (38.2% fibo), 1.3160 levels. Slippage in S\$NEER has stabilised; last at 1.08% above model implied mid.

- **CNY rates.** MoF sold USD4bn worth of offshore USD bonds on Thursday. The sales drew bid/cover ratio of 33 times, with a broad investor base. 42% of the bonds went to central banks and sovereign wealth funds, 25% to bank and insurers. By geography, 53% were bought by investors in Asia, 25% by investors in Europe. The issuance helps maintain a USD curve for potential Chinese issuers to benchmark against. There was also the re-opening of 3Y RMB HK SAR institutional government bonds yesterday, which garnered a solid bid/cover ratio of 4.81x, with the highest yield acted at 1.745%. In onshore, CGB yields at 5Y and beyond traded a tad higher. To recap, PBoC net bought RMB20bn worth of bonds in the open market in October. The amount is small to start with, while some of the bonds PBoC previously bought are maturing. We expect the PBoC to focus on the short end, continuing with its support of liquidity.



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