GLOBAL MARKETS RESEARCH

Daily Market Outlook

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RBNZ dovish cut

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Global Markets Research and Strategy

- **DM rates**. DM government bonds mostly stabilised overnight, with USTs outperforming at the margin. Gains in USTs were maintained after a solid 3Y coupon auction. The 3Y note sales stopped through at 3.576% despite the modest richening in the bond into the auction. There are sales of USD39bn of 10Y note on Wednesday (tonight) and of USD22bn of 30Y bond on Thursday. The price action over the past two days underlines our view for USTs to consolidate in the absence of any major catalyst. In Japan, the 30Y JGB auction on Tuesday garnered a bid/cover ratio of 3.411x versus 3.308x prior, which calmed the market with long-end JGBs appearing to be stabilizing as well. 30Y JGB yield went back to around 3.28%, the level we have seen as a support for the bond. That said, fiscal uncertainty in Japan may keep the risk premium on the high side at long-end JGBs. On the OATs curve, we continue to prefer shorter duration, where 3Y and 5Y OATs provide wider pick-up than BTPs. Back to the US, consumer credit increased by USD363mn in August, the slowest pace in six months. Separately, according to the September survey of consumer expectations by the NY Fed, 1Y inflation expectation rose to 3.4% from 3.2% prior, while consumers saw a 14.85% probability (vs 14.1% prior) of losing their job over the next 12 months; these continue to reflect the dilemma when it comes to the Fed's dual mandate. **FOMC minutes** will be released tonight. There are two key things to watch: 1/ the rationale of different members, given that the 2025 median dot was a mild dovish surprise while the Committee remained split; 2/ the thought on QT, as bank reserves fell to just below USD3trn and there were pockets of liquidity tightness in some of the days over past weeks.

- ***Gold. Breaching 4000.*** Gold extended its run-up above another fresh intra-day high of 4006. US government shutdown persisted, raising concerns on broader economic activity. Last seen at 4005. Underlying momentum remains bullish while RSI is in overbought conditions. Resistance at 4,006 (150% fibo extension), 4120 (161.8% ext). Support at 3890, 3775 (21 DMA). Recent rally underscores gold's unique role as both a hedge against geopolitical stress and a store of value in times of policy and institutional uncertainty.

Source: Bloomberg, OCBC Research

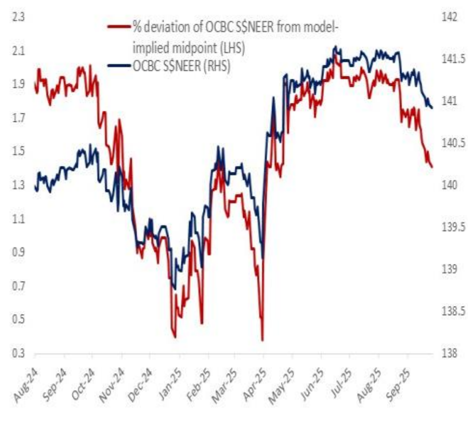
*NY Fed Survey of Consumer Expectations: median perceived probability of losing one's job in the next 12 months

- **USDJPY. *Bid.*** JPY has come off by about 3%, post-LDP vote over weekend. Markets have pushed out rate hike expectations, only fully pricing in a 25bp hike in Mar next year. So far, the move higher in USDJPY has yet to be met with strong MoF rhetoric. The comments from Kato yesterday – that they are watching markets – is perceived as weak jawboning. Given the uncertainties, USDJPY may still trade with a bid tone in the interim unless USD falls in a significant way or if there is stronger verbal intervention. Pair was last at 152.55 levels. Daily momentum is bullish while RSI rose. Golden cross looks on track to be formed, where 50 DMA cuts 200 DMA to the upside. Risks skewed to the upside in the interim. Resistance at 153.10, 154.40 (76.4% fibo retracement of 2025 high to low). Support at 151.60 (61.8% fibo), 150 levels.

- **NZDUSD. *Dovish Cut.*** NZD fell sharply after RBNZ surprised with a 50bp cut. In the press release, there were several highlights: (1) Committee remains open to further reductions in the OCR as required ; (2) Economic activity through the middle of 2025 was weak. In part, this reflects domestic constraints on the supply of goods and services in some industries, and the impact of global economic policy uncertainty; (3) More timely indicators suggest that economic activity recovered modestly in the September quarter, but there remains significant spare capacity in the New Zealand economy; (4) There are upside and downside risks to the inflation outlook in New Zealand. Cautious behaviour by households and businesses could slow the economic recovery, reducing medium-term inflation pressure. Alternatively, higher near-term inflation could prove to be more persistent. In our view, an explicit openness to further rate cut may further weigh on Kiwi. Pair was last at 0.5750 levels. Daily momentum shows signs of turning mild bearish while RSI fell. Support at 0.5720 (61.8% fibo retracement of Apr low to Jull high), 0.5640 levels (76.4% fibo). Resistance at 0.58 (50% fibo), 0.5850 (200 DMA).

- **USDSGD. *Mild Bullish.*** USDSGD traded firmer, tracking moves higher in USDJPY while softer EUR weighed. Pair last seen at 1.2950 levels. Mild bullish momentum on daily chart intact while RSI rose. Compression of moving averages (21, 50 and 100 DMAs) observed. This is typically a precursor to a breakout trade, though directional play is only confirmed on breakout. Resistance here at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.30 levels. Support at 1.284/70 levels (21, 50, 100 DMAs). We also observed that the relative strength in SGD (vs. basket) has moderated, with S$NEER easing away from its upper bound to about 1.4% above our model-implied mid. The past 2 episodes of MAS easing in 1H 2025 saw similar move in our model and judging from price pattern, markets may have also somewhat priced in a mild expectations of MAS easing. But that is no pre-cursor to easing. In Oct-2024, S$NEER had also eased but MAS maintained policy status quo. MAS

Some Expectation of Easing Priced but Not a Pre-cursor



Source: OCBC Estimates

policy decision is scheduled on 14 Oct. It is likely a close call for upcoming MAS policy decision: between flattening the slope and keeping policy stance on hold. Softer core CPI print has likely added to expectations that MAS may ease policy at its upcoming MPC in Oct, but subdued price pressure is also well within expectations of MAS. Path of inflation outlook matters, and our house view has inflation forecast skewed higher towards 1% for 2026 while growth still holds up overall. The door for MAS to ease remains open should growth-inflation dynamics worsen more than expected. But for now, we expect MAS to preserve policy ammunition and maintain current policy stance – which is still a slight appreciating bias.

- **EURUSD. *Dragged by Political Noises.*** EUR fell further amid fresh political uncertainties. President Macron has to make a choice to either appoint another PM, dissolve the National Assembly or tender his resignation (which is of low probability at this point). There are expectations that a legislative election will be called soon. If he opts for this option, then France are back to the polls within 20 – 40 days upon dissolution of the National Assembly. Additionally, the Netherlands will hold General Elections on October 29. These political developments may still pose downward pressure on the EUR in the near term. Pair was last at 1.1625 levels. Daily momentum is bearish while RSI fell. Risks skewed the downside. Support at 1.1550, 1.1460 levels. Resistance at 1.1690 (50 DMA), 1.1740 (21 DMA). While the broader fundamental outlook remains supportive of the euro, we see room for EUR to correct lower before layering in on dips.

- **IndoGBs** extended rally as the conventional bond auction on Tuesday garnered solid incoming bid of IDR126trn. Most of the incoming bids went to FR108 (2036 bond), following by FR106 (2040 bond), suggesting investors were extending duration taking advantage of the steep curve. The bond sale was upsized to IDR28trn versus indicative target of IDR23trn. We continue to expect upsizes when the bond market condition is favourable, to prepare for bond financing requirement next year. 2026 Budget has been passed by Parliament. 2026 deficit financing is planned at IDR689trn, or 2.68% to GDP. Bond financing requirement is estimated to be roughly consistent with individual auction size of IDR30-32trn for conventional bonds and of IDR12-14trn for sukuk. These can be readily digested if bond demand stays strong as what is observed over recent months; otherwise, there is also buffer from the fund-raising activities this year.

- **SGD rates.** SGD OIS traded on the soft side this morning, taking cue from global market sentiment. Yesterday, 4W MAS bills cut off at 1.41%, which was 4bps lower than previous cut-off while the 1M implied SGD rate was a tad higher than a week ago. 12W MAS bills cut off at 1.48%, which was 2bps higher than previous cut-off while the 3M implied SGD rate was a tad lower than a week ago. These results illustrated flush liquidity at the front end, but investors might have turned a bit more cautious beyond the very front-end when yields are at low levels. SORA was mostly fixed at low levels, which may constrain near-term upside to SGD rates. There is 6M T-bill auction on Thursday. 6M implied SGD rate traded at 1.21% this morning, similar to the level two weeks ago; 6M T-bill cut-off may come in the range of 1.42-1.46% as per today's market level.

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