

Daily Market Outlook

9 December 2025

RBA Awaits

- **USD rates.** UST yields edged up further on Monday, ahead of FOMC decision later this week. The 3Y coupon bond auction was well received, benefiting from the recent cheapening in the bond. Although bid/cover was lower at 2.64x versus 2.85x prior, indirect accepted was higher at 72% vs 63% prior. Fed funds futures last priced a 92% chance of a 25bp cut this week. Investors likely look beyond this and forward to 2026. We have been of the view that 2026 market pricings of Fed funds rate cuts were overly dovish; market has pared back 2026 expectations over recent days, to the latest 55bps, versus 67bps priced last Wednesday. This is still more dovish than our base-case of 25bps. The updated dot-plot will shed more light on the Fed funds rate path ahead. If there is any further pushback on 2026 rate cut pricings, then 2Y UST yield will likely break above 3.60%. Bias on 10Y yield, on the other hand, is to the downside with 10Y real yield at 1.87% a bit elevated compared to economic activity data. TGA balance has adjusted lower as expected, to last at USD870bn as of 5 December versus target of USD850bn. However, the impact on bank reserves has not been reflected yet. We expect an announcement on asset purchase (mainly T-bills) some time in Q1-2026 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.
- **AUDUSD. Consolidation ahead of RBA.** AUD's recent rally stalled as markets await RBA decision (today 1130am SGT). While markets including ourselves expect the RBA to hold, the key lies in its forward guidance – if policymakers are "receptive" to the idea of RBA hike, as priced in by markets. Recent hotter than expected CPI print and GDP report have skewed markets to price in RBA hike. Market disappointment may weigh on AUD in the interim but slippage may offer opportunity to buy on dips. Pair was last at 0.6630 levels. Bullish momentum on daily chart intact but RSI shows tentative signs of turning from near overbought conditions. Resistance here at 0.6650 levels before 0.67. Support at 0.6550, 0.6510 (21 DMA). We retain our view for long AUD bias, premised on RBA on extended pause, domestic economic remains resilient while external drivers stay conducive: steady RMB, softer USD and Fed on easing bias.

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- **DXY. Range-bound waiting for FOMC.** USD was a touch firmer overnight as markets unwound some of its dovish expectations with regards to Fed cut trajectory in 2026. Markets now implied about 2 cuts vs. 3 cuts earlier for 2026. DXY last seen around 99 levels. Mild bearish momentum on daily chart intact while RSI showed 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). Data releases this week include Oct JOLTS job openings report (Tue), employment cost index (Wed) and trade (Thu). Next week has Nov NFP and CPI reports to be released on 16 and 18 Dec, respectively. BLS has announced that Oct CPI and PPI reports will not be released.
- **USDJPY. Taking Cues from UST Moves.** USDJPY drifted higher overnight, in reaction to higher UST yields and on reports of 7.5 magnitude earthquake in northeast Japan. Markets have priced in 90% probability of 25bp hike at the MPC next Fri (19 Dec). While a hike in Dec maybe a done deal, the question lies in the path of policy normalisation – if it will be another long wait for the next hike. 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. But near term, worries of hawkish Fed cut and dovish BoJ hike are supportive of USDJPY in the near term. Pair was last seen at 155.70 levels. Daily momentum is mild bearish but decline in RSI moderated. Key support at 155.70 levels (21 DMA), 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).
- **USDSGD. Sideways.** USDSGD was a touch firmer but well within range, as markets await FOMC catalyst. Pair was last at 1.2980 levels. Mild bearish momentum on daily chart is waning while RSI rose from oversold conditions. Tentative upside risks. Resistance at 1.30 levels (21 DMA), 1.31 levels (38.2% fibo). Support at 1.2950/60 levels (50 DMA, 23.6% fibo retracement of 2025 high to low), 1.2910 (100 DMA). S\$NEER remains steady; last seen at 1.44% above model-implied mid.
- **SGD rates.** SGD OIS outperformed USD OIS over recent days, as USD rates corrected higher. SGD OIS mostly traded on the firm side this morning, but with O/N SGD rates at around 1% level, the upward momentum in short-end SGD OIS may not get stronger near-term. Our forecasts have assumed an upward normalisation in SGD interest rates over time and this view has mostly panned out, but at a more rapid pace than expected. 2Y OIS at 1.50% is around our target level for H1-2026, while 1Y OIS at 1.3% still appears overly stimulus. The liquidity situation and short-end SORA rates fluctuates a lot. Some interim retracements in short-end SGD rates cannot be ruled out. That said, our expectation remains for short-

end rates to revert towards the 1.40-1.55% area after dips – if any. There are auctions of 4W, 12W and 36W MAS bills today. 4W MAS bills cut-off may ease back, with the last cut-off particularly high due to the maturity date – but only partially, as today's 4W bills still cross year-end. 12W MAS bills cut-off is expected at 1.42-1.47% as per this morning's market level.



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