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Daily Market Outlook

Hike Now, Rethink Later?

Sim Moh Siong
FX Strategist

- ***Hike Now, Rethink Later?****: Thin Thanksgiving trading kept markets subdued, while tech sentiment improved. December hikes from the ECB and Fed look increasingly likely, but tighter financial conditions could complicate the policy outlook beyond year-end.*

- ***JPY Support Strengthens****: Intervention risk should cap USDJPY near 160, while firm underlying inflation keeps a December BoJ hike in play. Rising JGB yields and possible GPIF portfolio changes add to the case for JPY outperformance, particularly against EUR.*

- ***Balancing Rupiah Risks****: BI's tighter policy and FX measures should support the IDR, while lower oil prices may provide further relief in 2027. However, portfolio flows and potential MSCI reclassification remain important two-way considerations.*

Hike Now, Rethink Later?: Global markets were subdued amid thin Thanksgiving liquidity, although tech sentiment improved as US equity futures edged higher through the London and New York sessions.

The ECB's October meeting account reinforced its tightening bias. A large number of policymakers could have supported an October hike, but the Governing Council opted to wait for more data. With second-round inflation effects still limited, the ECB appears comfortable tightening at a measured pace. A 25bp hike in December now looks highly likely, although the path beyond that remains less certain.

The Fed is also firmly leaning towards a 25bp December hike. Nearly all policymakers saw further tightening as appropriate, while resilient US growth and sticky inflation continue to support the case for higher rates.

The bigger question is what happens after December. If renewed equity weakness leads to a sustained tightening in financial conditions, both central banks may have less room to tighten in 2027. That puts greater focus on upcoming policy communication and how officials balance persistent inflation risks against increasing financial market restraint.

JPY Support Strengthens: Despite broad USD strength, rising FX intervention risk as USDJPY approaches 160 should limit further JPY weakness. USDJPY may remain firm near term, but the broader

backdrop increasingly favours JPY appreciation against crosses such as EURJPY.

Japanese inflation remains firm, keeping the case for another BoJ rate hike alive. The BoJ's measure of inflation excluding fresh food and special factors accelerated to 3.5% YoY in October from 3.2% in September, its highest level in roughly three years. With the BoJ's next policy meeting concluding on 18 December, there is scope for markets to rebuild December hike expectations after recent Japanese equity weakness pared some of those bets.

GPIF developments add another potential JPY-positive angle. The fund's 13 November Board of Governors meeting again discussed its basic portfolio, raising speculation that a review may be progressing. There is no indication yet that an allocation change is imminent, and GPIF has played down the need for immediate adjustments. Still, with domestic bond yields rising, the prospect of a higher allocation to Japanese bonds could attract greater market attention.

Balancing Rupiah Risks: The Indonesian authorities have stepped up efforts to stabilise the IDR as a strong US dollar and renewed Fed tightening risks weigh on the currency. Bank Indonesia unexpectedly raised its policy rate by 25bp to 6.00% on 18 November, taking cumulative tightening since the start of the year to 125bp. It also strengthened intervention across offshore NDF, domestic spot and DNDF markets, while improving FX hedging incentives to support IDR stability.

Fiscal policy offers some reassurance. The government intends to keep the budget deficit within the statutory ceiling of 3% of GDP. Foreign ownership of rupiah government bonds has also fallen from 14.9% in August 2025 to around 13.1% currently, reducing the market's direct vulnerability to foreign-led liquidation.

These measures should help rebuild confidence, but implementation and portfolio flows remain critical. Our forecast for Brent to decline towards USD75 per barrel by end-2027, if realised, should ease Indonesia's oil import bill and reduce pressure on the current account, providing some relief for the IDR.

However, the scope for appreciation could remain limited. MSCI has launched a formal consultation on moving Indonesia from Emerging Market to Standalone Market status, with a final decision due by the end of June 2027. Index-related equity outflow risks could see the IDR underperform and temporarily overshoot our forecasts before stabilising later in 2027.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1090	160.79	1.3263	0.8494	0.6829	0.5569	1.4441	3863	1.2979	63.87	93.59
Resistance 2	1.1028	159.95	1.3180	0.8408	0.6723	0.5523	1.4337	3699	1.2943	63.79	92.99
Resistance 1	1.1001	159.56	1.3147	0.8360	0.6675	0.5505	1.4277	3643	1.2923	63.73	92.61
Spot	1.0974	159.19	1.3115	0.8309	0.6626	0.5486	1.4214	3574	1.2903	63.67	92.24
Support 1	1.0939	158.72	1.3064	0.8274	0.6569	0.5459	1.4173	3479	1.2887	63.64	92.02
Support 2	1.0904	158.27	1.3014	0.8236	0.6511	0.5431	1.4129	3371	1.2871	63.61	91.80
Support 3	1.0842	157.43	1.2931	0.8150	0.6405	0.5385	1.4025	3207	1.2835	63.53	91.20
Bollinger Band											
Bollinger Upper	1.1281	160.29	1.3534	0.8496	0.7080	0.5659	1.4455	4228	1.2953	64.15	95.76
Bollinger Lower	1.0860	157.50	1.2975	0.8122	0.6522	0.5421	1.3930	3456	1.2752	62.99	92.35

Source: Bloomberg, OCBC Group Research. Potential resistance and support levels are identified based on pivot points

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