FX Weekly

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Uncertainty over Dec FOMC swings sentiments

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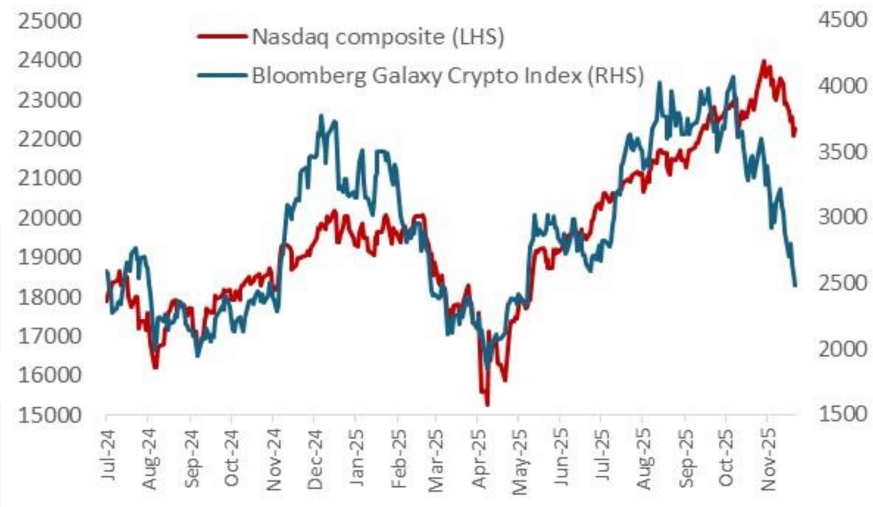
Data Takes Over from Fedspeaks. Probability of Dec cut remains fluid. Waller supporting Dec cut, further helped to boost Dec rate cut probability back above 70%. Despite the swings, the quantum of cut from now till end-2026 remained relatively steady at around 90bps. Going forward, the 'noise' from Fedspeaks should diminish as there is no more scheduled Fedspeaks this week while Fed communications enter a blackout starting Sat. On US data release, Sep PPI, retail sales are out on Tue. BLS announced that Aug JOLTS report will be released on 2 Dec while both Sep and Oct JOLTS report will be out on 9 Dec, just before FOMC on 11 Dec. But Nov NFP and CPI report will only be out later on 16 and 18 Dec, respectively (after Dec FOMC). Technical price action (spinning top) indicates indecision and also signalled some weakness in the recent USD rebound (likely in anticipation of catalyst). 2-way trades are likely to persist in the interim.

Caution for Intervention Risk. A combination of fiscal policy shifts, delays in monetary policy normalisation, and emergence of geopolitical uncertainties were some factors that have underpinned JPY. While fiscal expansion may support growth, it also raises concerns over a heavier fiscal burden amid rising debt servicing costs and casted doubts over fiscal discipline. These can undermine JPY in the near term. That said, we also observed that verbal rhetoric is getting louder and more frequent. Finance Minister Katayama told a news conference last Fri that officials are concerned that JPY depreciation is extremely one-sided and rapid. We do not rule out a move this week if JPY sees another round of sharp weakening towards the 158-160 zone, especially as Thanksgiving holiday liquidity thins.

BBG Galaxy Crypto Index a Proxy for Risk Sentiment?



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking (3Q 2025)

By Region:
No. 2 for Asia FX
No. 8 for 13 Major FX

By Currency:
No. 1 for THB, CNH
No. 2 for CNY, MYR
No. 3 for PHP, HKD
No. 4 for SGD, TWD

(2Q 2025)

By Region:
No. 2 for Asia FX
No. 4 for 13 Major FX

By Currency:
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No. 2 for TWD
No. 3 for CNY, NZD
No. 4 for MYR

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	Key Themes and Trades
DXY	***Indecision.*** DXY traded higher last week. Better than expected Sep NFP print, FOMC minutes and continued division within Fed officials with regards to next rate decision are some factors behind the 1% rise in DXY. Last Thu, FOMC minutes revealed that "many participants suggested that, under their economic outlooks, it would likely be appropriate to keep the target range unchanged for the rest of the year". To be fair, the category of "many" still ranks under "most/majority" and this continues to underscore a deeply divided Fed over Dec meeting. Last Fri, Williams indicated his support for a rate cut helped to bring back probability of Dec cut to above 60% and yesterday, Waller supporting Dec cut, further helped to boost Dec rate cut probability back above 70%. Though Dec cut probability continues to swing, the quantum of cut from now till end-2026 remained relatively steady at around 90bps cumulative of cuts. This probably explained why the USD did not go a lot higher as only near-term expectation was affected. Nevertheless, noise from Fedspeaks should diminish as there is no more scheduled Fedspeaks this week while Fed communications enter a blackout starting Sat. On data, Sep PPI, retail sales are out on Tue. BLS announced that Aug JOLTS report will be released on 2 Dec while both Sep and Oct JOLTS report will be out on 9 Dec, just before FOMC on 11 Dec. But Nov NFP and CPI report will only be out later on 16 and 18 Dec, respectively (after Dec FOMC). DXY last seen at 100.20 levels. Price action (spinning top) indicates indecision and also signaled some weakness in the recent USD rebound (likely in anticipation of catalyst). Mild bullish momentum on daily chart observed while RSI is near overbought conditions. 2-way trades are likely to persist. Resistance at 100.6 (76.4% fibo). Support at 99.50/70 levels (21 DMA, 61.8% fibo), 99.10 (50% fibo retracement of May high to Sep low). Into 2026, we continue to expect USD to trade moderately softer as Fed easing erodes carry advantage while US exceptionalism fades. Private sector data reinforced the view that US labour market is softening. Not only are job creations slowing, but layoffs are also increasing. Indeed job postings and wage growth tracker have also been falling all year while sentiment fell. Our house view looks for 1 more Fed cut for 2025, and another 25bp cut in 1Q 2026. Further cut may require inflation to come closer to Fed's mandate of 2%. USD has room to fall as long as broader risk-on sentiment stays intact, growth conditions outside US remains supported and the Fed stays on easing path. Risks in the near term: (1) Cautious about a divisive Fed as hawkish rhetoric (due to upside US data surprises if any) can un-nerve sentiments; (2) if tariff passthrough to US inflation is larger than expected. Either of these risk factors can affect Fed's easing path, undermine high-beta proxy FX while USD can strengthen. More broadly, US policy unpredictability, and concerns of about the rising trajectory of US debt and deficits in the medium term should continue to underpin the broad and likely, bumpy decline in the USD.
EURUSD	***Still beholden to swings in USD.*** EUR slipped to low-1.15 levels amid the rebound in USD. Developments in Euro-area have not materially impacted the EUR lately and moves in the EUR remain a function of moves in USD. On data release, Oct CPI was in line with expectations with headline at 2.1%. Prelim manufacturing PMI was sub-50 levels but services PMI inched higher to 53.1. In terms of recent ECBspeaks, Lagarde indicated that ECB has cut interest rates by 200 bps from peak, and this is increasingly feeding through into easier financing conditions, which is helpful to support demand. She also added that policymakers will continue to adjust policy as needed to ensure that inflation remains at target. EUR was last seen at 1.1530 levels. Daily momentum is flat while RSI rose. 2-way risks likely, with bias to buy on dips. Resistance at 1.1640 levels (50, 100 DMAs), 1.1720 levels. Support at 1.1460 (38.2% fibo retracement of Apr low to Sep high). We maintain our broadly constructive outlook on EUR. (1) ECB cut cycle likely nearing its end while there is room for Fed to continue with it easing cycle. This should help to narrow EU-UST yield differentials. (2) Germany to boost growth plan with EUR500bn investment plan while European defence spending plans can lend a boost to growth. (3) China's economic growth showing tentative signs of stabilisation (stable to stronger RMB can see positive spillover to EUR) and (4) portfolio flows and reserve diversification that

may favour alternative reserve currencies such as the EUR. There may also be indirect benefits for EUR in the medium term, should there be a peace deal and that Europe participates in Ukraine's reconstruction efforts. A peace deal at some point can lead to supply chain normalisation, lower energy costs, in turn reducing existing burden on corporates and households, improving sentiments and growth outlook.

USDJPY

JPY bears take a breather. The recent JPY depreciation is showing tentative signs of slowing. Intervention rhetoric is getting louder and more frequent. Finance Minister Katayama told a news conference after cabinet meeting last Fri that officials are concerned that JPY depreciation is extremely one-sided and rapid. We believe the risk of *leaning against the wind* increases if we do see another sharp weakening in the JPY towards the 158-160 zone.

A combination of fiscal policy shifts, delays in monetary policy normalisation, and emergence of geopolitical uncertainties are some factors that have underpinned JPY weakness with potential intervention only acting as a limited counterbalance. The cabinet has recently approved a JPY21.3tn spending package. This includes general account outlays of JPY 17.7tn, higher than last year's JPY13.9tn. The Takaichi administration has called this responsible expansionary fiscal policy. This may imply that government may issue more bonds, to finance bigger fiscal spending. We have cautioned that heavier fiscal burden amid rise in debt servicing cost and worries of lack of fiscal discipline can undermine JPY in the interim.

Ultimately for USDJPY to reverse trend and trade lower requires policymakers to demonstrate fiscal discipline to restore credibility while the BOJ also need to resume policy normalisation. A softer USD should also help. *Leaning against the wind* activity is not likely to reverse the JPY's depreciation trend though it may moderate the pace of decline.

Pair was last seen at 156.75. Daily momentum is mild bullish while RSI fell from overbought conditions. Support at 154.40/50 levels (21 DMA, 76.4% fibo), 151.60 (61.8% fibo retracement of 2025 high to low, 50 DMA). Resistance at 158, 158.87 (previous high in 2025) and 160 levels.

Near term risks may be skewed towards JPY weakening. Our view for USDJPY to trend lower is premised on the softer USD story and Fed-BOJ policy divergence (BOJ to continue its policy normalisation while Fed retains rate cut bias). Wage growth, broadening services inflation and upbeat economic activities in Japan are some factors already supportive of BOJ policy normalisation. But the BOJ is just keeping a long pause and concerns over fiscal expansion are some factors that may undermine JPY in the interim. At some point, Fed-BOJ policy divergence and a softer USD should still support USDJPY's broader direction of movement to the downside.

AUDUSD

Buy Dips. AUD trade softer last week amid pullback in global equities and USD rebound. Pair was last at 0.6450 levels. Daily momentum is mild bearish while RSI is near oversold conditions. We look for opportunity on dips to buy into. Support at 0.6430 levels. Resistance at 0.6540 levels (50 DMA), 0.6620. This week brings CPI data (Wed); private capex (Thu).

We continue to favour AUD to trend higher. Economic recovery is expected to remain sustained into 1H 2026, with impulse primarily coming from domestic demand, led by resilient household consumption, rebound in services and firmer housing activities. Inflation is projected to stay above 3% through most of 2026, before easing gradually to 2.6% by late-2027, implying a slower disinflation path than before. Labour market remains stable, with recent report showing fulltime employment change rose 55.3k while unemployment rate edged lower to 4.3% (vs. 4.5% prior). The last RBA meeting gave the impression that the easing cycle is shifting toward a longer pause, as the Board weighs evidence of inflation amid signs that domestic demand is stabilising. With the cash rate now seen as close to neutral and financial conditions only mildly restrictive, the Bank has room to wait and watch. We expect one final 25bp rate cut in 2Q26 (if need arises), taking the policy rate to 3.35%, which would mark the end of the current easing cycle. Nevertheless, AUD, a high-beta FX, can be exposed to geopolitical shocks, swings in RMB, equity sentiments, and global growth prospects. More broadly, a relatively resilient RMB and RBA nearing end cycle are factors supportive of AUD, so long global growth holds up and USD softness return.

USDSGD

An Interim Double-Top? Recent rise in USDSGD showed tentative signs of exhaustion. Pair last at 1.3050 levels. Daily momentum turned flat while RSI shows tentative signs of turning lower. Double-top pattern appears to be in the making, but it remains early to concur. Potentially, this may be a setup for a bearish reversal in the short term but more broadly, a cup-and-handle pattern appears to be forming. This can be a bullish setup for the medium term. We continue to monitor price action. 2-way trades likely in the interim. Resistance at 1.3090/1.31 levels (38.2% fibo). Support at 1.3025 (21 DMA), 1.30 levels (200 DMAs), 1.2950/60 levels (50 DMA, 23.6% fibo retracement of 2025 high to low). We continue to expect broader market narratives, including USD trend, moves in RMB, JPY and risk sentiments, etc. to influence the pair more as MAS policy takes a back seat for now. While S$NEER had eased, it has also stabilised. Last at 1.20% above model implied mid.

Recent release of GDP and CPI reports validated MAS policy stance to stay on hold. **October headline and core CPI rose more than expected to 1.2%.** The key contributors to the October inflation prints were higher services (namely health insurance, healthcare services and holiday expenses), food (mainly non-cooked food prices), retail & other goods (e.g. clothing & footwear and personal effects), as well as private transport (due to steeper hike in car prices amid buoyant COEs), coupled with a smaller decline in electricity & gas prices. **Singapore's 3Q25 GDP was revised up more than expected to 4.2% YoY** (2.4% QoQ sa), from advance estimates of 2.9% YoY (1.3% QoQ sa) and exceeded our house forecast of 4.0% YoY (2.4% QoQ sa). Notably, the 3Q25 upgrades were across the board for manufacturing, construction and services sectors. MTI had also upgraded the full-year 2025 growth forecast from 1.5-2.5% to around 4% YoY. This compares favourably to the 4.4% growth seen in 2024 and marks a significant improvement from the initial 0-2% forecast seen in May post-Liberation Day reciprocal tariff announcement. This implies that 4Q25 GDP growth could print around the 3% YoY. MTI opined that demand for AI-related electronics should continue to support manufacturing and wholesale trade sectors, whilst outward-oriented services sectors like infocomms, professional services and finance & insurance is also projected to stay resilient amid the positive spillovers. MTI also announced its 2026 growth forecast at 1-3% YoY. Our Economist upgraded our 2025 GDP growth forecast to 4% YoY and retain our 2026 growth forecast of 1-3% YoY. While there is room for MAS to ease should growth-inflation dynamics worsen but given expectations for inflation to trough and rise gradually, alongside growth still holding up, the risks are probably balanced and do not require MAS to ease next. We believe MAS can continue to maintain policy hold at the Jan 2026 MPC.

For the forecast horizon into 2026, we continue to project a mild degree of USDSGD downside, premised on (1) moderately softer, albeit bumpy USD trend to continue amid Fed cuts underway; (2) still-resilient RMB; (3) while tariff impact on regional, Singapore growth to be largely manageable (i.e. no sharp recession). We continue to pay close attention to a few key risks that may impact SGD: (1) how sectoral tariff may play out – if Singapore growth, exports will ultimately be impacted by higher tariffs on pharmaceuticals while monitoring tariff developments on semiconductor goods; (2) broad USD trend given that USDSGD and DXY remains highly correlated – if USD sees an extended bounce, then USDSGD may even be exposed to upside risks; (3) moves in EUR, JPY, can also affect SGD, given relative strong correlation and weights in S$NEER basket; (4) trends in RMB is also another development to watch – in particular China's economic recovery, RMB fixing trend and sentiments.

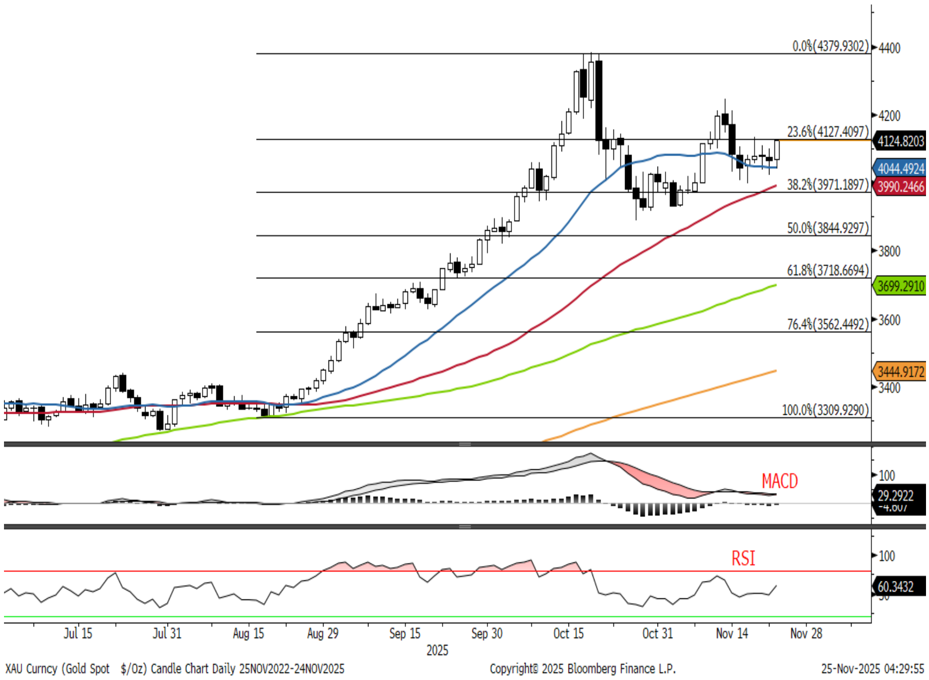
Taking stock, at the last MPC (14 Oct), MAS maintained policy on hold – prevailing rate of appreciation of the S$NEER policy band, width and center of currency band. In accompanying statement, MAS indicated that core inflation should trough in the near term and rise gradually over the course of 2026 as temporary factors dampening inflation fade. Other highlights of the MPS include: (1) Growth surpassed expectations, underpinned by resilient activity in the manufacturing and domestic consumer-facing sectors. Growth is expected to moderate from this above-trend pace in the upcoming quarters as activity normalises in the trade-related sectors. (2) While core inflation could edge down further in the near term, some of the factors dampening inflation are expected to diminish in the quarters ahead. Imported costs should exert a smaller drag on inflation in 2026, given projections for a more gradual decline in global crude oil prices, as well as a modest pickup in regional inflation from the easing this year. On the domestic front, services unit labour costs growth is projected to rise in 2026 as productivity growth normalises. The net drags on inflation associated with administrative price changes and their base effects should also unwind more discernibly from Q4 this year. All in, MAS Core Inflation is forecast to trough in the near term and rise gradually thereafter. (3) MAS is in an appropriate position to respond effectively to any risk to medium-term price stability and will continue to closely monitor economic developments amid uncertainties in the external environment.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
08-Oct-25	Short USDCNH	7.15			PBOC shifts from RMB stability to RMB appreciation bias. Sell rallies towards 7.15, target move towards 7.01. SL at 7.21 [LIVE]	
03-Nov-25	Short USDKRW	1431	1452	-1.47	A few reasons ranging from anticipation of BOK cuts, sluggish growth in Korea and also the persistent uncertainty on trade between Korea and US were some of the factors weigh on KRW but we think some of this negativity is starting to fade and this may bode well for KRW recovery. Enter short (spot ref at 1430). SL:1452 with TP:1370 [SL]	07-Nov-25
03-Nov-25	Short SGDKRW	1100	1126	-2.36	To express view on lesser SGD strength amid milder pace of appreciation stance while riding on KRW recovery following clarity on US-KR trade relations. TP:1060. SL:1126 [SL]	12-Nov-25

Note: TP refers to take profit; SL refers to stop-loss. Trade can take profit or stopped earlier than indicated levels, depending on market conditions.

Gold Daily Chart: Room for Upside



XAU traded a touch firmer. Last seen at 4125 levels.

Bearish momentum on daily chart is fading while RSI rose. 2-way trades likely, with slight bias to upside. Immediate resistance here at 4130 levels. Break may see bulls gather momentum.

Next resistance at 4250 (recent high), 4380 (2025 high).

Support at 3,972/90 levels (50 DMA, 38.2% fibo), and 3,845 levels (50% fibo retracement of Aug low to Oct high).

Silver Daily Chart: Favour buy-on-dips

Silver did fall lower to 48.60 last week, consistent our double-top bearish reversal caution in the last FX weekly.

XAG recovered this week; last seen at 51.40 levels. Daily momentum turned flat while RSI rose. Slight risks to upside. Though double-top pattern continues to serve as a reminder that bearish reversal risk remains intact but it can also be nullified on break above the previous high of 54.50 levels.

Meantime, support at 50.22 (23.6% fibo retracement of Jul's run-up to Oct peak), 49.50 (21 DMA), 48.50 (40 DMA).

Resistance at 52.50, 54.50 levels (double-top).

Medium Term FX Forecasts

Currency Pair	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD-JPY	153.00	150.00	148.00	147.00	145.00
EUR-USD	1.1800	1.1900	1.2000	1.2050	1.2100
GBP-USD	1.3200	1.3400	1.3600	1.3700	1.3750
AUD-USD	0.6700	0.6700	0.6750	0.6800	0.6850
NZD-USD	0.5800	0.5900	0.6000	0.6050	0.6100
USD-CAD	1.3900	1.3800	1.3700	1.3600	1.3600
USD-CHF	0.7980	0.7900	0.7900	0.7850	0.7800
DXY	98.10	97.04	96.13	95.56	95.06
USD-SGD	1.2950	1.2900	1.2850	1.2830	1.2800
USD-CNY	7.1000	7.0700	7.0600	7.0500	7.0000
USD-CNH	7.1000	7.0700	7.0600	7.0500	7.0000
USD-THB	32.50	32.30	32.20	32.20	32.00
USD-IDR	16550	16450	16350	16300	16250
USD-MYR	4.1600	4.1200	4.1000	4.0800	4.0400
USD-KRW	1420	1390	1370	1360	1350
USD-TWD	31.00	30.80	30.70	30.50	30.50
USD-HKD	7.7800	7.7500	7.7500	7.7600	7.7600
USD-PHP	58.50	58.10	57.90	57.40	57.20
USD-INR	88.40	88.20	88.50	88.20	88.00
USD-VND	26400	26500	26600	26700	26800
EUR-JPY	180.54	178.50	177.60	177.14	175.45
EUR-GBP	0.8939	0.8881	0.8824	0.8796	0.8800
EUR-CHF	0.9416	0.9401	0.9480	0.9459	0.9438
EUR-AUD	1.7612	1.7761	1.7778	1.7721	1.7664
EUR-SGD	1.5281	1.5351	1.5420	1.5460	1.5488
GBP-SGD	1.7094	1.7286	1.7476	1.7577	1.7600
AUD-SGD	0.8677	0.8643	0.8674	0.8724	0.8768
AUD-NZD	1.1552	1.1356	1.1250	1.1240	1.1230
NZD-SGD	0.7511	0.7611	0.7710	0.7762	0.7808
CHF-SGD	1.6228	1.6329	1.6266	1.6344	1.6410
JPY-SGD	0.8464	0.8600	0.8682	0.8728	0.8828
SGD-MYR	3.2124	3.1938	3.1907	3.1800	3.1563
SGD-CNY	5.4826	5.4806	5.4942	5.4949	5.4688
SGD-IDR	12780	12752	12724	12705	12695
SGD-THB	25.10	25.04	25.06	25.10	25.00
SGD-PHP	45.17	45.04	45.06	44.74	44.69
SGD-VND	20386	20543	20700	20811	20938
SGD-CNH	5.4826	5.4806	5.4942	5.4949	5.4688
SGD-TWD	23.94	23.88	23.89	23.77	23.83
SGD-KRW	1096.53	1077.52	1066.15	1060.02	1054.69
SGD-HKD	6.0077	6.0078	6.0311	6.0483	6.0625
SGD-JPY	118.15	116.28	115.18	114.58	113.28
Gold $/oz	4060	4200	4300	4400	4500
Silver $/oz	50.12	51.22	52.44	53.66	54.88

Source: OCBC Research
Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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