

A scenic landscape photograph of a valley with green fields, a winding river, and a small village, surrounded by numerous sharp, conical mountains under a blue sky with light clouds.

1H 2026 FX and Rates Outlook

Global Markets Research & Strategy
2 December 2025

Frances Cheung
FrancesCheung@ocbc.com

Christopher Wong
ChristopherWong@ocbc.com

Summary of Rates market views:

- **FOMC outlook.** Our base-case is for a total of 50bps of Fed funds rate cuts between now and end-2026. After Fed funds rate target range is cut to 3.25-3.50%, additional rate cuts will probably require inflation move near the 2% target. The Fed may announce the resumption of asset purchases (expanding its balance sheet) some time in Q1-2026.
- **Rangy UST yields and a stable curve:** Market pricings of 2026 rate cuts are more dovish than our base-case. Further downside to short-end UST yields may be limited. We expect 2Y UST yield to mostly trade in a range of 3.45-3.65% during 1H 2026. 10Y yield in the range of 3.95-4.15% looks fair to us. The 2s10s segment may see resistance when steepening to the 60-65bps area.
- **IDR.** The IndoGB curve may re-steepen, primarily driven by expectedly lower short-end yields. A sustained and strong comeback of foreign flows may require some further widening in IndoGB-UST yield differentials.
- **MYR.** We expect 2026 gross MGS+MGII issuances at around MYR184-185bn. Room for short-end MGS to rally appears limited before the next OPR cut, with 3Y yield-OPR already compressed and bond/swap spread not appealing.
- **SGD.** Our call for upward normalisation in short-end SGD rates has mostly panned out. From here, interim falls in SGD rates cannot be ruled out. That said, we continue to expect short-end rates to revert towards the 1.40-1.55% area over time after any interim dip. The steepening in 2s10s SGS is likely to pause and the curve may flatten back mildly.
- **CNY/CNH.** Before the next interest rate cut, short-end repo-IRS are likely to be floored at around 1.50% level. The CGB curve may be relatively stable during most of H1-2026. The offshore CNH curve is likely to stay better aligned with the onshore curve given enhanced cross-boundary flows.
- **HKD.** We expect 1Y and 2Y HKD IRS – USD OIS spreads to revert to the -70bps/-40bps area if they break out of range. The benchmark 3M HIBOR may mostly stay in the range of 2.90-3.10% but with transient deviations due to fluctuating liquidity conditions.
- **KRW.** We expect KTBs to stabilize going into 2026, with the tailwind of index inclusion staring April 2026 buffering the expected increase in issuances, while market pricing of BoK has already turned neutral or even mildly hawkish.
- **Risks.** Re-escalation of tariff/trade tension and ongoing geopolitics are key swing factors to the inflation and growth outlook, which in turn have implications on central bank policies and bond performances via shifts in asset allocations.

Summary of FX market views:

- We expect the USD to trade moderately softer into 2026 as the Fed's easing cycle gradually erodes the dollar's carry advantage and the narrative of US exceptionalism fades.
- Rising US fiscal risks and a softening labour market reinforce this bias, although tariff-related inflation surprises could still trigger episodic USD rebounds.
- **Amongst DM FX, we favour long AUD and EUR while JPY recovery may be delayed.**
 - EUR: Stabilising European growth, EU/ German spending plans and ECB nearing the end of its easing cycle while the Fed still has room to cut, leading to a further narrowing of EU–US yield differentials. A breakthrough in Russia-Ukraine peace talks can be another plus
 - AUD: Recovery should extend as Australia's domestic-demand recovery remains intact and the RBA stays on an extended pause amid slower disinflation path. A resilient RMB and firmer global risk sentiment should further reinforce the medium-term upside bias
 - JPY: Any meaningful recovery requires USD softness, fiscal credibility and BoJ to get back on the path of policy normalisation
- **Amongst AxJs, we see room for MYR and RMB to outperform; neutral on SGD while IDR and PHP may lag peers.**
 - MYR: Likely to remain firm, supported by improving domestic fundamentals, ongoing fiscal consolidation, and the anchoring effect of a stronger RMB
 - RMB: Expected to continue appreciating in a measured, policy-guided manner as authorities prioritise financial stability, domestic demand support, and currency credibility
 - SGD: May trade with a neutral to modestly firmer bias, with moves shaped by USD and RMB dynamics rather than MAS policy shifts
 - IDR: Likely to lag peers as narrowing rate differentials, wider external balances, and lingering domestic uncertainties continue to dampen investor appetite
- **Risks:** 1) Fed slowing its pace of rate cut or early-stop and/or a return of US exceptionalism may un-nerve sentiments and add to USD strength; 2) Tariff-related inflation; 3) Global growth slowdown significantly; 4) Geopolitical flare-ups

A wide-angle, high-altitude photograph of a lush green valley with a winding river, surrounded by numerous sharp, conical karst mountains under a hazy sky. The scene is captured from an elevated perspective, showing a small village with white buildings in the lower right.

Rates 1H 2026 Outlook

Frances Cheung
FX and Rates Strategy

Summary of Rates market views:

- **FOMC outlook.** Our base-case is for a total of 50bps of Fed funds rate cuts between now and end-2026. After Fed funds rate target range is cut to 3.25-3.50%, additional rate cuts will probably require inflation move near the 2% target. The Fed may announce the resumption of asset purchases (expanding its balance sheet) some time in Q1-2026.
- **Rangy UST yields and a stable curve:** Market pricings of 2026 rate cuts are more dovish than our base-case. Further downside to short-end UST yields may be limited. We expect 2Y UST yield to mostly trade in a range of 3.45-3.65% during 1H 2026. 10Y yield in the range of 3.95-4.15% looks fair to us. The 2s10s segment may see resistance when steepening to the 60-65bps area.
- **IDR.** The IndoGB curve may re-steepen, primarily driven by expectedly lower short-end yields. A sustained and strong comeback of foreign flows may require some further widening in IndoGB-UST yield differentials.
- **MYR.** We expect 2026 gross MGS+MGII issuances at around MYR184-185bn. Room for short-end MGS to rally appears limited before the next OPR cut, with 3Y yield-OPR already compressed and bond/swap spread not appealing.
- **SGD.** Our call for upward normalisation in short-end SGD rates has mostly panned out. From here, interim falls in SGD rates cannot be ruled out. That said, we continue to expect short-end rates to revert towards the 1.40-1.55% area over time after any interim dip. The steepening in 2s10s SGS is likely to pause and the curve may flatten back mildly.
- **CNY/CNH.** Before the next interest rate cut, short-end repo-IRS are likely to be floored at around 1.50% level. The CGB curve may be relatively stable during most of H1-2026. The offshore CNH curve is likely to stay better aligned with the onshore curve given enhanced cross-boundary flows.
- **HKD.** We expect 1Y and 2Y HKD IRS – USD OIS spreads to revert to the -70bps/-40bps area if they break out of range. The benchmark 3M HIBOR may mostly stay in the range of 2.90-3.10% but with transient deviations due to fluctuating liquidity conditions.
- **KRW.** We expect KTBs to stabilize going into 2026, with the tailwind of index inclusion staring April 2026 buffering the expected increase in issuances, while market pricing of BoK has already turned neutral or even mildly hawkish.
- **Risks.** Re-escalation of tariff/trade tension and ongoing geopolitics are key swing factors to the inflation and growth outlook, which in turn have implications on central bank policies and bond performances via shifts in asset allocations.

DM Rates

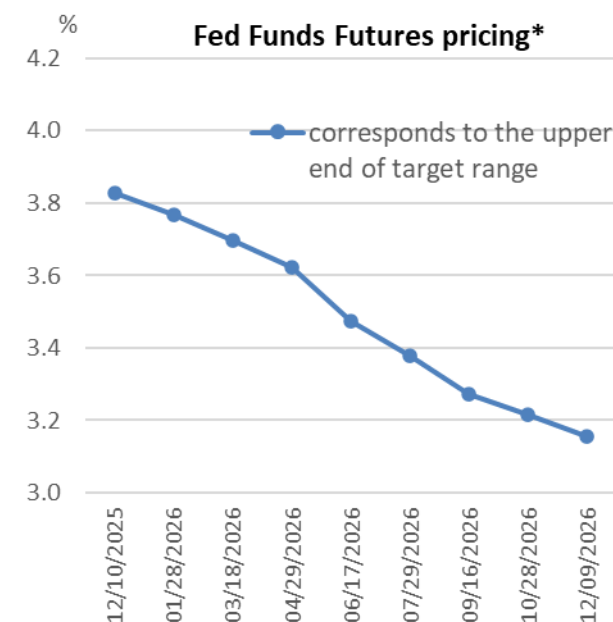
Additional Fed funds rate cuts in the price

- Our base-case remains for a 25bp Fed funds rate cut in December 2025 and a 25bp cut in Q1-2026. Continued cooling in the labour market justifies interest rates at less restrictive levels as long as there is no strong rebound in inflation. After Fed funds rate is cut to a 3.25-3.50% range, arguably nearer a neutral level, any additional Fed funds rate cut will probably require inflation moves near the 2% target.
- Market pricing, in particular of a December cut, has fluctuated. Fed funds futures almost fully priced a 25bp cut at December FOMC meeting. Between now and end-2026, market priced a total of more than 90bps of cuts which appears dovish enough.
- Risk to our base-case is a delay of the expected December cut to 2026. While the 2025 and 2026 median dots as per the September “dot-plot” pointed to one more 25bp cut this year (i.e. at December FOMC meeting) and another 25bp cut in 2026, which is in line with our base-case, the FOMC remains split in opinions weighing the downside risk in the labour market against upside inflation risk. The updated dot-plot at December FOMC meeting will shed more light on the Fed funds rate path ahead.

OCBC Interest Rates Forecasts^

	4Q25	1Q26	2Q26	3Q26	4Q26
FFTR Upper	3.75	3.50	3.50	3.50	3.50
SOFR	3.77	3.52	3.50	3.50	3.50
2Y UST	3.60	3.55	3.50	3.50	3.50
10Y UST	4.10	4.05	4.00	3.95	3.95

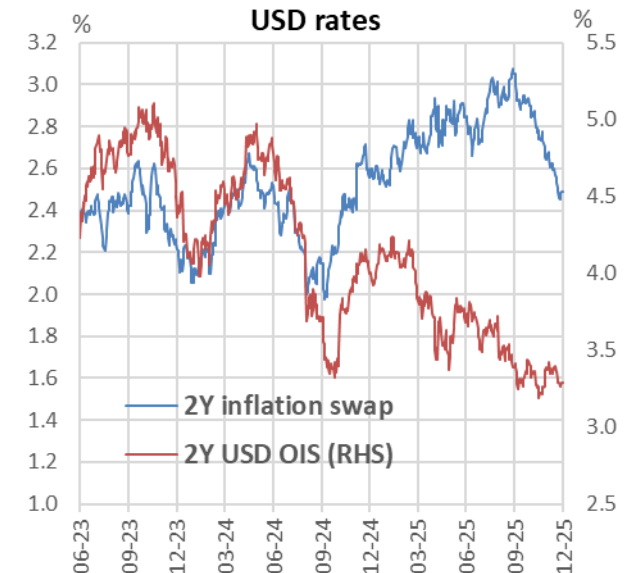
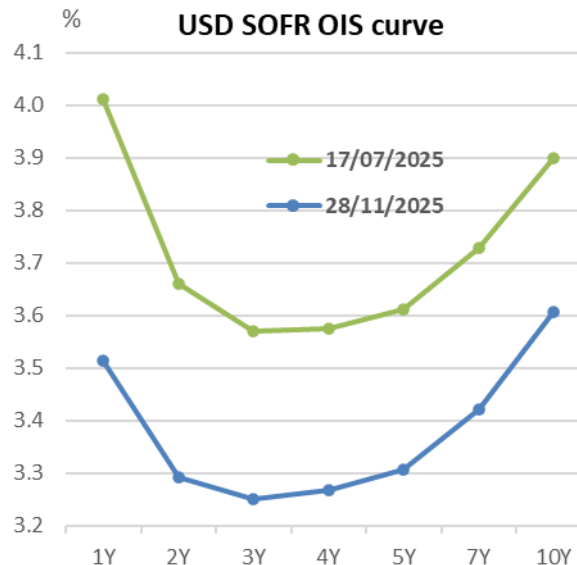
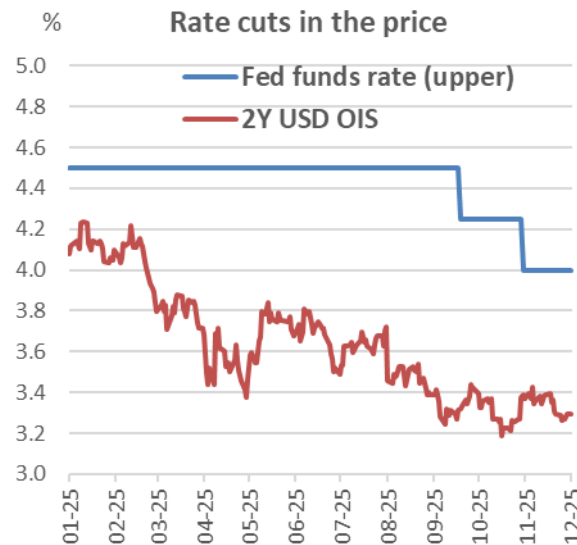
^for a full set of USD rates and UST yields forecasts, please refer to our monthly *OCBC Research Monitor*.



Source: Bloomberg, OCBC Research *pricing on 1 December 2025

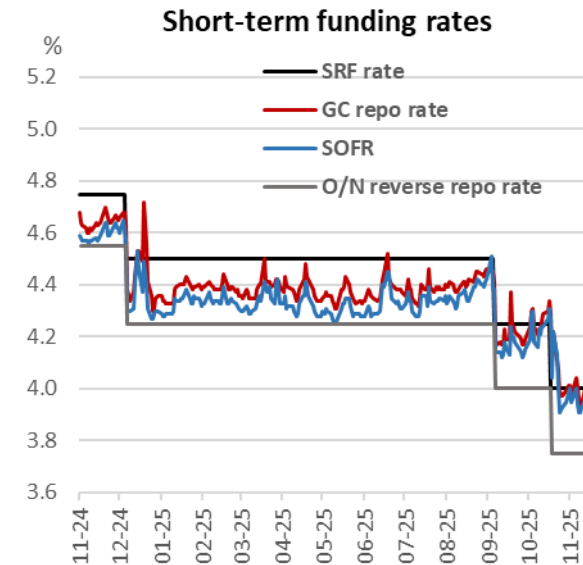
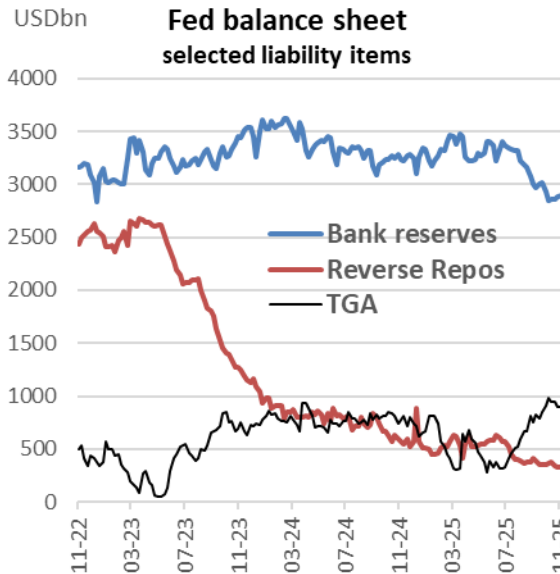
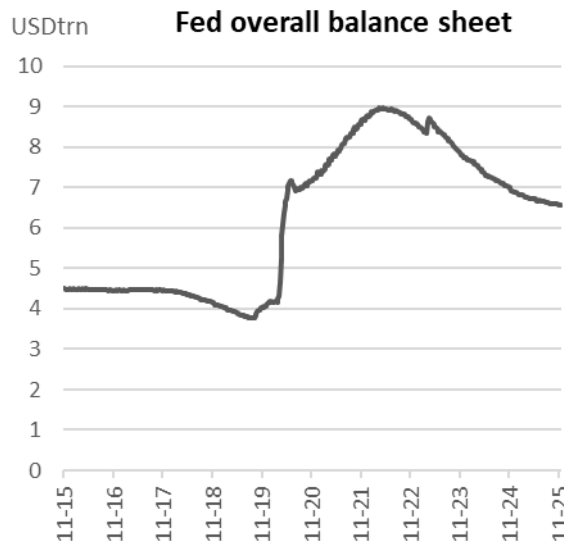
Limited downside to short-end UST yields

- 2Y UST yield at 3.45-3.55% is in line with market-priced Fed funds rate trajectory (plus a yield premium) which is slightly more dovish than our base-case. We therefore do not see material downside to short-end UST yields even upon materialization of expected Fed funds rate cuts. We expect 2Y UST yield to mostly trade in the range of 3.45-3.65% during 1H 2026.
- Inflation concerns appear to have eased, with inflation swaps having started to fall since mid-September, breaking the divergence with nominal swaps (OIS). The inflation swap curve has stayed inverted, but less so. Similarly, short-end breakeven has fallen from the recent highs attained in late October, with higher real yields being partially a by-product of lower breakeven.



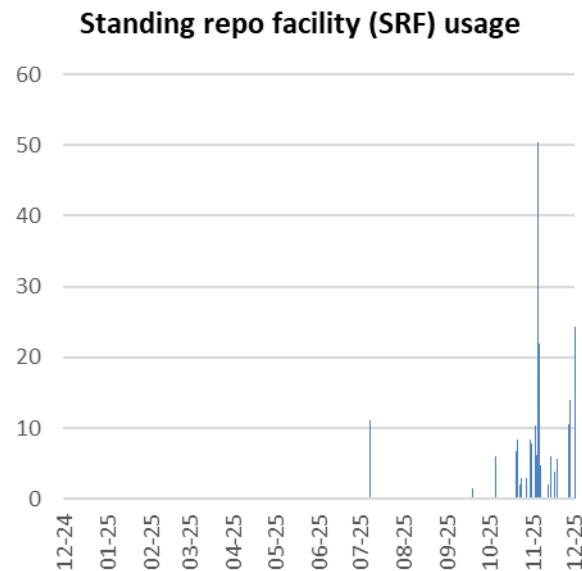
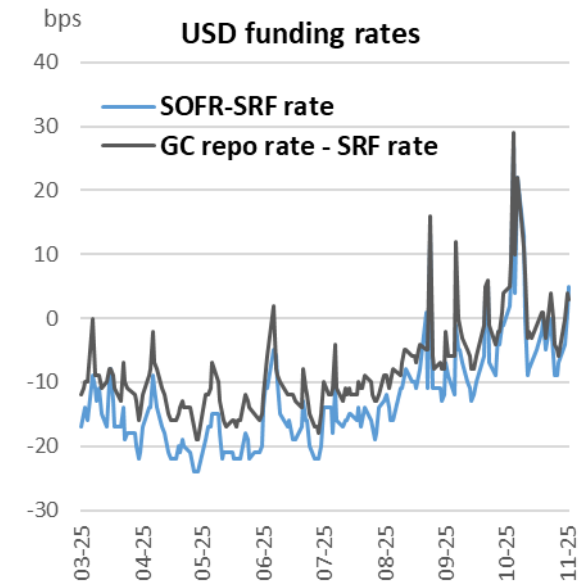
Sporadic tightening of USD liquidity

- The Fed has been shrinking its balance sheet since June 2022. On the liability side of the balance sheet, bank reserves (representing USD liquidity) fell to a recent low of USD2.86trn on 12 November. The earlier US government shutdown locked in extra cash at US Treasury's account; TGA (Treasury General Account) balance rose to USD1trn on 10 October versus target of USD850bn for both end-2025 and end Q1-2026. Nevertheless, liquidity is being released from TGA after passage of the spending bill – TGA balance fell to USD900bn as of 26 November, and bank reserves rose to almost USD2.9trn as of 26 November.
- Still, as bank reserves are transitioning from being abundant towards being ample, USD funding rates have become more sensitive to transient increase in liquidity demand, especially when the distribution of liquidity is unlikely to be even across market participants. This higher sensitivity was evident in the recent jumps in USD funding rates, which also reflects that bank reserves at below USD2.9trn level may be considered as no longer abundant.



End to QT; start of balance sheet expansion?

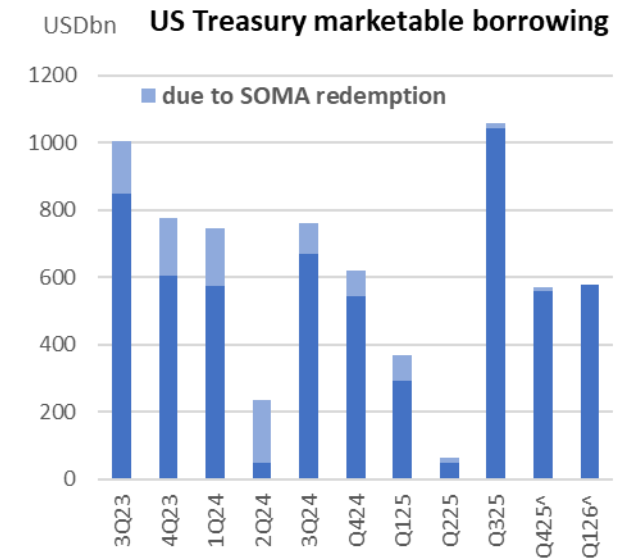
- The Fed has decided to end QT (quantitative tightening) effective 1 December. Balance sheet run-off via US Treasury securities will stop, while redemption from agency securities will be reinvested into Treasury bills.
- SOFR and CG repo rate went back to/above SRF (standing repo facility) rate (which equals the upper end of the Fed funds rate target range) in early November, after having eased passing end-October. The behaviour of front-end funding rates has kept market expectation for the Fed to start expanding its balance sheet.
- Resumption of purchases of assets (expected to be mainly T-bills) is better seen as a reserve management 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.
- We do not expect an imminent decision. First, bank reserves are expected to rise upon liquidity released from TGA. Second, there is room for SRF usage to pick up further – facility limit of USD500bn versus usage at below USD50.35bn thus far, which will then mitigate the upward pressure on funding rates.
- That said, as SOMA Manager Perli and NY Fed president Williams said, we probably will "not need to wait long". On balance, there may be an announcement on balance sheet expansion some time in Q1-2026.



Source: Bloomberg, OCBC Research

US Treasury refunding

- The supply outlook is benign for the next couple of quarters. US Treasury has kept the auction sizes for the Nov-Jan quarter unchanged and has kept the guidance of “maintaining nominal coupon and FRN auction sizes for at least the next several quarters” in their policy statement. US Treasury added that “looking ahead, Treasury has begun to preliminarily consider future increase” to auction sizes. The timeline for potential increases in auction sizes does not appear to deviate much from consensus. TBAC (Treasury Borrowing Advisory Committee) opined that “current projections could warrant increase in coupon issuance in FY2027”.
- The previous two rounds of slowdown in QT pace via US Treasury securities has already been having an impact on US Treasury refunding. Balance sheet run-off via US Treasury securities was last at USD5bn per month. Hence, full roll-over of holdings of US Treasury securities means a removal of this final USD5bn/month – or USD60bn in a year - from treasury refunding.
- Monthly redemption cap for agency securities (essentially MBS) run-off is at USD35bn, but the actual monthly redemption amount has been mostly in the range of USD15-17bn over recent months. Hence, the decision will likely lead to purchases of T-bills at USD180-200bn in a year. Prospect remains for additional T-bills purchases given the low share of T-bills under SOMA holdings.
- Fiscal positions remain a medium-term concern. For nearer quarters, tariff revenue is the swing factor. Any shortfall in tariff revenue would mean a wider fiscal deficit than currently anticipated.

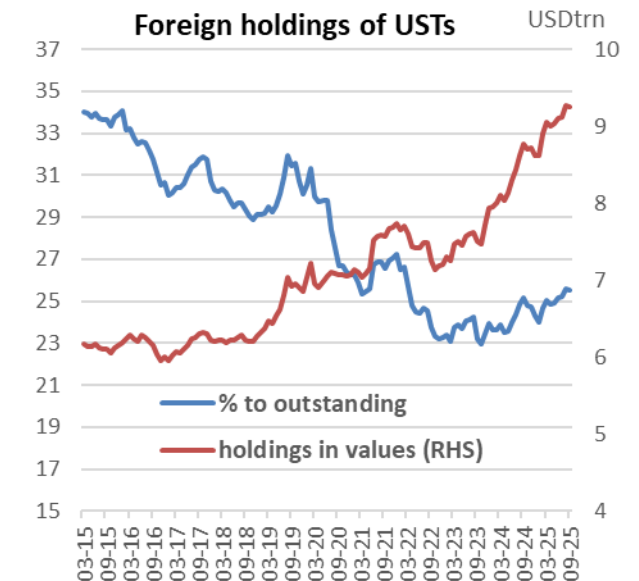
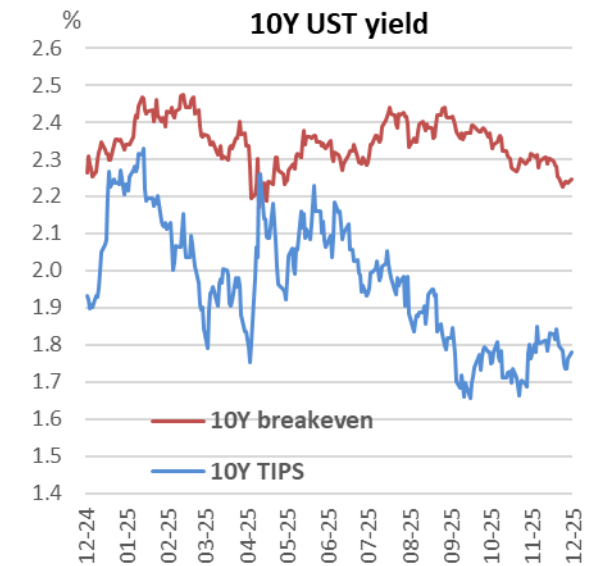


Source: US Treasury, Bloomberg, OCBC Research

^ US Treasury's estimates

Mid to long-end USD rates

- Our bullish UST view has panned out well this year, albeit with interim fluctuations. From here, 10Y yield in the range of 3.95-4.15% looks fair to us, with is consistent with 10Y breakeven in a 2.2-2.4% range and 10Y real yield in a 1.7-1.8% range. Material downside to 10Y UST yield will require a lower 10Y real yield, the chance of it happening is seen as low at this juncture.
- Term premium has retraced lower, while swap spreads have generally risen, reflecting eased fiscal concerns and probably to a large extent the eSLR reform as well. Long-end swap spreads have been trading in new ranges in recent weeks, after having risen (become less negative) through July to October. Near-term range for 10Y swap spread is seen at -45bp to -40bps, and for 30Y swap spread is seen at -75bps to -70bps. Fresh triggers are probably needed for swap spreads to break higher.
- Recent coupon bond auctions have mostly gone well, with solid end-user demand, mitigating concerns over dwindling demand for USTs. Foreign holdings of USTs have also remained on an uptrend, in terms of both amounts and percentage shares. Percentage shares bottomed out at 22.9% at end October 2023 and rose to the latest 25.5% at end September 2025.
- We are roughly neutral on the UST curve across the 2s10s segment at 45-55bps. A steepening to the 60-65bps area may face some resistance, as the 10Y UST garners support from a benign supply outlook, while 2Y UST valuation has already incorporated dovish Fed funds rate pricings.

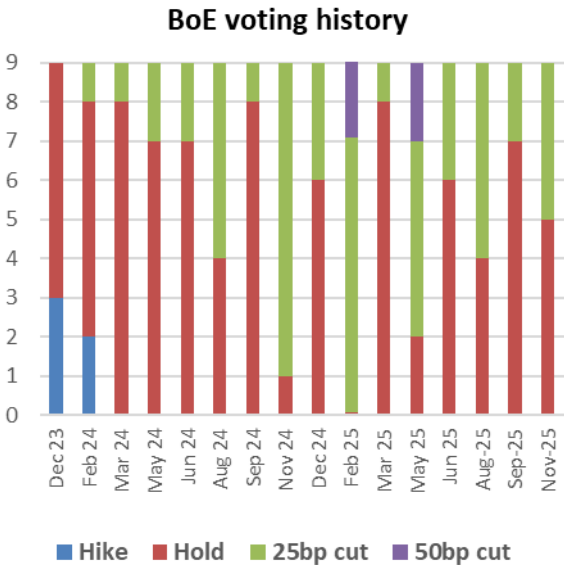
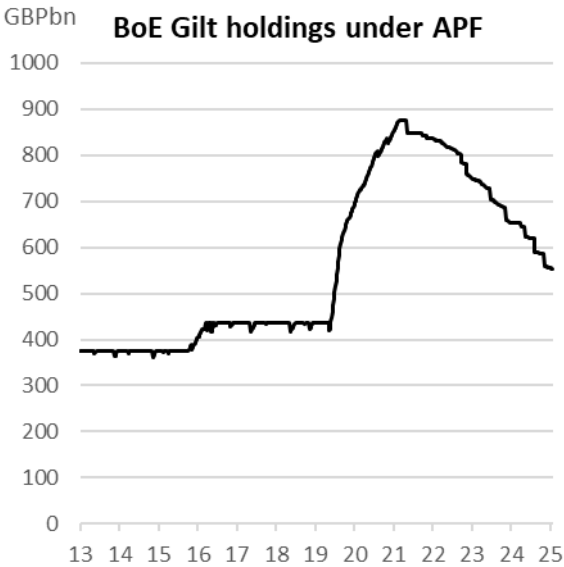


Bank of England policy outlook

- 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. In consideration of the trend in administered prices, the likely fading impact of the previous increase in NICs, slower wage growth, and potential tariff impact, we expect YoY CPI inflation to ease in the quarters ahead. Meanwhile, the labour market has continued to loosen. Monthly PAYE payrolled employees changes have printed negative (i.e. decrease) for most of the months this year. The job vacancy to unemployed ratio has been falling steadily since April 2022, to the latest 0.40 in September 2025.
- Market has added to rate cut expectation since September CPI printed softer than expected; YoY CPI inflation has continued to ease in October. GBP OIS last priced an above 90% chance of a December rate cut, versus virtually no expectation of a cut back in early October.
- Earlier at the September MPC meeting, BoE decided to slow the QT pace for the Oct 2025 - September 2026 period, to GBP70bn, from the previous annual pace of GBP100bn. Active gilt sales for the current 12-month period will still be bigger at GBP21bn compared to GBP13bn previously, due to light maturity ahead. Nevertheless, on aggregate, this means a slower balance sheet run-off. Overall, the slower QT pace was not a surprise.

OCBC interest rates forecasts

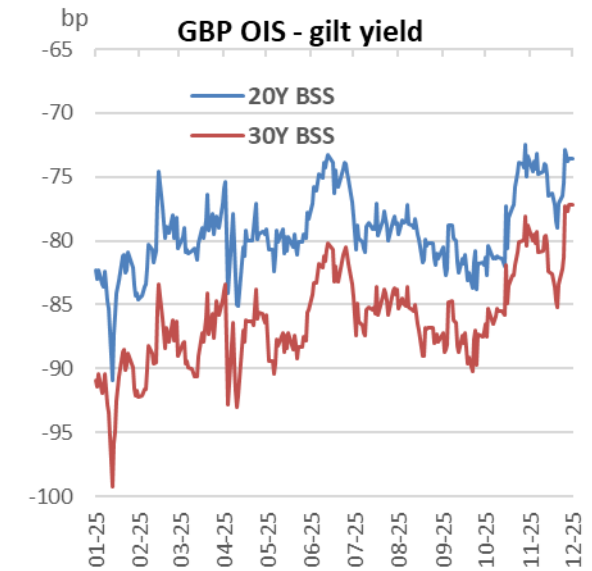
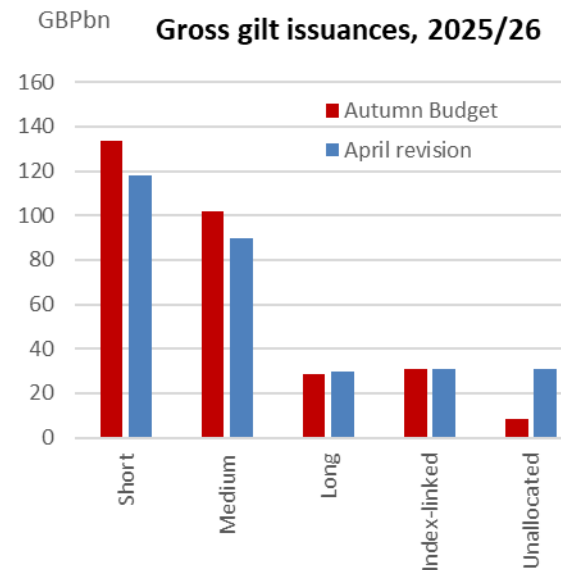
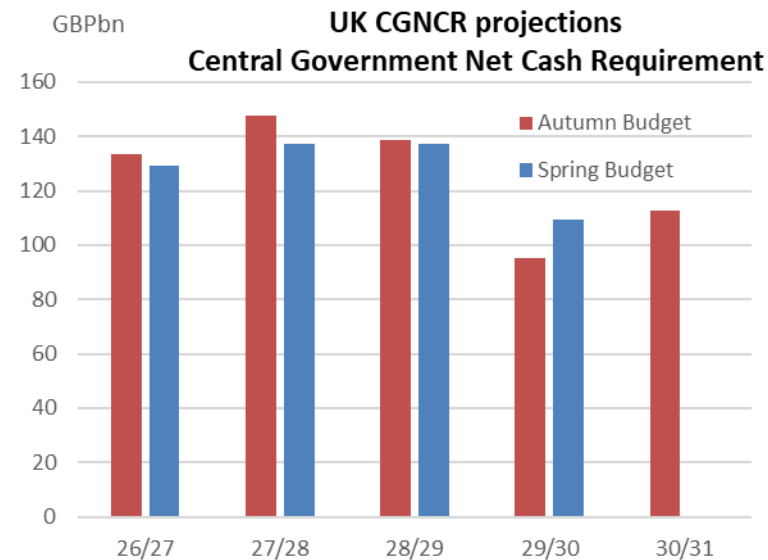
	4Q25	1Q26	2Q26	3Q26	4Q26
BoE Bank Rate	3.75	3.50	3.50	3.50	3.50
GBP SONIA	3.70	3.45	3.45	3.45	3.45
3M GBP OIS SONIA	3.70	3.50	3.50	3.50	3.50



Source: Bank of England, Bloomberg, OCBC Research

GBP rates: Autumn Budget and bond/swap spreads

- The Autumn Budget revised upward forecast of 2025/26 central government net cash requirement (CGNCR) by GBP6.5bn compared to the April revisions. Net financing requirement (NFR) was revised up by GBP5.6bn – to be funded via an increase in gross gilt issuances of GBP4.6bn and an increase in net T-bills issuance of GBP1.0bn. Overall, these revisions to 2025/26 fiscal year were less than expected. DMO (Debt Management Office) plan to increase issuances of medium tenor (7-20Y), while reducing mildly the issuances of long tenor (over 20Y) gilts. In response, the 30Y bond/swap spread (GBP OIS – gilt yield) rose further.
- While current long-end bond/swap spread levels still appear supportive of the bonds, further break higher in the spreads is unlikely. First, these swap spreads were last at the upper end of the 2025 ranges. Second, fiscal consolidation is backloaded, with falls in CGNCR projected only for 2029/30 and onwards.

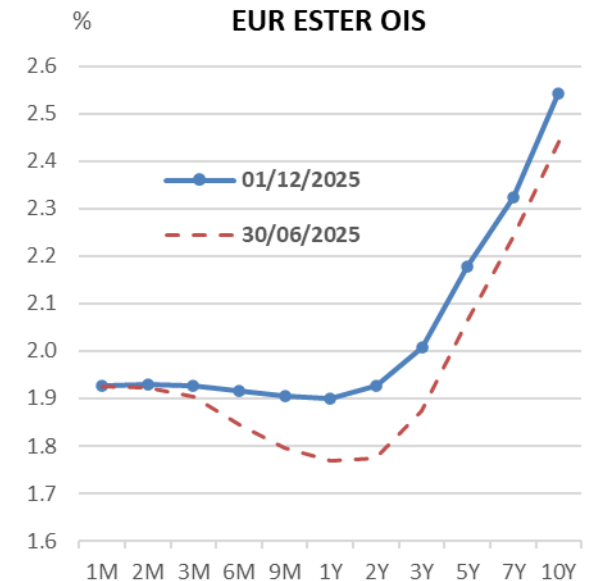
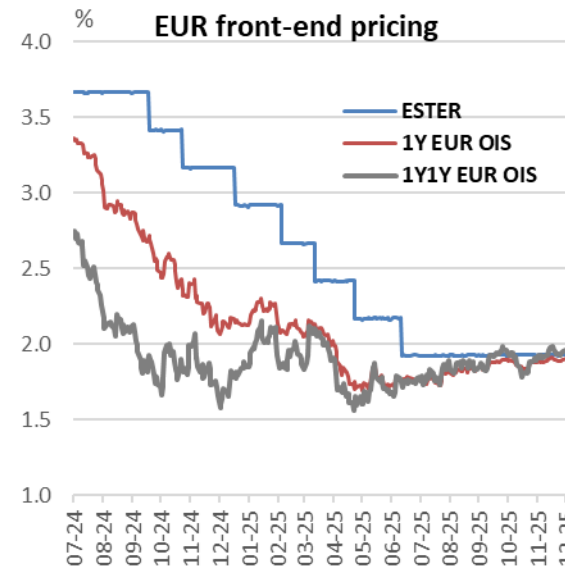


ECB – nearing the end of easing cycle

- ECB is nearing or at the end of the monetary easing, with the key policy Deposit Facility Rate at 2.00% which is seen as a neutral level. Lagarde maintains her stance that the central bank is “in a good place”. From here, the decision to be made is whether to deliver outright stimulative monetary policy, which may be warranted if downside risk to growth materialises. The bias for monetary policy remains mildly on the easing side and we keep a 25bp cut in Q1-2026 in our forecast profile for now as an insurance cut.
- EUR OIS have priced out further interest rate cut, with the curve flat across 1M to 2Y tenors. We see limited room for Bunds to rally from here despite our call for a final rate cut, as the pick-up at Bunds is not particularly appealing.

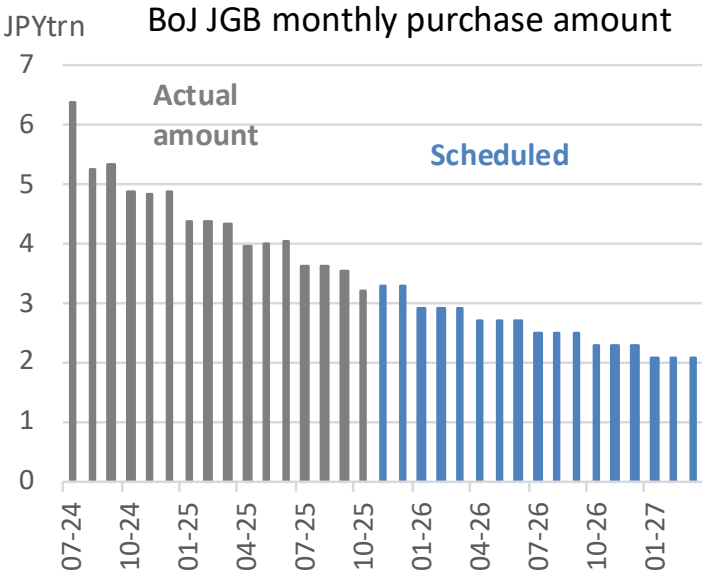
OCBC interest rates forecasts

	4Q25	1Q26	2Q26	3Q26	4Q26
ECB Depo	2.00	1.75	1.75	1.75	1.75
1M EURIBOR	1.90	1.75	1.75	1.75	1.75
3M EURIBOR	2.00	1.80	1.80	1.80	1.80



BoJ: room for continued policy normalisation

- The inflation outlook allows the Bank of Japan (BoJ) to continue with monetary policy normalisation. We continue to expect additional 50bps of rate hikes between now and end 1Q26 which will bring the BoJ Target Rate to 1.00%. Risk is for rate hikes to be paced out as BoJ expect inflation to ease in the interim.
- A tight labour market and firms’ price-setting behaviour suggest that the prospect remains for wage growth to be at least partially passed onto price levels. Rengo (the Japanese Trade Union Confederation) said it plans to ask for wage increase of around 5% or more in 2026 *shunto* (spring wage negotiations). Meanwhile, enterprises’ short-term (1-year), medium-term (3-year) and long-term (5-year) inflation expectations have stayed firmly above the 2% level, as per Tankan survey, reflecting a proactive attitude in price-setting.
- Quantitative tightening (QT) has been ongoing for more than a year now. The plan has been to reduce JGB purchase on a step-down schedule by the quarter. Jul-Sep monthly purchases were set at JPY3.7trn (actual was an average JPY3.6trn per month), to be reduced to 3.3trn / 2.9trn/ 2.7trn/ 2.5trn/ 2.3trn/ 2.1trn over the next six quarters. By March 2027, BoJ’s holdings of JGBs are expected to have fallen by 16-17% compared to its holdings before the reduction started in June 2024. The next interim assessment on this plan is due at the June 2026 MPM meeting. Our base-case is for the central bank to stick with this plan, as the QT pace overall is gradual.



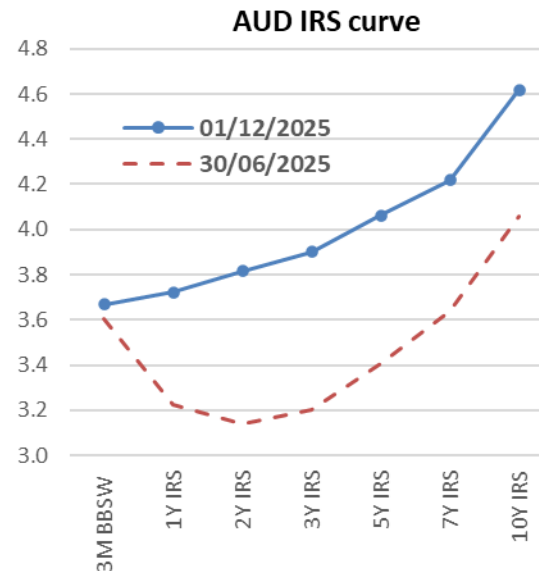
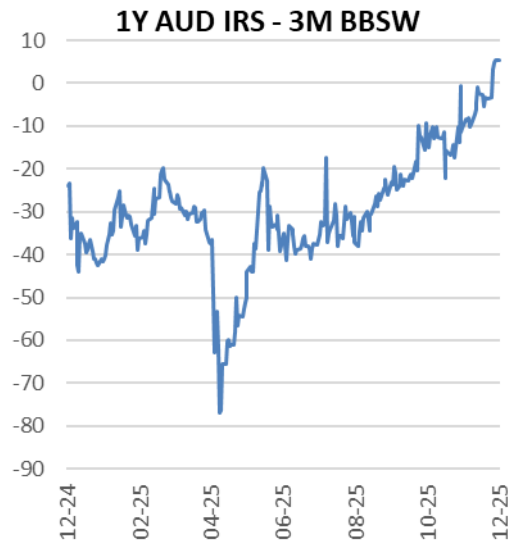
OCBC interest rates forecasts

	4Q25	1Q26	2Q26	3Q26	4Q26
BoJ Target Rate	0.75	1.00	1.00	1.00	1.00
1M JPY TIBOR	0.85	1.10	1.10	1.10	1.10
3M JPY TIBOR	0.95	1.20	1.20	1.20	1.20

Source: BoJ, Bloomberg, OCBC Research

AUD rates: RBA in a longer pause

- Q3-2025 and October 2025 CPI surprised to the upside on both the headline and the trimmed mean measures. We remain of the view that the RBA easing cycle is likely to be a shallow one compared to major DM central banks. RBA has cut rate by a cumulative 75bps thus far. While we keep the expectation of a final 25bp cut in the cycle (pencilled in for Q2-2026), RBA is likely in a longer pause.
- Market has priced out rate cuts. Cash rate futures even priced some chance of a hike by end-2026 post CPI releases, while the AUD IRS curve has become mildly upward sloping at the front-end. We see room for front-end rates to adjust mildly lower upon the materialization of a further rate cut. The spread between 3M BBSW and the Cash Rate is likely to narrow as the end of the easing cycle concludes, i.e. expecting less downside room for 3M BBSW.



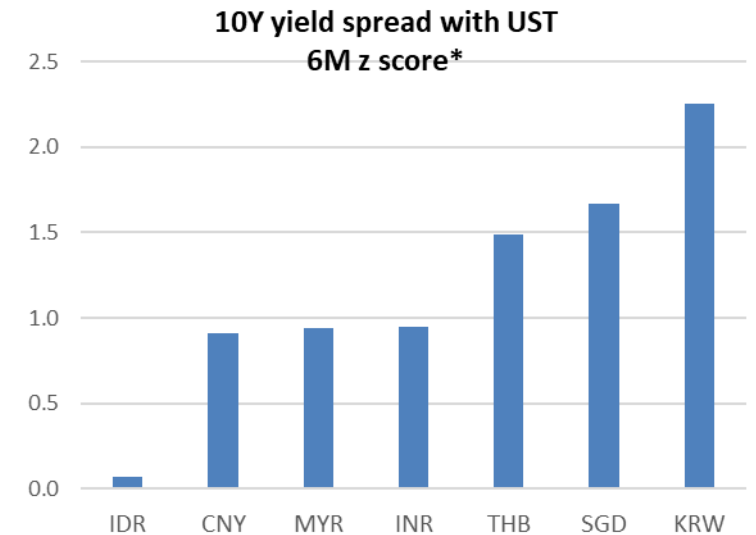
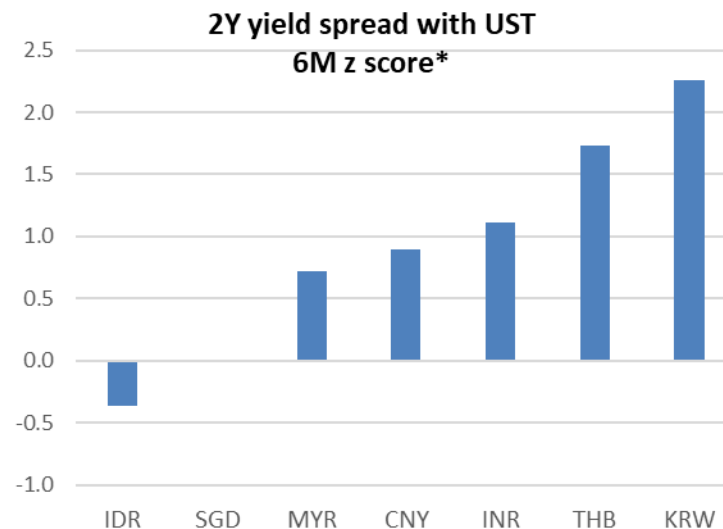
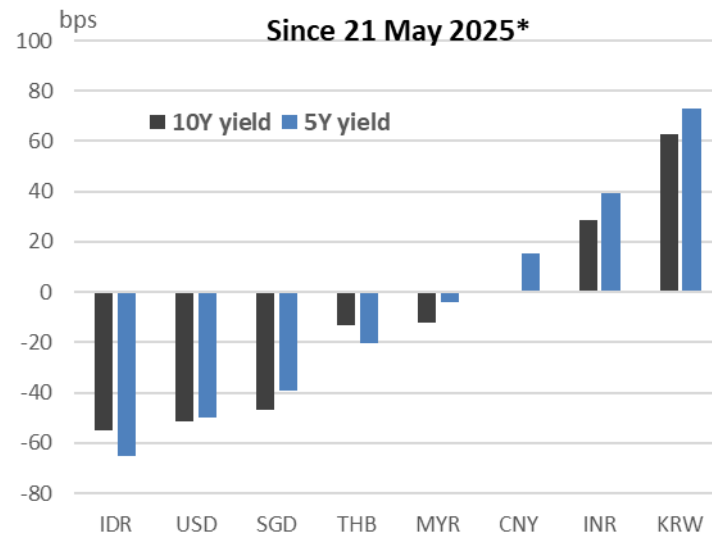
OCBC interest rates forecasts

	4Q25	1Q26	2Q26	3Q26	4Q26
RBA OCR	3.60	3.60	3.35	3.35	3.35
1M BBSW	3.55	3.55	3.40	3.40	3.40
3M BBSW	3.70	3.70	3.45	3.45	3.45

Asian Rates

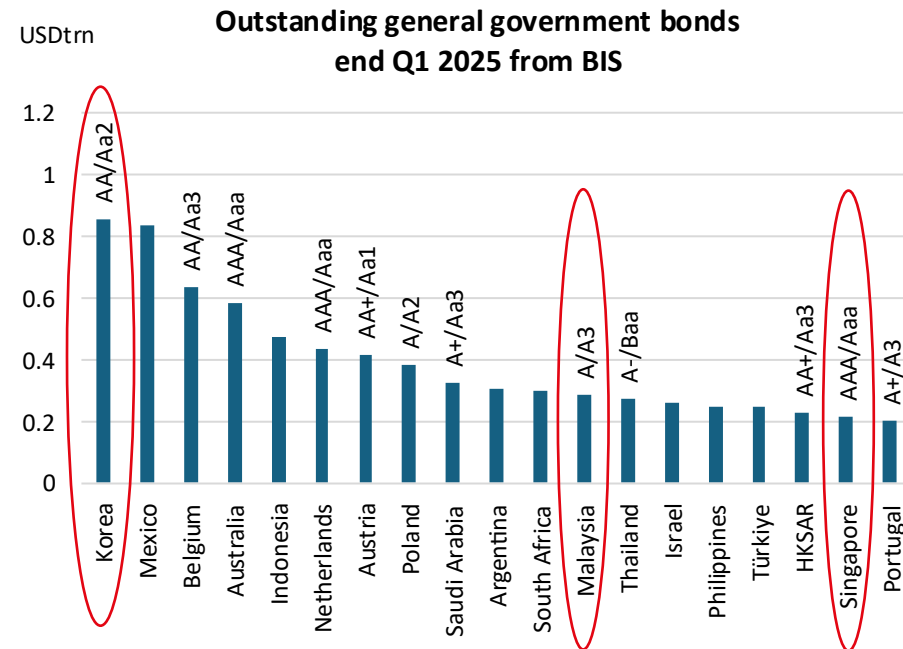
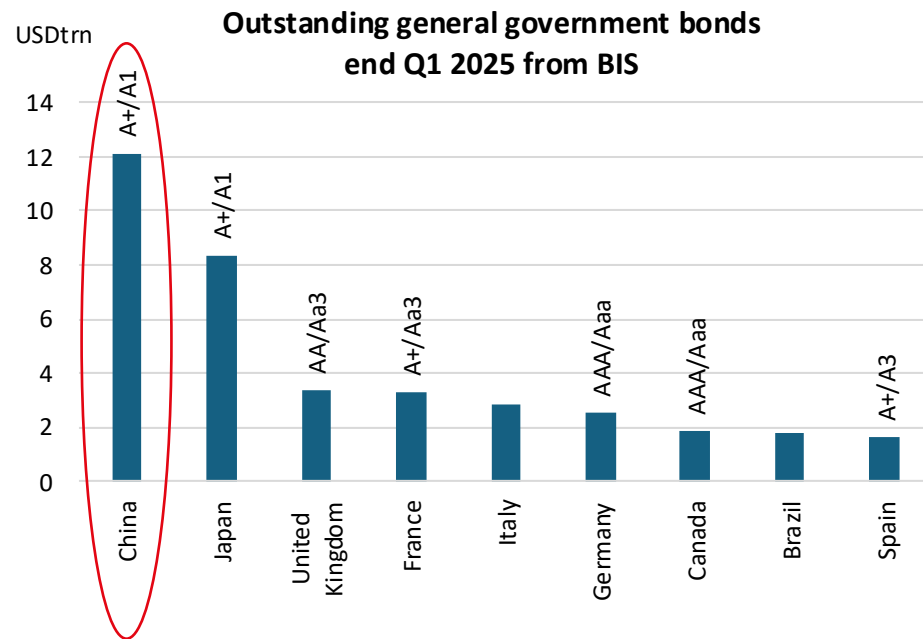
Asia: idiosyncratic factors

- There has been a fair bit of decoupling between USD rates and Asian rates over the past months when UST yields have been on a broad downtrend since 21 May 2025, having fallen by around 50bps from 2Y to 10Y tenors. During the same period, KRW rates, INR rates and to a lesser extent CNY rates rose; THB rates and MYR rates edged marginally lower; short-end IDR rates fell by more on idiosyncratic factors.
- In z-score terms, KRW-USD yield spreads were last at more than 2 standard deviations wider than their 6-month averages. THB-USD yield spreads were last at around 1.5 standard deviation wider than their 6-month averages. 10Y SGD-USD yield spread was also at around 1.5 standard deviation wider than 6-month average. These were followed by INR-USD, MYR-USD and CNY-USD spreads, with their 6M z-scores at around one at the 10Y tenor.



Candidates for portfolio diversifications

- While there were outflows from some Asian bond markets in recent months, gradual portfolio diversification remains as the medium-term theme. Viable government bonds for asset allocation are those which are relatively high-rated, or of significant outstanding amounts, or both.
- Under the criteria of i) government bonds which are AAA-rated (top notch) and of size of at least USD200bn as per BIS data for Q1-2025, and ii) government bonds which are rated A-/A3 and above (top 7 notches) and of sizes of at least USD300bn equivalent, we highlight CGBs, KTBs, MGS and SGS within Asian markets as potential candidates to benefit from inflows.
- These criteria are set to try to include more AAA-rated bonds and not to ignore big markets if their ratings are also relatively high.



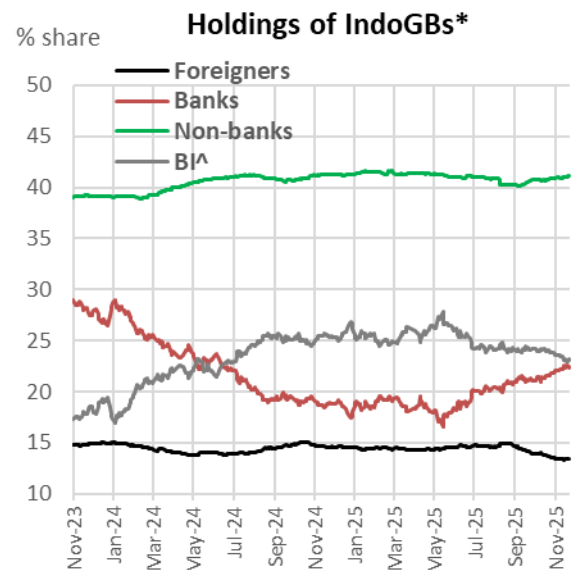
Source: BIS, OCBC Research, Bloomberg

^BIS statistics appear to have included China Local Government Bonds (LGB)

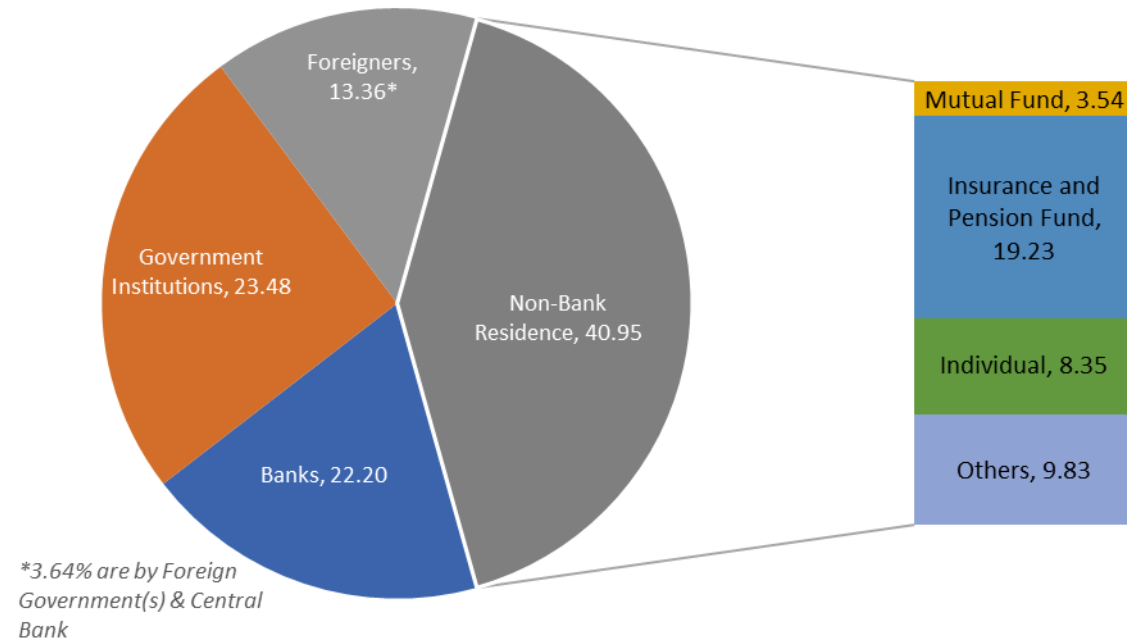
Note: only credit ratings of A-/A3 or above from at least one credit rating agency are indicated in the charts; only selected Asian bonds are circled while there are other viable DM bonds

IndoGBs: solid domestic bond demand

- Domestic banks has been increasing holdings of government securities since mid-July, being the key buyers thus far in H2-2026. Domestic non-bank investors were net buyers as well. Incoming bids for bond auctions have been mostly either overwhelming or solid. We still look for demand from banks on the back of organic growth in deposits, but if loan growth outpaces deposit growth, then the room for banks to allocate funds to bonds will become smaller.
- Foreign holdings of IndoGBs (including bills) peaked at end August; holdings have been on a broad downtrend, probably as IndoGB-UST yield differentials were further compressed. Foreign holdings stood at IDR872trn, or 13.4% of outstanding, as of 28 November. A sustained and strong comeback of foreign flows may require some further widening in IndoGB-UST yield differentials.



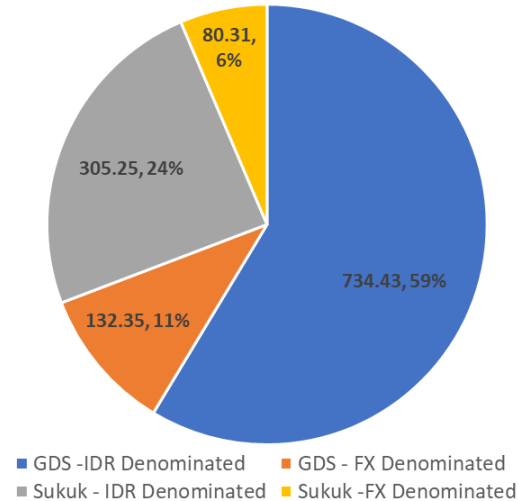
Ownership of Tradable Domestic Government Securities
as of 18 Nov 2025, %



IDR: debt financing and supply outlook

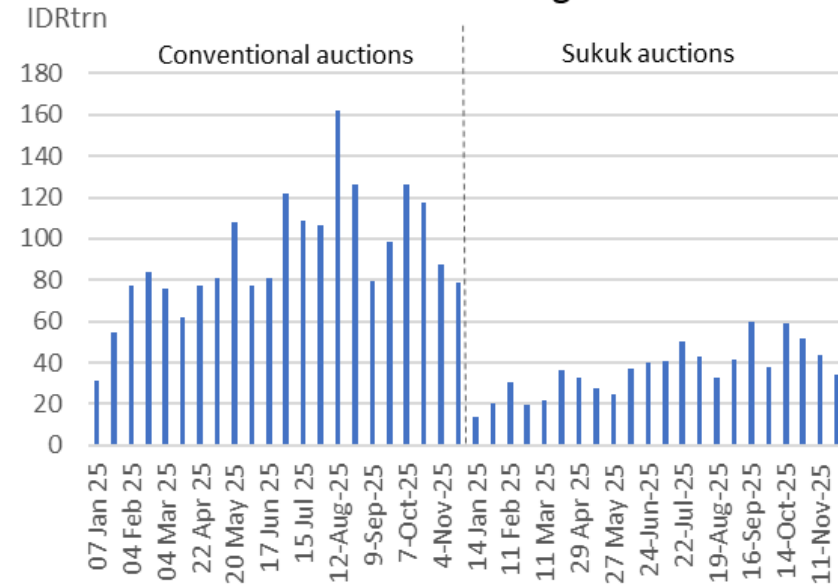
- Year-to-date (as of 25 November auction) gross issuances of IndoGBs (conventional and sukuk bonds + bills) amounted to IDR869.55trn. Majority of the auctions were upsized versus indicative targets, in line with our expectation for upsizes when market conditions are constructive, to provide a buffer to next year's funding needs. There were also a few tranches of successful international bond issuances, including the inaugural Kangaroo bonds and Dim Sum bonds. FX bonds gross issuances amounted to IDR212.66bn (as of 18 November, including the prefunding done in late 2024).
- 2026 deficit financing has been 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, which are comparable to or even a tad bigger than the upsized amounts observed this year.

Breakdown of Government Securities Issuance Realisation
as of 18 November 2025 (IDRtrn)



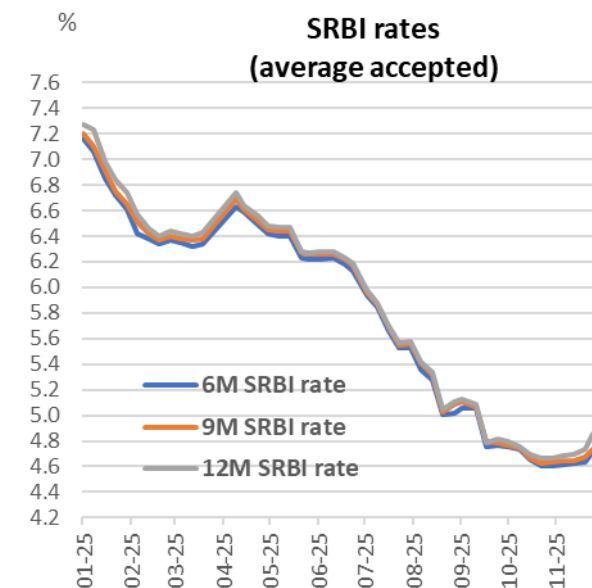
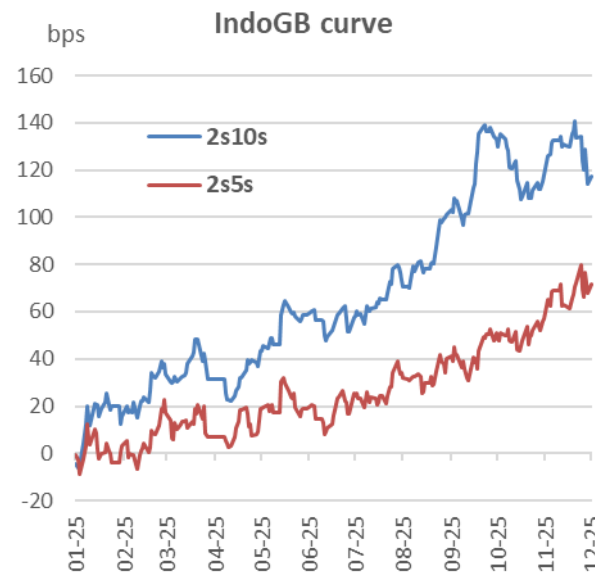
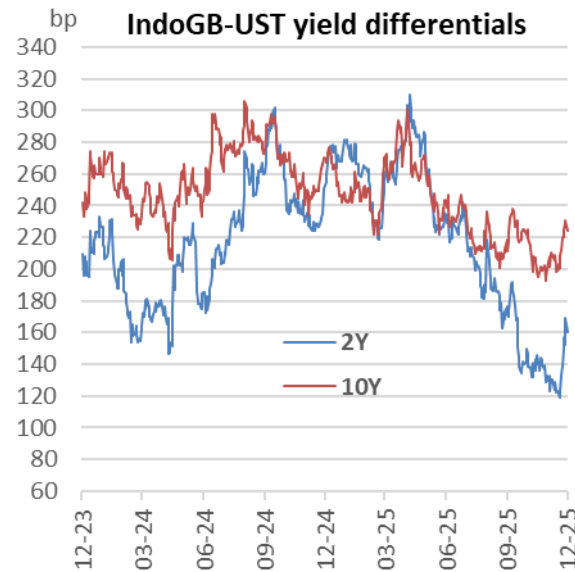
GDS- Government Debt Securities (SUN), Sukuk- Sovereign Sharia Securities (SBSN)
Note: Realisation of issuances including prefunding in 2024

IndoGBs: incoming bids



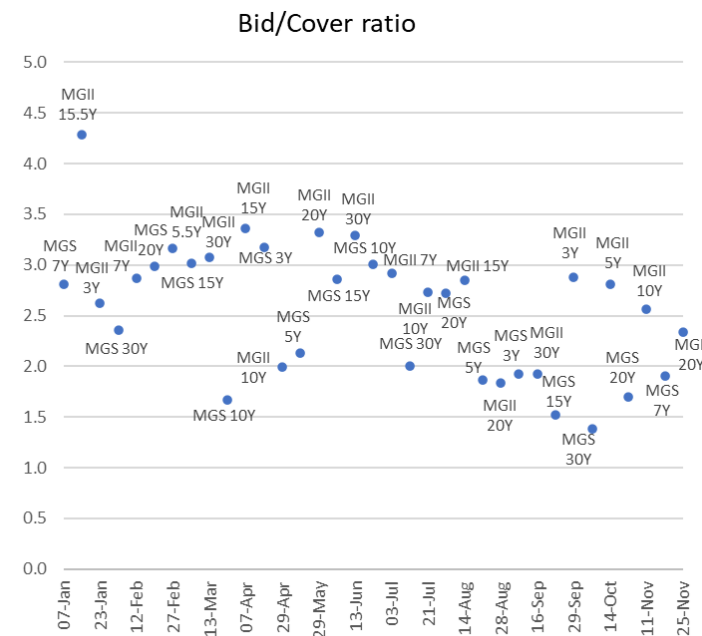
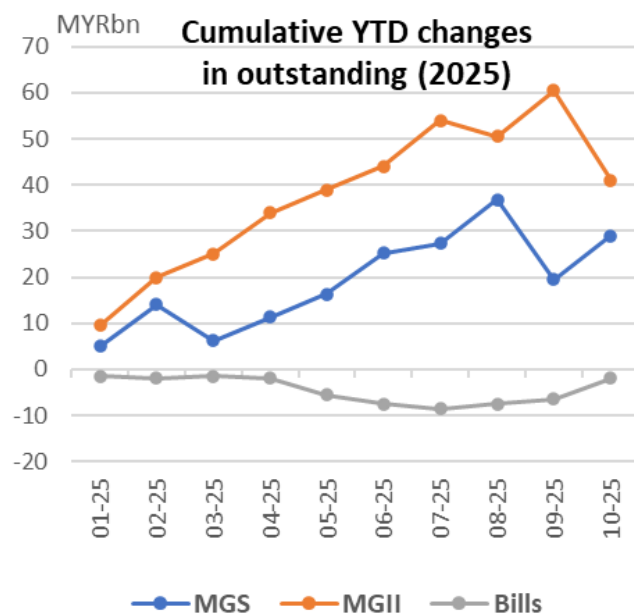
IDR: curve may re-steepen

- Our preference for shorter tenors IndoGBs panned out well. The 2s10s segment had steepened steadily from July through September, before entering into consolidation in October and flattening back somewhat in late November upon a mini sell-off in short end bonds. We expect a re-steepening in the curve, primarily driven by lower short-end yields as OCBC economists expect additional 50bps of policy rate cuts in this cycle. The 10Y yield has already risen to around our Q1-2026 target of 6.25%; from here, we are roughly neutral 10Y IndoGB.
- For foreign investors, 10Y IndoGB-UST yield differential (albeit having widened mildly in recent days) staying near the lower end of the 2-year range is still not seen as particularly attractive. At the shorter end, although 2Y yield differential is also relatively narrow, short-end bond yields (2Y last at 4.95%) compared favourably with implied IDR rates.



2026 MGS/MGII supply outlook

- We expect 2026 gross MGS+MGII issuances at around MYR184-185bn, to cover 2026 budget deficits of MYR74.6bn and maturing amounts of MYR108.7bn, with a mild buffer for FX bond maturity or T-bills paydown. We have mentioned T-bills and FX bonds issuances (or paydown) are swing factors to our gross local currency bond supply estimates. In 2025, cumulative T-bills paydown amounted to MYR8.5bn at end-July, before a reversal to a paydown of MYR2.0bn as of end-October. Some FX bonds matured in April 2025 with no rollover.
- Bond auctions in H2-2025 have drawn mixed results, with bid/cover ratio ranging from 1.38x (30Y MGS in October) to 2.92x (7Y MGII in July). Demand at some of the recent long-end bond sales was relatively weak, which had triggered some bearish market reaction post auctions. Nevertheless, the size of the most recent auction of 20Y MGII in November came in smaller than expected, thanks to better fiscal outcome, while the net T-bills issuances since August also helped.

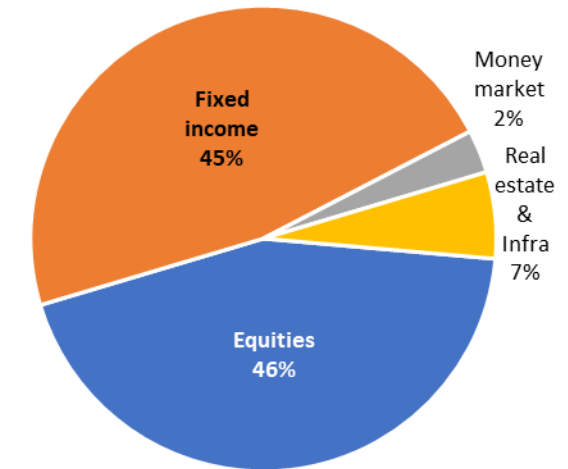


MGS: Steady domestic demand

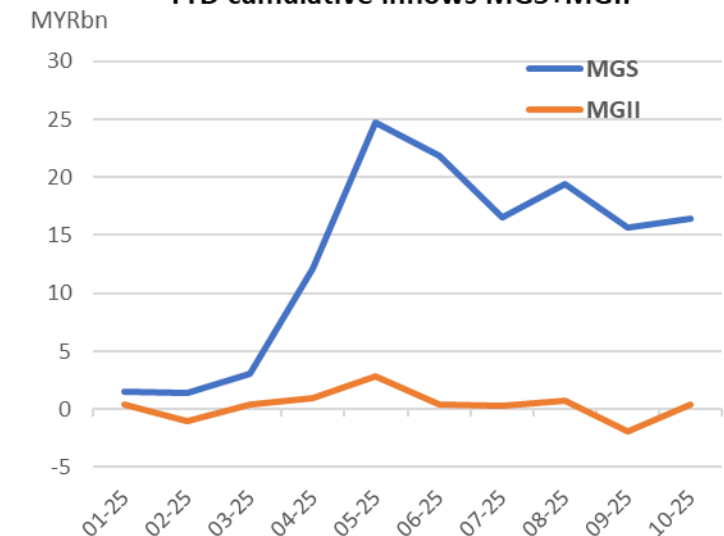
- *EPF and Banks* are the major holders of MGS+MGII. Buying by banks can be seasonal, partly depending on loan demand. The loan-to-fund ratio in the banking system stood at 82.6% at end September. With this ratio, demand for bonds by banks will likely be sustained, coming from organic growth in deposits. EPF assets have continued to grow alongside contributions, which stood at MYR1.37trn at end-September 2025 versus MYR1.26trn at end-March. However, % allocation to fixed income edged lower to 45% from 48% during the period, probably having diluted the impact of the increase in assets. Still, we expect healthy demand for MGS/MGII from EPF on organic growth in contributions – contributions amounted to MYR92.59bn in Q1-Q3 2025 versus MYR81.75bn in Q1-Q3 2024. Contributions from non-Malaysian employees are now mandatory, although the amount is expected at a small MYR2.4bn in a year (using 2024 mean salary of MYR1,986).
- *Foreign demand.* Bond flows have fluctuated across the months. After the relatively big inflows in April and May, MGS+MGII saw outflows of MYR10.7bn during June-October. We are constructive on inflows in the medium term as Malaysia has a local currency credit rating of A (S&P)/ A3 (Moody's), while MGS are included in key bond indices including FTSE Russell's WGBI and GBI-EM.
- *Index rebalancing.* Impact of the lowering of threshold cap under GBI-EM index to 9% from 10% (over a five-month period in H1-2026) is manageable, estimated at USD1.4bn assuming AUM tracking the index at USD200bn.



Assets at EPF
end 3Q2025, MYR1.37trn



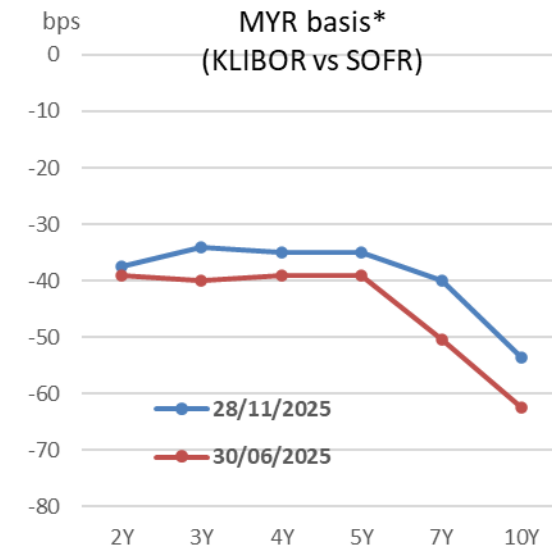
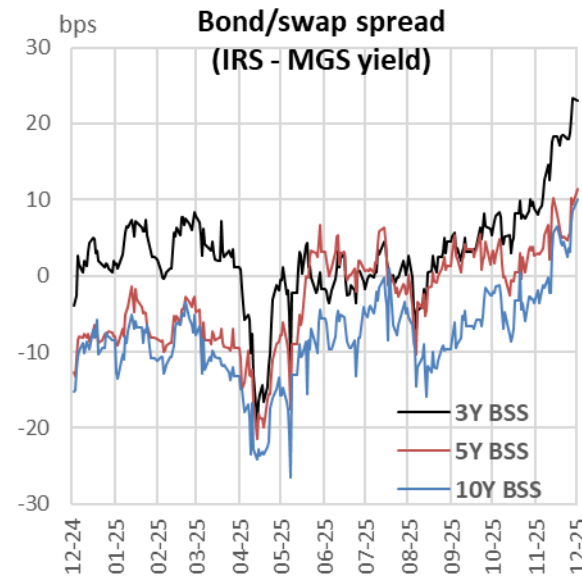
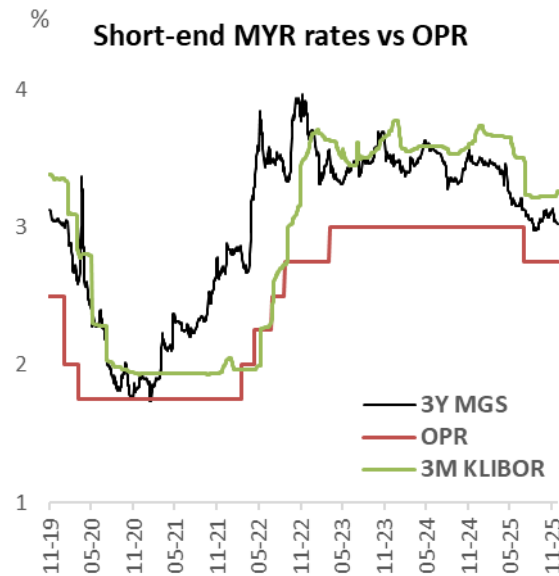
YTD cumulative inflows MGS+MGII



Source: CEIC, KWSP, OCBC Research

MYR rates: neutral short-end bonds

- We are neutral 3Y MGS at current level. First, the spread between 3Y MGS yield and OPR has been consolidating at sub-30bps level since late November, not showing momentum for further compression. Second, OCBC economists expect another 25bp cut in the OPR to come in the later part of H1-2026, which is some time away. Third, the 3Y bond/swap spread (MYR IRS – MGS yield) risen steadily to beyond +20bps, not providing appealing pick-up. 3Y MGS yield may mostly trade in a range of 3.0-3.1% before the next OPR cut.
- There is still some pick-up via asset swap due to the negative MYR basis. Pick-up is wider at the longer end, which was last at around SOFR+15bps at 3Y MGS and SOFR+45bps at 10Y MGS.



Source: Bloomberg, CEIC, OCBC Research
*for reference only; some tenors may not be liquid

SGS: 2026 supply outlook

- We expect gross 2026 SGS supply at SGD27.5-28.0bn which corresponds to outstanding SGS growth of 3.3-3.6%, given MAS guidance that “SGS bonds are expected to grow at a similar pace to 2025”.
- The tenor profile (excluding the optional mini auctions) is similar to that of 2025, with a mild skew towards shorter duration. There is no supply of 50Y bond; instead, there will be a new 20Y Green SGS (infra) bond to be issued via syndication in 2H2026, subject to market conditions.
- Recent auctions reflect that investor demand at the long end was not overwhelming, probably as the incentive to lock in yields at the levels at the time of auctions (relatively low) for a long period of time was not particularly high. As such, the mild shift in supply towards the shorter end is likely to be welcome by the market.
- The sizes of T-bill auctions will only be decided nearer each auction date. Auction sizes of T-bills may stay on the high side in early 2026 to roll over maturity while SGD liquidity stays supportive.
- SGS stand out to benefit from safe-haven flows. SGS are AAA-rated. The Singapore Government operates a balanced budget policy and most of the government’s borrowings are not used to fund its expenditure, which allows flexibility in the calibration of auction sizes in reaction to prevailing market conditions.

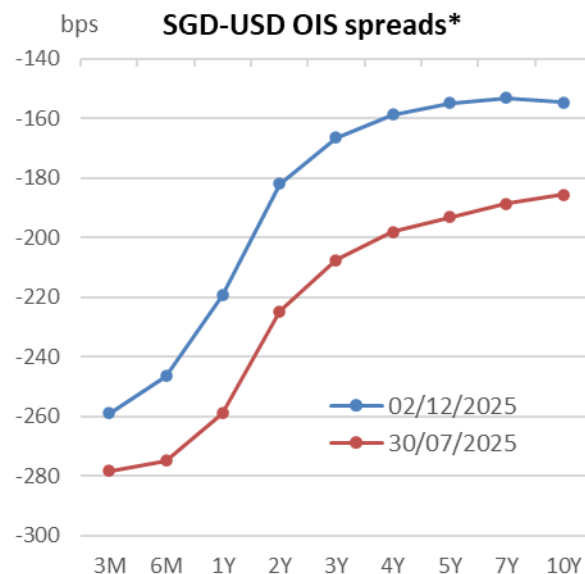
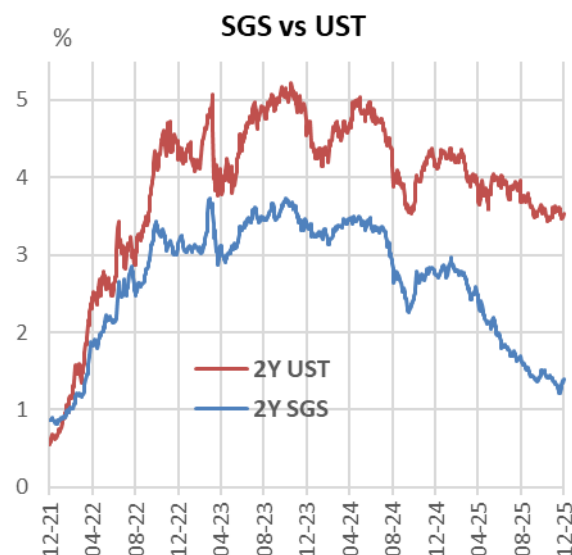
Auction date	Tenor	New/Reopen	SGS type
1/28/2026	5-year	Reopen	MD
2/25/2026	2-year	Reopen	MD
3/27/2026	30-year	Reopen	Green SGS (Infra)
4/28/2026	10-year	Reopen	MD
5/26/2026	2-year	Reopen	MD
6/26/2026	5-year	Reopen	MD
7/29/2026	2-year	Reopen	MD
8/27/2026	10-year	Reopen	MD
9/28/2026	15-year	Reopen	Infra
10/28/2026	5-year	New	MD
Mini auctions (optional)			
2/25/2026	TBA		
5/26/2026	TBA		
10/29/2026	TBA		
Syndications*			
2H 2026	20-year	New	Green SGS (Infra)

Source: MAS, OCBC Research

*subject to market conditions

SGS performances and outlook

- SGS have outperformed USTs by a wide margin this year, with the outperformance mostly starting April when the theme of re-allocation away from USD assets gained traction. SGS strength continued beyond that, benefiting from safe haven flows. On rates side, the outperformance in SGD rates over USD rates turned much milder since USD rates retraced from the earlier highs attained in mid/late May 2025. In recent weeks, SGD rates underperformed USD rates.
- The bar for the massive SGS outperformance attained this year to repeat is high. First, SGS yields are much lower than UST yields; while this is partially justified by Singapore's AAA rating, the pick-up has nevertheless become less appealing to foreign investors. Second, foreign inflows may slow as some flows are seen going back to other (selected) developed markets. Third, domestically, a resilient economy may also limit the rally in bonds. On the other hand, the supply backdrop is constructive as usual, and SGS yields have already adjusted higher to our multi-month targets. On balance, we have a stable outlook for SGS with a mild upward bias to short-end yields.



OCBC Interest Rates Forecasts[^]

	4Q25	1Q26	2Q26	3Q26	4Q26
3M Compounded SORA	1.25	1.45	1.50	1.50	1.50
2Y SGD OIS	1.40	1.40	1.50	1.55	1.60
2Y SGS	1.35	1.45	1.50	1.50	1.55
10Y SGS	1.95	1.95	2.00	2.00	2.05

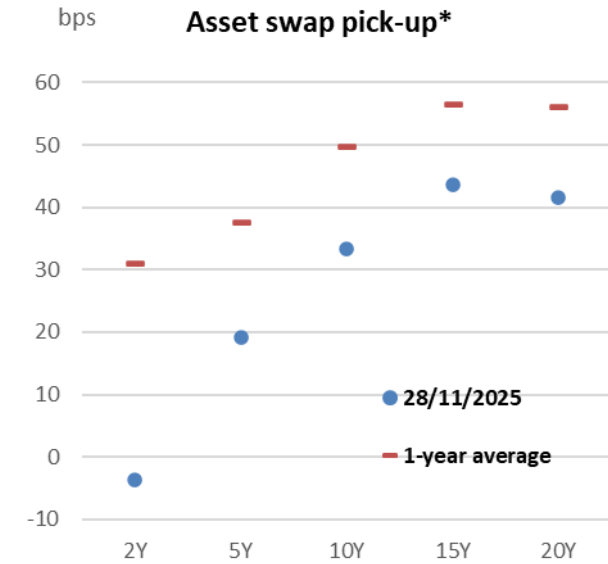
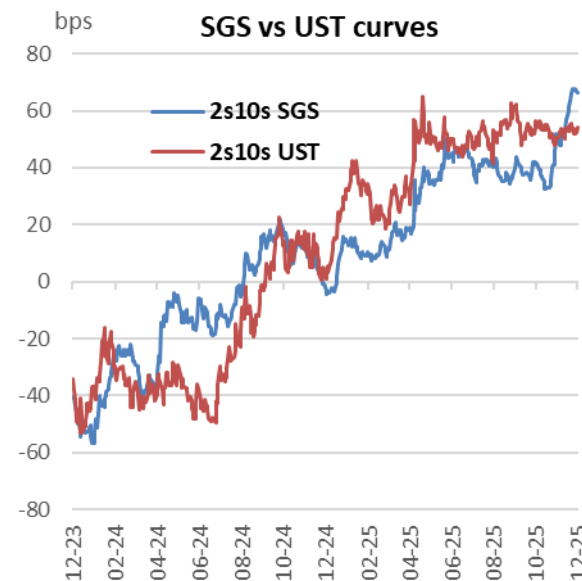
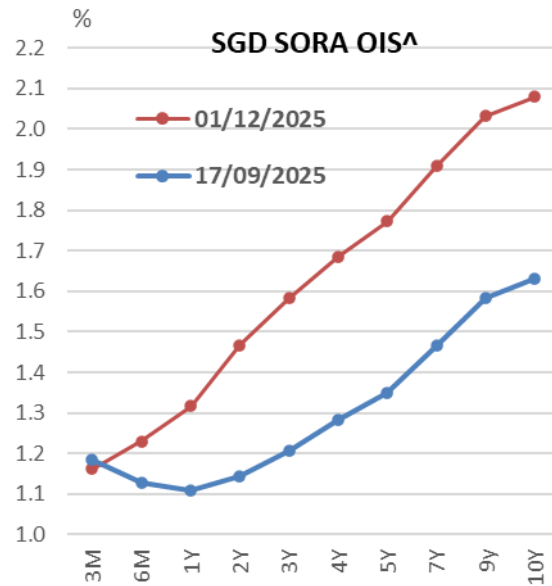
[^]for a full set of SGD rates and SGS yields forecasts, please refer to our monthly *OCBC Research Monitor*.



Source: MAS, Bloomberg, CEIC, OCBC Research
*2Y SGD-USD OIS spread at year low on 30 July

SGD rates and SGS curve

- 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 1.5% is around our target level for H1-2026, while 1Y OIS at 1.3% still appears overly stimulus. OCBC economists forecast 2026 GDP growth at 2.0% and 2026 CPI inflation at 1.3%. The liquidity situation and short-end SORA rates fluctuates a lot. Some interim retracements in short-end SGD rates cannot be ruled out, which could happen, for example, when S\$NEER moves back higher towards the upper end leading to liquidity injections. On balance, our expectation remains for short-end rates to revert towards the 1.40-1.55% area after dips – if any.
- The latest leg of the steepening in 2s10s SGS was driven by outperformance in the 2Y SGS. The steepening momentum is likely to pause and the curve may flatten back mildly as investors start to see relative value at longer tenors. First, if SGD OIS stay at current levels without interim retracement, then pressure is probably for 2Y SGS yield to correct further higher with bond/swap spread at a positive level. Second, with the next supply of long end bonds months away - 30Y Green SGS (Infra) in March and 10Y SGS (MD) in April, 10Y SGS stays supported.

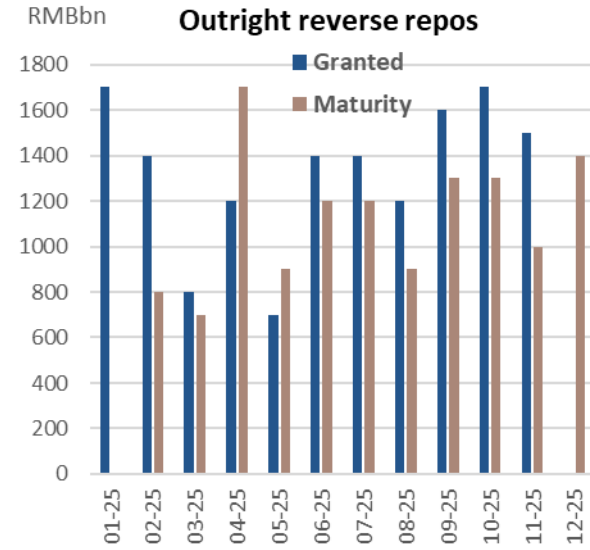
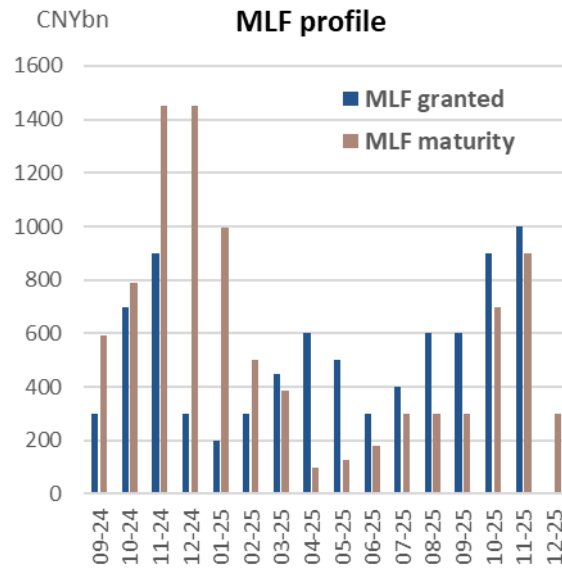
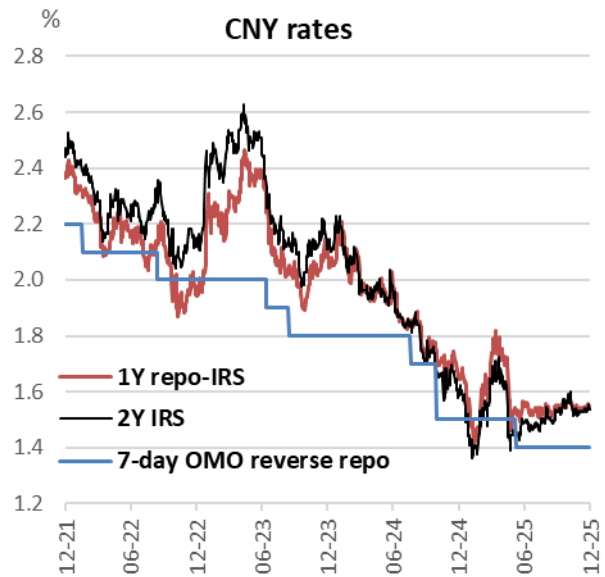


Source: Bloomberg, OCBC Research

*10Y hedge for 15Y SGS and 20Y SGS ^date chosen to mark the low in 2Y OIS on 17 September

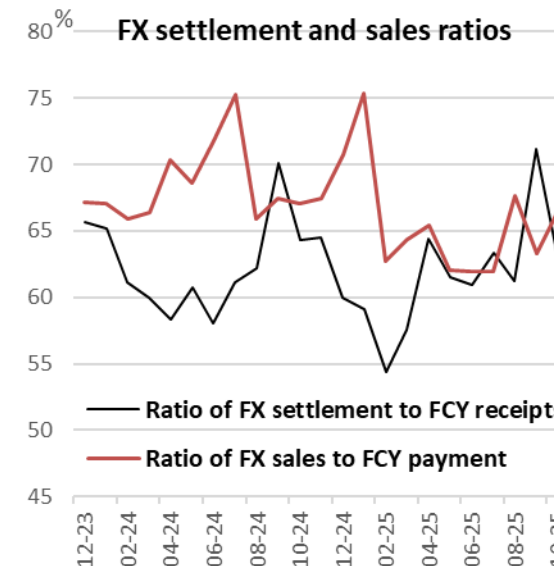
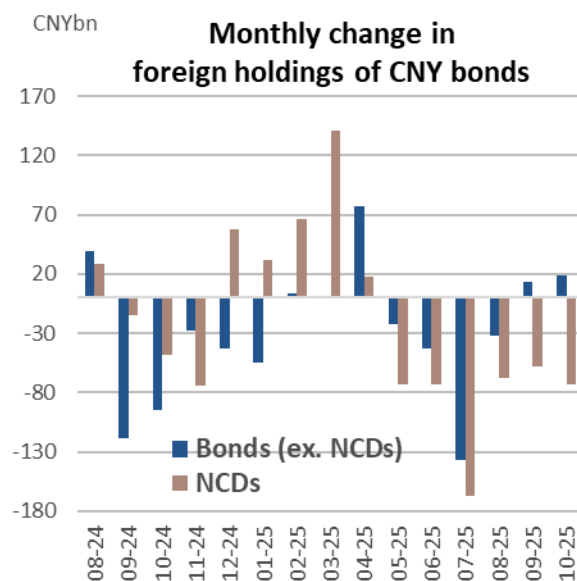
CNY rates: supportive liquidity condition

- We expect PBoC to stay supportive of liquidity, especially medium-term liquidity of 3M to 1Y. PBoC has shown intention to provide support if need be, deploying a combination of tools including (outsized) OMO outright reverse repos and MLFs.
- PBoC has also resumed bond trading in the open market. In Aug-Dec 2024, PBoC net purchased bonds at the order of CNY100-300bn (face value) per month. Net purchase was small at RMB20bn in October 2025 as that was the start of the resumption. Amounts may be bigger in the coming months but the net impact may not be huge given maturities of the bonds the central bank hold.
- Before the next interest rate cut, short-end repo-IRS are likely to be floored at around 1.50% level. OCBC Economists expect only one 10bp cut in 1Y LPR in 2026. Nevertheless, the liquidity backdrop is likely to remain constructive for the rates market. On balance, short-end CNY rates are likely to stay in ranges.



CNY rates: bond and FX flows

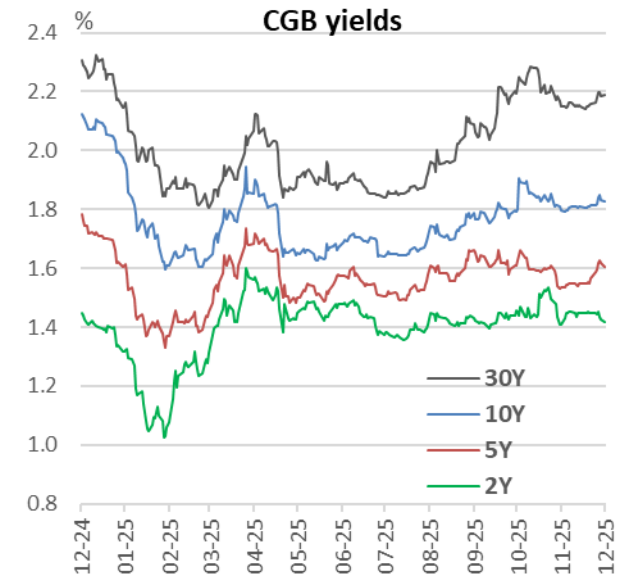
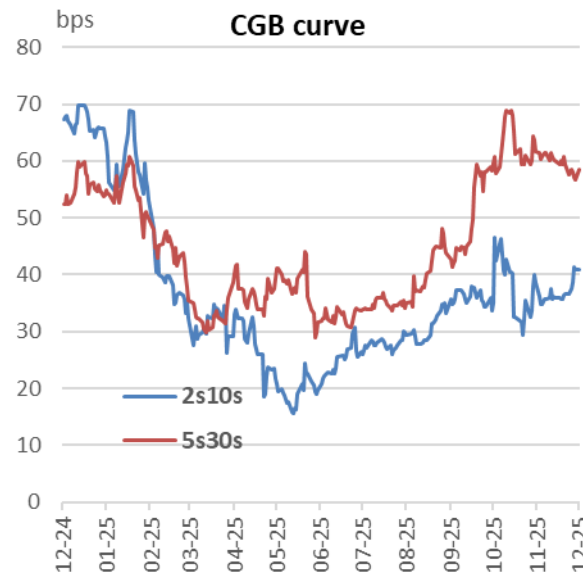
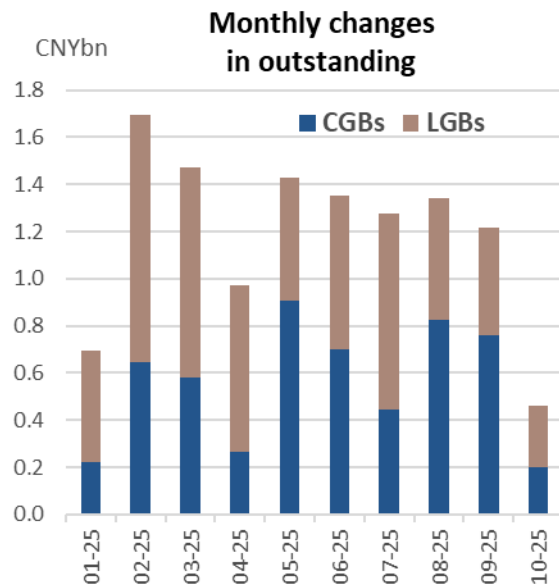
- CGBs saw inflows of CNY38.7bn in October, reversing four months of outflows. NCD outflows continued, as pick-up narrowed. Share of foreign holdings of CGBs was at 5.19%/5.11% at end October/September, versus the peak of 11.14% at end January 2022. Nevertheless, some recent international bond issuances by MoF have attracted strong foreign investor interest. These international bond transactions help maintain foreign currency benchmark curves for potential Chinese issuers, facilitating their fund-raising activities, while keeping foreign investors engaged.
- In terms of the broader measure of flows, net FX settlement and sales have been positive since March, with inflows mostly coming from the usual item of goods trade balance. Securities flows fluctuated across the months, but overall registered net inflows of USD15.5bn during the first ten months of 2025. Willingness to convert foreign currency (FCY) receipts into RMB also fluctuated, partly driven by RMB sentiment.
- Overall, the flow picture is constructive, although there may not be a strong comeback of bond inflows before CGB-UST yield differentials widen (i.e. become less negative).



Source: CEIC, OCBC Research

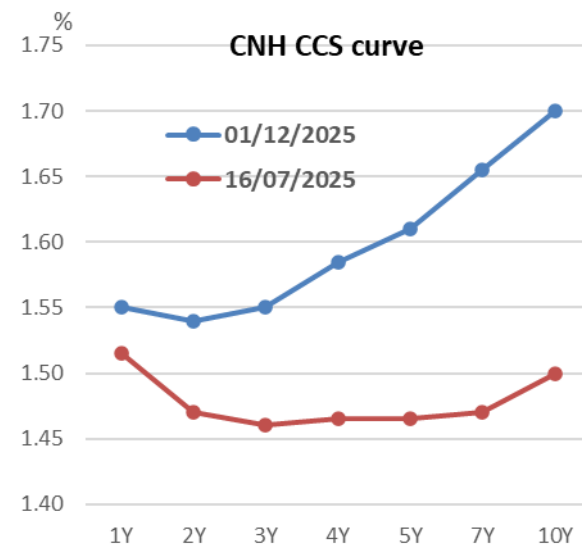
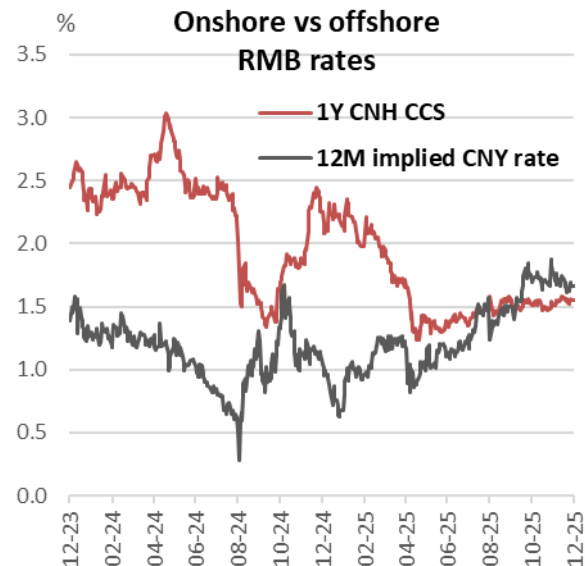
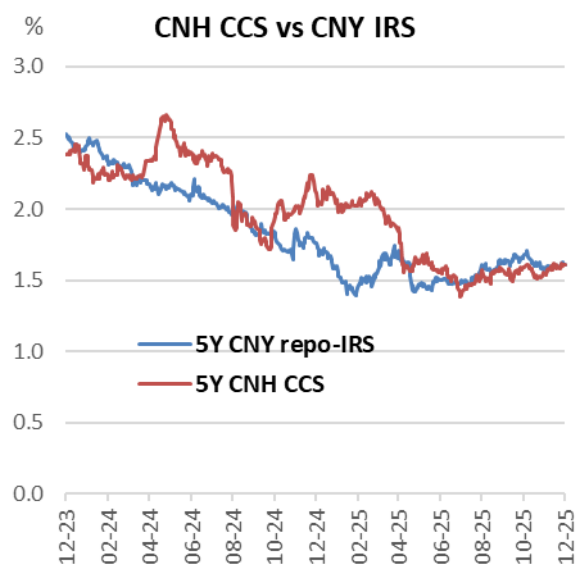
CGBs: a stable curve

- The CGB curve steepened between May and October, before flattening back mildly; both directional moves were in line with our bias. Special CGB issuances concluded at the end of October, which has likely capped the steepening momentum although LGB issuances continue with the usual front-loading of quota.
- Over the coming months, the curve may remain stable across the 2s10s, 5s10s and 10s30s segments, with 2s10s spread expected to mostly trade in a range of 35bps-45bps. A small downside to yields across tenors is seen given an expectedly constructive liquidity backdrop while inflation stays low. Further out to the latter part of 2026, yields may grind higher if reflation efforts start to bear fruit.



CNH rates: better aligned with the onshore curve

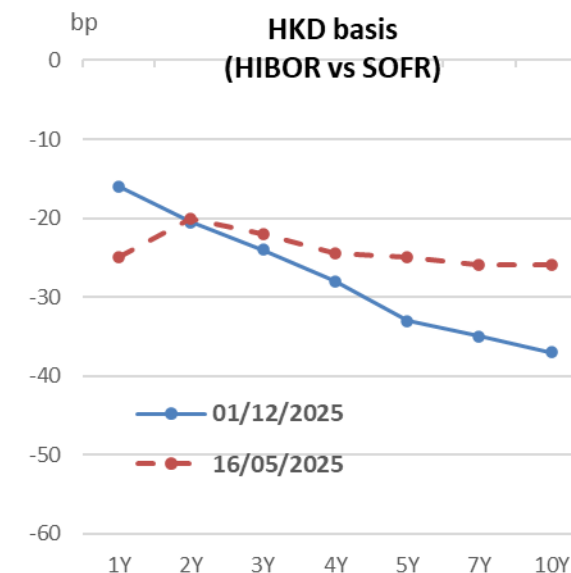
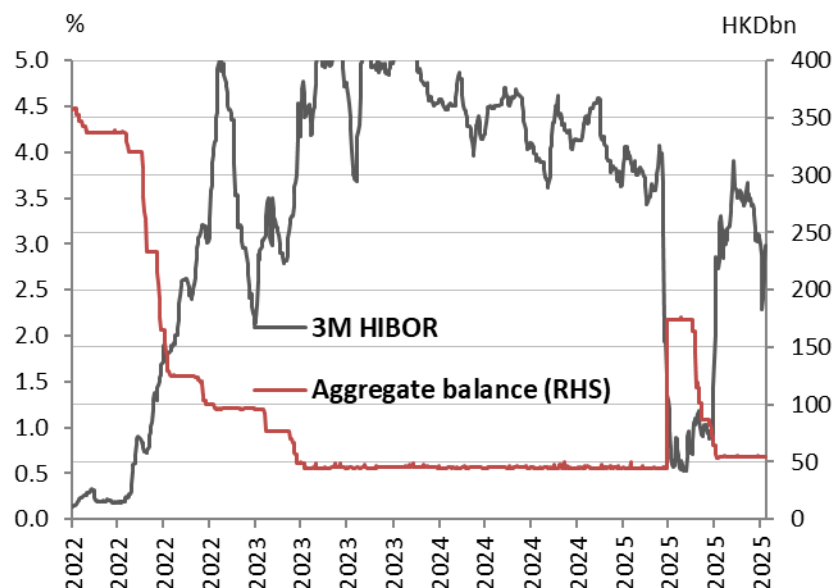
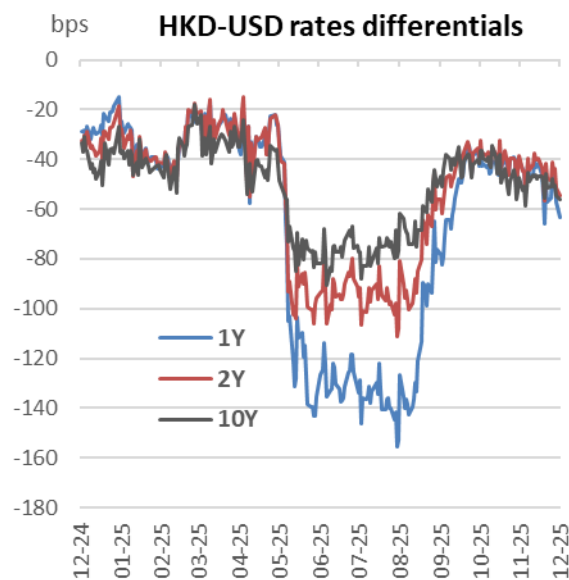
- CNH rates are also likely to be floored, taking cue from onshore CNY rates, more so as offshore-onshore rate gaps have mostly closed i.e. offshore CNH rates are no longer much higher than onshore rates. Depending on the respective liquidity conditions, offshore-onshore gaps may re emerge. That said, given enhanced cross-boundary flows, the wide “yield/rate premium” on the offshore CNH rates curve may not come back. Overall, we expect the offshore curve to stay better aligned with the onshore curve.
- Meanwhile, net-buy under Southbound Stock Connect has been positive for most of the days this year. As investors will need to exchange CNY into HKD in the offshore market, these flows add to the offshore CNH pool (while tightening HKD liquidity). RMB deposits in Hong Kong recovered to RMB1trn at end September. On balance, 1Y and 2Y CNH CCS may mostly trade in a range of 1.45-1.60%.
- The CNH CCS had earlier flattened and became mildly inverted, as issuer-related flows and expectation of these flows pressured down mid to long end CCS. We noted that at least some, if not a majority, of the proceeds could well be for domestic use. We expect the curve to steepen back when 1s10s becomes flat or when 2s10s flattens to within 5bps.



Source: Bloomberg, OCBC Research

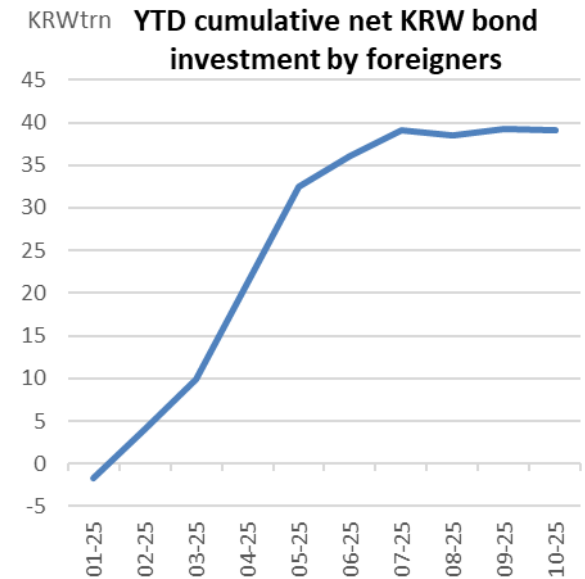
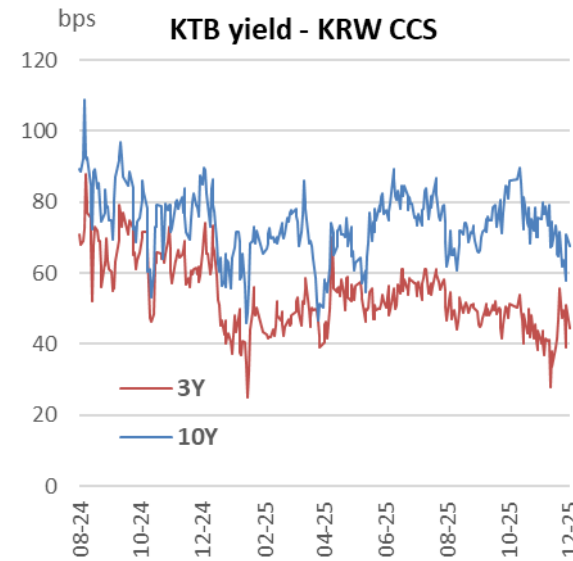
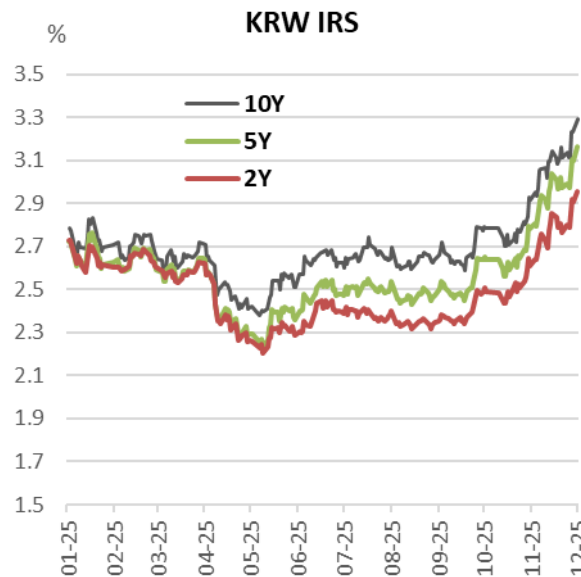
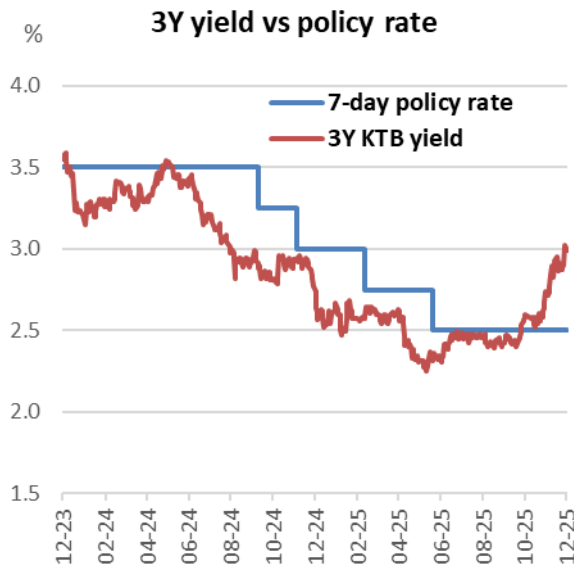
HKD-USD rates spreads

- HKD-USD rates spreads have normalized upward upon the factors we anticipated in our H2-2025 outlook, namely, “FX intervention at weak-side Convertibility Undertaking” and “inflows (e.g. equity-related inflows)”. The spreads have moved in a volatile way. Notwithstanding, we expect 1Y and 2Y HKD IRS – USD OIS spreads to revert to the -70bps/-40bps area if they break out of range.
- Back-end forward outright has continued to trade below 7.7500, primarily reflects the negative interest rate differentials. The 1Y implied HKD basis have become less negative and been trading roughly in line with HIBOR-SOFR basis.
- We expect the benchmark 3M HIBOR to mostly stay in the range of 2.90-3.10% but with transient deviations due to fluctuating liquidity conditions.



KRW rates: KTBs to garner some support

- KRW rates have risen by more than 50bps at 3Y to 10Y tenors since the lows attained in mid October, while KTBs underperformed USTs, amid an improved growth outlook, market repricing of BoK, and heavier issuances. BoK's forward guidance has turned to being balanced, from mildly dovish. We still have one final 25bp cut for this cycle in our forecast profile as the GDP gap is estimated to have stayed negative. Market has priced out further easing and started to price in some chance of a hike beyond a 9-month horizon.
- Inflows into KRW bonds were strong in the earlier months of the year, before turning into small outflows in the months of August-October as asset swap pick-up at KTBs narrowed, as CCS rose alongside IRS. For the first ten months of the year, foreign net investment in KRW bonds recorded a decent KRW39trn. KTBs are likely to garner some support when inclusion into FTSE WGBI starts April 2026 with full weight reached by November 2026. Latest estimate for the full weight is 2.08%. Depending on AUM assumption, cumulative passive inflows are estimated at USD50-60bn. These expected inflows will help buffer the expected increase in issuances. KTBs are likely to stabilize going into 2026.



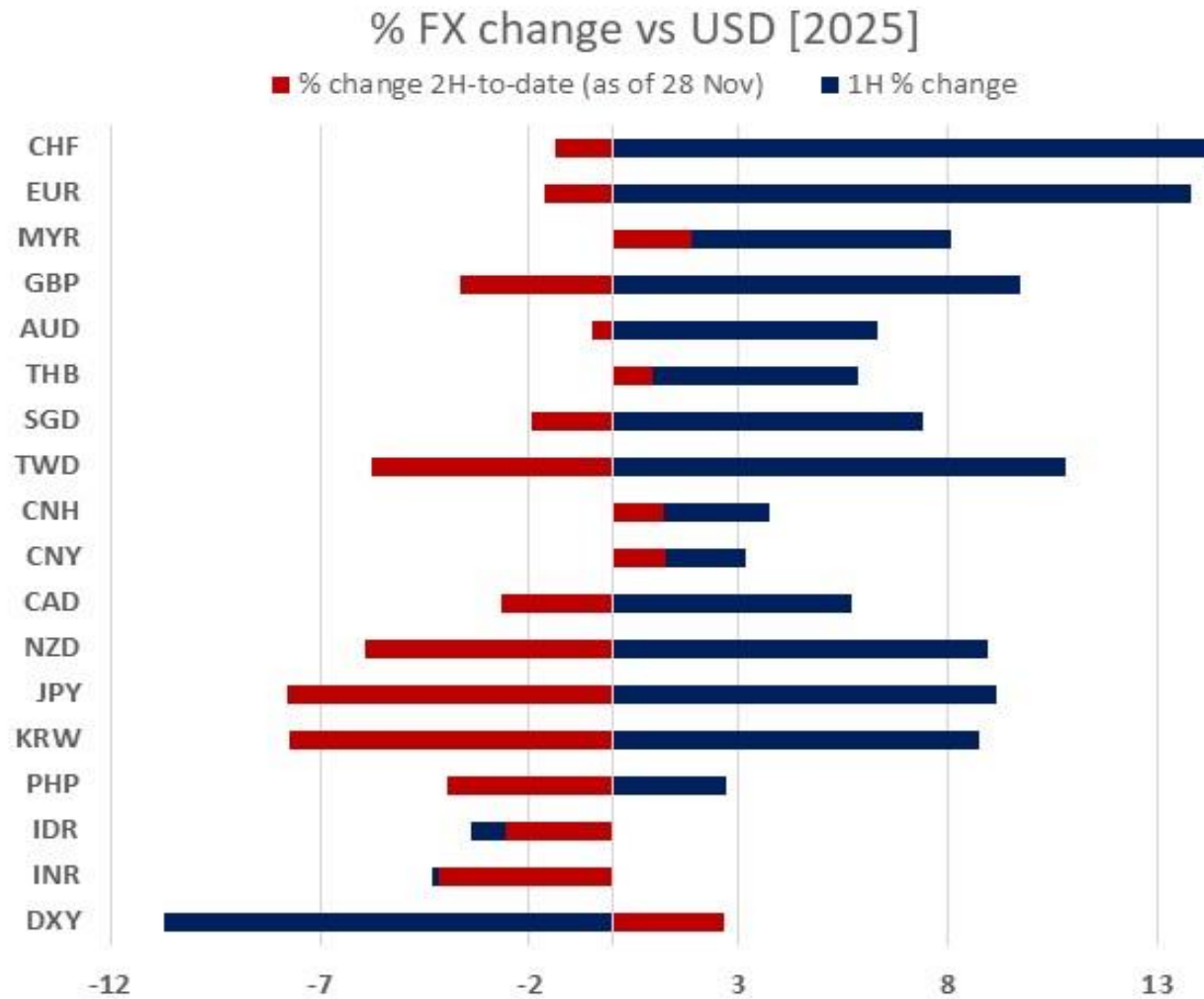
Source: Bloomberg, OCBC Research

A scenic landscape photograph of a valley with green fields, a winding river, and a small village, surrounded by numerous sharp, conical mountains under a hazy sky. The image is partially obscured by a red diagonal shape in the bottom right corner.

FX 1H 2026 Outlook

Christopher Wong
FX and Rates Strategy

FX recap: Mixed performance in 2H amid nuanced USD trend



CHF was an outperformer, amid safe haven demand while interest rate, inflation is low and on political, economic stability.

MYR amongst the stronger FX in ASEAN YTD on domestic resilience and taking cues from RMB.

RMB resilience guided by central bank via daily fixing as appreciation takes on a measured pace.

SGD's strength seen in 1H was partially retraced as MAS policy stance switched gears and USD rebounded.

PHP, IDR, INR underperformed due to growth slowdown, policy easing bias.

JPY underperformed amid delay in BoJ policy normalisation, concerns over fiscal discipline and emergence of geopolitical uncertainties.

USD's performance in 2H was more nuanced amid divisions within Fed, US government shutdown, after the worst 1H performance since 1973.

Summary of FX market views:

- We expect the USD to trade moderately softer into 2026 as the Fed's easing cycle gradually erodes the dollar's carry advantage and the narrative of US exceptionalism fades.
- Rising US fiscal risks and a softening labour market reinforce this bias, although tariff-related inflation surprises could still trigger episodic USD rebounds.
- **Amongst DM FX, we favour long AUD and EUR while JPY recovery may be delayed.**
 - EUR: Stabilising European growth, EU/ German spending plans and ECB nearing the end of its easing cycle while the Fed still has room to cut, leading to a further narrowing of EU–US yield differentials. A breakthrough in Russia-Ukraine peace talks can be another plus
 - AUD: Recovery should extend as Australia's domestic-demand recovery remains intact and the RBA stays on an extended pause amid slower disinflation path. A resilient RMB and firmer global risk sentiment should further reinforce the medium-term upside bias
 - JPY: Any meaningful recovery requires USD softness, fiscal credibility and BoJ to get back on the path of policy normalisation
- **Amongst AxJs, we see room for MYR and RMB to outperform; neutral on SGD while IDR and PHP may lag peers.**
 - MYR: Likely to remain firm, supported by improving domestic fundamentals, ongoing fiscal consolidation, and the anchoring effect of a stronger RMB
 - RMB: Expected to continue appreciating in a measured, policy-guided manner as authorities prioritise financial stability, domestic demand support, and currency credibility
 - SGD: May trade with a neutral to modestly firmer bias, with moves shaped by USD and RMB dynamics rather than MAS policy shifts
 - IDR: Likely to lag peers as narrowing rate differentials, wider external balances, and lingering domestic uncertainties continue to dampen investor appetite
- **Risks:** 1) Fed slowing its pace of rate cut or early-stop and/or a return of US exceptionalism may un-nerve sentiments and add to USD strength; 2) Tariff-related inflation; 3) Global growth slowdown significantly; 4) Geopolitical flare-ups

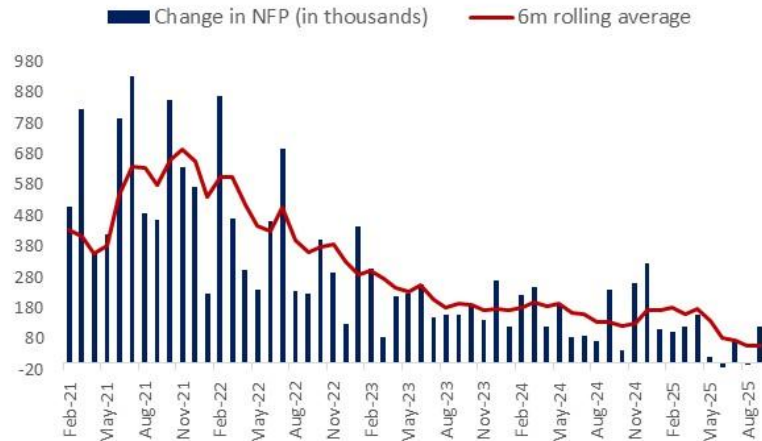
DM FX Outlook

USD: Moderate softness

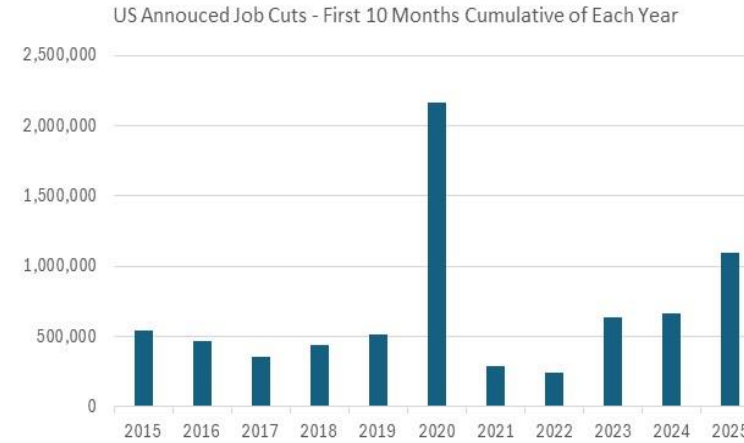
- As we move into 2026, we anticipate the US dollar (USD) to trade moderately softer. The Federal Reserve's easing cycle is expected to gradually erode the dollar's carry advantage, while US exceptionalism fades. Recent private sector data reinforce the view of a softening US labour market: job creation is slowing, layoffs are on the rise, and key indicators such as job postings and wage growth trackers have been declining throughout the year. Consumer confidence and University of Michigan sentiment are also weaker, signalling caution consumers, which can impact spending behaviour and overall economic growth.
- Our base case projects one additional Fed rate cut in 2025, followed by a further 25 basis point reduction in the first quarter of 2026. Additional easing will likely hinge on inflation moving closer to the Fed's 2% target. Under these conditions, the USD has room to depreciate, provided that risk-on sentiment remains intact, global growth outside the US remains supported, and the Fed maintains its easing trajectory.
- However, near-term risks warrant caution. First, a divided Fed where hawkish rhetoric emerges in response to any upside surprises in US economic data could unsettle markets. Second, a larger-than-expected passthrough of tariffs to US inflation can also complicate the Fed's easing path. Either scenario could strengthen the USD and weigh on high-beta currencies. More broadly, ongoing policy unpredictability in the US, coupled with medium-term concerns over rising debt and fiscal deficits, is likely to sustain a broad, albeit potentially volatile, downward trend in the USD.

USD: Softer labour market and sentiment

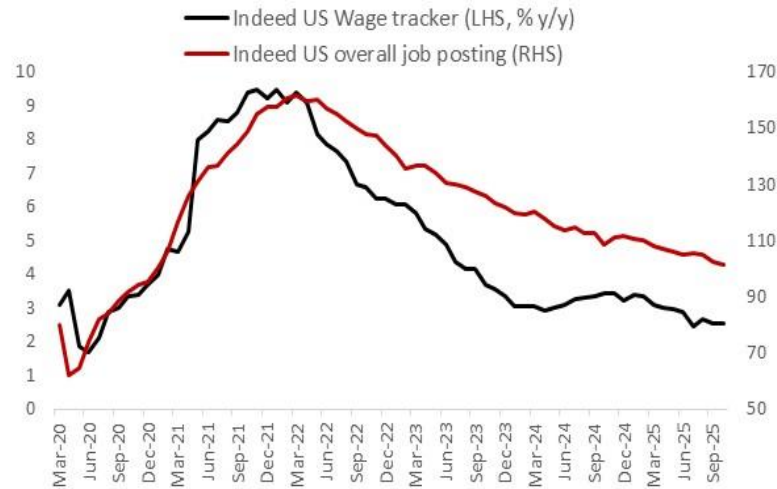
Job creation slows



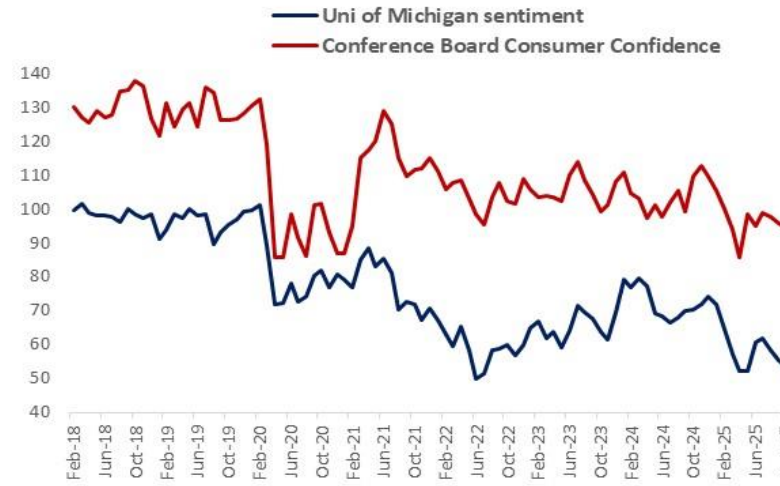
Job layoffs picking up



Wage growth, job postings continue to ease

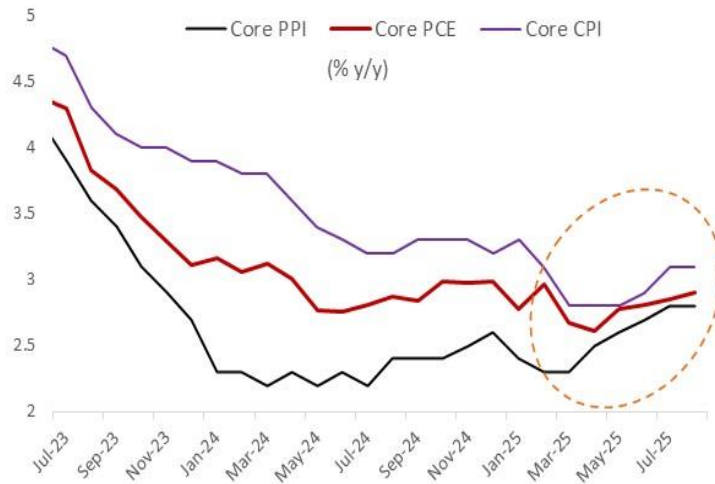


Sentiment, confidence is falling



But worries of tariff passthrough to US inflation

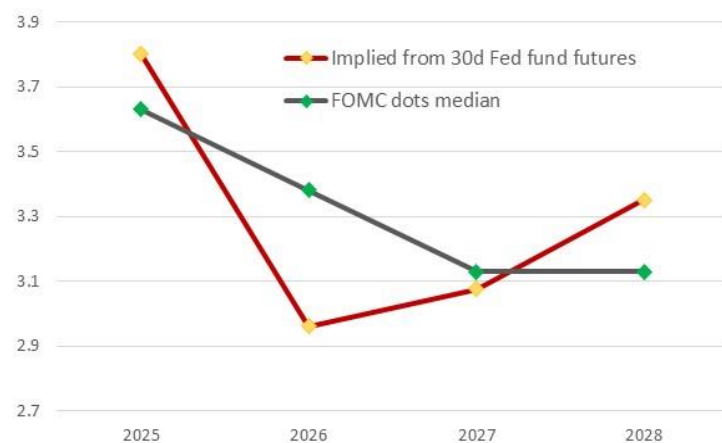
Inflation picking up though there is data backlog



Inflation expectations picking up



Markets expecting more cuts than Fed's dot plot*



Inflation surprise can lead to USD higher

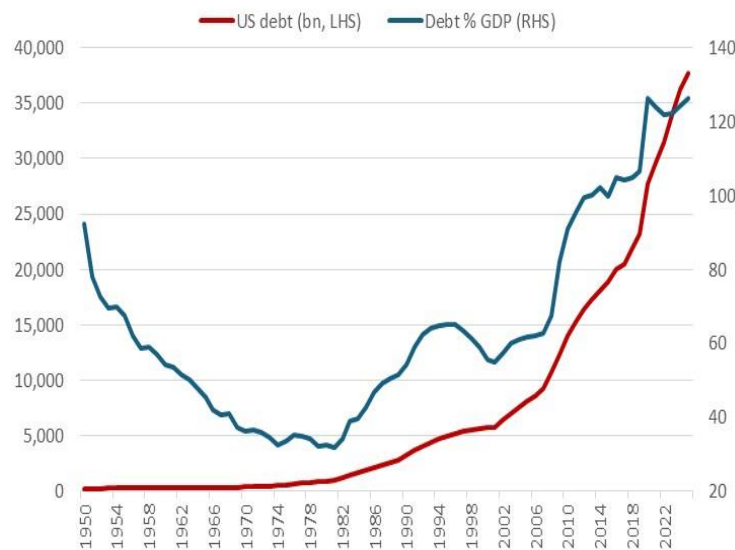


- Tariff impact risks being drawn out to end-2026.
- Worries of inflationary pressure warrants a gradual pace of Fed easing.
- House view: another 50bp cut this cycle, then pause and re-assess.
- Further Fed cut requires US inflation to be closer to 2% rather than 3%.
- Risk: Given that markets are already pricing in ~90bps of rate cut to end-2026, any hawkish repricing may have upward repercussion on USD.

Rising debt and interest servicing burden should not go unnoticed

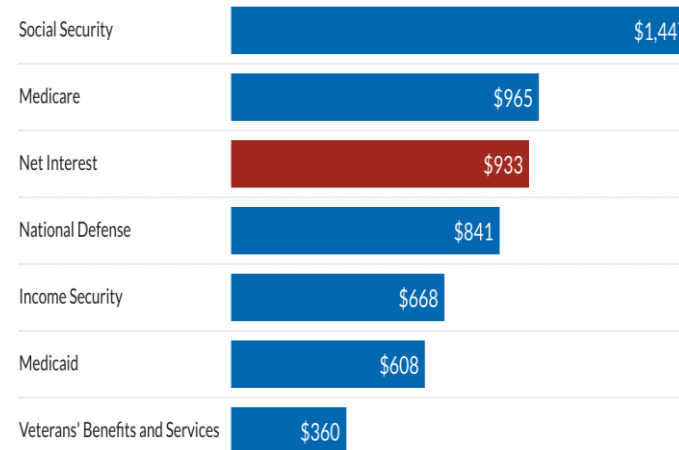
- US federal debt continued to surge to 125% of GDP.
- As US federal debt mounts, the government will spend more of its budget on interest costs, increasingly crowding out public investments that are critical to economic growth.
- Over the next 10 years, CBO estimates that interest costs will total \$13.8 trillion. Within 30 years, CBO projects that interest costs will be the largest federal spending “program” and would be nearly three times what the federal government has historically spent on R&D, non-defense infrastructure, and education combined.

US debt continued to surge

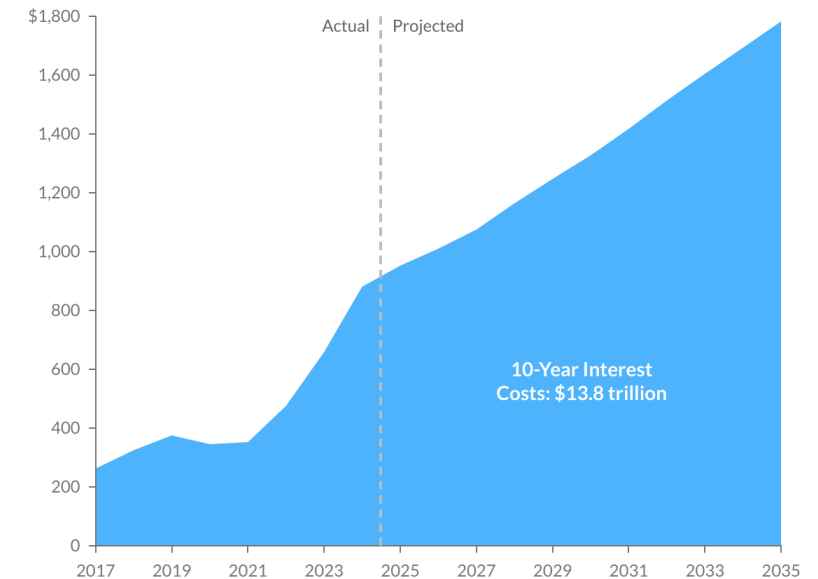


Net interest payment is already the 3rd largest spending category for FY2025..

Federal Outlays in FY25 (Billions of \$)

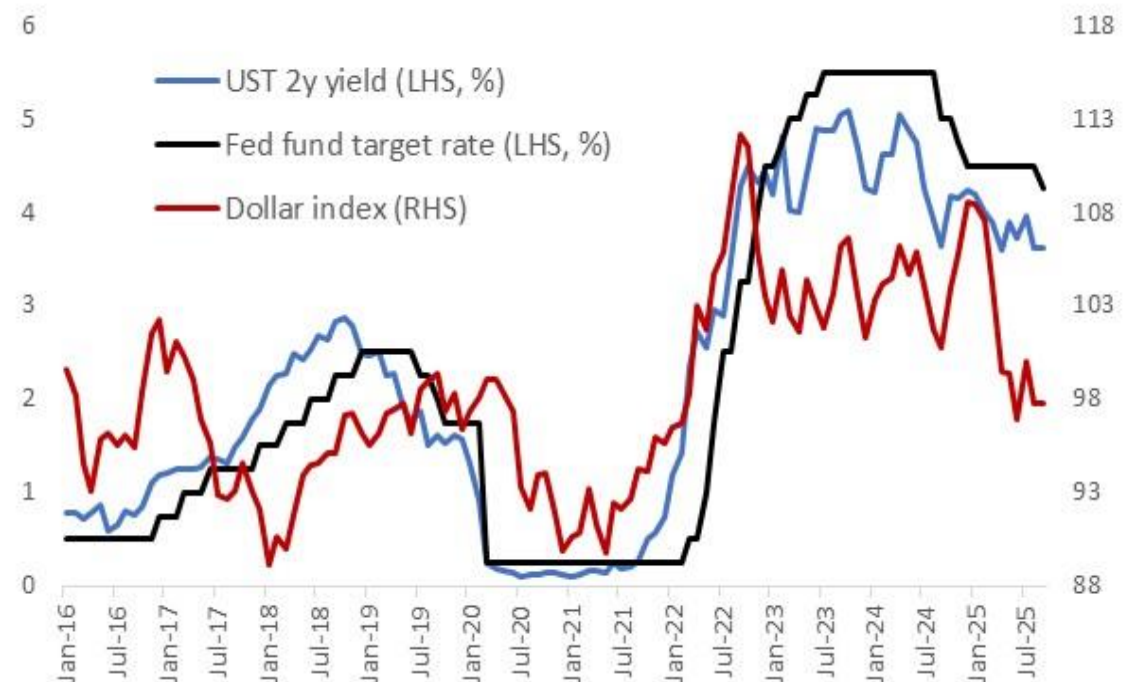
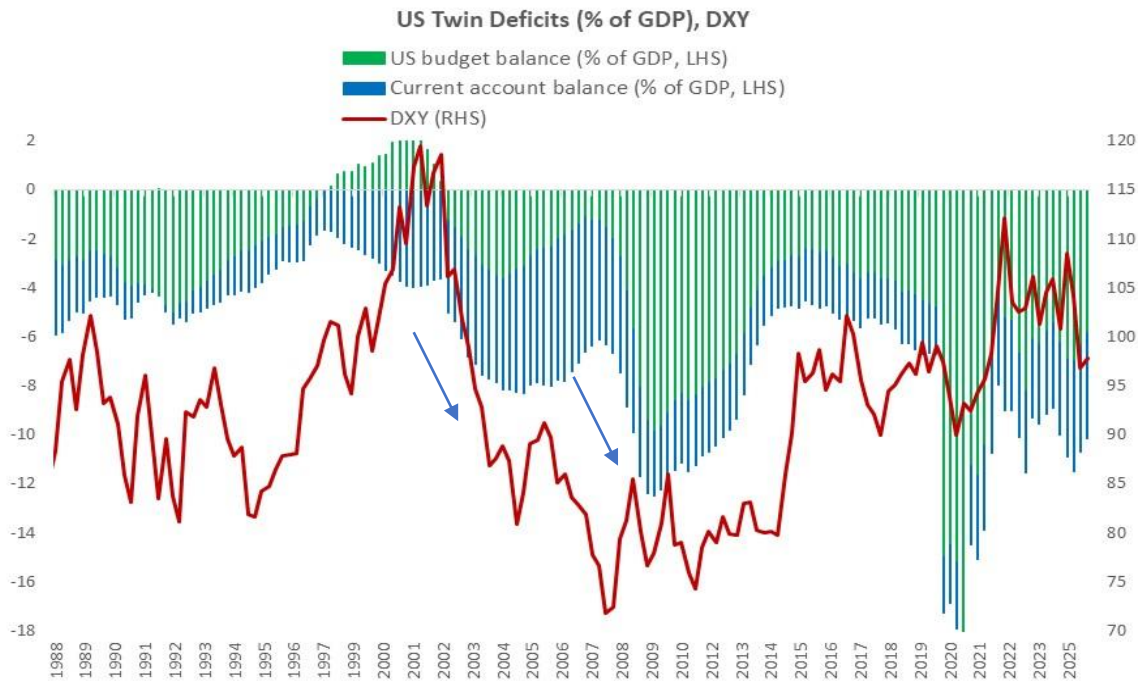


.. and is expected to be the largest spending item within 30 years as interest costs is projected to soar

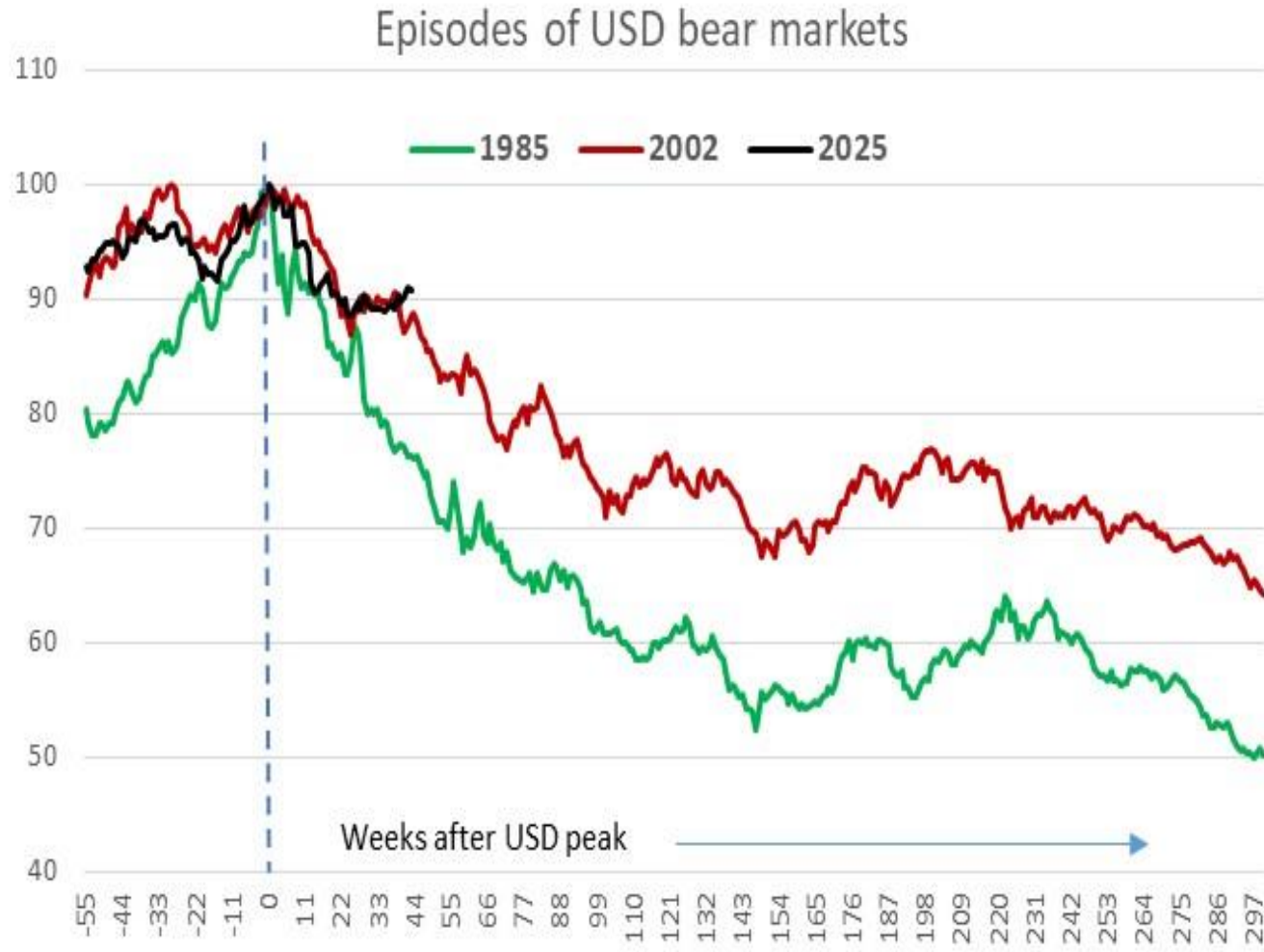


US-centric risks can undermine USD in the medium term

- The last time we had multi-year decline of 20-30% in the USD was driven by US-centric factors in (1) 2002 - 2004 and (2) 2007 – 2009.
 - Widening in fiscal and current account deficits
 - Sharp pace of Fed rate cut
 - US subprime crisis in mid-2007



If the current episode is a USD bear trend, then history suggests more downside could unfold in coming quarters



In 1985, plaza accord – agreement to coordinate intervention to weaken the USD, relative to other major FX like JPY and DM to address the large U.S. trade deficits and the overvaluation of the dollar.

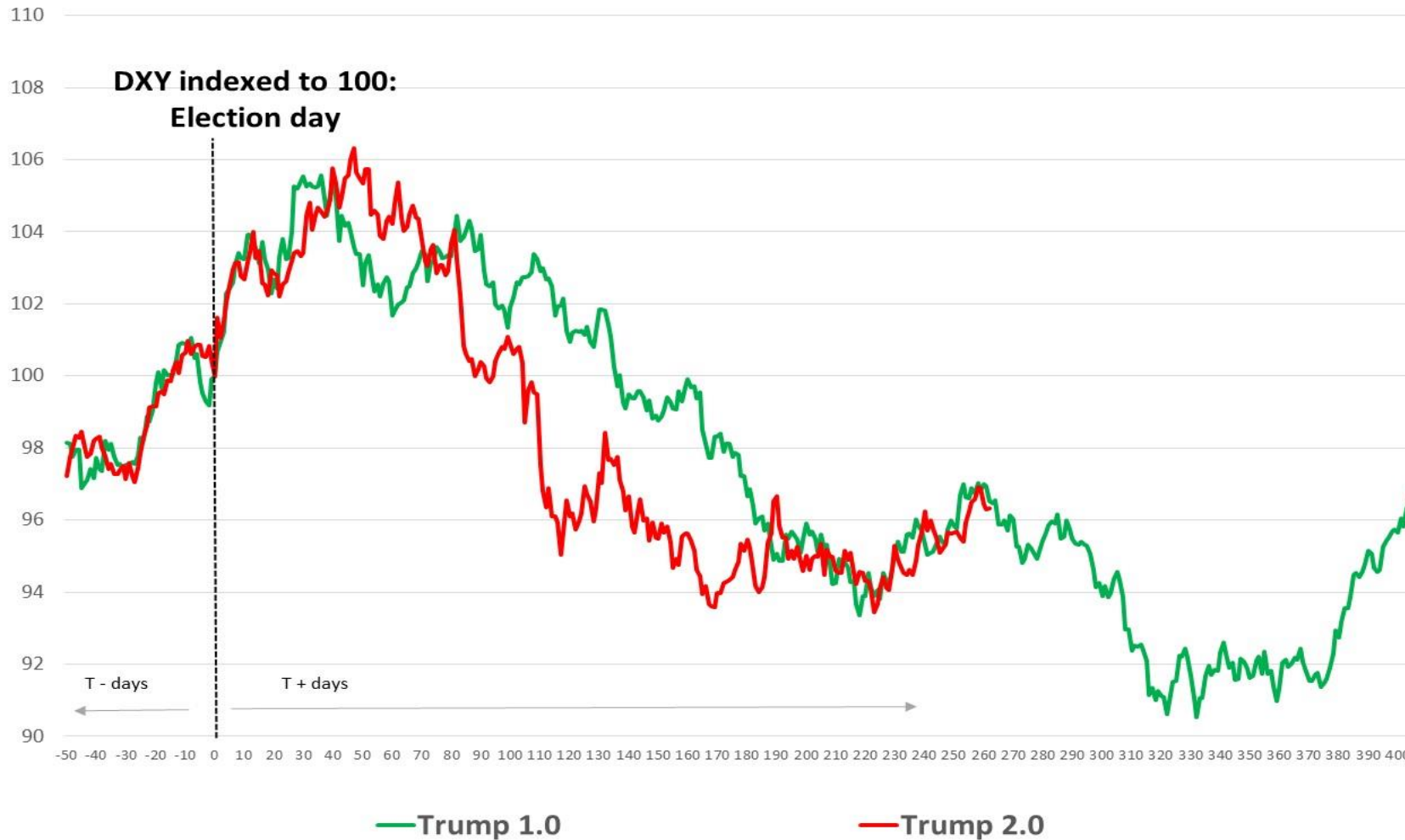
In 2002, it was end of dot-com bubble, widening of twin deficits, Iraqi war uncertainty and multi-year Fed rate cut cycle.

The current cycle bears similar characteristics: fiscal concerns being repriced, Fed easing rates (but not as sharp), policy unpredictability, and fundamental reassessment of dollar dominance. (Will there be greater international role for EUR and RMB?)

Nevertheless, it remains early to tell if this marks the start of a USD bear trend.

USD in Trump 1.0 vs 2.0: Coincidence or history rhymes?

DXY performance 50 days before and 400 days after US elections (Index = 100)



- In both cycles, USD rose on rhetoric and fades on reality.
- In Trump 2.0, the pattern rhymes — the initial rally gives way to a broad grind lower as markets pivot from the campaign rhetoric to macro reality.
- Tariff fears unwound, global growth steadies, and the safe-haven impulse ebbs. What looked like a strong-dollar gradually transitioned into a weaker-USD environment over the following quarters.
- Bias may still lean towards moderate USD softness as Fed eases into 2026 while most major central banks are likely near end of easing cycles.

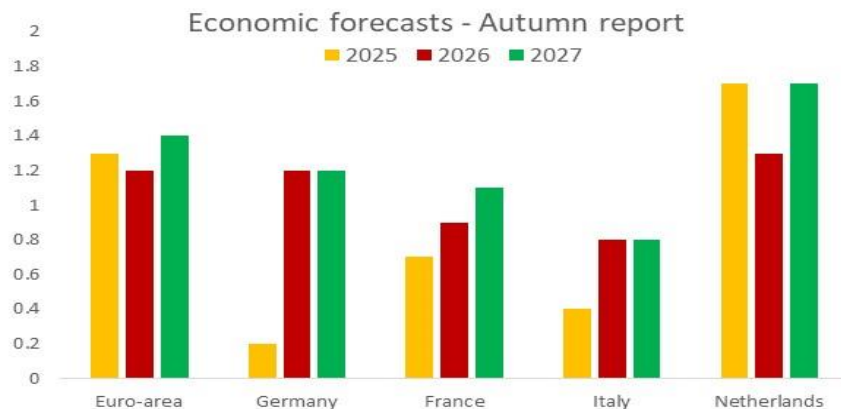
DXY: Break out of trend channel can open room for further downside



Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Monthly chart), OCBC Research

EUR: Room to appreciate

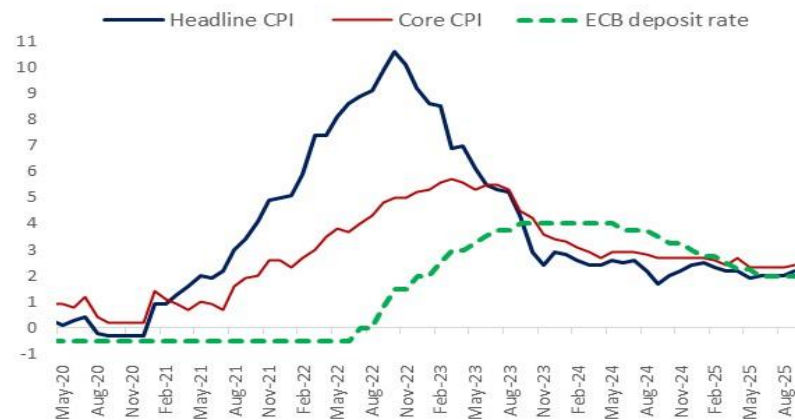
Growth resilience, supported by labour market, benign inflation, favorable financing conditions



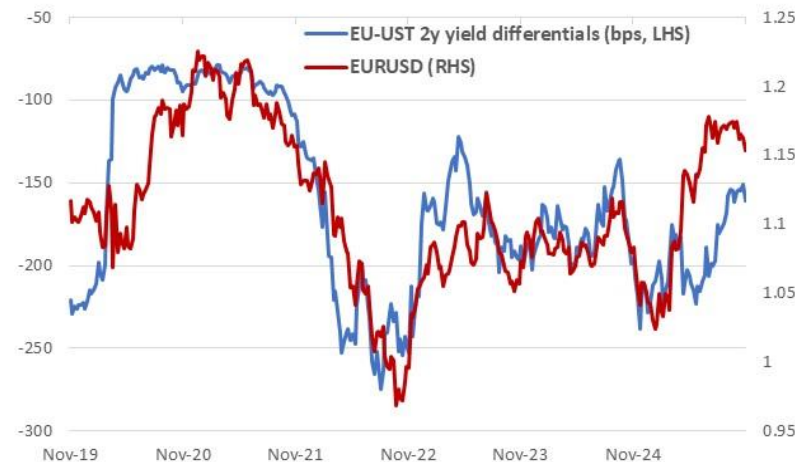
Resumption in positive sentiment can aid EUR



ECB's easing cycle nearing its end as inflation eases to around 2% target, though risks remain



Further narrowing of EU-UST yield differentials should see EUR strengthen



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).
- (4) Portfolio flows and reserve diversification that may favour alternative reserve currencies such as the EUR.
- (5) Breakthrough in Russia-Ukraine peace talks can be a boost for EUR as Europe may participate in reconstruction efforts while sentiment and supply chain can improve.



Note: (1) Growth forecasts based on Autumn 2025 Economic forecasts
Source: Bloomberg, European Commission, OCBC Research

EUR: Bulls in consolidation; may resume climb

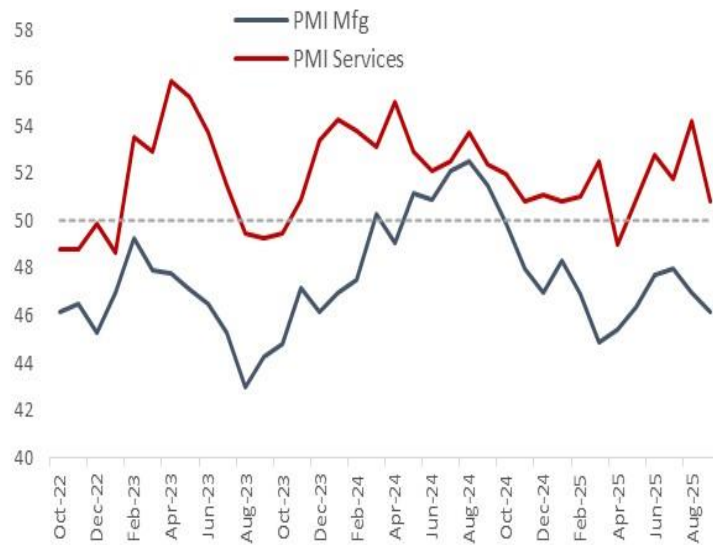


Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Monthly chart), OCBC Research

GBP: May Lag Other Major FX

- Manufacturing PMI in contractionary territory while services PMI slip closer to 50-mark.
- Labour market conditions is softening: Unemployed people per job vacancy continues to rise and wage growth slowing.
- Consumer sentiment also signalled caution amid higher living costs; typically correlates well with GBP.
- External balance remains a drag with persistent current account deficits and limited fiscal space likely to restrain GBP bulls.

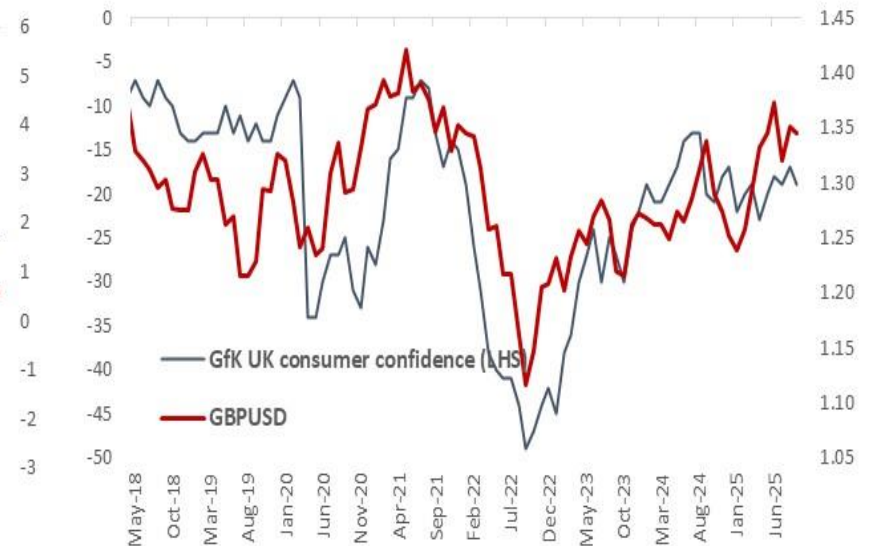
Growth fatigue with PMIs lackluster



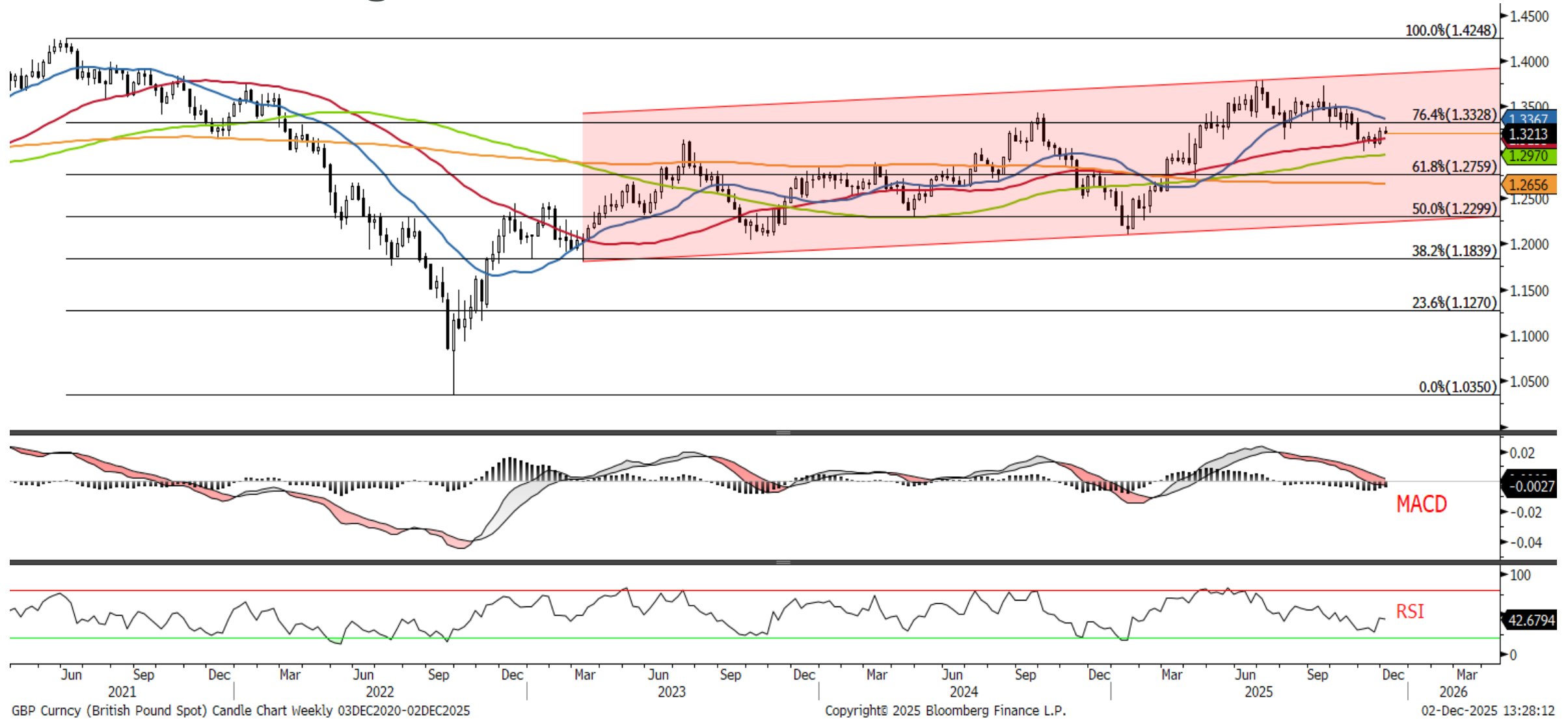
Labour market conditions softening



Consumer confidence easing as wage growth slows and inflation still sticky



GBP: Still in range



Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

JPY: Recovery requires the blessing of softer USD, fiscal credibility

FX-yield differential decoupling is rare; likely due to temporary distortion such as fiscal premium, etc.

Relationship should re-couple when temporary factors fade



Still room for BoJ to pursue policy normalisation



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.

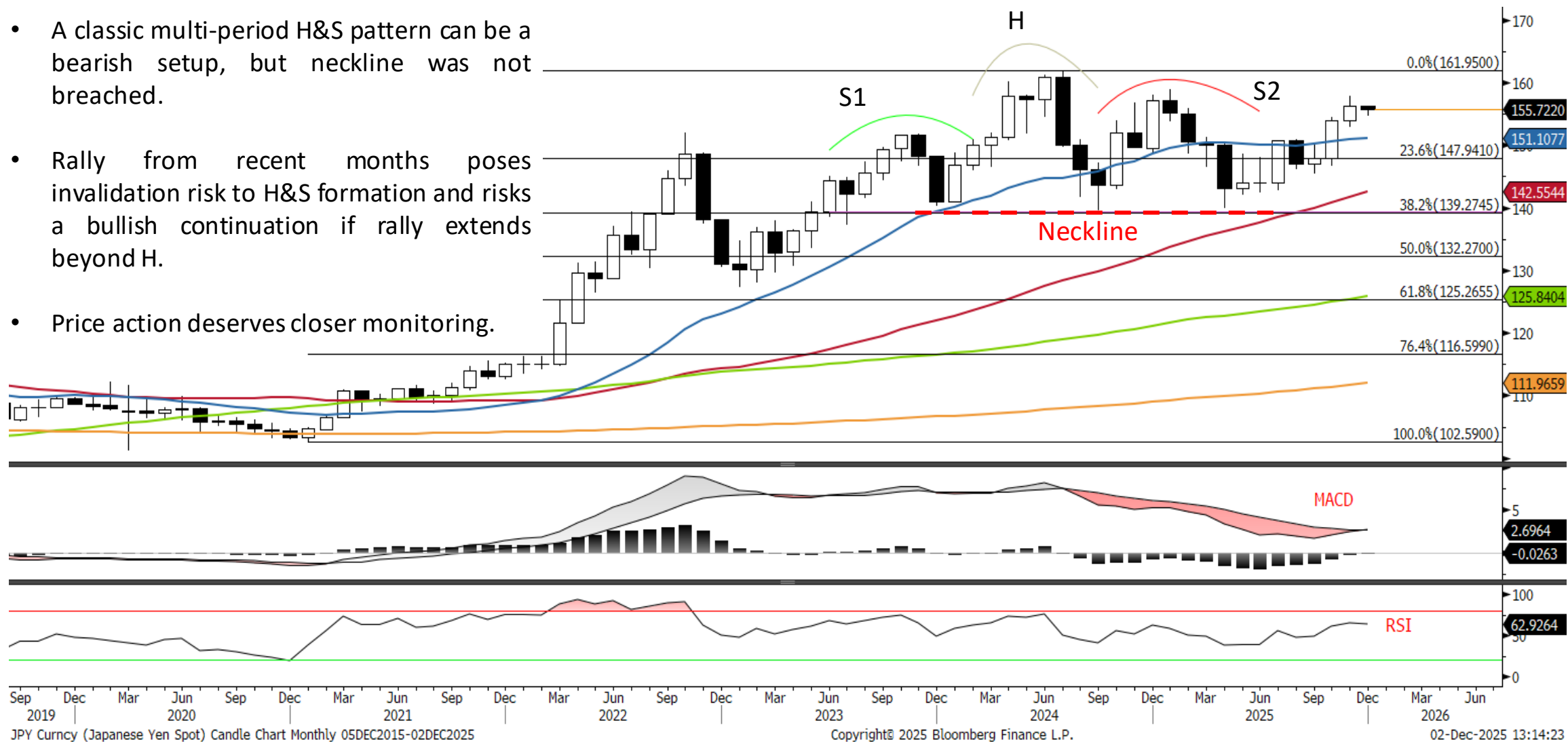
The cabinet has recently approved a JPY21.3tn spending package. This includes general account outlays of JPY 17.7tn, higher than last year's JPY13.9tn. This may imply that government may issue more bonds, to finance bigger fiscal spending. We have cautioned that heavier fiscal burden amid rise in debt 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.

Though near-term risks may be skewed towards JPY weakening. Our medium-term 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).

USDJPY: Bearish reversal faces invalidation risk from the recent rally

- A classic multi-period H&S pattern can be a bearish setup, but neckline was not breached.
- Rally from recent months poses invalidation risk to H&S formation and risks a bullish continuation if rally extends beyond H.
- Price action deserves closer monitoring.



Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index; H&S refers to head and shoulders pattern; H refer to head and S refers to shoulder

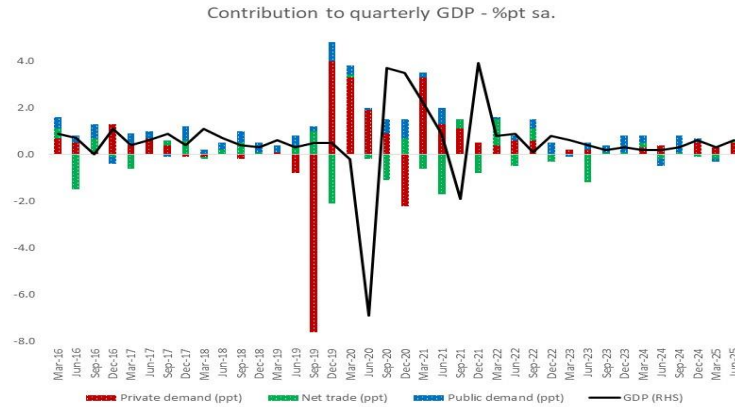
Source: Bloomberg (Monthly chart), OCBC Research

AUD: Room to trend higher

- We continue to favour AUD to trend higher. External factors remain conducive, supported by RMB relative stability, positive risk sentiment while global growth conditions stay intact. Domestic factors are also supportive while the RBA is likely to be on extended hold.
- 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. Our house view expects 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.

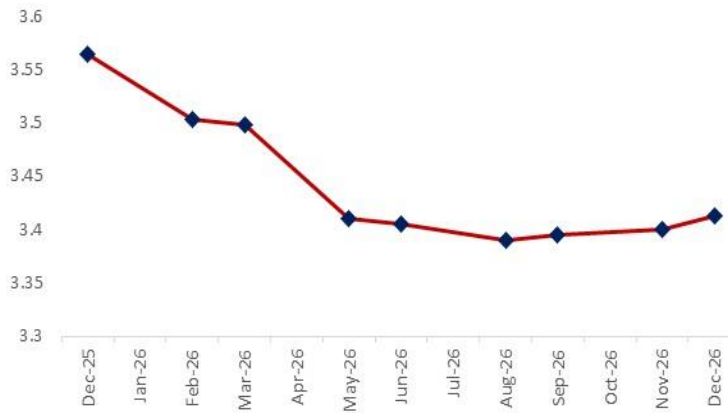
AUD: Supportive factors but not without risk

Economic recovery likely to be sustained into 1H 2026, with impulse from domestic demand

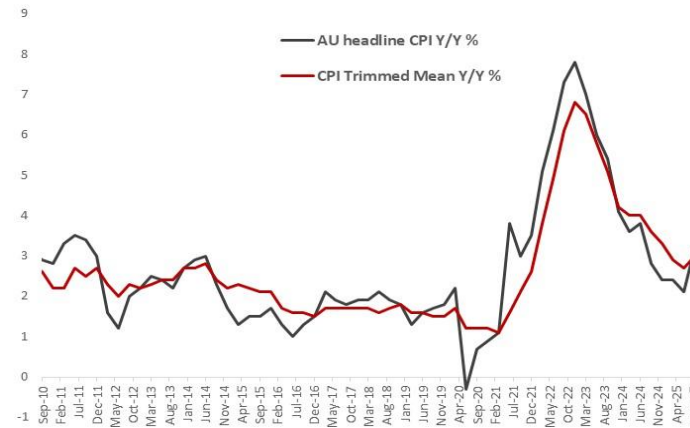


**RBA likely on extended pause;
Markets pricing only 1 cut in 2026**

AU cash rate futures - implied rate (%)



Slower disinflation path

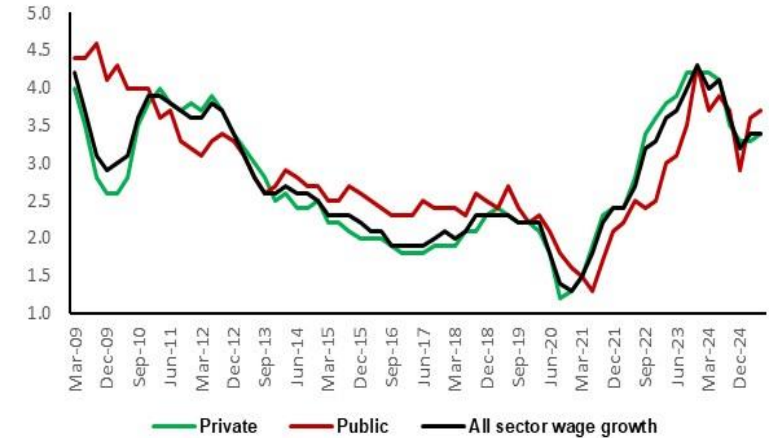


**AUD and CNH correlation remains significant:
Stable CNH can be supportive of AUD**

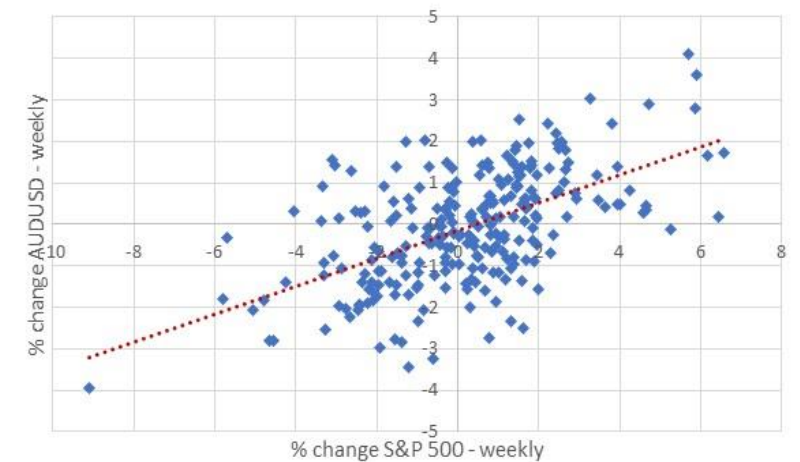
AUD-CNH Correlation (30D rolling)



Wage growth supported
Annual Wage Growth (%) by Sectors



**Risk to watch: Strong positive correlation between
AUD and S&P500 can be double-edged sword**



AUD: Looking for breakout (higher)

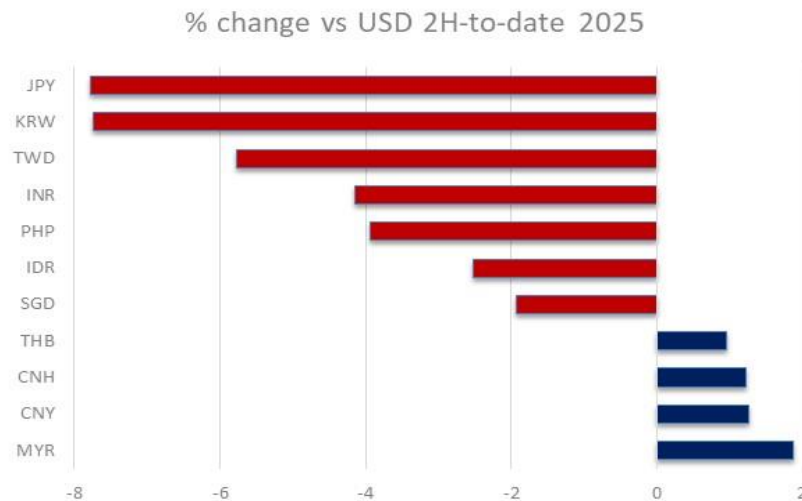


Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

AxJ FX Outlook

Asian FX: Idiosyncratic drivers dominated

- Asian FX traded mixed in 2H-to-date 2025 as idiosyncratic drivers dominated while USD trend was more nuanced.
- MYR, RMB and THB outperformed while selected north Asian FX including JPY, KRW and TWD underperformed. EMFX poll also tell a similar story with bullish position seen in CNY and MYR while bearish positioning was observed in KRW, INR, IDR and PHP.
- Amongst ASEAN FX, MYR was an outperformer on domestic resilience. THB strength comes next amid gold's outperformance while political uncertainty faded. SGD was modestly softer as policy stance shifted gear to mild appreciation stance. IDR, PHP were softer due to domestic drags.
- Amongst north Asian FX, RMB's resilience was guided by policy. JPY weakness was due to fiscal concerns and delayed monetary policy normalisation while depreciation in KRW and TWD was due to outflows.



	24-Jul-25	07-Aug-25	21-Aug-25	04-Sep-25	18-Sep-25	02-Oct-25	16-Oct-25	30-Oct-25	13-Nov-25	27-Nov-25	Trend
USD/CNY	-0.57	-0.09	0.06	-0.77	-1.05	-0.67	-0.47	-0.8	-0.98	-0.96	
USD/KRW	-0.1	0.35	0.35	0.1	-0.2	0.8	1.53	1.52	1.75	1.62	
USD/SGD	-1.09	-0.87	-0.73	-0.71	-0.64	-0.38	0.14	-0.17	0	0.02	
USD/IDR	-0.05	0.35	-0.08	0.53	0.85	1.47	1.29	1.11	1.29	1.15	
USD/TWD	-1.06	-0.5	-0.35	0.29	-0.44	-0.32	0.11	0.2	0.47	0.63	
USD/INR	0.51	1.33	0.94	1.42	1.5	1.53	1.18	0.55	0.61	1.21	
USD/MYR	-0.57	-0.58	-0.4	-0.63	-0.65	-0.56	-0.27	-0.35	-0.9	-0.94	
USD/PHP	0.21	0.35	0.22	-0.02	-0.22	0.44	0.62	1.14	0.93	0.91	
USD/THB	-0.14	-0.4	-0.31	-0.46	-1.16	-0.76	-0.16	-0.03	-0.3	-0.22	



Note: Half-to-date FX % change as of 28 Nov 2025, Latest Reuters EMFX poll data available as of 27 Nov;

Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date.

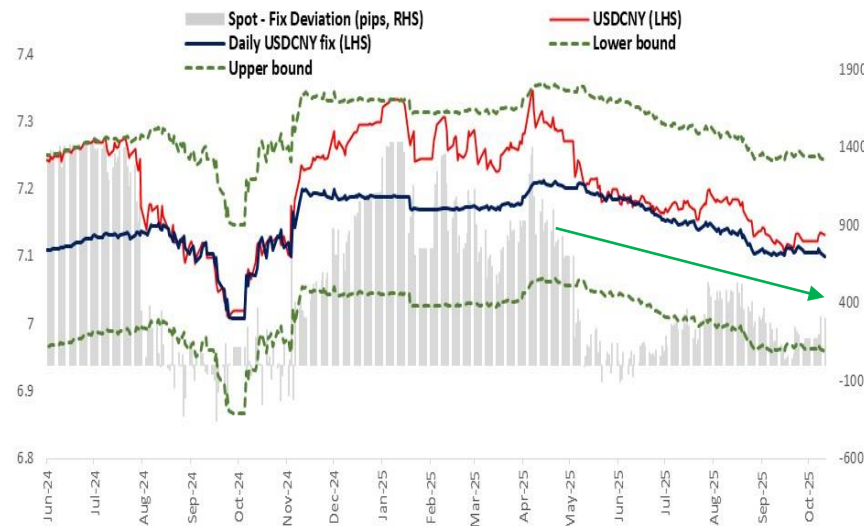
Source: Reuters, Bloomberg, OCBC Research

CNY: Measured pace of appreciation

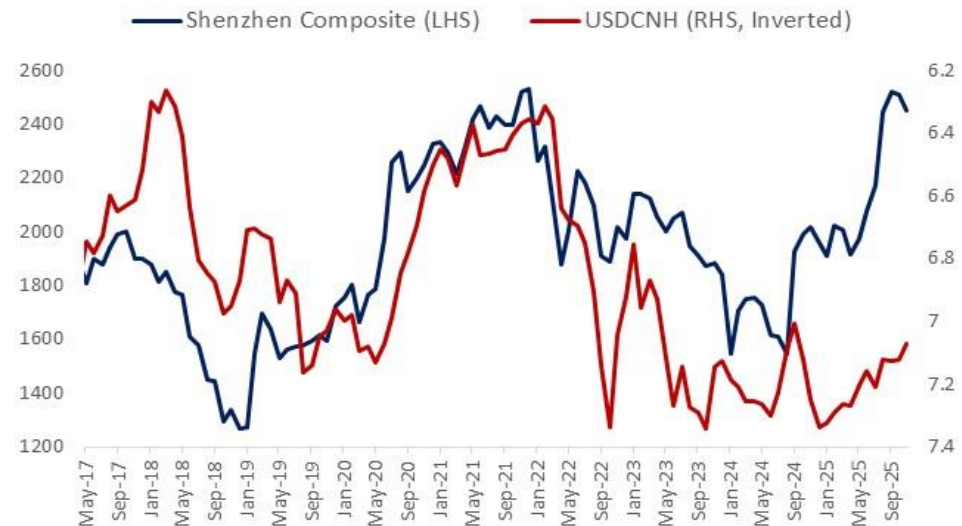
- A shift from defensive stability to guided appreciation. Since April, the PBoC has been setting stronger daily RMB fixings at a measured pace. This reflects a deliberate move to steer the RMB on a gradual appreciation path while maintaining market order. Guidance for strong CNY fix helps to influence the path of RMB.
- We believe there are a few reasons for this policy shift: (1) growth model has tilted toward domestic demand and services, and a firmer RMB supports purchasing power. (2) The push for RMB internationalisation benefits from a credible and stable currency. A strong RMB enhances trust in trade settlement and reserve usage. (3) Financial stability is also a priority. A resilient RMB reduces sell RMB flows and discourages speculative outflows.
- A firmer RMB can lift domestic sentiment through both wealth and confidence channels. Currency stability helps support equities, property, and household wealth, reinforcing the view that macro conditions are under control. It also sends a positive signal to foreign investors, lowering perceived FX risk and encouraging portfolio inflows into RMB assets.
- Taken together, these factors explain why a stronger RMB is now aligned with policy goals. Stability and moderate firmness are seen as supportive conditions, not constraints in supporting China's macro strategy.
- We continued to look for measured and orderly pace of appreciation in RMB into 2026.

CNY: Appreciation bias can also anchor sentiments

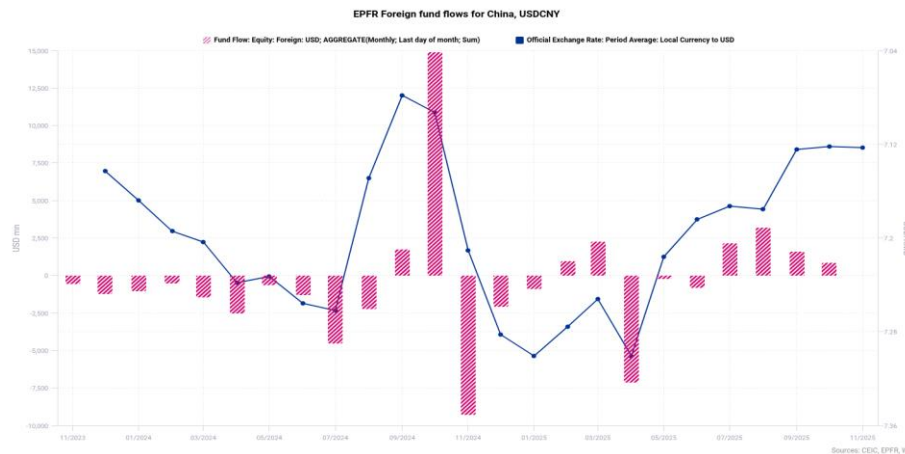
From defensive stabilisation to guided appreciation



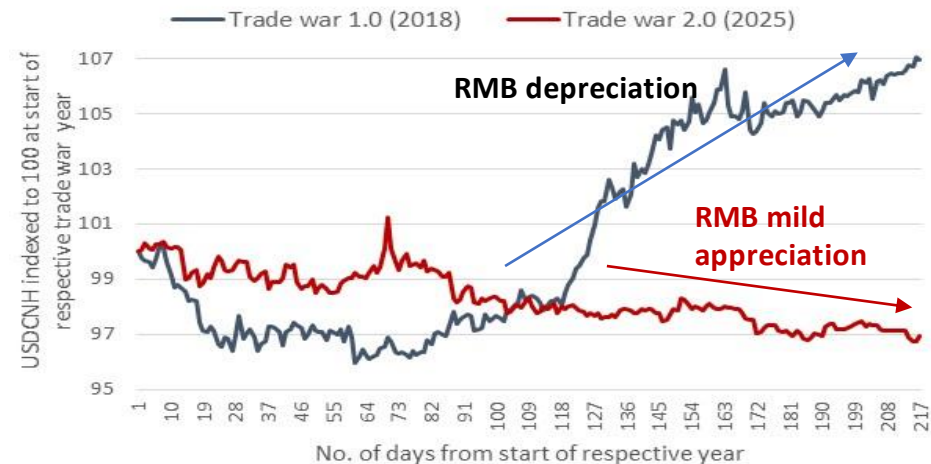
Reinforces confidence, stabilises domestic asset prices



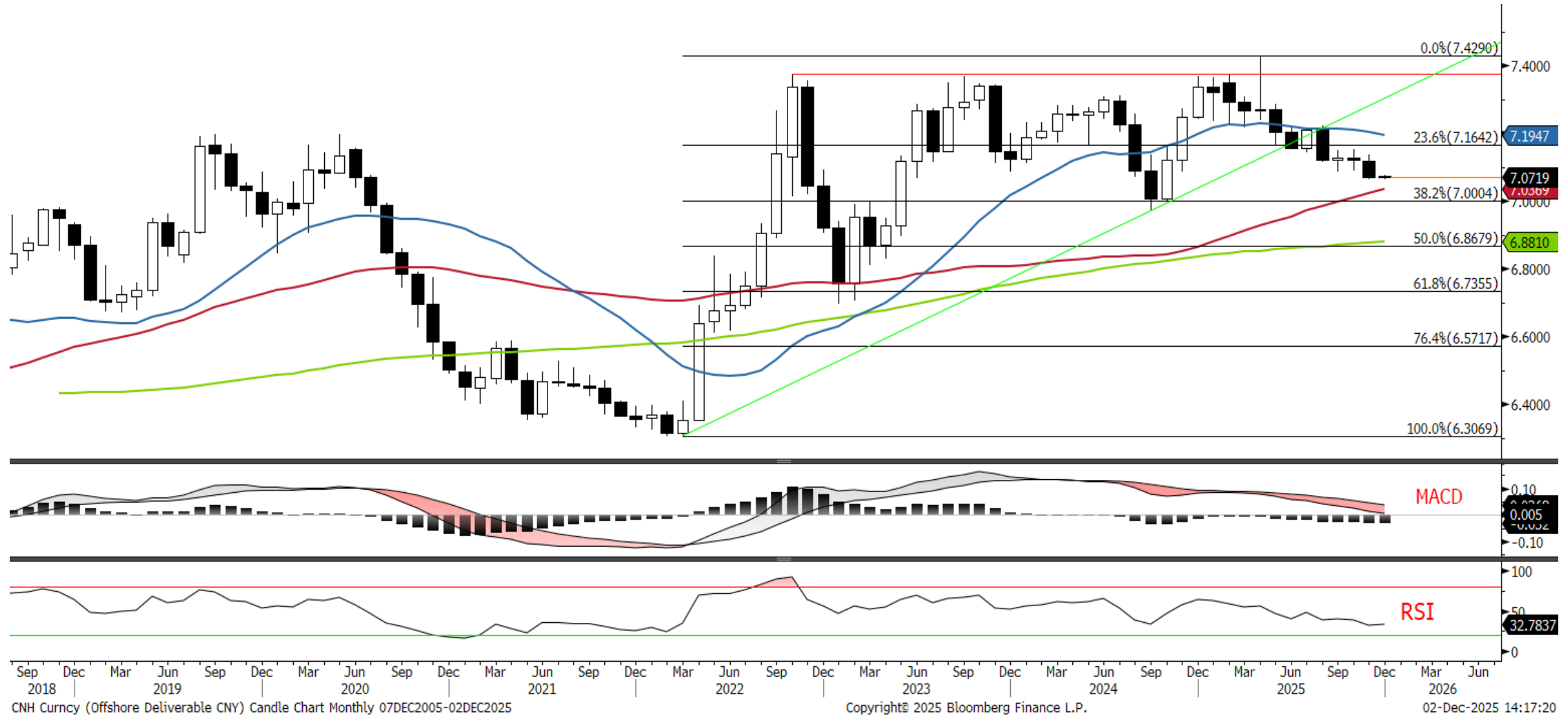
Foreign inflows into domestic equities can also be supportive of RMB strength



Trade war 1.0 v 2.0: A Different playbook



USDCNH: Bearish bias

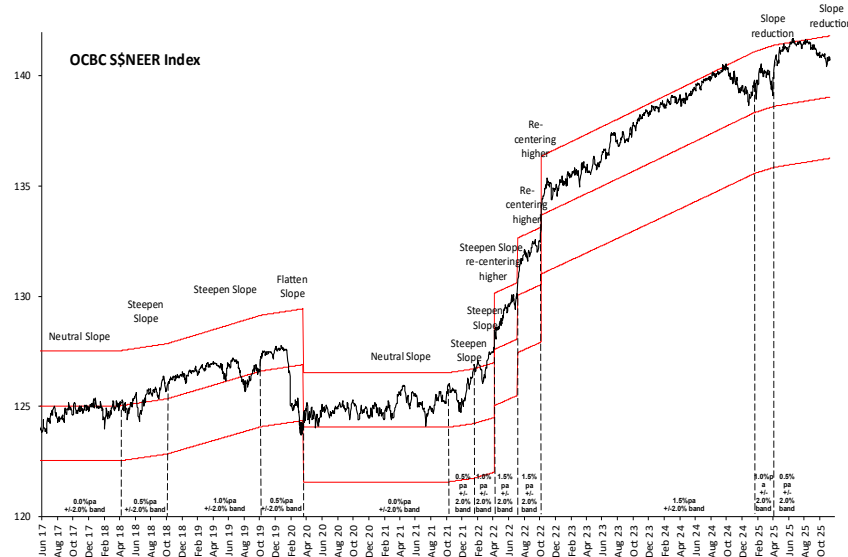


Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

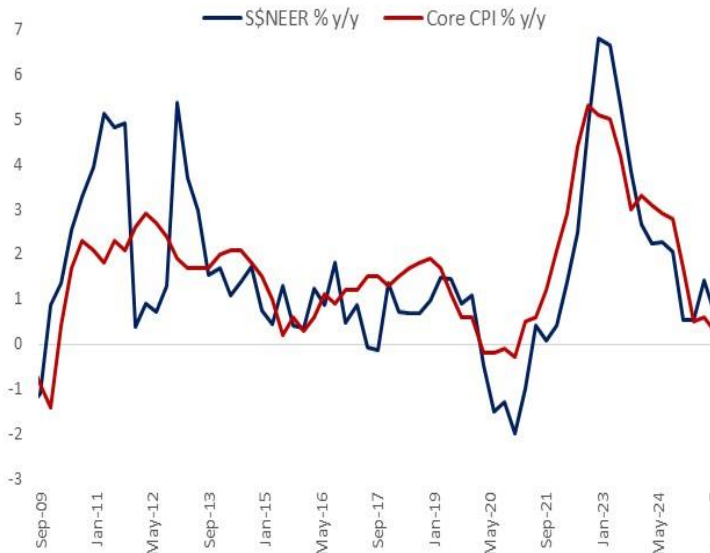
SGD: Modest appreciation bias

- SGD up about 5% YTD. The resilience was largely due to a softer USD trend, SGD's appeal as a safe haven, policy credibility and still solid fundamentals.
- 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 slowdown).
- 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.

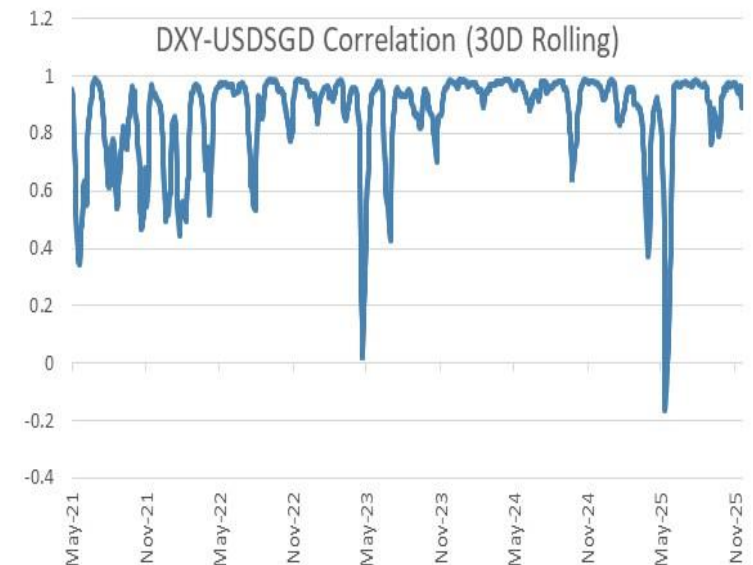
More modest pace of S\$NEER appreciation after 2 rounds of easing in 1H 2025



Trough in core inflation suggests MAS no longer need to ease; can maintain modest appreciation stance



Significant correlation between DXY and USDSGD

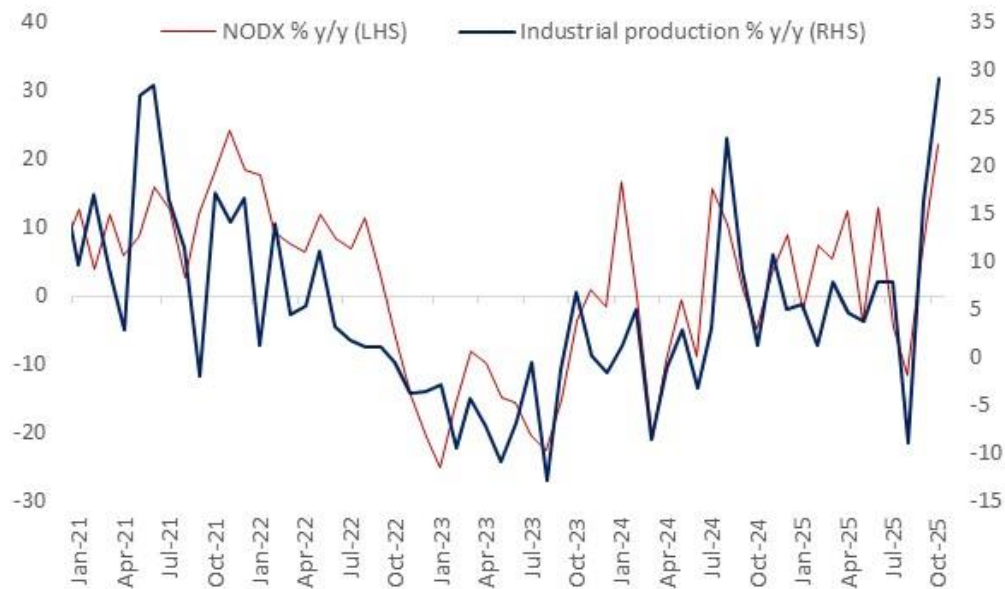


Source: Bloomberg, OCBC Research

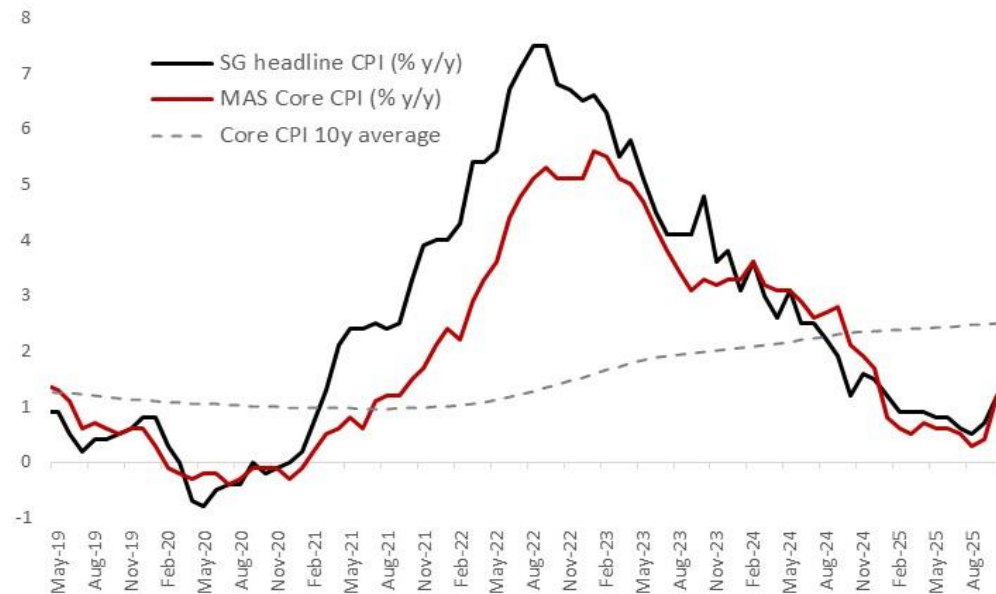
Expect MAS to maintain policy stance

- Recent release of GDP and CPI reports validated MAS policy stance to stay on hold.
- October headline and core CPI rose to 1.2%.
- Singapore's 3Q25 GDP was revised up more than expected to 4.2% YoY, with upgrades seen across the board for manufacturing, construction and services sectors.
- 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.

More modest pace of S\$NEER appreciation after 2 rounds of easing



Inflation expected to trough



USDSGD: Moderate decline

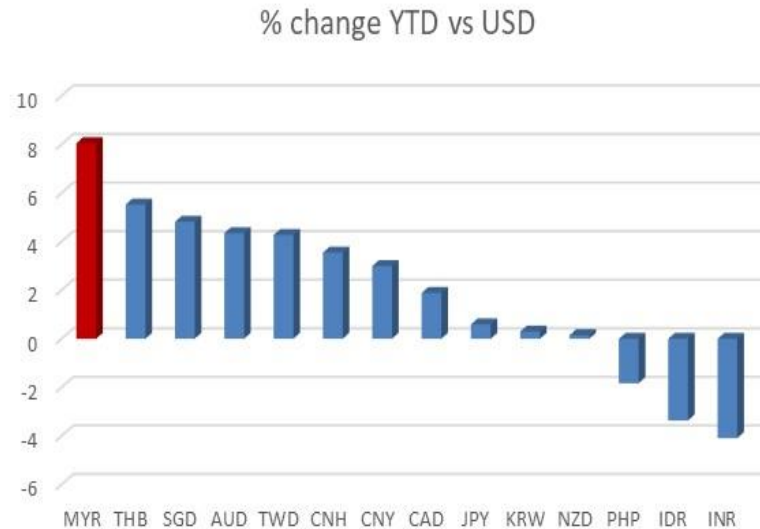


Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

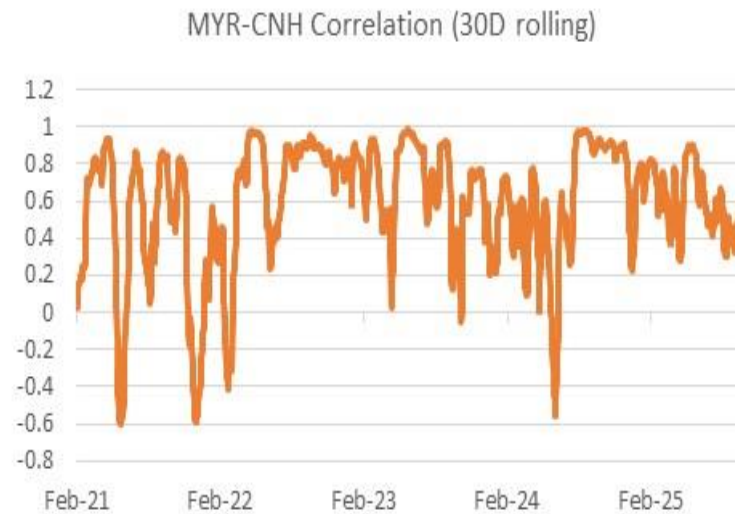
MYR: Resilience likely to extend

- Still see room for MYR gains to extend into 2026. Domestically, Malaysia's fundamentals remain encouraging, supported by quality FDI inflows, upside growth surprises, a wider trade surplus and clear commitment to fiscal consolidation. Policymakers' constructive messaging, including comments that USDMYR could trade "just below 4" by mid-2026, has also contributed to more positive sentiment.
- To add, external conditions are similarly supportive. A more resilient RMB continues to anchor stability in MYR, while Fed's continuation of its easing cycle provides a conducive USD backdrop.
- Key downside risks include a deterioration in global risk sentiment, renewed USD strength from geopolitical or sudden stop in Fed easing cycle, and any stumbles in China's recovery or local fiscal consolidation efforts.

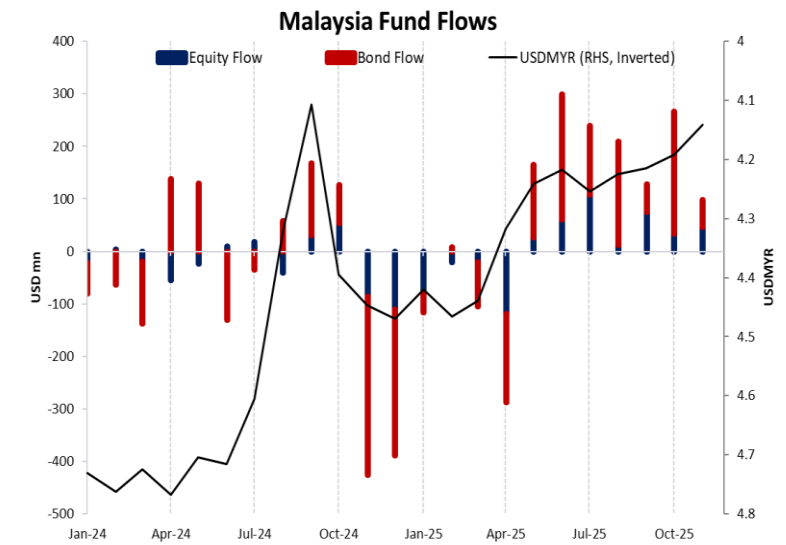
MYR at 8% gain YTD, outperforming regional FX



Resilient RMB anchors relative stability in MYR



Foreign inflows should continue to support MYR strength



Note: YTD % change as of 25 Nov 2025
Source: EPFR, Bloomberg, OCBC Research

USDMYR: Decline underway



Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

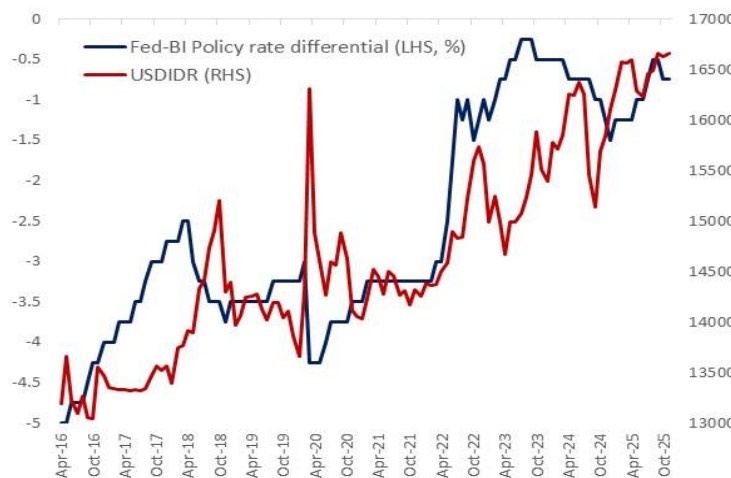
IDR: Likely to lag peers

- Narrowing yield differentials, driven by Indonesia's own rate cuts are eroding IDR's traditional carry appeal, reducing one of its key buffers against external volatility.
- Our Economist expects current account deficit to widen further to 1.6% in 2026 from 1.4% of GDP in 2025. This can be a potential drag for IDR. Growth momentum remains sluggish, while domestic uncertainty undermined IDR.
- Alongside soft foreign portfolio participation in the bond market, these factors leave IDR prone to underperformance.
- That said, stabilisation is still plausible at some point. A clearer demonstration of fiscal prudence and policy continuity would help rebuild investor confidence, especially if it coincides with a more constructive external environment as the Fed extends its easing cycle. Under those conditions, IDR could find a firmer footing and trade with a more neutral bias rather than persistent softness.

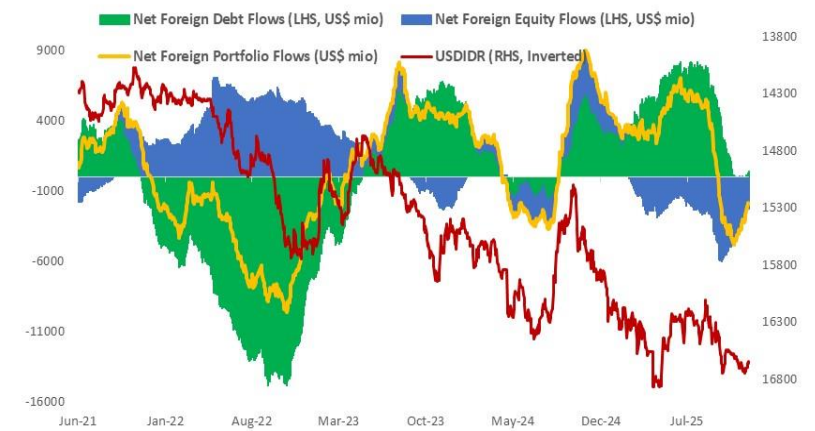
Domestic uncertainties a drag on IDR



Narrowing rate differentials at IDR's disadvantage



Foreign flows a key driver of IDR; resumption of inflows should aid IDR recovery



USDIDR: Staying the course; Is a turnaround in sight?



Notes: blue line – 21 SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA; MACD refers to Moving Average Convergence Divergence; RSI refers to Relative Strength Index
Source: Bloomberg (Weekly chart), OCBC Research

Global Markets Research & Strategy

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

Disclaimer

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.



Thank you