

## Global

13 October 2025

### US-China trade tensions

*The escalation has moved beyond broad tariffs into targeted regulatory strikes, cutting deeper into supply chains. In the coming weeks, the key signals to watch include: the final list of restricted rare earth exports and their licensing timelines; whether the U.S. actually enforces the 100% tariff on November 1 or softens it; and the extent of China's antitrust actions against U.S. firms. For Asia and ASEAN economies, this renewed tension is both a challenge and an opening.*

*Government bonds across developed markets, including USTs, gilts, Bunds, OATs, rallied on Friday benefiting from safe-haven flows. While USTs futures traded a tad lower at Asia open on Monday reflecting some calmness, trade tensions linger. US shutdown is another supportive factor for USTs. We continue to see 10Y UST yield in the range of 4.00-4.20% as fair. On Fed funds rate, our base-case remains for additional 50bps of cuts for the rest of the year, followed by one 25bp cut in Q1-2026.*

*Recent US-China developments have become more fluid, and situation can worsen before improving. Caution however remains warranted in the interim though TACO trade may prevail. Risk-sensitive FX to growth and sentiments including AUD, NZD, MYR, RMB may be more sensitive to swings, safe haven proxy FX such as gold, JPY and CHF could remain better bid if uncertainty heightens while trade policy unpredictability may restrain USD bulls.*

#### Tariffs and supply chains

The latest U.S.–China trade flare-up feels like a familiar playbook — but with sharper, more tactical weapons this time. Beijing's decision to tighten export controls on rare earth materials came just as Washington unveiled new tariff threats and additional port fees. China countered swiftly, not only with reciprocal port charges but also by reopening antitrust probes into major U.S. tech firms such as Qualcomm. The escalation has moved beyond broad tariffs into targeted regulatory strikes — the kind that can hit individual industries where it hurts most.

Unlike earlier trade rounds in 2018–2019, when sweeping tariffs mainly lifted import costs, today's measures cut deeper into supply chains. Rare earths and advanced materials sit at the heart of clean energy, electric vehicles, and defence technologies. Licensing restrictions or slowed customs clearance at ports can choke production far more abruptly than tariffs ever did. Similarly, regulatory actions like antitrust probes inject legal

**Selena Ling**

Head of Research and Strategy

[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Frances Cheung, CFA**

Head of FX and Rates Strategy

[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Christopher Wong**

FX and Rates Strategy

[ChristopherWong@ocbc.com](mailto:ChristopherWong@ocbc.com)

Global Markets Research and Strategy

uncertainty, potentially delaying mergers, investment approvals, and technology transfers.

Markets, predictably, flinched on Friday - U.S. equities slid, gold gained, and chipmakers sensitive to supply disruptions took the biggest hit. But if past experience is a guide, the initial market reaction may not last. Investors have learned to fade short-term trade panic once it becomes clear that diplomacy eventually tempers the rhetoric. Still, the difference this time is the growing permanence of supply-chain realignment. Companies have begun stockpiling strategic materials and scouting for non-Chinese refining partners — signs that this decoupling cycle could leave longer-lasting scars.

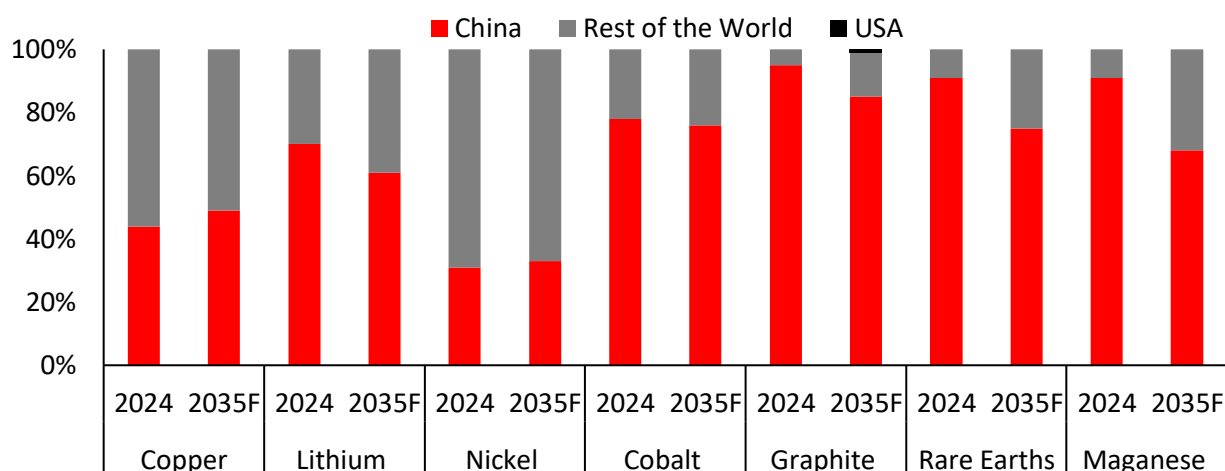
Where things go from here depends on political will and economic pain thresholds. The most likely scenario is a managed slowdown rather than a full rupture — quiet backroom negotiations, partial exemptions, and tit-for-tat withdrawals once both sides extract concessions. But a selective containment path is equally plausible, where both countries keep certain sectors — semiconductors, clean tech, rare earths — under persistent strategic tension. Either way, multinationals will accelerate efforts to “friend-shore” and diversify sourcing, even if that means higher costs in the medium term.

In the coming weeks, the key signals to watch include: the final list of restricted rare earth exports and their licensing timelines; whether the U.S. actually enforces the 100% tariff on November 1 or softens it; and the extent of China’s antitrust actions against U.S. firms. High-level meetings at APEC and any accompanying policy statements will also be critical in determining whether both sides are looking for an off-ramp or preparing for a drawn-out economic cold war.

For investors and corporate planners, this is less about reacting to headlines and more about positioning for structural change. Supply-chain diversification, cost mapping, and strategic inventory buffers will matter more than trying to time every swing in sentiment. The game has moved from tariff theatrics to long-term competition for control of critical materials — and the markets are starting to price that in.

For Asia and ASEAN economies, this renewed tension is both a challenge and an opening. On one hand, increased trade friction can disrupt regional logistics and dampen global tech demand. On the other, Southeast Asia stands to benefit from relocation of manufacturing and investment as firms seek neutral ground. Vietnam, Malaysia, and Indonesia — with their growing electronics and resource sectors — are already positioning as alternative nodes in the global value chain. But policymakers will need to tread carefully, balancing ties between Washington and Beijing while ensuring they are not merely the collateral beneficiaries of a fractured trading order. In the long run, ASEAN’s ability to stay pragmatic and open may determine whether it emerges as the stabilising middle ground in an increasingly polarized global economy.

## Country breakdown of refined metal production



Source: IEA, OCBC \*F: According to IEA forecasts

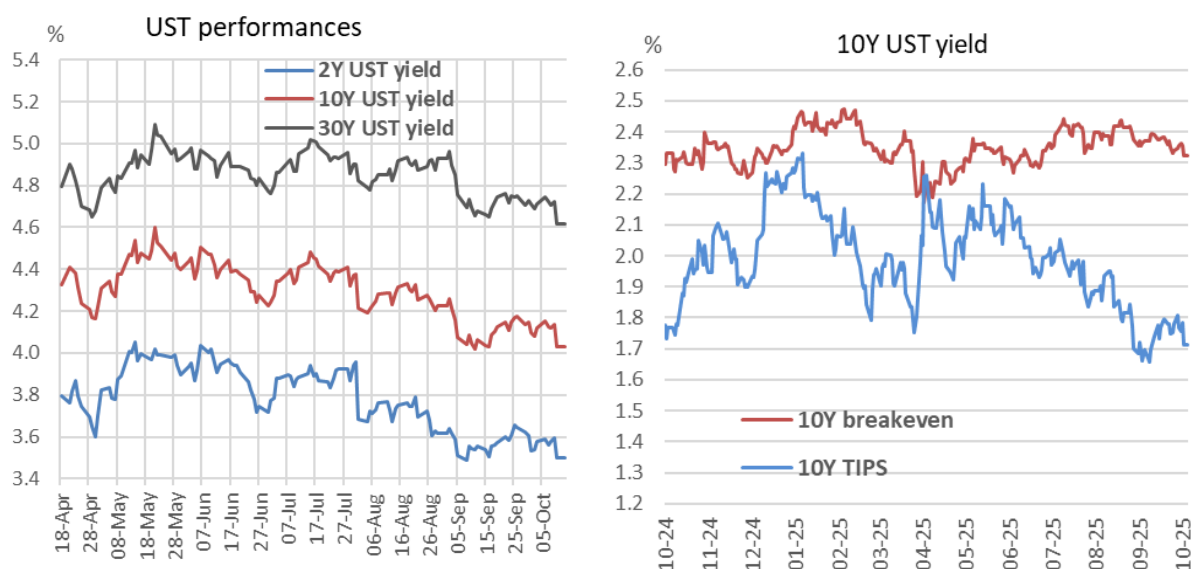
## DM government bonds rallied

Government bonds across developed markets, including USTs, gilts, Bunds, OATs, rallied on Friday benefiting from safe-haven flows, upon the announcement of 100% tariff on China and exports control on critical software. USTs rallied by 9-11bps on Friday with the curve trading mildly flatter. China's Ministry of Finance, in a statement published on Sunday, commented threatening with high tariffs is not the right way to deal with China and warned of retaliation. Markets appear to be calming somewhat at Asia open on Monday, with bond futures trading a tad lower, as the Trump administration on Sunday signalled room for talk with China. However, trade tensions may stay high given China's stance against US threatening.

Apart from trade tensions, potential layoffs emanating from the US shutdown is another supportive factor for USTs. We have long seen a 10Y UST yield in the range of 4.00-4.20% as fair, which is consistent with 10Y breakeven at 2.3-2.4% range and 10Y real yield at 1.7-1.8% range. 10Y UST yield was last at 4.03% with breakeven at 2.32% and real yield at 1.71%. Further downside in 10Y UST yield likely requires real yield to fall. On the other hand, there may not be a quick reversal in the bond rallies given lingering trade tensions and the US shutdown. On the curve, we continue to expect the 2s10s segment to trade mostly in the range of 50-55bps and any breakout from either side may not be sustained.

At the front end, Fed funds futures last priced 47bps of cuts for the rest of the year, and 68bps of cuts for 2026. September CPI will now be released on 24 October, as confirmed by the BLS. Consensus look for a 0.4%MoM in the headline and 0.3%MoM in core, while the YoY rate is expected to have ticked up to 3.1% versus 2.9% prior. If there is no upside surprise, market is likely to hold onto current rate cut pricings. We continue to expect one 25bp Fed funds rate cut each at the October and at the December meeting this

year, followed by one 25bp cut in Q1-2026, which will then bring the target range for the Fed funds rate to 3.25-3.50%. Further cuts from 3.25-3.50% level will probably require inflation to move nearer the 2% target. The FOMC remains split over the outlook for the Fed funds rate, with the distribution of the dots on the dot-plot skewed to the upside. In the absence of key US data, risk to our Fed funds rate call is that rate cuts may be more paced out.



Source: Bloomberg, OCBC Research

## FX implications

Recent US-China developments have become more fluid, and situation can worsen before improving. Caution however remains warranted in the interim though TACO trade may prevail. Risk-sensitive FX to growth and sentiments including AUD, NZD, MYR, RMB may be more sensitive to swings, safe haven proxy FX such as gold, JPY and CHF could remain better bid if uncertainty heightens while trade policy unpredictability may restrain USD bulls.

Over the forecast horizon into 2026, we continue to expect USD to trade moderately softer as Fed resumes easing while US exceptionalism fade. Our house view looks for 2 more Fed cuts for 2025, following the last 25bp cut at Sep FOMC. 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. We reiterate USD's decline is not a linear extrapolation and will likely be a bumpy path, driven by data surprises, market expectations of Fed cut and tariff risks. In the near term, Fed's "risk management cut" at Sep FOMC and cautious/ divided comments from Fed

officials may not be sufficiently dovish to see USD break fresh year low at this point, especially when Fed cut expectations are more or less priced. At some point, USD bears can return with more conviction but that would require US data to come in softer (when data gets released), alongside Fed easing rates more decisively. USD re-allocation momentum can pick up when USD decline accelerates, and this may result in feedback loop for further USD weakness. 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.

## Macro Research

**Selena Ling**  
Head of Research & Strategy  
[lingssselena@ocbc.com](mailto:lingssselena@ocbc.com)

**Herbert Wong**  
Hong Kong & Taiwan Economist  
[herberhtwong@ocbc.com](mailto:herberhtwong@ocbc.com)

**Jonathan Ng**  
ASEAN Economist  
[jonathanng4@ocbc.com](mailto:jonathanng4@ocbc.com)

**Tommy Xie Dongming**  
Head of Asia Macro Research  
[xied@ocbc.com](mailto:xied@ocbc.com)

**Lavanya Venkateswaran**  
Senior ASEAN Economist  
[lavanyavenkateswaran@ocbc.com](mailto:lavanyavenkateswaran@ocbc.com)

**Ong Shu Yi**  
ESG Analyst  
[shuyiong1@ocbc.com](mailto:shuyiong1@ocbc.com)

**Keung Ching (Cindy)**  
Hong Kong & Macau Economist  
[cindyckeung@ocbc.com](mailto:cindyckeung@ocbc.com)

**Ahmad A Enver**  
ASEAN Economist  
[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

## FX/Rates Strategy

**Frances Cheung, CFA**  
Head of FX & Rates Strategy  
[francescheung@ocbc.com](mailto:francescheung@ocbc.com)

**Christopher Wong**  
FX Strategist  
[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

## Credit Research

**Andrew Wong**  
Head of Credit Research  
[wongvkam@ocbc.com](mailto:wongvkam@ocbc.com)

**Ezien Hoo, CFA**  
Credit Research Analyst  
[ezienhoo@ocbc.com](mailto:ezienhoo@ocbc.com)

**Wong Hong Wei, CFA**  
Credit Research Analyst  
[wonghongwei@ocbc.com](mailto:wonghongwei@ocbc.com)

**Chin Meng Tee, CFA**  
Credit Research Analyst  
[mengteechin@ocbc.com](mailto:mengteechin@ocbc.com)

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.