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Macro | FX Research & Strategy

Global

Global Markets Daily

Worries Over Shutdown Data

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With the US government shutdown ending, risk sentiment took a hit as traders braced for an upcoming wave of delayed data. Equities broadly sold off while UST yields rose (10Y: +5.4bps) amid concerns over whether the data will clear the bar for a Fed rate cut. Bitcoin fell below the 100k mark, while gold also experienced a small pullback (-0.40%). The USD closed the day lower (DXY: -0.40%), although the index has recovered a tad this morning, last sighted at 99.25, while most currencies remain within recent ranges, risk currencies have suffered, while EUR and CHF are broadly stronger. We have been advocating that risks for the USD are largely tilted to the downside and that recent USD strength could be temporary, a view that we hold onto to amid post-shutdown developments. Economic Director Kevin Hassett said the US Oct jobs report would be released without an employment rate, while Sep job figures could be released as early as next week. Separately, the Trump administration was reportedly preparing broad tariff exemptions on food (including beef and citrus) to combat food inflation.

Eyes on Starmer Administration

The GBP is softer this morning after reports that the Starmer administration had ditched their plan to increase income taxes. Alongside this, there are reports of unrest within the administration itself, with rumours of a leadership challenge by Health Secretary Streeting. The GBP still faces challenges in the form of the Autumn Budget (26 Nov) which will be closely scrutinized given the ongoing concerns over the UK's fiscal position and the BOE decision in Dec, with the market now pricing in a 25bps cut at an 85.3% likelihood. On the latter, we hang on to our view that the BOE will stay their hand yet another time, although this may change after the Autumn budget and the upcoming inflation data releases. There could be some near-term downside for the GBP still to come, although the 1.30 handle on the GBPUSD should hold as a support. Longer-term we remain positive on the GBPUSD on fading US exceptionalism and impending Fed rate cuts. Key risks to the outlook would be mainly driven by potential changes to the UK political situation, and we keep a keen watch for the Autumn budget.

Data/Events We Watch

3Q Malaysia GDP.

FX: Overnight Closing Levels % Change					
Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.1633	0.35	USD/SGD	1.3006	-0.09
GBP/USD	1.3192	0.45	EUR/SGD	1.5133	0.25
AUD/USD	0.6529	-0.18	JPY/SGD	0.8416	0.08
NZD/USD	0.566	-0.25	GBP/SGD	1.7157	0.35
USD/JPY	154.56	-0.15	AUD/SGD	0.8493	-0.28
EUR/JPY	179.80	0.20	NZD/SGD	0.7354	-0.33
USD/CHF	0.7929	-0.60	CHF/SGD	1.6403	0.50
USD/CAD	1.4036	0.21	CAD/SGD	0.9267	-0.31
USD/MYR	4.1280	-0.15	SGD/MYR	3.1748	0.12
USD/THB	32.30	-0.65	SGD/IDR	12868	0.27
USD/IDR	16727	0.14	SGD/PHP	45.39	-0.05
USD/PHP	59.02	-0.29	SGD/CNY	5.4565	-0.14

Implied USD/SGD Estimates at, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.2888	1.3151	1.3414

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G10: Events & Market Closure

Date	Ctry	Event
10 Nov	World	COP30, the UN Climate Change Conference
11 Nov	US	US Bond Market Closure

AXJ: Events & Market Closure

Date	Ctry	Event
N/A	N/A	No Significant Event

G10 Currencies

- **DXY Index – *Bearish*.** DXY fell overnight, slipping towards the 99-figure. The greenback actually was rather divergent in overnight trades, falling against the EUR and GBP (largely captured in the DXY index), whilst rising against the risk-sensitive currencies such as the AUD, NZD and the CAD. The divergence divergent performance against the different G10 currencies underscores how directionless USD itself is. Fed fund futures on the other hand suggest that the rate cut probability has fallen below 50% at last check after Fed Kashkari spoke about how he did not support the last cut and is undecided on Dec. Fed remains data-dependent but we are still awaiting the release of data backlog that has occurred due to the government shutdown. The DXY index fell to levels around 99.20. The White House Economic Council Director Hassett told Fox News that half of the employment report could be released – the jobs part but not the unemployment rate. Next support is seen around 98.50. Fed's hawkish pivot could be reasonably priced in and any data that confirms further softening in demand, especially in the labour market could spur a dovish repricing for the greenback. The DXY index was last seen around 99.20. Break of the 99.20(21-dma) opens the way to the next support at 98.38. Bearish divergence is seen against the MACD forest as well. We continue to prefer selling the index on rallies. Downside bias should continue. Data-wise, Oct retail sales is due Thu, PPI on Fri.

- **EURUSD – *Falling Wedge*.** EURUSD was higher at 1.1635 as the USD was broadly weaker. We continue to be cautious of the earlier formed falling wedge which typically precedes a rebound. The question is always about timing and this formation all the more suggests there could be limited downside to this. Price action has also formed a bullish divergence with the MACD forest. The reason for the lack of rebound at this point could lingering uncertainties surrounding the France government. It remains to be seen if Lecornu can push through a budget for 2026 after surviving a no-confidence vote narrowly and there are still risks on this front for the EUR. Given the state of play in French parliament, Lecornu could still survive a no-confidence motion but be placed in a state where his government cannot meaningfully govern, thereby prolonging French political paralysis. He may well be forced to use article 49.3 to push through the budget even though he previously said that he would not. We continue to watch out for risks to the EUR on this front. We continue to believe that French political developments have bearish risks for the EUR, with no end to the current crisis in sight. We reiterate our view that risks to the EUR are bearish, **although there could be limited downside to the EUR at this juncture.** Calling legislative elections could be one of Macron's options with France essentially ungovernable in its current state. Moreover, Russia continues to provoke European countries with hybrid attacks. Lagarde said that the ECB's interest stance was "not fixed", perhaps as an indication that the market should not be too sure of itself and data dependency will prevail. Wall Street banks are suggesting that the EUR could continue its bull run amid diversification away from the USD to 1.20, but we remain skeptical given the multiple risks (Ukraine War, French disarray, Pharma tariffs) that we see as underpriced. As such, we think the path to a higher EUR could be a tad more nuanced than Wall Street expects. We are looking for no further cuts from the ECB in 2025 and the Fed-ECB divergence could provide tailwinds to drive the pair higher, but French political risks linger (although they are no longer underpriced). We stay cautious of potential whipsaws in the EUR. The ECB was cautious of potential upside risks to inflation (while recognizing that there are also downside risks) and as such are likely to adopt a wait and see approach, supporting our view for no further ECB cuts. Moreover, current rates are viewed to be broadly within the territory of neutral rates (R*) and the ECB viewed fiscal expansion in the euro area (defence spending) as having the potential to raise neutral rates. Lastly, ECB views recent EUR strength as structural and unlikely to change soon. Back on the charts, we see two-way risks for the EURUSD, last seen around 1.1560. Price action is forming a falling wedge (that precedes bullish reversal) and a bullish divergence is forming with the MACD forest. As such, downsides could be limited from here with support seen around 1.1470 before the next at 1.1405. A break above the 1.1560-level could mean a break-out of the falling wedge which could open the way for this pair to head back towards the 1.1665 (100,50-dma) resistance before the next at 1.1750. Apex of the falling wedge is around 1.1350 which coincides with the 200-dma.

- **GBPUSD – *Oversold*.** GBPUSD was higher at 1.3148 as the USD was broadly weaker. However, the GBP is softer this morning after reports that the Starmer administration had ditched their plan to increase income taxes. Alongside this, there are reports of unrest within the administration itself, with rumours of a leadership challenge by Health Secretary Streeting. The GBP still faces challenges in the form of the Autumn Budget (26 Nov) which will be closely scrutinized given the ongoing concerns over the UK's fiscal position and the BOE decision in Dec, with the market now pricing in a 25bps cut at an 85.3% likelihood. On the latter, we hang on to our view that the BOE will stay their hand yet another time, although this may change after the Autumn budget and the upcoming inflation data releases. There could be some near-term downside for the GBP still to come, although the 1.30 handle on the GBPUSD should hold as a support. Longer-term we remain positive on the GBPUSD on fading US exceptionalism and impending Fed rate cuts. Key risks to the outlook would be mainly driven by potential changes to the UK political situation, and we keep a keen watch for the Autumn budget. GBP remains in oversold territory and stochastics show signs of turning higher. There could still be two-way swings for the cable ahead of the Autumn budget. Over the weekend, UK Culture Secretary Lisa Nandy warned that party manifesto promises "matter", after Chancellor Reeves refused to rule out the possibility of breaching Labour's election manifesto pledge not to raise income tax, VAT, or national insurance. Even the BoE also emphasized on the importance of the Autumn Budget, warning that the government faces weak business investment, rising unemployment and slowing growth at this point. Governor Bailey urged Reeves to cap regulated prices (water, energy, rail fares and vehicle excise duty) to help curb inflation which would allow more room for BoE to cut rates. Its business survey indicated that "uncertainty about potential announcement in the Autumn budget" is stalling activity and demand is not expected to pick up until at least part way through 2026. Still, there is a view that UK fiscal risks could be overstated (given relatively stable public net debt and expectations of improving fiscal deficit) and as such the GBP could make advances. **We believe that the fiscal risk for the UK remain fairly priced and remain cautiously optimistic for the GBP.** Back on the GBPUSD chart, this pair staged a rather strong rebound to levels around 1.3150. We see two-way risks within 1.30-1.3270 range for now.

- **USDCHF – *Two-way trades*.** USDCHF softened and was last seen lower around 0.7934 levels amid a broadly weaker USD. Pair has broken below the key 0.8000 support and there is room for it to move lower. The moving averages have compressed and we see potential for a break out from here. Bullish momentum seems to be fading. Price action needs to break out of the 0.7870-0.8160 range for stronger directional cue. SNB reluctance to take rates below zero could see CHF e better supported than peers on safe-haven demand. Thus far, the Swiss government had failed to get a trade deal with the US government and the pharma tariff could be punitive to the economy and the CHF, keeping the USDCNH within the broad range of 0.7870-0.8160. We see no further cuts from SNB this year unless inflation heads into negative territory, which is a possibility but not our base case.

- **USDJPY – *Testing 155, Tactical Opportunity to Short*.** Pair was last seen around 154.90. USDJPY continue to look very toppish around the 155-156-region. USDJPY has been elevated by the inability of the UST 10y yields to move sustainably lower which is providing enough carry for the USD to remain bid against the JPY. This is fanned all the more by BoJ's noncommittal stance to further rate normalization. We do not rule out a move above the 155-figure but that could be an open invitation for an intervention from MoF. Given that this is a new administration, MoF may need to show resolve after several jawbonings by FinMin Katayama. We see tactical opportunities to sell USDJPY on rallies towards 151.60. Stoploss at 156.40. BoJ released the summary of opinions for its Oct policy a meeting earlier this week with one board member noting that uncertainty has receded compared with Jul while another sees the need to examine uncertainty more. Fiscal policy is a "vital factor" for outlook according to a BoJ member and it was perhaps the comment that "a rate hike now would be a step to normalize rates" that lifted the JPY only momentarily. On technical patterns, a rising wedge has formed with the apex at 156.30. We don't rule out a move towards the 155-figure but this rising wedge suggests that the pair is also art risk of coming off towards 152.60 before the 151.60-support. Resistance at 155.90 and 156.75.

- **AUDUSD – *Lifted by Strong Labour Demand*.** AUDUSD remains in tight swivel within the tighter 0.6460-0.6560 range, last printed 0.6540. Overnight sentiment started to sour as markets become increasingly pessimistic on the prospect of another Fed cut in Dec. We continue to remain constructive on the AUD, which is also supported by the RBA-Fed divergence. Inflation remains in the way of RBA's next cut. That is why RBA left cash target unchanged at 3.60%. The Reserve Bank noted in its statement that inflation has picked up but the board's judgement is that inflation pressure is tentative. Much of the increase is due to the cessation of electricity rebates in a number of states. The SoMP central forecasts are based on one more rate cut in 2026, along with the mention of uncertainties regarding the assessment that monetary policy remains a little restrictive, suggest room for one more rate cut, even though it is very much data dependent. **Back on the AUDUSD chart, the pair has potential to bottom around 0.6450.** AUDUSD is testing resistance around 0.6560 (50-dma) and a break there would open the way back towards 0.66-figure. **Range-trade could continue.**

- **NZDUSD – *Recovery Awaits*.** NZDUSD hovered around 0.5680, still within the falling trend channel. Sentiment continues to drive the NZDUSD and we see a possibility of a base at 0.5590. Given that this pair is at the bottom of the falling channel, this pair has room to rise at least towards the 0.57-figure. We continue to hold a constructive outlook for NZD from here as we look for recovery to take hold but broader risk sentiment seems to be weighing on this risk-sensitive commodity currency in the interim. This is in line with recent comments from RBNZ Governor Hawkesby that the rise of jobless rate to 5.3% in 3Q was within expectation and he said that "as a central case, we think things are going to get better". Back on the NZDUSD chart, spot was last seen around 0.5680, break of the 0.5730-resistance would mark the first milestone for NZD bulls to re-establish control.

- **USDCAD – *Bearish Bias*.** USDCAD edged lower, last printed 1.4020. This pair seemed to have found support at around 1.3950 (50-dma). Bearish moves may be gradual. Weaker risk sentiment could undermine CAD. **On the USDCAD chart, the pair hovered around 1.4006 and the next resistance at 1.4170. Support at 1.4020 before 1.3925.** Bearish divergence is seen with MACD forest is playing out and this pair continues to display a bearish bias. Canada has plans to purchase stakes in projects that will produce and process key minerals as part of a broader effort to secure supplies of materials controlled by China.

- **Gold (XAU/USD) – *Stabilizing*.** Gold softened this morning, last seen around 4200, somewhat stabilizing as bets on Fed cuts reduce further overnight. Bullion had broken above the 21-dma and on the rise in spite of elevated UST yields. There have been fewer cues for gold since the US-China trade truce was extended and that softened support for the safe haven gold and undermined the bullish momentum trade for the bullion.. These are tentative developments that took the wind out of the bullion's sails but the macro environment of (Fed easing, global growth slowing, inflation lingering) remains and that continues to remain supportive of gold. An area of support has formed around 3800-4000. We expect some sideway trading here before the bullion resumes its uptrend.

Asia ex Japan Currencies

SGDNEER trades around +0.97% from the implied mid-point of 1.3131 with the top estimated at 1.2868 and the floor at 1.3393.

- **USDSGD - *Turning Point?*** USDSGD was lower at 1.3003 levels while the USD was broadly weaker. SGDNEER was at +0.97% above the implied mid-point, remaining well supported. Pharma tariffs could weigh on SGD and could explain the decline of the SGDNEER, notwithstanding some stabilization in recent sessions. DPM Gan Kim Yong clarified that many pharmaceutical companies already have plans to build and invest in the US (and as such could be relatively unharmed by tariffs), but the government's concern remains a longer term impact on the overall investment climate. MAS should be in a relatively comfortable position (in contrast to the Fed) to maintain current policy stance of slight (0.5% p.a.) appreciation which should provide support for the SGD. SORA has found some supported and bounced up from lows although we take the outperformance of SGD rates and firmness in the SGDNEER as evidence of Singapore's safe-haven appeal. Back on the USDSGD chart, support is at 1.3000 followed by 1.2950. Resistance at 1.3100.

- **SGDMYR - *Double Bottom, Eye 3.10*.** SGDMYR was higher at 3.1780 levels, rebounding from a 3.1642 low. Pair retains a downside bias amid relative MYR outperformance rather than outright SGD weakness. SGDMYR has formed a double bottom at this point and a failure to break below the 3.20-figure with a weekly close could precede a rebound, at the very least towards the 3.25-figure. Support at 3.20.

- **USDMYR - *Breaks Below 4.2000 Support, Closing in on 4.1000*.** Pair was last seen lower at 4.1325 as MYR sentiment continues to remain positive. Downside momentum looks to have built up for the pair and take note that there is a wall of cash that can still be converted – the large corporate foreign currency deposit holdings. There have also been strong bond inflows as of late though this may reflect the supportive momentum for the currency. We are eyeing the 4.1000 level as the next support which is around the 2024 low. Resistance now at 4.2000 and 4.2243 (100-dma). Last week, BNM held rates at 2.75%, which was in line with expectations given the economy has been holding up well. The central bank holds a positive outlook for 2026 seeing that domestic demand would continue to support growth. Budget 2026 measures, wage growth and investment expansion should all back a robust economy. Our economist is consequently not expecting any further moves by the central bank into 2026. The BNM-Fed divergence should also be supportive of the MYR.

- **USDCNH - *In Range*.** USDCNH is testing lower and was last seen around 7.0920. This pair is forming a descending triangle. USDCNY central parity was fixed lower at 7.0825 vs. previous at 7.0865. The fixing direction has been more in line with broader USD trend since the summit. As such, USDCNH remains in an established range, albeit testing the lower bound. Broader USD signals suggest that the USDCNH could start to trend lower from here, albeit still within the 7.09-7.15 range. We still look for bearish extension towards our forecast at 7.07 at the end of the year. Data-wise, home prices are still falling, down -0.7% m/m used home prices, -0.5% for new homes in Oct. Retail sales slowed a tad to 2.9%y/y from previous 3.0%. Industrial production slowed to 4.9%y/y from previous 6.5%. FAI ex rural fell -1.7%y/y for the first ten months of this year. Property investment actually fell a deeper -14.7%y/y from previous -13.9% over the same period. Residential sales also fell a deeper 9.4%y/y.

- **1M USDKRW NDF - *Upside Bias*.** 1M USDKRW NDF was last seen lower at 1457.12 levels this morning as upside pressure alleviated amid broader USD weakness. There was talk of Korea's national pension service helping to stabilize FX and that should help shore up sentiment. Strangely, the confirmation of the US-South Korea deal does not seem to be stemming negative pressures on the KRW. Trump declared a deal, while South Korea later followed up to say that tariffs would be reduced to 15% (from 25%) and South Korea would invest US$350b (US$200b in cash investment and US$150b in shipbuilding) in the US. BoK had kept its base rate unchanged at 2.50% on 23 Oct amid lingering concerns on its financial stability tied to the housing market. In addition, Governor Rhee had recently tried to dispel rumors that the recent won depreciation is a sign of a financial crisis at home. He assured that won volatility is a reflection of global economic trends but acknowledged its impact on inflation and economic conditions. We suggest that KRW volatility is another reason for the stand pat. BoK had also mentioned that the economy had rebounded in 2Q but still faces headwinds from US trade talks with major economies. Financial stability risks were also highlighted in light of rising delinquency rates amongst small businesses and regional developers. Back on the chart, resistance is at 1480. Support is at 1460, 1430 (23.6% Fibonacci retracement of the Jul low and Nov high), followed by 1417.

- **1M USDINR NDF- *Slightly Lower*.** 1M USDINR NDF was last seen slightly higher at 88.93 levels. There could be some positivity on the INR as rumours that the US and India were closer to a trade deal abound. India was said to be agreeable to gradually reduce reliance on Russian oil and in exchange would get reduced tariffs from the earlier mooted 50%. RBI was said to be concerned about USDINR spot heading to the 89 figure and the pair was sharply lower as a result. RBI held at 5.50% on 1 Oct, although two members (of six) preferred a more accommodative setting (independent of rate decision). We suggest that the hold was likely driven by the RBI's longstanding preference for currency stability. Pharma tariffs could continue to weigh on the INR with India among the largest exporters of pharmaceuticals to the US in 2024. The H1B visa fee hike could be weighing on the INR over fears of potentially lower remittances and likely outflows from India's IT sector. There were reports that RBI had stepped in last week to stabilize the INR. Global funds buying of Indian bonds hit a 1-month high last Fri (12 Sep) after four straight days of buying. Indian bonds steadied as the expected loss from GST-related reforms was lower than expected. Modi, Xi and Putin have met and that could be a sign of intent that BRICS will be here to stay. Navarro took aim at India "cozying up to Xi Jinping". China's ambassador Xu Feihong has said that China will firmly stand with India in opposing the 50% tariff on the country. They also firmly stand with India to uphold the multilateral trading system, with the WTO at its core. The uncertainty with the tariff situation is creating upside risks for the USDINR. Back on the chart, resistance at 89.00. Support stands at 88.50 (21-dma, 50-dma) and 87.70.

- **USDTHB - *Two-Way Trades Likely*.** Pair was last seen at 32.30 as it continues to test the 50 – dma support thereabouts. Gold is also settling. Dollar softness, stable CNY fixings and higher gold prices should guide the pair to move lower. The next level of support would be at 32.10. Range-trading continues within the 32.10-32.60 for now. At home, Thailand had reversed its alcohol bans, allowing sale of alcoholic beverages between 2-5pm from early Dec.

- **1M USDIDR NDF – *Higher*.** 1M USDIDR NDF was last seen lower at 16729. Investors at this point are looking to continue assess both the domestic and global situation. As it is, the pair is hovering around the 16670 support (23.6% Fibonacci retracement of Aug low to Sep high) with the next around 16560. Resistance at 16771 (4 Nov high) before the next at 16859 (Sep high). There are little cues at this point with bullish momentum fading and stochastics entering overbought condition. Two-way trades are likely within the 16640-16770 range.

- **1M USDPHP NDF – *Near-Term Upside Bias*.** 1M USDPHP NDF was last seen at 58.98 levels, finally moving below the 59.00 level. Softer than expected 3Q GDP reading at 4.0% YoY (est. 5.2% YoY, 2Q. 5.5% YoY) did not help the currency as it only served to back further rate cuts by the central bank. Pair looks to test the 59.00 level for now with the next at 59.50 (Dec 2024 high). We expect pair should be ranged for now around 58.50 – 59.50 for now. Support at 59.00 and around 58.50 with resistance at 59.50.

Malaysia Fixed Income

Rates Indicators

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR MI 4/28	3.04	3.03	-1
5YR MI 5/30	3.20	3.20	Unchanged
7YR M0 7/32	3.40	3.40	Unchanged
10YR MS 7/35	3.50	3.45	-5
15YR MS 4/39	3.72	3.70	-2
20YR MX 5/44	3.89	3.86	-3
30YR MZ 7/55	3.97	3.96	-1
IRS			
6-months	3.23	3.23	Unchanged
9-months	3.22	3.23	+1
1-year	3.21	3.21	Unchanged
3-year	3.20	3.21	+1
5-year	3.27	3.28	+1
7-year	3.34	3.35	+1
10-year	3.46	3.48	+2

Source: Maybank

**Indicative levels*

***Daily Trade Data: 1) Government bonds and 2) PDS/corporate bonds*

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- Ringgit government bonds rose for a third straight session, with the MGS curve flattening as the 10y outperformed other segments. Interbank participants appeared to be adding duration ahead of the year-end, while local real moneys were seen seeking duration in off-the-run long-end issues. Offshore investors were better sellers in the belly, taking profits after recent gains in government bonds.

- MYR IRS traded 1-2bp higher across the curve despite firmer demand in local government bonds and softer US rates following early reports of the US government shutdown ending. Some hedging and paying activity, particularly at the 5y tenor, while the front end remained anchored to the 3m KLIBOR. The 3m KLIBOR remained unchanged at 3.22%. The 1y was traded at 3.21% while the 5y was traded at 3.28-3.295%.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	1.34	1.33	-1
5YR	1.60	1.60	Unchanged
10YR	1.94	1.94	Unchanged
15YR	1.95	1.94	-1
20YR	1.96	1.94	-2
30YR	2.03	2.02	-1

Source: MAS (Bid Yields)

- The SGS curve flattened marginally, as short-term and long-term yields slipped 1-2bp while mid-tenors held steady. The overnight SORA remained low at 0.92% at the time of writing.

Indonesia Fixed Income

Rates Indicators

Gov't Bonds	Previous Bus. Day	Latest Day's Close	Change
1YR	4.80	4.80	(0.00)
2YR	4.86	4.83	(0.03)
5YR	5.48	5.46	(0.03)
10YR	6.16	6.14	(0.02)
15YR	6.42	6.42	(0.00)
20YR	6.54	6.54	(0.00)
30YR	6.80	6.79	(0.00)

** Source: Bloomberg, Maybank Indonesia*

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Bond Update The prices of most Indonesian government bonds slightly strengthened yesterday. We view this situation as a reflection of investors' continued desire to obtain higher (attractive) yields on Indonesian government bonds, with a wider gap with U.S. government bond yields amidst current higher inflation pressures that will provide limited room for Bank Indonesia to cut its BI Rate this month. We saw the yield gap between Indonesian 10-year government bonds and U.S. 10-year government bonds around 202 bps yesterday. On the other hand, we saw that investors seemed being cautious to aggressively investing Indonesian government bonds due to their wait & see mode for seeing incoming results of several previous pending key U.S. macroeconomic data especially inflation that potentially changing their view about further monetary decision by the Fed. We believe the U.S. inflation to keep increasing on the limited pace. Hence, there is still big opportunity for the Fed to cut its policy rate next given that the U.S. labour data is on weak expansion during the previous shutdown by the U.S. government.

Going forward, we expect Indonesian government bond to keep moving on limited range for appreciating. The investors are expected to keep being cautious to apply aggressive investment on the fixed income assets after seeing latest investors' more cautious view on further policy rate cut by the Fed. Moreover, we saw investors' investment preference to enter the safe haven asset, such as gold, during the development of U.S. government shutdown. For 10Y series of government bonds, we suspect the global investors to be more attractive for bidding as the yield on this series has the yield gap by more than 220 bps with the U.S. 10Y government bond.

Economic Update: Our Latest Update on the Ministry of Finance's Proposal Regarding Minister of Finance Regulation No. 70 of 2025 from the Strategic Plan of the 2026 Rupiah Redenomination Bill

Rupiah redenomination is an effort to make the Rupiah exchange rate more practical and efficient for transactions, while simultaneously making it appear stronger for global transaction needs. This policy is expected to be legally enforced in 2026, so that, if conditions permit, it can be implemented as early as 2027. While seemingly beneficial, this policy has generated controversy related to the potential for inflation spikes if implemented hastily amidst conducive economic conditions. This policy has been implemented in countries experiencing economic distress at the time, such as Venezuela, Uganda, Brazil, Peru, or, more extreme, Zimbabwe.

The views of several parliamentarians and the government appear to be cautious and suggest a cautious approach to implementing Rupiah redenomination. Furthermore, some banking practitioners believe this policy could create inefficiencies upon initial implementation, particularly related to adjustments to financial accounting and IT systems.

Based on experience in various countries, redenomination policies are not immediately successful and require several iterations to be successfully implemented. Furthermore, preparation for implementing this policy is not inexpensive, as Bank Indonesia must incur additional costs to print new currency. The Central Bank, Bank Indonesia, also has to incur additional costs to print new currency during the redenomination process. Furthermore, the government and businesses must incur additional costs for public awareness and adjustments during the implementation of the Rupiah redenomination policy.

Furthermore, views from economic and banking experts suggest that this policy should not be rushed while digital transactions are well underway to accommodate transaction details. However, the successful implementation of widespread digital transaction processing in Indonesia is key to the readiness and success of the future implementation of Rupiah redenomination. This is because with digital transactions, every detail will be accurately calculated based on the new prices of goods after the Rupiah redenomination. Therefore, if this policy is to be implemented, thorough preparation and public awareness will be required.

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.1700	155.45	0.6600	1.3285	7.1242	0.5706	180.3533	102.2817
R1	1.1666	155.00	0.6565	1.3238	7.1099	0.5680	180.0767	101.6023
Current	1.1635	154.54	0.6549	1.3150	7.0952	0.5681	179.8000	101.2100
S1	1.1589	154.12	0.6509	1.3123	7.0865	0.5632	179.3767	100.4673
S2	1.1546	153.69	0.6488	1.3055	7.0774	0.5610	178.9533	100.0117

	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3054	4.1401	16749	59.2257	32.4777	1.5185	0.5830	3.1803
R1	1.3030	4.1341	16738	59.1203	32.3863	1.5159	0.5824	3.1775
Current	1.3008	4.1299	16720	58.9100	32.3250	1.5129	0.5828	3.1799
S1	1.2984	4.1239	16720	58.9623	32.2323	1.5091	0.5809	3.1713
S2	1.2962	4.1197	16713	58.9097	32.1697	1.5049	0.5802	3.1679

**Values calculated based on pivots, a formula that projects support/resistance for the day.*

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SORA	1.2551	Jan-26	Neutral
BNM O/N Policy Rate	2.75	A Field Not Applica	Neutral
BI 7-Day Reverse Repo Rate	4.75	19/11/2025	Easing
BOT 1-Day Repo	1.50	17/12/2025	Easing
BSP O/N Reverse Repo	4.75	11/12/2025	Easing
CBC Discount Rate	2.00	18/12/2025	Neutral
HKMA Base Rate	4.25	-	Easing
PBOC 1Y Loan Prime Rate	3.00	-	Easing
RBI Repo Rate	5.50	5/12/2025	Easing
BOK Base Rate	2.50	27/11/2025	Easing
Fed Funds Target Rate	4.00	11/12/2025	Easing
ECB Deposit Facility Rate	2.00	18/12/2025	Neutral
BOE Official Bank Rate	4.00	18/12/2025	Easing
RBA Cash Rate Target	3.60	9/12/2025	Easing
RBNZ Official Cash Rate	2.50	26/11/2025	Easing
BOJ Rate (Lower bound)	0.00	19/12/2025	Tightening
BoC O/N Rate	2.25	10/12/2025	

Equity Indices and Key Commodities

	Value	% Change
Dow	47,457.22	-1.65
Nasdaq	22,870.36	-2.29
Nikkei 225	51,281.83	0.43
FTSE	9,807.68	-1.05
Australia ASX 200	8,753.35	-0.52
Singapore Straits Times	4,575.91	0.15
Kuala Lumpur Composite	1,632.27	0.04
Jakarta Composite	8,372.00	-0.20
Philippines Composite	5,726.99	0.23
Taiwan TAIEX	27,903.56	-0.16
Korea KOSPI	4,170.63	0.49
Shanghai Comp Index	4,029.50	0.73
Hong Kong Hang Seng	27,073.03	0.56
India Sensex	84,478.67	0.01
Nymex Crude Oil WTI	58.69	0.34
Comex Gold	4,194.50	-0.45
Reuters CRB Index	302.35	-0.10
MBB KL	9.95	0.10

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