Monthly FX & Rates Strategy

Fed is flying into an increasingly dense macro data fog

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Global Economics & Markets Research
GlobalEcoMktResearch@uobgroup.com
www.uob.com.sg/research

Heng Koon How, CAIA
Head of Markets Strategy
Heng.KoonHow@uobgroup.com

Peter Chia
Senior FX Strategist
Peter.ChiaCS@uobgroup.com

Quek Ser Leang
Senior Technical Strategist
Quek.SerLeang@uobgroup.com

- As widely expected, the US Federal Reserve (Fed) cut by a second 25 bps at the latest Oct FOMC. But Chair Powell warned in very clear terms that a third 25 bps cut at the Dec FOMC "is not a foregone conclusion". He alluded to concerns over the increasing delay and lack of official macroeconomic data due to the Federal Government shutdown. Nonetheless, our macroeconomic team continues to forecast another 25 bps cut in Dec, and thereafter one 25 bps each in 2Q26 and 3Q26.

- In addition, the Fed formally called an end to shrinking its balance sheet as of 1st Dec. The decision appears expedited due to increasing concerns over money market tightness. The overnight SOFR has indeed trended higher across Oct and the Fed's Standing Repo Facility (SRF) has been drawn down as well. However, other liquidity and credit indicators remain fairly benign and friendly.

- Interestingly, the US Dollar Index (DXY) has been inching higher since the Sep FOMC, supported by the intermittent flare-ups in US-China trade tensions that have reinforced safe haven USD demand. The absence of fresh catalysts to drive the USD lower has also contributed to its near-term resilience.

- Nonetheless, relative to its G-10 peers, the Fed is expected to maintain a more dovish stance, particularly as other central banks approach the end of their respective easing cycles. This policy divergence is expected to narrow USD interest rate differentials, reinforcing medium-term downward pressure on the USD. Overall, our latest DXY forecasts are 97.1 by end-2025 and 94.5 by 3Q26.

- The JPY has weakened anew following the appointment of Sanae Takaichi as Japan's new Prime Minister. The BOJ has left rates unchanged as widely expected at the Oct MPM. Our view remains that due to on-going inflationary risks, the BOJ will need to hike next in the Dec MPM (although the odds are now reduced to a coin toss) and thereafter a final 25 bps hike in 3Q26. As for the JPY, we still see further strength, but at a more modest pace to 150 by 4Q25 and 144 by 3Q26.

- Asian FX delivered a mixed performance across Oct. Our medium-term positive outlook for Asian FX hinges on a sustained de-escalation in trade tensions, a stable CNY (albeit with a strengthening bias) and a narrowing yield gap between Asia and the Fed. Recent developments remain broadly aligned with this base case. Specifically, USD/CNY is seen heading lower to 7.08 by 4Q25 and 7.00 by 3Q26.

- In line with this anticipated gradual pace of Fed rate cuts, the overnight SOFR is now expected to drift below 4.0%. In the longer dates, reinforcing the Fed's monetary policy decision as one of the key drivers, the 10Y US Treasuries (UST) yield has now pulled back in tandem to test the 4% floor.

- Singapore's stronger economic performance across 3Q25 meant that the MAS is now expected to stay on hold for the rest of 2025 and into 2026. Little has changed in our view that SG rates have limited downside as they are now trading at historically wide discount to US rates.

- After its parabolic run-up, gold is currently going through a much necessary (admittedly rather sharp) correction. Nonetheless, long term fundamentals remain positive, backed by strong retail investment buying and consistent central bank allocation. We maintain our positive outlook and raise our forecast modestly to USD 4,000 / oz by 4Q25 and USD 4,300 / oz by 3Q26. Latest technical analysis suggest that the USD 3,751 / oz level is a solid technical support.

As widely expected the US Federal Reserve (Fed) cut by another 25 bps at the latest FOMC, bring Federal Funds Target Rate (FFTR) down to the 3.75% to 4.00% range. Thereafter, our macroeconomic team continues to see one more 25 bps cut this year at the final FOMC for the year in mid Dec. Further into 2026, our macroeconomic team continue to forecast two more 25 bps cuts, one each in 2Q and 3Q of 2026, bringing FFTR down to the projected terminal rate of 3.00% to 3.25% range by the end of 3Q26.

However, investors are more concerned about the increasing macro data fog that is enveloping the Fed. As a result of the extended US Federal Government shutdown, the critical Non-Farm Payrolls report has been delayed for a month and will likely be delayed for a second month. Last week's monthly CPI report has more than 40% of its inputs imputed amidst the shortage of staff at the Labor Bureau and will likely be the last CPI report this year should the Federal Government shutdown drag on further.

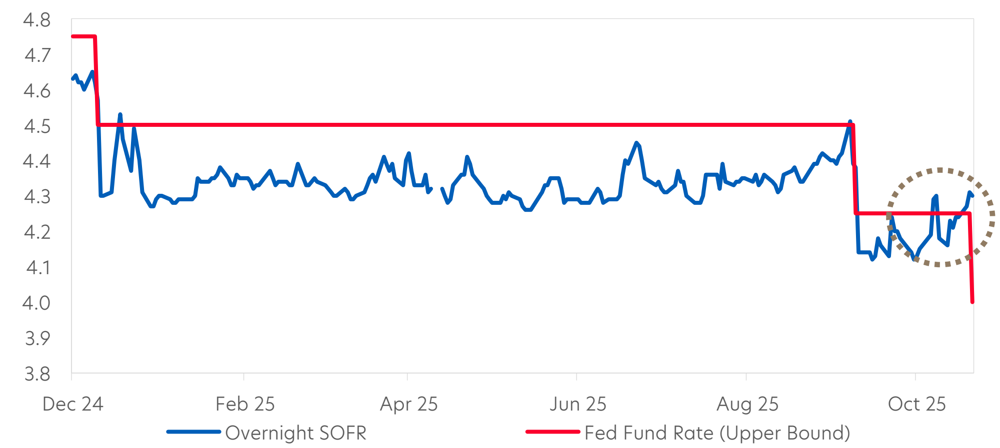
In other words, going forward, the Fed will be making monetary policy decisions without two very critical sets of monthly macro reports for the US economy on both employment and inflation. As such, the next FOMC in Dec may well be a dicey one if the Federal Government shutdown drags on. How is the Fed going to update its dot plot and economic projections objectively if the official macro data is not forthcoming?

Indeed, Chair Powell said in very certain terms at the Oct FOMC press conference that another rate cut at the Dec FOMC "is not a forgone conclusion". He alluded to the fact that "there were strongly differing views (about the economy) and the takeaway is that we have not made a decision about Dec". Chair Powell implied that this may have to do with the abovementioned increasing lack of official macro data. He said that "what do you do if you are driving in the fog? You could slow down". While Chair Powell conceded that the Fed will increasingly lack granularity from the upcoming official data, he tried to reassure that there are many other macro data available, including the Beige Book and from various private sector sources as well and that the Fed should be able to pick up "any material change" in the economy.

In addition to the rate cut, the Fed officially brought an end to its Quantitative Tightening (QT) process, announcing that shrinking of its balance sheet will stop fully by 1st Dec. Since it started in 2022, QT has brought the Fed's balance sheet down from its peak of almost USD 9 trn to just under USD 6.6 trn, a drop of slightly less than 1/3.

Chart 1: Overnight SOFR has crept up to 4.3% despite recent Fed rate cuts

Source: White House, UOB Global Economics & Markets Research



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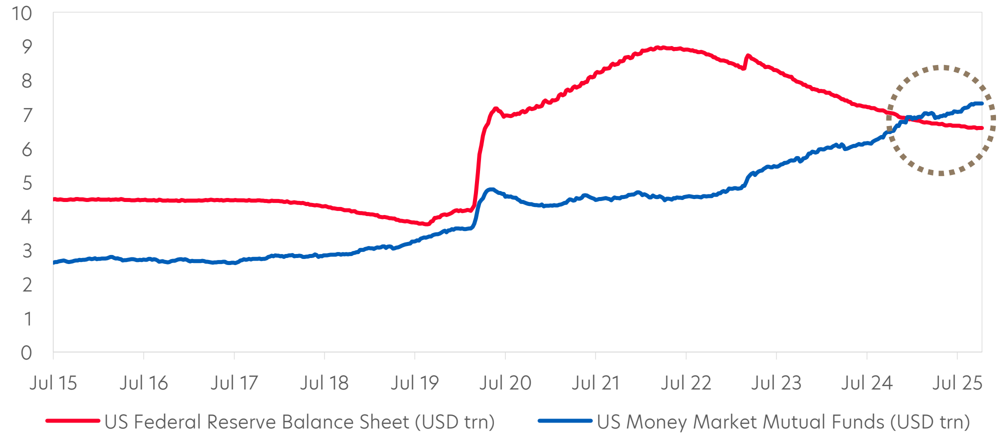
While the formal termination of QT was widely expected by the end of the year, the decision appears to be expedited by recent concerns over renewed US regional bank funding issues as well as private credit market stress. Over the past two weeks, the smaller US regional banks were back tapping the Fed's "emergency" Standing Repo Facility (SRF) and some tightening of money market is noticeable with the overnight SOFR inching back up to 4.31% despite the Fed having cut twice in Sep and Oct. For now, the drawdowns at the Fed's SRF are deemed manageable, with amounts far from the systemically disruptive large drawdowns last seen in the Covid period of early 2020.

Chart 2: US Money Market Mutual Funds AUM is now bigger than Fed's balance sheet

Source: Bloomberg, UOB Global Economics & Markets Research



On an interesting note, at current level of USD 6.6 trn, the Fed's balance sheet is now noticeably below that of the total holdings of US short term money market mutual funds, which has now ballooned to about USD 7.3 trn. Amidst the on-going extended US Federal Government shutdown (which will likely be the longest on record after next week), the large size of US money market mutual fund is seen as a positive. As the Fed continues its measured cuts in the months ahead, liquidity from the money market mutual funds is expected to be reinvested back into the broader financial markets, seeking better returns as money market rates drop in line with the Fed cuts.

Chart 3: US M2 Money Supply is back up to pre-Covid long term average growth rate

Source: Bloomberg, UOB Global Economics & Markets Research

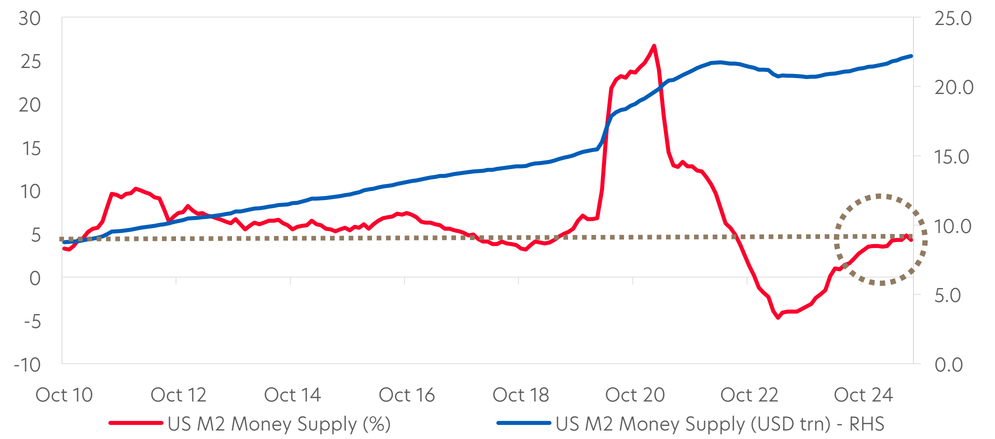


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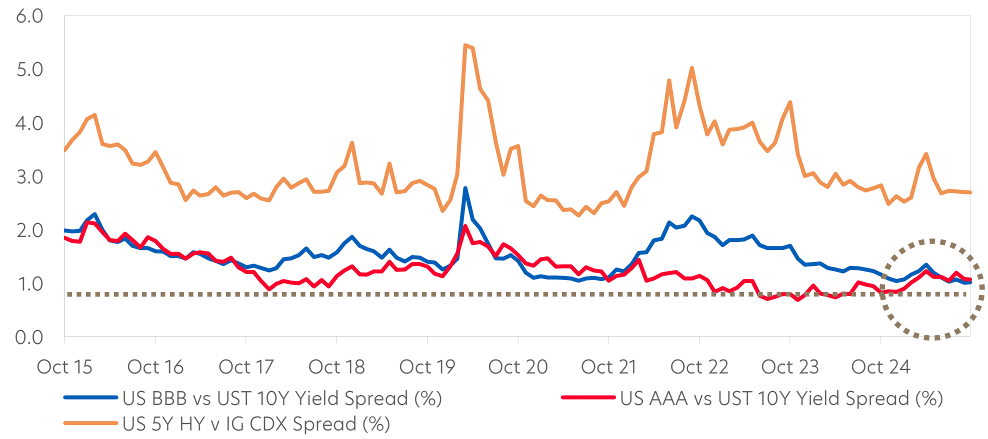
Chart 4: US Credit Spreads are back near historical low

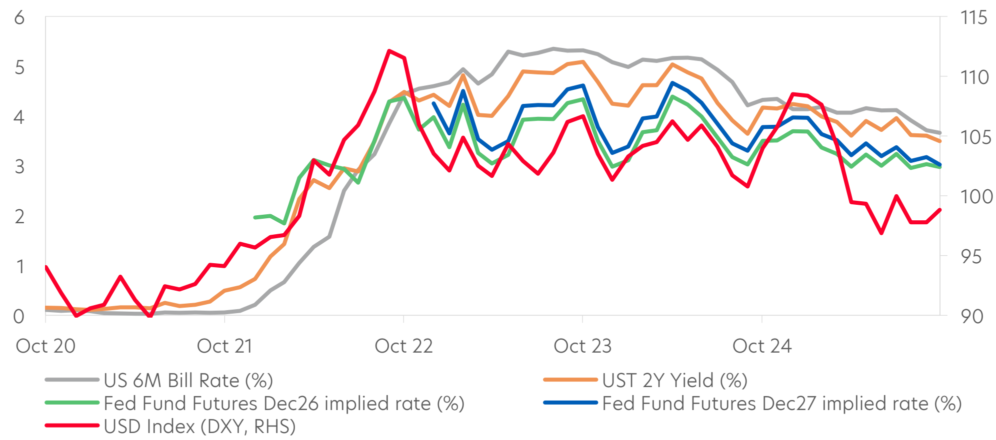
Source: Bloomberg, UOB Global Economics & Markets Research



Other key proxies for US liquidity conditions remain healthy as well. The growth rate for US M2 Money Supply is now heading back up towards the long term pre-Covid level of about 5%. In addition, key credit spreads like US AAA vs 10Y US Treasury yield, US BBB vs 10Y US Treasury yield, US HY vs IG yield etc, are back near historic low, implying a friendly credit and liquidity situation.

Chart 5: DXY has been tracking US short dated yield lower

Source: Bloomberg, UOB Global Economics & Markets Research



Contrarians will of course argue for caution amidst the current friendly liquidity and credit setting. As for the US Dollar, having dropped from around 110 at the start of the year, the USD Index (DXY) remained soft under 100, pinned down by US rates that continue to grind lower amidst the projected cautious Fed cuts.

The US Dollar appears softer as well given the better outlook following the resumption of trade talks between US and China. While much details still need to be worked out following President Trump and President Xi's meeting in South Korea, both US and China have indeed made effort to compromise and de-escalate. China has resumed purchasing of US soybeans and will delay the proposed tighter export measures for critical minerals by a year. Meanwhile on the US side, the 20% "Fentanyl" tariffs will be halved to 10% and the pause in reciprocal tariff will be extended for a year. For more details, kindly refer to Macro Note: "US-China: Trump-Xi meeting advanced positive trade developments" dated 30 Oct 25. The rebound in Asia regional exports of late also led to stronger Asian FX like the MYR at the start of Q4, reinforcing the weaker USD backdrop as well.

In this monthly update, we renew our discussion of our core view of weaker USD amidst softer rates. Details of respective G7 and Asian regional FX and Rates outlook and forecasts follow hereafter.

FX Strategy

Is the USD still bound for further weakness by end-2025?

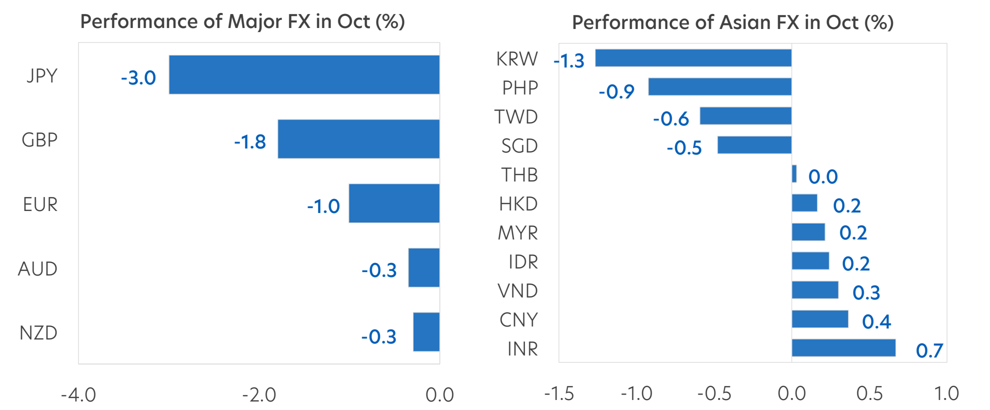
The US Dollar Index (DXY) rose 1.3% to 99.0 in Oct, though it remained comfortably within the well established 96-100 trading range since Jul. Earlier in the month, the greenback saw a brief uptick in safe haven demand following President Trump's announcement of a potential 100% additional tariff hike on Chinese goods, in retaliation for China's restrictions on rare earth exports. However, tensions eased swiftly as both President Trump and President Xi confirmed plans to meet on the sidelines of the APEC summit on 30 Oct which set the stage for both US and China to de-escalate trade tensions.

Offsetting USD strength were domestic headwinds, notably the ongoing US government shutdown, which injected a layer of policy and economic uncertainty into markets. Additionally, the Fed proceeded with its anticipated rate cut at the Oct FOMC meeting, reinforcing the broader narrative of monetary easing.

Interestingly, the DXY has been grinding higher since touching its lowest level since Feb 2022 on the day of the Sep FOMC. This raises a key question for market participants: is the recent rebound indicative of a more sustained reversal in the USD, or merely a corrective move within a broader downtrend as the Fed's easing cycle continues to unfold?

Chart 6: The USD rebounded in Oct against most Major and Asian peers

Source: Bloomberg, UOB Global Economics & Markets Research



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Asian currencies delivered a mixed performance across Oct. Most regional currencies saw some profit-taking from their year-to-date gains as USD found a better footing within the month. Nonetheless, downside pressures were contained, underpinned by renewed momentum in US-China trade negotiations. This helped limit losses and maintain a degree of resilience in regional currencies.

Looking ahead, the key question is whether Asian currencies can resume their strengthening trajectory or if emerging risks could derail the recovery. While the recent pause may be temporary, the next leg of the Asian FX cycle will likely be shaped by clarity — or lack thereof — on the US-China trade front, as it is still far from clear how far both sides are from reaching a lasting consensus on key issues.

Major FX Strategy

A Dec Fed rate cut may spur further USD weakness

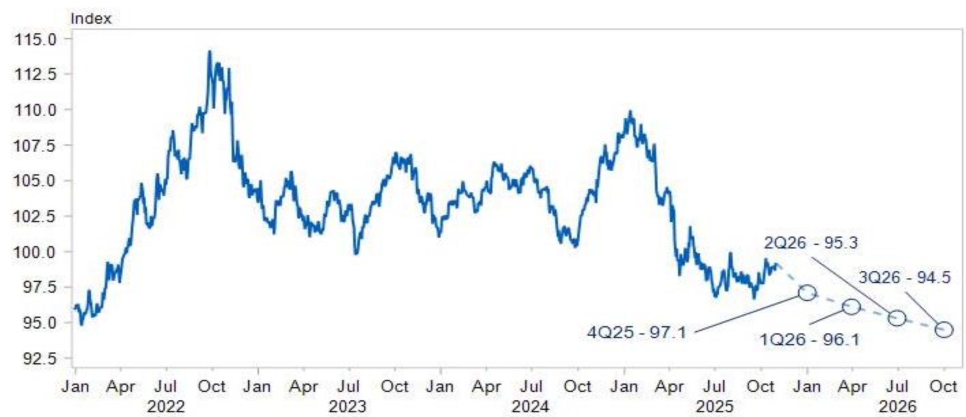
The US Dollar Index (DXY) has continued its gradual ascent since the Sep FOMC meeting, supported by the recent intermittent flare-ups in US-China trade tensions that have reinforced safe haven demand.

The absence of fresh catalysts to drive the USD lower has also contributed to its near-term resilience. The data vacuum due to the ongoing US government shutdown meant the Fed lacked a timely read on labor market conditions when it delivered its latest 25 bps rate cut at the Oct FOMC. While both headline and core CPI prints for Sep surprised to the downside, they were insufficient to justify a more aggressive easing stance, especially amid uncertainty surrounding the employment data.

In the just concluded 28/29 Oct FOMC, Fed chair Powell tried to downplay the commitment toward further rate cuts – "further reduction in the policy rate at the Dec meeting is not a forgone conclusion, far from it". Post-Oct FOMC rate cut, we continue to project one more 25-bps rate cut in the remaining Dec FOMC meeting this year, primarily due to downside risks to growth and employment, especially if the government shutdown is stretched to a new record duration. This will bring the Fed Funds Target rate (FFTR) to 3.75% (upper bound of FFTR) by end-2025. The interest rate swap market is currently (as of 30 Oct) pricing in about 70% probability of a 25 bps rate cut in Dec. Further out, we are also keeping our view for the two rate cuts for 2Q and 3Q 2026, implying a terminal FFTR of 3.25% in 2026.

Chart 7: We reiterate view of lower DXY in the coming quarters

Source: Macrobond, UOB Global Economics & Markets Research



Relative to its G-10 peers, the Fed is expected to maintain a more dovish stance, particularly as other central banks approach the end of their respective easing cycles. Most other G-10 central banks are likely to ease less than the Fed over the next 12 months. The Reserve Bank of Australia (RBA) is no longer seen cutting rates in 4Q25 as well. This policy divergence is expected to narrow USD interest rate differentials, reinforcing medium-term downward pressure on the USD.

Overall, our latest DXY forecasts are 97.1 by end-2025 and 94.5 by 3Q26, a modest uplift from that of the last review on 6 Oct, primarily due to an upgrade of USD/JPY forecasts this time round.

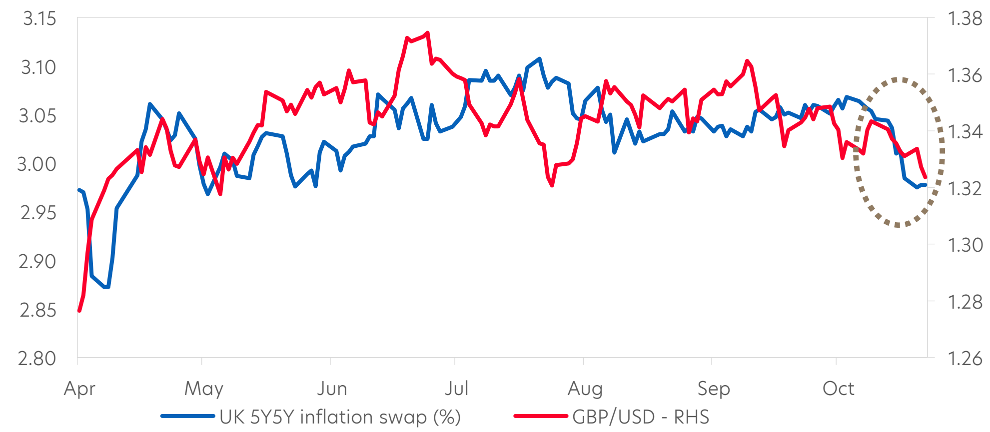
Beyond monetary policy, several factors could inject volatility into the expected downward trajectory of the USD. First, notwithstanding recent positive momentum in trade negotiations, the timeline and terms of a potential US-China deal remain uncertain. Any setback could reignite safe haven flows into the USD. Second, the ongoing US government shutdown – now nearing one month and already the second longest on record – may conclude in the coming weeks, potentially triggering a short-lived relief rally in the USD.

EUR/USD drifted lower to 1.16 by end-Oct, easing from 1.17 at the start of the month, as lingering political uncertainty in France weighed modestly on sentiment, though it is unlikely to escalate into broader Eurozone contagion risks. Moody's Ratings revised France's credit outlook to negative from stable, aligning with recent downgrades by S&P, Fitch, and DBRS. Nonetheless, France's sovereign rating remains robust at Aa3 – seven notches above junk and on par with the UK.

Despite the recent consolidation, our view of a higher EUR/USD over the medium term remains, supported by persistent net-long futures positioning and stable risk reversals. More Fed rate cuts compared to the ECB over the next 12 months may spur a further narrowing of the EUR-USD rate differentials which will provide tailwinds for the currency pair. Overall, our updated forecasts for EUR/USD are at 1.19 in 4Q25, 1.20 in 1Q26, 1.21 in 2Q26 and 1.22 in 3Q26.

Chart 8: GBP/USD was weighed by falling UK inflation expectations in Oct

Source: Bloomberg, UOB Global Economics & Markets Research



GBP/USD declined by about 1.8% in Oct, ending the month nearer to 1.32. The pair came under pressure as market participants adopted a cautious stance ahead of the UK's Autumn Budget, scheduled for 26 Nov, where fiscal consolidation measures are widely anticipated. Adding to the downside, Sep's inflation data surprised to the downside, reinforcing expectations for a potential rate cut by the Bank of England (BOE) in Dec, further dampening sentiment toward the GBP.

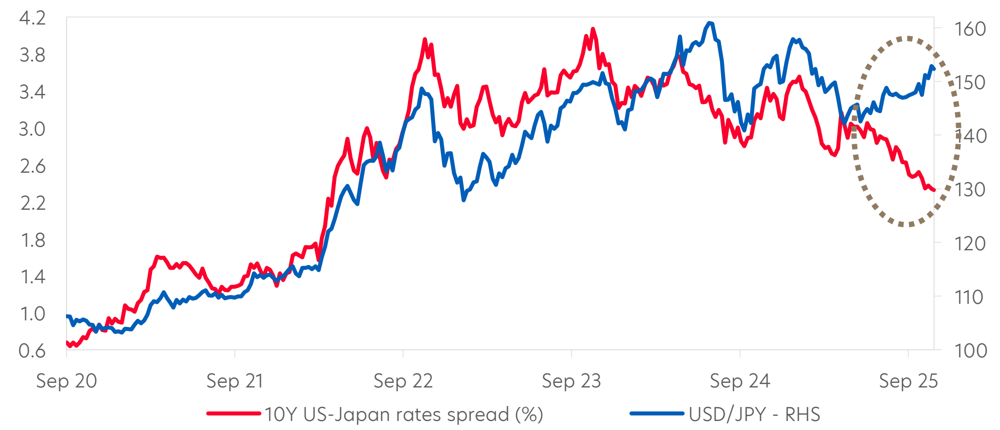
With domestic headwinds expected to moderate, we continue to view Fed rate-cut expectations as the dominant driver of GBP/USD going forward. We maintain our constructive stance on the pair, underpinned by a mildly supportive GBP-USD rate differential. Our updated forecasts project GBP/USD at 1.35 in 4Q25, 1.37 in 1Q26, and 1.38 in both 2Q26 and 3Q26.

The USD/JPY bolted to a higher range above 150 in Oct as Bank of Japan (BOJ) rate hike expectations dived after Sanae Takaichi became Japan's first female PM. This renewed weakness in the JPY appears at odds with the persistently high 10-year JGB yield. Consequently, the divergence between USD/JPY and the 10-year yield differential widened notably in Oct, with the latter falling to its lowest level in over three years. Looking ahead, we anticipate a gradual convergence lower in USD/JPY, driven by renewed USD softness and a further decline in US yields as Fed rate cut expectations gain traction.

At the same time, our on-going forecast for a 25-bps BOJ rate hike in Dec (albeit with lesser confidence) could ignite demand for the JPY. In addition, we can reasonably expect verbal interventions by authorities to emerge should USD/JPY grinds deeper into the mid-150s and towards the key psychological level of 160 where the Ministry of Finance last intervened in Apr-May 2024. We maintain our view of a gradual decline in USD/JPY, though at the higher base as fiscal concerns lingered. Our latest USD/JPY forecasts are at 150 in 4Q25, 148 in 1Q26, 146 in 2Q26 and 144 in 3Q26.

Chart 9: USD/JPY diverged further from the rates spread after Takaichi's appointment as Japan's PM

Source: Bloomberg, UOB Global Economics & Markets Research



The AUD roundtripped in Oct, briefly declining to a two-month low of 0.6440 before rebounding to close the month largely flat at 0.66 as market sentiment gyrated in response to evolving US-China trade headlines. Driving the subsequent rebound AUD was a hot inflation print – CPI accelerated to 3.5% y/y in 3Q25 from 2.1% in 2Q25 – and less dovish policy stance from the Reserve Bank of Australia (RBA). Governor Michele Bullock recently said Australia's labour market is still tight while inflation is proving sticky, signaling a higher bar to further monetary policy easing.

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Looking ahead, on top of a less dovish RBA, we expect global trade tensions to gradually ease, contributing to a stable CNY while USD weakens anew as Fed rate cuts unfold – conditions that are broadly supportive of the AUD. Against this macro setting, we maintain a constructive view on AUD/USD with updated forecasts at 0.67 in 4Q25, 0.68 in 1Q26, 0.69 in 2Q26 and 0.70 in 3Q26.

Asia FX Strategy

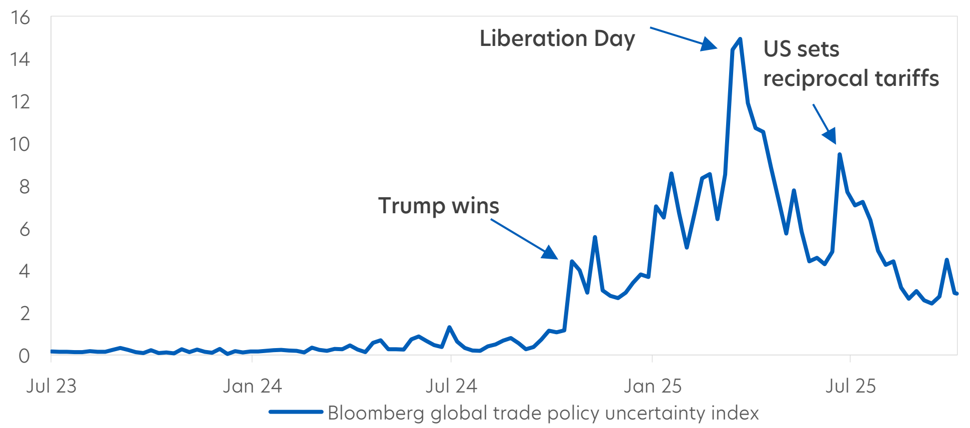
Next leg of Asian FX recovery hinges on trade war de-escalation

Asian currencies delivered a mixed performance in Oct. Most regional currencies saw some profit-taking of their year-to-date gains as USD found a better footing within the month. Nonetheless, downside pressures against Asian FX were contained, underpinned by renewed momentum in US-China trade negotiations. This helped limit losses and maintain a degree of resilience in regional currencies.

Overall, our medium-term positive outlook for Asian FX hinges on a sustained de-escalation in global trade tensions, a stable CNY and a narrowing yield gap of Asian central banks with the Fed. Recent developments remain broadly aligned with our base case. However, we continue to monitor for potential risks that could challenge this view. These include a reacceleration in US inflation prompting lesser or slower Fed rate cuts or a deterioration in China's macro-outlook.

Chart 10: Global trade war appears to be on de-escalating path

Source: Bloomberg, UOB Global Economics & Markets Research



The CNY extended its gains for a third straight month in Oct, with both USD/CNY spot and the PBOC's daily fixing rate breaking below the psychologically significant 7.10 level. This appreciation was underpinned by renewed optimism surrounding US-China trade negotiations, with market participants increasingly pricing in the likelihood of a bilateral trade agreement.

China's 3Q25 GDP growth stayed resilient, coming in at 4.8% y/y which prompted us to revise our full-year 2025 growth forecast to 5.0% (previously 4.9%). This implies that 4Q growth "only needs" to reach 4.5% y/y to meet the official GDP growth target of around 5.0%. However, we caution that the growth outlook for 2026 remains clouded by the anticipated full impact of US tariffs, and we maintain our 2026 GDP forecast at 4.2% for now.

Looking ahead, we see further downside potential for USD/CNY, driven by expectations of a US-China trade deal and continued USD softness amid the Fed's rate-cutting cycle. That said, the pace of CNY appreciation may be tempered by the PBOC's gradual approach to lowering the daily fixing rate and its "moderately loose" monetary policy stance. Overall, our updated USD/CNY forecasts are at 7.08 in 4Q25, 7.05 in 1Q26, 7.03 in 2Q26 and 7.00 in 3Q26.

Tracing movements in the US Dollar index, USD/SGD closed 0.5% higher at 1.2950 in late Oct after briefly topping 1.3018 – a five-month high – earlier in the month. The Monetary Authority of Singapore (MAS) left its policy settings unchanged in its Oct review, maintaining a modest appreciation bias in the S$NEER band (estimated at +0.5% p.a.). We interpret the accompanying statement as relatively hawkish, reflecting a more constructive growth outlook and signaling potential reflationary pressures heading into 2026. In line with this, we expect MAS to retain its current policy stance through the remainder of 2025 and into 2026.

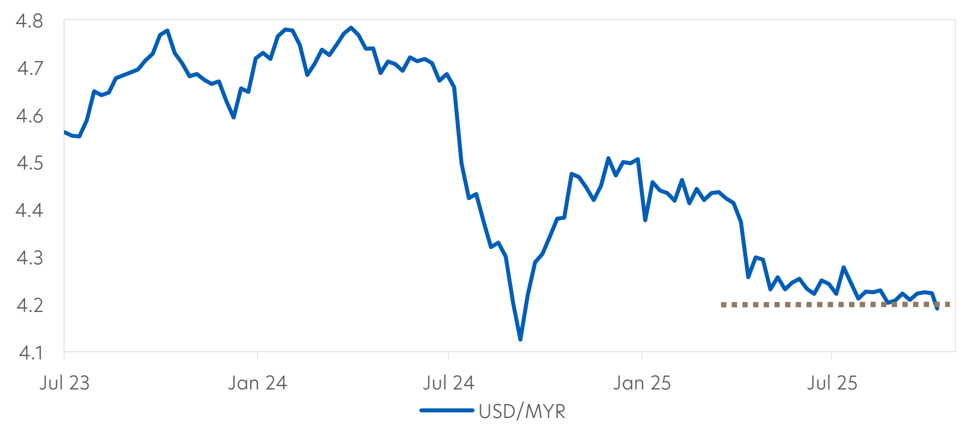
While MAS appears to have concluded its easing cycle, it may be premature to call a definitive bottom in the S$NEER. Consequently, we anticipate SGD to continue the current range trade relative to regional peers, even as the USD softens further in response to additional Fed rate cuts. Accordingly, our latest USD/SGD forecasts are 1.29 in 4Q25, 1.28 in 1Q26, and 1.27 in both 2Q26 and 3Q26.

After topping out at 4.23 in mid-Oct, USD/MYR traded noticeably lower in the final week of Oct, falling to test the psychological 4.20 level and briefly trading below 4.19 as well. From a macro perspective, the recently concluded reciprocal trade agreement with the United States, which includes significant tariff concessions, is aimed at maximizing tariff elimination and enhancing Malaysia's global trade competitiveness. This aligns with our broader view that the global trade environment is gradually stabilizing, with signs of de-escalation in trade tensions.

Looking ahead, we expect USD/MYR to resume its downward trajectory below 4.20, supported by a softer USD backdrop as the Fed continues its rate-cutting cycle. Furthermore, our expectations of no further rate cuts from the Bank Negara Malaysia (BNM) will help to underpin the MYR as well as its rate differential with the USD narrows, possibly encourage portfolio inflows. Overall, our USD/MYR forecasts are 4.18 in 4Q25, 4.16 in 1Q26, 4.13 in 2Q26, and 4.10 in 3Q26.

Chart 11: USD/MYR may trade at a new lower trading range after key 4.20 support is taken out

Source: Bloomberg, UOB Global Economics & Markets Research



The THB's year-to-date appreciation appears to be losing momentum, following the Bank of Thailand's (BOT) confirmation in Sep that it had intervened in the FX market to mitigate excessive currency volatility. This announcement coincided with a pullback in the THB from its four-year high of 31.58 /USD. The central bank's subsequent decision to keep rates unchanged in Oct, coupled with a clear signal of readiness to ease policy if warranted, has further tempered bullish sentiment on the THB.

On the domestic front, Thailand's persistent current account surplus continues to provide a fundamental anchor for the THB. However, this support is being partially eroded by underwhelming tourism numbers, which remain below pre-pandemic levels.

Looking ahead, we expect USD/THB to maintain a gradual downward trajectory, underpinned by broad-based USD softness as the Fed advances its rate-cutting cycle. That said, our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26 introduces the potential for two-way volatility in the pair, particularly if domestic growth concerns intensify or external conditions deteriorate. As such, our revised USD/THB forecasts are 32.1 for 4Q25, 31.9 for 1Q26, 31.7 for 2Q26 and 31.5 in 3Q26.

The IDR posted its first monthly gain in four months, closing marginally higher at 16,630 /USD in Oct, as Bank Indonesia (BI) surprised markets with a policy hold, signaling a renewed emphasis on currency stability. This marked a notable shift from the central bank's earlier "all-out" pro-growth stance, suggesting a more nuanced balancing act between supporting the domestic economy and anchoring the IDR.

Despite the recent stabilization, the narrow USD/IDR trading range of 16,515-16,708 observed in Oct may prove short-lived. With BI keeping the door open for further monetary easing, we maintain our base case for an additional 50 bps of rate cuts by 1Q26. This dovish bias could reintroduce downside pressure on the IDR, particularly in an environment of subdued bond inflows.

While broad-based USD softness may offer some reprieve, we remain cautious on the IDR's relative performance. Compared to regional peers, the currency may lag in benefiting from the global USD downtrend. Our updated USD/IDR forecasts are at 16,600 in 4Q25, 16,500 in 1Q26 and 16,400 in both 2Q26 and 3Q26.

VND rebounded for the first time since Jan, gaining 0.3% to 26,330 /USD amid an improvement in trade sentiments and sustained central bank support. In late Oct, the US formally unveiled the trade framework tied to the 20% tariff agreement reached in Jul. Under the deal, the US will extend zero-tariff treatment to selected Vietnamese exports, while Vietnam will reciprocate with preferential access for US industrial and agricultural goods. In a further effort to stabilise the currency, the State Bank of Vietnam (SBV) announced plans to sell USD 1.5 bn via 180-day cancellable forward contracts—marking its third FX market intervention in just two months.

Despite the recent rebound, we continue to expect the VND to underperform relative to regional peers amid a broader USD softening trend. We maintain a cautious stance on the VND and our updated USD/VND forecasts are at 26,300 in 4Q25, 26,200 in 1Q26, 26,100 in 2Q26 and 26,000 in 3Q26.

Rates Strategy
To continue gradual grind lower

US Rates: SOFR to ease in line with Fed's expected cautious pace of rate cuts

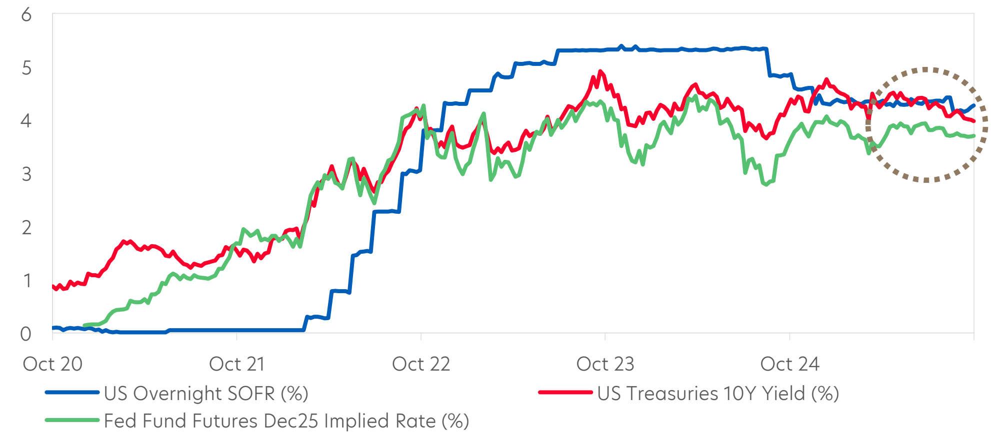
Since resuming this rate cutting cycle, the US Federal Reserve (Fed) has cut by a second 25 bps at the latest Oct FOMC, bringing Federal Funds Target Rate (FFTR) down to the 3.75% to 4.00% range. Our macroeconomic team noted that Chair Powell during the Sep FOMC, also tried to downplay the commitment toward further rate cuts although not as forceful a message compared to this time at the Oct FOMC, perhaps the difference this time was due to the absence of key government data to guide their Oct decision.

Post-Oct FOMC rate cut, our macroeconomic team continue to project one more 25-bps rate cut in the remaining Dec FOMC meeting this year, primarily due to downside risks to growth and employment, especially if the government shutdown is stretched to a new record duration. This will bring the Fed Funds Target rate (FFTR) to 3.75% (upper bound of FFTR) by end-2025. Our macroeconomic team is also keeping the view for the two rate cuts for 2026, implying a terminal FFTR of 3.25% in 2026. For more details, kindly refer to Macro Note: "US Oct FOMC: Delivering the second 25 bps cut in 2025 but Dec far from certain" dated 30 Oct 25.

In line with this anticipated gradual pace of rate cuts, the overnight SOFR is now expected to drift below 4.0%. Our updated forecasts call for 3M compounded in arrears SOFR to ease to 3.97% by 4Q25 and 3.31% by 3Q26. Prevailing 3M compounded in arrears SOFR is 4.31%.

Chart 12: US rates continue their gradual grind lower

Source: Bloomberg, UOB Global Economics & Markets Research



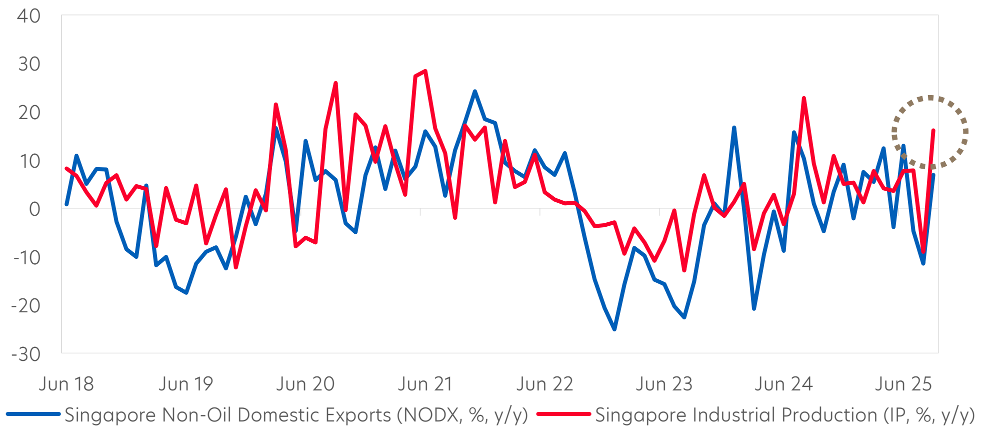
In the longer dates, reinforcing the Fed's monetary policy decision as one of the key drivers, the 10Y US Treasuries (UST) yield has now pulled back in tandem to test the 4% floor. Going forward, we see gradual drift lower in 10Y UST yield as well. Our updated forecasts for 10Y UST yield is 4.00% by 4Q25 and drifting lower to 3.90% in 1Q26. Prevailing 10Y UST yield is 4.06%. However, we need to highlight the risk of extrapolating this drop in 10Y UST and longer dated Treasuries yield in general. As the US Federal Government shutdown drags on, there will be increasing worries about US fiscal sustainability and the growing US fiscal debt load, which may well renew the stickiness in 10Y UST yield.

SG Rates: SORA to continue consolidation at current lows as MAS is now seen on hold into 2026

The recent round of macroeconomic data for Singapore has been remarkably strong. As a result of front loading of pharmaceutical production and exports, Singapore's industrial production surged anew by 26.3% m/m in Sep, reversing the 11% m/m contraction in Aug. Industrial production for electronics also jumped by a meaningful 15.8% m/m in Sep, reversing as well the 13.3% m/m contraction in Aug, suggesting a stronger secular tailwind with more widespread diffusion of AI into the rest of the consumer electronics space. Similarly, Singapore's Non-Oil Domestic Exports (NODX) jumped by a stronger than expected 13% m/m in Sep, reversing the 9.1% m/m contraction in Aug. For more details, kindly refer to Macro Note: "Singapore: Sep IP - Pharma front-loading surge and resilient electronics driven by AI demand" dated 24 Oct 25 as well as Macro Note: "Singapore: Sep NODX – Strong Electronics NODX likely driven by secular AI-related demand" dated 17 Oct 25.

Chart 13: Renewed strength in Singapore exports and industrial production heading into 4Q25

Source: Bloomberg, UOB Global Economics & Markets Research



Beyond the surprise jump in industrial production, Singapore's retail sales grew strongly as well by 5.2% y/y in Aug, gaining strength from 4.6% y/y in Jul. This is the strongest annual growth rate for retail sales since early 2024. In particular, Jul to Aug tourist arrivals is now back to 93% of the level in 2019, driven by a large rebound in Chinese tourists. The strong retail sales and tourism momentum is expected to continue into Oct with F1 and China's Golden Week. For more details, kindly refer to Macro Note: "Singapore: Robust Jul-Aug retail sales likely driven by tourism and retained domestic spending" dated 03 Oct 25.

On the inflation front, Singapore's core inflation recorded a sequential rebound in Sep, rising 0.3% m/m from 0.1% m/m in Aug, reflecting early signs of reflation following subdued core CPI this year. Several components of core inflation reflected clear gains across Sep, including clothing, health, land transport, household durables and services etc. Our macroeconomic team has nudged the 2025 core inflation forecast higher to 0.6% y/y (from 0.5% y/y) and raised the 2026 core projection to 1.3% y/y (from 1.1% y/y). For more details, kindly refer to Macro Note: "Singapore: Sep CPI – Core inflation has likely troughed" dated 23 Oct 25.

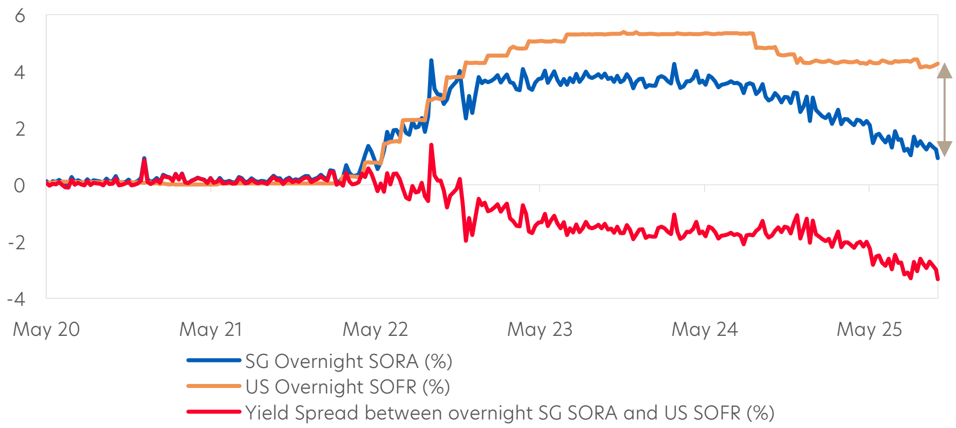
As a result of the stronger than expected Sep industrial production, our macroeconomic team our macroeconomic team expects the final 3Q25 GDP reading to be revised upwards to 4.0% y/y from 2.9% y/y in the advance estimates. Consequently, we have raised our 2025 GDP forecast for Singapore to 3.5% y/y from 3.2% y/y previously.

Consequently, against previous expectations of further easing of monetary policy, our Macroeconomic team now expects the Monetary Authority of Singapore (MAS) to remain on hold across 2026, maintaining the current projected 0.5% appreciation path for the S$NEER. With output gap slightly positive, the current policy setting offers the MAS greater flexibility to respond accordingly to dual-sided risks to both growth and inflation, while allowing for adjustments in the S$NEER within the band parameters.

Consequently, with the MAS now seen on hold, the SORA can be expected to continue its on-going consolidation near the low. Worth pointing out that since dropping to the low of about 0.7% in early Sep, the overnight SORA has been consolidating in recent weeks above the psychological 1.0% level.

Chart 14: SORA remains at a historically wide discount to SOFR

Source: Bloomberg, UOB Global Economics & Markets Research



While we can expect the further Fed rate cuts to depress SORA further, we reiterate our cautious view that most of the downside transmission to SORA has been realized and that there is a limit to how much lower SORA can drop given that the spread between SORA and SOFR has now widened to a historically wide level of more than 3% on an overnight basis. We continue to follow near term MAS bill issuances closely. A rise in net MAS bill issuances can be taken as a proxy from the MAS signaling that the bottom in SORA is within sight.

Our updated forecasts for 3M compounded in arrears SORA is 1.17% by 4Q25 and 1.21% by 3Q26. Prevailing 3M compounded in arrears SORA is 1.34%. Similarly, in the back end, the 10Y Singapore Government Securities (SGS) yield has continued to widen to historical extremes as well. While this is a clear endorsement of the solid safe haven status of SGS amidst growing global uncertainty, there is a limit to just how low SGS yield can drop given that Singapore's economy has performed much stronger than expected across 2025. Overall, our updated forecasts 10Y SGS yield is 1.80% by 4Q25 and 2.20% by 3Q26. Prevailing 10Y SGS yield is 1.87%.

DM and Asian Rates: More central banks increasingly adopt wait-and-see posture and unlikely to make rate changes over near term

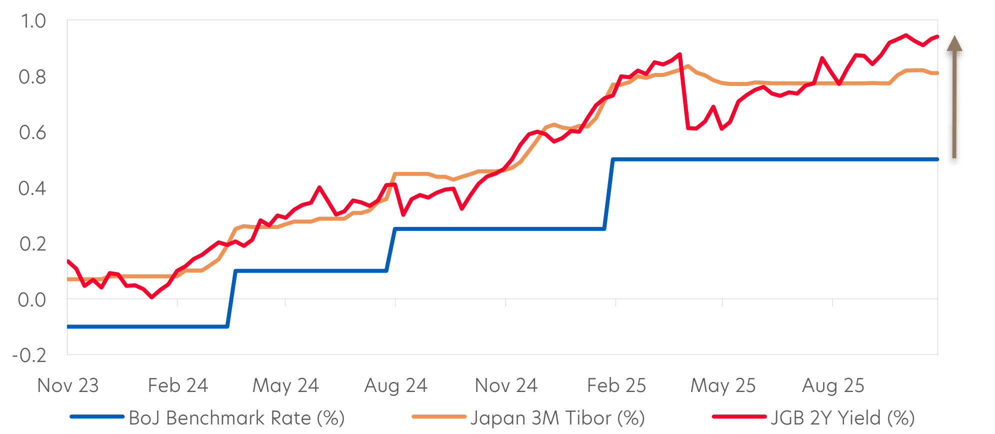
In general, with the exception of the BOJ, which is seen pushing ahead with its projected rate hikes, albeit at a slower pace, our updated assessment of central bank decisions in the DM and Asian space suggests an even shallower rate cutting cycle going forward. Growth recovery and a hot property market are expected to delay anticipated Bank of Korea (BOK) rate cuts to 1H26. While the latest surge in exports for both Malaysia and Singapore will now see Bank Negara Malaysia (BNM) and Monetary Authority of Singapore (MAS) staying on hold going forward. As for Reserve Bank of New Zealand (RBNZ), the outsized 50 bps cut in early Oct is seen as front loading, thereby allowing it to adopt a final 25 bps cut by end of this year. And as for the Reserve Bank of Australia (RBA), it may well stay on hold for the rest of this year, leaving its Official Cash Rate (OCR) unchanged at the current 3.60% for now, after the stronger-than-expected surge in 3Q25 inflation. Finally, our macroeconomic team still sees the need for Bank Indonesia (BI) to cut further despite the latest surprise decision to stay on hold. Detailed discussion of each anticipated monetary policy decision hereafter.

In the Developed Market (DM) space, after surprising with its outsized 50 bps cut to its Official Case Rate (OCR) to 2.5% in early Oct, the Reserve Bank of New Zealand (RBNZ) is likely to go easier on its easing cycle going forward. Given the stalling economy and weak labor market dynamics, our Macroeconomic team now sees Oct's 50 bps cut as front loading and believe that RBNZ will now make a final 25 bps cut at the 26 Nov meeting to lower its OCR to 2.25% which will likely market the end of this monetary policy easing cycle. For more details, kindly refer to Macro Note: "New Zealand: RBNZ surprises with larger 50 bps rate cut in Oct" dated 08 Oct 25.

As for Australia, in line with the stronger than expected 3.2% y/y rise in 3Q25 CPI, our macroeconomic team now thinks that the Reserve Bank of Australia (RBA) will hold off cutting rates further for the rest of this year. As such, the RBA's Overnight Cash Rate (OCR) is expected to stay unchanged at the current 3.60% for both the upcoming 4th Nov and 9th Dec meetings. Thereafter, the RBA is seen resuming its rate cuts across 1H26, with one 25 bps cut each in 1Q26 and 2Q26, dropping the OCR down to the eventual 3.10%. For more details, kindly refer to Macro Note: "Australia: RBA likely to hold off easing for the remainder of this year on inflation surge" dated 30 Oct 25.

Chart 15: BOJ still expected to raise its benchmark rate eventually towards 1.0%

Source: Bloomberg, UOB Global Economics & Markets Research



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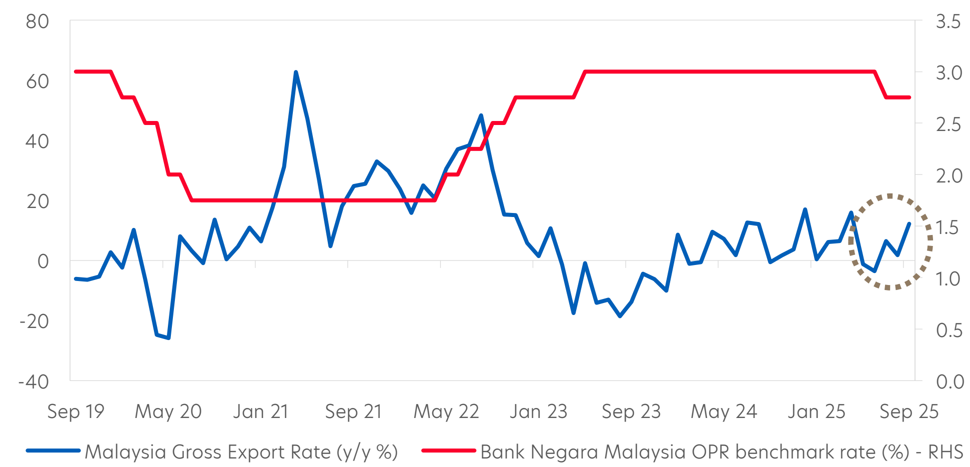
In Japan, as widely expected a reluctant BOJ has opted to stay on hold at its latest monetary policy meeting in November. Despite the bias from newly appointed Prime Minister Sanae Takaichi to keep monetary policy easy, our view remains that the BOJ is bidding its time and will eventually need to hike rates again as the further strengthening of Japan's inflation dynamics become increasingly apparent. Specifically, our macroeconomic team kept that existing view for the BOJ to hike its policy rate by 25-bps to 0.75% at the 18/19 Dec MPM and thereafter, a final 25 bps hike to the terminal rate of 1.00% only in 3Q 2026. Admittedly, the odds of a 25 bps hike in December are now much lower and reduced to almost a coin toss. For more details, kindly refer to Macro Note: Japan BOJ Oct MPM: Another pause with scant indication for a year-end hike" dated 30 Oct 2025.

South Korea's economy continued to improve in 3Q on the back of a trade truce with US, domestic political stability post-Jun presidential election and the recovery in consumer sentiment. The 3Q advance GDP rose a stronger- than-expected 1.7% y/y, 1.2% q/q SA up from 2Q's 0.6% y/y, 0.7% q/q SA. Private consumption was a bright spot as the growth momentum accelerated to 1.3% q/q from 0.5% q/q in 2Q, benefiting from the fiscal stimulus (two supplementary budgets totaling 1.7% of GDP), lower domestic interest rates and jobs gains and possibly from the weaker KRW as well.

South Korea's growth pick-up further reduces the prospect of a rate cut in Nov where the Bank of Korea (BOK) will hold its last rate meeting for the year on 27 Nov. The BOK had stayed on hold for the third consecutive meeting in Oct, primarily driven by concerns over financial stability amid a rebound in South Korea's property prices. Whether the BOK will resume its rate cut will need to take into consideration of the financial stability conditions including the property market and the KRW. Overall, our macroeconomic team now expects BOK to delay its next 25-bps rate cut to 1Q26, while keeping our call for one more cut in 2Q26 to bring the terminal rate to 2.00% from current 2.50%. For more details, kindly refer to Macro Note: "South Korea: Stronger growth implies BOK may delay further rate cuts" dated 28 Oct 25.

Chart 16: BNM not expected to cut OPR further in light of firmer activity like stronger industrial production

Source: Bloomberg, UOB Global Economics & Markets Research



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Very similar to Singapore, Malaysia experienced a stronger than expected economic performance of late. Malaysia's gross export jumped by 12.2% y/y in Sep, from 1.7%y/y in Aug. In addition, Malaysia's 3Q25 advance GDP data underscored the strength of the domestic economy, with growth accelerating to a one-year high of 5.2% y/y, from 4.4% y/y growth in 2Q25. This upside surprise in 3Q advance GDP growth was propelled by broad-based expansion across key sectors. Consequently, our macroeconomic team has now raised their FY26 GDP forecast to 4.5% y/y, at the high end of the MOF's 4.0% to 4.5% range. For more details, kindly refer to Macro Note: "Malaysia: Exports jumped 12.2% y/y in Sep" dated 17 Oct 25 as well as Macro Note: "Malaysia: 3Q25 advance GDP signals enduring economic strength" dated 17 Oct 25.

Together with the Malaysian government's latest expansionary budgetary measure, the growth trajectory for Malaysia is now expected to provide sufficient flexibility for Bank Negara Malaysia (BMM) to stay on hold. As such, against previous expectations of a further 25 bps cut by the end of this year, our macroeconomic team now expects BNM to keep its OPR steady at 2.75% into 2026.

Finally for Indonesia, against expectations of further rate cut, Bank Indonesia (BI) wrong footed our Macroeconomic team yet again, by holding its interest rate corridor unchanged at its Oct MPC, keeping its 7-day Reverse Repo, Deposit Facility Rate and Lending Rate steady at 4.75%, 3.75% and 5.50% respectively. BI cited a need for a pause so as to improve the rate cutting transmission. Going forward, our Macroeconomic team continues to project the need for BI to cut by a further 25bps in 4Q25 and subsequently by another 25bps in 1Q26 to reach the terminal rate of 4.25% for the 7-day Reverse Repo. For more details, kindly refer to Macro Note: "Indonesia: A Pause in Rate-cutting Cycle, not the End" dated 24 Oct 25.

Commodities Strategy

Gold's long term positive fundamental drivers remain intact despite recent sharp correction

- This sharp correction in gold price is very much necessary to trim down the excessive speculative long positioning that has been accumulated over the past 3 months alongside this strong parabolic rally in gold.

- Despite this correction, it is important to note that the long-term positive fundamentals for gold remain intact. These include strong consistent central bank allocation and strong investor purchases of gold across various investment products. All these purchases of gold have one key common important motivation, i.e. the need for safe haven diversification of portfolio amidst the increasingly volatile de-dollarization narrative.

- Overall, we maintain our positive outlook for gold and raise our forecast modestly by USD 100 / oz across each of the forthcoming four quarters to USD 4,000 / oz by 4Q25, USD 4,100 / oz by 1Q26, USD 4,200 / oz by 2Q26 and USD 4,300 / oz by 3Q26. Prevailing spot reference rate is USD 3,950 / oz.

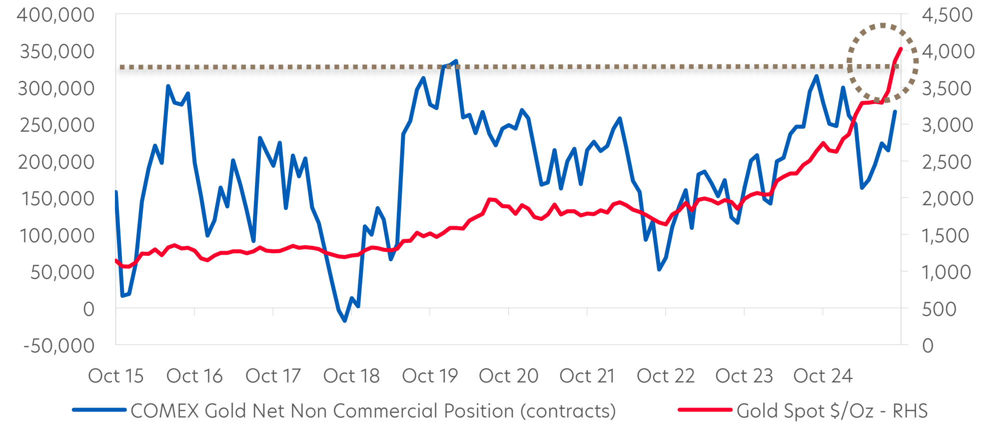
- Latest technical analysis suggest that the USD 3,751 / oz level is a confluence of various technical levels and may offer solid support.

The correction in gold price has finally arrived! In terms of magnitude, this latest correction in gold price is very substantial. At the moment of writing, spot gold has dropped from almost USD 4,400 / oz on 20 Oct to just under USD 3,900 / oz on 28 Oct, a "collapse" of about USD 500 / oz in just over a week.

This ranks up there as THE LARGEST weekly drop in gold price on record. However, this correction looks more measured when viewed alongside the sharp parabolic jump in gold price over the past 3 months as spot embarked on its remarkable rally from Aug after breaking above the key psychological resistance of USD 3,500 / oz.

Chart 17: Comex net non-commercial position in gold has likely spiked to a new historical high across Oct

Source: Bloomberg, UOB Global Economics & Markets Research



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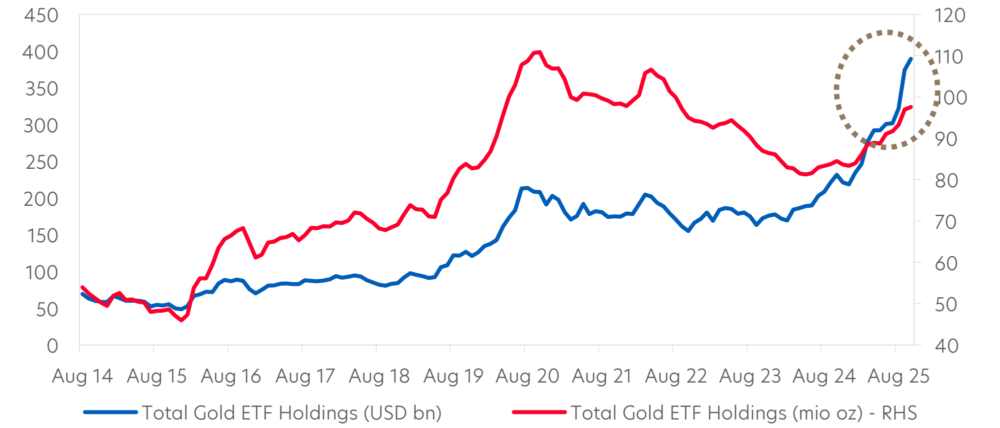
This short term correction is necessary to trim down excessive speculative long positioning

Various signs suggest that this sharp correction is very much necessary to trim down the excessive speculative long positioning that has been accumulated over the past 3 months alongside this parabolic rally in gold. A good proxy of such speculative positioning is the net non-commercial positioning of gold futures on Comex. The latest available data suggests that such a positioning was near its all-time high for net longs as of early Oct. This net long positioning is likely to have jumped to a new record high by late Oct. However, latest weekly positioning data across October is unavailable as it was delayed due to the US Federal Government shutdown.

Chart 18: Total Gold ETF holdings rise to almost 100 mio oz or USD 400 bn

Source: Bloomberg, UOB Global Economics & Markets Research

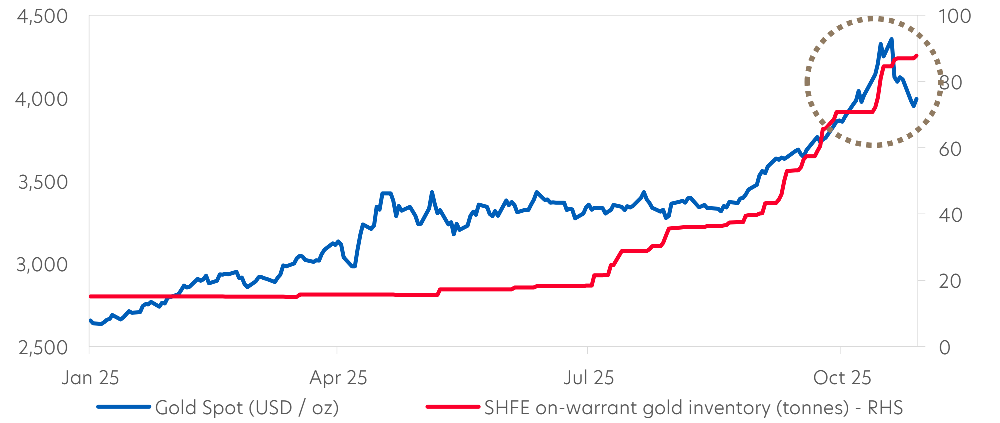


Despite this correction, long term positive fundamentals for gold remain intact

Despite this correction, it is important to note that the long-term positive fundamentals for gold remain intact. These include strong consistent central bank allocation and strong investor purchases of gold across various investment products ranging from physical gold bullion to futures to ETFs. The total amount of gold ETF holdings has now risen to almost 100 mio oz or just under USD 400 bn and has room to rise further. And despite the recent sharp correction in gold price, the amount of on-warrant inventory on Shanghai Futures Exchange (SHFE) continues to head north towards 90 tonnes from just under 20 tonnes at the start of Jul.

Chart 19: Despite recent gold price correction, SHFE on-warrant gold inventory continues to climb towards 90 tonnes

Source: Bloomberg, UOB Global Economics & Markets Research



All these purchases of gold from central banks to retail investors have one key common important motivation, i.e. the need for safe haven diversification of portfolio amidst the increasingly volatile de-dollarization narrative. The latest de-escalation of US-China trade tension is encouraging and likely to have contributed to the recent correction in gold. But this does not change the long-term risk of on-going trade tensions and geopolitical risk from the US as the Trump Administration sought to raise tariffs further as it positions for more sectoral tariffs and other non-trade related measures ahead.

World Gold Council (WGC)'s latest quarterly report affirmed strong investment demand and healthy central bank buying

The World Gold Council (WGC) just published its quarterly gold demand update for 3Q25. In the report the WGC noted that total gold demand rose to a new record high of 1,313 tonnes in 3Q25. WGC affirmed that "investors remained firmly in the driving seat", with huge ETF buying, accompanied by strong bar and coin investment.

WGC noted that central banks remain a firm pillar for gold demand, buying an estimated net 220 tonnes of gold in 3Q25, 28% higher than in 2Q25 and 6% above the 5 year quarterly average. WGC added that "ongoing geopolitical turbulence and US dollar weakness continued to drive safe-haven buying, with added impetus from FOMO-driven flows.".

WGC concluded by noting that "Investment demand for gold ETFs, bars and coins, having accelerated in Q3, is expected to remain elevated. Central bank demand remains healthy, and we see the longer-term buying trend continuing". For more details, kindly refer to WGC's "Gold Demand Trends 3Q25" report published 30 Oct 25. Gold Demand Trends: Q3 2025 | World Gold Council

We keep our positive view for gold and raise quarterly forecasts modestly to USD 4,300 / oz by 3Q26

Overall, in line with long term positive fundamentals staying intact, we maintain our positive outlook for gold and raise our forecast modestly by USD 100 / oz across each of the forthcoming four quarters to USD 4,000 / oz by 4Q25, USD 4,100 / oz by 1Q26, USD 4,200 / oz by 2Q26 and USD 4,300 / oz by 3Q26. Prevailing spot reference rate is USD 4,000 / oz.

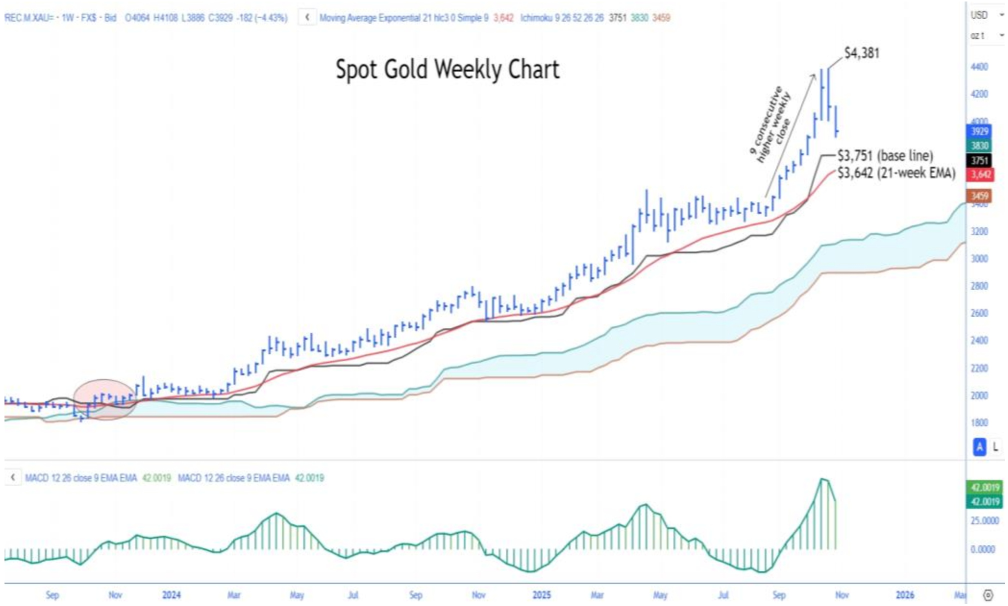
Expect volatility from increasing uncertainty in Fed monetary policy; Technical indicators suggest USD 3,751 level to provide solid support

It is important to note that while the long-term fundamentals remain positive, the risk of further near-term correction remains given the uncertain outlook of Fed monetary policy. This is especially so when Chair Powell after cutting rates by another 25 bps at the latest Oct FOMC, downplayed expectations of a further rate cut at the Dec FOMC. Nonetheless, our macroeconomic team views that on balance the Fed is still expected to cut by another 25 bps at the Dec FOMC, primarily due to downside risks to growth and employment, especially if the government shutdown is stretched to a new record duration.

Latest technical analysis of short-term price movement suggests that "there is room for spot gold to pull back further, the base line of the weekly Ichimoku cloud, currently at $3,751, is expected to provide solid support." For more details, kindly refer to Chart of the Day report on gold attached at the end of this monthly.

Over the longer run, USD 5,000 / oz may well be attainable should safe haven diversification needs prevail and intensify, the pace of gold rally from here on is likely to be more gradual and sustainable from here on. It may be unrealistic to expect a repeat of yet another parabolic jump in gold price over the near term.

Spot gold: $3,829
There is room for spot gold to pull back further, but the base line of the weekly Ichimoku cloud, currently at $3,751, is expected to provide solid support.



Source: LSEG Workspace, UOB Global Economics & Markets Research

After rising for nine consecutive weeks, spot gold declined last week, retreating sharply from its record high of $4,381. Spot gold continues to pull back this week. Given the magnitude of the recent rally, we view the decline as a corrective pullback within the broader uptrend.

While there is room for gold to pull back further, we expect the base line of the weekly Ichimoku cloud, currently at $3,751, to provide solid support. It is worth noting that gold has remained above the weekly base line since rising above it in late 2023. The 21-week EMA, which is now at $3,642, could rise and converge with the base line in the coming weeks, reinforcing the $3,751 level as a key support. However, if gold breaks below the baseline, it could suggest that the record high of $4,381 may remain intact for a longer period.

FX, INTEREST RATES & COMMODITIES
Forecasts

FX	31 Oct	4Q25F	1Q26F	2Q26F	3Q26F
USD/JPY*	154	150	148	146	144
EUR/USD	1.16	1.19	1.20	1.21	1.22
GBP/USD*	1.32	1.35	1.37	1.38	1.38
AUD/USD	0.66	0.67	0.68	0.69	0.70
NZD/USD	0.57	0.59	0.60	0.61	0.61
DXY*	99.5	97.1	96.1	95.3	94.5
USD/CNY*	7.11	7.08	7.05	7.03	7.00
USD/HKD	7.77	7.80	7.80	7.80	7.80
USD/TWD	30.7	30.2	30.0	29.7	29.5
USD/KRW*	1,430	1,410	1,390	1,370	1,360
USD/PHP*	58.9	58.2	57.8	57.4	57.0
USD/MYR*	4.20	4.18	4.16	4.13	4.10
USD/IDR	16,640	16,600	16,500	16,400	16,400
USD/THB	32.3	32.1	31.9	31.7	31.5
USD/VND*	26,332	26,300	26,200	26,100	26,000
USD/INR*	88.7	88.0	87.6	87.2	86.8
USD/SGD	1.30	1.29	1.28	1.27	1.27
EUR/SGD	1.50	1.54	1.54	1.54	1.55
GBP/SGD*	1.71	1.74	1.75	1.75	1.75
AUD/SGD	0.85	0.86	0.87	0.88	0.89
SGD/MYR*	3.23	3.24	3.25	3.25	3.23
SGD/CNY*	5.47	5.49	5.51	5.54	5.51
JPY/SGDx100*	0.84	0.86	0.86	0.87	0.88

POLICY RATES	31 Oct	4Q25F	1Q26F	2Q26F	3Q26F
US Fed Funds Rate	4.00	3.75	3.75	3.50	3.25
JPY Policy Rate	0.50	0.75	0.75	0.75	1.00
EUR Refinancing Rate	2.15	1.90	1.90	1.90	1.90
GBP Repo Rate	4.00	3.75	3.50	3.25	3.00
AUD Official Cash Rate*	3.60	3.60	3.35	3.10	3.10
NZD Official Cash Rate*	2.50	2.25	2.25	2.25	2.25
CNY 1Y Loan Prime Rate	3.00	2.90	2.90	2.90	2.90
HKD Base Rate	4.25	4.00	4.00	3.75	3.50
TWD Official Discount Rate	2.00	2.00	1.88	1.75	1.75
KRW Base Rate*	2.50	2.50	2.25	2.00	2.00
PHP O/N Reverse Repo*	4.75	4.50	4.25	4.25	4.25
MYR O/N Policy Rate*	2.75	2.75	2.75	2.75	2.75
IDR 7D Reverse Repo	4.75	4.50	4.25	4.25	4.25
THB 1D Repo	1.50	1.25	1.00	1.00	1.00
VND Refinancing Rate	4.50	4.50	4.50	4.50	4.50
INR Repo Rate	5.50	5.50	5.50	5.50	5.50

INTEREST RATES	31 Oct	4Q25F	1Q26F	2Q26F	3Q26F
USD 3M SOFR (compounded)*	4.31	3.97	3.81	3.56	3.31
SGD 3M SORA (compounded)*	1.34	1.17	1.16	1.15	1.21
10Y US Treasuries Yield*	4.10	4.00	3.90	3.90	4.00
SGD 10Y SGS*	1.91	1.80	1.75	2.00	2.20

COMMODITIES	31 Oct	4Q25F	1Q26F	2Q26F	3Q26F
Gold (USD/oz)*	4,034	4,000	4,100	4,200	4,300
Brent Crude Oil (USD/bbl)	65	70	65	60	60
Copper (USD/mt)	11,184	10,000	9,500	9,000	9,000

Updated as of 31 Oct 2025
* Forecasts updated as compared to previous report dated 06 Oct 2025
Source for spot rates: Bloomberg

Disclaimer