

Dec 08, 2025

**Three Take-Aways**

1) US equities saw cautious gains as UST yields edged higher despite lower inflation expectations and in line PCE price index, hinting at doubts about extent of rate cuts ahead of FOMC.

2) US trade rep Greer affirms China's adherence to trade agreement while EU-China trade tensions may be heating up.

3) RBA is due for a widely expected hold tomorrow; hawkish tones abound but a hike is still a high bar.

**MACRO THEME: The Bigger Picture**

- Last Friday, even as **economic data releases were supportive, risk sentiments still lean towards a cautious tone** amid a mild recovery for US equities. For one, this may be due to caution on the extent of rate cuts possible in 2026 ahead of the upcoming mid week FOMC meeting.

- The **September PCE headline price and core price index expanded at a 0.3% and 0.2% MoM** pace respectively which were in line with expectations but may still be insufficient to trigger comfort to ease further beyond "insurance" cuts.

- Furthermore, personal spending grew at just 0.3% MoM in nominal terms implying that real spending was flat in September. In any case, September data is well dated by now in terms of relevance and may have been overshadowed by reports of robust Black Friday sales.

- Meanwhile, the December report for the University of Michigan Survey showed an **improvement in consumer sentiments coming out of the government shutdown** while inflation expectations edged lower. To be clear, even as these sentiments are "lifted", this **print is still the third worst print** in 2025 with the three other print in April and May (due to Liberation Day Tariffs) and last month's print affected by government shutdown.

- Similarly, while there is **comfort in year ahead inflation expectations dipping lower to 4.1%** which is one of the lowest in 2025 except for the January print, it is still higher than the entirety of 2024.

- Admittedly, there is still a lack of weighing in from labour market data at this juncture.

**The Trade Game**

- Meanwhile, on the trade front, US trade representative Greer said that China has been complying with the trade agreement and commitments are being monitored with ease with a third of soybean purchases undertaken.

- Across the Atlantic, there appears to be simmering tensions between EU and China with French President Macron warning of potential tariffs on Chinese goods due to substantial trade imbalance.

- On this note, India will be hoping that there can be significant progress on trade talks with both US State and Trade officials visiting India this week. That said, given that significance of the trade deal, this remains a working level discussion as any official agreement would certainly involve President Trump and PM Modi.

**Yields (2Y: +3.7bp; 10Y: +3.7bp; 30Y: +3.7bp)**

**Equities (Nasdaq: +0.3%; S&P 500: +0.2%; Dow: +0.2%)**

**FX (DXY: +0.0%)**

- AUD is hovering around mid-66 cents while EUR was sideways around mid-1.16.

- USD/JPY remains buoyed around 155. USD/SGD also relatively unchanged around mid-1.29.

**RBA Preview: Pushing Back Against Dismal Outcomes**

- The **RBA's** upcoming decision is undoubted a **widely expected rate hold**. Headlines of Q3 GDP growth disappointing expectations **did not materially change this December decision**.

- In fact, the **signals of a consumption recovery aided by higher household savings buffer** and on-going investment upcycle has **raise the odds of a rate hike by end-2026**. Specifically, markets went from pricing a 50% chance of a hike by end-2026 to fully pricing in one hike by end 2026.

- The confidence around these hold and hike bets also come amid a backdrop of a **surge in inflation** led by expiring electricity rebates and lower rent assistance. Our view is also that inflation may only return to target in mid-2026 with buoyancy above the RBA's range in the near term. As such, attention has shifted to looking at plausible policy paths beyond this meeting.

**RBA's High Bar for Hikes**

- We retain the view that a **normalisation of the labour market conditions** implies that one more rate cut in mid-2026 cannot be rule out. To be clear, this is not a controversial view based on a derailment of economic recovery. Instead, it is premised on fine tuning of monetary policy settings.

- Specifically, as job vacancies continue to decline, **employment gains is likely to remain subdued** in 2026. In fact, even though job vacancies remain elevated, job gains this year has been weak.

- As such our expectations is for labour force growth to outpace employment growth, unemployment rate is then likely to tick up and hover around the 4.6-4.8% range in mid-2026 which may lead to a risk management adjustment cut.

- While a rate hike certainly cannot be ruled out, we expect **the bar for a rate hike to be high** and this would necessitate a confluence of stronger labour market, household spending and a strong pace of property price growth which may spillover to sticky rent inflation.

- Looking back, it is also worth remembering that the last time the RBA took rates from the current 3.60% to 3.85% was in May 2023 when inflation soared to above 7% and unemployment rate was below 4%.

- For the AUD, the momentum of rate hike bets has led to buoyancy 66 cents. That said, **caution should set in for consolidation towards end-2025 to set the stage for a stronger recovery in 2026** as an elevated AUD rates positioning contrast with an easing Fed.

**DATA/EVENTS**

Yesterday	Actual	Exp.	Prior
(IN) RBI Repurchase Rate	5.25%	5.25%	5.50%
(KR) BoP Current Account Balance (Oct)	\$6813.8	--	\$13467
(PH) CPI YoY (Nov)	1.5%	1.7%	1.7%
(TW) CPI/Core YoY (Nov)	1.2%/1.7%	1.5%/1.8%	1.5%/1.8%
(US) Uni. Of Mich. Sentiment (Dec)	53.3	52.0	51.0
(US) UoM. 1 Yr/5-10Yr inflation (Dec)	4.1%/3.2%	4.4%/3.4%	4.5%/3.4%
(EZ) GDP SA YoY (3Q T)	1.4%	1.4%	1.4%
(JP) Leading Index CI/Coincident Index (Oct)	110.0/115.4	109.3/115.0	108.6/114.6
(VN) CPI YoY (Nov)	3.6%	3.40%	3.30%
(VN) Trade Balance (Nov)	\$1092m	\$1400m	\$2600m
Today	Actual	Exp.	Prior
(JP) Cash/Real Earnings YoY (Oct)		2.2%/-1.2%	2.1%/-1.3%
(JP) GDP Annualised SA QoQ (3Q F)		-2.0%	-1.80%
(JP) BoP Current Account Balance (Oct)		¥3129.9b	¥4483.3b
(CH) Exports/Imports YoY (Nov)		4.0%/3.0%	-1.1%/1.0%

**FX OUTLOOK**

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	155.33	155.34	+0.15%	154.50	- 158.00
EURUSD	1.1642	1.1641	▼0.02%	1.1500	- 1.1700
GBPUSD	1.3328	1.3325	+0.01%	1.3000	- 1.3400
AUDUSD	0.6640	0.6636	+0.45%	0.6500	- 0.6700
DXY	99.0	--	+0.00%	98.5	- 100.5
USDCNY	7.0711	--	▼0.01%	7.0600	- 7.1500
USDCNH	7.0692	7.0693	▼0.03%	7.0500	- 7.1700
USDHKD	7.7847	7.7843	+0.03%	7.7600	- 7.8200
USDSGD	1.2960	1.2960	▼0.01%	1.2900	- 1.3050
USDKRW	1470	1473	+0.00%	1447	- 1485
USDTWD	31.24	--	▼0.27%	30.80	31.60
USDINR	89.99	--	+0.02%	89.00	- 90.10
USDIDR	16644	--	▼0.04%	16500	- 16800
USDMYR	4.111	4.115	▼0.04%	4.100	- 4.180
USDPHP	58.94	--	▼0.17%	58.20	- 59.30
USDTHB	32.04	31.95	+0.00%	31.8	- 32.4
USDVND	26363	26369	▼0.03%	26250	- 26600

\*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.561	4.136	3.7	3.7
JGB (JP)	1.043	1.939	2.5	0.5
Bunds (GE)	2.093	2.797	2.2	2.7
Gilts (UK)	3.776	4.476	4.8	4.2
AGB (AU)	3.946	4.684	-3.9	-1.8
SGS (SG)	1.387	2.014	0.1	0.7
CGB (CN)	1.413	1.831	0.4	-2.0
KGB (KR)	2.835	3.377	-2.1	-0.2
SDL (IN)	5.763	6.494	-5.9	-1.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6870.4	13.28	+0.19%
Nasdaq (US)	23578.13	72.99	+0.31%
DJIA (US)	47954.99	104.05	+0.22%
N225 (JP)	50491.87	-536.55	▼1.05%
STOXX50 (EU)	5723.93	5.85	+0.10%

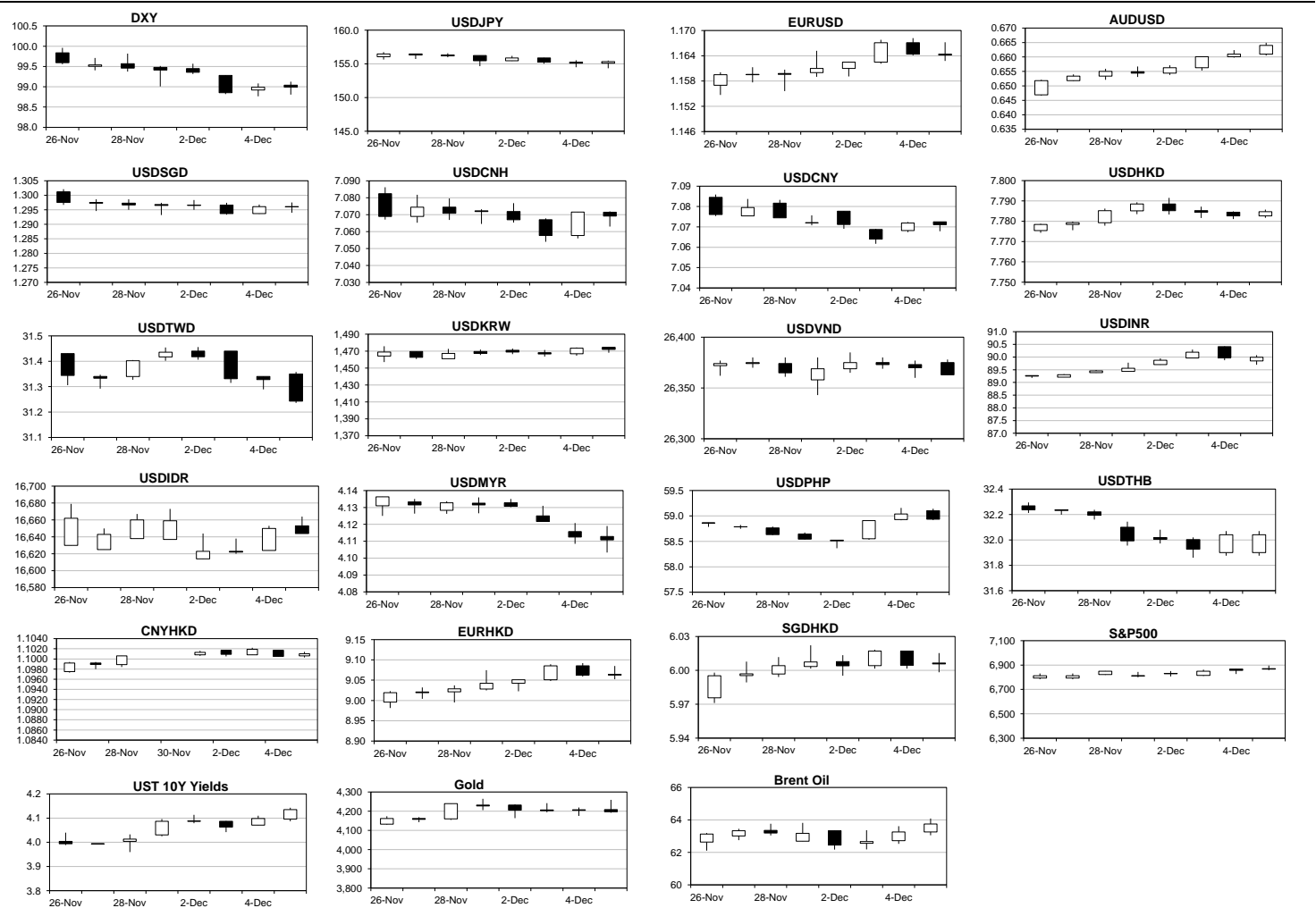
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,643.55	143.11	+1.24%
IRON ORE (CN)	107.12	2.28	▼0.72%
GOLD	4,197.78	-9.84	▼0.23%
SILVER	58.34	0.23	+4.46%
OIL (BRENT)	63.75	0.49	+0.77%
OIL (WTI)	60.08	0.41	+0.69%
NATURAL GAS	5.29	1.21	+2.11%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	180.82	180.82	+0.12%
GBP/JPY	207.056	206.991	+0.18%
JPY/SGD (100yen)	0.834	0.8343	▼0.16%
JPY/HKD (100yen)	5.0107	5.0111	▼0.12%
CNH/JPY	21.963	21.968	+0.21%
CNH/HKD	1.101	1.1009	+0.05%
EUR/GBP	0.87334	0.87358	▼0.05%
AUD/NZD	1.1495	1.1491	+0.19%
EUR/CNH	8.2289	8.229	▼0.07%
GBP/CNH	9.4252	9.4198	+0.01%
CNY/HKD	1.101	1.1009	+0.05%
EUR/HKD	9.0644	9.0613	+0.02%
SGD/HKD	6.0065	6.0064	+0.03%

\*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5213.58	-20.73	▼0.40%
STI (SG)	4531.36	-3.78	▼0.08%
SHCOMP (CN)	3902.808	27.01	+0.70%
SZCOMP (CN)	2468.883	30.35	+1.24%
HSI (HK)	26085.08	149.18	+0.58%
SENSEX (IN)	85712.37	447.05	+0.52%
JSE (ID)	8632.761	-7.43	▼0.09%
KLSE (MY)	1616.52	-4.55	▼0.28%
PSE (PH)	5949.22	61.64	+1.05%
SET (TH)	1273.77	0.00	+0.00%
VNINDEX (VN)	1741.32	0.00	+0.23%

CHARTS



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