

Dec 05, 2025

Three Take-Aways

- 1) US job data surprised to the upside overnight, though clouded by the usual volatility surrounding the Thanksgiving holiday.
- 2) The Himalayan rift between the CNH and INR movements suggests no guarantee of ubiquitous AxJ currency rallies, despite a soft USD outlook into 2026.
- 3) The CNH rally appears driven by seasonal flows, narrowing rate differentials, and easing trade uncertainty, while the PBoC is leaning against it to prevent one-way expectations.

MACRO THEME: Holiday Cloud

- US initial jobless claims dropped to a three-year low of 191,000 during Thanksgiving week, defying expectations of a weakening labor market.
- However, weekly claims data often exhibit high volatility around holidays, so caution is warranted.
- Moreover, although announced layoffs by US companies were halved from the previous month, falling to 71,321 in November, this remains the highest November tally in three years.
- Against those mixed job signals, National Economic Council Director Kevin Hassett remarked that a consensus appears to have formed among FOMC members for a 25-basis-point rate cut at the upcoming December meeting.
- Note that Hassett is now widely seen as the frontrunner in Trump's search for the next Fed Chair.

Yields (2Y: +3.8bp; 10Y: +3.5bp; 30Y: +2.4bp)

Equities (Nasdaq: +0.2%; S&P 500: +0.1%; Dow: -0.1%)

FX (DXY: +0.14%)

- JPY and AUD were the only two G10 currencies gained against USD.

What the (CNH-INR) Himalayan Rift Reveals

- The stark divergence between the CNH and INR – the Himalayan rift – in trends and direction of travel is emblematic of wider AxJ divergence that is likely to remain entrenched.
- A resounding bearish USD trend (down 8-9%) that has not lifted all AxJ suggests far for nuanced factors at work.
- So, a softer USD outlook into 2026, underpinned by Fed rate cuts, will not guarantee ubiquitous AxJ rallies.
- What's more, a "deal" with the US could lend some strength but is no guarantee of currency shine either.
- Crucially, even on familiar real spread dynamics AxJ prospects are highly variable, dependent on a conspiracy of relative policy shifts, fiscal dominance risks and (geo-)political uncertainty.
- The upshot is, amid lagged effects of tariffs (masked by front-running and delays) colliding with differentiated vulnerabilities and risk sensitivities, divergent AxJ performance will defy mean reversion and convergence.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) Trade Balance	A\$4385m	A\$4500m	A\$3938m
(AU) Household Spending YoY	5.6%	4.6%	5.1%
(US) Initial Jobless Claims	191k	220k	216k
(US) Challenger Job Cuts YoY	23.5%	48.0%	175.3%
(EZ) Retail Sales YoY	1.5%	1.3%	1.0%

Today	Actual	Exp.	Prior
(IN) RBI Repurchase Rate		5.25%	5.50%
(KR) BoP Current Account Balance (Oct)		--	\$13467
(PH) CPI YoY (Nov)		1.7%	1.7%
(TW) CPI/Core YoY (Nov)		1.50%	1.48%
(US) Un. Of Mich. Sentiment (Dec)		52.0	51.0
(US) U. of Mich. 1 Yr/5-10Yr inflation (Dec)		4.4%/3.4%	4.5%/3.4%
(EZ) GDP SA YoY (3Q T)		1.4%	1.4%
(JP) Leading Index CI/Coincident Index (Oct)		109.3/115.0	108.6/114.6

China: Leaning Against a RMB Rally

- The renminbi has staged a notable rally since late last week, led by gains in the CNH, which recently traded at a premium of over 40 pips over the CNY and reached its strongest level in more than a year.
- Beyond the trade truce, seasonal factors also come into play.
- Chinese exporters typically convert their US dollar earnings into renminbi before year-end, although this year's flows appear stronger than usual.
- Narrowing US-China interest rate spreads and a wide trade surplus both contributed to the flows. China's trade surplus has reached USD 965 billion YTD, up 22% from the same period last year.
- In response to the unusual strength, the PBoC is leaning against the rally by setting a reference rate 0.1–0.2% weaker than its model suggests—a rare move since the introduction of the counter-cyclical factor in 2017.

China: Dwindling Trade Headwinds

- China's trade outlook has likely improved amid easing trade tensions, with November data (8 Dec) showing modest YoY gains in both exports and imports.
- Following the Trump-Xi meeting, Beijing increased purchases of US agricultural products and started to export licenses for rare-earth mineral. On the US side, Fentanyl tariffs have been halved, and additional port fees on Chinese vessels suspended.
- These measures are expected to partially revive bilateral trade flows.
- Supporting this trend, trade-related PMI indicators signal dwindling headwinds. Both the new export orders index and the import index rebounded from October lows, reaching 47.6 and 47.0, respectively, in November.

RBI Preview: Window Of Opportunity

- Despite macro-/rupee-stability risks, this window of opportunity and justifications for a measured 25bp RBI cut remains compelling to us.
- To be sure, unremitting rupee weakness, requiring RBI intervention to avert a test on 90 USD/INR, raises the bar for any RBI cut.
- Nonetheless, the case for a cut remains solid. And the window of opportunity for one has cracked open rather invitingly.
- First, the USD slipping, albeit modestly, from a bullish outburst 19-25 Nov could modestly alleviate incremental rupee pressures.
- Second, inflation falling further, provides ample scope for a cut. October's 0.3% CPI was well below the 4+/-2%-pts target.
- Admittedly, the sharp drop in inflation being mainly food-driven reveals a reversal in the pipeline.
- Point being, the Fed is on course for a cumulative 175bp of cuts from late 2024, whereas the RBI lags with just 100bp so far.
- Moreover, India's longer rates turning higher since the last cut in June suggests weaker rate cut transmission. And the current window of macro-opportunity makes a compelling case for seizing it.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	155.10	155.15	▼0.10%	154.50	- 158.00
EURUSD	1.1644	1.1642	▼0.23%	1.1500	- 1.1700
GBPUSD	1.3327	1.3322	▼0.19%	1.3000	- 1.3400
AUDUSD	0.6610	0.6606	+0.14%	0.6500	- 0.6700
DXY	99.0	--	+0.14%	98.5	- 100.5
USDCNY	7.0719	--	+0.11%	7.0600	- 7.1500
USDCNH	7.0716	7.0714	+0.20%	7.0500	- 7.1700
USDHKD	7.7826	7.7821	▼0.02%	7.7600	- 7.8200
USDSGD	1.2961	1.2966	+0.19%	1.2900	- 1.3050
USDKRW	1474	1473	+0.00%	1447	- 1485
USDTWD	31.33	--	▼0.01%	30.80	- 31.60
USDINR	89.98	--	▼0.23%	89.00	- 90.10
USDIDR	16650	--	+0.17%	16500	- 16800
USDMYR	4.113	4.113	▼0.22%	4.110	- 4.180
USDPHP	59.04	--	+0.22%	58.20	- 59.30
USDTHB	32.04	32.04	+0.35%	31.8	- 32.4
USDVND	26370	26371	▼0.01%	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)	3.524	4.099	3.8	3.5
JGB (JP)	1.018	1.934	0.9	4.5
Bunds (GE)	2.071	2.770	1.7	2.4
Gilts (UK)	3.728	4.434	-1.3	-1.3
AGB (AU)	3.985	4.702	7.5	5.8
SGS (SG)	1.379	2.006	1.9	0.0
CGB (CN)	1.408	1.851	-0.4	1.5
KGB (KR)	2.881	3.376	0.0	0.0
SDL (IN)	5.822	6.513	-0.1	0.2

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6857.12	7.40	+0.11%
Nasdaq (US)	23505.14	51.05	+0.22%
DJIA (US)	47850.94	-31.96	▼0.07%
N225 (JP)	51028.42	1163.74	+2.33%
STOXX50 (EU)	5718.08	23.52	+0.41%

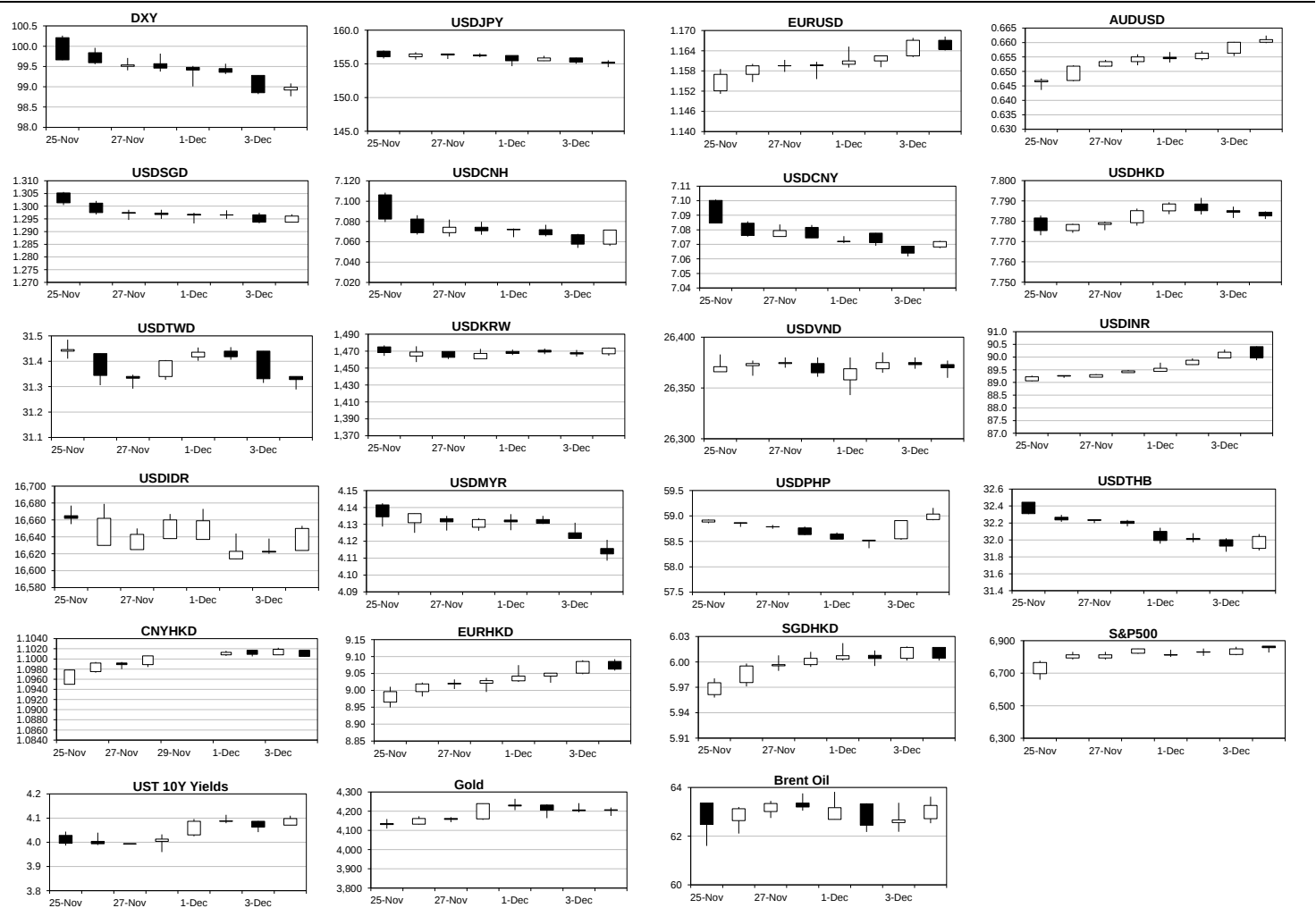
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,500.44	-75.44	▼0.65%
IRON ORE (CN)	107.90	3.00	+0.05%
GOLD	4,207.62	4.54	+0.11%
SILVER	57.14	0.07	+1.36%
OIL (BRENT)	63.26	0.59	+0.94%
OIL (WTI)	59.67	0.72	+1.22%
NATURAL GAS	5.06	-1.37	▼2.33%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	180.61	180.63	▼0.33%
GBP/JPY	206.69	206.683	▼0.30%
JPY/SGD (100yen)	0.8353	0.8357	+0.24%
JPY/HKD (100yen)	5.0166	5.0159	+0.05%
CNH/JPY	21.916	21.94	▼0.20%
CNH/HKD	1.1005	1.1005	▼0.13%
EUR/GBP	0.87379	0.87393	▼0.03%
AUD/NZD	1.1473	1.1471	+0.35%
EUR/CNH	8.2346	8.2325	▼0.04%
GBP/CNH	9.424	9.4202	▼0.01%
CNY/HKD	1.1005	1.1005	▼0.13%
EUR/HKD	9.0626	9.0599	▼0.25%
SGD/HKD	6.0045	6.0019	▼0.21%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5234.31	10.79	+0.21%
STI (SG)	4535.14	-19.38	▼0.43%
SHCOMP (CN)	3875.793	-2.21	▼0.06%
SZCOMP (CN)	2438.533	-2.44	▼0.10%
HSI (HK)	25935.9	175.17	+0.68%
SENSEX (IN)	85265.32	158.51	+0.19%
JSE (ID)	8640.196	28.41	+0.33%
KLSE (MY)	1621.07	-1.77	▼0.11%
PSE (PH)	5887.58	-18.26	▼0.31%
SET (TH)	1273.77	-1.05	▼0.08%
VNINDEX (VN)	1737.24	0.00	+0.32%

CHARTS



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