

Nov 19, 2025

Three Take-Aways

1) Markets were clearly in “risk off” mode as US equities slumped (albeit bouncing off session lows) although not conventionally so on every count.

2) For one, the dynamics between “haven” and risk assets was mixed with “safe” JPY and CHF down, and high-beta AUD up in sharp contrast.

3) Divergent policies (SNB cut bets vs. hawkish RBA), (geo-)political risks (Japan’s delicate policy mix) and “bad news is bad news” inflection (Fed and jobs) may be conspiring to obfuscate markets for now.

MACRO THEME: Unfamiliar “Risk Off”

- No doubt that markets are in “risk off” mode as US equities slumped (albeit bouncing off session lows) and UST yields fell, with the curve bull steepening modestly. Arguably, a *lingering sense of nervousness about the AI bubble* conspiring with *downgraded Fed rate cut expectations for December* and *earnings misses* are **shaking down markets**.

- But this is not the “garden variety” risk off, involving “standard rotation” out of risk into haven. Not ubiquitously so.

- Notably, the usual “havens” such as JPY and CHF have stumbled while *high-beta AUD has out-performed* (alongside MXN and CAD).

- Chances are, market obfuscations may be driven by;

unusual late-cycle policy divergences (e.g. SNB rate cut bets vs. hawkish RBA and a highly polarized Fed);

delicate (geo-)political risks and (Japan’s fiscal risks amid China tensions);

potential US-Fed “bad news is bad news” inflection.

Carry Unwind Substituted for Wider Risks

- First things first. The “carry unwind”-driven haven reflex that typically give CHF and JPY a boost on “risk off” has been **supplanted** by *overarching policy divergence* and *geo-political risks*.

- **CHF Underperforms**: Despite expectations that the SNB will let the CHF rise, softer GDP has prompted “*live*” SNB rate cut bets (for December). This **dragged CHF** defying risk off.

- **AUD Outperforms**: In sharp contrast, a still *hawkishly inclined RBA* (holding back on easing as it expected past cuts to work through) has **boosted the AUD**.

- **JPY “Haven” Breakdown**: To be sure, JPY’s underlying “carry unwind” haven dynamics have already been undermined for some time now by a **tightening BoJ**. And arguably, **JPY’s haven status breaks down amid pointed Japan policy/geo-political risks**.

The “Sell Japan” Risk ...

In fact, the **elephant in the room** now is *whether the JPY can shake off chronic weakness* creeping in from “**Sell Japan**” risks.

- The **sell-off in Nikkei**, alongside the **slump in JPY even as long-end JGB yields surge** (30Y at 3.3%!) has **all the hallmarks of “Sell Japan”**.

- The **sharp** and **highly unusual divergence** between long-end UST-JGB spreads and USD/JPY admittedly *reflects risk re-pricing*.

- Specifically, involving a **confluence of fiscal risks** associated the *government’s fiscal support package* and **accentuated geo-political headwinds** revealed in the *snowballing spat with China*.

- The **worry is that “Sell Japan” pressures** (on JPY, JGBs and Nikkei) might have **further to run** if *China-Japan agitations persist* alongside **Japan’s fraught fiscal-monetary policy conundrum**.

- More so, *if the “AI correction” extends*, amid worries of frothy (from circular stirring) valuations.

... About Clarity, Not Catastrophe

- The **good news** is that this bout of **surge in the Japan risk premium** is **not necessarily unremitting**. Point being, markets are **seeking clarity on a viable and sustainable fiscal and monetary mix without undermining (policy) credibility**.

- And **not condemning Japan due to a catastrophic loss of institutional confidence**. As we pointed out earlier (see the link below for the full report), attempts at “Abenomics 2.0” will fail with adverse JGB and JPY impact without the benefit of active (if not aggressive) BoJ balance sheet accommodation.

- So, that policy impediment needs to be addressed, with a resolution that won’t compromise the BoJ’s independence. Admittedly, a **high bar involving significant lot of political capital**. *But not insurmountable*.

- So, **over-extended JPY shorts cannot afford to be dismissive of potential bear trap further out**.

The “Bad News is Bad News” Inflection Risk

- Finally, “**risk on/off**” dynamics may also be challenged by “**bad news is good news**” (on Fed cut bets) **potentially inflecting to “bad news is bad news**” (on “too little, too late” risks).

- **More acutely so if the AI correction broadens and deepens**, thereby *casting aspersions on the Fed’s rate cut efficacy*.

- **Compounding already complex policy-market transmission** is the wider background *question of a politically pliable Fed potentially eroding credibility*. That is a **bridge to cross for later**.

- But for now, it is worth noting that **post-shutdown resumption of data flow does not necessarily lift the fog immediately**. Which *leaves fluid Fed policy risks intact*.

Yields (2Y: -3.7p; 10Y: -2.6bp; 30Y: -0.4bp)

Equities (Nasdaq: -1.2%; S&P 500: -0.8%; Dow: -1.1%)

FX (DXY: -0.04%)

- USD/JPY hovers around mid-155 while EUR remains pressured below 1.16. USD/SGD retains tractions above 1.30 while AUD has been trading on both side of 65 cents.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(US) Factory Orders MoM (Aug)	1.4%	1.4%	-1.3%
(US) Durable Goods Orders (Aug F)	2.9%	2.9%	2.9%
RBA Minutes			
(US) Initial Jobless Claims (18-Oct)	--	232k	--

Today	Actual	Exp.	Prior
(JP) Core Machine Orders YoY (Sep)	11.6%	4.7%	1.6%
(EZ) CPI/Core YoY (Oct F)		2.1%/2.4%	2.1%/2.4%
Bank Indonesia Rate		4.75%	4.75%
(AU) Wage Price Index YoY (3Q)		3.4%	3.4%
(MY) Exports/Imports YoY (Oct)		7.6%/4.8%	12.2%/7.3%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	155.51	155.55	+0.16%	154.00 - 156.00
EURUSD	1.1581	1.1581	▼0.09%	1.1500 - 1.1700
GBPUSD	1.3145	1.3148	▼0.08%	1.3000 - 1.3300
AUDUSD	0.6507	0.6509	+0.20%	0.6450 - 0.6560
DXY	99.6	--	▼0.04%	98.5 - 100.5
USDCNY	7.1094	--	+0.02%	7.0900 - 7.1500
USDCNH	7.1108	7.1101	+0.04%	7.0900 - 7.1700
USDHKD	7.7847	7.7840	+0.13%	7.7600 - 7.8200
USDSGD	1.3019	1.3015	▼0.11%	1.2950 - 1.3100
USDKRW	1464	1462	+0.00%	1447 - 1475
USDTWD	31.21	--	+0.12%	30.60 - 31.30
USDINR	88.61	--	▼0.03%	87.50 - 89.50
USDIDR	16745	--	+0.10%	16500 - 16800
USDMYR	4.163	4.164	+0.31%	4.120 - 4.200
USDPHP	59.00	--	+0.11%	58.50 - 59.30
USDTHB	32.44	32.38	+0.03%	32.2 - 32.8
USDVND	26380	26380	+0.10%	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)	3.574	4.114	-3.7	-2.6
JGB (JP)	0.918	1.739	-1.2	0.9
Bunds (GE)	2.017	2.706	-2.3	-0.5
Gilts (UK)	3.795	4.553	0.1	1.8
AGB (AU)	3.668	4.441	-3.6	-3.5
SGS (SG)	1.219	1.833	-3.2	-1.9
CGB (CN)	1.428	1.805	0.0	0.0
KGB (KR)	2.809	3.308	0.0	0.0
SDL (IN)	5.780	6.485	-1.6	-1.3

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6617.32	-55.09	▼0.83%
Nasdaq (US)	22432.85	-275.22	▼1.21%
DJIA (US)	46091.74	-498.50	▼1.07%
N225 (JP)	48702.98	-1620.93	▼3.22%
STOXX50 (EU)	5534.71	-106.23	▼1.88%

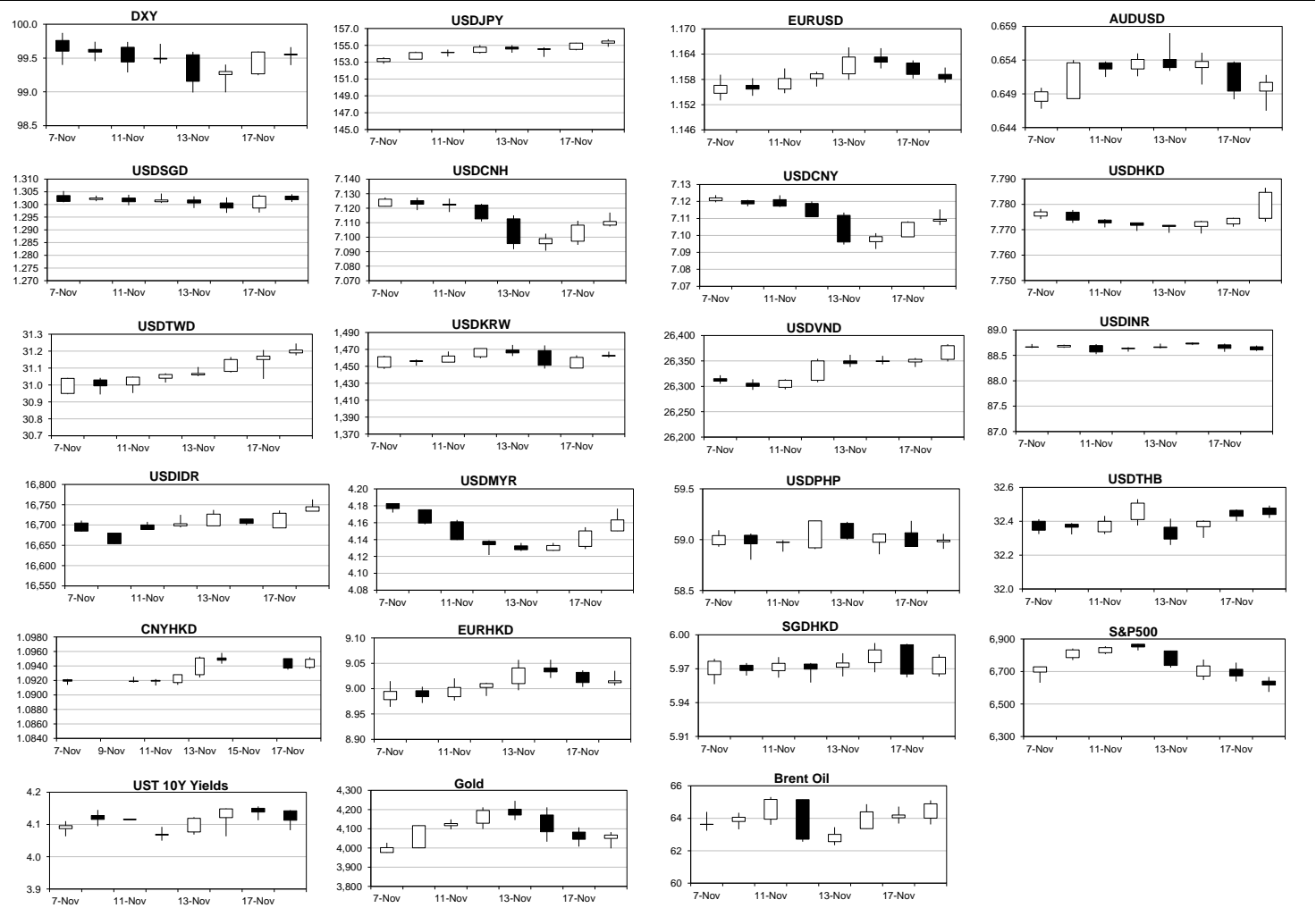
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,684.17	-61.71	▼0.57%
IRON ORE (CN)	104.50	1.67	▼0.10%
GOLD	4,067.24	22.28	+0.55%
SILVER	50.70	0.01	+0.23%
OIL (BRENT)	64.89	0.69	+1.07%
OIL (WTI)	60.74	0.83	+1.39%
NATURAL GAS	4.37	0.48	+0.96%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	180.09	180.13	+0.06%
GBP/JPY	204.426	204.503	+0.10%
JPY/SGD (100yen)	0.8371	0.8367	▼0.29%
JPY/HKD (100yen)	5.0059	5.0043	▼0.03%
CNH/JPY	21.886	21.879	+0.27%
CNH/HKD	1.0949	1.0949	+0.11%
EUR/GBP	0.88098	0.88081	▼0.02%
AUD/NZD	1.15	1.1503	+0.19%
EUR/CNH	8.2349	8.2339	▼0.05%
GBP/CNH	9.3473	9.348	▼0.03%
CNY/HKD	1.0949	1.0949	+0.11%
EUR/HKD	9.0156	9.0143	+0.04%
SGD/HKD	5.9801	5.9808	+0.25%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5140.62	-66.01	▼1.27%
STI (SG)	4504.67	-38.92	▼0.86%
SHCOMP (CN)	3939.813	-32.22	▼0.81%
SZCOMP (CN)	2485.792	-26.04	▼1.04%
HSI (HK)	25930.03	-454.25	▼1.72%
SENSEX (IN)	84673.02	-277.93	▼0.33%
JSE (ID)	8361.926	-54.96	▼0.65%
KLSE (MY)	1614.06	-13.37	▼0.82%
PSE (PH)	5756.66	-22.46	▼0.39%
SET (TH)	1270.04	-10.03	▼0.78%
VNINDEX (VN)	1659.92	0.00	+0.33%

CHARTS



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