

Key focus and themes

Foreign Exchange - Asia ex-Japan/Euro Area/Europe

Watch US tech sector – a few asymmetric trades

Do you expect the recent Nasdaq-100 equity index (NDX) selloff to continue over the next three weeks?

1. *No, NDX to trade higher*
2. *No, NDX to be largely unchanged*
3. *Yes, NDX lower by up to 10%*
4. *Yes, NDX lower by more than 10%*

- US tech sector is key in the near term. A further rout could result in a softer USD, especially against G10 FX, while some market stabilization could cause USD/US yields to retrace some of the recent losses. We are also watching US equity flows, energy prices and US/global yields/credit markets.
- **Asia FX:** We switch our long CNH against a short abridged CFETS basket to short USD/CNH. We maintain high conviction level of 4/5 on long SGD/IDR, and we remain long USD/INR and long USD/THB (both at 3/5).
- **G10 FX:** We take profit on long USD/CAD and rotate into a long NZD/CAD position (3/5 conviction level). We open a long USD/JPY trade (3/5), as we see increased downside asymmetry; we were stopped out of our short AUD/GBP and short NOK/SEK trades, but both are on watchlist with 2/5 conviction level, as some fundamental reasons remain.
- **Asia rates:** We maintain max conviction level of 5/5 in receive Mar-1y HK IRS and high conviction level of 4/5 in receive Mar-5y Korea NDIRS. We added a Dec-2s5s India NDOIS flattener to our watchlist with a conviction level of 2/5.

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Fig. 1: Top five top conviction strategy trades in order (scale 1-5)

Top 5 FX and Rates Trades						
Countries	Trade	bp move from start	bp move from current	Target	Timeline	Conviction (0-5) Curr (Prev)
	Receive Mar-1y HK IRS	22	28	3.80%	End-Nov	5 (4)
	Long SGD/IDR	136	264	14,440	End-Nov	4 (3)
	Receive Mar-5y Korea NDIRS	39	4	3.90%	End-Nov	4 (3)
	*New – Short USD/JPY	340		152.5	End-Dec	3
	*New – Short USD/CNH	300		6.50	End-Dec	3 (2)

Note: Conviction scale: 1 – Watch; 2 – Watch Closely; 3 – Positioned @ 1/3 desired; 4 – Positioned @ 2/3 desired; 5 – Positioned @ 100% desired.
Source: Nomura.

In our *last Key focus and themes*, we highlighted that supports for USD remained intact (*shifting in this direction since 11 September*), but we were watching near-term risks. **The**

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surprise to us over the last week was the weakness in US equities, especially in the tech sector (specifically on 14 October). If this trend continues, it could drive a further weakening of USD, namely in the G10 space, while we believe EM/Asia FX generally underperforms on risk negativity/capital outflows. Our discussions with market participants have focused in on issues around CoreWeave (i.e., AI cloud computing and infrastructure technology company driven by Nvidia chips), noting the share price fall and surge in CDS spreads from high levels of debt, large capital spending and consistent net losses.

In our *medium-term view of a softer USD*, we have highlighted that a slowdown in capital inflows into the US (not necessarily outflows) as seen in H1 2025, could raise concerns over the US' ability to finance its twin deficits (current account and fiscal deficits were around 3.1% and 5.7% of GDP, respectively, in Q2 2026). We continue to highlight our concerns over the heavy US asset positioning (USD37.4trn as of Q2 2026; US portfolio liabilities), with equity-related risks centered around the tech sector borrowing/capex. We highlighted *five other factors* that support our medium-term view.

That said, the question is whether the support for CoreWeave from Nvidia's Jensen Huang (Bloomberg, 15 October) comments end up being just a temporary reprieve – effective because of the size of Nvidia/cash holdings. Huang stated that CoreWeave's "strength is improving every day" and was "optimistic" with their cost of capital decreasing (Nvidia has ~10% ownership of CoreWeave; Reuters). However, aside from Nvidia's verbal support for CoreWeave, we remain cautious on the **risk that there could be other corporate pressures emerging in this sector, owing to the high levels of debt issuance/capex spending and with the distressed level of technology loans** (i.e., 10% above the SOFR rate) at a substantial 14.8% of total (based on Bloomberg data). This could become the dominant theme for USD, as we experienced after the stronger-than-expected US September core CPI outturn (14 October; 0.3% m-o-m versus consensus 0.2%), which led USD and 10Y US rates higher by 70bp and 15bp, respectively, immediately afterwards, but were quickly reversed as tech fears emerged.

Overall, we see growing risks to USD in the near term, with the most important being the performance of the US tech sector. **However, if this proves to be a short-lived event and US tech rallies back, this could lead the USD/US yields retracing higher** on: 1) **a potential strengthening of foreign inflows into US equity markets**. Our measures of foreign inflows via ETFs and mutual funds showed an acceleration into the US since the start of October (1-13 October at USD4.8bn), which then slowed to almost no inflow on 14 October, when the US tech sector faced more significant selling pressure; 2) **a still-elevated oil price backdrop**, with rising concerns over higher energy prices amid the approach of the winter season, news the US may be considering massive conventional bombing of Iran (CNN, 15 October), more news of Houthi attacks on Saudi Arabia, Iran announcing it will fight to "force" the enemy to accept its demands (Bloomberg, 15 October), and Ukraine ordering a resumption of attacks on Russian oil refineries (FT, 16 October); and 3) **a potential move higher in US yields** (10Y UST ~25bp below the highs in October), as this could increase the pressure on global bond markets again. We note that long-end French bond yields remain elevated, while 10Y OATS-Bund spreads remain near recent highs. Even with some pullback in global yields (ex-France), credit pressures have remained largely unchanged (iTraxx Europe Crossover index remains near highs at ~313bp on 16 October).

Another event to watch in the nearterm is the 20 October vote on the revenue portion of the 2027 France draft budget (process towards the entire *budget scheduled* on 17 November). Our *recent survey* suggests that around 60.9% of participants do not expect this to be passed, a likely slight negative EUR event. Our economics team highlights that some opposition parties could vote against the bill and/or, even if the budget is passed ahead via Article 49.3, political risks could escalate.

Strategy: In Asia FX, bad news from MSCI on Indonesia supports our high conviction level of 4/5 on long SGD/IDR. We also believe the recent move lower in USD/INR (policy induced and not a fundamental change) should be faded, and maintain our long USD/INR position (3/5). We remain positive on CNH (long-held view over the past 12 months), but shift to a short USD/CNH position (i.e., sensitive to any USD softness in G10; 3/5 conviction level) from a long CNH basket. **In G10 FX**, we take profit on our long USD/CAD and rotate into a long NZD/CAD on relative macro and rate spreads (3/5). We also enter a short USD/JPY (3/5) to reflect growing asymmetric risk in this pair, with the upside likely capped by intervention risk fears, but the downside open to potential changes in local investor flows. **In Asia rates**, we hold a maximum conviction level of 5/5 in receive Mar27-

1Y HKD IRS, because of the **overpricing** in Hong Kong money market rates (i.e., spot USD/HKD is close to 7.85), as well as our view of no Fed hike in October. Our conviction level in receive Mar27-5Y KRW NDIRS is high at 4/5, given more evidence of a K-shaped economy.

Asia FX strategy

We **maintain a high conviction level of 4/5 on our long SGD/IDR position**, still targeting 14,440 (~4% gains) by end-November. In **Indonesia**, IDR was one of the main underperformers in AeJ over the past week, with the bulk of the underperformance occurring on 16 October, following MSCI announcement of a consultation on Indonesia's market status. We believe several global and local factors will continue to weigh heavily on IDR, including: 1) **intensifying market concern over Indonesia's MSCI market status**. We have **consistently** highlighted the potential for a MSCI downgrade of Indonesia to a frontier market as a significant risk factor for IDR. This risk factor has intensified, with MSCI launching a consultation to reclassify Indonesia from Emerging Market to Standalone Market status, which is a status ranked lower than Frontier Market. Notably MSCI wrote (15 October) that Indonesia's **"classification as an Emerging Market [is] no longer appropriate"** and a reclassification of Indonesia to Frontier Markets "would not properly recognize the depth of the market problems". The justification was that "significant concerns remain around market dysfunction, including continued suspected coordinated trading behavior and lack of evidence of meaningful enforcement". In the event of a downgrade, we estimated foreign equity outflows could reach **~USD8bn**. MSCI's market consultation will conclude by 30 April 2027, and it will announce its decision on or before 30 June 2027. Indonesia FSA responded (*Bloomberg*, 16 October) that it will continue to engage index providers and investors on this issue; 2) despite our base case, in which BI hike at its policy decision on 21 October, **BI Governor Destry may still attempt to be more aligned with the government's pro-growth stance**. Our economics team assigns **a 55% likelihood to a 25bp BI hike versus 35% to a hold** and the remaining 10% to a 50bp hike (if IDR pressures intensify prior to the meeting). Governor Destry previously (*Bloomberg*, 28 September) told Indonesian lawmakers that **relying only on rate hikes to stabilise IDR would lead to a deeper economic slowdown**, with every 25bp increase in its policy rate reducing growth by about 0.1pp. Therefore, BI could maintain its preference to use the new FX hedging instruments and FX intervention rather than resuming rate hikes. Overall, we believe it will likely be an uphill task for Governor Destry to re-establish BI policy credibility, as she manages BI's **multiple policy mandate** of inflation targeting, FX stability, economic growth and job creation; 3) **elevated US and DM yields, with an increased market focus on France's fiscal and political outlook**. The 10y IndoGB-UST yield spread widened to ~2.3% from ~1.9% last week, as negative tech equity sentiment supported a rally in USTs. Nonetheless, the yield spread is still below recent highs of 3.0% on 11 June, making it less attractive for foreign investors to hold IndoGBs. While October MTD foreign bond inflows have been encouraging at USD521mn (to 14 October), it remains to be seen whether this can be sustained; and 4) **the confluence of potential credit rating downgrades by Moody's and Fitch, market concerns over government policies, fiscal outlooks and BI independence**, a widening basic balance deficit and BI's already-low FX reserve adequacy ratio also a source of **significant risk of portfolio outflows** and IDR instability in coming months. We note that Indonesia's fiscal deficit widened by IDR79trn in September to IDR319trn, as total expenditure rose to 32.9% y-o-y from 10.7%, driven by central government spending.

On **Singapore**, following MAS's surprising **announcement** to leave its FX policy settings unchanged, our S\$NEER index fell by as much as ~35bp to a 1.3% deviation above the midpoint of the S\$NEER policy band. However, S\$NEER has since pared back most of the losses to reach ~1.55% deviation currently. We continue to have a **positive view on SGD outperformance** amid robust local fundamentals, supported by the current 1.25% annualised S\$NEER appreciation slope. Indeed, the October 2026 MAS policy statement remained positive on Singapore's near-term macro outlook, although MAS also expects growth and inflationary pressures to ease through 2027. The statement suggests the MAS is unlikely to tighten FX policy again in coming quarters, but we judge that the door to a further gradual FX policy tightening remains ajar, dependent upon external energy/food and core inflation developments. Admittedly, Singapore's core inflation has broadly surprised to the downside in recent months, **but our economic team's assessment remains that core inflation should rise sharply in the next few months**, owing to pass-through effects from the energy price shock increase (i.e., electricity tariffs were reduced by a smaller-than-expected 10.4% in Q4 and public transport fares will be raised

by 7% in late December). Furthermore, we believe it may be too early to conclude that “supply disruptions to energy and food commodities should gradually ease” (*MAS*, 14 October), **owing to the severity of super El Niño and the risk of a further escalation in Middle East tensions between US/Iran and Saudi/Houthis.**

On **China**, we switch our long CNH against the 6-FX abridged CFETS basket to **short USD/CNH with a conviction level of 3/5, targeting 6.50 (~3% gains) by end-December**. Looking ahead, if G10 FX (e.g., EUR) benefits from a further selloff in US tech equities (see above), we believe a better expression of our long CNH view would be against short USD rather than short the CFETS basket. Furthermore, we note that in October MTD, DXY has strengthened by ~0.36%, but USD/CNH fell by 0.33% to trade below the 6.70 level. Locally, we continue to see several drivers of CNH appreciation: 1) **the daily USD/CNY fixing continues to grind lower**. The daily USD/CNY fixing fell by a total of 110 pips over the past week (i.e., daily average of 22 pips), reaching a new year-to-date low of 6.7220. The positive fixing error (actual fix minus model projection) also remained stable at +297 pips; 2) **exporters’ FX settlement demand should remain robust in coming months**. China’s September trade surplus widened further to USD133.5bn, the highest monthly reading on record, bringing the total trade surplus to USD938bn in the first three quarters of 2026. We have also entered a period when onshore corporates may step up their repatriation of FX earnings in Q4. Watch **China September FX trade settlement data** (20 October); 3) **PBoC Governor Pan’s recent keynote speech may provide positive sentiment for RMB assets and RMB**. At the annual meeting of the IMF and the World Bank, PBoC Governor Pan said the PBoC will further support global investors’ participation in China’s financial markets, promote RMB-denominated bonds as widely accepted collateral globally, support the development of offshore RMB markets and further expand its liquidity management tool (*PBoC*, 16 October). Similarly in a closed-door event, PBoC Governor Pan highlighted the resilience of Chinese assets and diversification benefit they can bring to the portfolios to the global investors (*Bloomberg*, 16 October). These comments could support sentiment and potentially attract more foreign inflows into RMB assets; and 4) **ongoing foreign pressure for RMB appreciation**. China’s trade surplus with the EU widened to record high of USD35bn in September, and the EU and China held high-level economic talks on trade imbalances from 15 to 16 October. Earlier this week, the European union also limited imports of hybrid electric vehicles (HEVs) from China at 350k per annum. Although this development may temporarily ease tense relations between the EU and China, we believe Chinese authorities still face foreign pressure (including from the US) on the trade imbalances and may allow some CNH appreciation. We note the PBoC released a document on its view on the RMB exchange rate (on 8 October 2026), which downplayed market concerns that RMB appreciation could erode exporters’ profit margins.

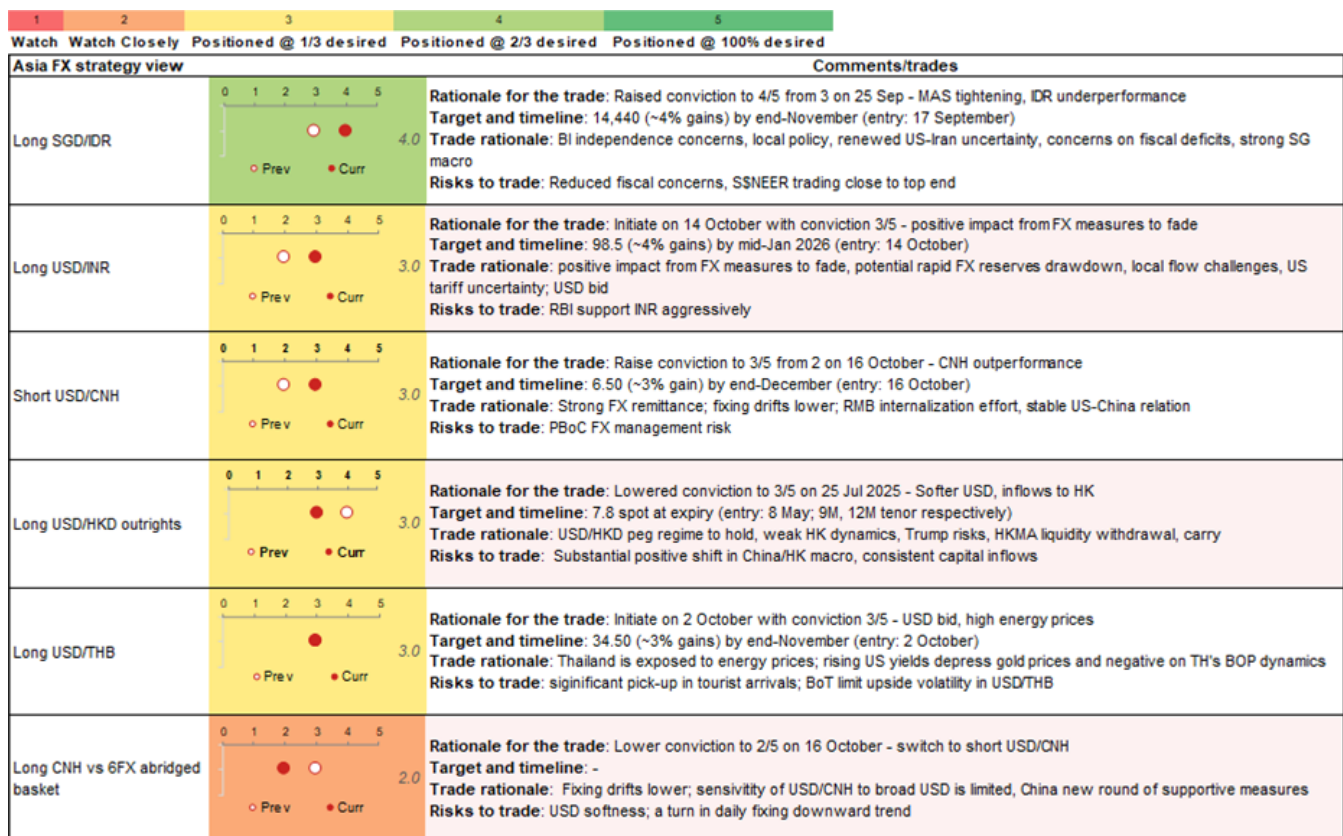
On **India**, we initiated (on **14 October**) **a long USD/INR position** by raising our conviction level on short INR to 3/5 (from 2), targeting 98.5 (~4% gains) by mid-January 2026. On the rationale that we expect the positive impact from recent FX measures to fade, rapid FX reserves drawdown, local flow challenges, US tariff uncertainty and USD bid: 1) **we expect the positive impact from the RBI’s latest FX measures to be temporary**. INR has appreciated against USD on a spot basis since the RBI **announced** several INR supportive measures, along with reports of FX intervention (*Bloomberg*, 12 to 16 October). However, we do not expect the positive impact on INR from these measures to last without a fundamental shift in India’s BOP dynamics. For example, the RBI’s tightening of restrictions on FX derivative transactions and increasing long USD hedging costs increase the cost of hedging for those with genuine USD demand and does not help address India’s widening current account deficit; 2) **the RBI’s special window for USD purchases by the three public sector OMCs will help to reduce USD demand in the market**, with our economics team estimating this measure will reduce USD demand by ~55% of India’s average monthly oil import bill (i.e., ~USD9bn of USD demand a month, out of the USD16.4bn monthly average since April-August 2026). This measure is **unlikely to be sustained** (it lasted around two months when it was initiated last time in October 2013), and is **still small relative to a monthly average trade deficit of ~USD30bn** over the past twelve months; 3) **as a result, we see a more rapid drawdown in the RBI’s spot FX reserves, which could also renew investor concerns**. The RBI’s weekly headline FX reserves already fell sharply from the peak of USD648.2bn on 4 September to USD604.7bn as of 2 October. Furthermore, after taking into account the RBI’s large net short forward book, which we estimate at -USD197.8bn in September 2026, the RBI’s FX reserve adequacy (using *IMF methodology*) has actually fallen to

~166% in September 2026 from 181% in May 2026; 4) **we are still concerned over INR from a BOP flow perspective**. Overall, we believe India still *faces local flow challenges* from the AI/tech developments and high global energy prices; 5) **Uncertainty around US-India trade relations**. India's relatively heavy dependence on Russian oil imports still exposes it to the risk of further US tariffs from the Sanctioning Russia and Iran Act of 2026; and 6) **global developments still point to a stronger USD (against EM) in the near term**. Underlying drivers for USD bid remain from elevated oil/energy prices and risks, bond market pressures remaining in France and the US, relatively strong US equity outperformance and strong portfolio inflows into the US. Specifically, elevated oil prices should exert downward pressure on INR.

On **Thailand**, we maintain the conviction level on our **long USD/THB position** at 3/5, targeting 34.5 (~3% gains) by end-November, and implement a stop-loss at 33.16. We continue to see a rationale for spot USD/THB to trade higher in the near term, owing to: 1) **BOT apparent tolerance for THB underperformance**. We estimate BOT accumulated USD1.4bn (spot and forward) over the week ended 9 October, and THB only strengthened marginally by 0.15% against USD. In comparison, we estimate the BOT **net sold USD4.3bn of FXR** (spot + forward) in September to lean against THB depreciation pressures, with THB still being the top underperforming AeJ currency in September (-1.2% against USD). During a *Reuters* interview (17 September), BOT Assistant Governor Don Nakornthab said "a weak baht is good for the Thai economy, as long as it's not too volatile or it does not slide significantly, then I think we are quite happy with what we see in the baht"; 2) **we continue to see risk of the USD bid, especially against EM (see above), feeding through to higher USD/THB**. Based on weekly returns over the past 12 months, USD/THB has the second highest beta to DXY (after USD/KRW) and the third highest correlation to DXY (after USD/SGD and USD/CNH) within AeJ. We believe USD/THB will remain sensitive to USD bid; 3) **Thailand's capital flow dynamics appear anemic**. In October MTD, foreign investors net sold USD300mn of Thai equities, while foreign bond inflows of USD336mn so far appear tentative. Local holdings of foreign currency deposits also rose in July and August by USD1.2bn and USD0.4bn, respectively; and 4) **elevated energy prices are a strain on Thailand's fiscal position**. The elevated energy price shock shows few signs of significant easing, which should disproportionately weigh on Thailand, due to its *high net energy imports* and concentration risk with the Middle East. In addition to having a negative impact on the trade balance, fiscal concerns are also rising with Thailand's State Oil Fuel Fund facing a severe liquidity crisis. The State Oil Fuel Fund currently runs a deficit of nearly *~THB100bn*, almost double the *~THB57bn* in mid-June 2026 (*Bloomberg*, 16 June 2026). The Thai government may reduce the energy subsidy and allow the local retail oil prices to adjust higher slightly, but if pressures continue, they would have to consider other fiscal options, including utilising a tranche of the borrowing decree already designated for domestic investment. **Key risks to watch** are: a) foreign tourist arrivals, which only pick up more significantly in December and January; and b) the BOT limiting upside volatility in USD/THB.

Separately, we also lower the conviction level on our long TWD/KRW to 0/5 from 2/5, thereby removing it from our watchlist.

Fig. 2: Our views on Asia FX



Note: Conviction scale: 1 – Watch; 2 – Watch Closely; 3 – Positioned @ 1/3 desired; 4 – Positioned @ 2/3 desired; 5 – Positioned @ 100% desired.

Source: Nomura

G10 FX strategy

Open short USD/JPY trade with increased asymmetry in the pair

We are becoming more optimistic on JPY's prospects and think risk/reward increasingly favours selling USD/JPY. **We open a short USD/JPY trade to reflect this view, with a conviction level of 3/5 and a target of 152.50 by year-end.** In our view, risks remains asymmetric from a policy perspective and, while MOF FX intervention may not be imminent, market concerns about such actions will likely become more elevated, should USD/JPY head closer to 160. We also think USD/JPY will remain highly sensitive to any further signs of an AI-led "risk off" move in equity markets. Perhaps more importantly, from a domestic perspective, we are starting to see increased signs, albeit gradual ones, that Japanese market participants could become more positive on JGBs. Recent interview comments (*Bloomberg*) from two senior Japanese major bank managers highlighted that both could increase their investment in JGBs, as 10-year JGB yields move into attractive territory. BOJ comments continue to suggest hikes remain on the cards – from Governor Ueda and board member Koeda, for example – and while these are not getting incrementally more hawkish, the ongoing delivery of rate hikes in the months ahead will narrow the JPY's negative carry differential versus many other G10 currencies and could start to incentivise changes in FX hedging plans into 2027.

Take profit on long USD/CAD and rotate into long NZD/CAD

We take profit on our long USD/CAD trade for a gain of 1.3% (entry 1.3985 on 17 September), as USD starts to run out of steam and with little prospect for October rate hike. We like to maintain an underweight CAD view, however, as we still see little chance of the BoC delivering anything close to the 95bp of rate hikes priced by the market for the year ahead. As such, **we open a new long NZD/CAD trade with a target of 0.8280 by year-end with a conviction level of 3/5.** Core inflation measures remain around target, and the labour market has continued to soften, suggesting little risk of strong second-round effects from higher energy prices. The CPI for September will be released on 19 October and seems unlikely to show much of a change on core measures. Meanwhile, we think NZD's recent underperformance has been less due to local factors and more global. If anything, job growth continues to improve, albeit slowly, and activity surveys remain

resilient despite higher energy costs. NZD/CAD has deviated significantly from rate spreads in recent weeks, having shown a strong link over a range of windows, which suggests scope for a catch up, in our view. While an RBNZ rate hike on 28 October is not a done deal, we still think the RBNZ will need to remain cautiously hawkish. Although Q3 inflation (due on 22 October local time) may have moderated on lower fuel prices, these were already rebounding into the end of the quarter, suggesting upside risks to inflation in Q4. As such, a hike before year-end is highly likely, in our view.

EUR: French budget negotiations are front and centre but not decisive this week

The domestic focus for EUR will be French budget negotiations, with a vote due on the revenue side of the bill on 20 October. Regardless of whether this passes, it is not binding for the final budget, and there is a good chance parliament will push this to the Senate this week, which may create some negative jitters for EUR via the OAT-Bund spread.

However, we still see ultimate passage of the budget as more likely than not, whether through a direct vote or through the government using special measures (i.e., Article 49.3 or 47), which can effectively push the budget through alongside a confidence vote on the government. We do not think RN (Marine Le Pen's party) would look to bring down the government this close to the presidential elections (first round 18 April 2027) and risk being seen as a "chaos maker" rather than a legitimate government option. While this should ultimately ease downward pressure on EUR, the risk of volatility in the weeks ahead remains high and, in our view, does not justify opening long EUR positions yet. Speculative positioning has become more stretched to the short side in EUR, and the currency could benefit if US equity market wobbles were to continue around the AI trade.

Short GBP/AUD hits stop on weaker Australia data and risk off sentiment

After seeing signs that the cross was starting to head lower, two data points combined to squeeze the pair higher and hit our stop loss at 1.9150 on Thursday, 15 October.

Australia's labour market data were weak, almost across the board. The unemployment rate rose to 4.7% and there was a decline in employment, albeit concentrated in part-time employment. Market pricing for the RBA now suggests less than a 20% chance of a hike in early November. While Q3 inflation likely remained uncomfortably high (release due 28 October), the RBA may look through this in the face of softening domestic activity data. Meanwhile, and in contrast, UK GDP data for August were a little stronger than expected at 0.1% m-o-m (versus -0.1% expected). This puts UK growth at 1.3% (~2.6% annualised) since the start of the US-Iran war, which is a much more resilient performance than many, including ourselves, expected. A more robust backdrop to activity could give the BoE more comfort in potentially hiking rates, while also providing some modest support around the budget via firmer revenue calculations. This week, the focus turns to employment and inflation in the UK. Any signs of a pickup in wage growth or a faster rise in core or services inflation will likely cement the probability of a BoE November rate hike, although we still think the likelihood of 100bp of tightening being delivered (as implied by market pricing) is low, a view seemingly shared by BoE Chief Economist Huw Pill in comments made at the IMF meetings in Bangkok.

Short NOK/SEK hits stop after US CPI despite little change in local factors

NOK/SEK bounced through our 1.0550 stop level after the release of US inflation data yesterday, as front-end US yields squeezed higher after the stronger-than-expected core CPI print. NOK/SEK's sensitivity to front-end US rates has pushed towards historical highs. We do not see any direct "fundamental" reasons for this, although the recent relationship between energy prices and front-end rates globally has likely contributed to this shift. Higher energy prices in recent months have supported NOK and pushed yields higher simultaneously, although yesterday's move in rates occurred despite limited upward pressure on commodity prices. We do not see major shifts in domestic factors that would justify a significant move higher in NOK/SEK, and note that the pair has retraced a little to around 1.05 since hitting our stop. As such, we continue to look for opportunities to be short this pair when external factors might be less challenging and volatile, keeping a 2/5 conviction on the pair.

Fig. 3: Our views on G10 FX

	1	2	3	4	5	
	Watch	Watch Closely	Positioned @ 1/3 desired	Positioned @ 2/3 desired	Positioned @ 100% desired	
G10 FX strategy view						Comments/trades
Long NZD/CAD						Rationale for the latest conviction change: Open trade at 3/5 conviction on 16 October, after taking profit on long USD/CAD Target and timeline: 0.8280 by end-December (c3.2%) Trade rationale: NZD/CAD trade cheap relative to rates; BoC hikes look significantly overpriced, while RBNZ should hike in 2026 Risks to trade: Notable "risk off" move; significant downside miss in NZ CPI and a dovish RBNZ
Short USD/JPY						Rationale for the latest conviction change: Open trade at 3/5 conviction on 16 October 2026 Target and timeline: 152.5 by end-December (c3.4%) Trade rationale: Increasing asymmetry with upside capped by FX intervention concerns and downside open to "risk off" move or changes in domestic flows. Risks to trade: Strong USD on the back of US rate repricing, or persistent "risk on" behaviour working against JPY; BOJ more dovish than expected
Short GBP/AUD						Rationale for the latest conviction change: Stopped out on 15 October Target and timeline: - Trade rationale: - Risks to trade: -
Short NOK/SEK						Rationale for the latest conviction change: Stopped out on 14 October Target and timeline: - Trade rationale: - Risks to trade: -
Long EUR/USD						Rationale for the latest conviction change: Closed the trade on 14 September, and lowered the conviction level to 2/5. Target and timeline: - Trade rationale: - Risks to trade: -

Source: Nomura

Asia rates strategy

We continue to hold receive positions, in Hong Kong and Korea specifically, with high conviction levels. We believe the market is still overpricing Fed hikes and there is some local support for lower Hong Kong and Korea rates (flush liquidity and weak loan growth in Hong Kong, a K-shape economy and increased equity volatility for Korea). On the other side, we expect Singapore and India rates to underperform. We maintain a moderate conviction pay position in Singapore rates and, in India, we have put a flattener on our watchlist.

Hong Kong: Receive Mar27-1y IRS at a conviction level of 5/5

We have raised our receive H27-1y Hong Kong position to a maximum conviction level of 5/5 this week, targeting a move to 3.80% by end-November (current 4.22%). Key reasons include: 1) our economists' base case of no change to the fed funds rate in October, despite higher-than-expected inflation prints this week; 2) our view that the market is overpricing the potential impact on Hong Kong money market rates, even if spot USD/HKD trades to 7.85. Hong Kong liquidity is flush, with the bank loan-to-deposit ratio at a 10y low. We note that Hong Kong banks have kept the prime rate unchanged after the Fed hike and, anecdotally, banks have raised their HKD time deposit rates by much less than the increase in swap rates over the past three months; 3) significant carry as the Hong Kong swap curve is much steeper than the US swap curve across the 6m to 2y point; 4) 3m HIBOR is historically quite stable in October. That said, we acknowledge Fed pricing remains a potential risk, so we also set a reassess level at 4.40% (~18bp from current level).

Korea: Receive Mar27-5y NDIRS at a conviction level of 4/5

We maintain a receive Korea recommendation with a fairly high conviction level, as 1) we see more evidence of a K-shaped economy, with weak IP/real wage growth in September, while MOFE has continued to reduce KTB issuance in October; 2) compared to other AeJ economies with similar yield levels, the BOK was early in hiking, having already done so twice. The pressure to implement additional hikes could be lower without significant FX pressure; 3) the recent drop in the KOSPI may result in some reallocation to KTBs. That said, Mar27-5y NDIRS have already moved ~30bp in the last two weeks and, with the BOK policy meeting next Thursday (even though we expect no change), we could reassess this position should the trade reach our target of 3.90% into the meeting.

Singapore: Keep pay Z26-5y SORA position; conviction level: 3/5

This week, MAS, in its October MPS, delivered a dovish surprise to the market by maintaining the current policy settings, while our base case and market consensus both envisaged a slope steepening. Since the MPS, SGD rates have rallied amid generally stable SORA fixings and currently the trade has reached our re-assess level of 2.25%. We would like to give the trade more time, as local fundamentals do appear supportive, due to recent, strong credit growth and September NODX growth at 68.4% y-o-y. The trade is also at a

level where we expect to see some technical support. We **therefore maintain the pay Z26-5y position for now and will watch if it convincingly breaks lower**. We maintain our assessment that Singapore yield levels could drift higher over the medium term, supported by strong credit growth and low real yields. That said, we acknowledge the trade would likely struggle to perform if liquidity remains flush and SORA fixings stay relatively low.

China rates: Maintain Dec-1s5s steepener (conviction level: 3/5)

This week, China swap rates rallied by ~5bp across the curve, despite mixed economic data (high PPI, in-line CPI, strong export growth and credit growth slightly above consensus). Such moves might look normal for DM and other Asia markets, but are relatively large for China. There are two main reasons behind the rally. Firstly, liquidity turned much looser starting from last Friday (9 October), with DR001 continuing to move lower to ~1.26% latest. Note that DR001 has mostly been in the range of 1.35-1.45% (7d OMO rate 1.40% +/-5bp) from mid-June (Lujiazui Forum) to end-September. Secondly, market expectations for monetary easing are building into the Financial Street Forum next week, where Governor Pan is scheduled to deliver a speech on 19 October. If the PBoC hints that a rate cut is not an option on the table but that it will instead inject more liquidity via different monetary policy tools, rates can still move lower, especially considering the rekindled interest in (ultra) long-end CGBs by onshore funds (and securities firms'). Thus, we took out our extra pay Dec-5y *earlier this week*, but **hold our recommendation in Dec-1s5s steepener with a moderate conviction level (3/5)**. In our view, sustainably low funding costs, a narrower DR007-DR001 and R-DR spreads should cap front-end swap rates. On the long end, we see room for underperformance, as government bond supply is set to be much higher than last year (monthly average at RMB1.2trn in Q4 2026 versus RMB730bn in Q4 2025), and 30y CGB positioning is already very crowded (in both cash bonds and futures). Next week, besides Governor Pan's speech, September activity data and Q3 GDP will also be released on Monday.

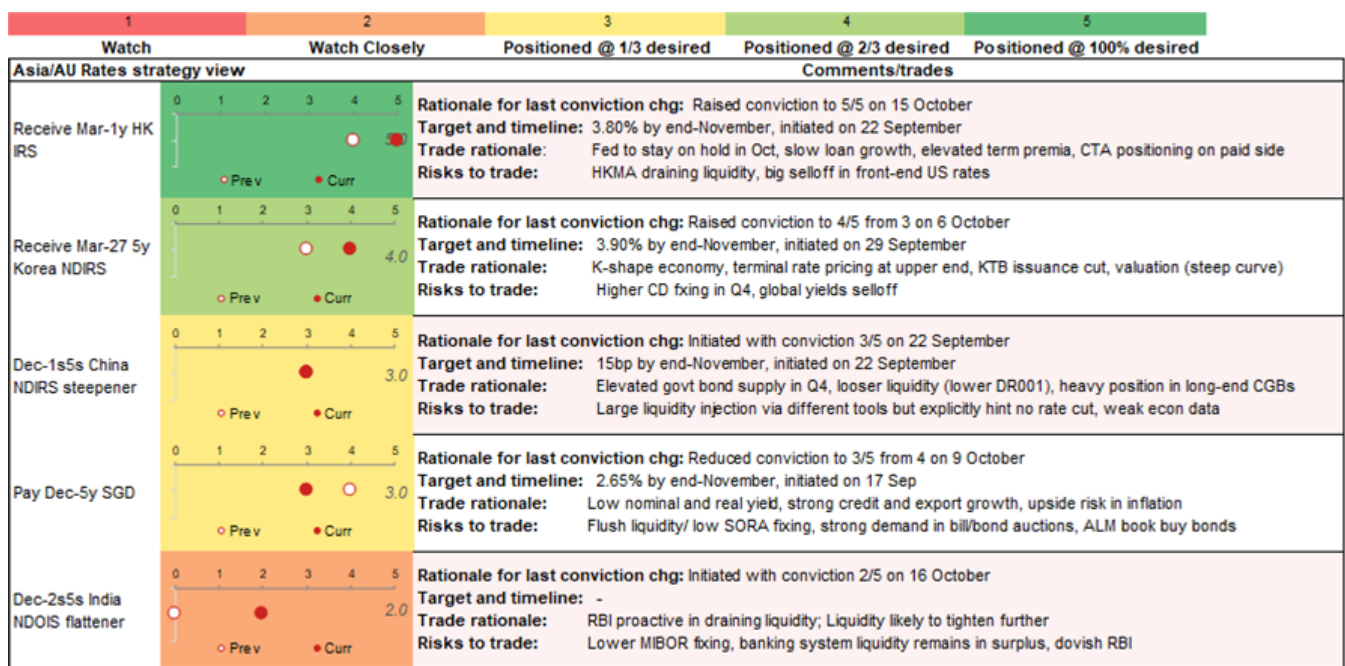
India – Preference for flattener positions; conviction level 2/5

We add a Dec-2s5s flattener on our watchlist at a conviction level of 2/5. We like the trade due to the prospect of liquidity draining that could cause the banking system liquidity to swing from surplus to neutral and potentially deficit. The multitude of factors contributing to this drain include 1) festive currency draw 2) monthly GST collections for October (starting 20 October) and 3) continuous RBI spot FX intervention. The RBI so far has also conducted INR1.25trn of OMO sales to mop up liquidity. We only put it on watchlist, as flatteners have a highly negative carry profile (Dec 2s5s -2.7bp/month). Directionally, we were stopped out of our receive Dec-5y NDOIS trade *earlier* this week. As the RBI is ratcheting up its defense of the currency, we think rates will continue to trade higher, especially in the cash bond space, following recent OMO sales and switching of Gsec. Therefore, we no longer see a strong case to revisit the receive 5y position soon and further lower **conviction of receive Dec-5y NDOIS from 2 (watchlist) to 0**.

Australia rates: Next week should be more interesting

The minutes from the RBA's meeting of 29 September were *hawkish*; they gave only a brief discussion to the case for a pause, suggested increased sensitivity to rate hikes elsewhere (which could ease financial conditions via a lower AUD) and were more accepting of a higher unemployment rate (likely required to bring inflation down to target). However, *the September labour force report was unambiguously weak*, even allowing for some potential noise in the data. Our base case remains one in which the RBA rate hike cycle is over, but our suggested probability of a surprise November hike (~30%) is greater than the market is currently pricing (~15%). Another hike would be deeply unpopular (including politically), amid a trend rise in unemployment and trend decline in dwelling prices, but a "hold" would require the RBA to look through a likely uncomfortable Q3 CPI report on 28 October (Nomura forecast 1.25% q-o-q for headline CPI, and 0.96% q-o-q for trimmed mean CPI). Given the rally in rates this week following the local jobs report, and our view around November rate hike pricing, we lower the conviction level in a received AU 6m1y position to 0/5 (was 2/5). Indeed, we currently have some sympathy with the idea of paying Australia 6m1y versus receiving US 6m1y, given our US team's view for only one final Fed hike, most likely in December. The local calendar is quiet next week, but we will be watching the New Zealand Q3 CPI report; our forecast for headline CPI is currently 0.6% q-o-q (below the RBNZ forecast of 0.8% q-o-q) and our base case (60% probability) remains that the RBNZ will not hike in October (16.5bp currently priced).

Fig. 4: Our views on Asia and AUD rates



Source: Nomura

Previously, we asked “Do you expect the French National Assembly to pass the vote on the revenue section of the 2027 State Budget Bill scheduled on 20 October? How do you expect EUR/USD in the one session after the vote?”, **43.5 %** chose “No, EUR/USD lower by 0-1%” and **30.4 %** chose “Yes, EUR/USD higher by 0-1%” and **17.4 %** chose “No, EUR/USD lower by more than 1%” and **8.7 %** chose “Yes, EUR/USD higher by more than 1%”.

Please see [Strategy portfolio update](#) (15 October 2026) for our full portfolio.

Fig. 5: Trade ideas

Trade	Target	Timeline	Conviction (0-5)	Entry Date
<i>*New - Short USD/JPY</i>	152.5	end-Dec	3	16-Oct-26
<i>*New - Long NZD/CAD</i>	0.8280	end-Dec	3	16-Oct-26
<i>*New - Short USD/CNH</i>	6.50	end-Dec	3	16-Oct-26
<i>Dec-2s5s India NDOIS Flattener</i>	-	-	2	16-Oct-26
<i>Long USD/INR</i>	98.5	mid-Jan	3	14-Oct-26
<i>Long CNH vs 6FX abridged basket</i>	-	-	2	2-Oct-26
<i>Long USD/THB</i>	3.0%	end-Nov	3	2-Oct-26
<i>Short NOK/SEK</i>	-	-	2	2-Oct-26
<i>Receive Mar-5y Korea NDIRS</i>	3.90%	end-Nov	4	29-Sep-26
<i>Receive Mar-1y HK IRS</i>	3.80%	end-Nov	5	22-Sep-26
<i>Dec-1s5s China NDIRS steepener</i>	15bp	end-Nov	3	22-Sep-26
<i>Pay Dec-5y SGD IRS</i>	2.65%	end-Nov	3	17-Sep-26
<i>Long SGD/IDR</i>	14,440	end-Nov	4	17-Sep-26
<i>Short GBP/AUD</i>	-	-	2	4-Sep-26
<i>Pay Dec-5y China NDIRS</i>	1.70%	end-Nov	3	27-Aug-26
<i>Long EUR/USD</i>	-	-	2	20-Aug-26
<i>Long 10yr ACGB vs US 10yr</i>	-	-	2	7-Aug-26
<i>Long 12m USD/HKD</i>	7.8	12-May-27	3	8-May-26
<i>Long 9m USD/HKD</i>	7.8	27-Oct-26	3	23-Jan-26

Source: Nomura

Fig. 6: Global FX forecasts

		16-Oct	Q4 26	Q1 27	Q2 27	Q4 27
G10						
US Dollar Index	(DXY)	101.66	96.90	95.50	94.00	93.20
Japanese yen	(USD/JPY)	158.1	154.0	150.0	147.5	145.0
Euro	(EUR/JPY)	178.0	185	183	183	181
	(EUR)	1.13	1.20	1.22	1.24	1.25
Swiss Franc	(CHF)	0.82	0.78	0.77	0.75	0.74
	(EUR/CHF)	0.93	0.94	0.94	0.93	0.92
British Pound	(GBP)	1.33	1.36	1.37	1.38	1.38
	(EUR/GBP)	0.84	0.88	0.89	0.90	0.91
Australian Dollar	(AUD)	0.70	0.73	0.75	0.75	0.75
Canadian Dollar	(CAD)	1.42	1.40	1.40	1.39	1.37
New Zealand Dollar	(NZD)	0.57	0.61	0.62	0.63	0.63
Norwegian Krone	(EUR/NOK)	10.63	11.20	11.30	11.40	11.50
Swedish Krona	(EUR/SEK)	11.14	11.20	11.20	11.20	11.20
Asia						
Chinese Renminbi	(CNH)	6.69	6.50	6.45	6.40	6.30
	(CNY)	6.69	6.50	6.45	6.40	6.30
Hong Kong Dollar	(HKD)	7.848	7.820	7.813	7.805	7.790
Indonesian Rupiah	(IDR)	18012.0	17550	17500	17450	17350
Indian Rupee	(INR)	95.0	94.0	93.6	93.3	92.5
Korean Won	(KRW)	1331.1	1330	1325	1318	1300
Malaysian Ringgit	(MYR)	4.08	4.02	4.02	4.01	3.99
Philippine Peso	(PHP)	63.0	61.3	61.1	60.9	60.5
Singapore Dollar	(SGD)	1.279	1.240	1.230	1.230	1.210
Thai Baht	(THB)	33.5	32.4	32.2	32.0	31.6
Taiwan Dollar	(TWD)	32.4	30.8	30.6	30.4	30.0
CEEMEA						
Turkish Lira	(TRY)	49.5	51.5	54.3	57.0	61.0

Source: Bloomberg, Nomura.

Fig. 7: Rates forecasts

As of 16-Oct		Current	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
CNY	10y CGB yield	1.65	1.75	1.80	1.80	1.85	1.90
KRW	10y KTB yield	4.20	4.40	4.25	4.00	4.00	4.00
TWD	10y TGB yield	2.02	1.85	1.85	1.80	1.80	1.80
THB	10y ThaiGB yield	2.25	2.40	2.30	2.30	2.30	2.30
IDR	10y IndoGB yield	7.36	6.90	6.80	6.80	6.80	6.80
INR	10y IGB yield	7.36	7.10	7.15	7.15	7.15	7.15
SGD	10y SIGB yield	2.33	2.50	2.55	2.55	2.55	2.55

Source: Nomura

Appendix A-1

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