# Market Watch
## As of September 2025

## What's Been Happening

### Global

The US federal government entered a shutdown on 1 October 2025 after Congress failed to pass funding for the new fiscal year, mainly due to partisan disputes over spending levels, rescissions, and healthcare subsidies. About 800,000 federal employees are affected, many furloughed or working without pay, while essential services continue. However, agencies like national parks, research institutions, and regulatory bodies face disruptions.

The shutdown poses a significant economic risk, with estimates suggesting it could cost the US economy between USD 7-15 billion per week and reduce Q4 GDP growth by about 0.1 percentage points each week it continues. A month-long shutdown could also result in tens of thousands of job losses. Broader impacts include reduced growth prospects, higher unemployment, and disruptions to social security, air travel, and nutrition programs. Importantly, it would also delay the release of critical economic data, complicating decisions for the Fed, investors, and business leaders at a time of heightened uncertainty.

The last government shutdown, a partial shutdown of 35 days from December 2018 to January 2019, was estimated to cost at least USD 11 billion to the US economy, including permanent USD 3 billion loss. The report did not incorporate some indirect impacts of the shutdown, such as halt in federal permits and reduced access to loans.

### US

Consumer confidence in the US declined more than expected in September, reflecting growing concerns about job availability. According to the Conference Board, the consumer confidence index declined by 3.6 points to 94.2 for the month, compared to economists' expectations of a more modest decrease to 96.0, as reported in a Reuters poll. In September 2025, the United States faced a government shutdown after Congress failed to pass funding legislation before the October 1 fiscal deadline. The impasse centered on partisan disputes over health care subsidies under the Affordable Care Act, with Democrats pushing to extend them and Republicans opposing their inclusion in the budget. Attempts to advance short-term stopgap measures, known as continuing resolutions, stalled in the Senate, leaving federal agencies without spending authority. As a result, non-essential government operations were suspended, employees were furloughed, and uncertainty spread across the economy, marking yet another high-profile standoff over.

### UK

In August 2025, the UK economy exhibited signs of slowing growth and persistent inflation pressures. Inflation remained elevated, with CPI holding steady at 3.8% year-on-year, unchanged from July. The labor market showed signs of cooling, as the unemployment rate rose to 4.7%, the highest since 2021, and businesses reported the weakest hiring intentions since 2020.

### Singapore

Singapore's core inflation rose just 0.3% in August, the slowest increase since February 2021 and down from 0.5% in July, as services costs moderated. Such slowdown in service inflation is due to a decline in the costs of holiday expenses, airfares and inpatient services. However, private transport was the biggest driver of inflation in August, as car prices increased while the decline in petrol prices moderated. Afterall, Singapore's GDP grew by 4.3% in Q2 2025, surpassing expectations and picking up from 4.1% in Q1 2025.

## Global Benchmark Rates

| | As of 30 September 2025 | As of 29 August 2025 |
|---|---|---|
| US (The Federal Reserve) | 4.25% | 4.50% |
| UK (Bank of England) | 4.00% | 4.00% |
| MAS 3 month | 1.42% | 1.55% |

## FX Rates

| | As of 30 September 2025 | 1 WK (%) | 1 MTH (%) | YTD (%) |
|---|---|---|---|---|
| USD/SGD | 1.2901 | 0.55 | 0.46 | (5.56) |
| EUR/SGD | 1.5136 | (0.14) | 0.62 | 7.01 |
| GBP/SGD | 1.7343 | (0.05) | (0.30) | 1.43 |
| AUD/SGD | 0.8532 | 0.77 | 1.37 | 0.89 |
| NZD/SGD | 0.7474 | (0.56) | (1.40) | (2.17) |
| CAD/SGD | 0.9267 | (0.08) | (0.77) | (2.40) |
| JPY/SGD | 0.8720 | 0.36 | (0.07) | 0.38 |
| CHF/SGD | 1.6195 | (0.12) | 0.94 | 7.54 |
| HKD/SGD | 0.1657 | 0.42 | 0.61 | (5.80) |
| SAR/SGD | 0.3440 | 0.56 | 0.50 | (5.36) |
| MYR/SGD | 0.3065 | 0.29 | 0.86 | 0.36 |
| AED/SGD | 0.3512 | 0.52 | 0.46 | (5.57) |

## FX News

The USD steadied in September after the Fed cut the funds rate by 25 basis point (bps) to 4.25%, supported by robust GDP data that was revised sharply higher to 3.8% annualized, versus prior 3.3% and well above the initial estimate of 0.6% contraction. Meanwhile, Dollar Index stabilized in the 97 to 98 range after weakening earlier in the year.

Sterling underperformed, visibly weakening against both the dollar and euro amid weak fiscal data and unchanged Bank of England (BoE) policy. BoE held bank rate steady at 4.00% during the 25 Sept meeting. Public sector net borrowing overshot consensus, raising fiscal concerns. GBP/USD fell to 1.34 and EUR rose against GBP above 0.87.

Euro (EUR) gained modestly against the dollar, partly on the expectation that European Central Bank (ECB) easing cycle is over while Fed is still cutting. At the 12 September meeting, ECB kept the deposit rate unchanged at 2.75%., signaling less probability on further cuts. EUR/USD closed stronger, from 1.16 to 1.17 at the end of the month.

The Singapore dollar (SGD) held broadly steady under Monetary Authority of Singapore's (MAS) unchanged stance, underpinned by steady MAS policy and stronger domestic fundamentals. A MAS survey of economist revised Singapore's full year 2025 GDP growth forecast up to 2.4% from 1.7% and core inflation to 0.7% form 0.5%, supporting expectations that MAS would maintain its SNEER policy band at the October review.

On the Japanese yen, it remained under pressure. Prime Minister Ishiba's resignation on the 7th September showed sign of political turmoil, which weigh on the yen. Bank of Japan has held rates at 0.25%, continued reducing the Japanese Government Bond purchases. JPY/SGD has been seen to weakened in September by 0.07%.

## FX Outlook

The FX market outlook into late 2025 remains tilted against USD as investors price in further Fed rate cuts and growth losing momentum due to soft forward indicators on job opening, consumer spending, and cooling inflation year-on-year, though high long-term yields could still trigger short-term rebounds.

The British pound faces weaker trajectory, pressured by sluggish UK growth of only 0.3% in the third quarter compared with 0.7% in the second quarter, alongside additional fiscal uncertainty. However, it is projected to remained strengthen slightly against the USD. Meanwhile, the Euro is expected to continue its momentum, with forecast pointing towards EUR/USD moving to around 1.19 and 1.20 in late 2025 and early 2026 respectively, supported by relative yield spreads.

Moving onto the Asia outlook, the SGD may soften slightly if the MAS shifts dovish in October, though weaker USD should offset some of the losses, while the Chinese yuan is expected to remain steady under the People Bank of China's (PBoC) firm management, as seen in its stable FX reserves above USD 3.2 trillion, and the narrow USD/CNH trading range around 7.10 to 7.15 range despite global volatility. Commodity-linked currencies such as AUD and ND are positioned to benefit from China's recovery and stronger risk sentiment, while CAD will remain highly sensitive to oil price swings. Overall, FX markets are set for more volatility, but the broad bias favors a softer USD into 2026.

## Outlook

### US

The US economy is expected to experience soft growth in Q4, following strong momentum earlier in the year. GDP was revised up to 3.3% annualized in Q2, but with job opening and personal consumption expenditures (PCE) slowing down, forward indicators suggest a moderation growth ahead. With CPI ticked higher at 2.9% year-on-year. This has reinforced expectations for further Fed rate cuts, though policymakers, including Fed Vice Chair Jefferson and Dallas Fed's Logan, have stressed caution, citing risks of moving too aggressively. Long-term Treasury yields remain elevated around 4.0% to 4.3%, which could trigger short-term rebounds in the USD even as the broader trend remains weaker. Political uncertainty, including government shut down risk, also adds fiscal pressure and weighs on market sentiment. Overall, the US outlook is for slower growth, easing inflation, and a gradual cutting cycle, with risks toward fiscal stress and labor market cooling.

### UK

The outlook for the UK economy in 2025 points to modest growth of around 1.2-1.3%, with momentum supported by services but offset by weaker business investment and external headwinds. Inflation is expected to remain sticky, averaging about 3.2% through the year before easing into 2026, while the labour market is set to cool further, with unemployment projected to rise toward 4.5%. The Bank of England is likely to cut rates only gradually, balancing persistent price pressures with slowing activity. Risks remain tilted to the downside, including global trade tensions, fiscal tightening, and fragile private sector confidence.

### Singapore

The Ministry of Trade & Industry (MTI) has raised its full-year growth forecast to 1.5-2.5% (up from 0-2%). Private sector forecasters also expect growth around 2.4%, supported by improvements in manufacturing, exports, wholesale/retail trade, and construction. However, risks remain especially due to global trade tensions, weaker external demand, and geopolitical uncertainty. Inflation is relatively muted, and inflationary pressures are viewed as manageable.

*Source: Bloomberg and Reuters*