Daily Market Outlook

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Gold, JPY gain ground

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- **DXY. *Softer.*** USD continued to drift lower on dovish remarks from Fed officials, surprise turn lower in Philadelphia business outlook, extended US government shutdown, falling UST yields and the negative sentiments on some US regional banks over exposure to auto bankruptcy. On Fedspeaks, Waller said he supports another 25bp cut at the Oct FOMC but rate outlook after October depends on labour market. Miran reiterated that recent trade tensions have increased uncertainty in the outlook for growth, making it more important for policymakers to lower interest rates quickly. Elsewhere, EUR's rebound owing to relief that the French PM survived both no confidence votes yesterday as well as the fading of *Takaichi trade* (JPY recovery) also contributed to USD softness. DXY last at 98.20 levels. Bullish momentum on daily chart faded while RSI fell. Downside risks likely to continue in the interim. Support at 98 (21, 50 DMAs), 97.50 levels. Immediate resistance at 98.40 (38.2% fibo), 99.10 levels (50% fibo retracement of May high to Sep low) and 99.80 (61.8% fibo).

- **Gold. *Relentless Rise.*** Gold hit another record high of close to $4,380 this morning amid concerns of US regional banks' creditworthiness while ongoing US-China tensions continued to fuel safe-haven demand. The dip in UST yields further added to momentum as Fed officials, including Waller, Miran signalled their intent for Oct cut. We reiterate that this run-up in precious metal complex, including gold, silver reflects a mix of structural, fundamental and sentiment driven demand. The break of $4,000 in gold has also triggered momentum buying, especially with headlines focused on gold to $10,000 and discussion and hype on "debasement trades". But it is also important to acknowledge that gold's surge to record highs of over $4,300 and in record pace (up >15% MTD and over 30% since mid-Aug) may have stretched short-term valuations and risk-reward. Sentiment and speculative positioning are starting to look elevated, and there is a risk that gold may potentially be vulnerable to consolidation if geopolitical tensions stabilise or yields rebound. That said, our medium-term view stays constructive. Nominal rates are likely to trend lower as the Fed eases, while central-bank and institutional demand remain solid. The diversification or hedge argument for gold — against geopolitical, fiscal, and currency risks — also stays intact. XAU last seen at 4356 levels. Momentum remains bullish though RSI is in overbought conditions. Support at 4210, 4060 levels. Resistance at 4496.

- **USDCNH.** ***Lower Fix Again.*** USDCNY fix was set lower at 7.0949 and below 7.10 for a 3*rd* consecutive session. This demonstrated policymakers' intent to guide RMB on an appreciation path, albeit at a measured pace. There were also market chatters of explicit strengthening in the RMB ahead of the 4*th* plenum scheduled to be held in Beijing 20 – 23 Oct. The Central Committee of the Chinese Communist Party (CCP) will convene and focus on outlining CCP's next 5-year plan from 2026-2030. Earlier in Apr, President Xi outlined 5 key areas including national economic development, security, innovation, education & talent for development of new quality productive forces and the improvement of people's livelihoods. A communiqué is expected to be published on 23*rd* Oct, followed by the publication of the proposal of the 5-year plan a week later. CEWC will work on key policy targets in mid-Dec before the NPC meeting in Mar 2026. With US-China tensions still heightened over rare earth export controls and Trump's 100% tariff threat in response, the strong CNY fix only served as restraining the CNY from weakening, for now. USDCNH last seen at 7.1260 levels, largely in line with yesterday spot despite the USDCNY fix going lower. An improvement in market sentiments may still be required for spot to be aligned with the fix, from a directional perspective. Bullish momentum on daily chart is fading while RSI fell. Risks somewhat skewed to the downside. Support at 7.1150, and 7.08 (76.4% fibo retracement of 2024 low to 2025 high). Resistance at 7.1330 (21 DMA), 7.1420/60 levels (50 DMA, 61.8% fibo).

- **USDJPY.** ***Eyes on Coalition Formation.*** USDJPY extended its decline, tracking UST yields lower. Focus is also on coalition formation, in particular whether LDP and JIP managed to strike a deal. This alliance can get 231 seats. Although it is 2 short of the 233 simple majority, this can bring LDP's Takaichi closer to the PM role. Elsewhere, other opposition parties are also discussing the plausibility of forming a coalition to put up a fight. In the interim, we should continue to expect more political jostling amongst politicians ahead of 21 Oct, when the parliament will meet and vote on choice of PM. Elsewhere, BOJ Governor Ueda told reporters that *there's no change in our stance that we will adjust the degree of monetary easing if our confidence in hitting the outlook increases.* Apart from who the PM will be, policy implications on debt, deficit and BOJ path of policy normalisation, US-China tensions and broader risk sentiments are also other factors that may affect USDJPY. Pair was last at 150.10 levels. Bullish momentum on daily chart faded while RSI fell. Risks remain skewed to the downside. Next support at 149.67 (61.8% fibo), 148.50 (50 DMA). Resistance at 150.35 (50% fibo), 151 (38.2% fibo retracement of the run-up) and 151.90 (23.6% fibo).

- **USDSGD. *Drifting Lower.*** USDSGD continued to drift lower, tracking broader moves in USD, UST yields, USDJPY and USDCNY fix. Bullish momentum on daily chart faded while RSI fell. Gravestone doji formed on Tue is typically associated with a short-term bearish reversal signalling an end of an uptrend. We continue to watch price action for further confirmation. Next support at 1.2920 (21 DMA). Break below may open way for further downside. Bigger support at 1.2870 (50 DMA). Resistance at 1.2950 (23.6% fibo retracement of 2025 high to low), 1.3010 levels. S$NEER remains steady post-MAS decision; last at 1.45% above model implied mid.

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