

Daily Market Outlook

Fed independence – Tested, Not Tamed

- **USD Crosscurrents Intensify:** US data strength supports USD, but Fed independence fears briefly revived the “Sell America” narrative. Markets steadied as bipartisan pushback is seen to ease legal pressure on Fed Chair Powell. US CPI looms large – an upside surprise could trigger a USD squeeze amid net short positioning.
- **JPY weakness persists:** JPY continues to lag G10 peers as fiscal concerns blunt the impact of narrowing rate differentials. The return of political risk weighs on the JPY, though intervention risk limits the appeal of buying USDJPY at current levels.
- **THB – A restraint appreciation path:** Gold remains a dominant driver of THB, with the gold–THB correlation exceptionally high and prompting targeted policy intervention. Authorities are tightening scrutiny on FX and gold-related flows, which may help cap excessive THB strength in the near term.
- **KRW:** KRW underperformed amid outflows. According to KSD data, month-to-date domestic individual purchase of US stocks has already exceeded the whole of December volumes. Risks for USDKRW remain skewed to the upside unless USD declines in a bigger way or outflows moderate.

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USD Crosscurrents Intensify: Cyclical strength in US data continues to argue for USD upside. However, concerns over Federal Reserve (Fed) independence briefly revived the “Sell America” narrative – US stocks and USD lower, yields and gold higher. Markets later stabilised as bipartisan pushback is seen to temper legal pressure on the Fed. Growing pressure on Fed Chair Powell comes as a decline in the unemployment rate has ostensibly reduced the need for the Fed to deliver another insurance cut. Powell has characterised the weekend subpoenas as an attempt to pressure the Fed into cutting rates, while Republican Senator Tillis, member of the Senate Banking Committee, has pledged to block all Fed confirmations, including the Chair, until the matter is resolved. As seen during August’s Lisa Cook episode, markets may ultimately refocus on macro data unless tensions escalate further.

This week’s key risk event is US CPI. With several Fed officials signalling unease over still-elevated inflation, a firm print would strengthen the case for policy patience. USD positioning remains net short, leaving the currency vulnerable to a squeeze should inflation surprise to the upside. On trade policy, the US Supreme Court did not issue a ruling on IEEPA-related tariffs on Friday, pushing the decision to a later date.

While a negative ruling could weaken the USD, any downside is likely to be limited. We expect much of the Trump 2.0 tariff framework could be re-implemented under alternative legal mechanisms.

JPY weakness persists: USDJPY is little changed despite a softer USD overnight, highlighting continued JPY underperformance relative to G10 peers. Japanese Prime Minister Takaichi may call snap Lower House elections for 8 or 15 February, taking advantage of strong approval ratings. An early election aimed at solidifying the LDP's position could pave the way for larger fiscal stimulus, reinforcing fiscal sustainability concerns. While narrowing US-Japan rate differentials would typically point to downside in USDJPY, fiscal worries have weakened this transmission channel. As a result, the JPY outlook remains subdued, even as rising intervention risk makes chasing USDJPY higher at current levels unattractive.

THB – A restraint appreciation path. Gold remains a dominant driver of THB, with the gold-THB correlation exceptionally high and prompting targeted policy intervention. Authorities are tightening scrutiny on FX and gold-related flows, which may help cap excessive THB strength in the near term. Softer growth momentum and election-related uncertainty add to two-way risks, with near-term USDTHB bias tilting modestly higher. Read [FX Thoughts: THB – A restraint appreciation path, 12 January 2026](#) for more details.

USDKRW. Flows-driven. KRW has been an underperformer relative to Asian peers, with year-to-date performance at -2% vs. USD. Despite Korea benefiting from AI boom through electronics supply chain, KOSPI outperformance (Year-to-date +3.75%; 2025: +75%) and exports growth amid strong demand for semiconductors, the KRW still underperformed. This underperformance has largely been attributed to the overwhelming increase in outflows into overseas assets. According to Korea Securities Depository, individual South Korean investors made net purchases of USD1.94bn in US stocks from the start of year through 9 Jan, marking the largest Jan US stock purchases by domestic individual investors since data were first compiled in 2011. The net purchase (month-to-date) has also exceeded the whole of Dec volumes.

To add, the US-Korean deal agreed in Aug-2025, where Korea committed to USD350bn package (USD200bn in phased cash investment and USD150bn in shipbuilding) to secure lower tariffs on its exports may potentially have partially contributed to KRW weakness, exacerbating outflow pressure. According to various news reports, authorities have held a meeting with 7 local banks to make checks on

foreign deposits and FX-related services. Onshore spot last seen at 1468. Bearish momentum on daily chart faded while RSI rose. Risks remain skewed to the upside unless USD declines in a bigger way or outflows moderate. Resistance at 1475, 1484 levels (recent high). Support at 1458/60 levels (21, 50 DMAs), 1443 (38.2% fibo retracement of Sep low to Dec high).

USDSGD. 2-way risks. USDSGD's rebound stalled as probe on Powell raises questions about Fed independence, in turned added to "sell America" trade. Pair was last seen at 1.2850. Daily momentum is mild bullish but rise in RSI moderated. Tentative consolidation likely. Resistance at 1.2920/50 levels (50, 100, 200 DMAs, 23.6% fibo retracement of 2025 high to low). Support at 1.2820, 1.2790 levels (Jan low). With strong correlation between broad DXY and USDSGD, we still expect the pair to remain driven by USD noises. Powell probe, US data (CPI, PPI) and Supreme court ruling on legality of Trump's tariffs are some of the factors that may add to 2-way volatility in USD this week.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCNH	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1817	159.31	1.3637	0.8107	0.6795	0.5861	1.3990	4816	1.2935	59.44	90.42
Resistance 2	1.1740	158.63	1.3542	0.8045	0.6749	0.5809	1.3939	4698	1.2897	59.34	90.30
Resistance 1	1.1703	158.39	1.3504	0.8009	0.6730	0.5790	1.3909	4648	1.2878	59.30	90.23
Spot	1.1667	158.05	1.3466	0.7977	0.6709	0.5773	1.3877	4589	1.2856	59.26	90.16
Support 1	1.1626	157.71	1.3409	0.7947	0.6684	0.5738	1.3858	4530	1.2840	59.20	90.11
Support 2	1.1586	157.27	1.3352	0.7921	0.6657	0.5705	1.3837	4462	1.2821	59.14	90.07
Support 3	1.1509	156.59	1.3257	0.7859	0.6611	0.5653	1.3786	4344	1.2783	59.04	89.95
Bollinger Band											
Bollinger Upper	1.1817	158.19	1.3559	0.8012	0.6759	0.5847	1.3921	4612	1.2916	59.36	90.81
Bollinger Lower	1.1634	155.22	1.3369	0.7856	0.6613	0.5724	1.3616	4233	1.2799	58.48	89.30

Source: Bloomberg, OCBC Group Research. Potential resistance and support levels are identified based on pivot points



OCBC Group Research

By Global Markets | 13 January 2026

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