

Daily Market Outlook

Dollar Dips, Fed Split

- **Dollar Dips, Fed Split:** USD softened as Asia FX intervention talk resurfaced and Fed views diverged. US institutional and Fed independence risks could weigh on the USD for now but a strengthening US economy could revive some USD strength later in 2026.
- **JPY intervention watch:** USDJPY nears 160, fuelling speculation of MoF/BoJ intervention. Verbal warnings cap weakness, but markets may test resolve. Actual intervention could boost JPY's funding appeal, while meaningful JPY strength hinges on a more hawkish BoJ and easing fiscal concerns.
- **KRW:** KRW jumped on comments from US Treasury Secretary Scott Bessent that recent depreciation in KRW was not in line with Korea's strong economic fundamentals. Price setup signalled tentative bearish reversal, we look out for signs of follow-through price action.
- **Silver:** Silver's rally may appear stretched from a price velocity perspective. Medium-term narrative remains firmly constructive, underpinned by persistent supply deficits, resilient industrial demand while positioning does not seem stretched at this point.

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Dollar Dips, Fed Split. The USD edged lower without clear catalysts. Asia FX intervention returned to focus after verbal warnings from Japan's Finance Minister Katayama and top MOF diplomat Mimura, while US Treasury Secretary Bessent flagged KRW weakness as inconsistent with Korea's strong fundamentals. Despite resilient US consumer data, US equities fell on rotation out of tech. Lower Treasury yields and a rally in precious metals was consistent with the risk-off sentiment. The Beige Book offered early optimism for 2026, with most Fed districts reporting the first pickup in activity in a year and expecting further improvement ahead.

Meanwhile, the Supreme Court again delayed a ruling on the IEEPA tariff case, leaving markets guessing. Fedspeak remains split: Minneapolis Fed's Kashkari stayed hawkish, seeing "no impetus to cut in January," while Philly Fed's Paulson leaned dovish, calling modest cuts "likely appropriate" later this year. We expect limited USD weakness in 1H26 amid institutional and Fed independence concerns. However, cyclical strength in US data from AI-driven investment and fiscal easing under the OBBB Act could support a greenback rebound in 2H26.

JPY intervention watch: Market speculation is rising that Japan's MoF/BoJ could step in with USD-selling intervention as USDJPY approaches the psychologically critical 160 level. Verbal warnings have helped cap JPY weakness for now, but investors are likely to probe authorities' willingness to follow words with action. A stronger JPY on actual intervention could make the JPY more attractive as a funding currency. Rate hike expectations have edged higher, though mainly in response to currency weakness. For a more meaningful JPY rally, markets need a hawkish BoJ stance and clarity on Japan's fiscal and political outlook. PM Takaichi may offer more details on a potential snap election on 19 January.

Silver. Slight caution; Buy dips preferred. Silver has rallied more than 25% since the start of 2026, extending the powerful uptrend that began in mid-2025. While the medium-term narrative remains firmly constructive, underpinned by persistent supply deficits, resilient industrial demand (solar PV, EVs, grid modernisation, etc.), and spillover demand from gold, the velocity of the recent move warrants some near-term caution. The gold-silver cross fell sharply from last year's highs near 105 toward the low-50s, reflecting silver's sharp outperformance versus gold. While it is not extreme versus historical lows (30 levels in 2011), the speed of decline adds to the sense of tactical stretch (from price perspective). From a position point of view, the rally in silver does not appear to have been driven by an ETF or speculative leverage chase. Known ETF silver holdings peaked in late-December before easing ~2-3% into mid-January (although recent sessions saw modest upticks), and the 6 January CFTC report showed non-commercial net longs at 29,271 contracts (down from ~45k in mid-Dec) despite greater than 40% surge in prices of silver over the same period.

Positioning therefore remains far from crowded, which reinforces the medium-term bullish case and suggests the market is not at a high risk of a classic leveraged washout. Meanwhile, silver lease rates also remain subdued, with near term forward curves in contango indicating the recent rally was not driven by acute physical tightness. Taken together, the backdrop signals some caution after an exceptionally rapid extension, though the broader structural bull case remains intact and under-owned. Silver last seen at 92.50 levels. Bullish momentum on daily chart intact while RSI enters overbought conditions. Resistance at 98.70 (138.2% fibo projection from the low of Oct to Dec peak), 103.20 (150% fibo). Support at 84, 75 levels (21 DMA). Bias remains to buy dips.

USDKRW. Watch for follow-through action from bearish engulfing.

USDKRW turned sharply lower on rare comments from US Treasury Secretary Scott Bessent on KRW. The readout from US Treasury on the meeting between Bessent and Deputy PM and Minister of Economy and Finance Koo Yun Cheol on Monday highlighted several points including (1) recent depreciation in KRW was not in line with Korea's strong economic fundamentals; (2) excessive volatility in the FX market is undesirable; (3) reaffirmed that Korea's strong economic performance especially in key industries that support America's economy, make it a critical partner for USA. There was also discussion on the full and faithful implementation of Trump's historic Korea Strategic Trade and Investment Deal. Recall we had earlier highlighted that KRW has underperformed despite the economy benefiting from AI boom through electronics supply chain, exports growth amid strong demand for semiconductors while KOSPI outperformed (YTD +12%; 2025: +75%).

The odd KRW underperformance has largely been attributed to the overwhelming increase in outflows into overseas assets. It remains early to concur if Bessent's comments was sufficient to halt KRW's decline but from a technical point of view, a bearish engulfing price action may potentially signal a bearish reversal setup but this requires follow-through in subsequent price action. Spot last seen at 1465 levels. Mild bullish momentum on daily chart intact while RSI turned lower. Key area of support here at 1458/62 levels (23.6% fibo retracement of Sep low to Dec peak). Decisive break below said support may see bears gain traction. Next support at 1443 (38.2% fibo). Resistance at 1479, 1484 (recent high). Day ahead brings BOK MPC. It is widely anticipated that BOK will keep benchmark rate on hold at 2.5%. Focus on whether BOK Governor Rhee follow up on US Treasury Secretary Bessent's comments on KRW at press conference.

USDSGD. Consolidation. USDSGD traded subdued near recent highs. Pair was last seen at 1.2880. Daily momentum is mild bullish though rise in RSI shows signs of moderation. Consolidation likely for now until catalyst comes along. 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). We still expect the pair to be more driven by external drivers, including the USD given the significant correlation between DXY and USDSGD. Data this week: SG NODX (Fri 830am SGT).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1699	161.37	1.3530	0.8092	0.6744	0.5796	1.3946	4725	1.2946	59.57	90.82
Resistance 2	1.1673	160.02	1.3486	0.8048	0.6715	0.5771	1.3914	4673	1.2913	59.49	90.51
Resistance 1	1.1659	159.24	1.3465	0.8023	0.6698	0.5761	1.3898	4650	1.2896	59.47	90.40
Spot	1.1644	158.52	1.3436	0.7999	0.6682	0.5741	1.3888	4616	1.2880	59.44	90.30
Support 1	1.1633	157.89	1.3421	0.7979	0.6669	0.5736	1.3866	4597	1.2863	59.39	90.09
Support 2	1.1621	157.32	1.3398	0.7960	0.6657	0.5721	1.3850	4567	1.2847	59.34	89.88
Support 3	1.1595	155.97	1.3354	0.7916	0.6628	0.5696	1.3818	4514	1.2814	59.26	89.56
Bollinger Band											
Bollinger Upper	1.1822	158.89	1.3549	0.8032	0.6745	0.5849	1.3949	4659	1.2911	59.49	90.52
Bollinger Lower	1.1609	155.21	1.3386	0.7850	0.6640	0.5712	1.3610	4250	1.2802	58.48	89.46

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



OCBC Group Research

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