Daily Market Outlook

USD Holds Ground

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- ***USD supported by relative rates move, data and risk tone**: USD caught support from rate differentials shifting in its favour, firmer US growth signals, and softer risk sentiment. With the buildup of short USD positioning a risk amid US data resilience, USD downside should stay limited, while labour data remains the near-term catalyst.*
- ***AUD**: Australian CPI softened but remains too high for comfort. The AUD wobbled on cautious global risk sentiment, yet underlying support persists. The 4Q25 inflation print will be pivotal for February RBA policy and the next AUD leg.*
- ***Asia FX**: THB steadied after back-to-back gains in recent sessions. Price action continues to take cues from moves in gold. Expect Asian currencies to trade sideways ahead of Friday's US payrolls and a potential Supreme Court ruling on President Trump's tariffs.*

USD supported by relative rates move, data and risk tone: FX remains a relative game. The USD found support as a broad overnight decline in global yields shifted rate differentials in its favour. US data were mixed but modestly constructive: JOLTS and ADP continue to point to a low-hiring, low-firing labour market, while December ISM services surprised to the upside, sending a firmer growth signal. Notably, the ISM services employment sub-index returned to expansionary territory for the first time since May 2025 (52 vs 48.9 previously), easing concerns around labour market momentum. The USD also benefited from softer risk sentiment. Policy proposals from the Trump administration — including restrictions on institutional ownership of single-family homes and curbs on dividend payments and share buybacks by defence contractors — dampened investor risk appetite, reinforcing safe-haven demand.

Stronger-than-expected US growth is a risk to the build-up in short USD positioning driven by dovish Fed expectations. We continue to expect only modest USD softness in 1H26, with DXY likely to find support around 96 in 2H26. Improving US growth prospects could provide further USD support later in the year. In the near term, labour market data remain pivotal, with Friday's December US jobs report the key event risk.

Commodity prices continued to whipsaw. Oil closed lower after the US administration outlined plans to control future Venezuelan oil sales while selectively easing sector-specific sanctions. Meanwhile, gold and silver retreated ahead of the upcoming benchmark commodity index reweighting, which could trigger near-term selling pressure in both metals.

AUD: Australian inflation eased in November, but both headline and core measures remain above the RBA's 2–3% target band. The AUD initially rallied on the softer print before giving back gains as global risk sentiment turned cautious. We are wary that stretched long AUD positioning could prove a near-term headwind. That said, we still see scope for AUD upside this year, supported by a benign global growth backdrop and easing US-China trade frictions. Headline CPI slowed to 3.4% YoY in November, undershooting consensus by 0.2pp, while core inflation held at 3.2%, in line with expectations. Market pricing for RBA tightening was little changed, with around 40bp of hikes still priced for the rest of the year. With the new monthly CPI series remaining volatile, the decisive input for a February RBA move will be the 4Q25 inflation print, due on 28 January.

USDTHB. Taking cues from gold prices. USDTHB consolidated after the decline over the past 3 sessions. Moves in THB continued to mirror moves in gold prices. Spot was last seen at 31.28. Daily momentum is mild bullish while RSI was flat. Sideways trading likely in the interim. Support seen at 31.10, 31 levels (recent low). Resistance at 31.45 (21 DMA, 23.6% fibo retracement of Oct high to Dec low), 31.73 (38.2% fibo). On Bank of Thailand (BoT) rhetoric, deputy Governor Piti said that "growth in 2026 is forecast at just 1.5%, with growth seen at only 2% looking further ahead, as the economy remains in a transition period facing both short-term cyclical pressures and longer-term structural constraints. He also shared that "this year's election is expected to delay the fiscal 2027 budget process by one quarter, with the budget likely to be enacted in the first quarter of 2027. That would reduce the usual boost from government spending in the fourth quarter, weighing on consumption" He also mentioned that the MPC has already lowered policy rate to 1.25%, leaving policy space limited though he also added that limited space does not mean none at all. Additional rate cuts can be considered if uncertainty rises and further support is needed. He did indicate that" cutting the policy rate alone cannot solve structural problems or targeted issues around access to credit". Our economist's baseline view is that BoT will remain on a prolonged hold in 2026. However, growth disappointments and persistently tighter financial conditions could tip the balance for BoT.

USDSGD. Consolidation. Early week's slippage in USDSGD found support amid strength in USD from upbeat ISM services. US payrolls is the next highlight on the calendar this Friday and we expect spot to trade sideways until markets receive some clarity on payrolls print.

Elsewhere, the Supreme Court has indicated that it could release opinions on Friday with regards to the legality of President Trump's global tariffs (ruling likely soon), which may have implications on markets. Pair was last seen at 1.2820. Daily momentum is flat while RSI rose from near oversold conditions. Consolidation likely within trend channel. Support at 1.2790 levels (Jan low), 1.2710 (Sep low). Resistance at 1.2880 levels (21 DMA), 1.2930/55 levels (50, 200 DMA, 23.6% fibo retracement of 2025 high to low). Recent jump in S$NEER has shown signs of stabilisation, with percentage deviation from model-implied mid steady near the upper bound.

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