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OCBC Group Research

By Global Markets | 19 August 2026

# Daily Market Outlook

## JGB Spillover


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- ***JGB Spillover****: Rising global long-end yields are not solely a US fiscal or AI financing story. The spillover from rising long-term JGB yields should not be underestimated. Sustained JPY strength still requires a more aggressive BoJ hiking cycle.*

- ***Asian FX traded differentiated.*** *Oil-sensitive PHP and IDR underperformed while MYR and KRW proved more resilient.*

- ***IDR slipped on external drivers.*** *But domestic sentiment was somewhat better anchored after Prabowo's two major speeches and Destry Damayanti's BI nomination, but oil and global yields remain key headwinds.*

- ***Gold faces pullback risk****. Higher oil and long-end yields have slowed gold's rebound. Near-term consolidation or a pullback remains possible unless yields stabilise or investment demand improves.*

**JGB Spillover**: Global yield curves have steepened in recent weeks, driven largely by higher long-end yields. Against this backdrop, it was notable that the US Treasury curve bull-flattened overnight as equities retreated, led by rate-sensitive technology and AI-related hardware stocks.

Part of the rise in long-end yields, particularly in the US, reflects higher real yields driven by persistent fiscal deficits and increasing AI-related corporate financing needs. However, these factors do not fully explain the move. Large fiscal deficits have been a longstanding issue rather than a new development, while strong investor demand has absorbed substantial corporate bond issuance without causing significant market stress. Credit spreads have also remained contained.

Another factor that should not be overlooked is the spillover from rising long-end Japanese government bond (JGB) yields. Concerns over JPY weakness and perceptions that the BoJ remains behind the curve have not been fully alleviated despite coordinated Japan-US FX intervention and growing debate over a faster pace of BoJ rate hikes.

Markets are increasingly pricing in a September BoJ rate hike, with implied odds rising to around 80% from 50% at the start of August. If the BoJ accelerates policy normalisation and the JPY sheds its status as a low-yielding funding currency, the currency should strengthen over time. Quarterly rate hikes through 2027 would be a key catalyst for a more durable JPY appreciation. However, it remains unclear how much appetite policymakers have for additional tightening beyond September or October.

We maintain our end-2026 USDJPY target of 163 but could become more constructive on the JPY if the BoJ signals a more aggressive rate hiking path or if Japan actively encourages capital repatriation, including through institutions such as the GPIF.

**Asian FX. Differentiated.** Asian FX traded on the back foot as renewed oil gains and the sell-off in global long-end bonds weighed on broader risk sentiment. Pressure was more evident in oil-sensitive PHP and IDR, while MYR and KRW were comparatively resilient. The rise in US long-end yields despite some paring of near-term Fed hike expectations points to persistent pressure from oil, inflation and term-premium concerns, which may continue to weigh on risk sentiment and higher-beta Asian FX.

**IDR. BI decision next.** IDR slipped modestly as higher oil prices and elevated global yields weighed on broader risk sentiment. That said, the domestic sentiment appears somewhat better anchored following President Prabowo's two major speeches last Friday. His proposed 2.4% fiscal deficit for 2027 and clarification around the role of the new commodity-export agency helped ease some concerns over fiscal discipline and greater state intervention. This follows the nomination of Destry Damayanti as BI governor, which was also seen as providing some reassurance on policy continuity. Near term, however, IDR remains sensitive to oil-price swings and broader risk sentiment. Focus today turns to BI, where FX stability and policy guidance may matter more for IDR than the rate decision itself.

USDIDR last closed at 17857 levels. Bearish momentum on daily chart intact but shows signs of waning while RSI showed signs of going higher. 2-way trades likely, with risks to the upside. Resistance at 17940 (21, 50 DMAs). Support at 17760, 16620 levels (100 DMA, 38.2% fibo retracement of 2026 low to high).

**Gold. Pullback not ruled out.** Gold's rebound has lost some momentum as the renewed rise in oil prices added to pressure from higher long-end US yields. Firmer crude has brought inflation risks back into focus, helping keep longer-dated Treasury yields elevated even as markets pared back near-term Fed hike expectations. The USD was comparatively steady, offering little additional support. This leaves gold caught between a more supportive Fed backdrop and renewed pressure from oil and yields. Gold last seen at 4365 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI turned lower from near overbought conditions. Near term, some consolidation or a pullback remains possible. For the gold rally to regain traction, oil and yields need to stabilise, or a stronger pickup from investment demand.

**Technical Levels Table**

| | EURUSD | USDJPY | GBPUSD | USDCHF | AUDUSD | NZDUSD | USDCAD | XAUUSD | USDSGD | USDPHP | USDINR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Resistance 3 | 1.1619 | 160.52 | 1.3603 | 0.8180 | 0.7173 | 0.5961 | 1.3986 | 4580 | 1.2814 | 62.20 | 95.75 |
| Resistance 2 | 1.1598 | 160.04 | 1.3569 | 0.8149 | 0.7135 | 0.5923 | 1.3938 | 4474 | 1.2797 | 61.96 | 95.71 |
| Resistance 1 | 1.1587 | 159.83 | 1.3551 | 0.8136 | 0.7111 | 0.5900 | 1.3918 | 4404 | 1.2789 | 61.87 | 95.70 |
| Spot | 1.1575 | 159.58 | 1.3534 | 0.8125 | 0.7081 | 0.5873 | 1.3901 | 4332 | 1.2786 | 61.79 | 95.68 |
| Support 1 | 1.1566 | 159.35 | 1.3517 | 0.8105 | 0.7073 | 0.5862 | 1.3870 | 4297 | 1.2772 | 61.62 | 95.66 |
| Support 2 | 1.1556 | 159.08 | 1.3501 | 0.8087 | 0.7059 | 0.5847 | 1.3842 | 4260 | 1.2763 | 61.46 | 95.63 |
| Support 3 | 1.1535 | 158.60 | 1.3467 | 0.8056 | 0.7021 | 0.5809 | 1.3794 | 4153 | 1.2746 | 61.21 | 95.59 |
| **Bollinger Band** | | | | | | | | | | | |
| Bollinger Upper | 1.1648 | 164.59 | 1.3614 | 0.8199 | 0.7122 | 0.5942 | 1.4150 | 4514 | 1.2928 | 62.04 | 96.52 |
| Bollinger Lower | 1.1366 | 155.41 | 1.3284 | 0.8045 | 0.6950 | 0.5769 | 1.3835 | 3923 | 1.2733 | 60.65 | 94.76 |

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

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