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OCBC Group Research

By Global Markets | 20 August 2026

Daily Market Outlook

USD Under Pressure

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- ***USD Under Pressure****: Treasury buybacks helped cap long-end US yields, weighing on the USD and boosting gold and CHF. With the Fed showing little urgency to tighten and Jackson Hole in focus, the USD may remain soft near term.*

- ***USDSGD moved lower*** *as the sharp USD sell-off and decline in US Treasury yields fed through, with its significant DXY correlation and beta keeping broader USD direction firmly in focus.*

- ***Softer USD and lower US Treasury yields offer some relief for IDR,*** *while BI's steady policy stance and broader market measures provide support. High oil remains a key constraint.*

- ***INR continues to lag despite USD weakness*** *as elevated oil and importer demand dominate. Elsewhere, RBI support and FCNR(B)-related inflows provide some interim buffer.*

USD Under Pressure: The USD (i.e. DXY) fell to its weakest level since May, while long-end US Treasury yields declined after the US Treasury announced larger long-end bond buybacks. The Treasury will increase the size of its longer-dated buyback operations from USD2bn to at least USD4bn during the next refunding quarter, from 9 September to 4 November.

Importantly, this is not quantitative easing. Rather, the Treasury is purchasing longer-dated bonds while effectively financing the operation through increased bill issuance. Even so, the move signals Treasury's discomfort with the rise in long-term yields and should help restrain further increases in long-end yields in the near term. That said, the structural forces pushing yields higher, including substantial AI-related financing needs, persistent fiscal deficits and rising JGB yields, remain in place.

If long-end yields are effectively capped, a weaker USD may be part of the trade-off to maintain the attractiveness of US government debt for foreign investors. The broad-based USD weakness overnight also revived concerns about currency debasement, supporting demand for both gold and the CHF, which shares many of gold's safe-haven and zero-yield characteristics.

Lower yields driven by the buyback announcement have shifted market attention back to the Fed. The July FOMC minutes showed policymakers are discussing the possibility of further rate hikes but have yet to conclude that near-term tightening is warranted. Economic data released since the July meeting has also reduced the urgency for additional policy tightening.

The next key event is Fed Chair Warsh's speech at the Kansas City Fed's Jackson Hole symposium next week. In the absence of explicit forward guidance, we do not expect a notably hawkish message. If the Fed remains on hold, the USD is likely to stay under pressure in the near term.

USDSGD. Broad USD move matters. USDSGD moved lower alongside a sharp reversal in USD after the US Treasury announced an expansion of long-end bond buybacks, helping pull long-dated US Treasury yields lower. DXY fell around 0.8%, a relatively sizeable one-day move, and the impact on USDSGD should not be understated given the significant correlation and beta between the two. SGD's supportive fundamentals and S$NEER policy stance remain important anchors, but the latest move reinforces that broader USD direction can still be a significant cyclical driver of USDSGD. Furthermore, CFTC net long position for DXY is stretched by historical standards and that leaves room for USD to correct further if USD downside surprise factors continue to resurface. If USD weakness extends, there may be room for USDSGD to drift lower even in the absence of a Singapore-specific driver. Separately, MAS' latest measures to attract and anchor hedge funds and senior investment talent, including tax incentives, a new hedge fund investment programme and a dedicated investment-management track under the existing ONE Pass framework add to Singapore's constructive medium-term financial-hub story, though the direct SGD flow impact is likely limited for now.

Pair last seen at 1.2720 levels. Mild bearish momentum on daily chart intact while RSI was near oversold conditions. Downside pressure may continue to persist with range skewed lower going forward. Support at 1.2680 (76.4% fibo). Resistance at 1.2740 (61.8% fibo), 1.2790 (50% fibo) and 1.2830/40 levels (100, 200 DMAs, 38.2% fibo retracement of 2026 low to high).

IDR. BI stays the course. IDR is likely to find some relief from the softer USD and pullback in long-end US Treasury yields. Yesterday, BI kept its policy rate unchanged at 5.75% and maintained its focus on IDR stability, while reiterating measures to attract foreign inflows and deepen FX markets. The decision also reinforces policy continuity under acting Governor Destry Damayanti. BI appears increasingly inclined to rely on non-rate tools, including FX hedging incentives and SRBI, rather than pushing domestic rates materially higher. Near term, a sustained USD pullback would ease some external pressure on IDR, although elevated oil prices remain a constraint for Indonesia.

USDIDR last closed at 17830 levels. Bearish momentum on daily chart intact while RSI is flat for now. 2-way trades likely. Support at 17760, 16630 levels (100 DMA, 38.2% fibo retracement of 2026 low to high). Resistance at 17940 (21, 50 DMAs).

INR. Oil remains the bigger drag. INR remained under pressure despite the broader USD decline, with elevated oil prices and importer dollar demand continuing to weigh. RBI-linked USD sales appear to have helped contain losses and keep USDINR from extending higher. The overnight USD sell-off and lower US Treasury yields should offer some relief, but the divergence is telling - INR has so far struggled to benefit fully from the weaker USD backdrop while elevated oil prices remains the key headwind given India's import dependence. As such, INR may continue to lag the broader Asian complex unless crude prices ease more meaningfully. The early closure of RBI's concessional FCNR(B) swap window at end-August also removes one source of incremental FX inflow support earlier than expected, although the sizeable inflows so far and potential last-minute rush before 31 Aug may still add to buffer.

USDINR last closed at 95.76. Daily momentum shows signs of turning mild bullish while RSI rose. Risks skewed to the upside. Resistance at 95.90, 96 levels. Support at 95.40 (50 DMA), 95.10 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1860	161.80	1.3800	0.8340	0.7231	0.6065	1.4050	4854	1.2903	62.25	95.84
Resistance 2	1.1751	160.21	1.3693	0.8182	0.7169	0.5988	1.3945	4654	1.2820	62.05	95.80
Resistance 1	1.1714	159.19	1.3650	0.8078	0.7147	0.5962	1.3877	4585	1.2766	61.94	95.78
Spot	1.1674	158.25	1.3601	0.7978	0.7123	0.5937	1.3811	4513	1.2714	61.82	95.76
Support 1	1.1605	157.60	1.3543	0.7920	0.7085	0.5885	1.3772	4385	1.2683	61.74	95.73
Support 2	1.1533	157.03	1.3479	0.7866	0.7045	0.5834	1.3735	4255	1.2654	61.66	95.70
Support 3	1.1424	155.44	1.3372	0.7708	0.6983	0.5757	1.3630	4056	1.2571	61.47	95.65
Bollinger Band											
Bollinger Upper	1.1686	163.99	1.3641	0.8218	0.7140	0.5957	1.4157	4582	1.2927	62.05	96.37
Bollinger Lower	1.1368	155.31	1.3292	0.7991	0.6952	0.5777	1.3791	3919	1.2706	60.64	94.82

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

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