Daily Market Outlook

Yield Reality Check

- ***Yield Reality Check****: Treasury buybacks delivered a weaker USD and stronger gold, but failed to anchor long-term yields for now, raising doubts whether Treasury buybacks can sustainably lower borrowing costs against persistent fiscal and structural pressures.*

- ***RMB. Appreciation remains measured.*** *The fixing continues to trend lower, but USDCNY is still being fixed above spot and above market expectations, suggesting the PBoC is allowing RMB gains while leaning against an overly rapid appreciation.*

- ***Fundamentals remain supportive of MYR.*** *Strong July exports and a wider trade surplus reinforce Malaysia's favourable external backdrop, though the immediate FX impulse may be modest; MYR should remain relatively well placed if the broader USD stays soft.*

- ***USDSGD in consolidation mode overnight*** *following the sharp decline. Near term rebound risk is not ruled out even as the range may have skewed lower.*

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Yield Reality Check: US bond yields resumed their climb, reversing much of the initial reaction to the Treasury's surprise expansion of its long-end buyback programme. This raises doubts over whether buyback announcements, or even ongoing intervention, can deliver a lasting decline in long-term borrowing costs given powerful structural forces that continue to push yields higher. These include the AI investment boom, a large fiscal deficit and persistent global bond market selling.

So far, the surprise buyback programme has coincided with a weaker USD, higher gold prices and rising breakeven inflation rates. This combination is familiar from periods of heightened policy uncertainty in 2025, when investor scrutiny of the US fiscal outlook intensified.

It is encouraging that Treasury Secretary Bessent has signalled a stronger focus on fiscal consolidation, although details remain scarce. The federal deficit has already reached USD1.8 trillion in the first 10 months of FY26, exceeding the full-year FY25 shortfall. More than half of the deficit reflects interest payments, while the primary deficit has widened again, partly due to tariff rebates paid following the Supreme Court's ruling earlier this year.

Oil prices are offering little relief for US yields at present. Earlier downward pressure on crude from the covert US-protected tanker corridor is now being offset by renewed sanctions risks. President Trump has announced measures that could impose economic consequences on countries that continue doing business with Iran. While details have yet to be released, it remains unclear whether any new actions would significantly increase pressure beyond the sanctions Iran already faces.

CNH. Pace of appreciation remains measured. USDCNH continued to trade lower. The CNY fixing has also been guided progressively stronger, but perhaps more telling is that the USDCNY midpoint continues to be set noticeably above spot and market expectations. Thursday fix at 6.7808 was around 600 pips above consensus estimates, suggesting that while the PBoC is comfortable allowing some RMB appreciation, it continues to lean against the pace of the move seen in spot. This is consistent with a preference for gradual rather than one-way appreciation. Softer USD dynamics and exporter conversions should remain supportive for RMB, but the fixing behaviour suggests policymakers are unlikely to allow for an overly rapid move. Near term, we continue to see room for RMB strength, albeit at a measured pace.

USDCNH last at 6.7260 levels. Daily momentum turned mild bearish while RSI fell into oversold conditions. Bias remains skewed to the downside. Support at 6.72, 6.7140 (61.8% fibo retracement of 2022 low to triple-top). Resistance at 6.7460, 7.7510 (21 DMA).

MYR. Fundamentals remain supportive. MYR remained relatively well supported, helped by the softer USD backdrop and still-favourable domestic fundamentals. Trade data released yesterday saw July exports rose 38.0% YoY, stronger than expected, while the trade surplus widened to MYR22.5bn, adding to the picture of resilient growth following the strong 2Q26 GDP print. The continued strength in electronics exports and firmer palm oil prices should also remain supportive for Malaysia’s external position. That said, the immediate FX impulse from the strong data may be more modest, particularly with oil and long-end US Treasury yields still elevated. We continue to see MYR relatively well placed within the region, especially if the broader USD pullback extends.

USDMYR last closed at 4.0450 levels. Bearish momentum on daily chart intact though RSI fell into oversold conditions. Pace of decline may moderate with risk of rebound not ruled out in the interim. But bias to lean against rebound. Resistance at 4.0610 (38.2% fibo retracement of May low to June high), 4.08 levels. Support at 4.0320 (100, 200 DMAs, 50% fibo), 4 levels (61.8% fibo).

USDSGD. Consolidation. USDSGD traded range-bound after the sharp decline seen the day before. Overnight price action mirrors the broader USD moves as markets took stock of fading effects of Bessent's upsized buybacks while broader risk sentiment was softer. Pair last seen at 1.2725 levels. Mild bearish momentum on daily chart intact but RSI shows tentative signs of turning from oversold conditions. Rebound risks not ruled out even as the range may have skewed lower. 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). Support at 1.2680 (76.4% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1770	161.05	1.3756	0.8108	0.7177	0.6020	1.3900	4683	1.2772	62.05	96.00
Resistance 2	1.1728	159.90	1.3692	0.8048	0.7147	0.5982	1.3843	4593	1.2744	61.85	95.83
Resistance 1	1.1703	159.48	1.3662	0.8026	0.7130	0.5963	1.3817	4555	1.2733	61.75	95.77
Spot	1.1688	158.98	1.3644	0.7999	0.7124	0.5956	1.3779	4521	1.2713	61.66	95.71
Support 1	1.1661	158.33	1.3598	0.7966	0.7100	0.5925	1.3760	4465	1.2705	61.56	95.60
Support 2	1.1644	157.60	1.3564	0.7928	0.7087	0.5906	1.3729	4413	1.2688	61.45	95.49
Support 3	1.1602	156.45	1.3500	0.7868	0.7057	0.5868	1.3672	4322	1.2660	61.26	95.32
Bollinger Band											
Bollinger Upper	1.1700	163.31	1.3666	0.8208	0.7146	0.5967	1.4153	4613	1.2917	62.04	96.19
Bollinger Lower	1.1386	155.58	1.3302	0.7985	0.6959	0.5783	1.3761	3935	1.2697	60.65	94.92

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

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