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Daily Market Outlook

USD Caught Between Forces

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- ***USD Caught Between Forces**: Renewed policy uncertainty is capping USD gains, but higher real yields and a still-resilient US economy should limit downside. We remain neutral on the USD for now, while focusing on Fed credibility and inflation-fighting commitment.*

- ***RMB reaction to tariff headline has been limited** so far though renewed trade uncertainty and PBoC's preference for measured pace of RMB appreciation may temporarily temper further gains.*

- ***THB may find support** from combination of softer USD, easing oil prices, firm electronics exports and gold-related flows. But cautious extrapolating gains ahead of BOT on Wed.*

- ***SGD may consolidate after recent gains.** Some unwinding of USD shorts ahead of Jackson Hole if sustained, could weigh on SGD given its higher sensitivity to broad USD moves.*

USD Caught Between Forces: The US Treasury yield curve bull-flattened after CNBC reported that the Treasury could use the Treasury General Account (TGA) to fund bond buybacks. Oil prices slipped after US Treasury Secretary Bessent announced a campaign to isolate Iran economically, warning that countries maintaining economic ties with Iran could face US sanctions. However, he stopped short of outlining specific measures or a timeline for enforcement.

Meanwhile, President Trump has threatened to impose 50% tariffs on Canadian autos and steel from 1 January 2027. We see the move largely as a negotiating tactic, but implementation would pose a significant downside risk to the Canadian economy. The USD steadied overnight after recent losses driven by policy uncertainty triggered by the Treasury's surprise buyback programme.

Renewed policy uncertainty is constraining the scope for USD gains and puts our moderately constructive USD view over the next one to two quarters at risk. That said, rising real yields, driven by AI-related investment demand competing with heavy government borrowing, remain consistent with a resilient US economy. US regional business surveys were strong through July and August, although retail spending appears to be softening and recent labour market data have disappointed. Even so, the economy remains firm enough to reduce the risk of an overly dovish Fed, which should help contain USD downside.

For now, we prefer to stay neutral on the dollar rather than chase the latest bout of weakness.

Uncertainty over the Fed's reaction function, coupled with growing doubts about its commitment to prioritising inflation, has sharpened attention on Chair Warsh's upcoming remarks at Jackson Hole. The USD could find support if Warsh and other Fed officials push back against emerging debasement concerns and reinforce their commitment to returning inflation to the Fed's 2% target.

RMB. Trade headlines may temper gains. Reports that the US is considering a 7.5% tariff on Chinese goods may add some uncertainty ahead of next month's Trump–Xi meeting. For now, the RMB reaction has been limited so far, with USDCNH still trading close to recent lows, suggesting markets do not see this as a major escalation risk at this stage. Separately, the PBoC was already leaning against the pace of RMB gains, with Monday's fixing around 600 pips above market expectations. With the USD also firmer overnight, further gains for RMB may be more limited even if the broader RMB appreciation bias remains intact.

USDCNH last seen at 6.7225 levels. Mild bearish momentum on daily chart intact though RSI is showing tentative signs of turning higher from oversold conditions. Modest rebound not ruled out. Resistance at 6.74, 6.7460 (21 DMA). Support at 6.72, 6.70 levels.

USDTHB. Nearing oversold conditions; Watch BOT next. THB extended gains towards a two-month high yesterday, supported by a softer USD and some relief from lower oil prices. The renewed rally in gold also provided support at the margin given Thailand's sizeable domestic gold market, while strength in electronics exports remains a modest positive for THB. That said, we would be cautious about attributing too much of the recent THB strength to the tech cycle. Focus this week turns to the BoT meeting (Wed). After the recent THB gains, softer domestic growth and policymakers' sensitivity towards excessive currency strength may limit the extent of further appreciation in the near term.

USDTHB last seen at 32.70 levels. Bearish momentum on daily chart intact but RSI is near oversold conditions. Some consolidation not ruled out in the interim. Resistance at 32.87 (100 DMA), 33.14 (23.6% fibo retracement of 2026 low to high). Support at 32.30/35 levels (200 DMA, 50% fibo).

SGD. Some consolidation after the recent gains. SGD traded a touch softer overnight as the USD rebounded from recent lows, with part of the move likely reflecting some unwinding of earlier positions ahead of US core PCE data and Fed Chair Warsh's speech at Jackson Hole later this week. Domestically, July core inflation picked up to 2.0% YoY from 1.6%, but was still below the 2.2% consensus expectations, while headline CPI rose to 2.2% from 1.9%, also slightly softer than expected. The softer-than-expected print is unlikely to materially alter the SGD outlook, particularly after MAS tightened policy in July and with growth remaining firm. Near term, some consolidation is possible especially if USD faces a short squeeze ahead of Jackson Hole.

USDSGD last seen at 1.2710 levels. Bearish momentum on daily chart intact but RSI shows signs of rising from near oversold conditions. Retracement higher not ruled out in the interim. Resistance at 1.2740 levels (61.8% fibo retracement of 2026 low to high), 1.2790 (50% fibo). Support at 1.2680 (76.4% fibo), 1.2650.

<u>Technical Levels Table</u>

	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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