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Daily Market Outlook

From Hormuz to Jackson Hole

- ***From Hormuz to Jackson Hole****: Improved prospects for shipping through the Strait of Hormuz have eased supply concerns and weighed on oil prices. With yields also drifting lower, markets are looking to core PCE and Jackson Hole for clues on whether the Fed remains firmly focused on inflation.*

- ***Pace of gains in KRW may moderate*** *after the recent sharp move. BoK, Jackson Hole and month-end flows may keep near-term trading more two-way.*

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From Hormuz to Jackson Hole: Investors have largely brushed aside Washington’s plans to increase economic pressure on Iran, with oil markets increasingly pricing in the prospect of a diplomatic breakthrough. Brent crude fell below USD90/bbl overnight after the US stopped short of imposing secondary sanctions on countries doing business with Iran, including China.

Instead, oil prices declined as diplomatic developments reduced fears of a broader Middle East escalation. Iran and Oman have unveiled a joint framework to restore safer navigation through the Strait of Hormuz following talks in Tehran on Tuesday. A negotiated temporary shipping corridor, together with ongoing mine-clearing efforts, materially improves the outlook for conventional tanker traffic through the strait.

Meanwhile, Pakistan’s Army Chief concluded a one-day visit to Iran, with local media reporting constructive outcomes. Crude prices also came under pressure after reports that the US plans to return diplomats to embassies across the Middle East, signalling that Washington does not expect an imminent escalation in military action.

Lower energy prices helped pull US and European bond yields lower. This reinforces the view that a more benign macro backdrop, rather than interventions such as the Treasury’s surprise buyback announcement, can support lower yields across the curve without sparking concerns over USD debasement that increases USD volatility.

Today's key event risk is US core PCE inflation. While the data is unlikely to alter the broader narrative of sticky inflation remaining modestly above target, it could keep hawkish Fed risks alive even if policymakers are expected to remain on hold in September.

Questions around the Fed's reaction function, and growing concerns that it may be placing less emphasis on inflation control, have heightened market focus on Chair Warsh's remarks at Jackson Hole. The USD could find support if Warsh and other Fed officials push back against debasement concerns and reaffirm their commitment to returning inflation to the Fed's 2% target.

KRW. Pace of gains may moderate. USDKRW consolidated overnight after trading sharply lower for most of the past 8 sessions. Exporter and month-end USD selling continued to provide support, but this was offset by a modestly firmer USD tone and sizeable foreign equity outflows (week-to-date -USD5.1bn). The price action suggests that while the broader KRW support remains intact, the pace of the recent move may be showing tentative signs of moderation. Focus now turns to Thursday's BoK meeting. Stronger growth and still-firm core inflation keep the case for further tightening alive, but the recent KRW appreciation and tighter financial conditions may also give policymakers some room to pause after July's hike. Beyond the BoK, a busy US data calendar, Jackson Hole and month-end flows could also make for more two-way trading into the end of the week.

USDKRW last at 1384 levels. Daily momentum is flat while RSI is near oversold conditions. Some consolidation likely for now. Support at 1375, 1365 levels. Resistance at 1390, 1397 levels.

SGD. Consolidation; Bias to sell rallies. USDSGD traded in subdued range, near recent lows as markets await catalysts later this week – US data and Fed Chair Warsh's speech at Jackson hold later this Friday (10pm SGT). Pair was last seen at 1.2695 levels. Bearish momentum on daily chart intact while RSI is near oversold conditions. Two-way trades not ruled out but bias remains to lean against strength (if any). 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.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1727	160.12	1.3708	0.8090	0.7216	0.6042	1.3928	4836	1.2755	61.89	96.19
Resistance 2	1.1698	159.68	1.3675	0.8056	0.7186	0.6005	1.3886	4745	1.2727	61.81	95.86
Resistance 1	1.1686	159.44	1.3662	0.8035	0.7175	0.5991	1.3862	4701	1.2711	61.77	95.63
Spot	1.1674	159.25	1.3647	0.8018	0.7165	0.5976	1.3839	4660	1.2692	61.73	95.41
Support 1	1.1657	159.00	1.3629	0.8001	0.7145	0.5954	1.3820	4609	1.2683	61.69	95.30
Support 2	1.1640	158.80	1.3609	0.7988	0.7126	0.5931	1.3802	4562	1.2671	61.64	95.18
Support 3	1.1611	158.36	1.3576	0.7954	0.7096	0.5894	1.3760	4470	1.2643	61.56	94.84
Bollinger Band											
Bollinger Upper	1.1708	160.33	1.3678	0.8174	0.7182	0.5985	1.4092	4754	1.2874	62.03	95.86
Bollinger Lower	1.1456	157.21	1.3389	0.7975	0.6983	0.5824	1.3744	3983	1.2675	60.65	95.09

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

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