By Global Markets | 27 August 2026

Daily Market Outlook

Policy Reality Check

Sim Moh Siong
FX Strategist
(G10 & oil)

Christopher Wong
FX Strategist
(Asia & precious metals)

- ***Policy Reality Check:*** *Treasury buybacks alone are unlikely to drive sustained USD weakness. Sticky inflation, resilient growth, and the Fed's need to preserve credibility argue against policy coordination to suppress yields. Jackson Hole could reinforce the Fed's inflation-fighting commitment and support the USD.*

- ***AUD Tests Resistance****: Australian inflation remained firmer than expected, keeping the risk of another RBA hike alive. Markets have fully priced a further 25bp increase by February 2027, supporting AUD strength, although gains are likely to moderate over the medium term.*

- ***USDCNH edged higher*** *alongside the broader USD rebound and firmer US Treasury yields, while the PBoC continues to favour a measured pace of appreciation.*

- ***Pace of gains for KRW continue to moderate*** *after the >10% rally since start of 3Q26. Focus today on BOK guidance while Jackson Hole and month-end flows should see 2-way risks.*

- ***BSP is in focus, with a 25bp hike largely anticipated.*** *Guidance on the policy path may matter more for PHP given the trade-off between still-elevated inflation and softer growth.*

Policy Reality Check: For the USD to weaken meaningfully following the Treasury's buyback announcement, markets need evidence that the Fed is willing to support the Treasury's efforts to keep yields contained. We think that is unlikely.

Recent US data continue to point to sticky inflation and resilient growth. July core PCE inflation, the Fed's preferred inflation gauge, rose 0.2% MoM and 3.3% YoY, in line with expectations. While inflation has eased from its peaks, annual price pressures remain uncomfortably high and continue to support a hawkish bias in Fed policy.

As a result, Fed officials who argue that elevated inflation requires higher interest rates are likely to retain influence within the policy debate. With inflation proving sticky, growth holding up, and the Fed reluctant to risk its inflation-fighting credibility, meaningful fiscal and monetary policy alignment appears unlikely.

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

Questions around the Fed's reaction function and concerns that policymakers may be placing less emphasis on inflation control, have increased market focus on Chair Warsh's comments 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.

AUD Tests Resistance: Australian headline inflation eased from 3.8% YoY in June to 3.5% YoY in July, while trimmed mean inflation held steady at 3.6% YoY. Both measures came in above market expectations. The RBA is targeting an average trimmed mean inflation rate of 3.3% YoY in 2H26, making July's reading an unhelpful start to the second half of the year.

Our base case remains that the RBA has reached the end of its tightening cycle. However, persistently firm inflation continues to keep the risk of another rate hike on the table. Following the inflation release, markets fully priced an additional 25bp hike by February 2027, up from around a 70% probability beforehand. This has helped AUDUSD retest resistance in the 0.7180-0.7200 range.

We remain constructive on AUD over the next one to two quarters, supported by its attractive carry and the potential for further Chinese policy stimulus. While the RBA is likely finished tightening, sticky inflation means another hike cannot be ruled out. Over the medium term, however, we expect AUD gains to become more gradual as growth slows, inflation continues to move towards target, and the RBA begins shifting away from a restrictive policy stance.

RMB. Slightly softer amid broader USD rebound. USDCNH edged higher as the broader USD recovered and US Treasury yields ticked up overnight, though the move remained relatively contained. Beyond the near-term macro backdrop, renewed US pressure on Iran adds another source of uncertainty for RMB given China's role as a major buyer of Iranian oil. The immediate FX impact should remain limited so long as measures stop short of directly targeting major Chinese financial institutions, but any escalation in secondary sanctions towards Chinese firms or banks could weigh on sentiment and introduce more two-way volatility. Separately, the PBoC continues to signal a preference for a measured pace of appreciation through a sizeable fix-versus-expectation gap, suggesting policymakers remain wary of allowing RMB strength run too quickly.

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 6.7410 (21 DMA), 6.75 levels. Support at 6.72, 6.70 levels.

KRW. Pace of gains continues to moderate. USDKRW continued to consolidate near recent lows around the 1,380s, as the pair struggled to extend the sharp decline seen earlier in the month. Foreign equity outflows (week-to-date -USD5.2bn) and a firmer USD backdrop likely kept the pair supported. Focus now turns to the BoK decision (today), where the decision remains finely balanced following July's hike. A back-to-back move cannot be ruled out given still-firm inflation and growth, though after the recent KRW appreciation, the guidance and vote split may matter as much as the rate decision itself. With US data, Jackson Hole and month-end flows also in play, near-term trading is likely to remain more two-way.

USDKRW last at 1385 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.

PHP. BSP in focus. PHP firmed modestly yesterday ahead of today's BSP meeting, where expectations lean towards another 25bp hike to 5%. Our house view also looks for 25bp hike. Inflation remains elevated and recent PHP weakness adds to imported price pressures, although the sharp slowdown in 2Q26 growth complicates the policy trade-off. With a hike relatively well anticipated, the guidance may matter more for PHP, particularly on whether the BSP retains a tightening bias beyond today. A continued focus on inflation and currency stability should provide some support, though the combination of weak growth and easing oil prices may reduce the need for a more aggressive tightening path.

USDPHP last closed at 61.63. Mild bullish momentum shows tentative signs of waning while RSI fell. 2-way risks with slight bias to the downside. Key support at 61.40 levels (21, 50 DMAs), 61.20 (100 DMA). Decisive break below this area of support may accelerate downside move. Next support at 60.80 levels (23.6% fibo retracement of 2026 low to high). But failure to break lower may well see the pair revert to trading 61.49 – 61.85 range.

SGD. Near term upside risk; Bias to sell rallies. USDSGD traded a touch firmer overnight as resilient US data halted USD downside pressure. That said, the pair continues to trade in subdued and within recent range, as markets await catalysts later this week – Chair Warsh's speech at Jackson hold later this Fri (10pm SGT). Pair was last seen at 1.2720 levels. Mild bearish momentum on daily chart intact but RSI shows signs of rising from near oversold conditions. Some upside risks not ruled out in the interim. Resistance at 1.2740 levels (61.8% fibo retracement of 2026 low to high), 1.2780/90 levels (50% fibo, 21 DMA). Support at 1.2680 (76.4% fibo), 1.2650.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1727	160.35	1.3746	0.8147	0.7231	0.6046	1.3986	4797	1.2774	61.88
Resistance 2	1.1692	159.78	1.3678	0.8095	0.7202	0.5999	1.3927	4707	1.2742	61.75
Resistance 1	1.1671	159.55	1.3636	0.8074	0.7186	0.5972	1.3902	4649	1.2731	61.70
Spot	1.1655	159.27	1.3597	0.8051	0.7182	0.5948	1.3876	4622	1.2715	61.65
Support 1	1.1636	158.98	1.3568	0.8022	0.7157	0.5925	1.3843	4558	1.2699	61.57
Support 2	1.1622	158.64	1.3542	0.7991	0.7144	0.5905	1.3809	4525	1.2678	61.48
Support 3	1.1587	158.07	1.3474	0.7939	0.7115	0.5858	1.3750	4435	1.2646	61.35
Bollinger Band										
Bollinger Upper	1.1712	160.30	1.3674	0.8173	0.7196	0.5983	1.4081	4763	1.2868	62.06
Bollinger Lower	1.1463	157.22	1.3400	0.7980	0.6985	0.5829	1.3747	4019	1.2674	60.65

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

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