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Daily Market Outlook

Inflation Back Focus

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- ***Inflation Back Focus****: Renewed US-Iran tensions have revived inflation concerns, lifting oil prices, bond yields and the USD. Markets now fully price a Fed hike by October, while delayed Middle East supply recovery supports a higher Brent oil outlook.*

- ***JPY Needs More****: Higher oil prices and a hawkish Fed expectation continue to weigh on the JPY despite rising BoJ rate expectations. With markets already pricing a more aggressive pace of tightening, further JPY strength may require additional policy measures beyond rate hikes.*

- ***Asian FX stayed on the defensive*** *as higher yields, hawkish Fed pricing and elevated oil weighed. Near term, performance is likely to remain differentiated, with oil-sensitive currencies more exposed.*

- ***KRW gave back some recent gains*** *as higher oil, global yields and foreign equity selling weighed, but the move was relatively contained. Strong exports and a wider trade surplus should continue to support exporter USD supply and partially help limit the extent of any near-term pullback.*

- ***USDSGD rebound is underway,*** *alongside the broader USD recovery. The recent move reinforces USDSGD's relatively higher beta to broad USD moves versus several ASEAN peers, suggesting further DXY strength could see the pair extend higher near term.*

Inflation Back Focus: US strikes on Iran in response to attempted attacks on commercial shipping lifted energy prices overnight. The attacks follow a brief period of relative calm that had allowed Persian Gulf producers to move crude through the Strait of Hormuz via a clandestine shuttle system.

The renewed escalation in the Middle East has brought inflation risks back into focus, pushing global bond yields higher. The move was accompanied by a bearish flattening of the US yield curve, a stronger USD and lower gold prices as markets moved to fully price a 25bp Fed rate hike by October.

Fed Governor Barr reinforced the hawkish policy backdrop, stating that further rate increases may be warranted if inflation fails to moderate. His comments build on Chair Warsh's hawkish message at Jackson Hole.

Meanwhile, JOLTS job openings data continues to point to a low-hiring, low-firing labour market. The recent uptick in the vacancy-to-unemployment ratio suggests the moderation in wage growth could soon stabilise.

We have updated our FX forecasts to reflect recent market moves following the USD's weakness during a period of policy uncertainty triggered by the Treasury's surprise EURJPY intervention and expanded buyback programme. Despite these adjustments, we remain modestly constructive on the USD through early 2027 (see *Daily Market Outlook: Forecast Reset*, 1 September 2026).

We have also raised our end-2026 Brent forecast to USD80/bbl from USD75/bbl, reflecting expectations of a slower recovery in Middle East supply as negotiations between the US and Iran on reopening the Strait of Hormuz remain stalled.

JPY Needs More: Comments from Japan's Finance Minister Satsuki Katayama that Japan's FX policy remains unchanged and that the US and Japan continue to coordinate on the JPY provided little support for the currency. Rising energy prices and increasingly hawkish Fed expectations remained the dominant drivers, keeping pressure on the JPY.

Meanwhile, remarks from Treasury Secretary Bessent suggesting Japan may need additional rate hikes helped push JGB yields higher. Markets are now fully pricing a 25bp BoJ rate hike in September.

That said, sustained JPY appreciation will likely require more than incremental rate hikes. Investors will need credible signals that the pace of policy normalisation can accelerate. This may prove challenging, as the BoJ is already struggling to out-hawk market expectations. Current pricing implies the policy rate rising from 1.00% to 1.75% by June 2027, a pace of tightening that already looks ambitious.

Given constraints on how quickly and how far the BoJ can raise rates, additional measures may still be required to counter persistent depreciation pressures. One option could be policies that encourage the repatriation of Japanese overseas assets, providing a more durable source of support for the JPY.

Asian FX. Under pressure. Asian FX traded mostly on the defensive as the global bond sell-off extended and renewed US-Iran tensions pushed oil prices higher. The rise in yields has not been confined to the US, but the combination of firmer Fed hike expectations (70% probability priced for Sep hike) and Brent above USD90/bbl is an unfavourable mix for the region, particularly the net oil importers. Near term, Asian FX may stay under pressure. Oil-sensitive currencies, including PHP, THB may remain on the back foot, while those with stronger domestic flows or external balances should fare relatively better. Focus turns to the US labour data for whether the recent move in yields and Fed pricing has further to run.

USDKRW. Oversold. KRW gave back some of its recent gains, with USDKRW returning above 1370 as higher oil prices, global yields and foreign equity selling weighed. Foreign investors net sold around USD469m of local equities. While external environment turned less conducive, Korea's trade data remains supportive. Aug exports jumped 68.7% YoY and the trade surplus widened further. We remain broadly constructive on KRW, riding on tech and flows story but tactically, we continue to see room for pace of KRW appreciation to moderate while global yields and oil remain elevated. USDKRW was last at 1374 levels. Daily momentum is flat while RSI shows tentative signs of rising from oversold conditions. Some consolidation/ rebound risks not ruled out. Resistance at 1386, 1398 levels (21 DMA). Support at 1370, 1365 levels.

MYR. Slippage. MYR softened modestly amid higher US Treasury yields, firmer USD while sentiment was soggy, on re-escalation worries in Middle East. Nevertheless, the bounce in USDMYR has been contained relative to several regional peers. Higher oil prices may be less of a terms-of-trade drag for MYR, but it could still undermine sentiments in the near term. More broadly, domestic fundamentals and earlier measures to encourage FX inflows continue to provide some support. Political noise has also faded from recent highs. Near term, MYR may still struggle to extend gains if global yields remain elevated, but we see scope for relative resilience within Asian FX. A softer USD or renewed foreign inflows would likely be needed for USDMYR to resume its move lower.

USDMYR last seen at 4.04 levels. Bearish momentum on daily chart shows signs of fading while RSI rose. Rebound risks not ruled out. Resistance at 4.05, 4.0610 levels (38.2% fibo retracement of May low to Jun high). Support at 4.0320 (100, 200 DMAs, 50% fibo). BNM decision (3 Sep) – likely to stay on hold given resilient growth and contained inflation.

PHP. Uncharted weakness. PHP extended losses to a fresh record low of 62.40 vs USD. Higher oil prices remain an important headwind, while the latest move also suggests monetary tightening alone has yet to turn sentiment around. BSP presence may help slow the pace of depreciation, but a more sustained PHP recovery likely requires some relief from oil and global yields. USDPHP was last at 62.40 levels. Bullish momentum on daily chart intact while RSI rose to near overbought conditions. Risks remain skewed to the upside for now. Resistance at 62.50, 62.78. Support at 62, 61.50 levels (21, 50 DMAs).

USDSGD. Rebound underway. USDSGD traded higher alongside the rebound in USD, as higher US Treasury yields and firmer Fed hike expectations lend support to the dollar. The recent move reinforces USDSGD's relatively higher beta to broad USD moves compared with several ASEAN FX peers. A more sustained DXY rebound could therefore see USDSGD extend higher in the near term. That said, SGD's underlying resilience and the S$NEER policy framework should help temper the magnitude of the move. Pair was last seen at 1.2740 levels. Mild bearish momentum on daily chart faded while RSI rose. Risks skewed to the upside in the interim. Resistance here at 1.2740 levels (61.8% fibo retracement of 2026 low to high), 1.2760/90 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	USDINR
Resistance 3	1.1681	161.29	1.3633	0.8199	0.7239	0.5985	1.4007	4648	1.2793	62.62	95.57
Resistance 2	1.1641	160.66	1.3580	0.8153	0.7197	0.5944	1.3945	4510	1.2759	62.50	95.26
Resistance 1	1.1617	160.42	1.3548	0.8134	0.7171	0.5918	1.3920	4419	1.2745	62.45	95.10
Spot	1.1594	160.18	1.3517	0.8118	0.7147	0.5894	1.3895	4331	1.2733	62.40	94.95
Support 1	1.1577	159.79	1.3495	0.8088	0.7129	0.5877	1.3858	4281	1.2711	62.33	94.80
Support 2	1.1561	159.40	1.3474	0.8061	0.7113	0.5862	1.3821	4233	1.2691	62.26	94.64
Support 3	1.1521	158.77	1.3421	0.8015	0.7071	0.5821	1.3759	4094	1.2657	62.14	94.33
Bollinger Band											
Bollinger Upper	1.1711	160.47	1.3665	0.8179	0.7213	0.5985	1.3998	4684	1.284	62.52	95.87
Bollinger Lower	1.1491	158.07	1.3437	0.7980	0.7020	0.5836	1.3768	4207	1.2665	60.58	94.99

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

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