Daily Market Outlook

BoJ Must Deliver

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- ***BoJ Must Deliver****: A September BoJ hike is increasingly priced in and may be the minimum needed to prevent another surge in USDJPY.*

- ***NZD Hit by Dovish Hike****: The RBNZ's dovish hike weighed on NZD as policymakers signaled a shallower tightening path than markets expected. However, upside inflation risks remain on the radar, reinforcing a medium-term bearish outlook for AUDNZD.*

- ***Asian FX traded mixed with some relief*** *as Brent, USD, US Treasury yields eased from intra-session highs. Focus on Waller's comments today and Friday's US payrolls for cues if the relief can extend.*

- ***CNH remained relatively resilient*** *amid softer USD and somewhat firmer domestic activity data. Fixing patterns continues to point to measured pace of appreciation.*

- ***CAD Caught Between****: CAD gained support from the BoC's hawkish hold, but Canada's outlook remains clouded by rising US trade tensions. With growth risks from tariffs offsetting inflation pressures, we remain cautious on CAD versus commodity peers such as AUD.*

- ***BNM policy decision in focus today*** *as we also watch for any shift in tone. Near term, MYR may still trade under pressure if global yields remain elevated, but we see scope for MYR to retain relative resilience within Asian FX.*

BoJ Must Deliver: The USD weakened modestly overnight, with G10 FX performance driven mainly by a stronger JPY and CAD rather than a broad-based risk-off move. Expectations for further BoJ tightening continued to build, prompting another twist flattening in the JGB yield curve.

BoJ Governor Ueda signalled that a September rate hike remains under active consideration, while hawkish board member Takata suggested the central bank may need to tighten sooner and potentially more aggressively, including the possibility of a 50bp move.

We now expect the BoJ to raise rates by 25bp to 1.25% on 18 September. In our view, a September hike is the minimum needed to keep USDJPY stable. A decision to stay on hold could see the pair move back above 160 and potentially test new cycle highs.

Adding to the pressure, US Treasury Secretary Bessent called on Japan to move away from reflationary policies, citing JPY undervaluation and rising inflation risks. His comments have reinforced expectations that Japan will grant greater independence to the BoJ and accelerate the pace of rate normalisation.

CAD Caught Between: CAD firmed modestly after the Bank of Canada delivered a hawkish hold, keeping its policy rate unchanged at 2.25%. Governor Macklem warned that persistently high energy prices could lead to broader inflation spillovers, although he downplayed the inflationary impact of higher tariffs.

Despite the near-term support, we remain cautious on CAD relative to other G10 commodity currencies such as AUD. Policymakers continue to balance renewed downside risks to growth from US tariffs against upside risks to inflation. Adding to the uncertainty, the recent escalation in US-Canada trade tensions has further clouded Canada's economic outlook for 2H26.

NZD Hit by Dovish Hike: NZD came under pressure after the RBNZ delivered a dovish hike. The central bank raised the cash rate by 25bp to 2.75%, in line with expectations, but its guidance struck a cautious tone and suggested a shallower path for future rate increases than markets had priced in.

While the policy decision disappointed hawkish expectations, the RBNZ is likely to remain highly sensitive to any upside data surprises. Most MPC members continue to see inflation risks skewed to the upside, which should help underpin NZD against its regional peers.

Despite the gains in AUDNZD overnight, we continue to expect relative domestic fundamentals to favour NZD over AUD, keeping downward pressure on AUDNZD over the medium term.

Asian FX. Mixed play. Asian FX traded mixed, though some late relief emerged as the USD and US Treasury yields eased from earlier highs. KRW and SGD recovered some ground, CNH remained relatively resilient, while INR was broadly steady on RBI support. The USD pullback was led by the sharp JPY rebound, before softer US labour data added to the move. Near term, USD upside risk remains, with Fed hike expectations remaining firm unless incoming US data surprises to the downside. Attention now turns to Fed Waller later tonight ahead of Friday's payrolls.

USDCNH. Heavy near recent lows. CNH remained relatively resilient. Domestic activity data were somewhat firmer, with the private manufacturing PMI rising to 51.5 in August on stronger new orders and exports, although the official PMI remained in contraction territory at 49.8. At the G20, PBoC Governor Pan said China does not deliberately pursue a trade surplus and reiterated efforts to expand domestic demand, against a backdrop of greater scrutiny over global trade imbalances. On FX, the PBoC continues to lean against a faster pace of RMB appreciation, with the daily fixing still set weaker than market expectations. We retain a mild appreciation bias on RMB, but expect pace of gains to remain measured, with broader USD direction still an important driver.

USDCNH was last at 6.7190 levels. Daily momentum is flat while RSI slipped. 2-way trade still likely for now. Support at 6.70 levels. Resistance at 6.7340 (21 DMA), 6.76 (50 DMA).

MYR. BNM today. USDMYR drifted higher overnight amid firmer USD, US Treasury yield and softer sentiment. BNM decision in focus today – likely to stay on hold given resilient growth and contained inflation. We watch if the tone shifts. Near term, MYR may still trade under pressure if global yields remain elevated, but we see scope for MYR to retain 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 4.0465 levels. Bearish momentum on daily chart faded while RSI rose. Rebound risks played 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).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1674	163.45	1.3581	0.8221	0.7265	0.6043	1.4082	4584	1.2807	63.05	95.21
Resistance 2	1.1631	161.28	1.3537	0.8177	0.7210	0.5947	1.3977	4469	1.2762	62.80	95.07
Resistance 1	1.1609	159.99	1.3512	0.8153	0.7190	0.5899	1.3910	4425	1.2737	62.68	95.02
Spot	1.1589	158.85	1.3485	0.8126	0.7168	0.5856	1.3837	4389	1.2712	62.56	94.98
Support 1	1.1566	157.82	1.3468	0.8109	0.7135	0.5803	1.3805	4310	1.2692	62.44	94.88
Support 2	1.1545	156.94	1.3449	0.8089	0.7100	0.5755	1.3767	4239	1.2672	62.32	94.79
Support 3	1.1502	154.77	1.3405	0.8045	0.7045	0.5659	1.3662	4124	1.2627	62.08	94.65
Bollinger Band											
Bollinger Upper	1.1708	160.32	1.3664	0.8181	0.7216	0.5988	1.3972	4672	1.2826	62.63	95.89
Bollinger Lower	1.1499	158.12	1.3439	0.7979	0.7032	0.5827	1.3771	4239	1.2664	60.65	94.92

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

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