Daily Market Outlook

Dollar Defies Risk

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- ***Dollar Defies Risk**: Risk appetite improved as geopolitical and trade tensions eased, but the USD remained resilient. Hawkish Fed signals limited the decline in US yields, reinforcing our modestly stronger USD view into year-end even as equities cheer on despite hawkish Fed messaging.*

- ***JPY Turning Point**: Intervention risks may cap near-term JPY weakness, but a more hawkish BoJ is the bigger story. Faster policy tightening should support the JPY over time, raising the chances of USDJPY ending the year closer to 150-155.*

- ***USDCNY broke continued to trade under 6.70** as the PBoC strengthened the fix for a ninth straight session into Trump-Xi week. Watch for any slowdown in the fixing pace that could take steam out of the move.*

- ***Strong trade/tech backdrop remains supportive of TWD**, while the recent pickup in foreign equity buying could provide an added tailwind. Monitor whether these inflows persist and translate into stronger TWD demand.*

- ***Strong exports, softer oil lend support to KRW.** Technical rejection near 1388 and bearish engulfing pattern add to near-term downside risk for USDKRW. Sustained foreign equity buying remains the missing piece.*

Dollar Defies Risk: The USD traded mixed rather than weaker despite fading safe-haven demand. Risk sentiment improved on the back of a tech-led rally, optimism around US-China talks, and lower oil prices as hopes for US-Iran diplomacy and improving traffic through the Strait of Hormuz eased supply concerns.

Falling energy prices helped reduce near-term inflation worries and pushed global yields lower overnight. However, while European yields declined across the curve, hawkish Fedspeak limited the drop in front-end US yields and provided support for the USD.

Chicago Fed President Goolsbee argued that persistent supply shocks can no longer be simply looked through, while St. Louis Fed President Musalem suggested further policy tightening may still be necessary. Attention now turns to New York Fed President Williams. As a key voice among Fed doves, his comments will be closely watched, particularly after he joined last week's rate hike decision.

We remain comfortable with a modestly stronger USD outlook through year-end given ongoing hawkish Fed risks. However, a more meaningful USD rally would likely require clearer evidence of demand-driven inflation rather than inflation stemming primarily from supply-side pressures.

Our constructive USD view also reflects continued challenges for the euro. European currencies remain weighed down by fiscal concerns, particularly in France, elevated energy costs, and limited exposure to AI-driven investment. At the same time, the CNY continues its gradual appreciation against the USD, while prospects for the JPY could improve if Japan's policy backdrop becomes more supportive.

JPY Turning Point: USDJPY has rebounded above 157 after briefly slipping below that level following reports of a BoJ rate check last week. Intervention risks have risen again and should help limit excessive JPY weakness. With Japanese markets closed today and tomorrow for public holidays, thinner market liquidity could also lead to greater JPY volatility.

The BoJ's 7-2 vote split in favour of a rate hike may remain a near-term headwind for the JPY. However, the more important takeaway is that the BoJ appears increasingly willing to tighten policy at a faster pace. This shift should ease concerns that the BoJ is falling behind the curve. Over time, that should provide stronger support for the JPY. Previously, fears that the BoJ was behind the curve weakened the relationship between USDJPY and US-Japan yield differentials. Progress in channelling domestic savings into Japanese assets has been limited so far, although we expect further policy initiatives to support this objective.

Taken together, these developments increase the likelihood that USDJPY ends the year closer to 150-155 rather than our current forecast of 160. Should the JPY strengthen, the low-yielding CHF is likely to remain the preferred funding currency. This view is reinforced by our expectation that the SNB keeps policy rates at 0% through at least year-end.

RMB. Watch the fix. RMB extended gains, with USDCNY breaking below 6.70 as the PBoC strengthened the fix for a ninth straight session. The firmer fixing bias is notable given the broader USD/rates backdrop and reinforces the recent shift in fixing guidance towards allowing a somewhat firmer RMB. This also comes ahead of the Trump-Xi meeting, where we see room for RMB to stay supported into the event. Near term, the fix remains key to watch. If the PBoC maintains the recent pace of stronger fixes, RMB momentum can extend; any slowdown or pause, however, may disappoint expectations and take some steam out of the move. Beyond the meeting, wide US-China yield differentials and soft domestic fundamentals should still limit the pace of RMB appreciation.

USDCNH last closed at 6.6930 levels. Daily momentum is showing very tentative signs of turning mild bearish while RSI fell. Some downside pressure not ruled out but largely still in orderly range. Immediate support around 6.69 levels is key before next support around 6.67 levels. Resistance at 6.7030, 6.7110 (21 DMA).

TWD. Gain alongside equity outperformance. TWD extended its gains on Monday, briefly strengthening to near 31.71 (vs USD) before gains were partially pared. The move was supported by continued foreign portfolio inflows alongside gains in domestic equities. Foreign investors were net buyers of around USD372mn of Taiwan equities, extending the recent run of inflows following particularly strong buying late last week. The persistence of foreign buying is worth keeping a close watch. If renewed interest in the tech/AI theme continues to draw portfolio inflows, Taiwan's strong export cycle may translate more visibly into TWD support. That said, resident outflows and potential smoothing should continue to temper the pace of TWD appreciation.

USDTWD last closed at 31.768. Bullish momentum on daily chart intact but shows signs of waning while RSI turned lower. Some consolidation not ruled out. Support at 31.70/71 levels (21, 200 DMAs, 61.8% fibo retracement of 2026 low to high). Resistance at 31.83/86 levels (100 DMA, 50% fibo).

USDKRW. Bearish engulfing. KRW strengthened alongside gains in Korean, US tech equities and lower oil prices overnight. Domestic data was also supportive, with exports rising 78.3% YoY in the first 20 days of September, led by a 259% surge in semiconductor shipments. Trade surplus widened to USD23bn. But foreign flows remain patchy, with foreign investors turning net sellers of Korean equities again on Monday Asia despite gains in KOSPI. Near term, softer oil and slower pace of US Treasury yield increase should remain supportive of KRW, while USDKRW's rejection near 1388 and bearish engulfing pattern also point to some downside risk for the pair. Foreign equity flows remain key. A more sustained return of foreign buying would give KRW a firmer footing.

USDKRW last closed at 1374 levels. Daily momentum remains bullish while RSI eased lower from overbought conditions. Bearish engulfing candlestick bears watching for any follow-through in downside momentum. Support at 1364 (21 DMA), 1350 levels. Resistance at 1388 levels (23.6% fibo retracement of Jul high to Sep low), 1405 (50 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1542	159.06	1.3447	0.8285	0.7181	0.5774	1.4131	4471	1.2810	62.97	96.19
Resistance 2	1.1508	158.11	1.3412	0.8252	0.7152	0.5748	1.4075	4411	1.2784	62.89	96.00
Resistance 1	1.1487	157.73	1.3390	0.8232	0.7135	0.5732	1.4055	4377	1.2772	62.85	95.91
Spot	1.1464	157.38	1.3370	0.8210	0.7119	0.5712	1.4034	4366	1.2763	62.80	95.82
Support 1	1.1453	156.78	1.3355	0.8199	0.7106	0.5706	1.3999	4316	1.2746	62.77	95.72
Support 2	1.1440	156.21	1.3342	0.8186	0.7094	0.5696	1.3963	4289	1.2732	62.73	95.63
Support 3	1.1406	155.26	1.3307	0.8153	0.7065	0.5670	1.3907	4229	1.2706	62.65	95.44
Bollinger Band											
Bollinger Upper	1.1703	161.09	1.3639	0.8266	0.7237	0.5986	1.4044	4564	1.2791	63.19	96.33
Bollinger Lower	1.1444	152.18	1.3345	0.8012	0.7085	0.5669	1.3738	4217	1.263	61.79	94.36

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

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