OCBC Group Research

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Daily Market Outlook

Too Resilient

- ***Too Resilient**: Strong US growth is becoming a double-edged sword. Robust PMI data lifted yields, supported the USD and reinforced the risk that the Fed may need to tighten policy further.*

- ***CHF Tug-of-War**: The SNB is set to stay on hold at 0%, but markets may be overpricing a December hike. Reduced intervention risk should limit CHF downside, leaving the CHF caught between funding-currency demand and a less dovish SNB.*

- ***RMB momentum eased** as the fix snapped its run of strengthening. Further slowdown in fixing gains and pre-holiday position reduction may temper near-term RMB strength.*

- ***BI held at 5.75% and kept IDR stability in focus.** Enhanced FX hedging incentives aim to improve hedging economics and encourage more durable capital inflows.*

- ***USDSGD rose on firmer USD/rates and RMB slippage.** Higher core CPI keeps October MAS tightening risk in play, though softer labour conditions provide a counterweight.*

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Too Resilient: Too much good news can be bad news for markets. That was the message overnight as stronger-than-expected PMIs pushed bond yields higher, weighed on risk assets and lifted the broad USD. Higher oil prices added to inflation concerns as markets weighed reports that the US could restrict diesel exports ahead of the mid-term elections. The debate around a potential diesel export ban highlights a difficult trade-off. While retaining more diesel supply domestically could offer limited short-term price relief, it risks tightening global markets and driving prices higher outside the US, potentially adding to broader inflation pressures.

A robust set of PMI readings, led by the US and euro area, pushed global yields higher, with the 10-year US Treasury yield climbing back above 5%. September PMI data suggested growth remains remarkably resilient despite ongoing geopolitical risks. The US stood out, particularly in services, with the S&P Global Composite PMI rising to 58.4, the highest level since July 2021 and consistent with annualised growth of around 5%. Strength in ongoing AI-related investment and positive wealth effects continue to support activity.

More importantly for markets, the survey pointed to tightening capacity constraints, rising backlogs and intensifying price pressures. Businesses reported the sharpest increase in input costs since 2022, reflecting higher energy and transport costs. The combination of strong growth and firmer inflation has reinforced expectations that the Fed may need to tighten policy further. Fed Governor Michael Barr noted that risks to achieving the inflation target have risen and said further policy adjustments are likely to be needed to bring inflation back to 2%.

We remain comfortable with a modestly stronger USD outlook into year-end, supported by ongoing hawkish Fed risks. A more significant USD rally, however, is not our base case. That would likely require clearer evidence that inflation is being driven by excess demand rather than largely by supply-side shocks such as higher energy prices.

CHF Tug-of-War: The SNB is widely expected to leave rates unchanged at 0% today. With the BoJ having exited ultra-loose policy, the CHF should retain its funding-currency appeal. However, further CHF weakness may be limited after its 1.7% depreciation against the EUR since mid-2026. Markets are also beginning to question how willing the SNB remains to intervene in FX markets. President Schlegel recently dropped references to a greater willingness to sell CHF, a subtle shift that may signal a less dovish bias over time. Even so, we do not see this as an outright bullish CHF signal.

Instead, CHF faces a tug of war. Reduced intervention risk should help limit CHF downside, but we doubt the SNB can or wants to out-hawk market pricing. Inflation remains comfortably within the SNB's 0-2% target range, although rising energy prices are nudging risks higher. We expect the SNB to remain on hold well into 2027, versus OIS markets that currently price around a 50% chance of a rate hike in December.

RMB. Fixing trend matters. RMB gains paused after the PBoC set the USDCNY fix at 6.7468 yesterday, slightly weaker than 6.7459 previously and snapping a 10-session run of stronger fixings. CNY subsequently softened back towards 6.71. This is consistent with our earlier caution that a break in the fixing trend could take some steam out of RMB momentum. But this does not necessarily signal a turn in the RMB direction but suggests some moderation in the pace of appreciation after the recent run. The pattern also reinforced the message that measured pace of RMB appreciation still holds.

The fix remains key near term. Further signs that the pace of fixing appreciation is slowing may temporarily weigh on momentum, while a return to stronger fixes should lend support. Upcoming China holidays could also see liquidity thinned out and some positions pared, potentially adding to two-way moves in RMB. We continue to see preference for a broadly stable-to-firmer RMB into the Trump-Xi meeting, though the pace of gains may be less one-way from here. Overnight, US Treasury Secretary Scott Bessent said that US and China agreed to extend trade truce to 10 Jan 2027.

USDCNH last seen at 6.7110 levels. Mild bullish momentum on daily chart intact while RSI rose. Immediate resistance here at 6.7110/140 levels. Decisive break above may see the pair trade firmer. Next resistance at 6.7220 (23.6% fibo retracement of Jun high to Sep low). Support at 6.7030, 6.6920 (recent low).

IDR. Digging into broader policy toolkit. BI kept the policy rate unchanged at 5.75%, maintaining its focus on IDR stability while relying on the broader policy toolkit rather than another rate adjustment. Inflation remains within target, giving BI some room to stay on hold, while external conditions, including still-elevated US yields, oil prices and a relatively firm USD continue to warrant caution. BI reiterated that it would continue intervention across offshore NDF, onshore spot and DNDF markets to support IDR stability.

BI also strengthened its FX hedging incentives. The premium reduction on conventional hedging swaps was raised from a flat 12.5% previously to 15% for 3m, 20% for 6m and 25% for 12m, while the DNDF premium reduction was increased from 15% to 25% for 6m and 30% for 12m. Eligibility has also been broadened beyond portfolio inflows to include foreign loans by banks and FDI. The larger discounts at longer tenors are aimed at lowering hedging costs, encouraging longer-duration foreign funding and supporting FX-market deepening. The measure should be modestly supportive for IDR rather than a game changer. BI is seeking to improve the economics for foreign investors holding IDR assets by lowering hedging costs, while encouraging more durable inflows. That said, the impact is likely to remain incremental, with US rates, oil, FX volatility and broader risk sentiment still the more important near-term drivers for the IDR.

USDIDR closed at 17800. Mild bullish momentum on daily chart intact but RSI turned lower from overbought conditions. We had earlier cautioned on risk of snapback or if this gap higher represents a breakaway. Initial price action points to snapback risk for now but external drivers can also influence. Support at 17780 (100 DMA) and 17690 (21 DMA). Resistance at 17840 (50 DMA, 23.6% fibo retracement of 2026 low to high), 17950 levels.

USDSGD. Firmer CPI print but external drivers overwhelmed. USDSGD drifted higher overnight, largely tracking the firmer USD and rise in UST yields. This is consistent with SGD's relatively high correlation/beta to DXY, with external drivers again playing a bigger role in the pair. In addition, the slippage in RMB also weighed on SGD.

On the domestic data front, MAS core CPI rose to 2.2% YoY in August from 2.0%, while headline inflation edged up to 2.3%. The increase in core inflation was driven by services, retail and other goods and food. MAS/MTI kept their 2026 core and headline inflation forecasts at 1.5–2.5%, while noting upside risks from energy and food costs. The firmer inflation profile keeps the risk of another slight MAS tightening in October in play, though some softening in labour conditions provides a counterweight. For USDSGD near term, the USD/rates/sentiment backdrop may remain the bigger driver while further RMB slippage could add to upside pressure on the pair.

USDSGD last seen at 1.28 levels. Bullish momentum on daily chart intact with RSI near overbought conditions. Resistance at 1.2810 (100 DMA), 1.2840 (38.2% fibo). Support at 1.2780/90 levels (50, 200 DMAs, 50% fibo), 1.2720/40 levels (21 DMA, 61.8% fibo retracement of 2026 low to high).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1561	160.14	1.3518	0.8354	0.7252	0.5831	1.4192	4500	1.2919	62.99	96.08
Resistance 2	1.1481	159.08	1.3394	0.8296	0.7157	0.5760	1.4141	4405	1.2853	62.80	95.89
Resistance 1	1.1431	158.70	1.3317	0.8274	0.7098	0.5717	1.4122	4346	1.2827	62.71	95.82
Spot	1.1381	158.35	1.3239	0.8252	0.7038	0.5677	1.4106	4286	1.2803	62.63	95.75
Support 1	1.1351	157.64	1.3193	0.8216	0.7003	0.5646	1.4071	4252	1.2761	62.52	95.62
Support 2	1.1321	156.96	1.3146	0.8180	0.6967	0.5618	1.4039	4216	1.2721	62.42	95.49
Support 3	1.1241	155.90	1.3022	0.8122	0.6872	0.5547	1.3988	4122	1.2655	62.23	95.30
Bollinger Band											
Bollinger Upper	1.1709	160.77	1.3652	0.8286	0.7250	0.5960	1.4118	4476	1.2815	63.04	96.31
Bollinger Lower	1.1382	152.29	1.3258	0.8032	0.7043	0.5643	1.3715	4242	1.2622	62.13	94.36

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

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