Daily Market Outlook

USD Unbowed

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- ***USD Unbowed**: Firm US data, sticky inflation and higher energy prices are reinforcing the rise in Treasury yields and supporting the USD. With jobless claims trending lower, a stronger payrolls report could strengthen expectations for another Fed hike and keep the greenback on the front foot.*

- ***CHF Still Funds**: The SNB's less interventionist FX stance signals greater tolerance for a firmer CHF, but not a shift to a sustained hawkish policy. With inflation still contained and rates likely anchored at 0%, CHF remains a funding currency for now.*

- ***Higher oil and US Treasury yields weighed on Asian FX,** with IDR underperforming; RMB momentum also faded as the recent strengthening trend in the PBoC fix halted, while thinner holiday liquidity may add to choppier moves.*

- ***Gold may stay under pressure** unless energy prices, real yields or the USD ease; a sustained rebound likely needs some relief from the current rates backdrop.*

USD Unbowed: Resilient US economic data, elevated energy prices and persistent inflation concerns continue to drive Treasury yields higher, underpinning the USD while weighing on rate-sensitive and carry-oriented assets. Headwinds for EM currencies are intensifying as US bond yields climb above 5% and energy costs remain elevated, particularly in diesel markets. Oil prices advanced after Saudi Arabia reportedly intercepted missiles launched by Houthi militants, offsetting reports of a potential US-Iran agreement that could lead to a phased reopening of the Strait of Hormuz. Market participants remain cautious, however, given the history of failed negotiations between Washington and Tehran.

Next week's US labour market report is a key event risk. Bloomberg consensus expects nonfarm payrolls to rise by 100,000 in September, down from 162,000 in August, while the unemployment rate is projected to remain at 4.1%. Although Fed Chair Warsh has indicated a preference for the four-week average of initial jobless claims as a more timely gauge of labour market conditions, the payrolls report remains the market's primary focus. With initial jobless claims trending lower through the month, the risk of an upside payrolls surprise is increasing. A stronger-than-expected employment report could reinforce market expectations for further Fed tightening, keeping US yields elevated and providing additional support for the USD.

Recent Fed rhetoric has also remained hawkish. New York Fed President Williams and Cleveland Fed President Hammack warned that inflation risks remain skewed to the upside, while Philadelphia Fed President Paulson said "modest further tightening" may still be warranted if inflation fails to moderate. Market pricing currently implies around a 70% probability of another 25bp rate hike in October, highlighting the market's growing conviction that the Fed's inflation fight is not yet over.

CHF Still Funds: CHF weakened after the SNB kept its policy rate unchanged at 0% and removed its earlier reference to an "increased willingness" to intervene in FX markets. The revised language suggests greater tolerance for a stable or stronger CHF, which may help offset inflation risks stemming from higher energy prices. The SNB also noted that inflation has risen mainly due to oil-related costs, while underlying medium-term inflation pressures have increased only slightly.

That said, we do not believe this is enough to transform the CHF from a funding currency into an investment currency. Inflation remains comfortably within the SNB's 0-2% price stability range, with the central bank forecasting average inflation of just 0.8% in 2027 and 2028 while assuming policy rates remain at 0% throughout the forecast horizon.

In our view, the SNB is unlikely to validate the market's relatively hawkish pricing. We expect rates to remain unchanged well into 2027, whereas OIS markets continue to price a meaningful probability of a rate hike as early as December. While risks to CHF funding remain, particularly from a sharp rebound in gold prices or a material deterioration in the European growth outlook, neither appears especially imminent. As a result, the CHF is likely to retain its role as a low-yield funding currency over the coming months.

Asian FX. External factors weighed on sentiment. Asian FX traded broadly softer as higher oil prices and US Treasury yields weighed on risk sentiment. IDR underperformed, while PHP, INR and THB also weakened. A firmer USD added to the pressure, while RMB gains lost momentum after the recent strengthening trend in the PBoC fix was halted. On the other hand, USDSGD held steady but near recent highs. Market liquidity is expected to drop to razor-thin today, with China, South Korea and Taiwan closed for the Mid-Autumn/Chuseok holidays. And next week, China golden-week holidays start on Thu. Near term, elevated oil prices and US Treasury yields may continue to weigh on

Asian FX, in differentiated magnitude while thinner liquidity could see moves turn choppier into the weekend.

Gold. Pressured near term. Gold slipped further to below 4250 briefly before rebounding slightly overnight. Higher oil after renewed Middle East tensions, alongside firm US data and hawkish Fed comments, kept Fed hike expectations elevated (implied probability of Oct hike rose to >70%) while the USD firmed. Looking ahead, oil and the rates response remain the main swing factors. Some easing in energy prices or the USD could help gold stabilise, while a further rise in yields would keep the near-term bias under pressure.

Gold last seen at 4275 levels. Mild bearish momentum on daily chart intact while RSI is flat. Range-bound trade not ruled out but watch price action, if gold manages to reclaim above key short-term levels. Immediate area of resistance at 4300 – 4354 (21, 50, 100 DMAs). Persistent price pressure below this area may see bearish pressure re-exert. Next support at 4200, 4000 levels. Resistance at 4400, 4460 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1459	161.05	1.3330	0.8404	0.7108	0.5738	1.4236	4392	1.2848	62.89	96.23
Resistance 2	1.1419	159.81	1.3278	0.8336	0.7065	0.5702	1.4182	4333	1.2823	62.83	96.07
Resistance 1	1.1400	159.33	1.3249	0.8307	0.7039	0.5682	1.4160	4304	1.2808	62.78	96.02
Spot	1.1378	158.83	1.3215	0.8280	0.7010	0.5660	1.4144	4274	1.2795	62.74	95.96
Support 1	1.1360	158.09	1.3197	0.8239	0.6996	0.5646	1.4106	4245	1.2783	62.72	95.86
Support 2	1.1339	157.33	1.3174	0.8200	0.6979	0.5630	1.4074	4216	1.2773	62.70	95.76
Support 3	1.1299	156.09	1.3122	0.8132	0.6936	0.5594	1.4020	4157	1.2748	62.63	95.60
Bollinger Band											
Bollinger Upper	1.1713	160.61	1.3661	0.8307	0.7261	0.5951	1.4160	4465	1.2821	62.94	96.38
Bollinger Lower	1.1357	152.38	1.3215	0.8033	0.7014	0.5625	1.3700	4234	1.262	62.32	94.35

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

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