

Daily Market Outlook

Europe's Fiscal Faultline

- **Europe's Fiscal Faultline:** European fiscal concerns have overtaken energy risks as the key market driver. Pressure on French debt and European banks is boosting demand for havens, weighing on EUR and risk-sensitive currencies ahead of a pivotal US payrolls report.
- **Gold found tentative stabilisation** as long-end yields eased and Fed rhetoric turned somewhat less hawkish on the timing of further tightening. Payrolls is the next key test, with a softer print potentially giving gold more room to recover.
- **TWD traded a touch softer.** But less hawkish Fed comments overnight may offer some near-term relief, though US payrolls data remains a key test for whether USDTWD can extend lower.

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Europe's Fiscal Faultline: European fiscal concerns have overtaken energy risks as the market's primary focus. Growing pressure on European bank equities suggest that stress is no longer confined to French government bonds. Markets largely ignored France's deteriorating fiscal backdrop until recently, but the latest selloff has pushed EURUSD to its weakest level since May 2025, while CHF has started to outperform as a regional haven. Recent moves suggest investors are beginning to reassess euro area sovereign risk rather than treating it as a purely French issue. Recent reports show the OAT-Bund spread has widened to levels not seen since the euro area debt crisis, reflecting mounting concerns over France's fiscal trajectory and political uncertainty.

Oil prices rose as geopolitical tensions in the Middle East intensified. The *Wall Street Journal* reported that the US is deploying a third aircraft carrier strike group to the region, while President Trump is reportedly telling advisers that he expects military strikes on Iran to resume. US Treasury yields initially moved higher alongside oil prices but later reversed lower as demand for safe-haven assets increased amid growing stress in European bond markets. The underperformance of French and Italian government bonds relative to US Treasuries and German Bunds points to a flight into the most liquid and defensive sovereign markets.

While newly appointed Banque de France Governor François Moulin recently stressed that the ECB is not the solution to France's debt challenge, markets will be highly sensitive to any shift in official rhetoric

that could help stabilise French bond markets. Any indication that policymakers are willing to deploy measures to contain fragmentation risk could provide relief for OATs and support the EUR.

Attention now turns to today's US nonfarm payrolls report. Bloomberg consensus expects payroll growth of 90,000 in September, slowing from 162,000 in August, while the unemployment rate is forecast to remain at 4.1%. Higher oil prices and elevated US yields have become an increasing headwind for risk-sensitive currencies such as AUD and for EM carry trades.

Absent a breakthrough in US-Iran negotiations, the burden is likely to fall on a softer payrolls print to ease hawkish Fed expectations and provide relief for risk assets. A downside surprise could see a few basis points priced out of October FOMC tightening expectations, especially after several Fed officials pushed back against the need for consecutive rate hikes. Fed Vice Chair Jefferson argued that future policy adjustments should depend on a careful assessment of incoming data, the evolving outlook and the balance of risks, signalling little urgency to tighten again in October. His remarks broadly align with recent comments from New York Fed President Williams.

Gold. Watching technical signals. Gold stabilised overnight, helped by a pullback in long-end yields as Fed rhetoric turned somewhat less hawkish on the timing of further tightening. Jefferson reinforced the message that policymakers may have time to assess more data before moving again, while Kashkari remained open-minded on an October hike despite still seeing further tightening as likely. The USD nevertheless stayed firm and oil remained elevated, leaving the broader backdrop for gold mixed. Attention now turns to payrolls: a softer print could further weigh on yields and the USD and give gold more room to recover, while resilient jobs or wage data could revive tightening expectations and cap the rebound. For now, we see this as stabilisation rather than the start of a more convincing move higher.

Gold last at 4180 levels. Mild bearish momentum on daily chart intact but shows tentative signs of moderation while RSI was flat. We continue to watch price action if gold's recent decline is stabilising. There may be some tentative signs of mild bullish divergence on MACD but remains too early to tell. Meanwhile compression of moving averages typically precedes a breakout trade. Failure to reclaim back above 4280 – 4330 (21, 50, 100 DMAs) may see bearish pressure return. Resistance at 4300/50, 4460 levels. Support at 4110, 4030 and 3944 (previous low).

USDTWD. Watch 50DMA. TWD was a touch softer despite Taiwan equities closing at a record high. A firm USD and elevated global yields kept the external backdrop challenging, while market chatters pointed to limited FX inflows despite foreign equity buying. USDTWD tested higher intraday before reversing most of the move into the close.

There may be some room for USDTWD to trade lower today after less hawkish Fed comments helped pare expectations for an October rate hike. Attention now turns to US payrolls tonight, which could see the near-term USD reaction more binary. A softer print could reinforce the pullback in Fed hike expectations and allow the USD to ease further, providing some relief to TWD. Conversely, a firm labour report could revive rate-hike risks and keep USDTWD supported. More broadly, with global yields still elevated and FX inflows relatively modest, we may still view any TWD recovery as tentative. Sustained downside in USDTWD would still require a more durable pullback in the USD alongside better FX inflows.

USDTWD last closed at 31.855. Mild bullish momentum intact though there are tentative signs of it slowing while RSI eased lower. Key resistance at 31.96 (50 DMA), 32 levels (38.2% fibonacci retracement of 2026 low to high). Break out risks opening room for further upside towards 32.20 (23.6% fibo). But so long spot holds below said resistance, the pair may well revert to trading the recent range. Support at 31.71/730 levels (61.8% fibo, 21, 200 DMAs).

USDSGD. Consolidation. USDSGD edged modestly higher as the USD remained supported by elevated US yields, while oil prices stayed above USD100/bbl. Still, SGD continues to hold up relatively well compared with several regional peers, likely reflecting effects of tighter policy stance. Near term, USDSGD may remain supported if US Treasury yields stay elevated, but the upcoming US payrolls will be key. A softer print, particularly if accompanied by some easing in longer-end yields, could allow SGD's relative resilience to translate into renewed downside in USDSGD. This month, focus will increasingly shift towards the October MAS review, where the risk of another modest tightening remains in play.

USDSGD was last at 1.2805. Bullish momentum on daily chart intact while RSI is flat. Consolidation likely. Resistance at 1.2820 (100 DMA), 1.2840 (38.2% fibo). Support at 1.2740 (61.8% fibo retracement of 2026 low to high), 1.2720 (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1509	160.35	1.3401	0.8510	0.7037	0.5731	1.4318	4277	1.2911	63.00	97.01
Resistance 2	1.1387	159.14	1.3309	0.8419	0.6984	0.5674	1.4277	4224	1.2854	62.89	96.59
Resistance 1	1.1316	158.61	1.3253	0.8365	0.6957	0.5639	1.4249	4201	1.2829	62.84	96.45
Spot	1.1249	157.94	1.3198	0.8306	0.6929	0.5602	1.4221	4182	1.2802	62.80	96.31
Support 1	1.1194	157.40	1.3161	0.8274	0.6904	0.5582	1.4208	4147	1.2772	62.73	96.03
Support 2	1.1143	156.72	1.3125	0.8237	0.6878	0.5560	1.4195	4116	1.2740	62.66	95.76
Support 3	1.1021	155.51	1.3033	0.8146	0.6825	0.5503	1.4154	4063	1.2683	62.54	95.35
Bollinger Band											
Bollinger Upper	1.1701	159.65	1.3621	0.8387	0.7267	0.5885	1.4319	4454	1.2847	62.89	96.66
Bollinger Lower	1.1220	152.94	1.3114	0.8066	0.6902	0.5563	1.3723	4123	1.2636	62.46	94.46

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

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