

Daily Market Outlook

EURUSD's Balancing Act

- **EURUSD's Balancing Act:** Political and fiscal uncertainty in France has weighed on the EUR, but the USD's upside may be increasingly constrained. Markets still price an aggressive Fed tightening path despite signs that inflation and labour market pressures are easing.
- **BRL Bets Bolsonaro:** Brazilian assets rallied after Flávio Bolsonaro's stronger-than-expected first-round showing boosted hopes for a more market-friendly policy mix. The BRL could extend gains if runoff polls continue to shift in his favour ahead of the 25 October vote.
- **Gold remained sluggish** despite the sharp pullback in Fed hike expectations post-US payroll, as long-end US Treasury yields resumed their rise and the USD firmed; a more sustained decline in real yields and the USD remains key for recovery.
- **TWD extended gains** alongside record-high Taiwan equities and strong foreign equity buying; near term, further upside may depend on whether softer US data translates into lower US yields and a weaker USD.

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EURUSD's Balancing Act: The EUR remains under pressure as turbulence in European bond markets fuels expectations of a more dovish ECB path. However, the sharp safe-haven demand that supported the CHF late last week appears to be fading.

French bond markets have stabilised somewhat after a period of intense selling. The OAT-Bund spread narrowed overnight after widening beyond 140bp last week, its highest level since the eurozone debt crisis. Markets remain focused on France's fiscal outlook and the political backdrop ahead of the 2027 presidential election. Marine Le Pen is due to unveil her alternative 2027 budget today. Any credible proposals to improve France's fiscal trajectory could help ease market concerns and further narrow risk premia. In Spain, Prime Minister Pedro Sánchez's decision to call an early election on 29 November is unlikely to materially alter the country's fiscal path. Spain's public finances have remained resilient despite operating without a new budget since 2023, supported by relatively strong economic growth.

EURUSD remains the key focus. Unless volatility in European bond markets escalates significantly, our base case is still for a moderate

rather than aggressive USD rally into year-end. Expectations for an October Fed rate hike have fallen sharply after several Fed officials signalled there is little urgency to tighten policy further and stressed the need to assess incoming data before making another move. Recent comments from senior Fed officials have pushed markets to favour a pause in October, with any further tightening more likely deferred until later in the year.

US Treasury yields, meanwhile, continue to move higher, with 10-year and 30-year yields reaching their highest levels in over two decades. Unlike France, where higher yields reflect fiscal concerns and rising risk premia, the rise in US yields is largely driven by economic resilience, and strong investment demand linked to AI-related spending. In other words, US yields are rising because growth remains strong, not because investors are questioning fiscal credibility.

Markets continue to price slightly more than three Fed hikes over the next 12 months, a path that looks too aggressive. Recent labour market data point to softer hiring and moderating wage growth, suggesting inflation pressures from the labour market are easing. If upcoming inflation releases confirm that underlying price pressures remain contained, markets may gradually scale back expectations for additional tightening. That should help cap further gains in the USD, particularly as longer-dated yields are doing more of the tightening work on behalf of the Fed.

BRL Bets Bolsonaro: Brazilian risk assets surged after a market-friendly outcome in the first round of the presidential election. Flávio Bolsonaro secured 47.1% of valid votes, ahead of President Lula's 45.0%, overturning expectations of a modest Lula lead suggested by pre-election polls. Markets responded positively as investors priced in a greater likelihood of a fiscally conservative and business-friendly policy agenda.

The BRL could continue to strengthen in the near term if polling ahead of the 25 October runoff points to a widening Bolsonaro lead. A stronger showing from Bolsonaro and his allies has reinforced expectations of tighter fiscal discipline, greater private-sector support and stronger investor confidence, all of which have been key drivers of the rally in Brazilian assets. However, election uncertainty remains elevated, suggesting that BRL volatility is likely to persist until the final vote.

Gold. Lacking catalyst for turnaround. Gold remained sluggish overnight despite the sharp pullback in expectations for an October Fed hike. Long-end UST yields resumed their rise, oil stayed elevated while

ISM prices index rose further, keeping inflation concerns alive. This reinforces our view that lower Fed hike risk alone may not be enough to drive the next leg higher in gold. A more sustained turnaround (lower) in long-end/ real yields and the USD would be the cleaner catalysts for gold to recover. But until then, gold may remain vulnerable to further consolidation, particularly if incoming US data continue to point to sticky inflation despite softer labour-market conditions.

Gold last at 4140 levels. Mild bearish momentum on daily chart intact while RSI is flat. We continue to watch price action - compression of moving averages typically precedes a breakout trade. And there remain some risk of gold trying the downside in the short term. Support at 4110, 4030 and 3944 (previous low). Gold needs to reclaim back above 4280 – 4330 (21, 50, 100 DMAs) to see bearish forces negate. Resistance at 4300/50, 4460 levels.

USDTWD. Eyeing next support. USDTWD gapped lower in the open yesterday. Softer US payrolls reduced expectations of an October Fed hike and supported risk sentiment, while Taiwan equities surged to a fresh record, led by technology shares. Foreign investors also recorded sizeable net purchases of local equities. Continued foreign equity buying could keep TWD supported, particularly if softer US data eventually pulls US Treasury yields and the broader USD lower. But with the USD still firm and external headwinds lingering, TWD gains may remain gradual rather than accelerating sharply.

USDTWD last closed at 31.78. Mild bullish momentum intact though there are signs of it slowing while RSI fell. Next support at 31.71/730 levels (61.8% fibo, 21, 200 DMAs) before 31.60 levels. Resistance at 31.86 (100 DMA, 50% fibo retracement of 2026 low to high), 31.94 (50 DMA).

USDSGD. Consolidation. USDSGD traded in subdued range near recent highs. Last at 1.2790 levels. Bullish momentum on daily chart intact but shows tentative signs of fading while RSI is near overbought conditions. Consolidation likely, as we keep a look out for rallies to fade into. 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). Pair should continue to take cues from USD, US Treasury yields for now with focus gradually shifting to MAS policy decision (no later than 14 Oct).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1415	159.60	1.3341	0.8394	0.7043	0.5683	1.4376	4238	1.2876	63.18	96.49
Resistance 2	1.1315	158.74	1.3281	0.8348	0.7001	0.5642	1.4320	4191	1.2839	62.90	96.38
Resistance 1	1.1269	158.33	1.3251	0.8327	0.6987	0.5621	1.4290	4165	1.2816	62.77	96.34
Spot	1.1216	157.92	1.3218	0.8316	0.6965	0.5596	1.4268	4136	1.2798	62.64	96.30
Support 1	1.1169	157.47	1.3191	0.8281	0.6945	0.5580	1.4234	4118	1.2779	62.50	96.23
Support 2	1.1115	157.02	1.3161	0.8256	0.6917	0.5560	1.4208	4097	1.2765	62.35	96.16
Support 3	1.1015	156.16	1.3101	0.8210	0.6875	0.5519	1.4152	4051	1.2728	62.08	96.05
Bollinger Band											
Bollinger Upper	1.1673	159.81	1.3571	0.8387	0.7228	0.5842	1.4362	4441	1.2845	62.89	96.68
Bollinger Lower	1.1169	153.51	1.3103	0.8108	0.6894	0.5554	1.3775	4083	1.2664	62.45	94.62

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

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