

Daily Market Outlook

Fed Firm, EUR Fragile

- **Fed Firm, EUR Fragile:** European fiscal concerns are back in focus, keeping pressure on French bonds and the EUR. With little sign of imminent ECB intervention and the Fed still leaning hawkish, EURUSD risks remain skewed to the downside.
- **China onshore markets reopen** after Golden Week, with focus on the PBoC fixing. A stronger fix could sustain RMB momentum, while one near the pre-holiday level may favour consolidation. We flag risk of an asymmetric price reaction should the fix be set materially weaker than the last.
- **INR weakened** despite RBI's hawkish pivot, as much of the tightening was already priced in. Elevated oil prices, US yields and portfolio outflows remain key headwinds, keeping INR vulnerable.
- **Gold stayed soft** as elevated yields and a firm USD capped upside; a clearer pullback in either may be needed for a sustained rebound.

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Fed Firm, EUR Fragile: Relief following French presidential frontrunner Marine Le Pen's fiscal consolidation pledges proved short-lived, with concerns over European fiscal sustainability quickly returning to the forefront. Rising sovereign yields across the euro area are also complicating the ECB's policy outlook.

ECB rhetoric has provided little indication that policymakers are close to activating the Transmission Protection Instrument (TPI), which is designed to address disorderly market fragmentation. The ECB has repeatedly stressed that TPI is intended for unwarranted market stress rather than fiscal concerns arising from country-specific fundamentals. Meanwhile, former ECB Executive Board member Lorenzo Bini Smaghi has argued that the ECB should pause quantitative tightening (QT), warning that balance sheet runoff may be contributing to market volatility and wider sovereign spreads.

Against this backdrop, French government bonds (OATs) are likely to remain volatile. Investors will continue to monitor whether bond market stress forces a more dovish ECB policy path, raising downside risks for EUR and potentially spilling further into broader European asset markets.

Recent price action suggests investors are rotating toward perceived safe-haven sovereign debt. German Bund and US Treasury yields initially moved higher alongside rising Brent crude prices as markets assessed escalating disruptions and security risks in the Strait of Hormuz. However, both yields reversed lower after the US session opened despite the absence of an obvious catalyst, highlighting ongoing demand for defensive assets.

The September FOMC minutes offered few surprises. Policymakers reiterated that the 25bp rate hike was intended to support a faster return of inflation to the Fed's 2% target, while most participants judged that another rate increase would likely be appropriate before year-end. Recent remarks from core Fed officials, including Williams and Jefferson, suggest little urgency to tighten again immediately. It is likely that the Fed remains on hold in October before delivering a final 25bp hike in December.

RMB: Onshore returns today; Focus on CNY fix. USDCNH has remained relatively steady around 6.70–6.71 during the holiday, while the last USDCNY fixing before the break was set at 6.7351, the strongest CNY fixing level since February 2023.

The first fixing after the break could provide an important signal on the authorities' comfort with the recent RMB strength. A stronger fixing could reinforce the positive momentum and see RMB continue to trade on the strong side, while a fixing around the pre-holiday level should be broadly neutral and favour some consolidation around current levels. A much weaker RMB fixing, however, could temporarily derail the recent momentum as onshore markets catch up after the holiday.

We see some risk of an asymmetric price reaction if the CNY fix is set materially weaker than the last fix. Beyond the initial reopening adjustment, we would be cautious about reading too much into a single fixing; whether any move extends will depend on subsequent fixing signals and how onshore flows return after the holiday.

USDCNH last seen at 6.7040 levels. Mild bullish momentum on daily chart faded but RSI rose. Consolidation likely. Support at 6.7030 levels before 6.6920 (recent low). Resistance at 6.7210/20 levels (50 DMA, 23.6% fibo retracement of Jun high to Sep low), 6.74 (38.2% fibo).

USDINR. Nearing all-time high. INR weakened despite RBI's 25bp hike to 5.50% and shift to a calibrated tightening stance, with USDINR again approaching its record high. The RBI delivered a hawkish pivot, but much of this was already anticipated, while the guidance somewhat

underwhelmed expectations. Hence, there was limited incremental support for INR.

Some highlights from the RBI decision and Governor Malhotra's comments include: 1/ though the 25bp hike was unanimous, 2 of the 6 MPC members preferred to retain a neutral stance. 2/ Governor Malhotra said rate cuts are off the table for now and the next move would be either a hike or pause, with the timing and extent of further tightening dependent on incoming inflation and growth. 3/ On the INR, he said markets can be irrational in the short run and that several measures, including REER, suggest the rupee may be undervalued. 4/ He also indicated that the RBI would continue to support an orderly adjustment in the currency and curb excessive volatility.

Near term, external headwinds remain one of the bigger drivers for INR, with elevated oil prices, high US yields and persistent portfolio outflows weighing. A more restrictive RBI stance should help contain depreciation pressure at the margin, but a more sustained INR recovery would likely require some easing in these external pressures.

USDINR last closed at 96.77 levels. Bullish momentum on daily chart is picking up though RSI is near overbought conditions. Next resistance around 97 levels (close to record high in May). Support at 96.46, 96.20 and 96 levels.

Gold. Struggles to swim against a difficult tide. Gold stayed under pressure overnight as the macro backdrop remained difficult. Higher oil kept inflation concerns in play, while long-end US Treasury yields stayed elevated and the USD remained firm. The FOMC minutes did little to change that picture, with policymakers still signalling that further tightening may be needed if inflation stays persistent. Although the strong 10y auction helped yields ease off their highs later in the session, the move was not enough to generate much of a rebound in gold.

For now, gold still looks short of a clear catalyst for a sustained turnaround. A more meaningful pullback in yields and/or the USD would likely be needed to improve the near-term setup. Attention now turns to the 30y Treasury auction tonight (1am SGT), particularly given how sensitive gold has been to moves at the long end.

Gold last at 4111 levels. Mild bearish momentum on daily chart intact while RSI fell. Risks remain skewed to the downside. 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. Next support here at 4110 before 4030 and

3944 (previous low). Resistance at 4262 (21, 100 DMAs), 4333 (23.6% fibo retracement of 2026 high to low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1404	159.47	1.3392	0.8386	0.7045	0.5686	1.4398	4323	1.2872	62.97	97.69
Resistance 2	1.1306	158.81	1.3310	0.8358	0.7004	0.5645	1.4323	4219	1.2833	62.87	97.17
Resistance 1	1.1252	158.44	1.3262	0.8346	0.6984	0.5622	1.4289	4165	1.2817	62.82	96.97
Spot	1.1201	158.04	1.3215	0.8330	0.6961	0.5600	1.4259	4109	1.2797	62.76	96.78
Support 1	1.1154	157.78	1.3180	0.8318	0.6943	0.5581	1.4214	4062	1.2778	62.72	96.46
Support 2	1.1110	157.49	1.3146	0.8302	0.6922	0.5563	1.4173	4013	1.2755	62.68	96.14
Support 3	1.1012	156.83	1.3064	0.8274	0.6881	0.5522	1.4098	3909	1.2716	62.58	95.62
Bollinger Band											
Bollinger Upper	1.1620	159.75	1.3510	0.8385	0.7189	0.5804	1.4364	4422	1.2834	62.91	96.71
Bollinger Lower	1.1141	154.40	1.3107	0.8154	0.6889	0.5551	1.3855	4055	1.2701	62.48	95.01

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

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