

Daily Market Outlook

Volatility Relief?

- **Volatility Relief?:** Lower Treasury volatility, if sustained, could offer relief to high-beta currencies and EM carry trades. The USD should remain supported, but softer inflation and labour market trends may limit upside potential.
- **First post-holiday CNY fixing was little changed,** suggesting no immediate shift in PBoC's fixing bias. RMB remains relatively resilient despite a firmer USD, with subsequent fixings and onshore flows key to sustaining appreciation momentum.
- **SGD held relatively steady** despite firmer USD and higher oil prices. MAS tightening expectations should underpin S\$NEER, though its position on the strong side of the band may limit further gains, particularly against a stronger USD.

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Volatility Relief?: Fedspeak from Governor Waller and St. Louis Fed President Musalem continues points to a tightening bias but with flexibility on the timing of further hikes. No surprises there, as market starts to understand the pace of Fed hiking cycle. It has also been a good week for US bond auctions. Solid 10yr and 30yr Treasury auctions over consecutive days show there is a level where buyers step in. Treasury volatility, tracked by the MOVE index, was at the epicentre of the recent global rate volatility before it was overtaken by French government bond volatility. The recent turn lower in the MOVE index, if sustained, should prevent the wobbling of risk-sensitive currencies like AUD and EM carry trades from turning into a deeper sell-off.

It helps that oil prices, which initially rose further on reports of the Houthis attacking Saudi Arabia airports, were off their highs following comments from President Trump that he would not attack Iran before the 3 November midterms. Elsewhere, developing Hurricane Isaias off the Gulf of Mexico has forced operators to shutter roughly 25% crude output. The storm is expected to make landfall by the weekend. Separately, French spreads to Bunds were relatively little changed overnight while ECB President Lagarde reiterated that the ECB has instruments to stabilise financial markets if required.

Our base case remains that USD will remain well supported. But we are not rushing to upgrade our USD view in favour of an explosive move up. Recent US employment data suggest hiring momentum is slowing and wage growth is easing, reducing the risk of persistent wage-driven

inflation. If upcoming CPI inflation data confirm that underlying price pressures remain contained, investors may further scale back expectations for additional Fed tightening. That could limit the scope for further USD upside.

RMB: Fixing matters. RMB traded relatively steady as onshore markets reopened after the Golden Week break. The first post-holiday USDCNY fixing at 6.7367 was a touch higher than the pre-holiday level of 6.7351, suggesting no immediate shift in the PBoC's fixing bias. Despite a firmer USD backdrop, RMB held up relatively well, suggesting that the recent appreciation momentum remains intact.

Separately, the PBoC reiterated that China does not pursue competitive currency depreciation or target a predetermined exchange-rate level. The comments came amid growing European pressure for RMB appreciation to address China's large trade surplus. While the remarks do not necessarily signal a preference for further RMB strength, they reinforced the authorities' stated commitment to exchange-rate flexibility and two-way movements.

Near term, we see room for RMB to trade slightly on the strong side, although the firmer USD and still-elevated US Treasury yields may temper further pace of appreciation. Attention will remain on subsequent fixings and onshore flows to assess whether the recent momentum can extend. Any signs of weaker-than-expected fixings in coming sessions could pose temporary risks to RMB momentum and prompt some unwinding of recent gains.

USDCNH last seen around 6.7040 levels. Mild bullish momentum on daily chart faded while RSI rose. Consolidation likely for now. Support at 6.70 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).

USDSGD. Consolidation. USDSGD was a touch firmer near recent highs. Last at 1.28 levels. Bullish momentum on daily chart intact while RSI is flat. 2-way trade still 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 1.2740/50 levels (61.8% fibo retracement of 2026 low to high, 50 DMA).

Attention is turning to the MAS policy decision on 14 October, where we expect a slight steepening of the S\$NEER appreciation slope, similar to the adjustment in July. The combination of firmer domestic cost pressures, particularly services inflation, and renewed upside risks to imported inflation reinforces the case for measured tightening.

Singapore's resilient growth backdrop also provides MAS with room to maintain a restrictive policy stance.

For SGD, the implications may be more nuanced. With the S\$NEER already trading on the strong side of its policy band, some tightening expectations may already be reflected in the currency. A slight slope steepening would reinforce the medium-term appreciation bias, but may not necessarily trigger significant further SGD gains, particularly against a firmer USD. Conversely, an unchanged stance could disappoint market expectations and see the S\$NEER ease towards the midpoint. We continue to favour SGD resilience on a trade-weighted basis, although USDSGD may remain sensitive to broader USD, US rates developments, sentiment shifts in the near term (*See MAS Preview: Looking for Another Slight Slope Increase, 2 Oct 2026*).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1313	159.62	1.3350	0.8404	0.7034	0.5662	1.4362	4213	1.2882	63.24	96.97
Resistance 2	1.1258	158.77	1.3285	0.8364	0.6994	0.5631	1.4301	4170	1.2846	63.04	96.86
Resistance 1	1.1235	158.33	1.3257	0.8340	0.6976	0.5619	1.4264	4151	1.2828	62.96	96.83
Spot	1.1213	158.10	1.3229	0.8316	0.6960	0.5605	1.4224	4148	1.2808	62.89	96.79
Support 1	1.1180	157.48	1.3192	0.8300	0.6936	0.5588	1.4203	4109	1.2792	62.76	96.72
Support 2	1.1148	157.07	1.3155	0.8284	0.6914	0.5569	1.4179	4085	1.2774	62.64	96.65
Support 3	1.1093	156.22	1.3090	0.8244	0.6874	0.5538	1.4118	4042	1.2738	62.44	96.55
Bollinger Band											
Bollinger Upper	1.1588	159.47	1.3471	0.8381	0.7171	0.5780	1.4356	4407	1.2828	62.93	96.76
Bollinger Lower	1.1135	155.12	1.3118	0.8171	0.6886	0.5555	1.3895	4053	1.2722	62.49	95.16

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

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