

Daily Market Outlook

Supported, Not Surging

- **Supported, Not Surging:** *The USD remains supported by elevated oil prices, higher yields and resilient Fed expectations. Risk currencies may enjoy a short-term reprieve if energy risks ease, but a sustained USD breakout likely requires a meaningful upside core CPI surprise.*
- **JPY Patience Trade:** *Rising US yields and firmer energy prices have kept USDJPY supported, but intervention risks and extreme JPY undervaluation should cap the upside. GPIF's lack of action is a delay, not a derailment, for the longer-term JPY recovery story.*
- **RMB remains resilient** despite USD strength, with the PBoC's fixing path continuing to guide a measured pace of appreciation. We remain constructive on RMB, although a potential double-bottom in USDCNH suggests some near-term rebound risks.
- **TWD under pressure** from persistent foreign equity selling and external conditions. We remain modestly cautious, with USDTWD at risk of retesting 32 unless foreign flows stabilise.
- **RBI's additional FX restrictions** helped drive a sharp INR rebound, while stronger inflation reinforces its hawkish policy pivot. Further near-term gains are possible, but sustained recovery hinges on external flows and oil prices.
- **SGD softened modestly** alongside the USD's strength, with attention on Wednesday's MAS decision. A slight tightening is largely priced in, potentially limiting the immediate reaction, while USD direction and US yields remain key drivers.

Sim Moh Siong

FX Strategist

(G10 & oil)

Christopher Wong

FX Strategist

(Asia & precious metals)

Supported, Not Surging: With US bond markets and Japan closed for holidays, trading conditions were thin at the start of the week. Even so, markets remain focused on three key drivers: oil prices, US inflation and the Q3 earnings season, particularly whether strong AI-related earnings can continue to support growth and risk sentiment.

Treasury market volatility has eased after surging alongside higher US yields in recent weeks, although firmer oil prices remain a near-term risk. Energy markets are again on edge as geopolitical tensions in the Middle East intensify. Recent attacks linked to the Houthis have raised concerns about Saudi energy infrastructure and regional supply security, while tanker attacks in and around the Strait of Hormuz

continue to disrupt shipping flows. These developments threaten to reverse part of the recent recovery in Gulf oil exports and keep upward pressure on energy prices.

Our base case remains that the USD should stay well supported. That said, risk-sensitive currencies and EM carry trades could see a period of relief if energy prices stabilise and geopolitical tensions fade. However, we do not believe the conditions are yet in place for a decisive USD breakout from its recent range.

Markets currently expect the Fed to remain on hold in October before delivering a fully priced 25bp rate hike in December. The key question for the USD is whether upcoming CPI data can alter that sequencing by bringing forward expectations for further tightening. Consensus forecasts point to firmer headline inflation due to higher energy costs, but core inflation is expected to remain relatively contained.

If core inflation moderates as expected, markets could further trim expectations for additional Fed tightening, limiting the scope for further USD gains. In our view, it would likely take a core CPI print of 0.4% m/m or higher to materially shift market pricing and strengthen the case for earlier Fed action. Until then, the USD is likely to remain supported but not break decisively higher.

JPY Patience Trade: USDJPY has traded sideways to slightly higher since the start of October, supported by rising US Treasury yields and elevated energy prices. Recent reports that Japan's Government Pension Investment Fund (GPIF) did not discuss asset allocation changes at its September meeting disappointed some JPY bulls, as investors had been hoping for signs of increased domestic bond allocations that could support the JPY.

That said, with USDJPY already trading in the 158s and concerns about official FX intervention likely to intensify as the pair moves higher, we expect upside momentum to remain constrained despite broad USD strength.

Our longer-term view remains constructive on the JPY. Japan's currency continues to screen as deeply undervalued on several valuation metrics, and sustained higher domestic yields could gradually make Japanese assets more attractive to local investors. While there is still no evidence of an imminent shift in GPIF's investment strategy, we view the latest headlines as a postponement rather than a rejection of the broader repatriation narrative. As such, we continue to see scope for a gradual appreciation of the JPY over time.

USDCNH. Double-bottom forming? RMB continued to hold firm despite renewed USD strength overnight. The PBoC strengthened its daily fixing to 6.7313 on Monday from 6.7330 Friday, continuing the gradual adjustment since markets reopened after Golden Week. We continue to see the fixing path as policy guidance for a measured pace of RMB appreciation, rather than an accelerated move. RMB's resilience remains notable given the firm USD and elevated US yields. We remain constructive on RMB, with China's large trade surplus providing underlying support, although actual FX conversion flows will matter more for spot than the headline trade numbers alone. The next few fixings will be important in assessing whether the PBoC maintains its current guidance, particularly if USD strength persists. While external conditions may limit the pace of further gains, we continue to see room for RMB to outperform regional peers, so long fixing pattern remains. That said, we do caution for knee-jerk pullback if RMB fixing comes in weaker than prior day.

USDCNH last at 6.6950 levels. Daily momentum and RSI are not indicating a bias at this point. Price pattern saw a double bottom formation, potentially hinting at an interim bottom until further price action proves otherwise. Support at 6.6920 (interim double bottom). Decisive break may usher in another leg down south. Resistance at 6.7050 (21 DMA).

TWD. Pressured. TWD traded a touch softer on Monday, driven by both external and domestic pressures. Foreign investors sold another TWD52.2bn of Taiwanese equities, extending net selling to 4 consecutive trading sessions and bringing cumulative selling to nearly TWD150bn. The selling comes against a backdrop of elevated US Treasury yields, a firmer USD and higher oil prices (owing to renewed geopolitical uncertainty). Despite a relatively resilient domestic equity market, persistent foreign selling can weigh on TWD though exporter USD selling and reported central-bank smoothing can also helped to partially offset losses.

We are modestly cautious on TWD in the near term, particularly if foreign equity outflows persist and US Treasury yields remain elevated. A renewed test of 32 in USDTWD cannot be ruled out, although exporter conversion flows and central-bank smoothing could limit the pace of depreciation. Attention turns to earnings from a major Taiwanese technology company later this week, which could provide a test of foreign investor appetite for Taiwanese equities. That said, strong earnings alone may not be sufficient to reverse TWD weakness unless accompanied by a turnaround in foreign flows. A softer USD/ US Treasury yields and stabilisation in foreign equity positioning would be more convincing catalysts for TWD to turn around.

USDTWD last close at 31.92 levels. Daily momentum remains mild bullish while RSI rose. Risks somewhat skewed to the upside. Resistance at 32. Support at 31.86 levels (100 DMA, 50% fibo retracement of 2026 low to high), 31.788 (21 DMA) and 31.71 (61.8% fibo).

INR. More measures. USDINR gapped 1% lower in the open on Monday, following the RBI's measures to contain spot USD demand and tighten FX derivative rules. The RBI followed up with further restrictions on Monday, limiting access to certain INR non-deliverable derivatives to hedging purposes and extending the 20% cash reserve requirement to banks' own qualifying FX hedges. The measures appear to be having an immediate impact on market behaviour, with banks reportedly becoming more selective in offering forward USD hedges. Separately, September CPI surprised higher at 5.54% YoY, reinforcing the case for further monetary tightening.

The RBI's increasingly forceful response may help contain near-term INR depreciation pressures, but we are cautious about extrapolating Monday's rebound into a sustained recovery. Higher hedging costs may temper forward USD demand, but could also discourage genuine corporate hedging, while the special USD window for oil companies shifts demand away from the spot market rather than reducing India's underlying US dollar requirements. We may still see room for some near-term INR gains, but the sustainability of the move will depend on whether portfolio outflows moderate and external pressures from oil prices and US yields ease. For now, the policy measures may help establish a firmer near-term footing for INR, rather than mark a decisive reversal in its broader depreciation trend.

USDINR last closed at 95.78 levels. Bullish momentum on daily chart faded while RSI fell. Risk of pullback not ruled out in the near term. Support at 95.56 (50% fibo retracement of Aug low to Oct high, 50, 100 DMAs) and 95.25 (61.8% fibo). Resistance at 96 (21 DMA), 96.24 (23.6% fibo).

SGD: Focus on Wed's MAS policy decision and 3Q GDP. SGD softened modestly against the USD on Monday, although the move remained contained despite broader USD strength and elevated US Treasury yields. Attention turns to Wednesday's MAS policy decision and 3Q26 GDP advance estimates. We expect MAS to slightly steepen the S\$NEER policy band slope, similar to July, while leaving the width and centre unchanged. Resilient growth and persistent inflation pressures, including risks from higher oil prices, continue to support the case for further calibrated tightening.

With expectations for another slight tightening already largely priced in, the immediate SGD reaction may be muted unless MAS delivers an element of surprise, either through a more aggressive adjustment or an unexpected hold. The accompanying GDP estimates and MAS' assessment of inflation risks will also shape expectations for the policy path ahead. Beyond Wednesday, we expect USD direction and US Treasury yields to remain important drivers of USDSGD. While a steeper S\$NEER slope should provide underlying support for SGD, sustained USD strength and elevated US Treasury yields could continue to constrain gains against the USD.

USDSGD was last at 1.2810 levels. Bullish momentum on daily chart intact while RSI fell modestly. 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).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1303	159.82	1.3342	0.8442	0.7050	0.5669	1.4366	4307	1.2848	62.95	96.58
Resistance 2	1.1239	159.15	1.3283	0.8386	0.7010	0.5633	1.4318	4244	1.2826	62.85	96.18
Resistance 1	1.1197	158.88	1.3245	0.8366	0.6984	0.5610	1.4300	4208	1.2815	62.80	95.98
Spot	1.1159	158.55	1.3208	0.8344	0.6957	0.5587	1.4282	4174	1.2809	62.76	95.78
Support 1	1.1133	158.21	1.3186	0.8310	0.6944	0.5574	1.4252	4146	1.2793	62.70	95.58
Support 2	1.1111	157.81	1.3165	0.8274	0.6930	0.5561	1.4222	4119	1.2782	62.65	95.38
Support 3	1.1047	157.14	1.3106	0.8218	0.6890	0.5525	1.4174	4056	1.2760	62.55	94.98
Bollinger Band											
Bollinger Upper	1.1543	159.15	1.3392	0.8382	0.7138	0.5748	1.4364	4391	1.2822	62.93	96.79
Bollinger Lower	1.1101	156.23	1.3141	0.8202	0.6886	0.5552	1.3964	4048	1.2746	62.50	95.33

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

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