

Daily Market Outlook

Different Shocks, Different Havens

- **Different Shocks, Different Havens:** Safe-haven demand is intensifying, but the beneficiaries differ by risk. AI jitters favour JPY, Middle East tensions support CAD and NOK, while French fiscal stress benefits CHF. For USD, AI has become an increasingly two-way macro risk.
- **Gold fell sharply** despite lower UST yields, as surging oil prices revived inflation concerns while broader risk reduction weighed on sentiment. We remain cautious near term, with easing oil prices and stabilising risk sentiment likely needed for gold to regain traction.
- **KRW pared earlier gains overnight** amid renewed risk aversion. BOK's relatively hawkish guidance is supportive of KRW but unsettled global tech sentiment and foreign equity flows warrant caution.
- **PHP remained under pressure** despite BSP's larger-than-expected 50bp hike. Higher rates may temper depreciation, but elevated oil prices and external vulnerabilities continue to weigh on the outlook. Cautious bias maintained.
- **Recent recovery in INR stalled** as oil prices rebounded. RBI measures and IPO-related inflows have provided support, but sustained gains require external conditions to stabilise.

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Different Shocks, Different Havens: A series of shocks left the USD mixed overnight, but beneath the surface, safe-haven demand intensified as investors responded to very different risks.

AI financing concerns weighed on US equities and drove a sharp rally in Treasuries, with the 10-year yield falling nearly 20bp. JPY outperformed as investors sought protection from US growth risks and amid falling Treasury yields.

The broader point is that AI is no longer just an earnings story. It has become a macro story for US growth, rates and the USD. The AI investment boom has supported US resilience, higher yields and the dollar, but that relationship can work in reverse when financing concerns weigh on equities, growth expectations and yields. Our view

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is that AI remains net supportive of the USD for now, but it is no longer a one-way USD upside trade.

We expect the Fed to keep rates unchanged next week. Markets have sharply reduced the probability of a hike at the October meeting, making the Fed's assessment of financial conditions following the recent AI-related sell-off particularly important.

Oil added another layer of risk. Brent climbed to slightly above USD112/bbl after attacks on Saudi infrastructure and renewed threats to shipping in the Gulf raised supply concerns. The US has ordered some personnel and family members to leave missions in Saudi Arabia. Importantly, Gulf oil exports have recovered to nearly pre-war levels, suggesting elevated prices increasingly reflect geopolitical and shipping risks rather than simply lost barrels.

For FX, the read-through remains clearest for CAD and NOK, where higher energy prices provide a terms-of-trade tailwind. The USD relationship is more complicated, with support from higher oil prices offset by US-centric AI concerns and lower Treasury yields.

In Europe, the search for protection against French fiscal risk has favoured CHF. The French bond sell-off intensified, with the 10-year OAT-Bund spread briefly reaching almost 178bp, its widest since 2011 during the euro-area sovereign debt crisis. Persistent political uncertainty, difficulties passing the budget and protests have added to investor concerns about France's fiscal outlook.

The combination of stressed French sovereign debt and elevated energy prices leaves the ECB facing an uncomfortable mix of financial-stability, inflation and growth risks. For French spreads to stabilise sustainably, we likely need either an improvement in fiscal and political dynamics or the ECB signalling potential intervention if market stress becomes disorderly. Today's euro-area PMIs will therefore be an important test of how well growth is holding up against these pressures. With energy vulnerability and French fiscal risks still elevated, we see risks to EUR remaining tilted to the downside.

Gold. Cautious. Gold came under renewed selling pressure overnight, falling more than 2.5%. Brent's sharp rise amid renewed Middle East supply concerns added to inflation worries and expectations that the Fed may need to keep rates restrictive for longer. What was notable was that gold continued to weaken even as US Treasury yields fell sharply amid the global tech selloff. Neither lower yields nor heightened geopolitical uncertainty has been sufficient to support gold, suggesting that near-term sentiment remains fragile.

We remained cautious in the near term, particularly as gold has struggled to respond positively to the recent decline in yields. The latest selloff suggests that broader risk reduction and lingering inflation concerns may be outweighing the relief from lower yields. Focus turns to tonight's US flash PMIs, particularly the price components, and next week's FOMC. An easing in oil prices and further decline in real yields could help gold stabilise, but we would want to see a better price response before turning more constructive in the near-term.

Gold last seen at 4026 levels. Daily momentum is not indicating a clear bias while RSI fell. Downside risk not ruled out in the interim. Support at 4000, 3943 levels (recent low). Resistance at 4080, 4156 (21 DMA).

USDKRW. Retracement risk. KRW initially strengthened but subsequently pared gains overnight amid broader risk aversion. The BOK's policy guidance had provided some support. While the decision to hold rates at 3% was widely expected, the central bank retained its tightening bias amid resilient growth and still-elevated inflation. Governor Shin's assessment that KRW remains undervalued also offered some reassurance. The currency's earlier resilience despite the equity selloff was also notable, although the overnight retracement suggests that global risk sentiment remains an important driver.

We see room for further KRW recovery, supported by the BOK's tightening bias and Korea's strong export performance. However, we would be cautious about extrapolating recent gains while global technology sentiment remains unsettled. A continued recovery would be more convincing if foreign equity selling moderates. For now, we favour buying KRW on dips rather than chasing strength, with oil prices and global technology sentiment remaining key risks.

USDKRW last at 1326 levels. Daily momentum is not indicating a clear bias while decline in RSI moderated. 2-way trades likely. Support at 1320. Resistance at 1335, 1343 (21 DMA). Sell rallies preferred.

USDPHP. Bullish but entering overbought conditions. PHP remained under pressure despite BSP's larger-than-expected 50bp rate hike to 5.50%. The decision reflects growing concerns over inflation persistence, with BSP raising its 2027 inflation forecast to 6% from 5.4%, amid elevated oil prices and potential El Niño-related food price pressures. While the larger hike signals BSP's determination to contain inflation expectations, the limited FX response suggests that rate tightening alone may not be sufficient to turn PHP sentiment.

We remain cautious on PHP. Higher rates may help temper depreciation pressure, but elevated oil prices, external imbalances and

concerns over domestic growth remain constraints. Further tightening also comes at a cost to an already slowing economy. For now, a more sustained PHP recovery would likely require some easing in oil prices and an improvement in the broader external backdrop.

USDPHP last closed at 63.53 levels. Daily momentum is mild bullish while RSI enters into overbought conditions. 2-way trades near recent highs not ruled out. Immediate resistance at 63.65, 63.85 levels (recent high). Support at 63 levels (21 DMA), 62.65 (21 DMA).

USDINR. Rebound risk. INR's recent recovery stalled overnight as renewed gains in oil prices weighed on sentiment. The rebound had been supported by the RBI's 10–12 October measures to ease USD demand pressures, alongside IPO-related inflows. However, these factors have somewhat help to stabilise the currency rather than altered its underlying fundamentals. Brent's move above USD112/bbl served as a reminder that India's external vulnerabilities remain intact, with elevated oil prices continuing to generate structural USD demand.

We retain a cautious stance on INR's outlook. RBI measures should help discourage speculative positioning and limit near-term depreciation pressure, but they are unlikely to sustain further gains if oil prices remain elevated. In our view, the recent gains in INR has been primarily policy- and flow-driven; the next move will depend more decisively on oil prices, portfolio flows and the broader direction of the USD.

USDINR last closed at 94.82 levels. Bearish momentum on daily chart intact but shows tentative signs of slowing while RSI rose from oversold conditions. Some rebound risks not ruled out in the near term. Resistance at 95 levels, 95.20 (38.2% fibo retracement of Apr low to May high) and 95.50 (50, 100 DMAs). Support at 94.20/30 levels (61.8% fibo, recent lows). Bias to lean against strength.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1354	160.36	1.3520	0.8325	0.7103	0.5771	1.4111	4313	1.2820	63.85	95.93
Resistance 2	1.1287	158.80	1.3456	0.8270	0.7060	0.5729	1.4066	4188	1.2797	63.66	95.32
Resistance 1	1.1252	157.78	1.3428	0.8237	0.7040	0.5707	1.4038	4107	1.2786	63.59	95.07
Spot	1.1223	156.15	1.3404	0.8196	0.7014	0.5683	1.4003	4024	1.2767	63.52	94.83
Support 1	1.1185	156.22	1.3364	0.8182	0.6997	0.5665	1.3993	3982	1.2763	63.40	94.45
Support 2	1.1153	155.68	1.3328	0.8160	0.6974	0.5645	1.3976	3939	1.2751	63.28	94.08
Support 3	1.1086	154.12	1.3264	0.8105	0.6931	0.5603	1.3931	3815	1.2728	63.09	93.46
Bollinger Band											
Bollinger Upper	1.1344	159.04	1.3412	0.8387	0.7034	0.5703	1.4348	4226	1.2833	63.37	97.11
Bollinger Lower	1.1128	156.69	1.3139	0.8201	0.6918	0.5566	1.4009	4048	1.2751	62.33	94.40

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

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