

Daily Market Outlook

JPY Finds Its Hedge

- **JPY Finds Its Hedge:** *The AI story is wobbling, not breaking. The USD still has support from the Fed, energy prices and AI investment, but the trade is becoming more two-sided. The JPY's revival as a portfolio hedge is the more interesting shift.*
- **Sterling's High Bar:** *GBP has proved more resilient than expected as UK growth holds up and fiscal fears remain contained. But with aggressive BoE tightening already priced, further GBP outperformance increasingly requires a clean Budget and continued economic resilience.*
- **Gold's rebound remains tentative for now** *despite easing oil prices. Cleaner positioning offers scope for recovery, but elevated downside hedging warrants some caution. Focus on FOMC guidance, core PCE and big-tech earnings for cues on yields, USD and broader liquidation risks ahead of US midterms.*
- **THB weakened to a 3-month low** *amid higher oil prices and gold weakness. We remain slightly cautious near term, with Wednesday's BoT meeting and developments in gold and oil key to the outlook.*
- **IDR traded under pressure** *despite fresh IDX measures to address MSCI's concerns, including tighter oversight of concentrated shareholdings and suspected market manipulation. We retain a mildly cautious bias, with credible enforcement and stabilisation in foreign portfolio flows key to restoring investor confidence.*

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JPY Finds Its Hedge: AI concerns have eased, but the JPY's return as a portfolio hedge is worth watching. It is too early to call an AI bust. Investors will increasingly demand stronger revenues and cash flow to justify higher capex, but for now the jitters look more like noise than a sustained reversal. AI remains broadly USD-positive, but it is no longer a one-way USD trade. This will be the busiest week with nearly half of the SPX by market cap reporting, including four of the Mag7 names.

Brazil's post-election sell-off has so far remained largely local, with limited spillover into broader markets.

We expect the Fed, BoJ and ECB to hold this week. For the Fed, the key question is whether the AI-led sell-off materially tightened financial

conditions. We doubt it changes the policy path. A hawkish October hold should keep a December hike in play, particularly with energy prices adding to upside inflation risks.

The bottom line: USD support remains intact, but US-centric risk-off is becoming less reliably USD-positive. That makes the JPY increasingly attractive as the cleaner hedge.

Sterling's High Bar: GBP has held up better than expected despite the fiscal challenges posed by higher energy costs. Markets remain relatively relaxed about UK fiscal risks ahead of Wednesday's Budget.

A Budget that preserves a meaningful fiscal buffer while maintaining a credible tightening path should keep the UK fiscal risk premium contained. That, together with continued foreign demand for gilts, would remain supportive for GBP.

The domestic backdrop has also improved. The UK composite PMI rose to 53.1 in October from 52.0, its strongest reading since February, with new orders accelerating and employment returning to growth. This resilience, alongside comparatively softer euro-area momentum and lingering French sovereign concerns, supports GBP against EUR through a relatively more hawkish BoE outlook.

Still, we would be cautious about chasing GBP higher. Markets already price an aggressive BoE tightening cycle, well beyond our base case of just one insurance hike by year-end. With substantial tightening already discounted, the bar for further GBP outperformance looks increasingly high.

Gold. Two-way risks near recent low. Gold regained some ground as the pullback in oil prices eased inflation concerns, although the rebound remains tentative. As highlighted in our latest *Precious Metals Tracker: Searching for a Floor (26 Oct)*, gold's failure to benefit from lower Treasury yields last week suggests that broader deleveraging and position adjustments continue to weigh on prices. While speculative positioning has become less stretched and ETF holdings remain resilient, increased demand for downside protection suggests sentiment remains defensive. Focus now shifts to the FOMC (2am SGT), where a hold is widely expected, but the extent to which policymakers leave the door open for further tightening will matter. Thursday's core PCE will provide another test of the inflation outlook, while big-tech earnings could influence broader risk sentiment and liquidation pressures.

Beyond this week, our historical study suggests gold has often traded firmer in the months following US midterm elections, although the wide range of outcomes offers little assurance of a sustained rally. The post-election policy mix and its implications for yields and USD will matter more. For now, cleaner positioning leaves room for a sharper recovery if macro conditions improve, but further consolidation cannot be ruled out until selling pressure shows clearer signs of abating.

Gold last seen at 4014 levels. Mild bearish momentum on daily chart intact but RSI is approaching oversold conditions, suggesting downside momentum is becoming stretched. But there are few signs of a sustained reversal for now. Key support at 3940/60 levels (Jun/Jul low). Beyond that puts 3810, 3600 levels in focus. Resistance at 4080, 4130 (21 DMA). Gold needs to reclaim 4280/90 levels (50% fibo retracement of Apr 2025 low to 2026 high, 50 DMA) to restore confidence.

USDTHB. Double-top? THB remained under pressure, having weakened to a three-month low amid higher oil prices, weakness in gold and a firmer USD. That said, THB decline came despite foreign purchases of Thai equities and bonds, suggesting that portfolio flows have not been the main source of currency weakness. Meanwhile, recent comments from BoT Deputy Governor Piti indicated that the central bank sees room to maintain its accommodative policy stance despite higher energy prices, given manageable inflation pressures and still-uneven domestic growth.

We maintain a slight cautious near-term view on THB. Higher oil prices remain a concern for Thailand's external balances, while further weakness in gold could add to currency volatility. Focus turns to Wednesday's BoT MPC meeting, where our house view expects policy rate to remain unchanged at 1%. The central bank's assessment of inflation risks and domestic growth will be key although we see little incentive for BoT to shift towards tightening solely in response to currency weakness. A stabilisation in gold prices and some easing in oil may help relieve near-term pressure on THB.

USDTHB last seen at 33.82 levels. Daily momentum is flat while RSI rose. Near-term consolidation around recent highs likely. Resistance here at 33.85/90 levels (double-top). Break out puts next resistance at 34, 34.30 levels. A double-top bearish reversal would see immediate support at 33.60 (21 DMA), 33.27 (50 DMA).

USDIDR. Looking for signs of retracement. IDR traded under pressure on Monday despite fresh measures announced by Indonesian authorities to address MSCI's concerns over market transparency and trading practices. The IDX plans to include independent experts and

foreign investor representatives in its oversight of stocks with concentrated ownership, step up investigations into suspected coordinated trading and freeze accounts linked to potential manipulation from November. Stocks with highly concentrated ownership will also be excluded from the Jakarta Composite Index from 2 November. The muted FX response suggests that investors are still waiting to see how effectively these measures are implemented.

We retain a mildly cautious bias on IDR. BI's policy measures may help contain near-term volatility, but they cannot fully address concerns over market governance. The IDX's latest initiatives are encouraging, though their credibility will depend on enforcement rather than announcements alone. Foreign equity and bond flows will be important to watch for signs that investor sentiment is stabilising. Elevated oil prices remain another risk.

USDIDR last closed at 18124. Mild bullish momentum on daily chart intact while RSI rose to near overbought conditions. While upside bias remains intact, we continue to look for signs of any technical turnaround as the pair approaches its prior high. Resistance at 18130, 18190 (2026 high). Support at 18000, 17950 (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1299	159.24	1.3473	0.8356	0.7079	0.5760	1.4136	4111	1.2884	64.52	95.83
Resistance 2	1.1245	158.25	1.3413	0.8309	0.7051	0.5723	1.4079	4060	1.2841	64.18	95.48
Resistance 1	1.1210	157.88	1.3377	0.8292	0.7034	0.5702	1.4046	4038	1.2825	64.06	95.33
Spot	1.1176	157.53	1.3347	0.8277	0.7022	0.5690	1.4013	4007	1.2809	63.94	95.19
Support 1	1.1156	156.89	1.3317	0.8245	0.7006	0.5665	1.3989	3987	1.2782	63.71	94.98
Support 2	1.1137	156.27	1.3293	0.8215	0.6995	0.5649	1.3965	3957	1.2755	63.48	94.77
Support 3	1.1083	155.28	1.3233	0.8168	0.6967	0.5612	1.3908	3905	1.2712	63.14	94.41
Bollinger Band											
Bollinger Upper	1.1295	158.87	1.3419	0.8373	0.7043	0.5715	1.4358	4242	1.2835	63.69	97.09
Bollinger Lower	1.1139	156.97	1.3148	0.8209	0.6914	0.5562	1.3965	4003	1.2758	62.26	94.26

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

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