

Daily Market Outlook

USD Support, Upside Capped

- **USD Support, Upside Capped:** *The Fed remains a modest USD tailwind, but Warsh's reluctance to tighten aggressively limits the upside. European fiscal and energy risks leave EUR vulnerable, while firmer currency management in China and Japan should constrain broader USD gains.*
- **NZD Takes a Hit:** *The RBNZ's surprise hold knocked the NZD lower, but the sell-off may be contained. Policymakers still see tighter policy ahead, shifting the focus to December and keeping our two-hike call intact.*
- **KRW weakened** *despite a sharp KOSPI rally, with heavy foreign USD futures buying potentially offsetting equity-related support.*
- **MSCI-related concerns continued to weigh on IDR** *amid foreign equity selling and earlier JCI losses. We retain a mildly cautious bias, watching for potential spillovers into bond flows, while elevated oil prices remain a headwind.*
- **BoT held rates as expected,** *upgrading growth forecasts but flagging upside inflation risks from oil and El Niño. We remain cautious near term, with USD, oil and gold movements likely to remain key drivers.*
- **PHP recovered modestly** *as authorities stepped up rhetoric against further depreciation. Official reassurances may temper near-term pressure, but elevated oil prices and inflation risks keep us cautious on PHP.*

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USD Support, Upside Capped: The FOMC left rates unchanged at 3.75-4.00%, with Lisa Cook and Beth Hammack dissenting in favour of a 25bp hike. The statement upgraded growth to a "strong pace" while acknowledging that inflation remains elevated. The USD softened modestly, with much of the move coming during Fed Chair Kevin Warsh's press conference. Despite a strong economy and sticky inflation, Warsh pushed back against the idea that the economy is running too hot, while stressing that incoming data will determine the next move. Our takeaway is that Warsh remains willing, but not eager, to tighten further. We continue to expect a second and final 25bp hike in December.

Warsh also announced a change to the Fed's meeting structure. The FOMC will still meet eight times in 2027, but only seven meetings will include a policy decision, with one reserved for broader strategy discussions. In 2028, that shifts to six policy meetings and two strategy meetings.

The risk of further Fed tightening should keep the USD supported, but we see limited scope for a sustained dollar rally unless underlying inflation continues to surprise to the upside. After the Fed pause, the Bank of Canada hike and the RBNZ surprise hold, attention now turns to the ECB. We expect the ECB to hold rates at 2.5% and retain a data-dependent stance, with little firm guidance on the next move. This is broadly consistent with market expectations. For the EUR, the balance of risks looks softer. Rising French borrowing costs are tightening financial conditions, while elevated energy prices remain an important headwind for the euro-area outlook. These factors could keep EURUSD under pressure. That said, USD upside should remain contained rather than one-way, particularly if firmer currency management in China and Japan limits further depreciation in Asian currencies.

NZD Takes a Hit: The NZD sold off sharply after the Reserve Bank of New Zealand October Monetary Policy Review unexpectedly voted 4-3 to hold the OCR at 2.75%, defying widespread expectations for a 25bp hike. Notably, Governor Anna Breman voted with the majority to hold, while Chief Economist Paul Conway backed a hike. The majority preferred to give the July and September rate increases more time to work through the economy, particularly with domestic demand still subdued.

Still, the decision was more of a pause than a dovish pivot. The RBNZ said tighter monetary policy is likely to be required, although the timing remains data-dependent. Attention now shifts to December. We continue to expect two further hikes, in December and 1Q27, which should limit further NZD downside. For NZDUSD, 0.5600 remains the key near-term level to watch after being tested around the decision.

KRW. Equity-FX divergence widens. KRW weakened sharply despite a strong rebound in Korean equities. KOSPI surged 6.6%, led by semiconductor stocks, with foreign investors returning as net buyers. Yet USDKRW rose 14 won to 1337.7 at the Seoul close and extended its move higher into 1344 intra-day higher overnight. The equity-FX divergence is striking, particularly given the improving sentiment towards the AI trade. Foreign investors reportedly net purchased a record 144,300 USD futures contracts (approximately USD1.44bn notional), according to Yonhap Infomax. Market chatters pointed to

USD short covering and potential FX hedging demand as foreign investors' Korean equity exposure increased.

Concerns over prospective dividend repatriation following a large Korean corporate shareholder return announcement may also have contributed. The sizeable USD futures buying suggests these flows may have outweighed support from equity inflows. This also serves as a reminder that stronger Korean equities do not necessarily translate into KRW appreciation. In 1H26, resident purchases of overseas equities were a significant source of USD demand, although the flow dynamics this time appear different. Near term, we remain cautious about extrapolating from a single session. Broader USD direction and whether the foreign USD futures purchases persists will be important in determining if KRW can regain its footing.

USDKRW rebounded, in line with our caution that recent price action displayed fatigue for KRW bulls. Spot last at 1341 levels. Daily momentum turned mild bullish while RSI rose. Further short squeeze not ruled out as we favour fading this rebound. Resistance at 1348, 1354 (50 DMA). Support at 1332, 1321 (recent low).

USDIDR. Nearing prior highs. IDR remained under pressure amid lingering uncertainty over MSCI's proposed reclassification of Indonesia to standalone status. The JCI fell sharply earlier this week, accompanied by foreign equity selling, before recovering modestly yesterday. The IDX's latest measures to address concerns over market transparency and trading practices have yet to restore investor confidence. Meanwhile, elevated oil prices continue to weigh on IDR, adding to an already challenging external backdrop.

We retain a mildly cautious bias on IDR. While the authorities have taken steps to address MSCI's concerns, investors will likely want to see credible enforcement before reassessing their exposure. More importantly, we would watch whether continued foreign equity selling spills over more materially onto government bonds, particularly as elevated oil prices and a firm USD leave IDR vulnerable to renewed pressure. For now, some easing in oil prices and a pullback in USD could offer respite, but a more convincing IDR recovery would require signs that portfolio flows are stabilising.

USDIDR last closed at 18183. Bullish momentum on daily chart intact while RSI rose to 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 18190 (2026 high), 18450 levels. Support at 18000, 17972 (21 DMA).

USDTHB. Double-top bearish reversal playing out? USDTHB ease slightly away from its recent highs overnight. In policy decision, BoT kept its policy rate unchanged at 1%, in line with our house view. The central bank revised its growth forecasts higher for 2026 and 2027, supported by stronger exports and investment associated with the AI cycle. However, BoT noted that the benefits remain concentrated, while domestic demand continues to face headwinds from elevated household debt and weak purchasing power. The MPC also acknowledged upside inflation risks from oil prices and El Niño, while attributing recent THB weakness partly to more restrictive US monetary-policy expectations and higher oil prices.

We maintain a slight-cautious near-term view on THB. The growth upgrades are encouraging, while BoT appears comfortable keeping policy accommodative given the uneven recovery. Our economists expect BOT to keep policy rate on hold on 23 Dec MPC but will continue to monitor the tone of the statement to assess whether there has been a shift to a slightly more hawkish bias. Our house view remains comfortable with the view that BoT will normalise its policy rate, by hiking a cumulative 50bp in 1H27. For now, external developments remain more relevant for THB direction. A pullback in USD and oil prices, alongside stabilisation in gold, may offer some respite, although renewed energy-price pressures remain a risk.

USDTHB last seen at 33.70 levels. Daily momentum is flat while RSI eased lower. We had earlier flagged double-top pattern. A double-top bearish reversal would see immediate support coming in at 33.62 (21 DMA), 33.25/30 (50, 100 DMAs). Resistance at 33.85/90 levels (double-top).

PHP. Jawboning may temporarily ease pressure. PHP recovered modestly yesterday after printing weaker on multiple sessions. Philippine authorities stepped up their rhetoric against further currency weakness. President Marcos said the government remained committed to defending PHP and had the necessary tools to do so. His comments followed a meeting with BSP Governor Remolona and other economic officials, after last week's larger-than-expected 50bp rate hike. The increasingly vocal response suggests that policymakers are becoming more concerned about the pace of depreciation and its implications for imported inflation.

We remain cautious on PHP, although stronger official rhetoric could help discourage one-sided depreciation expectations in the near term. BSP has already demonstrated its willingness to tighten policy to contain inflation risks, but further rate increases come with costs to domestic growth. With oil prices still elevated, underlying USD demand is unlikely to ease quickly. We would watch for further BSP

communication and whether the latest PHP recovery can extend beyond a short-lived response to official remarks.

USDPHP last closed at 64.04. Bullish momentum on daily chart intact though RSI turned lower from overbought conditions. Some retracement is not ruled out. Support at 63.62 levels. Resistance at 64.18/20 levels (recent high).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1257	159.35	1.3445	0.8364	0.7130	0.5837	1.4178	4173	1.2888	64.50	95.66
Resistance 2	1.1201	158.65	1.3379	0.8327	0.7089	0.5735	1.4098	4116	1.2853	64.27	95.41
Resistance 1	1.1178	158.24	1.3353	0.8304	0.7071	0.5680	1.4046	4092	1.2835	64.15	95.32
Spot	1.1154	157.88	1.3324	0.8282	0.7057	0.5626	1.3989	4054	1.2813	64.04	95.23
Support 1	1.1122	157.54	1.3287	0.8267	0.7030	0.5578	1.3966	4034	1.2800	63.93	95.07
Support 2	1.1089	157.25	1.3247	0.8253	0.7007	0.5531	1.3938	4001	1.2783	63.82	94.91
Support 3	1.1033	156.55	1.3181	0.8216	0.6966	0.5429	1.3858	3944	1.2748	63.60	94.66
Bollinger Band											
Bollinger Upper	1.1274	158.86	1.3420	0.8362	0.7064	0.5713	1.4351	4227	1.2838	64.07	97.04
Bollinger Lower	1.1128	157.05	1.3163	0.8211	0.6918	0.5565	1.3929	4001	1.2761	62.18	94.17

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

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