By Global Markets | 11 September 2026

Daily Market Outlook

Market Resilience Starts to Fray

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- ***Brent above US$105 is becoming a broader headwind*** *for cross assets, including equities, precious metals. AXJs, particularly net energy importers, INR and high beta FX, AUD, KRW were also under some pressure.*

- ***EURUSD eased as the broader USD firmed,*** *with higher oil complicating the growth-inflation trade-off. ECB policy expectations remain supportive, with US CPI the next test.*

- ***USDJPY rebounded as firmer US yields and higher oil*** *provided support. Technical signals flag some bounce risk, though BoJ normalisation expectations remain counterweight.*

- ***TWD softened alongside broader Asian FX*** *as higher US yields and a firmer USD outweighed supportive tech/equity dynamics; near-term direction remains sensitive to foreign equity flows and the US rates backdrop.*

- ***USDSGD continues to track broad USD moves closely.*** *Higher oil is a secondary headwind through inflation and risk sentiment rather than the main spot driver.*

The market resilience seen with oil above US$100 is starting to come under pressure. Equities and gold fell while most Asian FX, including KRW, INR and antipodeans traded softer. USD firmed and US UST yields rose following the latest US PPI report. Headline PPI rose 0.4% m/m in August, in line with expectations, but accelerated to 5.4% y/y. Together with Brent pushing further above US$107, the data added to concerns over more persistent inflation and saw markets raise the probability of a Fed hike next week. 30d Fed fund futures now priced in over 74% of 25bp hike. The combination of elevated oil, higher UST yields and a firmer USD is less favourable for Asian FX, particularly net energy importers. US CPI tonight is the key focus (830pm SGT). A firmer print could add to the recent Fed repricing and keep the USD supported, while a softer outcome may offer some relief to risk sentiment and AXJ FX.

DXY last at 99 levels. Daily momentum is not showing a clear bias while RSI rose slightly. 2-way risks likely to persist. Resistance at 99.30/40 levels (21DMA, 38.2% fibo), 99.77 (100 DMA). Support at 98.60/70 levels (50% fibo retracement of 2026 low to high), 98 (61.8% fibo).

DXY (daily chart): Consolidation

Source: Bloomberg, OCBC Group Research

EUR. Hinges on US CPI after ECB. EUR was choppy following the ECB decision. The ECB delivered a 25bp hike, taking the deposit rate to 2.50%, its second increase this year. The accompanying projections retained headline inflation at 3.0% for 2026 but raised the 2027 forecast to 2.5% from 2.3%, while growth forecasts were nudged higher to 0.9% for 2026 and 1.4% for 2027. Lagarde continued to flag upside risks to inflation from the energy shock and the potential for indirect and second-round effects, although she also noted some moderation in underlying inflation and wage pressures. Importantly, the ECB stopped short of signalling the timing of its next move, retaining its meeting-by-meeting, data-dependent stance.

EUR initially struggled to extend gains as the rate hike was largely anticipated and the absence of clearer forward guidance encouraged some sell-the-fact reaction. The subsequent rebound in the USD added to pressure on EURUSD after US PPI. EUR later pared part of its decline as attention returned to the ECB's still-hawkish inflation assessment, alongside reports that policymakers expect further tightening and that an October move remains possible depending on incoming data and geopolitical developments.

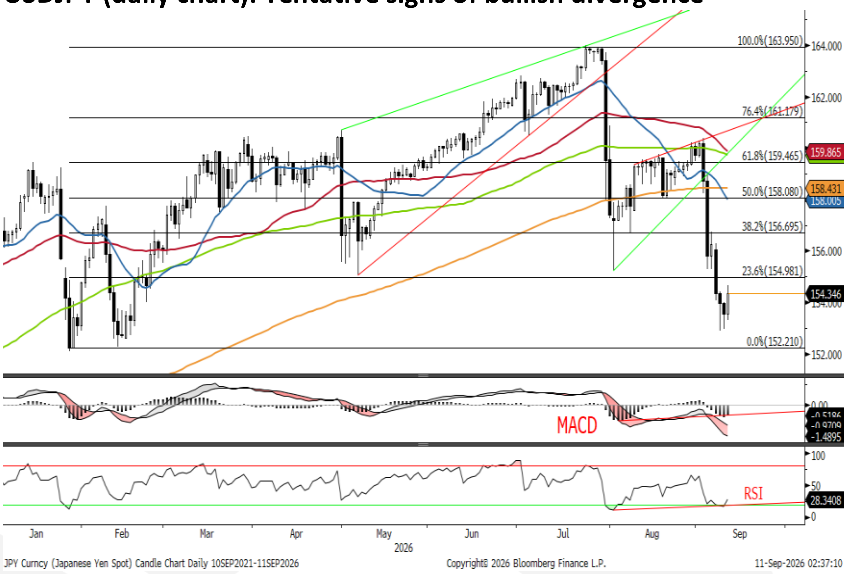
Near term, EURUSD may remain caught between increasingly hawkish ECB expectations and renewed Fed tightening risk. Focus shifts to US CPI today: another firm inflation print could reinforce the USD rebound and keep EURUSD under pressure, while a softer outcome may allow the ECB repricing to regain the upper hand.

EUR last at 1.1615 levels. Mild bearish momentum on daily chart intact but RSI was flat. 2-way trades likely to persist. Resistance at 1.1650, 1.17 (50% fibo). Support here at 1.1610 (38.2% fibo retracement of 2026 high to low), 1.1560 (100 DMA) and 1.15 levels (23.6% fibo).

USDJPY. Bullish divergence risk. USDJPY rebounded. Firmer UST yields following PPI and a broader USD recovery provided support, while higher oil prices added to inflation concerns and were also a less favourable development for Japan's terms of trade. Focus now shifts to US CPI. An upside surprise, particularly in core inflation, could push UST yields higher and extend the USDJPY rebound. Conversely, a softer print would likely unwind some of the recent rates repricing and allow the JPY recovery theme to regain traction. Near-term direction is therefore likely to remain sensitive to the US rates leg, while expectations for further BOJ normalisation should continue to provide a counterweight to sustained USDJPY upside.

Our earlier technical caution for dragonfly doji - bullish reversal risk played out. Last seen at 154.25 levels. Bearish momentum intact though there are tentative signs of it fading while RSI rose from oversold conditions. We now flag the potential risks of bullish divergence on MACD and RSI tentatively forming though it is still early to confirm. Resistance at 155 (23.6% fibo retracement of 2026 low to high), 156.70 (38.2% fibo). Support at 153, 152.20 levels (2026 low).

USDJPY (daily chart): Tentative signs of bullish divergence



Source: Bloomberg, OCBC Group Research

TWD. Gains paused. TWD gave back part of its recent gains as softer Taiwan equities and a reversal in foreign flows weighed, with overseas investors turning net sellers (net outflow of $1.5bn) after four straight sessions of buying. Higher oil prices and UST yields also added to pressure, while the earlier spillover support from JPY and KRW faded as the North Asian FX rally paused. The firmer USD tone following US PPI suggests some near-term upside risk for USD/TWD. Focus now turns to US CPI, where a softer-than-expected print could revive USD softness and provide support for TWD, particularly if JPY, KRW regain traction and foreign equity inflows resume. Conversely, another firm inflation print, alongside elevated oil prices, would reinforce the near-term headwinds. Looking further ahead, the CBC is widely expected to keep its policy rate at 2% next week, although strong domestic growth and renewed inflation risks could see policymakers retain a relatively hawkish bias.

USDTWD last closed at 31.56 levels. Mild bearish momentum on daily chart intact though RSI shows signs of rising from oversold conditions. Some rebound risk not ruled out in the near term. Resistance at 31.65/70 levels (200 DMA, 23.6% fibo retracement of 2025 low to 2026 high), 31.80 levels (21, 100 DMAs). Support at 31.46, 31.10 (38.2% fibo).

USDTWD (daily chart): Pullback risk

Source: Bloomberg, OCBC Group Research

USDSGD. Driven by USD leg. USDSGD rebounded overnight, tracking the broader USD higher after US PPI reinforced expectations that the Fed could hike rates next week. The price action once again underscores USDSGD's relatively high sensitivity to broad USD moves. Higher UST yields and Brent above US$107 also presented a less favourable external backdrop for SGD, although the move in USDSGD remained relatively contained compared with some regional peers. There was little in the way of fresh domestic catalysts, leaving the pair largely driven by external factors. US CPI tonight is the next key test. A firmer print could extend the recent repricing in Fed expectations and see USDSGD test higher, while a softer-than-expected print could temper the recent rebound.

Pair last at 1.2675 levels. Daily momentum is not showing a clear bias while RSI rose from near oversold conditions. Resistance at 1.2680 (76.4% fibo retracement of 2026 low to high), 1.2710 (21 DMA). Support at 1.2630 (recent low), 1.2590 (2026 low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1704	155.63	1.3623	0.8177	0.7278	0.5915	1.3908	4577	1.2690	62.81	95.79
Resistance 2	1.1670	154.57	1.3586	0.8135	0.7250	0.5880	1.3853	4484	1.2666	62.67	95.43
Resistance 1	1.1651	154.06	1.3566	0.8119	0.7233	0.5859	1.3829	4441	1.2654	62.59	95.26
Spot	1.1614	154.34	1.3513	0.8130	0.7160	0.5797	1.3830	4331	1.2678	62.54	95.45
Support 1	1.1617	153.00	1.3529	0.8077	0.7205	0.5824	1.3774	4349	1.2630	62.44	94.90
Support 2	1.1602	152.45	1.3512	0.8051	0.7194	0.5810	1.3743	4299	1.2618	62.37	94.70
Support 3	1.1568	151.39	1.3475	0.8009	0.7166	0.5775	1.3688	4206	1.2594	62.23	94.34
Bollinger Band											
Bollinger Upper	1.1698	162.35	1.3657	0.8169	0.7242	0.5997	1.3919	4674	1.2789	62.98	96.12
Bollinger Lower	1.1554	153.51	1.3467	0.7982	0.7081	0.5809	1.3759	4252	1.2628	61.05	94.42

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

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