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Daily Market Outlook

Oil Relief, AI Doubts

- ***Oil Relief, AI Doubts****: Oil relief is growing, but conviction elsewhere remains thin. Cheaper energy is reshaping FX dynamics, while AI concerns and US election risks reinforce our view that the USD remains supported, but is no longer a one-way trade.*

- ***USDTWD reversed sharply from intraday highs*** *amid chatters of leaning against the wind activities. The CBC reportedly relaxed daily limits on exporters' USD sales, potentially helping to contain further TWD weakness. However, persistent foreign equity outflows remain a constraint on sustained recovery.*

- ***USDSGD continued to trade in subdued fashion.*** *Near term, USDSGD may remain sensitive to broader USD direction, US Treasury yields and RMB sentiment. Any pullback in the pair may remain shallow unless USD weakness becomes more sustained.*

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Oil Relief, AI Doubts: Fears of renewed Middle East escalation after the US midterm elections have eased, sending crude oil sharply lower as hopes grow for a diplomatic breakthrough. Iranian President Masoud Pezeshkian said the government had received "certain powers" from Mojtaba Khamenei to pursue an agreement and was seeking to resolve the conflict through dialogue.

The relief has not spread far beyond energy markets. US equities failed to hold their gains as concerns about AI spending and investment returns continued to weigh on technology stocks. Oil traders are also wary of another false dawn after repeated stop-start diplomatic efforts failed to deliver a lasting settlement. Iran has offered to reopen the Strait of Hormuz within two days if Washington accepts its conditions, but no agreement has been reached. Until there is clearer evidence of a deal, markets are likely to remain focused on physical oil flows rather than diplomatic headlines.

The USD was mixed. Lower oil prices weighed on exporters such as NOK while supporting importers such as SEK. If sustained, cheaper energy should also weaken Australia's terms of trade relative to New Zealand's, creating a headwind for AUDNZD. However, a cleaner divergence may have to wait until after New Zealand's election on 7 November and greater clarity on the RBA outlook. The RBA decision is due today. A 25bp hike to 4.85% is largely priced in, limiting the

potential AUD upside. The bigger question is whether the RBA signals that rates are approaching their peak.

The US midterm elections take place today and could bring AI risks into sharper focus. A Democratic sweep could increase scrutiny of AI regulation and weigh on US technology sentiment, although major federal legislation would still face substantial political hurdles under President Trump.

The AI tailwind may fade into 2027, but it is still too early to position for sustained USD weakness on that basis. For now, AI concerns look more like a source of volatility than a structural reversal. AI remains broadly USD-positive, but it is no longer a one-way trade. Further USD gains may also be more contained as firmer currency management in China, and potentially Japan, helps anchor Asian currencies.

TWD. CBC moves to contain depreciation pressure. USDTWD rose to an intraday high of 32.71 on Monday, its highest since April 2025, before retreating sharply to close at 32.61. The reversal came amid reports that the CBC had temporarily removed daily limits on exporters' USD sales, potentially allowing greater USD supply into the market. There were also market chatters of CBC *leaning against the flow* during the afternoon session. Meanwhile, foreign investors continued to reduce their Taiwan equity exposure, with net selling of ~US$2.3bn on Monday, adding to recent portfolio-flow pressures.

The latest CBC move may suggest growing discomfort with the pace of TWD depreciation, although the reported relaxation of exporter selling limits does not necessarily translate into immediate USD supply. We may still see near-term downside risks for TWD, particularly if foreign equity selling persists amid uncertainty surrounding the AI trade. That said, the authorities' latest efforts, alongside potential exporter USD selling, may help contain further weakness. We would monitor whether Monday's late-session reversal extends and whether foreign equity outflows begin to moderate.

USDTWD last closed at 32.61. Mild bullish momentum on daily chart intact while RSI is near overbought conditions. Near term risks mildly skewed to the upside but we continue to keep a lookout for signs of technical turnaround. Support at 32.35 (23.6% fibo), 32.21 (21 DMA) and 32.13 levels (38.2% fibo retracement of 2026 low to high). Resistance at 32.70 (recent high).

USDSGD. Range-bound trade. USDSGD continued to trade two-way in subdued fashion, taking cues from opposing forces of US Treasury yields, USD and RMB. On domestic data, manufacturing PMI eased to

51.4 in October from 51.7 previously, while electronics PMI moderated to 52.5 from 52.9. Both readings remain comfortably in expansionary territory, with electronics new export orders rose to 53.2, their highest since May 2018, pointing to sustained underlying demand despite recent concerns surrounding the AI investment cycle.

For SGD, the latest PMI readings are unlikely to materially alter MAS policy expectations, particularly following October's decision to maintain the prevailing appreciation stance. We retain our constructive medium-term SGD outlook, although near-term direction remains largely dependent on broader USD movements, US Treasury yields and RMB sentiment. With S$NEER already trading in the upper half of its policy band, scope for SGD outperformance against regional peers may remain limited unless the USD weakens more substantially. This week's US midterm elections and US labour-market data will be important for near-term direction.

USDSGD last at 1.2790 levels. Daily momentum is not indicating a clear bias while decline in RSI moderated. Two-way trades likely for now. Support at 1.2760 (50 DMA), 1.2740 (61.8% fibo retracement of 2026 low to high). Resistance at 1.2810 (100 DMA), 1.2850 levels (38.2% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1362	158.88	1.3549	0.8362	0.7098	0.5698	1.4066	4109	1.2834	63.92	95.56
Resistance 2	1.1277	158.34	1.3480	0.8284	0.7054	0.5661	1.4022	4021	1.2810	63.79	95.22
Resistance 1	1.1232	158.14	1.3443	0.8236	0.7027	0.5639	1.4004	3984	1.2799	63.70	95.06
Spot	1.1191	157.91	1.3409	0.8186	0.7000	0.5619	1.3985	3947	1.2792	63.62	94.90
Support 1	1.1147	157.60	1.3374	0.8158	0.6983	0.5602	1.3960	3896	1.2775	63.57	94.72
Support 2	1.1107	157.26	1.3342	0.8128	0.6966	0.5587	1.3934	3845	1.2762	63.53	94.54
Support 3	1.1022	156.72	1.3273	0.8050	0.6922	0.5550	1.3890	3757	1.2738	63.40	94.19
Bollinger Band											
Bollinger Upper	1.1253	158.84	1.3462	0.8365	0.7064	0.5712	1.4319	4254	1.2836	64.23	96.88
Bollinger Lower	1.1132	157.00	1.3172	0.8176	0.6927	0.5568	1.3884	3904	1.2762	62.35	94.03

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

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