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Daily Market Outlook

AI Jitters, JPY Hedge

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- ***AI Jitters, JPY Hedge****: The AI sell-off is creating competing forces for the USD. Falling US yields are blunting the USD's safe-haven appeal, leaving the JPY as the standout hedge against more US-centric volatility, while GPIF flows could provide another tailwind for the JPY.*

- ***Asian FX saw differentiated trades post-midterms****. Lower oil prices and US Treasury yields could support recovery in THB, PHP and INR, while continued AI/tech selloff and foreign equity outflows may weigh on KRW and TWD. Focus remains on US Treasury yields and US payrolls tonight.*

- ***USDSGD's post-midterm pullback remained shallow.*** *Near term, USD direction, US Treasury yields and risk sentiment remain key drivers, with tonight's US payrolls report in focus for further cues.*

- ***Gold pared gains*** *amid renewed oil strength and sharp tech selloff. Liquidity risks warrant caution, though relative resilience hints at returning safe-haven appeal.*

AI Jitters, JPY Hedge: Concerns that the Democratic sweep of Congress could slow the US AI buildout triggered a sharp sell-off in AI-related equities. The S&P 500 fell 4.4%, while the VIX surged to an eight-month high as investors unwound crowded AI positions.

The rates reaction has been more supportive. Safe-haven demand for Treasuries has pushed yields lower and reduced expectations for Fed tightening, partly offsetting pressure from higher oil prices. Attention now turns to the US October employment report, with consensus centred on roughly 65-70k payroll gains and unemployment holding at 4.2%. The jobs report should keep our December Fed hike call on track, with the labour market still resilient but showing few signs of overheating.

The USD has seen little follow-through, partly because weakness elsewhere has offered few attractive alternatives. Renewed protests in France have weighed on the EUR, while the broader risk-off backdrop and concerns that the RBA may have overtightened have pressured the AUD.

The standout has been the JPY. Its outperformance reinforces its value as a hedge against a reversal in the US-centric AI trade. It is probably too early to expect sustained JPY gains purely on AI concerns, but more frequent US-centric AI volatility in 2027 could strengthen its hedge appeal.

The other potential JPY catalyst is Japanese portfolio rebalancing. The market will be watching GPIF's July-September results for signs of a shift towards domestic assets. If GPIF and other Japanese investors bring more money home or increase FX hedging on overseas assets, an important source of structural JPY selling could fade.

Asian FX. Post-Midterm drives differentiation. The impact of the Democratic sweep in the US midterm elections on Asian FX is largely indirect but could drive further differentiation across regional currencies. Hopes that the election outcome could hasten a de-escalation of the US–Iran conflict and an earlier reopening of the Strait of Hormuz have contributed to the sharp decline in oil prices this week. While Brent has since rebounded somewhat from its lows, sustained lower oil prices should help ease imported inflation and external pressures, providing scope for recovery in oil-sensitive currencies such as THB, PHP and INR.

US Treasury yields also fell amid expectations that a divided US government could constrain fiscal expansion, while concerns over tighter scrutiny of AI/data-centre investments have weighed on technology shares. The combination of lower oil prices, softer US Treasury yields and a weaker USD should provide some breathing room for Asian FX. However, the ongoing selloff in AI/tech shares could continue to weigh on tech-linked currencies such as KRW and TWD, particularly if foreign equity outflows persist. Much of the post-election repricing remains expectations-driven rather than reflecting actual policy changes. Near term, we continue to watch US Treasury yield developments, while US payrolls data tonight may provide further cues on Fed expectations and USD direction.

USDSGD. Sideways; Watch Payrolls. USDSGD eased following the US midterm results, although the pullback was shallow and price action remained subdued. Near term, broader USD direction, US Treasury yields and risk sentiment are likely to remain the key drivers of USDSGD. Attention turns to tonight's US payrolls report for further cues on Fed policy expectations, while renewed equity market volatility could temper SGD gains even if USD weakness persists. USDSGD last seen at 1.2780 levels. Daily momentum is mild bearish while RSI is flat. 2-way trades likely to persist. Support at 1.2760 (50 DMA), 1.2740

(61.8% fibo retracement of 2026 low to high). Resistance at 1.2810 (100 DMA), 1.2840 (38.2% fibo).

Gold. Consolidation. Gold pared earlier gains after rising to a two-week high above 4140 at one point overnight. The subsequent rebound in oil prices and some stabilisation in USD limited further upside momentum, although softer US Treasury yields continued to lend support. Meanwhile, the deepening selloff in AI and semiconductor stocks warrants some near-term caution. Should equity weakness trigger broader deleveraging, gold may not be spared from liquidity-driven selling as investors raise cash.

That said, gold's relative resilience despite the sharp equity selloff is encouraging. Following the recent correction and reduction in speculative positioning, gold may be gradually regaining some of its safe-haven appeal, potentially providing shelter amid turbulence elsewhere in financial markets. The extent to which gold can hold up if equity weakness persists will be an important test.

Some consolidation remains likely ahead of US payrolls report tonight. Softer employment data could further temper Fed tightening expectations, weigh on yields and USD, and allow gold's recovery to extend. Next Tuesday's US CPI will be another key test, while oil prices remain an important driver of inflation and rate expectations. We remain cautiously optimistic, although near-term two-way volatility is likely to persist.

Gold last seen at 4088 levels. Daily momentum turned mild bullish but rise in RSI moderated. Consolidation likely after the recent sharp rebound. Immediate resistance at 4146 (overnight high) before 4190/97 levels (38.2% fibo, 50, 100 DMAs). More confidence should return if gold can reclaim key resistance. Support at 4065/75 levels (21 DMA, 23.6% fibo retracement of Aug high to Oct low), 3960/80 levels and 3870 (Oct low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1360	159.83	1.3576	0.8268	0.7162	0.5748	1.4157	4276	1.2844	63.93	94.95
Resistance 2	1.1295	158.87	1.3521	0.8215	0.7061	0.5681	1.4076	4187	1.2809	63.52	94.70
Resistance 1	1.1257	158.29	1.3485	0.8190	0.6996	0.5638	1.4048	4137	1.2793	63.26	94.59
Spot	1.1228	157.50	1.3456	0.8155	0.6931	0.5595	1.4018	4087	1.2781	63.00	94.47
Support 1	1.1192	157.33	1.3430	0.8137	0.6895	0.5571	1.3967	4048	1.2758	62.85	94.34
Support 2	1.1165	156.95	1.3411	0.8109	0.6859	0.5547	1.3914	4009	1.2739	62.69	94.21
Support 3	1.1100	155.99	1.3356	0.8056	0.6758	0.5480	1.3833	3920	1.2704	62.28	93.96
Bollinger Band											
Bollinger Upper	1.1260	158.94	1.3505	0.8357	0.7069	0.5715	1.4252	4234	1.2836	64.24	96.38
Bollinger Lower	1.1131	156.91	1.3200	0.8140	0.6915	0.5562	1.3881	3901	1.2757	62.50	93.96

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

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