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Daily Market Outlook

Fed Risk Favours USD

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- ***Fed Risk Favours USD****: Hotter US inflation and hawkish Fed signals have pushed front-end yields and the USD higher. Persistent price pressure supports a December hike and reinforces our view that positioning for sustained USD weakness remains premature.*

- ***Gold's recovery falters*** *as hotter-than-expected CPI and Waller's hawkish remarks lifted Fed tightening bets, USD and yields, outweighing relief from softer oil. Near-term two-way risks persist, though medium-term bias remains constructive.*

- ***Persistent foreign remittances continue to weigh on TWD,*** *with around USD10bn flowing overseas so far in November. Exporter USD selling may provide some offset, while a sustained recovery hinges on easing foreign outflows and stabilising equity sentiment.*

Fed Risk Favours USD: Hotter-than-expected US inflation and hawkish Fed commentary strengthened the USD, as front-end Treasury yields rose faster than long-end yields. October headline CPI increased 0.4% MoM, above the 0.3% consensus, while core CPI rose 0.3%, versus 0.2% expected. Core inflation has now risen 0.3% for three consecutive months, pointing to persistent underlying price pressure. The US Bureau of Labor Statistics did not publish most annual inflation rates because the October 2025 government shutdown prevented data collection, leaving no valid year-earlier comparison.

The inflation data reinforce the case for a rate increase at the Federal Reserve's 8 to 9 December meeting, particularly as US growth and employment remain firm. Fed Governor Waller said a 50bp increase should be considered, especially if the core CPI outcome met his threshold for a stronger move. Dallas Fed President Logan said the Fed may need to tighten more rapidly and raise rates by at least another 50bp before pausing. Her remarks point more clearly to faster sequential tightening than an immediate half-point move.

The broad-based strength in CPI data supports our Fed call of another rate hike in December while also raising the risk of more tightening in 2027. OIS forwards are now pricing in 75bp of hikes by mid-2027, up from 55bp a week ago. Markets now view a December hike as effectively certain, with some risk of a 50bp move and further tightening thereafter.

Hawkish Fed risk reinforces our view that it is too early to position for sustained USD weakness. Lower oil prices and renewed AI concerns after the Democratic midterm sweep may cap broader gains, but relative monetary policy should leave scope for further USD strength against the EUR. That said, firmer currency management across Asia led by managed CNY appreciation and improving prospects for a firmer JPY should limit USD broader USD upside. We still expect the broader USD cycle to turn lower, but mainly from the second half of 2027, when slower US growth and easing European political risk should provide a more durable catalyst for EURUSD upside.

Gold. Fed risks resurface. Gold's recovery lost momentum, with prices slipping more than 2% overnight as stronger-than-expected US inflation and hawkish Fed commentary weighed on sentiment. October headline and core CPI both came in slightly above expectations, reinforcing expectations of a December Fed hike. Earlier, Fed Governor Waller indicated support for a 25bp hike in December and raised the possibility of a larger 50bp move should inflation remain elevated. The subsequent rise in UST yields and USD undermined gold's recovery, even as Brent crude fell below USD90/bbl. This suggests that the adverse repricing in Fed expectations is, for now, outweighing the relief from softer oil prices.

The latest setback reinforces our view that two-way risks are likely to persist in the interim. While further declines in oil prices could help ease inflation concerns, gold may struggle to sustain a rebound unless US Treasury yields and USD also turn lower. Friday's US PPI will be another data point to watch. Softer inflation readings could help gold regain its footing, while further upside surprises risk extending the recent correction. We remain cautiously optimistic, supported by less crowded positioning, central bank demand and strategic diversification flows. That said, gold may struggle to build sustained upside momentum until markets become more confident that the Fed is nearing the end of its tightening cycle.

Gold last seen at 4030 levels. Daily momentum is mild bullish while RSI fell. 2-way trades likely in the interim. Support at 3960/80 levels and 3870 (Oct low). Resistance at 4150 levels before 4185/4200 levels (38.2% fibo retracement of Aug high to Oct low, 50, 100 DMAs).

TWD. Foreign remittances continue to weigh. USDTWD came close to 33 again on Tuesday before retreating slightly. Speaking in parliament, CBC Governor Yang Chin-long attributed recent TWD weakness largely to foreign portfolio flows, revealing that foreign investors had remitted around USD10bn overseas since the start of November, following a record USD28bn in net outward remittances in October. These

transfers include investment profits and dividends, helping explain why TWD has struggled despite the recent rebound in Taiwan equities. Meanwhile, CBC officials have encouraged exporters to convert USD holdings progressively, potentially providing some offset to foreign exchange demand.

Near term, TWD may remain vulnerable if foreign remittances persist, although exporter USD selling and CBC efforts to smooth excessive volatility could help contain further weakness. We continue to see scope for TWD to regain footing when AI-related equity concerns fade and broader USD conditions improve. Foreign portfolio flows and actual FX conversion remain key to the recovery.

USDTWD last closed at 32.92 levels. Mild bullish momentum on daily chart intact while RSI is near overbought conditions. Consolidation likely. Resistance at 33 before 33.30 levels (2025 high). Support at 32.76, 32.66 (23.6% fibo retracement of Sep low to Nov high).

USDSGD. Consolidation. USDSGD rose following hotter-than-expected US CPI, which lifted the broader USD and US Treasury yields. The move underscores USDSGD's sensitivity to broader USD and US rates developments. Looking ahead, elevated US Treasury yields and expectations for further Fed tightening could keep USDSGD supported, particularly if incoming US data continue to surprise on the upside. However, we remain cautious about extrapolating the latest USD rebound into a sustained uptrend. Any easing in US rates pressure could allow USDSGD to resume its decline. We retain our constructive medium-term SGD bias, with MAS' prevailing appreciation stance providing underlying support for SGD.

USDSGD last seen at 1.2820 levels. Daily momentum and RSI are not indicating a clear bias at this point. 2-way consolidation likely. Resistance at 1.2840 (38.2% fibo retracement of 2026 low to high). Support at 1.2770 (50 DMA), 1.2740 (61.8% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1397	160.45	1.3666	0.8420	0.7052	0.5740	1.4380	4330	1.2932	63.44
Resistance 2	1.1292	159.47	1.3519	0.8326	0.6966	0.5677	1.4274	4197	1.2867	63.22
Resistance 1	1.1228	159.11	1.3431	0.8289	0.6916	0.5640	1.4231	4115	1.2840	63.08
Spot	1.1169	158.72	1.3349	0.8250	0.6867	0.5605	1.4190	4035	1.2817	62.95
Support 1	1.1123	158.13	1.3284	0.8195	0.6830	0.5577	1.4125	3982	1.2775	62.86
Support 2	1.1082	157.51	1.3225	0.8138	0.6794	0.5551	1.4062	3931	1.2737	62.77
Support 3	1.0977	156.53	1.3078	0.8044	0.6708	0.5488	1.3956	3799	1.2672	62.54
Bollinger Band										
Bollinger Upper	1.1260	159.05	1.3472	0.8306	0.7095	0.5720	1.4207	4212	1.283	64.19
Bollinger Lower	1.1128	156.91	1.3271	0.8164	0.6857	0.5556	1.3913	3899	1.2763	62.63

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

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