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Daily Market Outlook

AI Recharges Dollar

Sim Moh Siong
FX Strategist
(G10 & oil)

Christopher Wong
FX Strategist
(Asia & precious metals)

- ***AI Recharges Dollar****: AI optimism and sticky US inflation keep the USD supported, particularly against the EUR. But managed CNY appreciation, improving JPY prospects and lower oil prices should keep the broader dollar rally in check.*

- ***Oil's War Premium Fades****: The geopolitical premium is fading. The US midterm result has eased fears of fresh large-scale US strikes. We keep our end-2026 Brent forecast at USD100/bbl but more relief is likely in 2027. We cut our end-2027 Brent forecast back to USD75/bbl from USD85/bbl.*

- ***Gold pressured*** *by rebound in oil, higher yields, firmer USD while hawkish Fed rhetoric continues to weigh. Focus shifts to US PPI, where another upside surprise could extend the pullback. Near-term two-way risks persist, but medium-term bias remains constructive.*

- ***USDCNH rebounded*** *alongside the firmer USD. Higher fixing levels and narrowing deviations suggest evolving expectations, while PBoC continues to favour measured appreciation. Near-term consolidation likely.*

- ***Selloff in TWD shows tentative signs of slowing.*** *Foreign equity selling moderated sharply as AI-related shares rebounded, offering some support for TWD. Sustained recovery hinges on further stabilisation in foreign flows and easing FX remittances, while elevated US yields remain a headwind.*

- ***INR found support*** *on renewed foreign portfolio inflows and oil-price relief despite firmer USD and US Treasury yields. Further recovery hinges on sustained inflows and contained oil prices, with India CPI and US PPI in focus.*

AI Recharges Dollar: The US Treasury market was closed for Veterans Day, but equities rallied after a major neocloud provider delivered beat-and-raise earnings, easing concerns over AI demand and financing. The results lifted the broader AI complex and reinforced our view that the AI investment boom has further to run.

Renewed AI optimism and a hotter-than-expected October CPI report that reinforces expectations for further Fed tightening have also supported the USD. DXY has consequently risen to a 19-month high as

markets become more concerned that emerging demand-pull inflation could require a firmer monetary policy response.

EURUSD continues to edge towards our year-end target of 1.10. We see scope for further USD gains against the EUR as France's fiscal tensions remain in focus into early 2027. Unlike in the US, there is still limited evidence that stronger demand is generating persistent underlying inflation in Europe.

That said, broader USD upside should modest. Firmer currency management across Asia, led by managed CNY appreciation, and improving prospects for the JPY should provide some resistance. More frequent bouts of US-centric AI volatility could also strengthen the yen's appeal as a portfolio hedge over the coming year. Falling oil prices should support FX carry strategies in Asia. However, developed-market Asian high yielders such as the AUD may have less room to appreciate if, as we expect, the RBA has reached the end of its tightening cycle.

Oil's War Premium Fades: Oil prices fell sharply after Democrats won both chambers of Congress, but the election was a catalyst rather than the sole driver. Expectations of lower US-Iran escalation risk, resilient Gulf exports, easing freight costs and a softer physical market have helped push Brent below USD95/bbl.

Diplomacy has intensified, but a breakthrough remains elusive. Iran's "two-day proposal" is better viewed as a conditional timetable than evidence of an imminent deal. Still, reduced expectations of renewed US strikes have lowered the geopolitical premium.

We retain our USD100/bbl end-2026 Brent forecast. Inventories are thin, tanker capacity remains constrained and Middle East shipping remains vulnerable. However, we lower our end-2027 forecast back to USD75/bbl from USD85/bbl. Democratic control of Congress could raise the political and fiscal costs of further military action, while additional Gulf export infrastructure should gradually improve supply resilience.

The earlier disconnect between recovering Gulf exports and elevated oil prices largely reflected transportation constraints. Tanker attacks, longer routes and scarce vessel capacity kept delivered crude costs high. That squeeze is now easing as freight rates and physical crude differentials soften.

Near-term risks remain skewed higher. Low inventories mean another major supply disruption could still trigger a disproportionate price spike, while refined product markets remain fragile.

Gold. Recovery faltered. Gold struggled to sustain its earlier rebound, slipping back under 4000 as rebound in oil, elevated US Treasury yields, firmer USD and hawkish Fed rhetoric continued to weigh. The latest setback follows stronger-than-expected US CPI, which reinforced expectations of a December Fed hike. Further hawkish comments from Fed officials have added to the pressure, leaving gold struggling to find a firmer footing despite earlier relief from softer oil prices.

Focus now turns to Friday's US PPI. A softer print could help temper Fed tightening expectations and bring some relief to yields and USD, potentially allowing gold to recover some lost ground. Conversely, another upside surprise risks extending the recent pullback. We continue to see two-way risks in the near term, with oil prices, yields and USD remaining important drivers. While the macro backdrop has become less favourable for gold, we are not turning bearish on its medium-term prospects. Less crowded positioning following the recent correction, alongside continued central bank demand and portfolio diversification interest, should provide some underlying support.

Gold last seen at 3988 levels. Mild bullish momentum on daily chart faded while RSI fell. Downside risks in the interim. Support at 3960/80 levels and 3870 (Oct low). Resistance at 4050/65 levels (21 DMA, 23.6% fibo) before 4185/4200 levels (38.2% fibo retracement of Aug high to Oct low, 50, 100 DMAs).

USDCNH. Consolidation. USDCNH rebounded overnight, tracking the firmer USD amid lingering concerns over US inflation and hawkish Fed rhetoric. The move suggests USDCNH may be becoming somewhat responsive to broader USD developments. Meanwhile, the PBoC set Wednesday's USDCNY fixing at 6.7191, its highest since 22 October, extending the gradual shift towards higher fixing levels this month. The narrowing deviation between the fixing and market estimates suggests some adjustment in the balance between market expectations and official guidance. The PBoC's 3Q26 monetary policy report, released yesterday, also reiterated its commitment to an appropriately accommodative policy stance, stronger support for domestic demand and a broadly stable RMB.

Looking ahead, broader USD movements may play a greater role in driving USDCNH, although daily fixing guidance should continue to anchor expectations. The recent fixing trend and PBoC's emphasis on currency stability reinforce our view that policymakers favour a measured rather than rapid pace of RMB appreciation, particularly given uneven domestic recovery and trade competitiveness considerations. We retain our medium-term appreciation bias but see

scope for near-term consolidation if upcoming US PPI sustains the rebound in US Treasury yields and USD.

USDCNH last at 6.6735 levels. Daily momentum is bullish while RSI is flat. Consolidation likely for now. Support at 6.67 (21 DMA), 6.6620 (23.6% fibo retracement of Sep high to Nov low). Resistance at 6.6810, 6.6840 (50% fibo).

USDTWD. Bearish divergence? USDTWD eased marginally on Wednesday as foreign equity selling moderated sharply alongside a rebound in Taiwan's technology shares. Foreign investors' net selling of TWSE-listed equities fell to USD0.77bn, from USD34.1bn on Tuesday and USD90.1bn on Monday, although this marked the 10th consecutive session of net selling. The TAIEX gained 3.6% as AI-related sentiment recovered.

Looking ahead, the sharp moderation in foreign equity selling could help TWD regain footing if the recovery in technology shares holds. However, persistent foreign remittances and elevated US Treasury yields may continue to constrain near-term gains. We retain a cautiously constructive medium-term TWD bias but would look for more durable improvement in foreign equity flows and actual FX conversion before expecting a stronger recovery.

USDTWD last closed at 32.89 levels. Mild bullish momentum on daily chart intact but shows signs of waning while RSI shows signs of turnaround near overbought conditions. Potential bearish divergence on MACD may be emerging as we continue to watch price action. Support at 32.76, 32.66 (23.6% fibo retracement of Sep low to Nov high). Resistance at 33 before 33.30 levels (2025 high).

INR. Relief extends. USDINR extended its decline on Wednesday, briefly touching 93.6350, its lowest since April, before closing around 93.69. INR's resilience against a firmer USD and higher US Treasury yields reflects renewed foreign portfolio inflows, with overseas investors reportedly purchasing nearly USD6bn of Indian equities so far in November. The recent decline in oil prices has also provided relief by easing pressure on India's import bill and oil-related USD demand, although crude has rebounded somewhat from its lows.

Looking ahead, continued foreign inflows and softer oil prices could support further INR recovery, although elevated US Treasury yields may temper gains. Attention turns to India's October CPI, where inflation is expected to rise to 5.93% YoY from 5.54% previously. An upside surprise could complicate the domestic rates outlook, while US PPI poses another external risk. We retain a cautiously constructive INR

bias, with the pace of recovery likely to depend on whether portfolio inflows persist and oil prices remain contained.

USDINR last closed at 93.69. Daily momentum is mild bearish but RSI enters into oversold conditions. Near term retracement not ruled out. Support at 93.60 (76.4% fibo retracement of Apr low to 2026 triple top), 93 levels. Resistance at 94.20/30 levels (200 DMA, 61.8% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1288	162.01	1.3477	0.8484	0.6941	0.5685	1.4373	4181	1.2932	63.62	94.24
Resistance 2	1.1201	160.74	1.3388	0.8395	0.6900	0.5632	1.4301	4097	1.2881	63.42	93.98
Resistance 1	1.1146	160.26	1.3332	0.8363	0.6873	0.5598	1.4276	4042	1.2860	63.34	93.84
Spot	1.1096	159.71	1.3280	0.8322	0.6845	0.5564	1.4245	3979	1.2844	63.26	93.69
Support 1	1.1059	158.99	1.3243	0.8274	0.6832	0.5545	1.4204	3958	1.2809	63.13	93.59
Support 2	1.1027	158.20	1.3210	0.8217	0.6818	0.5526	1.4157	3928	1.2779	63.00	93.48
Support 3	1.0940	156.93	1.3121	0.8128	0.6777	0.5473	1.4085	3844	1.2728	62.80	93.23
Bollinger Band											
Bollinger Upper	1.1272	159.61	1.3476	0.8331	0.7105	0.5725	1.4236	4196	1.2841	64.18	95.70
Bollinger Lower	1.1096	156.64	1.3260	0.8152	0.6838	0.5541	1.3895	3891	1.2757	62.69	93.87

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

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