Daily Market Outlook

AXJ FX Faces a Tougher Mix

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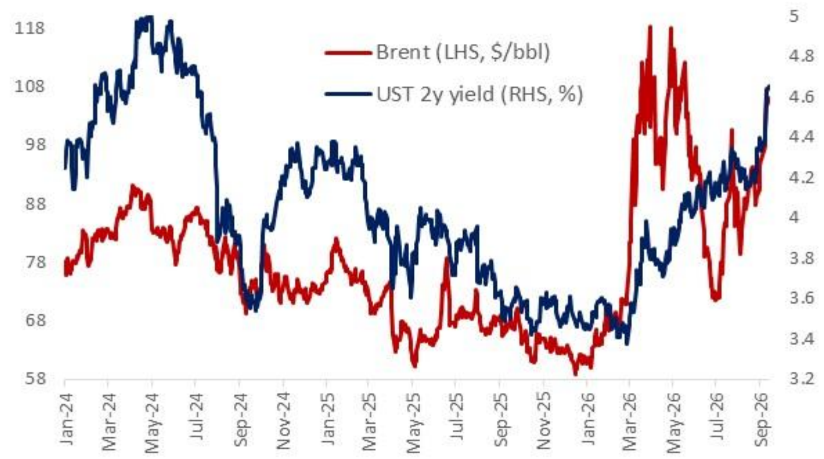
- ***USD firmed*** *on combination of higher oil, elevated UST yields and Fed hike expectations. Near-term support may persist, but with a hike now heavily priced, further USD upside likely needs the Fed to keep the door open to additional tightening.*

- ***AXJ remains under pressure*** *as the oil/rates shock is compounded by softer risk sentiment and tech-related equity outflows. INR, PHP, THB are more exposed through energy, while KRW, TWD face an additional flow channel. RMB resilience remains a partial regional anchor.*

- ***USDJPY rebounded*** *as higher US yields, firmer USD and oil offset recent support from BOJ tightening expectations. Fed and BOJ event risks should keep price action two-way.*

USD. Bid. USD rebounded sharply, supported by another rise in oil prices, elevated UST yields and a softer risk backdrop. Brent pushed back above $108/bbl as concerns over Middle East supply disruptions resurfaced, while the 10y UST yield crossed 5%, keeping rate support for the USD intact. Risk sentiment was also softer, led by declines in AI-related equities following renewed calls from industry leaders to slow the pace of AI development. The combination of higher oil, high US yields and weaker risk appetite helped lift the USD broadly.

Brent and UST yield rising alongside, again



Source: Bloomberg, OCBC Group Research

DXY last at 99.5 levels. Daily momentum shows tentative signs of turning mild bullish while RSI rose slightly. 2-way risks likely to persist. Resistance at 99.80/ 100 levels (50, 100 DMAs), 100.3 (23.6% fibo). Support at 99.30/40 levels (21DMA, 38.2% fibo), 98.60/70 levels (50% fibo retracement of 2026 low to high), 98 (61.8% fibo).

DXY (daily chart): Consolidation; awaiting catalyst

Source: Bloomberg, OCBC Group Research

AXJ. Pressure broadens beyond oil. AXJ stayed on the back foot as the combination of higher oil, elevated UST yields and a firmer USD was joined by weaker risk sentiment. Brent rose again on Middle East supply concerns, while the 10y UST yield briefly traded above 5% before easing back. More importantly for North Asia, the selloff in AI and semiconductor names continued into the US session, with the Philadelphia Semiconductor Index down around 5%. This could keep tech-proxy FX, KRW and TWD under pressure. That said, AXJs continue to trade unevenly. CNY remained relatively firm, while reports that SAFE is encouraging exporters to raise FX hedging ratios suggest authorities are increasingly focused on managing the effects of RMB appreciation rather than pushing back aggressively against it.

Near term, the combination of high oil, US yields around 5% and softer tech sentiment is still an uncomfortable one for AXJs. PHP, THB, IDR and INR may remain more exposed through the energy channel, while KRW and TWD face the additional risk of equity outflows. But we would not extrapolate this into a broad AXJ selloff just yet. A Fed hike this week is now heavily priced (>90% probability of 25bp hike), so a sustained leg higher in the USD probably requires Warsh to keep the door open to further tightening. If yields stabilise after their brief move above 5%, or oil gives back some of its geopolitical premium, pressure on AXJ FX could ease fairly quickly. RMB resilience may also continue to provide some anchor for the region.

KRW. Equity outflows add to external headwinds. KRW softened as the broader USD/rates backdrop was compounded by a sharp selloff in Korean equities. KOSPI fell 3.3%, led by technology names after renewed concerns over the pace of AI development, while foreign investors sold around $2.5bn of local equities. We would watch whether foreign selling extends today. A combination of persistent tech outflows, elevated oil and US yields around 5% would keep USDKRW supported on dips; stabilisation in equities and exporter USD selling would help limit the upside.

USDKRW last seen at 1348 levels. Bearish momentum on weekly chart intact though RSI shows tentative signs of turning from oversold conditions. Near term retracement not ruled out. Resistance at 1362, 1370 (21 DMA). Support at 1340, 1333 levels (recent low).

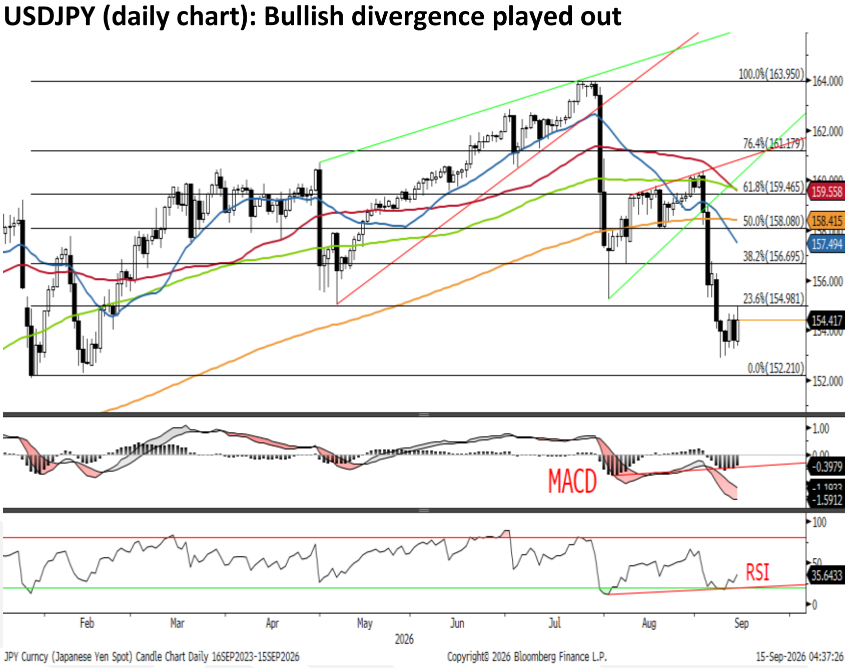
USDKRW (weekly chart): Oversold

Source: Bloomberg, OCBC Group Research

USDJPY. Bullish divergence played out. USDJPY rebounded as higher UST yields, a firmer USD and another rise in oil offset some of the recent support from BOJ tightening expectations. Higher oil is also an unfavourable terms-of-trade development for Japan. Still, we would be cautious about extrapolating the rebound ahead of Friday's BOJ meeting, with markets almost fully pricing another hike and speculative positioning having shifted net long JPY for the first time since February. USDJPY may still stay supported if UST yields and oil stay elevated, but Fed and BOJ event risks should keep price action two-way. A less hawkish Fed or BOJ guidance pointing to further normalisation would bring the JPY-positive theme back into focus.

Our earlier technical caution for bullish divergence of MACD played out. Last seen at 154.40 levels. Bearish momentum intact though there are some signs of it fading while RSI rose from oversold conditions. We still caution for interim risks of bullish divergence on MACD and RSI. But as bearish crossovers remain intact, we continue to monitor price action and look for rallies to fade into. 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): Bullish divergence played out



Source: Bloomberg, OCBC Group Research

USDSGD. Broad USD remains the cleaner driver. SGD softened alongside regional currencies as higher UST yields, oil and geopolitical risk lifted the USD. For USDSGD, however, we continue to see the broad USD leg as a bigger driver than the direct oil channel. The pair should remain sensitive to DXY moves and whether the US 10y can hold above 5%. Near-term risks are tilted towards some USDSGD upside if both remain firm, although SGD should continue to hold up relatively better than the more oil-sensitive and higher-beta regional currencies. A dovish Fed surprise would likely translate fairly quickly into USDSGD downside given SGD's relatively high sensitivity to broad USD moves.

Pair last at 1.2705 levels. Daily momentum is showing tentative signs of turning mild bullish while RSI rose from near oversold conditions. Some upside pressure not ruled out. Immediate resistance at 1.2710 (21 DMA), 1.2740 (61.8% fibo), 1.2790/ 1.28 levels (50% fibo, 50, 200 DMAs). Support at 1.2680 (76.4% fibo retracement of 2026 low to high), 1.2630 (recent low).

USDSGD (daily chart): 21DMA Immediate resistance

Source: Bloomberg, OCBC Group Research

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1693	156.58	1.3620	0.8247	0.7245	0.5895	1.3975	4566	1.2741	63.06	96.16
Resistance 2	1.1644	155.20	1.3567	0.8200	0.7207	0.5855	1.3918	4457	1.2708	62.91	95.89
Resistance 1	1.1622	154.41	1.3545	0.8183	0.7188	0.5835	1.3894	4403	1.2689	62.80	95.72
Spot	1.1547	154.40	1.3499	0.8176	0.7139	0.5777	1.3905	4299	1.2704	62.87	95.56
Support 1	1.1573	153.03	1.3492	0.8136	0.7150	0.5795	1.3837	4294	1.2656	62.65	95.45
Support 2	1.1546	152.44	1.3461	0.8106	0.7131	0.5775	1.3804	4240	1.2642	62.61	95.35
Support 3	1.1497	151.06	1.3408	0.8059	0.7093	0.5735	1.3747	4131	1.2609	62.46	95.08
Bollinger Band											
Bollinger Upper	1.1700	162.26	1.3659	0.8187	0.7235	0.6008	1.3924	4681	1.2764	63.09	96.13
Bollinger Lower	1.1552	152.53	1.3459	0.7973	0.7099	0.5779	1.3757	4229	1.2634	61.24	94.42

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

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