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Daily Market Outlook

USD Reasserts

Sim Moh Siong
FX Strategist
(G10 & oil)

Christopher Wong
FX Strategist
(Asia & precious metals)

- ***USD Reasserts**: The USD found renewed support from higher oil prices, rising US yields and resilient labour data. As markets reassess Fed tightening risks, the balance of risks remains tilted towards a firmer USD.*
- ***CHF Under Pressure**: CHF remains under pressure as carry trade funding demand grows and the SNB appears comfortable with a weaker currency. With inflation subdued and policy rates likely anchored at zero, CHF weakness could persist into year-end.*
- ***Asian FX relief from lower oil remains,** but further gains may require oil to stay under pressure and the US payrolls to pull the USD, US Treasury yields lower.*
- ***Gold's breakout remains intact,** with Friday's payrolls the next test for whether the rally can extend.*

USD Reasserts: Global yields moved higher overnight and the USD strengthened, supported by firmer oil prices as optimism over a reopening of the Strait of Hormuz faded. USDJPY also edged back towards 160, keeping intervention risks firmly on the radar.

Reports suggested a proposed Iran-Oman shipping arrangement fell short of a full reopening of the Strait. Iranian media indicated Tehran may seek to block US and Israeli vessels from the waterway and demand compensation from hostile nations before granting access. Fresh regional attacks also renewed concerns about the security of alternative shipping routes.

The standout move across asset markets was the sharper rise in US yields relative to Europe. This was likely reinforced by an FT report suggesting Fed Chair Warsh would be prepared to support a rate hike at the September meeting if upcoming inflation data remains elevated.

US labour market data also surprised on the firm side. Initial jobless claims rose just 1k to 199k, beating the 205k consensus and remaining below 200k for a third straight week. The earlier decline in claims increasingly looks less like a seasonal distortion and more like evidence of underlying labour market resilience ahead of today's payrolls report.

Softening inflation in June has given the Fed scope to remain patient and assess incoming data before adjusting policy. At the same time, growing debate over whether the Fed's reaction function has shifted has tempered USD upside momentum. However, continued US economic resilience should eventually bring Fed tightening risks back into focus, underpinning our moderately bullish USD outlook over the next one to two quarters.

CHF Under Pressure: Carry trade funding pressures continue to weigh on the CHF, while recent JPY intervention may have further cemented the CHF's role as the market's preferred funding currency. As a result, the CHF is the worst-performing G10 currency against the USD so far in 3Q26.

The downtrend received fresh support from a press report suggesting the SNB expects to keep policy rates at zero until end-2027. Although such reporting is unusual, it is broadly consistent with recent signals that the SNB is comfortable tolerating a weaker CHF for now.

Domestically, inflation remains subdued and below the midpoint of the SNB's 0-2% price stability range. Against this backdrop, policy rates are likely to remain at zero for at least the rest of this year, reinforcing the case for continued CHF softness.

Asian FX. External relief loses some momentum. The earlier improvement in the Asian FX backdrop was partly interrupted overnight as oil rebounded sharply, while the USD and US Treasury yields moved higher ahead of US payrolls. Crude remains well below its recent highs, which should continue to offer some relief to oil-sensitive currencies such as INR, IDR, PHP and THB. A recent Reuters polls on 6 Aug also showed that investors cut their bearish view on most Asian FX including INR, PHP, IDR, THB. But the overnight rebound in oil serves as a reminder that the energy shock has not been fully resolved. Further gains across Asian FX may still require a softer-than-expected payrolls report to bring about a more decisive pullback in the USD and US yields.

Gold. Breakout holds but payrolls the next test. Gold retained most of its recent gains, although momentum eased as the rebound in oil revived inflation concerns and pushed US Treasury yields higher. The earlier rally was helped by lower oil prices, pullback in yields, USD, news of central bank, ETF purchases and technical buying after prices broke above key resistance. Tonight's payrolls report is the next test. A weaker print could reinforce the recent move by further reducing Fed hike expectations, while a firmer outcome may prompt some profit-taking after the sharp rally. Gold was last seen at 4236 levels. Daily momentum is mildly bullish but rise in RSI moderated. Resistance at 4333 (23.6% fibo retracement of 2026 high to low), 4389 (100 DMA). Support at 4180 (50 DMA), 4082 (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1623	160.16	1.3521	0.8258	0.7112	0.5946	1.4108	4417	1.2908	61.19	95.45
Resistance 2	1.1578	159.17	1.3491	0.8182	0.7075	0.5911	1.4061	4336	1.2867	60.97	95.32
Resistance 1	1.1552	158.80	1.3473	0.8153	0.7054	0.5890	1.4037	4288	1.2852	60.89	95.27
Spot	1.1523	158.44	1.3454	0.8127	0.7032	0.5868	1.4015	4250	1.2836	60.82	95.23
Support 1	1.1507	157.81	1.3443	0.8077	0.7017	0.5855	1.3990	4207	1.2811	60.67	95.14
Support 2	1.1488	157.19	1.3431	0.8030	0.7001	0.5841	1.3967	4175	1.2785	60.53	95.06
Support 3	1.1443	156.20	1.3401	0.7954	0.6964	0.5806	1.3920	4095	1.2744	60.31	94.93
Bollinger Band											
Bollinger Upper	1.1576	166.19	1.3548	0.8202	0.7061	0.5917	1.4143	4235	1.2968	62.12	96.87
Bollinger Lower	1.1327	156.37	1.3271	0.8031	0.6934	0.5748	1.3980	3927	1.2795	60.85	94.93

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

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