Asia FX Markets Open

Asia FX Markets Open - October 9 - Reuters News

Sentiment:
Mostly Negative

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Open in LSEG Workspace

USD follows UST yields, oil higher; risk remains under pressure

Market Briefs
• Fed's Waller: More hikes needed, but there is 'flexibility' about the pace
• Fed's Musalem: Inflation is elevated and being driven by persistent demand pressures and supply shocks
• Musalem: To bring inflation back to target more monetary policy firming will be required
• US jobless claims hover near 57-year low for fourth consecutive week
• US 3 Oct w/e Initial Jobless Claims 197k, 200k f'cast,197k prev, 199k r'vsd
• US 26 Sept w/e Continued Jobless Claims 1.716 mln, 1.708 mln f'cast, 1.701 mln prev, 1.699 mln r'vsd
• US Aug Wholesale Inventories R MM 0.5%, 0.7% f'cast, 0.7% prev; Wholesale Sales MM 1.8%, 0.8% prev, 1.0% r'vsd
• President Trump: We will not be attacking Iran at any time prior to midterm elections to be held in United States on November 3rd
• Head of Iran's atomic energy organization: Iran will not abandon uranium enrichment or hand over its uranium - state media
• ECB's Lane: Govts have to be realistic about the fact that the interest rate environment has changed
• ECB's Stournaras: Inflation expectations well anchored around 2%, no serious second round effects
• ECB Accounts: It was sensible to simply acknowledge the high uncertainty, at the same time, continued vigilance was vital
• ECB: All members viewed the risks surrounding the inflation outlook as being to the upside
• BoE's Bailey: Monetary policy needs an unwavering commitment to returning inflation to target
• Bailey: Greater absorption of government debt has come with greater fragility

• Bailey: Evidence of pass-through of energy costs into broader inflation is currently quite subdued but there are risks

Looking Ahead - Economic Data (GMT)
• 8 Oct 23:30 JP Aug All Household Spending MM 0.5% f'cast, 0.5% prev; YY -3.6% f'cast, -3.6% prev
• 9 Oct 03:00 CN Q4 Overall Comprehensive Risk 2.18 prev
• 9 Oct 03:00 JP Q4 Overall Comprehensive Risk 9.12 prev
• 9 Oct 03:00 NZ Q4 Overall Comprehensive Risk 9.42 prev

Looking Ahead - Events, Other Releases (GMT)
• N/A RBNZ's McGregor speaks in Wellington
• N/A RBNZ's Silk speaks in Wellington

Macro Themes in Play
• The dollar slipped alongside Treasury yields in a risk-off session on Thursday as higher oil prices, hawkish Fed comments and weakness in tech shares weighed on sentiment.
• Tech shares fell after OpenAI revenue reportedly missed prior guidance by $20 billion and the Trump administration froze some green-card filings involving Microsoft and Adobe employees.
• Crude pared gains after President Donald Trump said the US will not attack Iran before the November midterm elections, adding that talks between the two countries remain productive.
• St. Louis Fed President Alberto Musalem said the US central bank will likely need to raise rates further to bring inflation back to its 2% target.
• Hawkish rhetoric was supported by weekly jobless claims hovering near a 57-year low.
• A 30-year Treasury auction was well received, more so than the increasing supply of bills being auctioned.
• BOE Governor Andrew Bailey said central banks must stay focused on returning inflation to target while ensuring markets can absorb higher government borrowing.
• A similar theme came from ECB Chief Economist Philip Lane who said AI investment is supporting euro zone growth, though fiscal policy is likely to become a headwind.
• Separately, US Trade Representative Jamieson Greer said the US is sticking to its stance in trade talks with Canada.
• DXY pared overbought conditions after failing to extend gains toward the week's 102.53 high. Risk reversals remain firmly in the dollar's favor out the curve.
• EUR/USD rose as softer US yields and broad USD selling offset earlier weakness, but the bias remains bearish below the 10-DMA, with support at 1.1172 and resistance at 1.1226.
• GBP/USD held a mildly bullish tone, rebounding from 1.3189 to 1.3249 as softer U.S. yields weighed on the dollar, with support holding near 1.3200 and resistance capped around 1.3280.

• USD/JPY's bullish tone is fading after failing to test the 200-DMA at 158.53, with an expanding daily Ichimoku cloud looking to cap gains should equity risk aversion emerge.
• AUD/USD rebounded to 0.6973 on softer US yields and gold gains, but a break below the 10-DMA and falling RSI keep the bias bearish.
• Treasury yields fell as much as 6 basis points as the curve flattened. The 2s-10s curve fell about 4 basis points to +47.3bp.
• The S&P 500 fell 0.55% on weakness in tech shares.
• WTI crude rose 3.6%, though it pared earlier gains as the session progressed.
• Gold rose 0.4% while copper slipped 1.2%.
• Heading toward the close: EUR/USD +0.13%, USD/JPY -0.16%, GBP/USD +0.10%, AUD/USD -0.08%, DXY -0.11%, EUR/JPY -0.02%, GBP/JPY -0.04%, AUD/JPY -0.22%.

Commentary and Analysis

EUR/USD losses erased with help from US dollar, yield turns
• NY opened near 1.1185 then extended its overnight drop in early trading
• 1.1172 traded but bears ran out of gas as USD buying abated
• US yields turned lower to help drive broad-based USD selling
• Gold gains, silver's upward move, USD/CNH drop from its high reinforced USD sales
• EUR/USD hit 1.1226, sat near 1.1215 late in the session and traded up +0.16%
• Techs lean bearish; pair below 10-DMA & consolidating drop from Sept. 25 high
• Falling monthly RSI, widening Bolli bands adds to bearish signals

USD/JPY slips with yields as risk tone sours
• USD/JPY slipped to 157.51 day's low as Trsy yields retreat on weakness in tech shares
• Concerns over OpenAI revenue and U.S. government actions involving Microsoft employees add to risk aversion
• Hawkish inflation comments from Fed's Musalem and BOE Governor Bailey also weighed on sentiment
• Trading volumes subdued with upward momentum fading after failed to test 200-DMA at 158.53
• An expanding Ichimoku cloud base may start to cap gains near 158 in coming sessions
• A largely rangebound market starts to turn bearish on close below 157
• Japan household spending data for August upcoming

Sterling survives another test of support sub-1.32
• GBP$ a tad firm in NY afternoon, +0.15% at 1.3233; NorAm range 1.3249-1.3189
• Pair continues to find bid near 1.32 amid higher oil, global yields, capped by 1.3280
• Trump dials back harsh Iran rhetoric weighs on USD, stokes UST buying (lwr yields)
• GBP specs well-short, bears may be running out of gas after several tests of 1.32 supt
• LSEG's IRPR shows Fed, BoE on similar rate path by YE; BoE seen more hawkish in 2027

• GBP$ res 1.3246/49 daily conversion line/Thurs high, 1.3285 daily high Oct 6
• Supt 1.3181 daily low Oct 1, 1.3140 2026 low on Jun 24, 1.3117 lower 30-d Bolli

AUD/USD-Early losses get erased on downward US dollar shift
• NY opened near 0.6945 after AUD/USD fell overnight, the drop initially extended
• USD, US yields & USD/CNH gains helped AUD/USD fall to 0.6933
• USD selling emerged and US yields turned lower
• Gold added to gains while silver & copper lifted off their lows
• AUD/USD hit 0.6973 then neared 0.6960 late, it traded near flat in NY's afternoon
• Hold below the 10-DMA, consolidation, falling daily RSI are bearish tech signs

Sterling's bid remains strong below 1.32, but for how much longer?
GBP/USD once again tested recent trend lows below 1.32 as traders reacted to renewed turmoil in the Middle East, which has driven US Treasury yields and oil prices higher, prompting safe-haven flows into the dollar. For now, support around 1.3180 is holding despite repeated tests, yet the sustainability of this level is increasingly in question. Futures positioning data due Friday will be under scrutiny for clues on how the recent bearish move has reshaped books. GBP/USD has been consistently short in 2026, and the decline from August highs just below 1.37 has likely prodded some short-covering. The net spec short stands at -91.1k contracts (-132.5k shorts, 41.4k longs). Shorts have held near 130k since mid-August; longs have faded from 77k to 41k. Friday's print may be instructive if entrenched shorts are covering, potentially opening room for longs to reload given the more-hawkish BoE-versus-Fed policy path implied by short-term rate futures, as per LSEG's IRPR. Currently, macro sentiment reflects a perception of US economic exceptionalism, despite the overhang of rising funding costs, which has buoyed the dollar broadly. However, should US growth and fiscal challenges emerge, sterling bears may quickly cover shorts, potentially lifting GBP/USD back toward 1.35. Chart: https://tmsnrt.rs/4zs9cS1

Possible falling knife situation for EUR/USD
EUR/USD remains under pressure as French government bond yields stay elevated amid fiscal and election worries. So far, the ECB has given no sign that it will step in to ease the selling pressure on those bonds. As a result, buyers are likely to stay on the sidelines rather than catch the falling knife. They may not return until the pair nears the 1.0500–1.0600 area or until concerns over France's fiscal and election outlook fade. Technical signals suggest the downtrend can extend. RSIs and widening Bollinger Bands point to more volatility and continued downward momentum. The pair's ongoing consolidation of its drop from the September 25 high reinforces the bearish outlook, as does its hold below the declining 10- and 21-day moving averages. Sentiment also appears fragile, hurt because rallies within the downtrend from the January 2026 high have been sold consistently. EUR/USD is currently hovering above structural support in the 1.1050–1.1100 zone. This

area contains a series of monthly highs and lows going back to 2023, as well as the 50% retracement of the February 2025 to January 2026 rally. The more important level, however, is the 1.0500–1.0600 zone. Structural support sits near the psychological 1.0500 mark. The zone also contains the 76.4% Fibonacci retracement of the 1.0125–1.2084 rally and the base of the rising trend channel from the 2022 yearly low. Significant and sustained EUR/USD buying may therefore not appear until these levels are reached. Chart: https://tmsnrt.rs/4hLUGNB

Chart of the day (USD/JPY)
A defensive yen may soon garner support from faster BOJ normalization and fiscal responsibility. USD/JPY is supported by firmer oil, higher Treasury yields and another dose of hawkish Fed rhetoric, though subdued futures open interest suggests limited appetite to add fresh yen shorts. Options show yen optimism fading as repatriation expectations following the G20 gathering dissipate and seasonal factors turn less supportive. As such, USD/JPY may test resistance at the 200-DMA of 158.53 and cloud base of 158.65, with a break above 159.03 opening the way toward 160, a level likely to revive intervention concerns and expectations of a firmer BOJ stance. The risk of tighter BOJ policy appear to be increasing as PM Sanae Takaichi's administration seeks to move away from an easy-money image and BOJ Governor Kazuo Ueda stresses anchoring inflation around the 2% target. Since gapping above 149 following Takaichi's elevation to the LDP leadership a year ago, USD/JPY has broadly tracked gains in equities and Japanese government bond yields. Whether driven by domestic factors or external pressure from Treasury Secretary Scott Bessent, a policy shift toward fiscal responsibility could support the currency and JGBs or give the BOJ more room to tighten. Japanese 20-year yields near 4% could attract demand versus US equivalents near 5.7% if bond market volatility stabilizes, supporting yen gains longer-term. Chart: https://tmsnrt.rs/4dMcHKL

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