LSEG: Asia FX Markets Open

Asia FX Markets Open - October 14 - Reuters News

Sentiment:
Mostly Negative

14 Oct 2026 03:21:07 AM

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USD dips with long-end UST yields ahead of key US price data

Market Briefs
• US inflation expectations are well anchored, Fed's Waller says
• Fed's Williams currently sees no need for rate hike in 2027 - BBG
• Williams said there are still signs inflation will slow "quite a bit" and approach the Fed's 2% target next year
• Fed's Goolsbee: Inflation tied to the AI boom is "jumping out of its lane" & starting to push up prices in unrelated corners of economy - Semafor
• Goolsbee: Need to start showing some progress if we're going to get back on the kind of rate cutting path that we were on
• US Sept Existing Home Sales 3.99 mln, 3.95 mln f'cast, 3.98 mln prev, 3.93 mln r'vsd; % Change 1.5%, -2.0% prev, -3.2% r'vsd
• PIMCO's Ivascyn says long-end treasuries can handle more Fed tightening, market has not yet seen peak in US treasury yields
• PIMCO's Ivascyn sees Fed on hold this month, sees 1 to 2 more rate hikes this cycle
• IMF flags risks to global economy from AI market correction, war and debt
• AI boom bolstered growth in global trade, benefiting China and India, IMF says
• IMF cites AI slowdown, spiking yields as looming global market risks
• BofA FMS: Biggest tail risk to markets is disorderly rise in bond yields, then AI bubble
• BofA FMS: Investors say 10-year Treasury yield at 5.9% would prompt asset allocation shift to bonds from stocks
• Growing debt burden poses significant risk to developing nations, G24 chair says
• President Trump on Iran: We'll make a decision on Iran very soon, Houthis are behaving very badly
• Saudi cabinet, chaired by Crown Prince, says Yemen's Houthis will face 'consequences' for its repeated attacks on the Kingdom - state news agency

Looking Ahead - Economic Data (GMT)
• 13 Oct 23:50 JP Sept M2 Money Supply (JPY) 1,294,565.9 bln prev

• 13 Oct 23:50 JP Sept Broad Money (JPY) 2,337.3 trln prev
• 14 Oct 00:00 AU Sept Composite Leading Index MM -0.04% prev
• 14 Oct 01:30 CN Sept PPI YY 4.5% f'cast, 3.8% prev
• 14 Oct 01:30 CN Sept CPI MM 0.3% f'cast, 0.4% prev; YY 1.0% f'cast, 0.8% prev

Looking Ahead - Events, Other Releases (GMT)
• 13 Oct 20:00 Fed's Collins speaks at the 25th Annual Regional and Community Bankers Conference
• 14 Oct N/A Norges Bank's Longva speaks to Norges Bank's Regional Network
• 14 Oct 08:00 ECB's Elderson speaks at ECB-BoE Conference
• 14 Oct 16:15 ECB's Schnabel speaks at University of Mannheim
• 14 Oct 17:30 Fed's Barkin speaks at the Chamber RVA Regional Action Summit 2026
• 14 Oct 18:00 Federal Reserve issues the Beige Book

Macro Themes in Play
• The dollar retreated on Tuesday from the previous session's 18-month highs as long end US Treasury yields extended their decline from recent peaks and market participants prepared for a highly anticipated US CPI report.
• Comments from New York Fed President John Williams kept the pressure on yields and, thus, the US currency late in the Americas session by saying he still sees one more interest-rate hike as appropriate this year, but at the moment does not believe it will be necessary for the central bank to increase rates again in 2027, Bloomberg News reported. Williams told Bloomberg News in an interview there are still signs inflation will slow "quite a bit" and approach the Fed's 2% target next year.
• Economists polled by Reuters expect September core monthly CPI growth to come in at 0.2% and the annual rate of underlying consumer price inflation at 2.5% when data are released on Wednesday.
• The question for markets -- and the dollar -- is how much further the market needs to go in discounting price growth above the Fed's target.
• Dan Ivascyn, chief investment officer at the world's largest bond manager, PIMCO, told Reuters that US Treasury yields may have further room to rise, with the Fed likely to deliver one or two more rate increases before the current tightening cycle ends.
• Chicago Fed President Austan Goolsbee said inflation is starting to feel like "aggregate overheating" fueled by spillovers from the artificial intelligence investment boom rather than largely being a byproduct of supply shocks that will pass on its own.
• Federal Governor Christopher Waller said the recent rise in US bond yields has been due to stronger economic growth and large-scale investment in artificial intelligence rather than to higher inflation expectations, which remain "well anchored."
• Bank of America's latest Global Fund Manager survey found that the US 10-year Treasury yield would need to climb to nearly 6% before bonds become compelling enough for investors to draw money away from stocks, highlighting the resilience of equity markets even as borrowing costs jump.

• US Treasury yields were slightly higher at the front end but about 1 to 3 bps lower in five- to 30-year maturities. The 10-year yield was at 5.22% and the 2s-10s curve flatter by about 3 bps at 42 bps at the mid, according to data supplied by LSEG.
• The S&P 500 was trading 0.07% lower in the New York afternoon as chip stocks came under selling pressure while investors parsed a mixed bag of quarterly results, including those from big US banks.
• WTI crude oil rose 0.6% while copper slid 0.26%.
• Gold fell 0.21%.
• Heading toward the close: EUR/USD +0.4%, USD/JPY -0.18%, GBP/USD +0.34%, AUD/USD +0.32%, DXY -0.38%, EUR/JPY +0.21%, GBP/JPY +0.16%, AUD/JPY +0.16%.

Commentary and Analysis

EUR/USD-Overnight gains are maintained
• NY opened near 1.1185 after 1.1154 traded overnight, pair rallied early
• USD, US yield, USD/CNH drops helped EUR/USD hit 1.1205
• Some of that rally was then erased as sellers emerged
• USD, yields and oil moved upward while equities, gold and silver traded lower
• EUR/USD neared 1.1190 late, it traded up +0.32% in NY's afternoon
• Daily RSI is rising but monthly is falling & pair is below 10- & 21-DMAs
• EUR/USD's ongoing consolidation, widening Bolli bands are bearish signs
• US September CPI & its potential impact on Fed policy is a key risk Wednesday

USD/JPY sets sights on 200-DMA test
• USD/JPY trims loss as oil rises amid attacks in Saudi Arabia and Yemen
• Pair forms bull candle below 158.44 cloud top and 200-DMA at 158.55
• Event risks on Wed. include US CPI, Fed speakers and corporate earnings
• Overnight vol is about 8.4% ahead of CPI; skews and vols are steady
• Bullish bias remains intact above 158.00 and the 55-DMA at 157.86
• Further gains keep focus on the Sept. 24 high at 159.03 and 160
• A break below the 21-DMA at 157.55 and 157.00 undermines bullish outlook

Sterling eyes recent highs amid reduced fiscal angst, falling oil
• Sterling near session highs in NY afternoon, +0.27% at 1.3246; NorAm range 1.3255-1.3240
• Range slight in NorAm ahead of Wednesday's key US CPI, Thursday UK GDP, output data
• GBP$ rangebound awaiting data, guidance; oil dip, lower yields add to bullish GBP view
• UST, gilt yields off early Tuesday lows; IMF upward revision to UK GDP aids GBP ascent
• UK inflation data on Oct 21 ahead of more important UK Autumn Budget on Oct 28
• GBP$ res 1.3255 Tuesday high, 1.3278 falling 21-DMA, 1.3300 psychological level
• Supt 1.3202 daily low Oct 12, 1.3181 daily low Oct 1, 1.3140 2026 low on June 24

AUD/USD-Bulls hold onto gains despite firmer yields
• NY opened near 0.6975 after 0.6950 traded overnight, rally extended early NY
• US yield, USD drops & rallies in gold, silver buoyed the pair
• 0.6986 traded but selling emerged, the pair sat near 0.6975 late, up +0.27%
• Yields, USD firmed up & stocks, gold, silver fell which weighed on AUD/USD
• Rising RSIs, move above the 10-DMA, monthly bull hammer give techs a bullish lean
• US September CPI is the key data risk in NY for Wednesday

EUR/USD's slide has to pause temporarily
EUR/USD bounced on Tuesday, but the pair is still trading close to the 17-month low it hit on Monday. The broader downtrend looks intact, though the market probably needs a pause before the next leg lower. Bears have had trouble getting through 1.1150. Buyers have shown up on several dips toward that level, possibly to defend an option barrier. Still, the level stays vulnerable unless EUR/USD puts together a meaningful rally. A strong recovery looks unlikely. Fiscal and election uncertainty in France, Spain and Germany probably won't be resolved soon. That backdrop could keep the European Central Bank on hold and keep the US dollar attractive to investors. After falling almost 4.75% from its August monthly high, the pair needs a period of distribution before the downtrend can pick up again. The recent consolidation suggests that process is already underway. It also gives the deeply oversold daily RSI a chance to recover. Longer-term technicals suggest any rally will be sold. The monthly RSI and widening 15-month Bollinger Bands signal ongoing downside momentum and rising volatility, both of which should help to keep bearish sentiment in place. For traders holding long positions, the bearish view might only change if EUR/USD breaks above the 1.1350–1.1400 resistance zone and holds there over time. Until then, the path of least resistance stays lower. Chart: https://tmsnrt.rs/4hQWCEE

USD/JPY revisits cloud top ahead of US CPI
Yen bears are regaining the upper hand in New York, turning attention back to the topside ahead of US CPI data on Wednesday. USD/JPY is recovering from its post-Japan holiday dip below 158.00 as firmer oil prices underpin the pair, sending it to its 158.44 Ichimoku cloud top. It is also drawing support from steady equity markets as investors digest US bank earnings, diminishing demand for the yen as a haven. The correlation between equities and USD/JPY is near its highest level since June, highlighting the yen's sensitivity to risk appetite. From a technical standpoint, USD/JPY found support at its 55-DMA near 157.86 after failing to maintain traction above the 200-DMA at 158.56. A stronger-than-expected US CPI reading, accompanied by hawkish Fed rhetoric, could provide the catalyst for a decisive break above the 200-DMA and a test of the Sept. 24 high at 159.03. Conversely, the pair would need to break below the rising 21-DMA at 157.55 and then 157.00 before a more bearish outlook becomes compelling. While BOJ Governor Kazuo Ueda reiterated the importance of anchoring underlying inflation around the 2% target, markets will likely need a more forceful policy signal before materially reassessing the

outlook for yen strength. Until then, dips toward 157.00 may continue to attract buyers. Chart: https://tmsnrt.rs/3UqW5l0

Chart of the Day (GBP/USD)
Sterling outperformed on Tuesday, climbing off overnight lows near 1.3200 as global yields and oil prices retreated, with traders squaring positions ahead of upcoming US and UK CPI releases and the UK Autumn Budget on October 28. GBP/USD's bid was likely just position curating as traders prepared for US CPI on Wednesday, UK August GDP and output data on Thursday, UK CPI on October 21, and the most significant UK asset-related event — the Autumn Budget. Market expectations suggest persistent inflation due to high oil prices in recent weeks. However, the drop in global yields might indicate that traders believe recent elevated yields have already addressed some inflationary pressures, potentially stifling demand and curbing price rises. UK 10-year gilt yields have retreated from their recent highs, trading around 5.35%, down from above 5.5%, which were influenced by fiscal instability in France. Despite ongoing inflation concerns, which are expected to hinder growth and exacerbate fiscal challenges, the issue remains a global phenomenon affecting both developed and emerging markets. The UK Autumn Budget is particularly critical for gilts and sterling, as any misstep by the Burnham government could lead to an increase in UK yields, thereby placing additional downward pressure on the pound. Currently, GBP/USD remains confined within its recent 1.3280-1.3180 range. With potential headline risks surrounding the upcoming UK and US data, traders are likely to adopt a cautious stance, awaiting fiscal insights from the budget announcement before significantly altering positioning. Chart: https://tmsnrt.rs/4yMc6kz

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