Asia FX Markets Open

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Asia FX Markets Open - October 27 - Reuters News

Sentiment:
Mostly Negative

27 Oct 2026 03:28:14 AM

Open in LSEG Workspace

USD drifts higher on lower oil, flatter UST curve

Market Briefs
• Fed to hit pause on rate hikes, but maybe not for long
• Euro zone firms find it harder to get credit, ECB survey shows
• German business sentiment rises for the sixth consecutive month, Ifo says
• Mindful of the markets, UK's Healey is set to deliver a careful budget
• Strong CBI retail sales buck downbeat UK consumer trend
• Bank of Japan's hawkish pause to leave scope for December hike
• US Sept National Activity Index: 0.07, -0.04 prev, -0.08 r'vsd
• US Oct Dallas Fed Manufacturing Business Index: 13.40, 9.80 prev
• POLL-RBNZ set to raise cash rate on October 28; December hike bets grow

Looking Ahead - Economic Data (GMT)
• 26 Oct 23:50 JP Sept Service PPI: 3.70% prev
• 27 Oct 01:30 CN Sept Industrial Profit YTD: 15.7% prev

Looking Ahead - Events, Other Releases (GMT)
• N/A FOMC starts its two-day meeting on interest rates

Macro Themes in Play
• The dollar rose on Monday, supported by higher US two-year Treasury yields ahead of

Wednesday's FOMC decision, gains in US technology shares following Anthropic's IPO filing, and weakness in the Brazilian real after President Luiz Inacio Lula da Silva's election victory.
• Improving OAT-Bund yield spreads after Moody's left France's credit rating unchanged last week also helped support risk sentiment.
• The US central bank is widely expected to leave policy rate unchanged at 3.75% to 4%.
• Russian President Vladimir Putin will meet with Iran's Massoud Pezeshkian and Qatar's Sheikh Tamim bin Hamad Al Thani in Moscow. Meanwhile concerns over a potential Hezbollah escalation added to geopolitical risk.
• Saudi, Turkish and Pakistani officials met Iranian counterparts in Tehran to ease regional tensions as Yemen's Houthis launched fresh attacks on Saudi Arabia.
• British finance minister John Healey will announce plans to increase the minimum wage by nearly 4%, The Times newspaper reported on Monday.
• Turnover was uneven ahead of this week's central bank meetings and month-end flows, with the dollar index briefly pushing above its 21-DMA at 101.94 shortly after the US equity open.
• EUR/USD retained a softer tone below 1.1200 as higher EU gas prices and limited demand for euros weighed on sentiment, with support at 1.1173 and resistance at 1.1235 ahead of the Fed and ECB decisions.
• GBP/USD held above 1.3326 support, underpinned by risk appetite and easing fiscal concerns, but remains capped near 1.3360 as markets await Wednesday's Fed decision.
• USD/JPY remained constructive above the lower Bollinger at 156.90 as the dollar and shares advanced though its 55-DMA at 157.71 and 21-DMA at 157.88 may limit gains, keeping the pair centered within its 156.06-158.44 daily cloud.
• AUD/USD consolidated below its 100-DMA at 0.7033, with support at 0.7000 as traders await Australia's Q3 CPI, where a strong print could lift the pair toward 0.7100 while a miss risks a return to 0.6900.
• Treasury yields were mixed as the curve flattened, with a soft auction pressuring two-year notes. The 2s-10s curve fell about 4 basis points to +27.3bp.
• The S&P 500 rose 0.75%.
• WTI oil slipped 1.4% though held above $100/bbl
• Gold rose 0.47% while copper gained 0.62%
• Heading toward the close: EUR/USD -0.17%, USD/JPY +0.36%, GBP/USD -0.14%, AUD/USD -0.13%, DXY +0.13%, EUR/JPY +0.17%, GBP/JPY +0.18%, AUD/JPY +0.17%.

Commentary and Analysis

Downside risks intact for euro as gas prices drift higher
• Euro softer tone during NY session, slipping back below 1.12. Range: 1.1173-1.1235
• Fleeting reprieve on Moody's decision to leave France's credit rating unchanged
• Another lift in EU gas prices keeps EUR risks leaning lower
• With key macro catalysts ahead (Fed & ECB decisions), ranges have been narrow

• Despite EUR's apparent resilience, there is still limited appetite for a durable bid
• Resistance at 1.1215-20 (200-hour MAs), followed by 1.1265-70
• Support at 1.1160-80, break here opens up the YTD low at 1.1113

USD/JPY holds gain as equity indexes advance
• USD/JPY briefly extends gain as broad dollar strength and risk-on tone underpin
• Pair touches 157.64 before trimming gains as Anthropic IPO filing lifts equities
• Yen vols remain steady ahead of this week's Fed and BOJ meetings; large 158.00 strikes expire Tuesday
• Pair settles in middle of a 156.06-158.44 daily cloud and narrow 156.90-158.91 Bollinger range
• Resist. above day's high includes 55-DMA at 157.71, 21-DMA of 157.88 and 200-DMA at 158.55
• A break below the lower Bollinger would expose Friday's key 156.08 low
• Focus turns to Japan's services PPI ahead of Wednesday's FOMC decision

Sterling rangebound between 100- and 10-DMAs ahead of UK budget, Fed decision
• GBP$ down a touch in NY afternoon trade, -0.1% at 1.3355; NorAm range 1.3357-1.3326
• Pair supported in early NorAm by the rising 10-DMA currently at 1.3326 as risk rallies
• Long-end gilt yields a lower relieves some fiscal concerns ahead of key UK Autumn Budget Oct 28
• Oil off session lows, Nasdaq much higher hints at better outlook for risk broadly, for now
• GBP net spec IMM short remains 3rd largest USD long behind EUR & AUD; Fed Wednesday in focus
• GBP$ res 1.3389 the 100-DMA, 1.3406 50% Fib of 1.3675-1.3137, 1.3470 area daily cloud twist area
• Supt 1.3326 Mon low/10-DMA, 1.3300 psychological lvl, 1.3268 daily low Oct 16

AUD/USD holds narrow range ahead of key macro catalysts
• AUD backs off 100-day MA (0.7033), ranges narrow (0.7013-40) ahead of key macro catalysts
• Bounce back in risk assets (SPX +0.7%) not enough to lift AUD - FX conviction stays low
• Should gain better sense post-AU Q3 CPI - RBA's Nov meeting (65% priced for a hike)
• Hot CPI print likely takes AUD back to 0.7100, miss opens a return to 0.69
• Elsewhere, RBNZ decision due Wed will matter for AUD/NZD
• Technically, near-term support at 0.7000, deeper cushion at 0.6870-0.6900
• Resistance at 0.7033 (100-day MA), then 0.7053 (200-day MA)

Sterling may struggle above 1.34 as risk events test the recent rally
Sterling may struggle to extend its recent advance above 1.34 as a trio of risk events — the October 28 Fed decision, the UK Autumn Budget, and the November 5 BoE meeting — test a rally built on widening UK-US rate divergence and sticky UK inflation. Cable's climb

from the October 14 low of 1.3137 to last trading at 1.3374 has come amid data pointing to elevated UK prices and wages and a higher-for-longer BoE path. It has also been helped recently by an unwinding of GBP shorts put on amid recent French fiscal angst. LSEG's IRPR implies the BoE may hike twice in 2026 against one Fed move, and further out the BoE strip futures currently indicate the BoE hiking by 116bp by the 2027 MPC meeting, versus a scant rise of 68bp for the Fed. However, the upcoming UK Autumn Budget and central bank decisions introduce an element of uncertainty. While Prime Minister Andy Burnham has committed to current fiscal rules, market skepticism persists given the ongoing impact of inflation on UK households and the government's mandate to address affordability. Fiscal options are limited, and any perceived deviation from fiscal prudence could undermine sterling's strength. Technically, GBP/USD meets resistance at 1.3406, the bruised 50% Fib of the 1.3675-1.3137 range, and 1.3470, the daily cloud twist. On the downside, bullish momentum wanes on a close below 1.3325, the rising 10-DMA, with bears then eyeing the October 14 French fiscal-related low at 1.3137. Chart: https://tmsnrt.rs/3W4zQlC

USD/JPY centers inside daily cloud as Fed, BOJ loom

Yen bulls will have to be patient. USD/JPY is extending Friday's strong rebound from near 156.00 as firmer US 2-year yields and broader dollar strength support the pair. The recovery has erased downside momentum, with USD/JPY back within a narrow 156.90-158.91 Bollinger range, while the dollar index has regained its 21-DMA at 101.94. Further gains may prove difficult as USD/JPY approaches firm resistance in the 157.40-60 area, including the Tenkan-sen at 157.50, while upcoming Fed and BOJ meetings may dampen directional conviction, keeping the pair contained within its 156.07-158.44 daily Ichimoku cloud. A break above 158.00, where sizable options expire this week, and a move toward the 200-DMA at 158.55 would likely require either a hawkish FOMC outcome or a more dovish BOJ outlook. Tuesday's Japan services PPI, already at its highest level in decades, should reinforce expectations the BOJ will declare victory over deflation and highlight risks of inflation overshooting, keeping a December rate hike in play. Markets price slightly better-than-even odds of a December BOJ hike, while the probability of a Fed move by year-end exceeds 70%. Chart: https://tmsnrt.rs/3UOjxJ9

Chart of the day (EUR/USD)

EUR/USD is back below 1.12 as the relief bid after Moody's left France's credit rating unchanged unwound throughout Monday’s session. The market is still fading EUR rebounds, and the single currency's failure to hold gains on good news reinforces the view that the bearish bias is firmly intact. Another leg higher in EU gas prices further compounds this view, where the headwind for EUR should build as winter approaches. Meanwhile, short-term flows leave EUR/USD vulnerable to a pullback. Corporate month-end is due Wednesday, which is where mechanical rebalancing and corporate hedging flows typically skew USD-positive. Since 2010, EUR/USD has been higher on corporate month-end 46% of the time, thus the door will remain open for a retest of the YTD low at 1.1113.

Technically, initial resistance sits at 1.1215-20, where the 200-hour MA cluster lies, with further hurdles at 1.1265-70. By contrast, support comes in at 1.1160-80, where a break below opens up 1.1113. Charts: https://tmsnrt.rs/4yDOkpV & https://tmsnrt.rs/4zRZNTV

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