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# Daily Market Outlook

## INR Relief Builds

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- ***INR Relief Builds**: Lower oil and improving equity flows are turning the external backdrop more supportive for the INR. Further gains look likely into 2027, although RBI reserve rebuilding should temper the pace. We forecast USDINR at 92.10 by end-2027.*

- ***Dollar Caught Between Risks**: AI-driven volatility and tighter financial conditions limit the case for aggressively chasing the dollar higher. But resilient US growth and hawkish Fed risks should keep the USD supported, albeit with more two-way volatility.*

- ***Aussie Upside Capped:** Risk-off conditions remain a near-term drag on the AUD. Even if sentiment stabilises, a softer labour market and an RBA increasingly likely to be done tightening should limit the currency's upside as Australia's rate advantage starts to narrow.*

**INR Relief Builds**: After a difficult year for the INR, marked by an oil-price shock and persistent capital outflows, its resilience since early November has stood out. This came despite a broader EM currency sell-off as AI-related growth concerns and hawkish Fed risks supported the USD.

RBI measures have played an important role. The central bank introduced a 20% cash reserve requirement on specified FX derivatives and tightened NDF rules, raising the cost of hedging against INR weakness. It also opened a special dollar window for state-owned oil companies. These steps helped curb one-way pressure on the rupee. More recently, the backdrop has turned more supportive. Lower oil prices and a recovery in equity inflows, helped by rotation away from AI-heavy markets, have pushed USDINR below 94 since early November.

Near-term oil risks remain. Attacks on Saudi energy infrastructure and renewed disruption around the Strait of Hormuz have revived supply concerns, highlighting the potential for rebounds in crude. We retain our end-2026 Brent forecast of USD100/bbl, as the prospects for a near-term negotiated settlement with Iran remain limited. But we expect more relief in 2027. Lower oil prices over the course of next year, supported by better prospects for de-escalation and additional Gulf export capacity, should improve India's terms of trade and reduce demand for USD from oil importers. That should provide a more durable tailwind for the INR.

Debt flows offer another potential catalyst. India's possible inclusion in the Bloomberg Global Aggregate Index remains under review rather than assured, but eventual inclusion could materially broaden foreign demand for Indian government bonds.

We forecast USDINR at 92.10 by end-2027. The path lower is unlikely to be smooth. As appreciation pressures build, the RBI is likely to use periods of INR strength to rebuild FX reserves after an extended period of intervention. That should slow, rather than derail, the INR's recovery.

**Dollar Caught Between Risks**: US equities initially fell sharply on the continued AI unwind and fresh tariff concerns before dip-buying helped pare losses. The proposed tariffs partly rebuild coverage lost after the Supreme Court struck down the IEEPA tariffs, rather than signalling a sharp escalation in trade tensions.

Equity weakness pushed US yields lower, while the USD stayed rangebound. CHF outperformance may reflect some unwinding of CHF-funded carry trades as volatility rises.

The risk-reward of chasing further USD gains looks less attractive, but hawkish Fed risks should keep the dollar supported. Its relationship with equities could remain choppy, caught between safe-haven demand and concerns that a deeper AI slowdown could weigh on US growth.

Markets are pricing around a 96% chance of a 25bp Fed hike in December, with strong growth and sticky inflation keeping pressure on the Fed to tighten. A 50bp hike still looks unlikely, particularly as the equity selloff has already tightened financial conditions and increased the risk of overtightening.

**Aussie Upside Capped**: The risk-off backdrop remains challenging for a pro-cyclical currency like the AUD. While the Aussie could rebound as broader risk sentiment stabilises, we expect the upside to be increasingly capped. The RBA is likely close to the end of its tightening cycle, while other central banks still have room to catch up, threatening to erode Australia's relative rate advantage.

October inflation nevertheless complicates the picture. Headline inflation accelerated to 4.9% YoY from 4.3%, while trimmed mean inflation rose to 3.8% from 3.6%, highlighting persistent underlying price pressures. But the labour market is moving the other way. Employment fell by 43,500 in October, the second consecutive decline, while unemployment climbed to a five-year high of 4.9%.

That leaves the RBA caught between sticky inflation and a weakening labour market. We think the bar for further tightening is now high. A prolonged hold is more likely, with a first rate cut in 4Q27 still our base case. For the AUD, that suggests any risk-led rebound is likely to struggle for sustained follow-through.

**Technical Levels Table**

| | EURUSD | USDJPY | GBPUSD | USDCHF | AUDUSD | NZDUSD | USDCAD | XAUUSD | USDSGD | USDPHP | USDINR |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Resistance 3 | 1.1090 | 160.79 | 1.3263 | 0.8494 | 0.6829 | 0.5569 | 1.4441 | 3863 | 1.2979 | 63.87 | 93.59 |
| Resistance 2 | 1.1028 | 159.95 | 1.3180 | 0.8408 | 0.6723 | 0.5523 | 1.4337 | 3699 | 1.2943 | 63.79 | 92.99 |
| Resistance 1 | 1.1001 | 159.56 | 1.3147 | 0.8360 | 0.6675 | 0.5505 | 1.4277 | 3643 | 1.2923 | 63.73 | 92.61 |
| Spot | 1.0974 | 159.19 | 1.3115 | 0.8309 | 0.6626 | 0.5486 | 1.4214 | 3574 | 1.2903 | 63.67 | 92.24 |
| Support 1 | 1.0939 | 158.72 | 1.3064 | 0.8274 | 0.6569 | 0.5459 | 1.4173 | 3479 | 1.2887 | 63.64 | 92.02 |
| Support 2 | 1.0904 | 158.27 | 1.3014 | 0.8236 | 0.6511 | 0.5431 | 1.4129 | 3371 | 1.2871 | 63.61 | 91.80 |
| Support 3 | 1.0842 | 157.43 | 1.2931 | 0.8150 | 0.6405 | 0.5385 | 1.4025 | 3207 | 1.2835 | 63.53 | 91.20 |
| **Bollinger Band** | | | | | | | | | | | |
| Bollinger Upper | 1.1281 | 160.29 | 1.3534 | 0.8496 | 0.7080 | 0.5659 | 1.4455 | 4228 | 1.2953 | 64.15 | 95.76 |
| Bollinger Lower | 1.0860 | 157.50 | 1.2975 | 0.8122 | 0.6522 | 0.5421 | 1.3930 | 3456 | 1.2752 | 62.99 | 92.35 |

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

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