Bank Dhofar Morning Market Update

Date: 09/11/26

Global Update

Asian equities staged a strong rebound after suffering their biggest selloff in over 18 months, supported by a recovery in US technology stocks and measures announced by Taiwan to stabilize markets. The MSCI Asia Pacific Index gained 2.4%, led by Taiwan's Taiex (+6.0%) and Japan's Nikkei 225 (+3.4%). US equity futures also advanced, with S&P 500 and Nasdaq 100 futures both rising 0.6%. Investors took comfort from the view that AI-related demand remains intact despite recent volatility and concerns surrounding increased regulatory scrutiny of the sector.Taiwan's recovery was driven by government intervention aimed at restoring investor confidence. Authorities imposed restrictions on short selling and signaled readiness to deploy a NT$500 billion stock stabilization fund. Shares of Taiwan Semiconductor Manufacturing Co. (TSMC) and MediaTek surged more than 6%, helping end a seven-session losing streak in the Taiex.Market sentiment remains fragile following last week's sharp correction in AI-linked stocks. The S&P 500 recorded its largest weekly decline since April 2025, while the Nasdaq 100 lost approximately $2.3 trillion in market capitalization in a single day amid fears of tighter regulation of the AI industry following the US midterm elections. Despite these concerns, investors rotated into previously underperforming Chinese and Indian equities.

EUR/USD edged higher to around 1.1150 during Asian trading on Monday, recovering after two consecutive losing sessions. The euro found support from hawkish comments by several European Central Bank officials, including the governors of Germany and Italy, who indicated that a further ECB rate hike in December remains a possibility. This has provided short-term support to the single currency despite lingering concerns over slowing Eurozone growth.From a technical perspective, EUR/USD remains in a bearish near-term trend, trading below its 100-day Simple Moving Average (SMA), which continues to cap upside momentum. The pair is holding slightly above the 20-day Bollinger Band midline, suggesting some buying interest around current levels. Meanwhile, the 14-day Relative Strength Index (RSI) at 44 remains below the neutral 50 threshold, indicating that any recovery remains modest and corrective in nature rather than signaling a trend reversal.On the upside, immediate resistance is seen at the upper Bollinger Band around 1.1255. A break above this level could expose the July 28 low at 1.1353, followed by the more significant 100-day SMA near 1.1415. Sustained gains above the 100-day SMA may pave the way toward the August 7 high of 1.1581.On the downside, initial support is located near the lower Bollinger Band at 1.1132. A decisive break below this level would increase bearish pressure and open the door toward the psychological 1.1100 level, followed by the May 12, 2025 low at 1.0951. Overall, while ECB rate hike expectations are providing near-term support, the technical outlook remains cautious unless EUR/USD can reclaim levels above 1.1255-1.1415.



Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close

EURUSD	1.1141	1.1160	1.1137	**O/N SOFR**	3.920	#N/A N/A
GBPUSD	1.3344	1.3378	1.3344	**1 month SOFR**	3.897	3.897
USDJPY	158.39	158.5300	158.14	**3 month SOFR**	4.048	4.048
USDINR	93.82	93.85	93.69	**6 months SOFR**	4.157	4.157
USDCNY	6.6752	6.6765	6.6743	**12 month SOFR**	4.338	4.338
USDCHF	0.8195	0.8213	0.8190	**3 years IRS**	4.404	4.374
AUDUSD	0.6866	0.6903	0.6856	**5 years IRS**	4.389	4.361
NZDUSD	0.5565	0.5594	0.5555			

The US Dollar weakened against most major currencies as risk appetite improved and safe-haven demand eased. The Bloomberg Dollar Spot Index declined 0.1%-0.2%.EUR/USD traded around 1.1154, holding steady despite the softer dollar.USD/JPY traded near 158.31, with the Japanese yen gaining approximately 0.1%.USD/CNH remained largely unchanged at 6.6733.NZD/USD outperformed, gaining 0.7% to 0.5584, supported by developments following New Zealand's local elections.The dollar's near-term direction is likely to be driven by upcoming US inflation data and evolving expectations regarding Federal Reserve policy.

US Treasury yields moved higher for a second consecutive session as demand for safe-haven assets eased following the recovery in global equity markets. The benchmark US 10-year Treasury yield rose to 4.88%, up 2-3 basis points from Friday's close.Japan 10-year JGB yield: 2.695% (+6 bps).Australia 10-year Government Bond yield: 5.02% (+4 bps).Attention is now focused on upcoming US inflation data, which could significantly influence the Federal Reserve's policy outlook. Market pricing currently implies nearly an 80% probability of another Fed rate hike before year-end, reflecting persistent inflation concerns and resilient economic growth. Higher-for-longer interest rate expectations continue to provide underlying support for US Treasury yields despite periodic risk-off flows.

	Current Levels
CBO Repo Rate	4.5
O/N OMIBOR	4
***Bank Deposit Rates for 1 years**	4.45
Bank Deposit Rates for 5 years	4.45

*Amount>500k OMR

Calendar

Key Data Watch	Time (GST)	Expected	Prior
Wholesale Trade Sales MoM	19:00		1.8%
Wholesale Inventories MoM	19:00	0.6%	0.6%

Global Markets

	Level	1-Day Change (%)	YTD (%)
S&P 500	7377	0.315	7.76
Euro Stoxx 600	648	-0.999	9.48
ShanghaiComposite Index	3666	0.460	-7.63
MSX-30	7264	-0.167	23.82
NIFTY-50	24925	-0.245	-4.61
Brent Crude ($/bbl)	98.30	0.020	63.27
Gold ($/oz.)	4124	1.319	-4.51
DXY	102	-0.159	3.88
Silver($/oz.)	53	2.362	-25.84

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