Bank Dhofar Morning Market Update

Date: 26/10/26

Global Update

Risk sentiment remained fragile as the artificial intelligence trade came under renewed pressure ahead of a crucial week of earnings from major technology companies. Asian equities were mixed, with South Korea's Kospi Index falling as Samsung Electronics declined, while Goldman Sachs cut its target for the benchmark amid growing concerns over AI-related valuations. Chinese AI developers and Japanese chipmakers also came under selling pressure, highlighting continued investor caution toward the sector. Nasdaq 100 futures edged lower as markets awaited results from Microsoft, Alphabet and Amazon, with investors closely scrutinising whether massive AI infrastructure spending can continue to justify lofty valuations. Meanwhile, the broader MSCI Asia Pacific Index remained subdued after four consecutive weeks of declines. Safe-haven demand supported Treasuries, pushing the 10-year US Treasury yield lower, while the US dollar weakened slightly and oil prices retreated. Market focus also remains on upcoming policy decisions from the Federal Reserve and the Bank of Japan as policymakers navigate persistent inflation, elevated energy prices and higher global bond yields. In Brazil, assets faced significant pressure after President Luiz Inácio Lula da Silva secured an unexpected election victory, with markets pricing in a sharp depreciation of the Brazilian real and broader risk-off positioning. Overall, investors remain cautious as they assess the outlook for AI-driven growth, central bank policy and global economic resilience.

EUR/USD has recovered modestly to around 1.1220 in early Asian trading, supported by a slight pullback in the US dollar. However, gains may remain limited as investors continue to monitor political and fiscal concerns in France, while awaiting Germany's IFO business sentiment data for further direction. Market participants are also positioning ahead of this week's ECB and Federal Reserve policy meetings, which could generate additional volatility. From a technical perspective, the daily chart maintains a bearish near-term bias. The pair remains below both the 100-day Simple Moving Average (1.1450) and the middle Bollinger Band near 1.1225, indicating that selling pressure is still dominant despite the recent rebound. Momentum indicators remain soft, with the RSI around 39.7, suggesting that upside momentum is insufficient to signal a meaningful trend reversal. As long as EUR/USD trades below the 1.1225-1.1230 resistance zone, the risk remains skewed to the downside.On the upside, immediate resistance is located at 1.1225, followed by 1.1315 at the upper Bollinger Band, while the 100-day SMA at 1.1450 remains the key medium-term barrier. On the downside, initial support is seen at 1.1140, corresponding to the lower Bollinger Band. A decisive break below this level would reinforce the bearish outlook and could trigger a deeper decline toward the next support levels.Fundamental & Technical Forecast: EUR/USD is likely to remain range-bound with a slightly bearish bias in the near term. Political uncertainty in France and a relatively resilient US dollar may cap rallies, while traders await economic data and central bank guidance. A sustained move above 1.1230 would improve the short-term outlook, whereas a break below 1.1140 would signal renewed downside momentum.



Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close

EURUSD	1.1206	1.1227	1.1201	**O/N SOFR**	3.900	#N/A N/A
GBPUSD	1.3374	1.3388	1.3358	**1 month SOFR**	3.925	3.925
USDJPY	156.93	157.2200	156.65	**3 month SOFR**	4.045	4.045
USDINR	94.93	95.11	94.91	**6 months SOFR**	4.185	4.185
USDCNY	6.6704	6.6704	6.6691	**12 month SOFR**	4.428	4.428
USDCHF	0.8242	0.8255	0.8232	**3 years IRS**	4.520	4.539
AUDUSD	0.7025	0.7040	0.7020	**5 years IRS**	4.501	4.523
NZDUSD	0.5690	0.5707	0.5681			

Major currencies were largely stable at the start of the week. The euro strengthened modestly, rising 0.2% to 1.1222 against the US dollar, supported by a softer dollar environment despite ongoing political concerns in France. Meanwhile, the Japanese yen traded little changed at 156.85 per dollar, as investors awaited the Bank of Japan's policy decision for further direction. The offshore Chinese yuan also remained steady at 6.6692 per dollar, reflecting cautious market sentiment ahead of key central bank meetings and major economic data releases.

Government bond markets were broadly stable, with a mild risk-off tone supporting US Treasuries. The US 10-year Treasury yield fell three basis points to 4.96%, reflecting increased demand for safe-haven assets ahead of key earnings releases and upcoming Federal Reserve policy decisions. In Asia, sovereign yields were largely unchanged. Japan's 10-year government bond yield held steady at 2.80%, as investors awaited further signals from the Bank of Japan regarding its policy outlook. Meanwhile, Australia's 10-year bond yield remained near 5.16%, indicating markets continue to price in a relatively restrictive interest-rate environment amid inflation concerns.

	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
Chicago Fed Nat Activity Index	16:30	-0.1	-0.04
Dallas Fed Manf. Activity	18:30	8.8	9.8

Global Markets

	Level	1-Day Change (%)	YTD (%)
S&P 500	7624	-0.519	11.37
Euro Stoxx 600	636	-0.309	7.36
ShanghaiComposite Index	3684	-0.178	-7.18
MSX-30	7278	-1.372	24.06
NIFTY-50	22638	0.170	-13.36
Brent Crude ($/bbl)	114.48	-1.902	90.14
Gold ($/oz.)	4013	0.411	-7.10
DXY	102	-0.150	3.39
Silver($/oz.)	54	0.543	-24.39

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