

Bank Dhofar Morning Market Update



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Global Update

Global risk sentiment weakened sharply as investors continued to unwind crowded AI-related positions, triggering a broad sell-off across equity markets. Asian stocks led the decline, with the MSCI Asia Pacific Index falling 1.7%, while South Korea's Kospi plunged 6.2% amid concerns that intensifying Chinese competition could pressure future earnings within the semiconductor and AI supply chain. Major technology names such as SK Hynix and Samsung Electronics lost around 8%, with similar weakness spreading across Tokyo and Taipei. The negative sentiment extended to US and European equity futures after Wall Street's recent decline pushed the Nasdaq 100 to its lowest level of the month. The risk-off move supported safe-haven assets, driving Treasury prices higher and pulling the US 10-year Treasury yield down by 5 basis points to 5.19%. Meanwhile, Brent crude fell 1.1% to around USD 105.45 per barrel as concerns over slowing growth and weaker risk appetite weighed on commodity markets. Investor focus is increasingly shifting from the AI growth story to the sustainability of returns from massive technology investments. With US earnings season approaching, markets are questioning whether the substantial capital expenditure being committed to AI can generate adequate profits in an environment of elevated interest rates and higher financing costs. After a powerful multi-year rally that has driven equity valuations to demanding levels, any earnings disappointment or weaker guidance could prompt further profit-taking, particularly within technology and semiconductor sectors. The current market reaction reflects a rotation away from high-growth AI beneficiaries towards defensive assets, highlighting growing caution among investors as valuations and macroeconomic uncertainties come under greater scrutiny.

Gold found buying interest around the \$4,150 level during Asian trading, recovering from part of Monday's decline as the US Dollar retreated from its strongest level since April 2025. Profit-taking in the dollar has provided near-term support for bullion; however, the broader backdrop remains mixed. The Federal Reserve's hawkish policy stance continues to support higher US yields and the dollar, while escalating geopolitical tensions in the Middle East are sustaining safe-haven demand for both gold and the greenback. From a technical perspective, gold remains trapped within a two-week consolidation range following its pullback from the August highs. The metal continues to trade below the 100-period SMA on the 4-hour chart near \$4,204, keeping the short-term bias cautiously negative. Momentum indicators also suggest limited upside strength, with the MACD remaining slightly in negative territory, while the RSI around 55 reflects a neutral-to-mildly bullish tone rather than a strong uptrend. On the upside, immediate resistance is seen at \$4,204, followed by the range ceiling at \$4,218. A break above these levels could open the door towards \$4,241, with stronger resistance emerging around \$4,328-\$4,415. Beyond that, the next targets are \$4,523 and the cycle high near \$4,697. On the downside, \$4,117 serves as the first key support level. A decisive break below this area would reinforce bearish momentum and expose the more significant support zone around \$3,959. As long as gold remains below the 100-period SMA and within the current trading range, price action is likely to remain choppy and directionless.



Source: Reuters, Bloomberg

Currencies

Rates

	Open	High	Low		Last Price	Previous Day Close
EURUSD	1.1155	1.1178	1.1154	O/N SOFR	3.870	#N/A N/A
GBPUSD	1.3208	1.3222	1.3205	1 month SOFR	3.925	3.925
USDJPY	158.61	158.6900	158.19	3 month SOFR	4.039	4.039
USDINR	95.17	95.30	95.01	6 months SOFR	4.193	4.193
USDCNY	6.6940	6.6974	6.6940	12 month SOFR	4.472	4.472
USDCHF	0.8347	0.8347	0.8328	3 years IRS	4.679	4.707
AUDUSD	0.6959	0.6962	0.6950	5 years IRS	4.696	4.730
NZDUSD	0.5588	0.5595	0.5580			

The US dollar eased against most major currencies, allowing the euro to gain 0.2% to \$1.1174, while the Japanese yen strengthened 0.2% to 158.31 per dollar. The offshore Chinese yuan was little changed at 6.6965 per dollar, reflecting relatively stable sentiment toward the Chinese currency. Meanwhile, the British pound advanced against the dollar, supported by broad USD weakness, while the Australian dollar also firmed as investors took profits on long dollar positions and risk sentiment stabilized after recent market volatility.

Bond markets strengthened as investors shifted toward safe-haven assets amid the broader risk-off sentiment in global markets. The yield on the benchmark US 10-year Treasury declined five basis points to 5.19%, reflecting increased demand for government bonds. In Asia, Japan's 10-year government bond yield fell 1.5 basis points to 2.995%, while Australia's 10-year bond yield eased three basis points to 5.29%.

				Global Markets			
			Current Levels		Level	1-Day Change (%)	YTD (%)
CBO Repo Rate			4.5				
O/N OMIBOR			4	S&P 500	7807	-0.055	14.05
*Bank Deposit Rates for 1 years			4.45	Euro Stoxx 600	636	0.649	7.34
				ShanghaiComposite Index	3787	-0.266	-4.58
Bank Deposit Rates for 5 years			4.45	MSX-30	7804	-0.614	33.02
*Amount>500k OMR				NIFTY-50	22566	0.908	-13.64
Calendar				Brent Crude (\$/bbl)	105.38	-1.191	74.99
				Gold (\$/oz.)	4196	0.573	-2.85
Key Data Watch	Time (GST)	Expected	Prior			-0.152	
NFIB Small Business Optimism	14:00	98.2	98.7	DXY	102		4.18
ADP Weekly Employment Change	16:15		23.750k	Silver(\$/oz.)	61	0.534	-15.47

For any Treasury related requirement, please contact:
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