Bank Dhofar Morning Market Update

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Global Update

Global equity markets staged a rebound after last week's sharp AI-led selloff. US equity futures rallied, with S&P 500 futures up 2.2% and Nasdaq 100 futures gaining 2.9%, as investors stepped back into heavily oversold technology stocks following seven consecutive sessions of losses. Taiwan's equity market rose 2.1% after authorities introduced measures to stabilize markets, while South Korea's Kospi remained under pressure, falling 3.7%. Despite the recovery, investor sentiment remains fragile amid concerns over AI-sector valuations, rising interest rates, and slowing demand for AI infrastructure investments.Technology shares remain at the center of market volatility. Nvidia plunged 14% on Friday, while chipmakers recorded one of their steepest weekly declines in years as investors reassessed growth expectations for the AI sector. Market participants are increasingly questioning the pace of future AI data-center spending, leading to a broader rotation into defensive sectors such as utilities, healthcare, and low-volatility stocks. Goldman Sachs noted that recent market weakness may present selective buying opportunities, although investor positioning remains elevated.Asian policymakers have stepped up efforts to support local markets. China announced a reduction in margin requirements for leveraged securities purchases, Taiwan widened restrictions on short-selling activity, and South Korea indicated it may activate a stock-market stabilization fund if conditions deteriorate further. These measures are aimed at restoring investor confidence following one of the sharpest declines in regional equities since the pandemic period.

The EUR/USD pair started the week on a firmer note, edging higher during the Asian session. However, the recovery remains limited, with the pair still trading below the key 1.1000 psychological level and close to its lowest levels since May 2025. The broader outlook continues to favor the US dollar, suggesting caution before assuming that a sustainable bottom has been formed.From a technical perspective, EUR/USD retains a bearish near-term bias after breaking below its recent trading range and the 50-day Simple Moving Average (SMA) at 1.1219. This breakdown indicates that sellers remain in control, despite occasional corrective rebounds seen in recent sessions.On the upside, the former range support-turned-resistance around 1.1110-1.1115 is the first key hurdle. A sustained move above this area could ease immediate downside pressure and pave the way for a stronger recovery toward the 50-day SMA at 1.1219. Until the pair successfully reclaims and closes above that level, rallies are likely to attract fresh selling interest, keeping the overall outlook tilted to the downside.



Source: Reuters, Bloomberg

Currencies

	Open	High	Low
EURUSD	1.0969	1.0989	1.0967
GBPUSD	1.3088	1.3117	1.3083

Rates

	Last Price	Previous Day Close
O/N SOFR	3.910	#N/A N/A
1 month SOFR	4.044	4.044

USDJPY	158.53	159.0600	158.51	**3 month SOFR**	4.210	4.210
USDINR	92.47	92.96	92.43	**6 months SOFR**	4.384	4.384
USDCNY	6.6736	6.6780	6.6729	**12 month SOFR**	4.621	4.621
USDCHF	0.8394	0.8413	0.8392	**3 years IRS**	4.467	4.467
AUDUSD	0.6626	0.6652	0.6613	**5 years IRS**	4.446	4.446
NZDUSD	0.5478	0.5483	0.5463			

Safe-haven demand eased as risk sentiment improved, resulting in a softer Japanese yen and modest US dollar weakness. The yen weakened 0.2% to around 158.95 per dollar after strengthening sharply on Friday during the equity selloff. The Bloomberg Dollar Spot Index slipped marginally, while the euro edged higher to around $1.0980.

Currency markets continue to be driven largely by shifts in risk appetite and evolving expectations for US monetary policy. While investors had previously moved aggressively into defensive assets amid concerns over the technology sector, Monday's rebound in equity futures reduced demand for traditional safe-haven currencies. Emerging market currencies remain under pressure as global investors reassess risk exposure following the recent correction in equities.

US Treasury futures declined after a five-session rally as investors rotated out of defensive assets and back into equities. The move reflects a partial unwinding of safe-haven flows that had supported government bonds during last week's stock-market correction. Market participants continue to debate whether Treasuries will resume their traditional inverse relationship with equities should volatility remain elevated.Interest-rate expectations remain a key market driver. Investors are assessing the possibility of further Federal Reserve tightening amid persistent inflation pressures. However, recent market turbulence has also led some traders to scale back expectations for near-term rate increases, helping support precious metals. Bond markets remain highly sensitive to incoming US inflation and labor-market data, with any indication of slowing price pressures likely to reinforce expectations of a more measured policy path from the Federal Reserve.

	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	17:30	0.2	0.07
S&P Global US Manufacturing PMI	18:45	54.5	54.9

Global Markets

	Level	1-Day Change (%)	YTD (%)
S&P 500	6910	-3.699	0.95
Euro Stoxx 600	626	-1.999	5.65
ShanghaiComposite Index	3500	-0.959	-11.82
MSX-30	7204	-0.772	22.79
NIFTY-50	25662	-0.536	-1.79
Brent Crude ($/bbl)	92.68	0.130	53.89
Gold ($/oz.)	3609	1.980	-16.46
DXY	104	-0.009	5.57
Silver($/oz.)	42	2.475	-41.14

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