

Bank Dhofar Morning Market Update



Date: 30/09/26

Global Update

Asian markets traded higher as risk sentiment improved, with the MSCI Asia Pacific Index gaining 0.9% and most sectors advancing, supported by strong technology shares led by SoftBank after reports that OpenAI is seeking to raise at least USD 30 billion at a valuation of USD 1.4 trillion. Equity futures pointed to further gains in Europe and the US, while bond markets stabilized following a sharp selloff that pushed long-dated US Treasury yields to their highest levels since 2002. Rising oil prices and persistent inflation concerns continue to dominate investor sentiment, with Brent crude recovering above USD 103 per barrel amid ongoing geopolitical tensions in the Middle East and uncertainty surrounding US-Iran relations. Elevated energy costs have reinforced expectations that inflation may remain sticky, prompting markets to price in additional Federal Reserve rate hikes over the coming year. At the same time, investors are demanding higher compensation to hold long-term government debt, driven by concerns over persistent inflation, increased fiscal spending, and rising borrowing linked to AI-related investment. The US dollar remained firm and is on track for its strongest monthly performance since June as higher Treasury yields continue to support the currency, while the Japanese yen strengthened modestly against the dollar. In China, property stocks came under pressure after recent mortgage support measures failed to meet market expectations. Market attention now turns to the US Personal Consumption Expenditures (PCE) report, the Federal Reserve's preferred inflation gauge, with economists expecting both headline and core inflation to accelerate in August. A stronger-than-expected reading would likely reinforce expectations for a more hawkish Fed stance, keeping upward pressure on Treasury yields and the US dollar, while a softer outcome could provide some relief to global risk assets.

Gold prices (XAU/USD) traded cautiously during the Asian session, struggling to build on the previous day's rebound and remaining range-bound after recovering from this week's low near \$4,100, the weakest level since early August. The precious metal continues to draw support from a pullback in US Treasury yields, which has weighed on the US dollar and provided some relief for non-yielding assets such as gold. However, investors remain reluctant to establish aggressive positions ahead of key US economic data, particularly the Personal Consumption Expenditures (PCE) inflation report, the Federal Reserve's preferred inflation gauge.

From a technical perspective, gold has managed to hold above the 78.6% Fibonacci retracement level near \$4,100, which serves as immediate support. Nevertheless, the overall technical backdrop remains fragile, with the MACD indicator staying in negative territory, signalling that bearish momentum remains intact, while the RSI near 40 reflects weak buying interest rather than oversold conditions. On the upside, initial resistance is seen around \$4,227, corresponding to the 61.8% Fibonacci retracement level, followed by the 200-day EMA at \$4,307 and further resistance near \$4,317. As long as prices remain below the 200-day EMA, recovery attempts are likely to face selling pressure. Additional resistance levels are located at \$4,406 and \$4,517, which could cap any broader upside correction.

On the downside, a sustained break below the \$4,100 support area would expose the previous swing low near \$3,937, potentially triggering a deeper corrective decline. In the near term, gold's direction is likely to be driven by incoming US inflation data and its implications for Federal Reserve policy expectations, with softer inflation supporting bullion and a stronger reading likely to reinforce higher-rate expectations and weigh on prices.



Source: Reuters, Bloomberg

Internal

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close
EURUSD	1.1342	1.1346	1.1329	O/N SOFR	3.900	#N/A N/A
GBPUSD	1.3232	1.3235	1.3223	1 month SOFR	3.901	3.901
USDJPY	157.29	157.4600	156.38	3 month SOFR	4.075	4.075
USDINR	95.96	95.98	95.92	6 months SOFR	4.259	4.259
USDCNY	6.7051	6.7055	6.7032	12 month SOFR	4.570	4.570
USDCHF	0.8340	0.8347	0.8332	3 years IRS	4.776	4.767
AUDUSD	0.6986	0.6995	0.6959	5 years IRS	4.774	4.773
NZDUSD	0.5641	0.5650	0.5634	Global bond markets steadied after recent volatility, with the benchmark 10-year US Treasury yield holding near 5.23%, while Japan's 10-year government bond yield remained unchanged at 3.09%. In Australia, the 10-year government bond yield eased three basis points to 5.34%, reflecting modest demand for bonds ahead of key US inflation data and further clarity on the interest-rate outlook.		

In major currency markets, the euro was little changed at 1.1333 against the dollar, while sterling traded steady near 1.3222. The Japanese yen strengthened 0.3% to 156.86 per dollar, supported by some easing in US bond yields, though it remains close to levels that could attract official scrutiny. The offshore Chinese yuan was largely unchanged at 6.7057 per dollar. Meanwhile, the Australian dollar held near 0.7066, finding support from improving risk sentiment across Asian equity markets and firmer commodity prices.

				Global Markets			
			Current Levels		Level	1-Day Change (%)	YTD (%)
CBO Repo Rate			4.5				
O/N OMIBOR			4	S&P 500	7671	-0.167	12.06
*Bank Deposit Rates for 1 years			4.45	Euro Stoxx 600	638	-0.094	7.75
				ShanghaiComposite Index	3841	0.271	-3.23
Bank Deposit Rates for 5 years			4.45	MSX-30	7579	-0.148	29.19
*Amount>500k OMR				NIFTY-50	22727	0.046	-13.02
				Brent Crude (\$/bbl)	103.12	0.526	71.34
Key Data Watch			Time (GST)	Gold (\$/oz.)	4184	0.052	-3.12
						0.061	
MBA Mortgage Applications			15:00	DXY	101		3.17
ADP Employment Change			16:15	Silver(\$/oz.)	61	-0.446	-14.60
Expected			75k				
Prior			38k				

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