

Bank Dhofar Morning Market Update



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Global Update

Global markets came under heavy pressure as a broad equity selloff accelerated, led by sharp declines in semiconductor and AI-related stocks across the US and Asia. The retreat followed stronger-than-expected US inflation data, which reinforced expectations that the Federal Reserve may need to keep monetary policy tighter for longer and potentially deliver additional rate hikes. Asian equities bore the brunt of the selling, with South Korea's Kospi plunging 8%, while major chipmakers Samsung Electronics and SK Hynix each fell around 10%, reflecting growing concerns over elevated valuations and the ability of substantial AI-related investments to generate corresponding returns. US technology futures also pointed lower, signalling further weakness in the Nasdaq 100 and European equities. Despite the inflation surprise initially pushing bond yields higher, investors subsequently sought safety in government debt, driving US Treasury yields lower across the curve, with the 10-year yield falling to 5.09% and the 2-year yield declining to 4.70%. Safe-haven demand also supported bonds in Asia, while the US dollar weakened after reaching its strongest level since May 2025. Overall, persistent inflationary pressures, higher oil prices linked to Middle East tensions, and concerns over the sustainability of the AI-driven equity rally have fueled a risk-off sentiment across global financial markets.

USD/JPY has broken below the key 100-period Simple Moving Average (SMA) on the 4-hour chart, signaling a loss of bullish momentum and increasing the risk of a deeper corrective move. Bears are now looking for a sustained break below the 23.6% Fibonacci retracement level to confirm further downside, opening the door towards the 38.2% retracement at 156.71, followed by the 50.0% level at 155.98 and the 61.8% retracement at 155.25. A more pronounced decline could expose the 78.6% retracement at 154.21, while the 100.0% retracement level at 152.88 remains a major longer-term support zone. On the upside, initial resistance is seen at the 100-period SMA around 157.97, with the recent swing high at 159.07 representing a stronger barrier for any renewed bullish advance. From a fundamental perspective, Bank of Japan board member Junko Koeda stated that policymakers are closely monitoring upside inflation risks stemming from Japanese yen depreciation, resilient global demand linked to artificial intelligence, and the potential economic impact of developments in the Middle East. Koeda reiterated that the BoJ should adjust interest rates in a timely manner in line with evolving economic and price conditions, while keeping the estimated neutral policy rate range in mind. Her comments reinforce expectations that the BoJ may continue its gradual policy normalisation path, providing underlying support for the yen and adding to downside risks for USD/JPY should market expectations for further Japanese rate hikes strengthen.



Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close
EURUSD	1.1157	1.1241	1.1151	O/N SOFR	3.890	#N/A N/A
GBPUSD	1.3193	1.3259	1.3186	1 month SOFR	3.925	3.925

USDJPY	158.33	158.3500	157.58	3 month SOFR	4.039	4.039
USDINR	94.92	94.99	94.86	6 months SOFR	4.193	4.193
USDCNY	6.6930	6.6936	6.6917	12 month SOFR	4.472	4.472
USDCHF	0.8349	0.8355	0.8278	3 years IRS	4.695	4.706
AUDUSD	0.6972	0.6981	0.6945	5 years IRS	4.712	4.723
NZDUSD	0.5593	0.5635	0.5588			

The US dollar weakened against most major currencies as risk aversion and falling Treasury yields weighed on sentiment. The euro rose 0.6% to \$1.1228, while the Japanese yen strengthened 0.4% to 157.64 per dollar amid increased safe-haven demand. The offshore yuan was broadly unchanged at 6.6923 per dollar.

The yield on the benchmark 10-year US Treasury fell 9 basis points to 5.09%, while Japan's 10-year government bond yield declined 9 basis points to 2.91%. Australian government bonds also rallied, with the 10-year yield dropping 11 basis points to 5.20%, reflecting a broader flight to quality as concerns over persistent inflation, tighter monetary policy, and the global growth outlook weighed on risk sentiment.

				Global Markets			
			Current Levels		Level	1-Day Change (%)	YTD (%)
CBO Repo Rate			4.5				
O/N OMIBOR			4	S&P 500	7719	-1.108	12.76
*Bank Deposit Rates for 1 years			4.45	Euro Stoxx 600	638	0.431	7.69
				ShanghaiComposite Index	3693	-1.980	-6.96
Bank Deposit Rates for 5 years			4.45	MSX-30	7755	0.352	32.19
*Amount>500k OMR				NIFTY-50	22783	0.710	-12.81
Calendar				Brent Crude (\$/bbl)	104.39	-1.565	73.36
				Gold (\$/oz.)	4146	0.999	-4.01
Key Data Watch	Time (GST)	Expected	Prior	DXY	102	-0.501	3.78
Retail Sales Advance MoM	16:30	0.3%	1.2%				
Initial Jobless Claims	16:30	200k	197k	Silver(\$/oz.)	56	0.818	-21.84

For any Treasury related requirement, please contact:
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