Bank Dhofar Morning Market Update

Date: 07/09/26

Global Update

Asian equities advanced, led by technology shares after strong gains in US semiconductor stocks, with South Korean chipmakers Samsung Electronics and SK Hynix among the top performers. Investor sentiment was boosted by optimism surrounding OpenAI's newly announced GPT-6 model, which is expected to drive further demand for AI-related semiconductor products.Meanwhile, oil prices rose following escalating tensions between the US and Iran after attacks involving oil tankers near the Strait of Hormuz. Brent crude briefly approached USD 97/bbl, while WTI traded around USD 92/bbl, supporting broader energy markets.In the US, stronger-than-expected payroll data reinforced expectations that the Federal Reserve could raise interest rates at its September meeting. Market attention now shifts to this Friday's US CPI release, which is likely to be the key determinant of the Fed's next move. A higher inflation reading would strengthen the case for a rate hike and support the US dollar, while softer inflation could encourage expectations of a pause.China announced a 300 billion yuan (approximately USD 45 billion) capital injection into its largest banks and insurers, marking the country's biggest financial-sector recapitalisation in nearly two decades. The move is aimed at strengthening the banking system, supporting credit growth, and sustaining economic activity amid a slowing economy. The measure is expected to improve lending capacity and reinforce market confidence in China's financial sector.In Europe, investors will closely monitor bond markets after Germany's far-right Alternative for Germany (AfD) party achieved its strongest-ever result in a state election. The outcome may influence sentiment toward German and broader European assets, particularly government bonds, as markets assess the potential political implications. The euro was largely unchanged in early Asian trading.

The euro is trading slightly weaker around 1.1610 against the US dollar as markets adopt a cautious stance ahead of this week's crucial US inflation data. The recent rebound in the dollar, supported by stronger-than-expected US payrolls and growing speculation of a potential Federal Reserve rate hike later this month, has limited upside momentum in EUR/USD.From a technical perspective, EUR/USD maintains a mildly bearish near-term bias despite holding above key support levels. Momentum indicators remain neutral, with the RSI near 54, suggesting neither bulls nor bears currently have a decisive advantage. Price action continues to struggle below a key moving-average resistance zone, indicating that upside attempts may remain capped unless a fresh catalyst emerges.A sustained move above the recent resistance area would improve sentiment and potentially open the door for a retest of higher levels around 1.1650-1.1700. On the downside, failure to hold above current levels could trigger renewed selling pressure toward 1.1550, followed by 1.1500, particularly if Friday's US CPI data surprises to the upside and reinforces expectations of a Fed rate hike.

Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close

EURUSD	1.1618	1.1620	1.1607	**O/N SOFR**	3.660	#N/A N/A
GBPUSD	1.3513	1.3522	1.3506	**1 month SOFR**	3.742	3.742
USDJPY	156.04	156.2800	155.80	**3 month SOFR**	3.813	3.813
USDINR	94.40	94.46	94.37	**6 months SOFR**	3.942	3.942
USDCNY	6.7095	6.7129	6.7095	**12 month SOFR**	4.124	4.124
USDCHF	0.8090	0.8110	0.8084	**3 years IRS**	4.251	4.251
AUDUSD	0.7202	0.7211	0.7196	**5 years IRS**	4.272	4.272
NZDUSD	0.5875	0.5885	0.5866			

The US dollar traded broadly stable at the start of a crucial inflation week, with EUR/USD holding near 1.1611, USD/JPY around 156.14, and the offshore yuan steady at 6.7106 per dollar. Currency markets remained largely range-bound as investors awaited Friday's US CPI release, which is expected to play a key role in determining whether the Federal Reserve proceeds with a September rate hike. The dollar continues to draw support from stronger-than-expected US payrolls data, while the euro remains capped by cautious risk sentiment and the yen finds underlying support from expectations of potential Bank of Japan policy tightening.

Japan's 10-year government bond yield rose 1.5 basis points to 2.915%, while Australia's 10-year government bond yield advanced 1 basis point to 5.18%, reflecting cautious positioning by investors ahead of key US inflation data due later this week. The modest rise in yields suggests markets are gradually pricing in the risk of tighter monetary policy globally, particularly after stronger-than-expected US payrolls data reinforced expectations that the Federal Reserve could still deliver a rate hike in September. Higher bond yields across major markets also indicate lingering inflation concerns, with investors closely monitoring upcoming US CPI figures for further direction on global interest rates, currencies and risk assets.

	Current Levels
CBO Repo Rate	4.25
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
NFIB Small Business Optimism	14:00	99.3	99.8
NY Fed 1-Yr Inflation Expectations	19:00	3.6%	3.63%

Global Markets

	Level	1-Day Change (%)	YTD (%)
S&P 500	7719	-0.376	12.75
Euro Stoxx 600	650	0.120	9.74
ShanghaiComposite Index	3921	-0.240	-1.21
MSX-30	7632	0.043	30.08
NIFTY-50	23838	-0.250	-8.77
Brent Crude ($/bbl)	97.12	0.883	61.37
Gold ($/oz.)	4401	-0.644	1.90
DXY	99	0.006	0.87
Silver($/oz.)	66	-0.752	-8.31

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