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Daily Market Outlook

USD Smile Intact

- ***USD Smile Intact****: USD remains supported by its yield advantage and safe-haven appeal, reinforcing the USD smile narrative. While we retain a constructive USD view, near-term gains are likely to be incremental.*

- ***CHF Under Pressure****: The CHF has lost much of its safe haven appeal for now. As SNB intervention risks keep a lid on gains and rate differentials widen, the CHF remains one of the laggards in G10 FX.*

- ***KRW gains extended*** *on continued corporate USD selling, a somewhat hawkish BoK hike and broader USD softness, though equity weakness and elevated oil prices may cap further upside.*

- ***MYR may turn more data-sensitive*** *ahead of GDP and CPI releases today. Resilient growth and contained inflation should be supportive, while broader USD moves and risk sentiment remain key near-term drivers.*

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USD Smile Intact: The USD and US Treasury yields initially moved higher after stronger-than-expected US jobless claims and retail sales data signalled resilient consumer spending. Household demand continues to be supported by a recovering labour market and rising household wealth, despite pressure on purchasing power from higher energy prices.

The USD remains the highest-yielding safe-haven currency in the G10 complex. Near-term FX price action is likely to continue reflecting the "USD smile" framework, under which the greenback tends to outperform when markets price either stronger US growth and higher rates or a rise in global risk aversion.

That dynamic was evident overnight. While US yields later surrendered part of their gains, the USD remained supported as investors turned more defensive amid renewed Middle East tensions and concerns over a broader unwind in AI-related infrastructure trades. Although US strikes against Iran continued overnight, the oil market reaction has been relatively muted so far. Iran has reportedly urged the Houthis to close Red Sea shipping routes if US attacks were to target its energy infrastructure.

While we continue to expect modest USD appreciation by year-end, near-term upside is likely to remain capped without a fresh catalyst. Such an environment should remain supportive of carry strategies, although performance will depend increasingly on the choice of funding currencies.

Meanwhile, Fed rhetoric continues to lean hawkish. Dallas Fed President Logan argued that "modestly higher interest rates" would provide a better balance of risks around the Fed's dual mandate, adding that a "modest restriction" now would be preferable to a "severe restriction" later. Similarly, Kansas City Fed President Schmid warned against placing too much weight on a single CPI report, noting that the FOMC risks tightening too late if it looks through the inflationary impact of higher energy prices.

CHF Under Pressure: The CHF underperformed as low yields and the Swiss National Bank's (SNB) willingness to intervene in the FX market continued to weigh on the currency. In the summary of its 18 June policy meeting, the SNB said monetary conditions remain appropriate and saw no immediate need for further action despite rising upside inflation risks.

Since the outbreak of the US-Iran conflict, the SNB's increased willingness to intervene, if necessary, has curtailed the CHF's safe haven appeal. As a result, the CHF has been driven largely by interest rate dynamics rather than risk aversion.

Swiss inflation remains below the midpoint of the SNB's 0-2% price stability range, suggesting policy rates are likely to stay at zero for at least the rest of the year. Against a backdrop of rising global yields, this should keep the CHF on the back foot despite Switzerland's sizeable current account surplus.

KRW. Gains extend on flows and BoK support. KRW extended its gains, building on the corporate flow-led move seen earlier in the week, as continued USD selling, the BoK rate hike and broader USD softness kept USDKRW under pressure. The post-meeting statement struck a somewhat hawkish note, with policymakers flagging stronger growth, persistent inflation and the possibility of further tightening, which may help the KRW retain a mild bid. Still, the sharp equity selloff, volatile foreign equity flows and elevated oil prices may limit further gains. USDKRW last seen at 1480 levels. Bearish momentum on daily chart intact though RSI is in oversold conditions. Support here at 1473 levels (200 DMA, 61.8% fibo retracement of 2026 low to high). Resistance at 1490 (50% fibo), 1497 (100 DMA).

MYR. GDP, CPI in focus. MYR may turn more data-sensitive ahead of today's advance 2Q26 GDP and June CPI releases. Our economists expect growth momentum to remain resilient, supported by domestic demand and investment activity, while inflation should remain manageable. A solid growth print alongside contained CPI would reinforce Malaysia's favourable macro backdrop and may lend MYR some support. That said, broader USD and risk sentiments are likely to remain the near-term drivers. Pair last closed at 4.0730 levels. Mild bearish momentum on daily chart intact while RSI is flat. Consolidation likely. Support at 4.0610 (38.2% fibo retracement of May low to Jun high), 4.0510 (200 DMA) and 4.0320 (50 DMA, 50% fibo). Resistance at 4.0940/980 levels (21DMA, 23.6% fibo).

<u>**Technical Levels Table**</u>

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1540	163.43	1.3662	0.8181	0.7050	0.5893	1.4133	4199	1.2966	61.73	96.62
Resistance 2	1.1495	162.87	1.3578	0.8129	0.7024	0.5869	1.4085	4101	1.2932	61.68	96.47
Resistance 1	1.1468	162.63	1.3528	0.8109	0.7010	0.5856	1.4064	4039	1.2918	61.66	96.41
Spot	1.1445	162.34	1.3477	0.8086	0.6998	0.5842	1.4040	3979	1.2903	61.63	96.35
Support 1	1.1423	162.07	1.3444	0.8057	0.6984	0.5832	1.4016	3942	1.2884	61.62	96.26
Support 2	1.1405	161.75	1.3410	0.8025	0.6972	0.5821	1.3989	3907	1.2864	61.60	96.17
Support 3	1.1360	161.19	1.3326	0.7973	0.6946	0.5797	1.3941	3810	1.2830	61.56	96.01
Bollinger Band											
Bollinger Upper	1.1470	162.86	1.3539	0.8135	0.7013	0.5856	1.4286	4202	1.2974	61.87	96.40
Bollinger Lower	1.1358	161.17	1.3130	0.8032	0.6865	0.5586	1.4039	3942	1.2888	61.00	93.93

Source: Bloomberg, OCBC Group Research. Potential resistance and support levels are identified based on pivot points

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