

Daily Market Outlook

JPY Faces Election Risk

- **JPY Faces Election Risk:** Early Japan elections and fiscal stimulus bets weigh on JPY despite narrowing rate gaps. Intervention risk near 160 limits upside for USDJPY, leaving the JPY outlook subdued amid fiscal sustainability concerns.
- **USD's Tug of War:** December US CPI surprise suggests tariff pass-through peaked. Fed likely stays sidelined, with labour data in focus. Fed leadership shifts and independence scrutiny weigh on USD, but resilient US growth could tip the balance toward an earlier USD recovery.
- **Oil rises on Middle East risk:** Iran unrest and US pressure raise supply concerns, pushing oil prices higher. OPEC+ flexibility caps upside, keeping year-end Brent oil forecast near USD59/bbl despite geopolitical tensions.
- **THB:** THB underperformed on comments from BoT Governor. He also referred to gold transactions in online trading applications that are abnormal and have implications on the THB. We have flagged about a series of tightening of checks on FX and gold-related THB flows, implying greater scrutiny from policymakers on the strength of THB. Near term, we should expect THB bulls to be more restraint.
- **Precious metal:** Precious metals rebound after margin-driven dip. Fundamentals remain intact amid geopolitical uncertainty, though near-term pullback risk persists as technical signals approach overbought territory.

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JPY Faces Election Risk: Prospects of early elections in Japan triggered another bout of JPY underperformance versus G10 peers, alongside higher JGB yields and stronger equities. Intervention risk near 160 for USDJPY remains a key watchpoint as Finance Minister Katayama and US Treasury Secretary Bessent reportedly “shared” concerns over one-way JPY weakness. Japanese Prime Minister Takaichi may call snap Lower House elections for 8 or 15 February, taking advantage of strong approval ratings. An early election aimed at solidifying the LDP’s position could pave the way for larger fiscal stimulus, reinforcing fiscal sustainability concerns. While narrowing US-Japan rate differentials would typically point to downside in USDJPY, fiscal worries have weakened this transmission channel. As a result, the JPY outlook remains subdued, even as rising intervention risk makes chasing USDJPY higher at current levels unattractive.

USD's Tug of War: December's softer-than-expected US core CPI suggests tariff pass-through may have peaked. Yet, data distortions from the government shutdown mean markets still expect the Fed to keep rates steady at its January meeting. Inflation remains secondary to labour data for policy decisions. We anticipate modest USD weakness in 1H26, driven by dovish risk from Fed leadership changes and heightened scrutiny over Fed independence—especially with oral arguments in the Lisa Cook case on 21 January, ahead of the FOMC meeting on 27-28 January. However, cyclical strength in US data continues to argue for USD upside. A USD rebound could come sooner than expected if US growth accelerates ahead of mid-term elections. Read [*FX Focus: Quiet FX, Loud Signals, 8 January 2026*](#) for more details.

Oil rises on Middle East risk: Oil prices climbed to a two-month high as markets fretted over potential supply disruptions from escalating civil unrest in Iran. Any disruption could threaten up to 3.5mb/d of output, with nearly 2mb/d reaching global markets. President Trump intensified pressure on Iran, announcing a 25% tariff on goods from countries “doing business” with Tehran. Rising geopolitical risk could push Brent toward USD70/bbl in the near term. However, OPEC+'s ability to raise supply should limit the risk of a sharp price spike. We maintain our forecast for Brent outlook to remain subdued but bottom near USD59/bbl by year-end, pending clarity on Venezuela's new government and resource policy. OPEC's pause in quota hikes supports soft floor for Brent in high-USD50s. Read [*Commodity Compass: Venezuela: Oil and gold stirred, not shaken, 5 January 2026*](#) for more details.

Precious metals. Prices of gold and silver reversed the earlier dip to trade fresh highs for the session. The earlier dip was a knee-jerk response to new margin changes. Effective after the close of business on 13 January, the margins for gold, silver, platinum and palladium will be based on a percentage of notional instead of the current approach of margins based on a dollar amount. CME had previously raised the margin requirements on precious metal futures twice in the last week of Dec 2025, following a bout of volatility. Margin increases can lead to a reduction in positions especially when market liquidity conditions are less liquid. While this may undermine prices, this should not be misinterpreted as a shift in fundamental story. That said, markets may still take this opportunity to gauge if prices of precious metals continue to hold up.

Notwithstanding the risk of a near term pullback, the fundamental story remains intact. For gold, the Venezuela episode, Trump's comments on Greenland, and highly fluid developments in Iran underscores the persistence of geopolitical uncertainty and the risk of

episodic flare-ups across multiple regions, even when individual events may de-escalate quickly. The combination of structural demand, macro tailwinds, set in an environment of heightened geopolitical uncertainty should remain supportive of gold outlook. Persistent physical market tightness and investor demand, compounded by recent regulatory shifts in China are some of the drivers underpinning the constructive outlook for silver. On a technical note, gold was last seen at 4593 levels. Daily momentum is mildly bullish but rise is RSI moderated near overbought conditions. Risk of pullback not ruled out in the near term. Support at 4454 (23.6% fibo retracement of Oct low to Jan high), 4416 (21 DMA). Resistance at 4630 (recent high).

USDTHB. Supported. THB was amongst the top underperformers overnight. Comments from Bank of Thailand (BoT) Governor Vitai weighed on THB. He reiterated that rate cut option remains open if needed. This is not new, given that the last BoT minutes have already flagged this option. He also shared that Inflation rate would only rise by 0.1 percentage point even if the key rate is cut by 50 basis points, Thailand's GDP growth potential has dropped to 2.7% from more than 3% because of entrenched structural problem, namely low productivity, high inequality and high household debt. BoT wants to see a weaker THB and the local currency should be in line with economic fundamentals. He also referred to gold transactions in online trading applications that are abnormal and have implications on the THB.

We have flagged about a series of tightening of checks on FX and gold-related THB flows, implying greater scrutiny from policymakers on the strength of THB. Furthermore, these tightening of checks cannot be timelier, coming at a time of softer domestic fundamentals with election risks on the horizon. Read [*FX Thoughts: THB – A restraint appreciation path, 12 January 2026*](#) for more details. All in, we should expect THB bulls to be more restraint in the near term, particularly if gold prices stay in consolidative phase. USDTHB last seen at 31.47 levels. Daily momentum is mild bullish. Resistance at 31.75/90 levels. Support at 31.00/20 levels.

USDSGD. 2-way risks. USDSGD saw modest knee-jerk reaction to the downside on US CPI print, but the dip was brief. The pair subsequently reversed losses to trade a touch firmer. US CPI print did not lead to a change in pricing for Fed cuts trajectory. Markets are still not looking for a cut, until Jun FOMC while for the year, markets still price 2 cuts so far. Given the high correlation between DXY and USDSGD, the risk for USDSGD is a hawkish re-pricing on any upside surprise to US data. Pair was last seen at 1.2880. Daily momentum is mild bullish while RSI rose. Risks skewed to the upside. Resistance at 1.2920/50 levels (50, 100,

200 DMAs, 23.6% fibo retracement of 2025 high to low). Support at 1.2820, 1.2790 levels (Jan low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1737	161.32	1.3592	0.8094	0.6802	0.5846	1.3966	4726	1.2974	59.47	90.46
Resistance 2	1.1694	160.03	1.3519	0.8046	0.6748	0.5799	1.3924	4662	1.2926	59.39	90.34
Resistance 1	1.1668	159.59	1.3471	0.8029	0.6715	0.5768	1.3907	4624	1.2906	59.36	90.27
Spot	1.1644	159.20	1.3426	0.8011	0.6685	0.5740	1.3887	4595	1.2888	59.33	90.19
Support 1	1.1625	158.30	1.3398	0.7981	0.6661	0.5721	1.3865	4560	1.2858	59.29	90.15
Support 2	1.1608	157.45	1.3373	0.7950	0.6640	0.5705	1.3840	4533	1.2830	59.24	90.11
Support 3	1.1565	156.16	1.3300	0.7902	0.6586	0.5658	1.3798	4468	1.2782	59.16	89.99
Bollinger Band											
Bollinger Upper	1.1821	158.90	1.3554	0.8028	0.6751	0.5849	1.3937	4632	1.2915	59.42	90.72
Bollinger Lower	1.1619	154.97	1.3374	0.7850	0.6626	0.5715	1.3611	4242	1.2801	58.48	89.34

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

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