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Daily Market Outlook

RBA Leads Tightening

- ***RBA Leads Tightening**: The RBA's hawkish hike puts Aussie rates above the Fed's and boosts AUD sentiment. Stronger commodities, gradual CNY appreciation and wider rate spreads justify our higher 0.73 AUDUSD forecast for end-2026.*
- ***Global Markets Overview**: AI-driven tech rotation hit US equities as metals and oil rallied. The US government shutdown nears an end with a funding bill sent to Trump; markets await updated payrolls and CPI timing.*
- ***INR** rallied on headlines of a US–India trade deal, but missing specifics mean follow-through may be limited as investors return to fundamentals – rate dynamics, USD trajectory and broader risk appetite.*
- ***USD Caught Off Balance**: Policy uncertainty weighs on the USD, prompting an upgrade of our end-2026 EURUSD forecast to 1.23. Still, strong US fundamentals and a patient Fed limit the extent of any USD decline.*
- ***Gold and silver** bounced on dip-buying as liquidation pressures eased, but sentiment remains cautious. We see consolidation, not trend reversal, and stick to our year-end forecasts for gold and silver at USD5,600/oz and USD133/oz respectively.*

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Global Markets Overview: US equities slid alongside a softer USD amid as AI disruption fears drove a rotation from tech to the more cyclical sectors. Gold and silver rallied as the recent selloff was viewed as overdone. Oil prices surged after news that the US shot down an Iranian drone, despite some progress on the diplomatic front. The US House of Representatives passed its funding bill and sent it to President Trump to sign, which would end the partial government shutdown. We will be on the lookout for BLS to give us a new date for payrolls (we think next Tuesday 10 February as a likely date), and to confirm whether CPI will be released as scheduled on 11 February.

RBA Leads Tightening: The RBA became the first G10 central bank (outside Japan) to hike in this cycle, lifting the cash rate to 3.85% and pushing Australian policy rates above the Fed's for the first time since 2017. The Board flagged a renewed rise in inflation in 2H25 and warned that inflation will stay above target for some time, prompting a material upward revision to its 2026 forecasts. The changes signal a hawkish shift in the RBA's reaction function, even though Governor Bullock avoided hinting at additional hikes during the press conference.

Markets disagree: OIS pricing implies another full 25bp increase by the August meeting. Stronger industrial metal prices, gradual CNY appreciation and wider rate differentials underpin our upgraded end-2026 AUDUSD forecast of 0.73 (from 0.69).

USD Caught Off Balance: USD volatility reflects the "Greenland shock," shifting Washington signals, and ongoing JPY intervention speculation. Kevin Warsh's nomination for Fed Chair reduces – but does not fully remove – Fed independence concerns. Multiple USD downside risks have already materialised, and markets remain unsure that "maximum US policy uncertainty" is behind us. We raise our end 2026 EURUSD forecast to 1.23 (from 1.20) to reflect a higher USD risk premium. But USD downside is limited by US resilience — the FOMC is signaling no rush for further easing. In our base case, the USD has more room to weaken against commodity FX. A stronger global cyclical backdrop and firmer industrial metals underpin our upgraded end 2026 AUDUSD forecast of 0.73 (from 0.69). Please read *FX Focus: USD Caught Off Balance, 3 February 2026* for more details.

USDINR. Devil in the details? USDINR gapped sharply lower in the open yesterday, in reaction to news of a US–India trade deal, as markets react to a reduction in trade policy uncertainty. Initial reports suggest the US will cut tariffs on Indian goods to around 18%, while India may reduce duties on selected US imports and step up purchases of US energy, defence equipment and aircraft, with total trade commitments reportedly cited at up to USD500bn over several years. India will also stop buying Russian oil. However, key technical details are pending (at time of writing), including sector-specific timelines and final tariff schedules, with a joint statement yet to be released.

As such, while the announcement provided a near-term sentiment boost to the INR, any follow-through is likely to be more measured, as markets refocus on relative rate dynamics, broader USD trends and global risk conditions rather than trade headlines alone. USDINR was last at 90.3 levels. Daily momentum turned mild bearish while RSI fell to near oversold conditions. Risks skewed to the downside for now. Support at 90 levels (23.6% fibo retracement of 2025 low to 2026 high), 89.40 (100 DMA) and 88.80 (38.2% fibo). Resistance at 90.90 (21 DMA), 92 levels (recent high).

Precious metals. Stabilising sentiments. Precious metals rebounded over the past 12–24 hours, offering further signs that sentiment may be stabilising following the sharp and disorderly sell-off seen late last week. Gold and silver both attracted dip-buying interest as prices moved away from recent extremes, helped by a pause in USD strength.

The rebound suggests that forced selling and margin-related liquidation pressures may have faded, at least for now. Even as prices are now less elevated following the correction, sensitivity to the USD, yield repricing, and uncertainty around Fed policy under new leadership remains high. While positioning has likely reset to some extent, confidence may not have fully restored, pointing to a potential period of choppier, two-way trading.

From a house-view perspective, we continue to see the recent pullback as a normalisation phase rather than a trend reversal. Structural supports for precious metals remain intact. For gold, central bank demand is expected to continue while portfolio diversification demand remains supported by geopolitical risks, rising debt burdens, and US policy uncertainty. For silver, structural support continues to stem from its dual role as both a precious and industrial metal. While higher beta and sentiment-driven flows can amplify short-term volatility, medium-term fundamentals remain supported by demand from solar PV, grid modernisation and electrification themes, which should help cushion downside once positioning and sentiment stabilise. We stick to our year-end forecasts for gold and silver at USD5,600/oz and USD133/oz respectively.

USDSGD. Range-bound. USDSGD was modestly softer but largely traded in subdued range overnight. Pair was last seen at 1.27 levels. Bearish momentum on daily chart faded but rise in RSI slowed. 2-way trades likely to dominate. Resistance at 1.2780/90 levels (21 DMA, 38.2% fibo). Support at 1.2710/30 levels (23.6% fibo retracement of Nov high to Jan low), 1.2590 levels (recent low). In the interim, USDSGD may well consolidate in 1.2670 – 1.2760 range in absence of fresh catalyst. Singapore will release 2025 full-year GDP on 10 February and budget on 12 February.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1907	157.25	1.3797	0.7888	0.7215	0.6171	1.3759	5532	1.2808	59.04	91.20
Resistance 2	1.1858	156.48	1.3741	0.7826	0.7110	0.6103	1.3706	5200	1.2755	58.96	90.74
Resistance 1	1.1839	156.12	1.3719	0.7790	0.7066	0.6074	1.3673	5073	1.2727	58.94	90.50
Spot	1.1816	155.83	1.3694	0.7757	0.7016	0.6038	1.3643	4933	1.2704	58.92	90.27
Support 1	1.1790	155.35	1.3663	0.7728	0.6961	0.6006	1.3620	4741	1.2674	58.87	90.04
Support 2	1.1760	154.94	1.3629	0.7702	0.6900	0.5967	1.3600	4534	1.2649	58.82	89.81
Support 3	1.1711	154.17	1.3573	0.7640	0.6795	0.5899	1.3547	4202	1.2596	58.74	89.35
Bollinger Band											
Bollinger Upper	1.2016	160.67	1.3876	0.8138	0.7120	0.6150	1.4025	5360	1.2968	59.62	92.44
Bollinger Lower	1.1506	152.41	1.3250	0.7592	0.6555	0.5635	1.3491	4301	1.2592	58.75	89.41

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