

## Daily Market Outlook

### Dots Turn Hawkish

- **Dots Turn Hawkish:** Fed holds but shifts hawkish. Markets pull forward hikes, lifting USD and flattening yield curves. Risks tilt to a topside USD break if data validates labour market strength and tighter policy expectations.
- **GBP Eyes Politics:** Softer inflation and lower oil prices argue against BoE tightening this year. Political risks from the Makerfield by-election may drive GBP near term but yield support and improved terms of trade keep us neutral on the GBP.
- **Asian FX face slippage risks.** Hawkish Fed hold may pressure lower-yielders and currencies more sensitive to US Treasury moves, including THB, KRW, and to some extent, SGD, TWD.
- **Gold may struggle.** Fed outcome argues for a more cautious near-term read on gold even as the medium-term constructive case has not disappeared.

**Sim Moh Siong**

FX Strategist  
(G10 & oil)

**Christopher Wong**

FX Strategist  
(Asia & precious metals)

**Dots Turn Hawkish:** The Fed left rates unchanged, but a split FOMC with a clear inflation focus drove a hawkish market reaction. The USD firmed, risky assets weakened and the US yield curve bear-flattened despite softer oil as markets pulled forward the first hike to October and priced about 45 bps of tightening over the next year. We retain a firm but rangebound USD view, while watchful of the risk of a topside DXY 12-month consolidation range break if incoming data reinforces hawkish expectations.

The statement was notably shorter and removed forward guidance, suggesting Fed Chair Kevin Warsh is already reshaping communication. Only 18 participants submitted dot projections, with Warsh abstaining. Nine members signalled hikes this year, and the median dot shifted to a 12.5 bp hike versus a prior cut. Next year's median remained at the current rate, above expectations. The higher path reflects a reassessment of inflation persistence, with core PCE revised to 3.3% for 2026 and 2.5% for 2027.

In the press conference, Warsh struck a hawkish tone, stressing the need to restore price stability and acknowledging more work on inflation. He said the restrictiveness of current policy remains unclear. He also announced five task forces to report by year-end, covering

communications, the balance sheet, data usage, productivity and jobs in the age of AI, and the Fed's inflation framework.

**GBP Eyes Politics:** We expect the Bank of England (BoE) to hold rates today with guidance unchanged. UK CPI undershot for a second month in May, leaving inflation well below BoE projections. Headline CPI was 2.8% YoY versus 3.0% expected. Together with softer oil prices after the tentative US Iran deal, this raises doubts about any further hikes this year. We expect the BoE to stay on hold through 2026.

The Makerfield by-election is likely to be a bigger near-term driver for GBP than the BoE. Andy Burnham is expected to challenge the Labour Party leadership and make efforts to reassure on fiscal and economic policy should he win. Polls point to a tight race with Reform, making a Burnham win uncertain. Despite these risks, we remain neutral on GBP, supported by its yield advantage and an improved terms of trade backdrop from lower oil prices.

**Asian FX. Slippage.** The much-awaited FOMC delivered a hawkish hold, with yields and USD firmer overnight. That is likely to cap Asian FX upside in the near term, particularly for lower-yielders and currencies more sensitive to US Treasury moves, including THB, KRW, and to some extent, SGD, TWD. But the impact may not be one-way. Softer oil prices remain an important offset, easing pressure on current-account and inflation dynamics for oil importers such as INR, PHP and IDR. On net, the Fed outcome argues against chasing Asian FX too aggressively, but lower oil prices (under USD80/bbl) keeps the backdrop less hostile than it was earlier in the quarter. For the laggards, especially IDR and PHP, there may still be room for selective recovery if oil stays soft, US Treasury yields stabilise, no re-escalation in US-Iran and domestic policy settings remain FX-supportive. Day ahead, we keep a close watch on BI and BSP policy decision today.

**USDIDR. Focus on BI.** While BI has stepped up efforts to shore up IDR stability in recent weeks, markets will eye upcoming MPC later today. If BI stays on hold or sounds less hawkish, then the momentum on IDR would likely be dented. But if BI keeps a firm tone, alongside external pressure easing, then this may still help to counter against Fed's hawkish stance, in turn helping to support the IDR. Spot last closed at 17738 levels. The knee-jerk reaction should see USDIDR tick higher in the open this morning. Bearish momentum on daily chart intact while decline in RSI moderated. Some signs of moderation lies ahead. Resistance at 17838 (23.6% fibo), 17950 levels. Support at 17620 (38.2% fibo retracement of 2026 low to high), 17430/450 levels (50 DMA, 50% fibo).

**USDPHP. BSP decision eyed.** USDPHP is likely to open higher, in response to hawkish Fed hold overnight. But the magnitude of the follow-through momentum may also depend on BSP decision. Consensus is leaning toward a 25bp hike, but a larger 50bp move should not be ruled out given the risk that BSP risks falling behind the curve. A scenario of firmer policy response, alongside softer oil prices can help PHP partially recover some lost ground. But a less hawkish than expected outcome may see PHP giving up earlier gains. Spot last closed at 60.39 levels. Momentum is bearish but RSI shows signs of turning higher from oversold conditions. Risk of snapback should BSP disappoints or external environment turns. Resistance at 60.72 (23.6% fibo), 61 levels (50 DMA). Support at 60.10 (38.2% fibo retracement of 2026 low to high).

**USDTWD. CBC decision today.** CBC's decision in on tap later this afternoon. Governor Yang had made remarks last week, saying that a pre-emptive hike could be appropriate if inflation expectations stay above 2% for the next six months. He also added that moving early may reduce the need for sharper adjustments later. For TWD, the broader story remains supportive. The AI/export upcycle is still strong, equity inflows remain a tailwind, and any CBC hike or hawkish tilt would add another layer of support. However, the hawkish Fed stance overnight may add to USD strength in the interim. Spot last closed at 31.57 levels. Mild bullish momentum on daily chart intact while decline in RSI slowed. Near-term consolidation not ruled out. Support at 31.50/52 levels (21, 50 DMAs), 31.45 (76.4% fibo) and 31.30 levels. Resistance at 31.60 (61.8% fibo retracement of 2026 low to high), 31.70 (50% fibo).

**USDSGD. Likely still in recent range.** USDSGD rebounded overnight, following Fed's hawkish stance that saw USD traded higher. This was in line with our earlier caution that any follow-through on USD downside following softer oil prices may stayed measured ahead of FOMC. Pair was last seen at 1.2885 levels. Daily momentum is mild bullish while the decline in RSI rose. Consolidation likely. Resistance at 1.2920 (recent high). Support at 1.2840/50 levels (200 DMA, 23.6% fibo), 1.28 (38.2% fibo retracement of 2026 low to high).

**Gold. Capped.** Gold's post-FOMC price action shows that the recent rebound ran into a rates reality check. Hawkish Fed, alongside markets hawkish repricing for a hike in Oct 2026 weighs on gold through the opportunity cost channel. This follows the rebound we flagged earlier, when gold had found support from softer oil, hopes of geopolitical de-escalation and some easing in inflation fears. But the FOMC has

complicated that story. Lower oil still helps at the margin, as it reduces the risk of an energy-driven inflation shock and may prevent yields from extending too aggressively. But the Fed outcome argues for a more cautious near-term read on gold.

The medium-term constructive case has not disappeared, especially with central bank demand, diversification flows and fiscal/geopolitical hedging still relevant. But tactically, gold may struggle to extend gains unless US Treasury yields stabilise. Gold last at 4264 levels. Daily momentum and RSI are not indicating a clear bias for now. Support at 4210, 4024 (recent low). Resistance at 4385 (21 DMA). For now, rallies may be more prone to fading, while dips may find support if lower oil keeps real yield pressures contained.

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1810	161.88	1.3678	0.8186	0.7188	0.5958	1.4335	4612	1.3042	60.72	95.10
Resistance 2	1.1671	161.20	1.3504	0.8080	0.7108	0.5872	1.4203	4449	1.2954	60.53	94.79
Resistance 1	1.1586	160.93	1.3399	0.8039	0.7061	0.5821	1.4152	4353	1.2917	60.46	94.66
Spot	1.1511	160.56	1.3305	0.7990	0.7024	0.5779	1.4099	4281	1.2877	60.39	94.53
Support 1	1.1447	160.25	1.3225	0.7933	0.6981	0.5735	1.4020	4190	1.2829	60.28	94.34
Support 2	1.1393	159.84	1.3156	0.7868	0.6948	0.5700	1.3939	4123	1.2778	60.17	94.16
Support 3	1.1254	159.16	1.2982	0.7762	0.6868	0.5614	1.3807	3960	1.2690	59.99	93.84
<b>Bollinger Band</b>											
Bollinger Upper	1.1685	160.97	1.3515	0.8037	0.7222	0.5966	1.4099	4642	1.2916	62.28	96.50
Bollinger Lower	1.1492	158.89	1.3302	0.7794	0.6974	0.5740	1.3726	4114	1.2737	60.46	94.31

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

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