

Daily Market Outlook

USD Breather, Not a Turn

- **USD Breather, Not a Turn:** USD rally pauses as risk improves, but sticky inflation and steady labour data keep Fed hawkish risks alive. Rising sensitivity to data and rates should lift FX volatility and continue to support USD.
- **Hormuz Risks Linger:** Oil has dropped sharply on Hormuz reopening optimism, but fresh security concerns highlight how quickly risk premium can return. Prices may stay supported near term despite likely broader drift lower over the medium term.
- **Gold found tentative breather.** Broader setup remains fragile for now. A more durable rebound in gold requires real yields to ease more meaningfully, Fed hike expectations need to unwind, and ETF/investor liquidation needs to stabilise.

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USD Breather, Not a Turn: The USD rally paused, with the currency softer overnight as global risk appetite improved. Core PCE rose 0.3% MoM in May, in line with consensus expectations, but at 3.4% YoY remains well above the Fed's target.

This should keep hawkish Fed risks in play, especially as price stability sits at the core of its reaction function. With reduced forward guidance, each inflation, labour and growth release will carry greater weight, likely increasing FX volatility. Jobless claims remain consistent with a stabilising labour market, pointing to decent June payroll growth. This should reinforce the Fed's focus on inflation risks.

The usual FX relationship with rates was disrupted during the energy shock, but that is fading. As the macro driver shifts from oil back to the Fed, FX is re-aligning with interest rate differentials. Domestic data and policy are regaining influence.

We recently raised our USD forecasts (*Embracing A Stronger USD*, 23 June 2026). A stronger USD is not yet disruptive. The key risk is continued US growth outperformance versus the rest of the world, alongside policy divergence, which could keep funding costs elevated and support the USD.

Hormuz Risks Linger: The reopening of the Strait of Hormuz following the US-Iran deal triggered a sharp drop in oil prices. Brent has fallen

more than USD30/bbl since early May and now trades below USD80/bbl.

Markets appear to be pricing a smooth reopening. Any delay or partial implementation could quickly bring back the security risk premium. We keep our end-2026 Brent forecast at USD80/bbl. Beyond that, we still expect a gradual move toward a low USD60 range in 2027–28.

Near term, the risk of supply disruption should slow further decline in oil prices from here. Overnight, crude prices edged higher as doubts emerged over the durability of the US-Iran deal. This followed a strike on a cargo ship in the Strait of Hormuz that caused significant damage to its bridge. The Wall Street Journal reported Iran may be responsible, though this remains unconfirmed. The incident underscores lingering fragility and raises fresh questions on how quickly oil flows can normalise.

Gold. Breather. Gold is showing tentative signs of stabilisation after the sharp decline, but a durable rebound still requires a friendlier rates backdrop. The recovery back above the USD4,000 level suggests some dip-buying interest is emerging after the recent washout, helped by some easing in USD and real yield pressure while Fed tightening expectation also pared back slightly. But the broader setup remains fragile. The recent episode of selloff has been driven by a renewed recoupling with real yields and hawkish Fed pricing.

As long as markets continue to price a meaningful risk of Fed tightening, rallies may remain prone to fading. For gold to regain more durable upside traction, real yields need to ease more clearly, Fed hike expectations need to unwind, and ETF/investor liquidation needs to stabilise. Until then, the near-term read is stabilisation, not yet a confirmed bullish reversal. Gold last seen at 4028 levels. Daily momentum remains mild bearish while decline in RSI showed some signs of slowing near oversold conditions. Support at 3960, 3820 levels (76.4% fibo retracement of Aug low to 2026 high). Resistance at 4100, 4160 (61.8% fibo) and 4280 (21 DMA).

Gold (daily chart): Tentative stabilisation but still a fragile setup



Source: Bloomberg, OCBC Group Research

USDCNH. Momentum stalled. The recent run-up in USDCNH slowed overnight, tracking moves in the USD. Pair was last at 6.8020 levels. Bullish momentum on daily chart intact but RSI shows tentative signs of turning lower from near overbought conditions. We continue to watch for signs of turnaround. Resistance at 6.8260 (38.2% fibo). Support at 6.80 (50 DMA, 23.6% fibo retracement of 2026 high to low), 6.7750 (21 DMA).

We reiterate our caution that CNH may still trade on the back foot in the near term (possibly into quarter-end) if USD bullish momentum persists. We believe it may be too early to concur that the RMB appreciation trend has broken and still treat the recent slippage as a correction, after an extended run of measured appreciation. The slippage in CNH was due to the broader USD strength, owing to the recent hawkish Fed rhetoric, and softer risk sentiment (due to sell-off in AI and tech-linked equities). We reckon CNH weakness to remain measured unless the fix starts to validate a broader weakening bias.

USDSGD. Room for further retracement? USDSGD found reprieve overnight as USD momentum eased on core PCE data. Pair was last at 1.2960 levels. Bullish momentum on daily chart remains intact though RSI shows tentative signs of turning lower from near overbought conditions. We continue to monitor if the turnaround has legs or if dip-buying resurfaces. Quarter/month-end flows may potentially distort price action. Support at 1.2940, 1.29 (61.8% fibo retracement of Dec high to 2026 low), 1.2840/50 levels (200 DMA, 50% fibo). Resistance at 1.2980 (76.4% fibo), 1.3030 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1474	162.55	1.3323	0.8199	0.6988	0.5706	1.4349	4172	1.3024	61.77	95.20
Resistance 2	1.1419	162.16	1.3255	0.8154	0.6948	0.5677	1.4279	4092	1.2994	61.57	94.78
Resistance 1	1.1394	161.97	1.3224	0.8128	0.6929	0.5662	1.4241	4059	1.2979	61.44	94.59
Spot	1.1363	161.81	1.3189	0.8106	0.6902	0.5644	1.4201	4017	1.2969	61.32	94.40
Support 1	1.1339	161.58	1.3156	0.8083	0.6889	0.5633	1.4171	3979	1.2949	61.24	94.18
Support 2	1.1309	161.38	1.3119	0.8064	0.6868	0.5619	1.4139	3931	1.2934	61.17	93.95
Support 3	1.1254	160.99	1.3051	0.8019	0.6828	0.5590	1.4069	3851	1.2904	60.97	93.54
Bollinger Band											
Bollinger Upper	1.1696	162.11	1.3529	0.8153	0.7191	0.5955	1.4284	4547	1.2994	62.18	95.94
Bollinger Lower	1.1332	159.27	1.3130	0.7837	0.6872	0.5616	1.3776	3945	1.2768	60.28	94.04

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

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