

## Daily Market Outlook

### Japan Watch

- **Japan Watch:** Japan remains a key source of global market risk. A weak JPY and rising long-end JGB yields are raising concerns over policy credibility, while higher Japanese yields could continue to spill over into global bond markets.
- **USD Pause, Trend Intact:** Risk appetite improved as AI-linked equities regained leadership ahead of US earnings season. While US softer payrolls and less hawkish Fed signals may cap near-term USD gains, we expect the broader USD uptrend to remain intact.
- **Gold may trade with two-way risks** into release of FOMC minutes. Extension of rebound requires less hawkish Fed rhetoric or further confirmation of softer US data to rebuild traction.

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**Japan Watch:** Japan remains a potential source of global market volatility as JPY weakness persists alongside rising long-end JGB yields. Concerns over fiscal expansion and perceptions that the BoJ is still behind the curve have kept depreciation pressure on the JPY, despite its extreme undervaluation, while pushing long-end JGB yields higher.

The latest BoJ Tankan survey pointed to stronger business conditions, firmer inflation expectations and a positive output gap, reinforcing the case for another rate hike. However, market expectations for further BoJ tightening were largely unchanged. This suggests investors may see the pace and timing of future hikes as driven more by the policy direction of the Takaichi administration than by economic data alone.

Japanese officials are likely becoming increasingly sensitive to both JPY weakness and market instability. Policymakers continue to emphasise fiscal sustainability while closely monitoring the impact of exchange rate moves on the economy. Further JPY depreciation would likely weigh on regional currencies, particularly KRW and THB.

Authorities are expected to lean on FX intervention to support the JPY, with intervention risk seen rising sharply around the 163-164 USDJPY area. While the threat of intervention may cap further USDJPY gains, the larger spillover risk lies in higher long-end JGB yields. Rising Japanese yields may already be contributing to upward pressure on Treasury, gilt and bund yields. Should JGB yields continue to climb, global bond yields could be pushed higher still.

**USD Pause, Trend Intact:** Risk sentiment improved at the start of the week as leadership rotated back into AI-related equities ahead of the US earnings season, which begins on 13 July. Attention now turns to the release of the June FOMC minutes on Wednesday. The minutes could reveal further evidence of behind-the-scenes debate within the Fed, with growing support for tighter policy among some members. This would be consistent with the June dot plot, where six of the 18 FOMC participants projected at least one additional rate hike this year amid still-elevated services inflation.

That said, weaker June US payrolls data and less hawkish Fed rhetoric at the ECB Forum in Sintra have pushed expectations for the next fully priced Fed rate hike from October to December. While lower crude oil prices have provided some relief to input costs, the June ISM Services report suggested that AI-related price pressures remain elevated. The USD rally may pause in the near term, but the broader uptrend remains intact. We continue to expect 2-3% USD appreciation in 2H26 (*2H 2026 FX & Rates Outlook, 2 July 2026*) and remain constructive on the USD against low-yielding currencies such as the EUR, JPY, CHF and CAD.

**Gold. Tentative stabilisation.** Gold gave back some of last week's rebound, after briefly trading near two-week highs. A firmer USD capped further upside. That said, sentiment has shown tentative signs of stabilising. Softer US labour data and easing oil prices have taken some pressure off yields and reduced the urgency around further Fed tightening. 30d fed fund futures showed 30bps of Fed tightening priced for Dec-2026 (vs. 41bps tightening expectations 2 weeks ago). This allowed gold to stabilise above recent lows. Near term, price action is likely to stay two-way ahead of the FOMC minutes (9 Jul), with bulls needing further confirmation of softer US data or less hawkish Fed rhetoric to rebuild momentum. Until then, rallies may remain somewhat tactical, but dips should also find better support. Gold last seen at 4162 levels. Daily momentum is mild bullish though rise in RSI moderated. 2-way trades likely in the interim. Resistance here at 4160/74 levels (21 DMA, 61.8% fibo retracement of Jul low to 2026 high), 4250. Support at 4120, 4060 levels.

**USDSGD. Subdued.** USDSGD slipped overnight in subdued trades, mirroring the moves with DXY closely. This puts focus on upcoming US data, FOMC minutes as moves in USD may be reflected in the pair for now. Pair was last at 1.2920 levels. Daily momentum showed signs of turning mild bearish while RSI was flat. 2-way trades likely in the interim. Support at 1.29 (61.8% fibo retracement of Nov high to 2026 low), 1.2880 (21 DMA). Resistance at 1.2980 levels (76.4% fibo), 1.3030 levels.

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1513	164.37	1.3509	0.8141	0.7019	0.5781	1.4311	4314	1.2986	61.65	95.89
Resistance 2	1.1473	163.14	1.3441	0.8096	0.6982	0.5740	1.4261	4240	1.2955	61.58	95.63
Resistance 1	1.1457	162.61	1.3416	0.8073	0.6969	0.5720	1.4233	4203	1.2939	61.54	95.52
Spot	1.1446	162.04	1.3399	0.8049	0.6959	0.5704	1.4207	4164	1.2916	61.50	95.40
Support 1	1.1417	161.38	1.3348	0.8028	0.6932	0.5679	1.4183	4128	1.2908	61.47	95.25
Support 2	1.1393	160.68	1.3305	0.8006	0.6908	0.5658	1.4161	4091	1.2893	61.44	95.11
Support 3	1.1353	159.45	1.3237	0.7961	0.6871	0.5617	1.4111	4017	1.2862	61.37	94.84
<b>Bollinger Band</b>											
Bollinger Upper	1.1612	162.84	1.3476	0.8155	0.7092	0.5858	1.4327	4337	1.3	61.98	95.82
Bollinger Lower	1.1309	159.85	1.3130	0.7929	0.6846	0.5593	1.3942	3951	1.2818	60.31	94.04

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

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