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Daily Market Outlook

Cautious Optimism

- ***Cautious Optimism:*** *Markets shrugged off Middle East tensions as oil reversed lower, easing inflation fears, supporting risk assets and weighing modestly on the USD. Attention also turned to evolving Fed policy frameworks and a less certain ECB tightening outlook.*
- ***NZD Outperforms****: NZD led G10 gains after strong manufacturing data and hawkish RBNZ signals reinforced the case for further policy tightening. While we remain constructive on NZD, further upside from yield support may be more limited near term.*
- ***Gold shows tentative signs of stabilising*** *amid pullback in oil prices. That said, ETF holdings are still lower month-to-date, so this looks more like relief than a decisive rebuild in investor demand.*
- ***IDR may still be sensitive to oil and index-downgrade concerns,*** *but USDIDR is nearing overbought levels. If oil reverses quickly, the recent gap higher may also snap back…*
- ***Oil/geopolitics remain a drag on INR,*** *but pressure has eased as crude pulled back. Renewed inflows should help keep USDINR contained for now.*

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Cautious Optimism: Markets largely viewed the latest Middle East flare-up as contained, despite renewed US-Iran strikes and reports that traffic through the Strait of Hormuz had nearly ground to a halt. Brent crude partially retraced, falling back to USD76/bbl after briefly rising above USD80/bbl. The pullback helped ease inflation concerns, allowing global bond yields to partially reverse their earlier rise. Meanwhile, AI-related equities led gains across risk assets overnight. In FX, NZD outperformed on domestic factors in an otherwise quiet G10 session. The USD traded modestly softer, likely reflecting the improvement in broader risk sentiment.

Fed Chair Warsh announced the leaders of five task forces tasked with reshaping the policy framework, with a focus on reducing reliance on forward guidance, improving the use of real-time data, and better capturing AI-driven changes in productivity and labour markets. Their influence will depend more on persuasion than authority. The groups comprise well-known academics and senior policymakers who are broadly expected to advocate measured, incremental reforms rather than sweeping change.

The ECB's June meeting minutes reinforced the Governing Council's view that the June rate hike was fully justified based on the information available at the time, while maintaining flexibility on future policy moves. Since the 11 June meeting, oil prices have fallen sharply and June CPI data surprised on the downside. Our base case remains for one final ECB rate hike in September, although ECB President Lagarde's comments in Sintra have increased the possibility that June marked a "one-and-done" move.

NZD Outperforms: NZD outperformed after stronger-than-expected manufacturing data and hawkish RBNZ commentary strengthened expectations for further policy tightening. New Zealand's manufacturing PMI rose to 59.7 in June, its highest level since July 2021.

We remain constructive on NZD. However, the scope for NZ yields to move materially higher in the near term may be limited until there is clearer evidence of stronger domestic growth and a more supportive energy backdrop. As a key driver of the currency, relative yield support could therefore become less compelling in the short run.

The RBNZ is already the most hawkishly priced central bank in the G10. Markets are pricing around 80bp of additional tightening by mid-2027, taking the OCR to about 3.3%, broadly in line with the RBNZ's estimate of the neutral rate at 3.25%. Looking ahead, key data releases include New Zealand's 2Q26 CPI on 21 July and the 2Q26 employment report on 5 August.

Gold. Tentative stabilisation on oil relief. Gold rebounded as oil prices eased from their recent spike, taking some pressure off inflation expectations, yields and Fed tightening concerns. A softer USD also helped the recovery, after the recent selloff across the precious metals complex. But ETF flows have yet to confirm a broader investor rebuild. Bloomberg data show total known gold ETF holdings remain lower month-to-date, even though holdings have stabilised slightly in recent days. This suggests the move is still mainly about relief from oil and yield pressures, rather than a decisive return of investor demand.

That said, the structural support remains intact. Central banks continue to add to gold reserves, with Poland standing out as a notable buyer this year. Governor Glapinski said that Poland has bought 82t of gold this year and now holds 632.4t. The target is to accumulate 700t of gold. Near term, gold can trade with a better tone if oil stays contained and yields remain capped, but stronger follow-through likely requires softer US data or a further easing in Fed tightening concerns. Gold last seen at 4125 levels. Mild bullish momentum on daily chart intact while

RSI rose. Risks skewed to the upside for now. Resistance at 4140 (21 DMA), 4200 levels. Support at 4021 (week's low), 3943 (year's low).

USDIDR. Nearing overbought. USDIDR gapped higher yesterday, as oil spike undermined net oil-importer, IDR. Earlier, S&P Dow Jones Indices' decision to place Indonesia on watch for a potential downgrade to frontier-market status had added another layer of confidence risk, especially after MSCI had also flagged similar concerns around market transparency and ownership disclosure. The risk is not imminent — S&P DJI's review appears tied to its next annual review in 2027 but the timing is awkward. It comes as oil prices have turned higher amid geopolitical re-escalation in Iran. This can temporarily weigh on IDR (via terms-of-trade sensitivity channel). That said, if oil price spike proved temporary and quickly reverse, then the USDIDR gap higher may also reverse. Cross was last at 18085 levels. Daily momentum is flat while RSI shows signs of nearing overbought conditions. Near term risk skewed to the upside but not ruling out the risk of a snapback. Resistance at 18190 (previous high). Support at 18000, 17900 (21 DMA).

INR. Room for pressure to ease. INR came under depreciation pressure as oil/geopolitics moved back into focus. Higher crude prices can pose downside pressure for INR, and USDINR's move towards one-month high yesterday suggests that market is again testing INR's oil sensitivity. That said, some of the pressure has eased with oil prices back off highs and the INR is not without support. RBI-linked USD sales appear to have helped limit recent losses, while the flow backdrop has improved at the margin following RBI's June measures to attract FX inflows via FCNR(B) deposits, external borrowings and wider foreign access to long-end government bonds.

Month-to-date foreign net equity and debt inflows also look to have improved marginally. Near term, INR should stay relatively contained, but the bar for a clean recovery is still high unless oil prices resume its move lower. USDINR was last seen at 95.40 levels. Momentum is mild bullish while RSI shows tentative signs of moderation from the recent rise. Resistance at 95.55 (50% fibo retracement of 2026 high to June low), 95.90 (61.8% fibo). Support at 95.20 (50 DMA, 38.2% fibo), 94.80/90 levels (21 DMA, 23.6% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1498	163.16	1.3507	0.8143	0.6982	0.5885	1.4244	4273	1.2992	61.84	96.03
Resistance 2	1.1465	162.79	1.3457	0.8107	0.6960	0.5810	1.4207	4189	1.2960	61.73	95.72
Resistance 1	1.1447	162.58	1.3432	0.8088	0.6950	0.5783	1.4188	4156	1.2942	61.67	95.56
Spot	1.1433	162.39	1.3413	0.8067	0.6943	0.5761	1.4169	4124	1.2921	61.62	95.39
Support 1	1.1414	162.21	1.3382	0.8052	0.6928	0.5708	1.4151	4073	1.2910	61.56	95.25
Support 2	1.1399	162.05	1.3357	0.8035	0.6916	0.5660	1.4133	4022	1.2896	61.49	95.11
Support 3	1.1366	161.68	1.3307	0.7999	0.6894	0.5585	1.4096	3938	1.2864	61.37	94.81
Bollinger Band											
Bollinger Upper	1.1565	163.02	1.3472	0.8157	0.7064	0.5821	1.4294	4319	1.2998	62.01	95.77
Bollinger Lower	1.1312	160.34	1.3131	0.7961	0.6842	0.5603	1.4035	3945	1.2843	60.31	94.05

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

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