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Daily Market Outlook

The Fed Can Wait

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- ***The Fed Can Wait****: Soft US inflation has sharply reduced the odds of a July Fed hike, weighing on the USD and supporting carry trades. While geopolitical risks are keeping inflation concerns alive, fresh catalysts may be needed to reignite USD upside momentum.*

- ***NZD Extends Gains****: Hawkish RBNZ rhetoric and improving domestic data continue to underpin the NZD. While markets already price a substantial tightening path, AUDNZD still appears biased lower, with New Zealand's 2Q26 CPI the next key catalyst.*

- ***Precious metals rebounded*** *as softer US core CPI eased Fed hike expectations and weighed on the USD, though elevated oil prices may limit the durability of the move.*

- ***Asian FX may trade with a better tone*** *following the dip in the USD. But still-high oil prices may cap the extent of Asian FX gains. INR, PHP may stay pressured while RMB, SGD should still find relative support.*

- ***THB recovery on softer USD*** *overnight was brief as elevated oil prices and BOT tolerance for orderly weakness may keep THB lagging broader Asian peers.*

The Fed Can Wait: The case for a July Fed rate hike weakened significantly after softer-than-expected US CPI data. Core CPI fell 0.017% MoM in June (consensus: +0.2%), down from +0.208% in May and marking the first monthly decline since May 2020. Given Fed Governor Waller's indication that the July decision would hinge on June inflation data, the sizeable downside surprise gives the Fed greater scope to remain on hold for longer. Following the release, markets cut the implied probability of a July rate hike to 16% from around 50% earlier in the week. Fed Chair Warsh later cautioned that the inflation fight was not yet won and reiterated the Fed's intolerance for persistently elevated inflation.

The USD weakened and the US yield curve bull steepened, in contrast to the twist flattening seen across European curves. Higher oil prices, driven by renewed Middle East tensions, continue to keep inflation risks in focus. Ship-tracking data showed traffic through the Strait of Hormuz had virtually ceased on Tuesday, although some vessels may be transiting with their transponders switched off. Recent attacks involving both Iran and the US have nevertheless increased the risks of passage through the waterway. President Trump stated that the US would no longer levy tolls on commercial traffic through the Strait of Hormuz, while reiterating plans to proceed with a naval blockade of Iranian ports.

While we continue to expect modest USD appreciation by year-end, near-term upside momentum may remain constrained in the absence of fresh catalysts. This backdrop should continue to favour carry trades for now.

NZD Extends Gains: The NZD continues to outperform across G10 FX, supported by hawkish RBNZ commentary that has reinforced expectations for further policy tightening. RBNZ Chief Economist Paul Conway recently warned that inflation could prove sticky, increasing the likelihood of additional rate hikes. The central bank began its tightening cycle with a 25bp rate increase to 2.50% on 8 July.

That said, with markets already pricing almost 90bp of further tightening by mid-2027, the bar for the RBNZ to deliver a materially more hawkish message is high. A renewed rise in energy prices also remains a key downside risk for the NZD given New Zealand's status as a net oil importer.

Even so, the RBNZ has shown little inclination to push back against current market pricing, while recent activity indicators suggest the economy is beginning to recover. These domestic tailwinds should continue to support the NZD, reinforcing our view that AUDNZD has likely peaked and remains biased lower. The next major catalyst for the NZD will be New Zealand's 2Q26 CPI release on 21 July.

Gold. Rebound on softer inflation, but oil remains the constraint. Gold rebounded from sub-4000 levels. Softer-than-expected US CPI was the trigger as markets pared back Fed hike expectations while Fed Chair Warsh did not out-hawk earlier rhetoric. USD weakened and front-end US Treasury yields initially moved lower, helping gold recover from a two-week low to an intra-session high of 4102. This provides gold with some near-term breathing room, particularly if the USD and yields remain capped. But the move looks more like a reversal of excessive hawkish repricing than a decisive change in the macro backdrop. The June CPI report also predates the latest rise in oil prices, which could keep the inflation outlook and Fed policy expectations volatile. Further upside in gold would require oil prices to ease off further and continued softness in US data, with PPI the next test (tonight). Gold last seen at 4051 levels. Mild bullish momentum on daily chart stays intact for now while RSI rose. 2-way trades likely. Resistance at 4113 (21 DMA). Support at 3940/60 levels (recent low in June).

Silver. Higher-beta rebound, but 2-way swings still likely. Silver rose nearly 2% alongside gold (about 1.2%), supported by the softer USD, some push back in Fed hike expectations after core CPI underwhelmed. The stronger rebound partly reflects silver's higher sensitivity to shifts in both monetary conditions and investor risk appetite. Near term, silver may outperform gold if the USD and yields extend lower. But conviction remains limited as oil-driven inflation risks persist. Without a more sustained easing in Fed tightening expectations, silver is likely to remain prone to larger two-way swings, rather than move into a clean recovery trend. Silver last seen at 58.80 levels. Daily momentum and RSI have yet to offer a clean read at this point. Two-way trades likely. Support at 55 levels (recent low year-to-date) before 49. Resistance at 61.20 (21 DMA) needs to be taken out for momentum to gain traction. Failing which, silver may well revert to trade near recent lows.

Asian FX. Softer USD helps but oil restrains recovery. Asian FX may trade with a better tone following the dip in the USD thanks to softer-than-expected US core CPI print. The data helped pare near-term Fed hike expectations and offers the Asian region some breathing room after the recent risk-off move. But the relief is likely to be uneven. Pullback in USD/Asia may still find some support especially with oil prices still elevated. Asian FX with greater sensitivity to energy costs and external balances, INR and PHP may therefore stay relatively pressured within the region. India's wider goods trade deficit may further weigh on INR. Elsewhere, RMB and SGD should remain more stable given their lower oil sensitivity and stronger policy anchors. Overall, softer USD momentum helps, but still-high oil prices may cap the extent of Asian FX gains.

THB. Softer USD may offer some relief. The post-US CPI decline in USD pulled USDTHB lower, but the pullback was partially retraced into NY session. This suggests limited follow-through in THB gains. Elevated oil prices and uneven tourism recovery remain headwinds. Recent remarks from BoT Governor Vitai Ratanakorn also suggest no immediate discomfort with orderly THB weakness, with recent moves seen as broadly consistent with wider market trends. He reiterated that THB depreciation also continues to support Thailand' exports and tourism. This may well suggest some policy tolerance for depreciation though excessive volatility would likely still draw attention. Near term, THB may recover alongside broader Asian FX if USD softness extends, but pace of gains could lag broader Asian FX especially when oil prices remain elevated. USDTHB last seen at 33.50 levels. Daily momentum is flat while RSI is not showing a clear bias. 2-way trades likely though bias skewed towards buying USDTHB on dips. Support at 33.40, 33.20 levels (21 DMA). Resistance at 33.80, 34 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1588	163.82	1.3594	0.8283	0.7118	0.5987	1.4306	4283	1.3047	61.85	96.75
Resistance 2	1.1504	162.97	1.3493	0.8192	0.7039	0.5894	1.4197	4165	1.2981	61.76	96.44
Resistance 1	1.1462	162.61	1.3441	0.8142	0.7007	0.5855	1.4128	4109	1.2946	61.73	96.32
Spot	1.1424	162.18	1.3397	0.8092	0.6977	0.5812	1.4057	4054	1.2908	61.71	96.20
Support 1	1.1378	161.76	1.3340	0.8051	0.6928	0.5762	1.4019	3990	1.2880	61.65	96.01
Support 2	1.1336	161.27	1.3291	0.8010	0.6881	0.5708	1.3979	3928	1.2849	61.60	95.82
Support 3	1.1252	160.42	1.3190	0.7919	0.6802	0.5615	1.3870	3809	1.2783	61.52	95.51
Bollinger Band											
Bollinger Upper	1.1472	162.81	1.3466	0.8136	0.7015	0.5812	1.4265	4222	1.2972	62.01	96.00
Bollinger Lower	1.1356	161.02	1.3137	0.8030	0.6864	0.5608	1.4081	3962	1.2893	60.63	93.98

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

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