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Daily Market Outlook

Dovish Hold

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- ***Dovish Hold****: A divided Fed held rates steady, but markets focused on the lack of a clear hawkish signal. While the USD remains under pressure near term, resilient US data could ultimately restore Fed tightening concerns and support the USD.*

- ***Fiscal Risks, Carry Support****: GBP faces growing fiscal headwinds as political optimism fades, supporting a recovery in EURGBP. In contrast, softer Australian inflation reinforces the case for a prolonged RBA pause, while attractive carry and potential Chinese stimulus remain supportive for AUD.*

- ***Gold rebounded as the Fed held rates steady****, removing fears of an immediate hike, but the relief may prove fragile unless US core PCE softens, real yields and the USD drift lower.*

- ***USDKRW fell further*** *despite another weak KOSPI session and foreign equity outflows, as post-FOMC USD relief and continued corporate USD selling outweighed negative domestic risk sentiment.*

- ***USDSGD eased alongside a softer USD*** *and lower front-end US Treasury yields after the Fed hold, but elevated oil and the S$NEER's proximity to its upper bound should keep the pair within its recent range.*

Dovish Hold: The Fed left rates unchanged at 3.50-3.75%, although the decision revealed a notable 9-3 split, with Hammack, Kashkari and Logan dissenting in favour of a 25bp hike. The statement saw little meaningful change, while Chair Warsh struck a somewhat firmer tone on inflation during the press conference.

That said, market pricing suggests investors were unconvinced by the Fed's rhetoric. The US curve bear-steepened as higher inflation breakevens, rather than real yields, drove long-end Treasury yields higher. At the same time, the USD weakened and equities retreated. This is unlikely to be the market reaction the Fed would welcome, as it risks raising questions about the central bank's inflation-fighting credibility.

The move also contrasted with Europe, where curves flattened on rising expectations of further policy tightening. A renewed surge in oil prices following the resumption of conflict in the Middle East has reignited inflation concerns and reinforced hawkish expectations for European central banks.

In FX, the Fed was largely interpreted as delivering a dovish hold, with the press conference adding to market confusion. We continue to expect the Fed to remain on hold for an extended period. However, a still-resilient labour market or signs of stalled disinflation could increase pressure on the Fed to reassert its inflation credentials.

For now, limited policy guidance ahead of the September FOMC meeting may keep the USD on the back foot. However, we expect underlying US economic resilience to eventually bring Fed tightening risks back into focus, supporting a return to our moderately bullish USD view.

Fiscal Risks, Carry Support: The Bank of England (BoE) is expected to keep rates unchanged through end-2026. Unlike some of its European peers, the BoE appears less inclined to respond to higher energy prices with tighter policy, limiting upside potential for GBP.

GBP's optimism is fading. Expectations that Prime Minister Andy Burnham would bring greater political stability are increasingly being overshadowed by concerns over the UK's fiscal outlook. Rising energy costs and higher defence spending are adding pressure to already stretched public finances, raising questions ahead of the Autumn Budget and next year's Spending Review. These fiscal concerns could weigh on overseas demand for gilts and, in turn, the GBP. We continue to expect EURGBP to recover towards 0.87 in the coming months.

Australia's 2Q26 CPI surprised on the downside, with both headline inflation and the trimmed mean coming in below the Reserve Bank of Australia's (RBA) forecasts. The softer inflation backdrop supports our view that the RBA has likely reached the end of its tightening cycle, although policymakers are unlikely to signal victory over inflation just yet.

We remain constructive on AUD over the next one to two quarters. The currency continues to benefit from its attractive carry profile relative to other G10 peers. In addition, weaker-than-expected Chinese economic data could trigger further fiscal stimulus measures to support domestic demand, providing an additional tailwind for AUD.

Gold. Relief bounce. Gold rebounded after the Fed left rates unchanged, removing the immediate risk of a surprise hike and prompting a softer USD and some easing in front-end yields. The decision was not dovish, however. 3 officials dissented in favour of a

25bp hike, while Chair Warsh reiterated that inflation remains too high and that the Fed has no "soft" target above 2%. The more supportive signal for gold was Warsh's acknowledgement that nominal and real Treasury yields have already risen materially since the June meeting, effectively allowing markets to do some of the Fed's tightening work and reducing the urgency to raise the policy rate immediately.

Still, the continued rise in long-end yields after the press conference means the macro backdrop is not yet unambiguously favourable. Near-term focus now turns to US core PCE, A softer print and further fading of hike expectations could extend gold's rebound, while an upside surprise could quickly reassert pressure on gold. Elsewhere we also keep a close watch on geopolitical tensions in US-Iran as another sharp rise in oil prices may also dampen gold's rebound. Last seen at 4075 levels. Mild bullish momentum on daily chart intact while RSI is largely flat. Range-bound trades likely to hold. Resistance at 4150, 4190 levels (50 DMA). Support at 4000, 3960 levels.

KRW. Extending gains. USDKRW took another leg lower despite another down session in the KOSPI and continued foreign selling of domestic equities, with week-to-date outflows reaching around USD5.7bn. The divergence reinforces that exceptional corporate USD supply continues to outweigh the usual drag from weak equities and portfolio outflows. The Fed's decision to leave rates unchanged offered additional relief, as markets unwound some pre-meeting hike risk and the broader USD softened, while exporter conversions and USD selling added to the move. These factors may keep USDKRW under pressure in the near term, although the persistent foreign equity outflows suggest that the decline may become harder to sustain once the exceptional corporate flows fade. Pair was last at 1443 levels. Bearish momentum on daily chart intact while RSI is in oversold conditions. We are watchful for any risk of rebound at some point. Support at 1439/40 levels if broken, may open room for further downside towards 1420 (2026 lows). Resistance at 1453 (76.4% fibo retracement of 2026 low to high), 1460 levels.

USDSGD. Taking cues from USD moves. The Fed's hold and limited fresh guidance brought some relief, with the USD softening, front-end US Treasury yields falling and USDSGD edging lower. MAS's slightly quicker appreciation path (via the policy decision on Mon) adds a modest tailwind to SGD over time, but with our estimate of the S$NEER near the upper bound, further gains may be limited unless the USD weakens more broadly. With FOMC risk out of the way, attention returns to oil, which surged on renewed Middle East tensions, broader risk sentiment associated with the recent equity sell-off relating to tech stocks and US core PCE (tonight 830pm SGT). A downside surprise can further add to USD downside. USDSGD last seen at 1.2890 levels. Bearish momentum on daily chart intact while RSI slips. Mild downside pressure intact. Support at 1.2880, 1.2840 (200 DMA). Resistance at 1.2910 (21 DMA), 1.2950 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1630	164.88	1.3561	0.8307	0.7090	0.5925	1.4234	4301	1.3010	62.00	96.28
Resistance 2	1.1534	164.20	1.3453	0.8233	0.7023	0.5860	1.4147	4180	1.2956	61.73	95.96
Resistance 1	1.1500	163.80	1.3412	0.8185	0.6989	0.5828	1.4097	4124	1.2924	61.57	95.80
Spot	1.1466	163.38	1.3367	0.8138	0.6959	0.5803	1.4040	4091	1.2888	61.40	95.65
Support 1	1.1404	163.12	1.3304	0.8111	0.6922	0.5763	1.4010	4004	1.2870	61.30	95.49
Support 2	1.1342	162.84	1.3237	0.8085	0.6889	0.5730	1.3973	3940	1.2848	61.20	95.33
Support 3	1.1246	162.16	1.3129	0.8011	0.6822	0.5665	1.3886	3819	1.2794	60.93	95.01
Bollinger Band											
Bollinger Upper	1.1478	164.21	1.3502	0.8206	0.7019	0.5882	1.4226	4177	1.2942	61.85	96.89
Bollinger Lower	1.1358	161.26	1.3263	0.8018	0.6915	0.5679	1.3992	3969	1.2886	61.38	94.89

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

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