By Global Markets | 5 August 2026

Daily Market Outlook

Hormuz Hope Lifts Risk

- ***Hormuz Hope Lifts Risk**: Hormuz reopening hopes are easing oil and inflation risks, lifting risk sentiment. A resilient US labour market should provide a floor under the USD and keep Fed tightening risks alive.*

- ***Lower oil offers Asian FX relief,** but follow-through still hinges on a softer USD and lower US yields; RBI policy and Friday's US payrolls are the next key tests.*

- ***SGD continued to trade firmer** as softer US Treasury yields, lower oil, firmer equities and recent JPY gains supported the broader regional FX backdrop, while MAS tightening remained a modest tailwind.*

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Hormuz Hope Lifts Risk: Progress towards a potential reopening of the Strait of Hormuz pushed oil prices and global yields lower as near-term inflation concerns eased. Risk assets rallied, led by technology stocks. Investors continue to debate whether recent tech volatility reflects a redistribution of AI value across companies or deeper concerns about the overall size of the AI opportunity.

US Treasury Secretary Scott Bessent struck an optimistic tone, saying there was a chance of reaching a deal to reopen the Strait within the next day or two. Bloomberg also reported that Iran is considering allowing European countries to help clear mines from Hormuz. This would mark a notable softening from Tehran's previous position that foreign countries could not participate in demining operations.

Brent's latest retreat to just below USD80/bbl has moved markets closer to our base case. We expect prices to ease gradually towards USD75/bbl by year-end and USD71/bbl by mid-2027. However, elevated geopolitical risks are likely to keep oil prices volatile in the near term.

As the energy shock fades, signs of a US labour market recovery are becoming clearer. The ratio of job openings to unemployed workers has edged higher, pointing to tentative improvement.

Unless today's ADP report and, more importantly, Friday's payrolls data signal renewed weakness, we see limited scope for further USD declines in the near term. The 80,000 consensus forecast for payroll growth does not suggest a sharp deterioration.

Continued US economic resilience should eventually bring Fed tightening risks back into focus. This underpins our moderately bullish USD outlook over the next one to two quarters.

Asian FX. Oil relief broadens, but external backdrop still matters. Brent's slide below USD80/bbl should extend some relief to Asian FX, particularly INR, IDR, PHP and THB, given their sensitivity to imported energy costs and inflation. But the pullback in oil alone may not be enough to sustain the move if the USD and US Treasury yields remain firm. This puts the focus on Fri's US payrolls report as the next key test for whether the broader external backdrop can turn more supportive. Also geopolitical developments remain fluid, and oil prices can still swing both ways.

For INR, RBI policy decision is in focus today. RBI is widely expected to keep the repo rate unchanged at 5.25% today. Beyond the rate decision, the RBI may continue to acknowledge the strong response to its recent measures to attract USD inflows, which had raised around USD30bn by late July. The measures have improved USD availability and strengthened India's external buffers, giving the RBI more room to manage INR volatility. Together with lower oil, this should offer INR some support, although a more sustained recovery still depends on the broader USD and US rates backdrop. Elsewhere, Indonesia's 2Q26 GDP and Philippine July CPI are due today.

SGD. Firmer. SGD continued to trade on a firmer footing albeit subdued range overnight, with the move driven more by the external market backdrop than fresh domestic catalysts. The USD softened modestly as UST yields eased, while lower oil prices and firmer equities supported broader risk sentiment. Recent JPY gains also likely spilled over to SGD and the wider regional FX complex. On the data docket, June retail sales are due today, but is unlikely to be a major FX driver unless there is a sizeable surprise. It was also announced that the 2Q26 final GDP will be released on 11 Aug (next Tue). MAS's recent slight increase in the pace of appreciation remains a modest tailwind, though the S$NEER's proximity to the upper bound may still limit SGD outperformance. Near term, USDSGD is likely to remain driven by the broader USD, oil and risk sentiment, with the recent range broadly intact.

Pair was last seen at 1.2825 levels. Bearish momentum on daily chart intact but RSI is near oversold conditions. Bearish crossover observed with 21DMA about to cut 50DMA to the downside. Bias to sell rallies for USDSGD. Resistance at 1.2840 (200DMA, 38.2% fibo retracement of

2026 low to high), 1.2890 (21, 50 DMAs). Support at 1.2790 (50% fibo), 1.2740 (61.8% fibo).

<u>USDSGD daily chart</u>

Source: Bloomberg, OCBC Group Research

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1586	159.19	1.3515	0.8147	0.7134	0.5954	1.4149	4206	1.2877	61.71	95.64
Resistance 2	1.1554	158.41	1.3479	0.8120	0.7082	0.5919	1.4104	4141	1.2851	61.41	95.49
Resistance 1	1.1543	158.08	1.3465	0.8105	0.7064	0.5907	1.4083	4109	1.2837	61.30	95.44
Spot	1.1531	157.81	1.3449	0.8094	0.7048	0.5875	1.4067	4069	1.2819	61.19	95.38
Support 1	1.1511	157.30	1.3429	0.8078	0.7012	0.5872	1.4038	4044	1.2811	61.00	95.29
Support 2	1.1490	156.85	1.3407	0.8066	0.6978	0.5849	1.4014	4009	1.2799	60.81	95.20
Support 3	1.1458	156.07	1.3371	0.8039	0.6926	0.5814	1.3969	3944	1.2773	60.51	95.05
Bollinger Band											
Bollinger Upper	1.1552	166.18	1.3537	0.8200	0.7052	0.5910	1.4169	4139	1.2972	62.00	96.83
Bollinger Lower	1.1329	157.11	1.3270	0.8026	0.6925	0.5732	1.3989	3980	1.2808	61.14	95.03

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

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