Daily Market Outlook

Gold Leads, USD Lags

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- ***Gold rebounded*** *on softer oil prices and easing US Treasury yields while news on central bank buying added to momentum. Breakout is also likely amplified by technical buying.*
- ***Gold Leads, USD Lags:*** *The market is increasingly positioned for lower oil, lower real rates and a softer USD. Gold is leading that trade. But resilient US data could ultimately revive Fed tightening concerns and lend support to the USD.*
- ***INR may stay supported on lower oil and strong inflows,*** *though further gains will still hinge on softer USD and lower US yields.*

Gold. Rebound on dip in oil and yield. Gold rose sharply overnight as easing Middle East tensions drove oil prices lower while US Treasury yields and USD eased. Market expectations for Fed to hike in Sep has eased. About 55% probability priced (vs. 66% a week ago). The sharp move in gold accelerated after prices cleared recent resistance, triggering technical buying and short covering. News that the Bank of Korea is preparing to purchase domestically produced gold for the first time in 13 years and that they had recently begun buying gold ETF may also have provided a modest sentiment boost, although the scale and timing of its purchases remain unclear.

Near-term momentum has improved, with Friday's upcoming US payrolls report now key to whether the decline in yields, USD and gold's breakout can be sustained. Gold was last seen at 4247 levels. Daily momentum is mild bullish while RSI rose to near overbought conditions. Resistance at 4333 (23.6% fibo retracement of 2026 high to low), 4393 (100 DMA). Support at 4160 (50 DMA), 4077 (21 DMA).

Gold Leads, USD Lags: The standout move overnight was gold's outperformance against an otherwise rangebound market backdrop. The combination of stronger gold prices and a firmer THB highlights the growing risk of using THB as a funding currency if the precious metal rally extends further.

Gold's strength suggests investors are increasingly pricing a de-escalation of the US-Iran conflict, a normalisation of oil flows through the Strait of Hormuz, lower real interest rates and a softer USD. Expectations of a deal to reopen the Strait intensified after Iran said it had reached an agreement with Oman on the geographic coordinates of a navigable channel, with a joint statement now in its final stages. Despite this, oil prices were little changed overnight following their sharp decline earlier this week.

Brent crude has retreated to just below USD80/bbl, bringing markets closer to our base case. We continue to expect oil prices to gradually ease towards USD75/bbl by year-end and USD71/bbl by mid-2027. Lower oil prices would help ease inflation pressures and, in turn, reduce real interest rates. That said, geopolitical risks remain elevated and are likely to keep oil markets volatile in the near term.

The Fed remains firmly data dependent. Encouraging inflation readings in June have given policymakers room to wait for further evidence before adjusting policy. At the same time, growing debate over whether the Fed's reaction function has shifted has contributed to a loss of USD upside momentum.

Even so, the Fed has missed its inflation target for more than five years and is unlikely to tolerate a renewed lack of progress on inflation, regardless of whether recent price pressures were driven by exogenous shocks. We remain mindful of that risk. Upcoming data, particularly Friday's employment report, will be critical in shaping the Fed's next move. Continued US economic resilience should eventually bring Fed tightening risks back into focus, supporting our moderately bullish USD view over the next one to two quarters.

INR. RBI hold leaves oil and inflows in the driving seat. The RBI kept the repo rate unchanged at 5.25% and retained its neutral stance, while lowering its inflation forecasts and nudging its growth projection higher. The RBI also shared that its recent measures had attracted nearly USD41bn of capital inflows (USD36.7bn from FCNR deposits, USD2.57bn through overseas foreign currency borrowings and USD1.5bn raised through swap facilities from External Commercial Borrowings). This puts India's balance of payments on track for a healthy surplus and can support banking system liquidity. Governor Sanjay also reiterated that the exchange rate should remain market-determined, while the RBI would curb excessive volatility and prevent moves that become detached from fundamentals. Together with lower oil and the sharp rise in reserves, this gives the INR a firmer near-term buffer, although choppy oil prices amid fluid US-Iran geopolitical developments and still-elevated US Treasury yields on worries of Fed tightening may still restrain gains in INR. USDINR last closed at 95.13. Bearish momentum on daily chart intact though RSI is near oversold conditions. Support at 95 levels, 94.70/74 levels (100 DMA, 76.4% fibo retracement of Jun low to Jul high). Resistance at 95.40 (50DMA, 50% fibo), 95.70 (38.2% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1610	158.79	1.3550	0.8155	0.7104	0.5953	1.4182	4598	1.2855	61.64	95.81
Resistance 2	1.1578	158.22	1.3508	0.8117	0.7079	0.5917	1.4107	4396	1.2834	61.23	95.45
Resistance 1	1.1566	157.98	1.3488	0.8094	0.7069	0.5903	1.4060	4321	1.2822	61.00	95.29
Spot	1.1557	157.58	1.3471	0.8068	0.7059	0.5887	1.4010	4273	1.2809	60.76	95.13
Support 1	1.1534	157.41	1.3446	0.8056	0.7044	0.5867	1.3985	4119	1.2801	60.59	94.93
Support 2	1.1514	157.08	1.3424	0.8041	0.7029	0.5845	1.3957	3991	1.2792	60.43	94.73
Support 3	1.1482	156.51	1.3382	0.8003	0.7004	0.5809	1.3882	3789	1.2771	60.02	94.37
Bollinger Band											
Bollinger Upper	1.1574	166.26	1.3546	0.8201	0.7064	0.5918	1.4157	4219	1.2973	62.09	96.86
Bollinger Lower	1.1322	156.55	1.3270	0.8023	0.6927	0.5738	1.3980	3933	1.2795	60.97	94.95

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

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