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Daily Market Outlook

US CPI Takes Centre Stage

- ***US CPI Takes Centre Stage**: Markets stayed sidelined ahead of US CPI, with mixed USD performance reflecting conflicting Middle East headlines and hawkish Fed rhetoric. Today's inflation print is likely to be pivotal for September FOMC pricing, while a rangebound USD continues to favour carry trades.*

- ***AUD Still Supported**: A steady RBA was broadly expected, but the Board's discussion of a rate hike highlights ongoing inflation risks. Near-term AUD prospects remain constructive, supported by attractive carry and potential China stimulus.*

- ***PHP, INR, IDR and THB weakened** as the rebound in oil prices revived pressure on net oil importers. Focus remains on US CPI for USD direction, but renewed oil volatility is a reminder that oil-sensitive Asian FX is not yet out of the woods.*

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US CPI Takes Centre Stage: Markets remained in wait-and-see mode ahead of the crucial US CPI release. The USD traded mixed as investors balanced conflicting Middle East headlines against ongoing hawkish Fed rhetoric. Pakistan's defence minister suggested the US and Iran are close to reaching "some sort of arrangement" on the Strait of Hormuz, easing supply disruption concerns. However, reports of renewed Houthi activity in the Red Sea highlighted lingering risks of regional re-escalation.

US data offered a more constructive signal. The NFIB Small Business Optimism Index rose to 99.8 in July from 97.4 in June, beating consensus expectations of 97.5 and reaching its highest level since August 2025. Much of the improvement was driven by a sharp rebound in hiring intentions, contrasting with last week's softer payrolls report.

We expect the CPI release to be a key catalyst for market pricing ahead of the September FOMC meeting, which is currently viewed as a near-even split between a rate hike and a hold. A July core CPI reading of 0.3% MoM or higher, above the 0.2% consensus forecast, would likely strengthen expectations of a September hike.

In the meantime, a range-bound USD and a generally supportive risk environment should continue to underpin carry trades, despite persistent volatility in oil markets and ongoing FX intervention risks surrounding the JPY.

AUD Still Supported: The RBA unanimously voted (9-0) to keep the cash rate unchanged at 4.35%, while retaining a modest tightening bias. AUD's intraday round-trip reflected mixed signals between the policy statement and Governor Bullock's subsequent press conference. Markets viewed the statement and updated forecasts as less hawkish than feared, although Bullock noted that, unlike at the June meeting, the Board actively considered the case for a rate hike in August.

We remain constructive on AUD over the next one to two quarters, supported by its attractive carry profile and the potential for further Chinese policy stimulus. While the RBA is likely at the peak of its tightening cycle, sticky inflation means the risk of another rate hike cannot be ruled out. Over the medium term, however, we expect AUD gains to become more measured as growth slows, inflation moves back towards target, and the RBA gradually shifts away from a restrictive policy stance.

Asian FX. Oil sensitive FX under pressure. Asian FX traded on a softer footing, with PHP leading declines while INR, IDR and THB also weakened as the rebound in oil prices renewed pressure on the region's net oil importers. Crude prices have recovered sharply over the past two sessions as earlier optimism over a swift reopening of the Strait of Hormuz faded, with Iran attaching conditions to any agreement and uncertainty over the timing of a deal persisting. The recent slippage in Asian FX is a reminder that the relief from lower oil prices remains fragile. For net oil importers such as India, Indonesia, the Philippines and Thailand, renewed oil strength can worsen terms of trade, add to imported inflation and weigh on external balances, leaving their currencies more exposed when crude rebounds. Recent positioning had improved precisely as cheaper oil eased some of these concerns. Near term, focus remains on US CPI for its implications for Fed expectations, US yields and the USD. But the renewed swings in oil suggest that oil-sensitive Asian currencies are not yet out of the woods, even if the broader USD backdrop turns more supportive.

USDSGD. Rangebound ahead of US CPI risk. USDSGD traded a subdued range as markets await US CPI data. Last seen at 1.28 levels. Bearish momentum intact but shows signs of waning while RSI shows signs of turning higher from near oversold conditions. Rebound risks not ruled out in the interim. Resistance at 1.2830/40 levels (100, 200 DMAs, 38.2% fibo retracement of 2026 low to high), 1.2870/90 levels (21, 50 DMAs, 23.6% fibo). Support at 1.2770 (recent low), 1.2740 (61.8% fibo). Near term, USDSGD is likely to take cues from broader moves in USD and USDCNY. This puts focus on upcoming US data releases this week, including CPI (tonight), PPI (Thu) and to a lesser extent, retail sales (Fri).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1579	160.12	1.3553	0.8162	0.7115	0.5933	1.3990	4544	1.2855	62.11	95.56
Resistance 2	1.1560	159.66	1.3529	0.8135	0.7086	0.5907	1.3959	4466	1.2828	61.60	95.49
Resistance 1	1.1551	159.47	1.3518	0.8121	0.7074	0.5894	1.3942	4418	1.2812	61.43	95.47
Spot	1.1543	159.28	1.3509	0.8111	0.7064	0.5879	1.3923	4370	1.2797	61.26	95.44
Support 1	1.1532	159.01	1.3494	0.8094	0.7045	0.5868	1.3911	4340	1.2785	60.92	95.40
Support 2	1.1522	158.74	1.3481	0.8081	0.7028	0.5855	1.3897	4309	1.2774	60.58	95.35
Support 3	1.1503	158.28	1.3457	0.8054	0.6999	0.5829	1.3866	4230	1.2747	60.07	95.28
Bollinger Band											
Bollinger Upper	1.1609	165.88	1.3568	0.8197	0.7082	0.5928	1.4157	4402	1.2963	62.13	96.86
Bollinger Lower	1.1334	155.72	1.3279	0.8035	0.6945	0.5762	1.3912	3871	1.2759	60.67	94.82

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

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