

## Daily Market Outlook

### USD Consolidates

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- **USD Consolidates:** *USD consolidates after payroll-led gains. Asia FX diverges on policy signals and flows. Fed now seen on hold into 2026 with higher yields. Growth tailwinds keep USD firm, with upside risks.*
- **Central Banks Diverge:** *ECB is set to deliver a priced hike, while dovish BoC risks could increase the appeal of CAD as a carry funder. EURUSD upside looks capped without a fresh macro catalyst.*
- **Gold Under Pressure:** *Gold fell on a hawkish Fed repricing and oil-led inflation fears but stabilised as geopolitical tensions eased. Structural support remains, though EM risks and policy shifts delay the rally. Uptrend delayed, not derailed.*

**USD Consolidates:** The USD was quieter overnight, pausing after gains driven by a strong May US payrolls report that reinforced a hawkish Fed narrative. Moves versus G10 were limited, but Asia FX saw larger swings. KRW rebounded on suspected smoothing and reports of NPS FX hedging activation, while MYR, IDR and INR weakened.

A stabilising US labour market gives the Fed room to focus on inflation. Attention now turns to the 10 June US CPI print for clearer signals on price pressures. We have removed the final 25bp rate cut from our forecast and now expect the Fed to stay on hold through 2026. We also lift our 10Y US Treasury yield forecast to 4.55% by end 2026 from 4.25%.

Stronger US growth relative to Europe and non-tech Asia supports a resilient USD. We expect the greenback to remain firm but broadly rangebound. Risks skew to further USD strength, supported by AI capex and potentially higher-for-longer energy prices.

Geopolitics also kept the USD subdued. Oil pared gains and US equities recovered some lost ground as Middle East tensions showed signs of de-escalation. After hostilities ratcheted up between Israel and Iran over the weekend, Iran said it has suspended military operations against Israel but warned it would resume them if strikes continue, including in southern Lebanon. Israel is reported to accept a US request to halt strikes on Iran while continuing operations in southern Lebanon.

**Central Banks Diverge:** Monetary policy focus returns this week. The ECB is set to hike, while a BoC hike would come as a clear surprise. Dovish BoC risks, heading into the 1 July USMCA review, could increase the appeal of CAD as a carry funder.

Updated ECB projections should show higher inflation and softer growth. This supports a one-off 25bp insurance hike to 2.25% in our view. President Lagarde is unlikely to label it as such, keeping policy options open.

With the ECB hike later this week fully priced, EURUSD may struggle to extend gains without a fresh catalyst. Progress on a US-Iran deal that reopens the Strait of Hormuz could help, but talks appear stalled.

**Gold Under Pressure:** The break below the 200-day moving average, driven by a more hawkish Fed narrative, triggered accelerated selling in gold. Prices later stabilised after briefly dipping below USD4,300 as oil pared gains amid signs of de-escalation between Iran and Israel.

Hawkish Fed expectations, partly fuelled by higher oil prices and strong US labour data, have weakened gold's traditional safe-haven appeal during geopolitical stress. Sentiment also took a hit after India raised import duties on gold and silver to 15% from 6%, effective 13 May 2026, to curb imports.

Central bank demand should remain resilient. However, risks are emerging that EM central banks may mobilise gold reserves to raise USD liquidity and defend currencies. Following the outbreak of war in the Middle East, Türkiye's central bank sold or loaned around 130 tonnes, one of the largest recent reserve drawdowns, to stabilise the TRY. EM currency dynamics remain challenged by elevated energy prices, a firmer USD and the risk of a more hawkish Fed.

Despite these headwinds, structural bullish drivers including currency debasement, fiscal risks and geopolitical fragmentation remain intact. A moderation in energy-driven inflation is needed for these themes to regain traction. We lower our end-2026 gold forecast to USD5,100/oz from USD5,350/oz. The uptrend is delayed, not derailed.

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1640	161.20	1.3467	0.8059	0.7167	0.5923	1.4017	4487	1.2989	62.00	96.66
Resistance 2	1.1585	160.67	1.3403	0.8014	0.7107	0.5866	1.3982	4402	1.2939	61.83	96.10
Resistance 1	1.1559	160.41	1.3371	0.7995	0.7076	0.5838	1.3967	4366	1.2911	61.76	95.90
Spot	1.1531	160.22	1.3338	0.7981	0.7044	0.5806	1.3957	4322	1.2887	61.69	95.71
Support 1	1.1504	159.88	1.3307	0.7950	0.7016	0.5781	1.3932	4282	1.2861	61.59	95.34
Support 2	1.1475	159.61	1.3275	0.7924	0.6987	0.5752	1.3912	4233	1.2839	61.50	94.97
Support 3	1.1420	159.08	1.3211	0.7879	0.6927	0.5695	1.3877	4148	1.2789	61.33	94.40
<b>Bollinger Band</b>											
Bollinger Upper	1.1710	160.60	1.3525	0.7972	0.7251	0.5974	1.3969	4684	1.2895	61.83	96.69
Bollinger Lower	1.1528	158.05	1.3319	0.7780	0.7039	0.5778	1.3667	4312	1.271	61.43	94.72

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

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