

Daily Market Outlook

De-Escalation Weighs USD

- **De-Escalation Weighs USD:** Lower yields remain feasible in both adverse and benign oil scenarios. De-escalation hopes in the Iran conflict drove a broad risk rally, softer USD, and falling US yields—setting the stage for resumed USD depreciation if tensions ease further.
- **Energy Shock Bites:** Eurozone inflation jumped on higher energy costs, keeping the ECB cautious. With Middle East risks still fluid, markets eye April for guidance. EURUSD may grind higher if geopolitical tensions ease and energy prices retreat.
- **Gold's recovery extends as geopolitical tensions de-escalate and yields fell.** A reclaim of 100DMA may see recovery gather traction.
- **Asian FX retraced losses overnight as geopolitical twist breathes life into risk proxy Asian FX.** High-beta KRW may have room to rise should de-escalation rhetoric build.

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De-Escalation Weighs USD: The path to lower yields remains open in both adverse and benign oil environments. Earlier in the week, rising oil prices revived recession worries, but overnight moves told a different story. Yields fell alongside a weaker USD, softer oil, and a broad risk rally as markets priced rising hopes of Iran de-escalation.

Safe-haven currencies diverged: CHF lagged as risk appetite improved, while JPY and gold gained on lower US yields. President Trump suggested the conflict could end even before the Strait of Hormuz reopens (WSJ). Reports of a call between EU Council President Antonio Costa and Iran's President Masoud Pezeshkian added momentum, with Tehran signalling "necessary will to end this conflict" if credible guarantees are provided.

Meanwhile, U.S. gasoline prices above USD4/gallon increase domestic political pressure for a swift resolution. If genuine progress toward de-escalation emerges, we expect the USD to return to its shallow depreciation path, as reduced energy risks would deliver a proportionally larger boost to non-US economies and global asset markets.

Energy Shock Bites: The Eurozone's March CPI rose 2.5% YoY—just below the 2.6% consensus but sharply higher than February's 1.9%—underscoring how the energy shock seen in March PMIs is feeding through to prices. The surge in HICP was widely expected following the

spike in fuel costs after Brent crude rallied on the outbreak of the Iran war.

With uncertainty still high, the ECB is likely to maintain full optionality into the April meeting, which helps explain the lack of pushback against an April rate hike. Markets are currently pricing around 12bp hike. The Middle East conflict could shift meaningfully before the ECB meets on 30 April, and policymakers are likely to manage expectations accordingly. If geopolitical tensions ease and energy prices soften, we expect EURUSD to drift higher, supported by a softer USD.

Gold. Recovery gathers traction. Gold's rebound the past few sessions have started to gather traction. Iran media reported that Iran's president is ready to end the war while reiterating demands breathed life into most asset classes, including gold. We had postured in our *Monthly Commodity Outlook, 31 Mar 2026*, that the gold's pullback in Mar appears less a breakdown in fundamentals and more due to hawkish repricing of Fed, liquidation and a flush-out of crowded long positioning. It is important to distinguish this episode from 2022. Back then, gold faced a sustained headwind from aggressive Fed tightening and a sharp rise in real yields. Today, while rate cut expectations have been scaled back, the Fed is not on a tightening path, and real rates are not rising in the same disorderly fashion. The current environment is better characterised as a delay in easing timeline rather than a return to tightening. More importantly, the shift in market pricing now arguably leaves room for a dovish repricing. Should geopolitical tensions de-escalate or growth concerns resurface, then expectations for Fed easing could return. In such a scenario, real yields can ease, providing support for gold. In fact, recent price action already hinted at this dynamic, with real and nominal yields easing lower.

Gold last seen at 4660 levels. Bearish momentum on daily chart shows signs of fading while RSI rose. Rebound is underway. But watch if the rally can decisively break above resistance at 4670 (38.2% fibo retracement of Jan high to Mar low). Break out may see gold gather further traction, with next resistance at 4830/50 levels (21 DMA, 50% fibo). Support at 4450 (23.6% fibo).

USDKRW. Sharp reversal. USDKRW had a rough day, with spot squeezed to intra-day high of 1536 levels on month-end before the sharp reversal overnight. While KRW remains vulnerable due to terms of trade shock and risk sentiment, its high beta may well see a quick tactical retracement should the geopolitical twist gathers traction. Headlines suggest Iran's leadership is open to ending the war, conditional on security guarantees to prevent future attacks. It may be too soon to concur if the endgame is near but it is important to monitor

if a shift has already occurred as the narrative shift can impact currency sentiment. Elsewhere, Bank of Korea nominee Shin says USD liquidity status is quite stable and that it is not necessary to directly link FX and financial instability like previously. USDKRW last seen at 1519.5 levels. Mild bullish momentum intact though rise in RSI shows signs of turnaround near overbought conditions. Price action also exhibited a bearish doji, signalling potential retracement. Support at 1506, 1493 (21 DMA). Resistance at 1530/35 levels (overnight high).

USDSGD. Bullish momentum easing. USDSGD traded lower, in response to the twist in geopolitical headline. Iran’s leadership is open to ending the war, conditional on security guarantees to prevent future attacks while US recent rhetoric has also leaned toward winding down military operations, even if key issues like the Strait of Hormuz remain unresolved. Pair was last seen at 1.2860 levels. Bullish momentum on daily chart shows signs of fading while RSI eased. Rising wedge observed – typically associated with near term bearish reversal. Downward retracement not ruled out. Support at 1.2840 (50% fibo), 1.2780 levels (38.2% fibo retracement of Nov high to 2026 low). Resistance at 1.29, 1.2940.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1751	161.74	1.3427	0.8131	0.7019	0.5833	1.4052	5021	1.3037	61.00
Resistance 2	1.1636	160.43	1.3322	0.8068	0.6949	0.5782	1.3991	4817	1.2961	60.85
Resistance 1	1.1595	159.57	1.3274	0.8032	0.6925	0.5765	1.3953	4742	1.2914	60.80
Spot	1.1571	158.62	1.3240	0.7981	0.6917	0.5753	1.3907	4692	1.2847	60.74
Support 1	1.1480	158.26	1.3169	0.7969	0.6855	0.5714	1.3892	4538	1.2838	60.65
Support 2	1.1406	157.81	1.3112	0.7942	0.6809	0.5680	1.3869	4409	1.2809	60.55
Support 3	1.1291	156.50	1.3007	0.7879	0.6739	0.5629	1.3808	4204	1.2733	60.39
Bollinger Band										
Bollinger Upper	1.1670	160.48	1.3494	0.8030	0.7177	0.5961	1.3963	5379	1.2902	61.00
Bollinger Lower	1.1434	157.30	1.3182	0.7740	0.6837	0.5704	1.3511	4217	1.2707	58.47

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

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