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Daily Market Outlook

Blue Sweep Reprices USD

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- ***Blue Sweep Reprices USD****: Democratic control of Congress has pushed USD and the US yields lower, while AI regulation risks have weighed on tech. But divided government limits major policy shifts, while resilient US growth and sticky inflation should keep the USD broadly supported.*

- ***GBP's High Bar****: GBP remains well supported by political stability, attractive yields and M&A inflows. A Bank of England rate hike should reinforce that resilience, but with substantial tightening already priced in, further GBP outperformance will be harder to deliver.*

- ***Precious metals rebounded*** *post-US midterms on softer USD, yields and oil prices. Encouragingly, gold is responding to supportive macro conditions again. We are cautiously optimistic that gold may be finding its footing, though easing Fed tightening expectations and renewed investment demand remain key to sustaining gains.*

- ***USDCNH is likely to consolidate*** *as policymakers seek to moderate appreciation momentum. Daily fixings remain key, but we view the latest measure as moderating the pace rather than reversing the broader appreciation trend.*

Blue Sweep Reprices USD: Democrats won control of both the House and Senate as affordability concerns helped drive a broad electoral swing. Opposition to rapid data-center expansion was another feature of several state races, including Texas, where incoming Democratic Governor Gina Hinojosa has called for a temporary moratorium pending stronger protections.

Markets responded with a broadly risk-on move. Treasury yields and the USD fell, EM currencies rallied and US equities advanced. However, data-center and AI infrastructure stocks underperformed as investors assessed the risk that tighter state-level restrictions could slow investment. Oil prices fell sharply as reduced expectations of further US strikes on Iran lowered the geopolitical risk premium and raised hopes for renewed diplomacy. Gold climbed back above USD4,000/oz, supported by lower Treasury yields and a weaker USD.

The USD's initial decline likely reflects expectations for less fiscal expansion under divided government and the resulting fall in Treasury

yields. Greater uncertainty around AI and data-center investment may also be weighing on the USD, while lower oil prices could provide an additional drag given the US position as a net energy exporter.

But we would be cautious about extrapolating the initial USD sell-off into a sustained decline. Democratic control of Congress does not mean unrestricted policy power. Major legislation remains vulnerable to President Trump's veto, while Democrats lack the two-thirds majorities in both chambers needed to override it. That raises the hurdle for sweeping federal AI regulation or major changes to existing fiscal policy.

The macro backdrop also remains broadly USD supportive. With US growth still solid, inflation sticky and the Fed on track for further tightening, we retain our view that the USD should remain supported, albeit with greater two-way risks. A Democratic Senate should also strengthen the institutional guardrails around Fed independence by making it harder for the administration to confirm additional allies to the Federal Reserve Board. This could reduce an institutional risk premium that has periodically weighed on the USD.

GBP's High Bar: GBP has shrugged off the Autumn Budget, supported by reduced UK political uncertainty, a sizeable yield advantage and steady M&A inflows. These tailwinds should keep the currency resilient, although the scope for significant further gains is narrowing.

Today's Bank of England meeting is the next test. Stronger activity, persistent inflation and elevated energy prices support a 25bp rate hike to 4.0%. The BoE may keep the door open to further tightening, but the market's rate path – pricing in nearly four hikes by late 2027 -- looks increasingly demanding. The message for GBP is clear: support remains intact, but with plenty of tightening already priced in, the easy gains may be behind us.

Precious metals rebounded sharply following the US midterm elections, supported by a softer USD, lower US Treasury yields and oil prices as markets reassessed the implications of political gridlock for US fiscal policy and growth.

Gold. Cautiously optimistic. Gold rallied around 3%, reclaiming the 4000 level. Expectations that political gridlock may constrain fiscal expansion and weigh on US growth provided some relief to yields, while slippage in oil prices also lent support. Encouragingly, gold has started to respond more positively to a favourable macro backdrop, following its earlier reluctance to benefit from lower yields and USD weakness. We are cautiously optimistic that gold may be finding its footing,

although further gains would likely require some moderation in Fed tightening expectations and continued recovery in investment demand. We continue to monitor real yields, USD direction, oil prices and ETF flows for signs of sustained buying interest. Friday's US payrolls will be another important test.

Gold last seen at 4060 levels. Mild bearish momentum on daily chart faded while RSI rose. Some upside risks not ruled out. Immediate resistance at 4065/75 levels (21 DMA, 23.6% fibo retracement of Aug high to Oct low) before 4185/ 4205 levels (38.2% fibo, 50, 100 DMAs). More confidence should return if gold can reclaim the said resistance. Meantime support at 3960/80 levels and 3870 (Oct low).

Silver. Needs to reclaim 54/55 for bearish pressure to negate. Silver outperformed gold, gaining nearly 5% as the broader precious metals complex recovered. The rebound was likely amplified by silver's greater sensitivity to changes in monetary conditions and reduced speculative positioning following October's sharp correction. While the improvement in sentiment is encouraging, the industrial demand outlook remains mixed, particularly with continued thrifting and substitution in photovoltaic applications. Further easing in USD strength and real yields could see silver extend its recovery alongside gold, although industrial demand concerns may temper the pace of gains.

Silver last seen at 52.22 levels. Mild bearish momentum shows signs of fading while RSI rose. Immediate resistance at 54.1/ 55.2 levels (23.6% fibo retracement of Aug high to Nov low), 57.40 (38.2% fibo). Clearing those hurdles cleanly may be needed for sentiment to stabilise. Support at 48 levels.

RMB. Consolidate. USDCNH rose to intra-day high of 6.6860 at one point before easing lower. The short squeeze came following the PBoC's announcement (on Tue) to raise the FX deposit reserve requirement ratio by 2ppts to 6%. The policy measure tempered near-term appreciation momentum, with further USDCNH upside not ruled out as markets reassess the authorities' tolerance for currency strength. The daily fixings remain key in gauging the extent of policy restraint.

We continue to view the latest measure as an attempt to manage the pace of RMB gains rather than alter the broader direction of travel. While near-term RMB consolidation or a further pullback cannot be ruled out, our measured appreciation bias remains intact, particularly if broader USD weakness becomes more sustained.

USDCNH last seen at 6.6730 levels. Daily momentum turned mild bullish while recent rise in RSI moderated. Some consolidation is likely to take hold unless fixing surprises. Resistance at 6.6760 (21 DMA), 6.6840 (50% fibo retracement of Sep high to Nov low) and 6.6940/60 levels (61.8% fibo, 50 DMA). Support at 6.6620 (23.6% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1401	160.85	1.3651	0.8336	0.7130	0.5744	1.4142	4318	1.2876	63.76	95.40
Resistance 2	1.1315	159.52	1.3556	0.8253	0.7062	0.5680	1.4058	4168	1.2834	63.63	95.04
Resistance 1	1.1272	158.98	1.3513	0.8213	0.7033	0.5651	1.4018	4114	1.2809	63.59	94.84
Spot	1.1235	158.36	1.3478	0.8166	0.7004	0.5624	1.3975	4066	1.2788	63.54	94.65
Support 1	1.1186	157.65	1.3418	0.8130	0.6965	0.5587	1.3934	3964	1.2767	63.46	94.48
Support 2	1.1143	156.86	1.3366	0.8087	0.6926	0.5552	1.3890	3867	1.2750	63.39	94.31
Support 3	1.1057	155.53	1.3271	0.8004	0.6858	0.5488	1.3806	3716	1.2708	63.26	93.95
Bollinger Band											
Bollinger Upper	1.1260	159.01	1.3500	0.8358	0.7065	0.5713	1.4281	4247	1.2836	64.24	96.64
Bollinger Lower	1.1131	156.99	1.3186	0.8154	0.6932	0.5569	1.3871	3897	1.276	62.48	93.94

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

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