By Global Markets | 19 November 2026

Daily Market Outlook

Metals Crack, Dollar Holds

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- ***Metals Crack, Dollar Holds****: AI worries, hawkish Fed repricing and fading geopolitical risk are driving sharp cross-asset moves, with metals cracking. Higher US yields remain supportive of the USD. A deeper AI downturn could change that, but for now, shorting the USD looks premature.*

- ***Gold fell below 3800*** *as a firmer USD, higher yields and hawkish Fed rhetoric weighed. The breakdown risks further selling amid subdued buying interest. We remain cautious near term, with any sustained recovery likely requiring some easing in USD and real yields.*

- ***INR extended gains overnight****. Lower oil prices and strong portfolio inflows supported INR's recovery. Further gains hinge on sustained inflows and softer oil, while elevated US Treasury yields remain a constraint.*

- ***RMB held steady*** *despite USD strength, but no acceleration in the pace of adjustments, suggesting policymakers remain comfortable with gradual appreciation. Trump-Xi meeting in focus.*

Metals Crack, Dollar Holds: Concerns over AI spending, a hawkish shift in Fed expectations and hopes of Middle East de-escalation have triggered sharp moves across markets. Industrial metals, particularly copper, have led the sell-off, while gold has also weakened. Fears of Fed overtightening and slower AI-related demand have all weighed on metals.

Weaker commodity prices have added pressure by worsening the terms-of-trade outlook for ZAR, MXN and BRL – prompting an unwind of carry trades. The move extends a broader pattern of market dislocation in recent weeks, with US yields rising sharply over the past week while technology stocks and oil have fallen following the Democratic sweep in the US midterm elections.

The USD strengthened overnight as the Treasury curve twist-flattened. Fed Governor Christopher Waller argued that the Fed should either raise rates by 50bp in December or deliver a 25bp move and clearly signal another hike in January. Without a credible signal of further tightening, he favours a larger December increase.

The October FOMC minutes reinforced the hawkish message. Almost all participants judged that further tightening would probably be appropriate. A couple also said a move larger than 25bp could be considered if incoming inflation data proved unfavourable. The minutes additionally highlighted risks from elevated asset valuations, leveraged positions and a potential reassessment of returns on AI investment.

More hawkish Fed pricing has so far offset weakness in technology stocks, keeping the USD supported. A deeper downgrade to AI capital-expenditure expectations would challenge that support by pushing down US real yields and weakening equity inflows. Those are two important pillars of USD strength. However, a sustained USD decline may be more of a second-half 2027 story. For now, persistent inflation, further Fed tightening and elevated US yields suggest it is still too early to bet against the USD.

RMB: Fixing momentum maintained. RMB held relatively steady despite broader USD strength overnight. The PBoC maintained the momentum in firmer fixings, strengthening the reference rate for a fifth consecutive session to 6.7118, its strongest since July 2022. While the trend has been sustained, there has been no discernible acceleration in the pace of fixing adjustments. This reinforces the view that policymakers remain comfortable with gradual RMB appreciation, rather than seeking to engineer faster gains.

The timing around APEC and the Trump-Xi meeting may also be a factor, as policymakers may prefer a stable to firmer RMB to avoid currency issues becoming a point of contention. Similar fixing strength was seen ahead of previous high-level meetings, including the September Trump-Xi summit. For now, we continue to expect measured RMB appreciation rather than a sharp, one-way move. Focus remains on the fixing and any trade-related signals emerging from the leaders' meeting.

USDCNH last closed at 6.6680 levels. Daily momentum remains mild bullish while RSI is flat. 2-way risks likely to persist. Support at 6.6620 (23.6% fibo retracement of Sep high to Nov low). Resistance at 6.6750 (38.2% fibo), 6.6840/80 levels (50% fibo, 50 DMA).

INR. Lower Oil and portfolio inflows support recovery. INR extended its recent recovery, briefly strengthening to a 7-month high of 93.2550 (vs. USD) overnight before paring gains amid renewed USD strength. The INR has gained around 1.5% so far this month, benefiting from lower oil prices, strong foreign portfolio inflows and an unwinding of bearish INR positions. Foreign equity inflows have approached

USD10bn in November, while offshore forwards trading stronger than comparable onshore forwards suggest that short-covering has also contributed to the recent appreciation.

Lower oil prices should continue to provide some relief to India's import bill and USD demand, although the sustainability of the decline remains a question amid geopolitical tensions. Further INR gains may depend on whether portfolio inflows persist as short-covering runs its course. Elevated US Treasury yields and a firmer USD could still constrain the recovery, but continued foreign buying and softer oil may help INR retain its relative resilience.

USDINR last at 93.44 levels. Mild bearish momentum on daily chart shows tentative signs of fading while RSI is near oversold conditions. Near term rebound not ruled out, but bias to fade. Resistance at 93.60 (76.4% fibo retracement of 2026 lo to high), 94.20 (61.8% fibo).

Gold: Pressured. Gold extended its decline, falling below 3800 overnight. A stronger USD, higher US Treasury yields and increasingly hawkish Fed rhetoric continued to weigh. Fed Governor Waller even raised the possibility of a 50bp hike in December or faster tightening next year, adding to an already challenging backdrop for gold.

The break below 3800 risks reinforcing bearish sentiment. Buying interest remains subdued, while the continued decline raises the risk of further liquidation. We remain cautious near term, although our constructive medium-term view is unchanged. A more convincing recovery would likely require some moderation in USD strength and real yields, alongside signs of renewed investment demand. Until then, gold may struggle to find a firmer footing, particularly if the Fed maintains its tightening bias.

Gold last at 3740 levels. Daily momentum is mild bearish while RSI fell further to near oversold conditions. Bigger support lies in 3600. Resistance at 3875, 3983 (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1070	160.42	1.3320	0.8513	0.6793	0.5540	1.4442	4043	1.2934	64.03	94.08
Resistance 2	1.1023	159.90	1.3243	0.8469	0.6757	0.5517	1.4378	3905	1.2913	63.85	93.75
Resistance 1	1.0999	159.62	1.3196	0.8451	0.6737	0.5505	1.4353	3815	1.2904	63.78	93.60
Spot	1.0972	159.41	1.3147	0.8436	0.6713	0.5488	1.4332	3740	1.2894	63.71	93.45
Support 1	1.0952	159.10	1.3119	0.8407	0.6701	0.5482	1.4289	3678	1.2883	63.60	93.27
Support 2	1.0929	158.86	1.3089	0.8381	0.6685	0.5471	1.4250	3630	1.2871	63.48	93.10
Support 3	1.0882	158.34	1.3012	0.8337	0.6649	0.5448	1.4186	3493	1.2850	63.30	92.77
Bollinger Band											
Bollinger Upper	1.1295	160.27	1.3518	0.8460	0.7143	0.5717	1.4392	4187	1.2908	64.26	95.64
Bollinger Lower	1.0951	156.75	1.3123	0.8112	0.6666	0.5458	1.3857	3736	1.2744	62.93	93.31

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

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