By Global Markets | 24 November 2026

Daily Market Outlook

Risk-On, Dollar-On

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- ***Risk-On, Dollar-On****: The AI rebound has loosened financial conditions and revived Fed tightening expectations, keeping front-end yields and the USD supported. Softer growth and lower oil cap longer yields, leaving further dollar gains increasingly dependent on Fed repricing.*

- ***EUR Recovery Can Wait****: Much of the bad news is priced in, but Fed tightening, French election risk and lingering energy vulnerability should cap the EUR. A more meaningful recovery looks more likely in 2H27, leaving the EUR an attractive funding currency for now.*

- ***USD Sets SGD Tone****: A firm USD and lower likelihood of further MAS tightening should keep USDSGD broadly range-bound into early 2027. Softer inflation reinforces the case for another MAS hold, leaving the broader USD cycle firmly in the driver's seat.*

Risk-On, Dollar-On: The sharp equity rebound following Jensen Huang's reinstatement as Nvidia CEO has eased growth concerns and loosened financial conditions. That gives the Fed more room to remain hawkish, restoring expectations for a 25bp December hike and keeping front-end US yields firm. The result is an unusual mix of stronger equities and a stronger USD.

Lower oil prices provide a counterweight, easing inflation concerns and pulling longer-dated yields lower. Brent crude ended the first session of the week down nearly 4% after comments from President Trump that he was willing to give diplomacy more time. With the front end supported by Fed expectations, the Treasury curve has flattened. For FX, firm short-term US rates are helping the USD hold up despite the risk-on backdrop.

The latest US PMIs do little to change that near-term story. The composite PMI eased to 54.6 in November but remains consistent with annualised growth of around 3% in 4Q26. Price pressures have moderated but remain elevated.

We remain constructive rather than outright bullish on the USD. Resilient growth and firm front-end yields should provide near-term support, but softer momentum and lower oil limit upside in longer-term yields. Further USD gains will increasingly depend on additional Fed repricing.

EUR Recovery Can Wait: The EUR has priced in plenty of bad news, but the near-term risk-reward still looks weak. Fed tightening and French elections in April/May should limit upside, with a more meaningful recovery likely only in 2H27 as political and energy risks fade. French fiscal stress has eased but remains a drag. The 10-year OAT-Bund spread has narrowed from around 175bp in October to roughly 150bp, suggesting lower, but still elevated, political and fiscal risk.

Growth is also increasingly uneven. The euro-area composite PMI held at 51.7 in November, but Germany strengthened to 55.0 while France slipped to 46.2, the widest gap in six years. This divergence leaves the regional recovery vulnerable to persistent French weakness. Energy remains another headwind. EU gas storage was only around 69% full in late November, leaving Europe exposed to a cold winter or tighter global LNG supply. Lower Brent prices provide some relief, but do not remove that vulnerability.

Bottom line: The EUR may be cheap, but the catalyst for a sustained rebound is still missing. We expect it to remain a preferred funding currency until the macro and political backdrop improves in 2H27.

USD Sets SGD Tone: A supported USD into early 2027 should limit the scope for broad Asian FX appreciation. For SGD, the story is relatively straightforward. With limited scope for another MAS tightening and the S$NEER already trading in the upper half of the policy band, USDSGD should remain driven mainly by the broader USD cycle. MAS kept the slope, width and centre of the S$NEER policy band unchanged in October, after slightly steepening the slope in July.

We expect USDSGD to trade broadly sideways in the coming months. Periods of USD strength could push the pair higher without signalling broad-based SGD weakness. Conversely, a sustained move lower would likely require a softer USD backdrop, supported by continued strength in Singapore's external position.

The domestic inflation picture also reduces the urgency for further MAS tightening. MAS Core Inflation fell to 1.5% YoY in October from 2.0% in September, reflecting softer services and electricity and gas inflation. Following MAS's decision to leave policy settings unchanged on 14 October, our economist expects another hold at the January 2027 review.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1180	160.99	1.3328	0.8556	0.6748	0.5555	1.4499	3897	1.3043	64.09	94.05
Resistance 2	1.1055	160.00	1.3195	0.8482	0.6688	0.5505	1.4426	3762	1.2971	63.98	93.43
Resistance 1	1.0979	159.51	1.3114	0.8450	0.6658	0.5478	1.4394	3698	1.2943	63.92	93.17
Spot	1.0903	159.01	1.3035	0.8419	0.6630	0.5452	1.4368	3635	1.2915	63.86	92.91
Support 1	1.0854	158.52	1.2981	0.8376	0.6598	0.5428	1.4321	3563	1.2871	63.80	92.54
Support 2	1.0805	158.02	1.2929	0.8334	0.6568	0.5405	1.4280	3491	1.2827	63.75	92.17
Support 3	1.0680	157.03	1.2796	0.8260	0.6508	0.5355	1.4207	3355	1.2755	63.64	91.54
Bollinger Band											
Bollinger Upper	1.1303	160.26	1.3554	0.8502	0.7130	0.5681	1.4472	4239	1.2944	64.27	95.76
Bollinger Lower	1.0870	157.23	1.2994	0.8112	0.6554	0.5425	1.3878	3546	1.2744	62.94	92.65

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

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