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Daily Market Outlook

Gold Needs Patience

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- ***Gold Needs Patience****: Gold remains caught between elevated real yields, a firm dollar and forced deleveraging. Near-term upside may stay limited through the December Fed hike, but lower oil, eventual Fed pause and persistent fiscal uncertainty should restore gold's appeal into 2H27.*

- ***Dollar Not Done Yet****: AI jitters and tariff risks are testing the dollar, but resilient US growth and sticky inflation should keep it supported through 1H27. A gradual decline remains a 2H27 story.*

- ***A Firmer Speed Limit:*** *We still expect modest RMB appreciation in 2027, but at a slower, more managed pace. Strong trade flows and exporter USD selling remain supportive, while recent PBoC measures signal a clear preference to curb the speed, not reverse the direction.*

Gold Needs Patience: Higher US real yields and a stronger USD have weighed on gold for much of this year, as resilient US growth and energy-driven inflation risks have reinforced expectations for tighter Fed policy. The relationship has become more visible again in 2026, with higher real yields raising the opportunity cost of holding non-yielding gold.

More recently, however, the pressure has extended beyond rates. The sharp equity sell-off amid uncertainty over the AI cycle appears to have triggered margin calls and broader deleveraging, spilling into precious metals. That is not unusual in the early stages of a risk-off move. Gold is highly liquid and can be sold to raise cash, meaning prices can initially fall alongside equities before its defensive qualities reassert themselves if uncertainty persists. We see the next important support zone around USD3,400-3,500/oz.

We expect gold's downward pressure to eventually reverse, although the recovery could remain muted into early 2027 before gaining momentum. Investors may be reluctant to rebuild gold longs aggressively into year-end, particularly with a December Fed hike now heavily priced.

Our more constructive 2027 view rests on a shift in the macro backdrop. Lower crude prices should ease inflation pressure, while an eventual pause by the Fed should reduce the real-yield headwind. That would create a more supportive environment for gold to recover

toward our USD4,500/oz end-2027 target. Fiscal and political risks provide an additional structural support. Concerns over US debt sustainability and the broader fiscal outlook continue to strengthen the case for gold as a portfolio diversifier, alongside continued central bank demand.

Dollar Not Done Yet: US equities reversed part of Monday's rally, although the weakness was concentrated in technology. Renewed concerns over the AI sector also spilled into industrial metals, with copper leading the decline. Meanwhile, fresh tariff risks added to the cautious tone. The US Trade Representative is expected to release findings from Section 301 investigations into structural excess capacity across 15 countries and the European Union. The proposed measures could introduce country-specific tariffs that partly replace duties struck down by the Supreme Court earlier this year.

FX performance was mixed. The USD weakened against most DM currencies but strengthened against EM peers. The technology-led decline in US equities appeared to weigh on the dollar against G10 currencies. The CAD outperformed after Bank of Canada Governor Macklem warned that second-round effects from higher energy costs could make inflation more persistent, reinforcing expectations of further policy tightening.

A deeper reassessment of the AI investment story would be negative for the USD. Weaker AI-related capital inflows would make it harder for the US to finance its large fiscal and current-account deficits. However, that is not our baseline. We think it is still too early to bet against the USD. Sticky inflation, resilient US growth and the risk of a more hawkish Fed should keep the USD supported through 1H27. Renewed tariffs would further complicate the Fed's task by adding to inflation pressures. A gradual turn lower in the USD remains more likely in 2H27, when lower energy prices should reduce the risk of additional Fed tightening and easing political uncertainty in Europe could improve the relative appeal of European assets.

A Firmer Speed Limit: We continue to expect a modest, managed appreciation of the RMB in 2027. A gradually stronger currency fits Beijing's broader policy objectives, including limiting external trade frictions and supporting RMB internationalisation. However, the pace is likely to slow after the strong gains of the past two years. The People's Bank of China (PBoC) recently raised the FX reserve requirement ratio by 2 percentage points, from 4% to 6%, a move aimed at absorbing dollar liquidity and leaning against rapid RMB appreciation. The measure should be seen as a brake on the pace rather than an attempt to reverse the broader trend.

The fixing also points to a more nuanced policy stance. On 24 November, the PBoC set the USDCNY midpoint at 6.7111, its strongest since April 2022. Yet the fixing was still around 373 pips weaker than market estimates, suggesting Beijing is comfortable with gradual RMB strength but does not want appreciation expectations to become one-way. Underlying flows remain supportive. China's large trade surplus and continued corporate conversion of dollar receipts into RMB should keep appreciation pressure intact. The RMB is already around 5% stronger against the USD this year despite broad USD strength.

The key downside risk is a sharper-than-expected slowdown in exports. That would weaken an important source of FX inflows and could prompt the PBoC to slow the pace of guided appreciation further. We forecast USDCNH at 6.62 by end-2026 and 6.46 by end-2027, consistent with continued RMB appreciation, but with a firmer policy speed limit.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1115	160.86	1.3283	0.8547	0.6711	0.5565	1.4510	3857	1.2967	63.90
Resistance 2	1.1031	160.03	1.3186	0.8462	0.6675	0.5519	1.4406	3725	1.2934	63.85
Resistance 1	1.0999	159.64	1.3150	0.8409	0.6657	0.5500	1.4338	3641	1.2914	63.82
Spot	1.0965	159.24	1.3115	0.8356	0.6633	0.5477	1.4272	3548	1.2895	63.80
Support 1	1.0915	158.81	1.3053	0.8324	0.6621	0.5454	1.4234	3510	1.2881	63.76
Support 2	1.0863	158.37	1.2992	0.8292	0.6603	0.5427	1.4198	3462	1.2868	63.73
Support 3	1.0779	157.54	1.2895	0.8207	0.6567	0.5381	1.4094	3331	1.2835	63.67
Bollinger Band										
Bollinger Upper	1.1292	160.31	1.3544	0.8499	0.7104	0.5671	1.4463	4241	1.2946	64.20
Bollinger Lower	1.0868	157.34	1.2991	0.8117	0.6539	0.5423	1.3905	3484	1.2747	62.97

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

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