

Daily Market Outlook

Relief Rally Builds

- **Relief Rally Builds:** Risk appetite firmed as Middle East tensions eased. USD softened, equities rallied and oil retreated, with rate markets scaling back excessive hawkishness ahead of key central bank meetings.
- **AUD Tests Conviction:** Soft confidence data has clipped the AUD despite hawkish RBA rhetoric. Unless sentiment bleeds into spending, policy tightening can continue. An AI-fuelled commodity upswing keeps our constructive AUD view intact.
- MAS nudged the **S\$NEER** slope higher as expected; S\$NEER eased to 1.8% above model-implied mid. But MAS policy isn't the whole story—USD direction, inflation dynamics, and US–Iran talks will drive the next USDSGD move.
- **Asian FX** strengthened, led by high-beta KRW and MYR, while low-beta RMB lagged. Risk appetite improved on optimism that the US and Iran may return to talks, leaving scope for USDAsia to extend its decline if progress leads to a durable ceasefire.

Sim Moh Siong

FX Strategist
(G10 & oil)

Christopher Wong

FX Strategist
(Asia & precious metals)

Relief Rally Builds: USD softened, equities advanced, bond yields declined and oil prices fell as markets drew comfort from tentative signs of de-escalation in the Middle East. Cross-asset moves suggest investors are increasingly pricing the conflict as a temporary energy shock that could fade if diplomacy holds.

Earlier in the conflict, the energy shock drove a sharp rise in cross-asset correlations, with few assets able to escape the risk-off impulse. The main exceptions were energy-linked assets and the USD. While gold and silver rallied strongly overnight, the broader signal was decisively risk-on rather than defensive positioning.

US and Iran negotiation teams are reportedly preparing for another round of talks later this week, after President Trump said “something could be happening over the next days.” Iran is also weighing a short-term pause in oil shipments through the Strait of Hormuz to avoid confrontation with the US navy following the blockade. Such a move could ease tensions and create space for more constructive dialogue.

The most notable overnight move was the sharp decline in European bond yields, led by the front end, as markets unwound overextended hawkish pricing. Rates are now moving closer to our forecast: an ECB insurance hike in June and a BoE on hold through 2026, with policy rates at 2.25% and 3.75% respectively by end-2026.

ECB President Lagarde struck a marginally dovish tone in a Bloomberg interview, highlighting the “grey area” between looking through the shock and acting “possibly decisively.” Attention now turns to a heavy lineup of central bank speakers ahead of April policy meetings from the Fed, ECB, BoE and BoJ. With the exception of the BoJ—expected to hike 25bp to 1.0%—we anticipate all others to remain on hold in April.

Finally, the confirmation hearing for Fed chair nominee Warsh is scheduled for 21 April. While the hearing could accelerate the confirmation process, Senator Tillis’s DOJ-related hold is still likely to delay a Senate Banking Committee vote.

AUD Tests Conviction: Despite hawkish rhetoric from RBA Deputy Governor Andrew Hauser, the AUD was held back as stagflation fears resurfaced amid a sharp deterioration in confidence. This has triggered a reassessment of how far the RBA can tighten this year.

Consumer sentiment collapsed 12.5% MoM—the largest fall since the pandemic—pushing the index back to crisis-era levels at 81. But sentiment and consumption are only weakly correlated. The RBA would only curb rate hikes if this gloom translates into materially weaker spending. Business confidence also slumped 29 points to six-year low, matching depths seen during the pandemic. That said, firms entered the fuel price shock and supply concerns with solid momentum.

We maintain that the AUD should continue to outperform, underpinned by the AI-driven commodity boom, which lends durability to the RBA’s hawkish bias.

USDCNH. Downward Pressure. USDCNH gapped lower yesterday, riding on broad USD pullback. Broader sentiment switched to risk-on mode, following optimism that US and Iran could be back negotiating. The CNY fix also came in stronger at 6.8593 (vs. 6.8657 the day before). This is also the lowest USDCNY fix since Mar 2023, reinforcing the trend of guided RMB appreciation since Apr 2025. That said, on a 5d% change (vs USD), CNH’s gains paled in comparison to KRW, MYR (which were up ~2%). This underscores the low beta of CNH. Pair was last seen at 6.8160 levels. Daily momentum is bearish bias while RSI fell to near oversold conditions. Immediate support around 6.81, 6.79 levels. Resistance at 6.8465 (76.4% fibo retracement of 2023 low to 2025 high), 6.8770 (21 DMA).

USDKRW. Consolidation. USDKRW fell sharply on optimism that US and Iran are considering a return to the negotiation table. Oil prices fell while most risk proxies traded on a firmer footing with USD broadly coming under pressure. On the domestic side of things, Korea's Pension Fund Services' (NPS) strategic currency hedge ratio will be raised to 15%, from 10% and the fund will operate the hedge ratio flexibly depending on market conditions. The NPS also seeks to issue FX bonds early next year.

Elsewhere, we continue to watch US-Iran development. There is room for USDKRW to fall should talks progress to a more durable ceasefire outcome. Pair was last seen at 1472 levels. Bearish momentum on daily chart intact but RSI is near oversold conditions. 2-way trades likely as geopolitical developments remain fluid. Support at 1469 (100 DMA), 1464 (61.8% fibo). Resistance at 1475 (50 DMA), 1492 (38.2% fibo retracement of Mar low to high).

USDSGD. Bearish bias but near oversold. In the policy decision yesterday, MAS increased slightly the rate of appreciation of the S\$NEER policy band. There will be no change to its width and the level at which it is centred. Move was largely in line with consensus and our view. Given that expectations were skewed towards policy tightening, the FX reaction is also more muted. S\$NEER has also eased to 1.8% above model-implied mid (vs. 1.95% before the policy decision), in part reflecting the less hawkish outcome of the MAS decision and in part reflecting the cautious outlook policymakers have on growth in 2H26.

The accompanying MPS acknowledges a cautious backdrop, with disruptions through the Strait of Hormuz lifting energy and imported goods prices even as growth momentum is expected to slow from last year's above-trend pace. The Macroeconomic Review (published 14 Apr) also indicated that *global AI demand is unlikely to unwind abruptly due to committed investments, which in turn should support domestic activity, particularly in the technology-related segments*. MPS also highlighted that *a steady pipeline of domestic public infrastructure and housing investment will also support growth*. Nevertheless, MAS expects the economy to moderate over the course of 2026 and will update growth forecast in May (current forecast range stands at 2 – 4%). MAS sees inflation picking up and staying elevated over the next few quarters. Consistent with that, MAS raised both its core and headline CPI forecasts to 1.5–2.5% (from 1 - 2%), signalling that imported inflation risks now warrant a precautionary tightening even against a softer growth backdrop.

At this point, it remains early to assess the next policy move in July as geopolitical developments remain fluid. In the environment if growth stays intact but price pressures continue to pick up, then another policy

tightening is not ruled out down the road. MAS policy is only one side of the equation. The broader USD trend and macro-inflation backdrop remains crucial for USDSGD move as markets looks for signs of US and Iran continuing talks. Pair was last at 1.2720 levels. Bearish momentum on daily chart intact while RSI is near oversold conditions. Key support here at 1.27. Break out puts next support closer to 1.2680, 1.2610 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1899	160.67	1.3732	0.7911	0.7259	0.6018	1.3888	5013	1.2809	60.20
Resistance 2	1.1843	159.81	1.3642	0.7862	0.7188	0.5955	1.3826	4912	1.2764	60.04
Resistance 1	1.1820	159.30	1.3605	0.7835	0.7157	0.5928	1.3796	4877	1.2741	59.96
Spot	1.1799	158.82	1.3575	0.7810	0.7128	0.5903	1.3768	4837	1.2709	59.88
Support 1	1.1764	158.44	1.3515	0.7786	0.7086	0.5865	1.3734	4776	1.2696	59.79
Support 2	1.1731	158.09	1.3462	0.7764	0.7046	0.5829	1.3702	4710	1.2674	59.71
Support 3	1.1675	157.23	1.3372	0.7715	0.6975	0.5766	1.3640	4609	1.2629	59.54
Bollinger Band										
Bollinger Upper	1.1801	160.34	1.3590	0.8045	0.7163	0.5932	1.3977	4927	1.2924	60.83
Bollinger Lower	1.1421	157.99	1.3128	0.7797	0.6812	0.5665	1.3696	4358	1.2681	59.43

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



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