

## Daily Market Outlook

### Steady, Not So Dovish

- **Steady, Not So Dovish:** *The Fed's steady hold and Powell's cautious tone reinforced the USD's role as a portfolio hedge, with higher oil and risk-off sentiment boosting USD demand as diversification between equities and bonds weakens.*
- **Gold** continues to face near-term downward pressure as oil-driven inflation concerns reduced Fed cut expectations and support the USD, offsetting safe-haven demand from geopolitical risks.
- **Oil Risks Escalate:** *Attacks on Gulf energy infrastructure and risk of a prolonged Hormuz shutdown push oil sharply higher. We lifted our Brent outlook, expecting prices to hold around USD100/bbl through mid-year before gradually easing.*
- **Europe's Policy Jitters:** *European central banks may hold steady today, but markets have swung too hawkish. European FX stays fragile, and if the energy shock persists, growth fears—not inflation—will likely drive the next major repricing.*
- **Asian FX** slipped overnight, given sensitivity to oil prices, risk sentiment and the broader USD direction. PHP, TWD, INR are likely to play catch-up to losses when onshore markets open today.

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**Steady, Not So Dovish:** The Fed kept rates unchanged at 3.50–3.75%, as expected. The decision was 11–1, with only outgoing Governor Miran dissenting in favour of a 25bp cut. Notably, Governor Waller — seen as the most credible dove — did not dissent.

The USD strengthened and the Treasury yield curve bear flattened, as markets interpreted Chair Powell's press conference as slightly hawkish. Firmer oil prices, risk-off sentiment, the breakdown in diversification between equities and bonds, and the USD's energy-linked characteristics all supported the dollar as a portfolio hedge.

The SEP dots continue to show one cut in 2026 and another in 2027, though seven officials project no cuts in 2026. The Fed lifted its long-run dot to 3.1%. Powell highlighted significant uncertainty around the economic outlook, pointing to geopolitical risks in the Middle East and the associated surge in energy prices. Powell also stated clearly that he is prepared to remain on the Board after his Chair term ends in May, serving as Chair Pro Tem if needed. He added he intends to stay at least until the DOJ investigation into the Fed is "well and truly over."

**Oil Risks Escalate:** Oil prices climbed after fresh strikes on regional energy assets. Iran hit a major LNG facility in Qatar—part of its promised retaliation after Israel targeted Iran’s flagship South Pars gas field.

With the US–Iran confrontation now in its third week, there is still no credible path to de-escalation. Vessel traffic through the Strait of Hormuz remains severely restricted, leaving oil flows near a standstill. We lifted our Brent outlook, expecting prices to hold around USD100/bbl through mid-year before gradually easing toward USD70/bbl by early 2027.

Prolonged shipping paralysis is forcing Gulf producers into output shut-ins, heightening the risk that temporary disruptions evolve into more persistent supply losses. Even with mitigation measures, up to 10mb/d of available offsets fall short of covering a sustained Strait closure. For further detail, see [\*Commodity Compass: Oil Tensions Intensify, 17 March 2026\*](#).

**Europe’s Policy Jitters:** Today’s ECB, BoE and SNB meetings will be scrutinised for how policymakers assess the inflation impact of higher energy prices and for any guidance on the policy outlook. They may well follow the Bank of Canada’s playbook—keeping rates unchanged and stressing that stable inflation expectations allow time to evaluate the evolving inflation path. Markets will also watch whether the SNB sharpens its language on FX intervention.

European currencies remain vulnerable, with recent gains in European front-end rates looking stretched. Markets have aggressively repriced tightening risks, now expecting 50bp of ECB hikes and 21bp for the BoE by year-end—after previously pricing cuts before the late-February conflict. Despite the SNB’s earlier intervention warning, EURCHF has only inched higher, though the threat appears to have put a floor under G10-CHF pairs for now.

We see this hawkish shift as overdone. While we push our first BoE rate cut to 3Q26 (from March), we still expect the ECB to remain on hold through 2026. If elevated energy prices persist, markets are likely to pivot from near-term inflation concerns toward rising growth risks, making recession—rather than inflation—the dominant narrative ahead.

**Gold. Pressured.** Gold is facing renewed headwinds despite the re-escalation in the Iran conflict. While geopolitical tensions and the associated spike in oil prices would typically support safe-haven demand, the macro spillover has been more dominant this time. Higher

oil prices are feeding into inflation concerns, prompting markets to scale back expectations for Fed easing—now pricing only around 57% probability of a rate cut. This has kept the USD supported while real yields ticked higher. As a result, the near-term risk for gold appears skewed to the downside. The market is effectively trading less on geopolitical hedging demand and more on the worries of higher inflation risks delaying Fed cut trajectory. While safe-haven flows may still offer intermittent support, they are being offset by the drag from rising real yields. In addition, in periods of acute stress, gold can also face bouts of liquidation as investors raise cash, adding to near-term volatility.

Looking ahead, unless there is a meaningful shift lower in USD, real yields or a clear re-pricing back towards Fed easing, gold may struggle to sustain upside momentum, with price action likely to remain choppy and biased lower in the near term even as the broader structural backdrop remains constructive. Gold last seen at 4820 levels. Bullish momentum on daily chart shows tentative signs of fading while RSI fell. Risks skewed to the downside. Support at 4685 (23.6% fibo retracement of 2026 high to low), 4590 levels (100 DMA). Resistance at 4860 (38.2% fibo), 5000 (50% fibo).

**USDSGD. Rebound.** USD/Asia jumped overnight. Re-escalation in geopolitical tensions saw another run-up in crude oil prices while risk sentiment came under renewed pressure. Markets have also scaled back expectations of Fed cut, now pricing in about 57% chance of a cut this year and this gave USD another source of support. Against this backdrop, several Asian currencies in particular that are typically sensitive to oil prices, risk sentiment and the broader USD direction, including KRW and THB softened overnight. The fear is that inflation expectations can be altered if oil prices continue to stay elevated for longer.

We expect PHP, TWD, INR to play catch-up to losses when onshore markets open today. USDSGD rebounded, alongside broader USD/Asia complex. Pair was last seen at 1.2840 levels. Bullish momentum on daily chart intact while RSI rose. Risks tilted to the upside. Resistance here at 1.2840/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs). Break out puts 1.29 (61.8% fibo) in focus. Support at 1.2780 (38.2% fibo), 1.2740 (50 DMA).

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1696	162.10	1.3541	0.8086	0.7265	0.5988	1.3821	5299	1.2983	60.07	93.01
Resistance 2	1.1591	160.77	1.3418	0.7995	0.7160	0.5904	1.3770	5090	1.2897	59.82	92.79
Resistance 1	1.1521	160.32	1.3337	0.7964	0.7092	0.5850	1.3751	4954	1.2867	59.68	92.71
Spot	1.1464	159.80	1.3265	0.7926	0.7029	0.5795	1.3731	4832	1.2835	59.53	92.64
Support 1	1.1416	158.99	1.3214	0.7873	0.6987	0.5766	1.3700	4745	1.2781	59.43	92.49
Support 2	1.1381	158.11	1.3172	0.7813	0.6950	0.5736	1.3668	4671	1.2725	59.33	92.34
Support 3	1.1276	156.78	1.3049	0.7722	0.6845	0.5652	1.3617	4462	1.2639	59.09	92.12
<b>Bollinger Band</b>											
Bollinger Upper	1.1881	160.77	1.3568	0.7938	0.7156	0.6039	1.3759	5357	1.2869	60.25	92.94
Bollinger Lower	1.1381	154.55	1.3225	0.7672	0.6986	0.5777	1.3569	4861	1.2614	57.06	90.29

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



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