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Daily Market Outlook

Relief

- ***Risk sentiment found some relief,*** *helped by oil easing from recent highs as US–Iran strike risks were pushed back for now. This requires closer watch it is merely a pause in risk-off or room for further recovery, especially with long-end yields still elevated.*
- ***Asian FX stabilised*** *but conviction remains tentative at this point. Softer oil and a pause in UST yield gains helped AXJs breathe, with KRW recovering, but oil-sensitive FX such as INR, IDR and PHP remain vulnerable if Brent stays elevated.*
- ***GBP found a partial footing,*** *helped by softer USD and some easing in the pace of negative UK political headlines. But the rebound looks more like short-covering after a sharp fall than a clean reset, with leadership uncertainty and fiscal concerns still likely to cap rallies.*

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Risk sentiment showed tentative signs of stabilisation as oil eased from recent highs, helped by reports that the US is holding off on planned strikes against Iran while negotiations continue. There was also chatter around possible sanctions flexibility, though this should be treated with caution as Iranian oil-waiver headlines remain unconfirmed at this point. Separately, the US confirmed a limited 30-day waiver for Russian oil already loaded on tankers, underscoring policymakers' desire to contain the energy shock. That said, this is more of a pause in risk-off than a clean risk-on reversal. Equities were mixed, the USD softened modestly and oil prices eased away from recent highs, but long-end yields remain elevated.

Asian FX. *Breather.* Asian FX showed tentative signs of stabilisation after the recent oil and rates-led sell-off. The improvement was modest, but the absence of a fresh leg higher in Brent and UST yields helped to take some pressure off AXJs, while the rebound in parts of Asia equities also helped risk proxies. High-beta KRW was one, with USDKRW easing back toward the 1,493 area after briefly trading above 1,505, alongside a rebound in KOSPI. Further pullback requires oil prices to ease further or geopolitical tensions in Middle East to de-escalate. In the interim, oil-sensitive FX such as INR, IDR and PHP remain vulnerable if Brent stays elevated, while still-elevated bond yields continue to limit the scope for a sustained AXJ recovery. We continue to keep a look out for any signs of stabilisation in the rates space.

DXY. *Rally Pause.* USD eased overnight, alongside the pullback in UST yields. There is no tier-1 data today, focus this week on FOMC minutes and US flash PMIs (21 May). The minutes may provide some colour on officials' concern over inflation persistence while the PMIs will test whether US activity momentum is holding up or starting to soften under tighter financial conditions. A softer PMI print or less hawkish read from the minutes would be needed to take some heat out of the recent move.

DXY's run-up failed at 99.30. Last at 99 levels. Daily momentum is mild bullish while RSI eased from near overbought conditions. Support at 98.30/50 levels (21, 100, 200 DMAs), 98.10 (50% fibo retracement of 2026 low to high) and 97.50/60 levels (double bottom, 61.8% fibo retracement of 2026 low to high). Resistance at 99.40 (23.6% fibo), 100.50/60 levels (2026 high).

GBP. *Partial stabilisation.* GBP recovered some ground, helped by a softer USD and some easing in the pace of negative UK political headlines. PM Starmer has signalled he intends to stay on, while Deputy PM David Lammy said he will not set out a departure timetable, helping to reduce immediate leadership tail risk. That said, the political backdrop has not fully stabilised. Wes Streeting has said he would stand if a Labour leadership contest is triggered while Andy Burnham is also being watched as a potential challenger. Some of the political-risk premium may now be priced after GBP's sharp decline, allowing GBP to bounce from USD pullbacks. Still, the political premium is unlikely to disappear until Westminster headlines settle more decisively. Near term, GBP may remain two-way, with rallies still vulnerable if leadership uncertainty or fiscal concerns resurface.

GBP last seen at 1.3430 levels. Daily momentum is bearish while RSI rebounded from near oversold conditions. Resistance at 1.3470/80 levels (38.2% fibo, 100 DMA), 1.3520 (21 DMA). Support at 1.3350 (61.8% fibo), 1.3270/80 levels (76.4% fibo retracement of 2026 low to May high).

USDCNH. *Rebound faded.* USDCNH's rebound proved short-lived, with the pair failing to break decisively above its 21DMA before easing back again. The price action suggests the rebound was more a correction after markets had run ahead of themselves on RMB appreciation into Trump-XI meeting last week, rather than a broader turn in the RMB trend. The PBoC still appears to favour a measured pace of appreciation rather than a one-way, excessive move. Overall, the latest move reinforces our view that gradual and measured RMB appreciation remains the name of the game, though fresh USDCNH downside may still require a softer USD/rates backdrop or clearer follow-through from US-China talks.

USDCNH was last at 6.7990 levels. Mild bearish momentum on daily chart faded but RSI turned lower. Support at 6.7820 (recent low). Resistance at 6.8170 (21 DMA), 6.8370 (38.2% fibo) and 6.8510/40 levels (50 DMA, 50% fibo).

USDSGD. *Consolidation.* USDSGD eased overnight, tracking the broad pullback in USD and UST yields from recent highs. Pair was last at 1.2780 levels. Daily momentum is mild bullish but rise in RSI moderated. 2-way trades still likely though bias remains to sell rallies. Resistance at 1.2840/50 levels (23.6% fibo, 200DMA). Area of support at 1.2720/60 levels (21, 100 DMAs, 61.8% fibo retracement of 2026 low to high) before 1.2650/70 levels (76.4% fibo).

On data release yesterday: April NODX surged 24.5% YoY in its strongest performance since February 2012. The strength was led by electronics, especially ICs, disk media products and PCs, underscoring Singapore's leverage to the AI/electronics cycle. Our Chief Economist noted that NODX expanded by double-digit growth in April for 9 of the top 10 markets. The key exception was Indonesia which shrank for the 6th straight month by 60.8% YoY, which likely reflects the softening import demand onshore.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1748	159.89	1.3690	0.7930	0.7287	0.5978	1.3809	4751	1.2882	61.86	96.72
Resistance 2	1.1695	159.35	1.3543	0.7892	0.7222	0.5919	1.3777	4647	1.2838	61.79	96.44
Resistance 1	1.1675	159.09	1.3488	0.7868	0.7195	0.5897	1.3758	4607	1.2813	61.76	96.20
Spot	1.1653	158.82	1.3431	0.7843	0.7168	0.5873	1.3739	4567	1.2787	61.74	96.36
Support 1	1.1622	158.55	1.3341	0.7830	0.7130	0.5838	1.3726	4503	1.2769	61.69	95.92
Support 2	1.1589	158.27	1.3249	0.7816	0.7092	0.5801	1.3713	4440	1.2750	61.65	95.88
Support 3	1.1536	157.73	1.3102	0.7778	0.7027	0.5742	1.3681	4337	1.2706	61.59	95.60
Bollinger Band											
Bollinger Upper	1.1788	160.60	1.3666	0.7905	0.7272	0.5981	1.3767	4791	1.2826	62.23	96.46
Bollinger Lower	1.1628	155.82	1.3368	0.7763	0.7111	0.5823	1.3579	4508	1.2666	59.86	93.12

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

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