By Global Markets | 20 March 2026

Daily Market Outlook

BoE Leads Hawkishness

- ***BoE Leads Hawkishness:*** *European front-end yields jumped after a hawkish hold from the BoE, which signalled readiness to hike amid geopolitical inflation risks. Markets priced in more tightening across Europe, though we still doubt the ECB will ultimately deliver hikes.*
- ***Oil Spike Fades****: Geopolitical risk sparked an oil spike, but US moves to boost supply and Israel's de-escalatory comments reversed the rally. Wide Brent-WTI spreads reflected high freight rates and substantial upcoming SPR flows.*
- ***Gold Under Pressure:*** *Gold slid as rising global yields and inflation worries outweighed geopolitical hedging demand. ETF outflows and stress-driven liquidation added pressure. While the medium-term outlook stays constructive, near-term price action is likely to stay choppy.*

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BoE Leads Hawkishness: A hawkish hold from European central banks—led by the Bank of England (BoE)—pushed front-end European yields higher and supported both EUR and GBP. The BoE kept rates unchanged at 3.75% in a unanimous vote, with all four previous dovish dissenters reversing their earlier preference for cuts. The policy statement leaned heavily on inflation-persistence risks stemming from the Iran conflict.

Markets reacted swiftly, pricing nearly three BoE hikes for 2026 with the moves spilling over globally. Fed rate cuts had been completely priced out. The message was clear: the BoE is on hold but prepared to hike if required. This raises the risk that the one 3Q26 BoE cut we expect may not materialise, with a prolonged hold becoming more plausible.

The European Central Bank (ECB) also highlighted upside inflation risks from the energy shock but struck a more balanced tone than the BoE. President Lagarde acknowledged both the inflation risks and the growth hit from higher energy prices. Even so, markets are now pricing close to three ECB hikes this year and a roughly 60% chance of a hike in April. We still do not see ECB hikes as a done deal. The EUR is likely to surrender some gains once markets refocus on the drag from weaker growth.

Oil Spike Fades: Crude prices briefly jumped toward USD120/bbl after a series of Iranian attacks on regional energy infrastructure. The rally faded when US Treasury Secretary Bessent signalled additional supply support, including lifting sanctions on Iranian crude stored offshore. Oil prices eased further after Israeli PM Netanyahu said Iran no longer has the capability to enrich uranium and suggested the conflict "will end a lot faster than people think." The Brent-WTI spread widened on elevated freight rates and expectations of a 172mn barrel US Strategic Petroleum Reserve (SPR) release. Earlier fears of a US crude export ban had also supported the spread, but reports from Politico indicate the administration has ruled out such a measure.

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*.

Gold Under Pressure: Gold prices fell sharply as rising global yields and renewed inflation risks—driven by higher energy prices—reduced expectations for near-term rate cuts. Investors continued to pare back gold-backed ETF holdings, adding to the downside.

The metal has also been prone to bouts of liquidation during periods of market stress, even as geopolitical uncertainties remain elevated (see *Precious Metals Thoughts: Gold – Near-term risks vs medium-term support*, 13 March). The market is trading less on geopolitical hedging flows and more on fears that stickier inflation could prompt a more hawkish central bank stance.

Despite the near-term pressure, the broader structural backdrop remains supportive. We still expect gold to resume its medium-term uptrend, though prices may struggle for sustained momentum in the near term, with trading likely to stay choppy.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1895	163.09	1.3823	0.8099	0.7283	0.6064	1.3817	5402	1.2975	61.24
Resistance 2	1.1722	160.73	1.3602	0.7999	0.7174	0.5957	1.3774	5038	1.2883	60.66
Resistance 1	1.1656	159.23	1.3517	0.7941	0.7131	0.5916	1.3756	4844	1.2829	60.38
Spot	1.1575	157.98	1.3424	0.7890	0.7083	0.5873	1.3739	4660	1.2780	60.10
Support 1	1.1483	156.87	1.3296	0.7841	0.7022	0.5809	1.3713	4480	1.2737	59.80
Support 2	1.1376	156.01	1.3160	0.7799	0.6956	0.5743	1.3688	4309	1.2699	59.50
Support 3	1.1203	153.65	1.2939	0.7699	0.6847	0.5636	1.3645	3945	1.2607	58.92
Bollinger Band										
Bollinger Upper	1.1858	160.42	1.3559	0.7939	0.7157	0.6025	1.3769	5431	1.2862	60.44
Bollinger Lower	1.1397	154.98	1.3245	0.7679	0.6991	0.5787	1.3566	4724	1.2625	57.07

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