

Daily Market Outlook

Rates Pressure Keep FX on the Defensive

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- **USD regained ground**, but the move still looks more rates- and risk-led than a clean US story. GBP and CAD softened on weaker domestic data, while JPY, AUD and NZD also came under pressure.
- **Asian FX was back on the defensive**, with KRW the key underperformer. Higher global yields weighed on tech-heavy equities, KOSPI fell more than 3%, and foreign equity outflows added to the KRW pressure.
- **JPY intervention risk is rising again** as USDJPY nears 159–160. Official warnings may make markets more cautious about chasing the pair higher, but a sustained reversal likely still needs softer UST yields and a weaker broad USD.
- **Near term, any relief for FX probably requires yields and oil to stop rising.** This week's data focus is on FOMC minutes, US flash PMIs and jobless claims.

Currencies traded with a defensive bias as the pressure from higher yields has yet to fully abate. USTs saw another selloff at the long end, with the 10Y yield briefly pushing to around 4.66% and the 30Y yield testing the 5.20% area. The move may seem less disorderly than last week's sell-off at this point, but long end remains the pressure point. Elevated oil prices (brent back above \$110/bbl), sticky inflation concerns and reduced conviction around Fed easing continue to keep markets defensive.

The USD was firmer against most peers, helped by higher yields and a still-cautious risk tone, though the move was not an across-the-board squeeze. GBP softened after weaker UK labour-market data, CAD slipped after a softer-than-expected CPI print, JPY weakened to near 159 levels again while higher-beta majors including AUD and NZD bigger losses overnight.

Asian FX. Back on the defensive. Asian FX traded softer as the pressure from higher UST yields and still-elevated oil prices continued to bite. The move was most visible in the higher-beta AXJs, with KRW among the underperformers. USDKRW pushed higher, alongside the sell-off in KOSPI (>3% lower) while net foreign outflows from domestic equities rose to \$3.7bn. That keeps the rates-equity-FX feedback loop in focus, where higher global yields weigh on tech/AI-heavy equity markets,

equity outflows add pressure on KRW, and KRW weakness in turn reinforces the broader caution around high-beta Asia FX.

Elsewhere, TWD also softened alongside weaker tech sentiment, while INR and IDR remained under pressure given the oil-import bill and global yield backdrop. RMB continued to look comparatively steadier vs other AXJs, but is not immune to the recent USD strength as USDCNH traded back up to 6.8160 levels. Near term, Asia FX may continue to trade on a softer footing. Some stability can come if oil and UST yields stop rising, but a more durable recovery probably needs clearer relief in long-end yields, some form of de-escalation in US-Iran tensions and some easing in foreign-equity outflow pressure.

JPY. Nearing intervention zone. USDJPY pushed back toward 159, with the move still looking more like a USD/rates story. That said, the intervention risks maybe rising again. Finance Minister Katayama said Japan is ready to act against excessive FX moves but also noted the need to be mindful of any impact on US bond markets. That makes the message a little more nuanced. Near term, excessive volatility is key while 160/161 remains the line to watch. Intervention risk should make markets more cautious about chasing USDJPY higher, but unless UST yields and the broad USD soften, official action may only temporarily slow the move rather than reverse it.

USDJPY last seen at 159.10 levels. Bullish momentum on daily chart intact while RSI rose. Upside risks intact, technically. Resistance at 160, 160.70 (previous high). Support at 157.50 (100 DMA, 38.2% fibo), 156.40 (50% fibo retracement of 2026 low to high).

USDJPY (daily chart)



JPY Currency (Japanese Yen Spot) Candle Chart Daily 21MAY2023-20MAY2026 Copyright © 2026 Bloomberg Finance L.P. 20-May-2026 06:31:29

Source: Bloomberg, OCBC Research

DXY. Supported. USD regained some footing as higher UST yields and a softer risk tone brought back demand for the greenback. The latest move still looks rates-led, with long-end yields staying elevated. This move is less driven by a strong US fundamental story but more due to rates/risk-off story. So in the interim, USD may stay bid but the move may not extend if yields turn lower. There is no tier-1 data today, focus this week on FOMC minutes, US flash PMIs, initial jobless claims (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 was last at 99.30 levels. Daily momentum is bullish while RSI is near overbought conditions. Resistance here at 99.40 (23.6% fibo), 100.50/60 levels (2026 high). 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).

USDSGD. Sell rallies. USDSGD inched higher overnight, tracking the rebound in USD and UST yields while softer RMB, JPY also saw spillover effects. Pair was last at 1.2820 levels. Daily momentum is bullish but rise in RSI moderated near overbought conditions. 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).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1760	160.16	1.3520	0.8011	0.7315	0.5966	1.3828	4761	1.2927	61.95	97.15
Resistance 2	1.1690	159.58	1.3462	0.7945	0.7218	0.5905	1.3790	4637	1.2870	61.83	96.82
Resistance 1	1.1647	159.32	1.3428	0.7917	0.7163	0.5871	1.3767	4560	1.2846	61.79	96.68
Spot	1.1607	159.09	1.3396	0.7891	0.7107	0.5835	1.3746	4482	1.2819	61.75	96.54
Support 1	1.1577	158.74	1.3370	0.7851	0.7066	0.5810	1.3729	4435	1.2789	61.66	96.34
Support 2	1.1550	158.42	1.3346	0.7813	0.7024	0.5783	1.3714	4388	1.2756	61.58	96.14
Support 3	1.1480	157.84	1.3288	0.7747	0.6927	0.5722	1.3676	4264	1.2699	61.46	95.80
Bollinger Band											
Bollinger Upper	1.1799	160.57	1.3672	0.7917	0.7280	0.5985	1.3776	4786	1.2842	62.25	96.61
Bollinger Lower	1.1602	155.83	1.3347	0.7760	0.7091	0.5809	1.3577	4464	1.266	60.02	93.30

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

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