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Daily Market Outlook

"Final Stages" Give Markets a Breather

Christopher Wong
FX Strategist

- ***Risk sentiment found some relief*** *as oil prices pulled back on renewed hopes of progress in US-Iran talks. Brent eased to around USD105/bbl, helping to take some pressure off bonds, equities and FX after the recent oil/rates-led sell-off.*
- ***USD softened alongside lower UST yields,*** *while the FOMC minutes delivered no major surprise. The Fed remains patient and inflation-focused, but the minutes did not add fresh fuel to the recent hawkish repricing. Focus now shifts to US flash PMIs and initial jobless claims.*
- ***Asian FX caught a breather*** *from softer USD, lower yields and lower oil. KRW saw a more visible rebound, while IDR sentiment was helped by BI's surprise 50bp hike. Still, the recovery is likely to remain fragile unless oil stays offered and UST yields stabilise.*
- ***BI's jumbo hike gives IDR a policy anchor,*** *but external conditions remain key. The move should help stabilise sentiment, especially if backed by intervention and firm guidance, but sustained IDR recovery still needs oil, geopolitics and DM yields to cooperate.*

Risk sentiment found some relief overnight as oil prices fell on renewed hopes of a US-Iran deal. Trump said negotiations with Tehran were in the "final stages", though he also kept pressure on Iran by warning that military action remained possible if talks failed. Brent fell to around $105/bbl and WTI below $100/bbl. The pullback in oil prices helped ease one of the key pressure points behind the recent bond-market sell-off, although Fed repricing and long-end supply concerns remain part of the broader rates story. Treasury yields retraced alongside oil, while equities and other risk proxies rebounded; the USD also softened as safe-haven demand faded and lower yields took some support away from the greenback.

DXY. *Awaiting catalyst.* USD eased overnight, taking cues from softer yields while oil prices slipped. The FOMC minutes offered no major surprises. The Fed still sounded patient, with officials focused on inflation risks and not yet prepared to validate near-term easing. There was also some acknowledgement that energy prices and Middle East tensions had added uncertainty to the outlook. The more important point for markets was that the minutes did not add fresh fuel to the recent hawkish repricing. Overnight price action was instead led by the pullback in oil and yields, which helped risk proxies recover and help took some momentum out of the recent USD rebound. There is no tier-1 data today with focus on US flash PMIs, initial jobless claims (21 May). DXY was last at 99.10 levels. Daily momentum is bullish while RSI showed tentative signs of turnaround from near overbought conditions. Price action past few sessions saw some consolidation, with 99.40 (23.6% fibo) provide key resistance in the interim, before 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).

DXY daily chart

Source: Bloomberg, OCBC Research

AUDUSD. ***Buy dips.*** Recent pullback in AUD found some support, as USD eased, alongside UST yields and oil prices on hopes of progress in US-Iran talks. The move looks more like a reversal of last week's rates/oil squeeze than a fresh bullish AUD story. Earlier pressure had come from the same channels of higher oil, higher global yields and weaker risk appetite, which dragged AUD/USD close to one-month lows around 0.7080 levels. That said, any follow-through in AUD rebound may still face some restraint unless US yields continue to back off and risk sentiment stabilises more convincingly.

Separately, the RBA minutes released on Tue reinforced a still-cautious policy bias. The Board judged that inflation risks had risen and that policy needed to remain restrictive, with members focused on the risk that higher oil prices and second-round effects could keep inflation above target for longer. At the same time, the minutes did not read like a pre-commitment to another near-term hike; the RBA also acknowledged the need to assess how the external shock feeds through to both inflation and demand.

AUD last seen around 0.7150 levels. Mild bearish momentum on daily chart intact though there are signs of it fading. RSI rose but also moderated. 2-way trades still likely in the interim, with bias to buy on dips. Support at 0.7070/90 levels (23.6% fibo retracement of Nov low to May high, 50 DMA), 0.7020 (100 DMA). Resistance at 0.7190 (21 DMA), 0.7230 levels.

Asia FX. *Breather.* The softer USD, lower UST yields and pullback in oil offered some breathing room for Asian FX after the recent pressure. The relief was more visible in higher-beta KRW, while IDR also saw some recovery after BI's surprise 50bp hike yesterday. INR, IDR and PHP are likely to stay cautious to any renewed rise in oil, while KRW and TWD should remain more sensitive to the broader risk/tech tone. Overall, the bounce overnight should still be treated as a breather trade rather than a decisive turn unless Brent stays offered and UST yields stabilise.

USDIDR. *Jumbo hike helps to stabilise IDR sentiments.* IDR should find some near-term support after BI delivered a larger-than-expected 50bp hike, taking the BI rate to 5.25%. The move was aimed at stabilising sentiments on IDR. BI officials kept the focus on FX stability, stressing that policy will remain directed at guarding the currency and containing imported inflation risks. Governor Perry also attributed part of the recent rupiah pressure to seasonal USD demand from dividend repatriation, external debt repayments and Hajj-related flows, while sounding more constructive that these pressures should ease in the months ahead. That helps give markets a clearer policy anchor, rather than leaving investors to guess how much rupiah weakness BI is prepared to tolerate.

The 50bp hike is a positive surprise and should help anchor sentiment, especially if backed by continued FX intervention and firm forward guidance. But a cleaner follow-through in IDR still needs help from the external backdrop. Oil prices remain elevated, geopolitical risks have yet to fully de-escalate and the prior sell-off in DM long-end bonds is still weighing on high-beta and oil-importing Asia FX. In short, BI has bought the rupiah some breathing room, but a more sustained recovery likely requires oil to ease, geopolitical tensions to cool and global yields to stop pushing higher. Overnight action in markets where oil prices and UST yields easing, may be tentatively conducive for IDR.

USDIDR last seen at 17605 levels. Bullish momentum on daily chart shows tentative signs of it fading while RSI turned lower from overbought conditions. Bearish engulfing price action observed in the session yesterday – typically associated with bearish reversal. We watch for any follow-through in price action to the downside. Support at 17509 (23.6% fibo retracement of 2026 low to high), 17350 levels (21 DMA, 38.2% fibo). Resistance at 17700, 17760 (recent high).

USDMYR. *100 DMA caps for now.* MYR pressure eased somewhat as the recent USD run-up paused and regional risk sentiment stabilised. The move was helped by a softer dollar after its push to recent highs, while some pullback in yields and oil offered relief to AXJ after last week's defensive trading. Domestic headlines also looked less one-way negative after Bernama cited Communications Minister Fahmi Fadzil as saying Johor-level seat positioning by BN and PH would not affect cooperation at the federal level. That should help cap the political-risk premium for now, though external drivers remain the bigger swing factor for MYR.

USDMYR last seen at 3.97 levels. Mild bullish momentum on daily chart shows signs of fading while RSI showed early signs of turning lower. 2-way trades still likely in the interim. Support at 3.9500/60 levels (21 DMA, 38.2% fibo retracement of 2026 high to low), 3.9270 and 3.9070 levels. Resistance at 3.9730/3.98 levels (100 DMA, 50% fibo), 4.0040 (61.8% fibo).

USDSGD. *Sell rallies.* USDSGD turned lower overnight, tracking the pullback in USD, oil and UST yields. Pair was last at 1.2780 levels. Mild bullish momentum on daily chart shows early signs of it fading while RSI eased. 2-way trades still likely though bias remains to sell rallies. 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). Resistance at 1.2840/50 levels (23.6% fibo, 200DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1741	160.04	1.3600	0.7977	0.7311	0.6003	1.3848	4715	1.2930	61.95	97.15
Resistance 2	1.1679	159.47	1.3512	0.7928	0.7224	0.5930	1.3800	4616	1.2861	61.83	96.82
Resistance 1	1.1652	159.19	1.3474	0.7899	0.7188	0.5899	1.3773	4580	1.2821	61.79	96.68
Spot	1.1626	158.87	1.3439	0.7870	0.7153	0.5869	1.3745	4544	1.2780	61.74	96.83
Support 1	1.1590	158.62	1.3386	0.7850	0.7101	0.5826	1.3725	4481	1.2752	61.66	96.34
Support 2	1.1555	158.33	1.3336	0.7830	0.7050	0.5784	1.3704	4418	1.2723	61.58	96.14
Support 3	1.1493	157.76	1.3248	0.7781	0.6963	0.5711	1.3656	4319	1.2654	61.46	95.80
Bollinger Band											
Bollinger Upper	1.1799	160.42	1.3670	0.7914	0.7275	0.5982	1.3783	4780	1.2835	62.23	96.83
Bollinger Lower	1.1597	155.88	1.3350	0.7761	0.7103	0.5816	1.3575	4476	1.2662	60.23	93.42

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

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