

Daily Market Outlook

Geopolitics Whipsaw Markets

- **Geopolitics Whipsaw Markets:** *Conflicting Middle East signals left markets directionless, with oil swinging on shifting ceasefire hopes. Yields rose on inflation worries, but European hawkish repricing looks stretched, and recent USD strength may ease if de-escalation gains traction.*
- **JPY's Oil Drag:** *Oil's spike worsens Japan's terms-of-trade, fiscal risks, and BoJ caution. Even with potential de-escalation relief, we stay cautious on JPY and keep our end-2026 USDJPY target at 155, with intervention risks rising near 160.*
- **Gold firmed,** *though Türkiye's reported plan to tap its bullion for TRY support could dent sentiment. But gold-for-FX swaps aren't reserve liquidation—they highlight gold's strategic value in reserve management.*

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Geopolitics Whipsaw Markets: Markets struggled for direction as conflicting headlines on Middle East re-escalation and de-escalation kept risk sentiment edgy. Oil initially firmed on media reports that Saudi Arabia and the UAE might join the conflict against Iran, before reversing as optimism grew around US-led diplomatic efforts. The *New York Times* reported that Washington sent Tehran a 15-point proposal, following Israel's *Channel 12* report that the US was pushing for a one-month ceasefire.

Cross-asset moves show investors still view the primary risk through the lens of oil supply and inflation, not imminent growth deterioration. European front-end yields led the global rise in rates, but the hawkish repricing of ECB and BoE expectations appears overdone—particularly if diplomatic progress takes hold. The USD, supported by safe-haven flows and the US's net-energy-exporter status, may also give back some recent gains should tensions ease.

Preliminary March PMI readings offered the first data snapshot of conflict spillovers. Across the US, UK and euro area, higher energy costs pushed input prices sharply higher and extended supplier delivery times. Surprisingly, services activity showed more drag than manufacturing, despite less direct exposure to energy prices. Overall, the PMIs suggest rising geopolitical headwinds that could weigh on households and firms in 2Q26 if oil prices stay elevated.

JPY's Oil Drag: The sharp rise in oil prices has added fresh pressure on the JPY, hitting Japan through weaker terms-of-trade, heightened fiscal concerns, and the risk that the typically cautious Bank of Japan (BoJ) pauses to reassess. Japan's large dependence on Middle Eastern energy imports makes the currency particularly sensitive to geopolitical shocks. Our base case remains an April BoJ hike after the decision to stay on hold in March, but the Middle East conflict injects uncertainty into how policymakers will balance the inflationary oil shock against fragile sentiment.

A pullback in oil prices—should geopolitical tensions ease—would offer some limited JPY relief. Even so, we stay cautious and maintain our end-2026 USDJPY target of 155. PM Takaichi's reflation-leaning BoJ appointments have heightened questions about whether BoJ can stay ahead of the curve on inflation, while markets remain wary of fiscal slippage driven by rising defence spending. Meanwhile, *Reuters* reported that the Ministry of Finance has explored the idea of oil futures intervention, keeping markets alert. That said, we still see FX intervention near USDJPY 160 as more likely than direct action in crude futures.

Gold. Technical rebound. Gold staged a mild rebound overnight, on media reports of potential 1-month period ceasefire between US and Iran while there were also reports that of reopening of the straits of Hormuz. To recap, gold fell by as much as ~18% at one point over a 4-day period. Hawkish re-pricing of the Fed was the latest trigger post-FOMC last week. Higher energy prices amid heightened geopolitical tensions in Iran risks keeping inflation pressures elevated. Real yields have risen with 10y TIPS yield at 2% handle. This had created a less favourable backdrop for gold.

Separately, Türkiye was said to consider using its gold holdings to defend the Lira. This can add to near-term supply and weigh on sentiment at the margin. But gold-for-FX swap is different from outright reserve liquidation. In this case, gold is temporarily pledged and is expected to return, so it does not change the long-term supply-demand dynamics. In fact, the usage of gold-for-FX swaps underscores the role of gold in reserves management and that gold is also a source of liquidity. In the near term, gold is likely to remain sensitive to shifts in Fed expectations, real yields and USD direction. Gold was last seen at 4460 levels. Bearish momentum on daily chart intact while RSI shows tentative signs of turnaround from oversold conditions. Technical rebound not ruled out. Resistance at 4610 (100 DMA). Support at 4280, 4097 (200 DMA).

USDSGD. 2-way risks. USDSGD eased overnight, in response to de-escalation headlines. Israel’s media reported potential US-Iran ceasefire. But some scepticism remains. Pair was last seen at 1.2780 levels. Bullish momentum on daily chart faded while RSI was flat. 2-way trades likely. Support at 1.2730/60 levels (21, 50 DMAs), 1.2710 (23.6% fibo) and 1.2620 levels. Resistance here at 1.2780 (38.2% fibo), 1.2830/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs). The February CPI print (core at 1.4% YoY; headline at 1.2%) predates the March oil shock, but the pickup in core inflation points to firming underlying price pressures, even as headline softened on accommodation and private transport. In the accompanying statement, MAS has also flagged that rising global energy prices will lift import cost pressures in the near term, and that MAS is assessing recent developments and will provide an update to inflation outlook in upcoming Monetary Policy Statement in Apr. While markets have largely priced in MAS tightening expectations, this backdrop should help to anchor relative SGD strength, unless USD see another sustained leg higher in a big way.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1740	160.54	1.3589	0.8019	0.7158	0.5985	1.3883	4777	1.2939	60.74	94.35
Resistance 2	1.1669	159.63	1.3496	0.7954	0.7072	0.5909	1.3820	4600	1.2859	60.33	94.08
Resistance 1	1.1638	159.17	1.3453	0.7918	0.7034	0.5873	1.3791	4538	1.2821	60.14	93.98
Spot	1.1617	158.67	1.3419	0.7879	0.6994	0.5837	1.3758	4540	1.2774	59.94	93.87
Support 1	1.1567	158.26	1.3360	0.7853	0.6948	0.5797	1.3728	4360	1.2741	59.72	93.70
Support 2	1.1527	157.81	1.3310	0.7824	0.6900	0.5757	1.3694	4244	1.2699	59.50	93.53
Support 3	1.1456	156.90	1.3217	0.7759	0.6814	0.5681	1.3631	4067	1.2619	59.09	93.25
Bollinger Band											
Bollinger Upper	1.1786	160.31	1.3512	0.7950	0.7155	0.5998	1.3791	5529	1.286	60.77	93.95
Bollinger Lower	1.1415	156.11	1.3256	0.7709	0.6963	0.5772	1.3559	4398	1.2666	57.40	90.20

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

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