

## Daily Market Outlook

### Oil Slides, USD Firm

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- **Oil Slides, USD Firm:** Oil falls, but risks linger. USD remains firm on strong US data and a less dovish Fed. Stay neutral USD. Prefer carry and commodity-linked FX. EUR and CHF lag; JPY capped as intervention risks rise near 160 for USDJPY.
- **Kiwi leads:** NZD led G10 on a hawkish RBNZ hold and tighter policy pricing. Near-term AUDNZD downside is possible though excessive tightening expectations may cap further NZD gains. Prefer long AUD versus EUR and CHF, not NZD for now.
- **KRW Near-Term Test:** Near-term KRW direction hinges on BoK tone and fiscal signals. Firmer policy and disciplined spending support the currency, while looser settings and volatile outflows risk renewed downside despite strong external balances.

**Oil Slides, USD Firm:** Oil has been the key driver this week. Brent has fallen back below USD100/bbl despite ongoing geopolitical uncertainty. Conflicting headlines persist. The US has rejected an Iranian state TV report of a draft interim deal that included lifting naval restrictions and setting up a shipping oversight mechanism in the Strait of Hormuz by Iran and Oman.

As the narrative around a potential de-escalation in Iran shifts day to day, our base case remains unchanged. Middle East oil flows should increase beyond mid-year, allowing prices to ease sustainably into 2H26. That said, the decline is unlikely to be fast. Infrastructure damage, renewed strategic stockpiling, and a higher structural risk premium will likely keep prices sticky. Tehran's capacity to disrupt Hormuz access remains a key constraint. As a result, USD terms of trade support should fade only gradually.

Elsewhere, US equities continue to print fresh highs, underpinned by the AI investment cycle. Elevated energy prices are still a drag on global growth, but the impact is uneven. The US remains relatively resilient, supported by AI-driven capex, in contrast to softer trends in Europe and China.

This divergence matters for FX. The Fed is increasingly leaning away from an easing bias. Recent rhetoric suggests a shift toward a more symmetric stance at the June meeting. Since April, several FOMC

members, including Waller and Cook, have signalled willingness to tighten further if inflation fails to moderate. The hawkish tilt is building. Taken together, there is no strong case for outright USD bearishness. We remain neutral and prefer to express views via crosses. High carry and commodity-linked currencies such as AUD, NOK, and BRL look attractive. EUR and CHF should lag, while JPY remains rangebound, with intervention risk rising as USDJPY approaches 160.

**Kiwi Leads:** NZD outperformed across G10 after the RBNZ held at 2.25% with a 3-3 split. Markets read this as a hawkish hold, reinforced by Governor Berman's signal for further hikes ahead.

AUDNZD fell, helped also by softer April Australian headline inflation. Further downside is possible as stretched long AUDNZD positions unwind, but the move may slow near 1.20 or slightly below.

Markets now price around 79bp of RBNZ tightening this year, more than any other G10 central bank. This looks rich against our view of only one rate hike later this year.

We remain constructive on AUD but prefer expressing this against EUR and CHF rather than NZD for now. The inflation miss in Australia largely reflects a temporary fuel excise cut, which is due to reverse later this year. With 75bp of hikes already delivered, solid carry and resilient Australian growth should support AUD over time.

**KRW Near-Term Test:** Despite Korea's strong current account surplus, driven by semiconductor exports and buoyant equity sentiment, the KRW has remained vulnerable to volatile portfolio outflows, shifts in overseas investment demand and oil-driven inflation pressures.

The currency has stabilised after the BoK's verbal intervention and has firmed since early this week, helped by positive US-Iran headlines and lower oil prices. Over time, we expect the KRW to strengthen, supported by a record trade surplus, AI-related equity inflows, retail repatriation flows, NPS FX hedging and WGBI-related bond inflows.

In the near term, today's BoK decision and the 3 June local elections will be key drivers. The BoK is widely expected to hold rates but signal a more hawkish bias. Any indication of willingness to deliver more than the two hikes currently priced this year would be supportive for the KRW. A combination of tighter monetary policy and contained fiscal expansion should underpin the currency. In contrast, a looser policy mix risks reinforcing downside pressures.

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1714	160.23	1.3518	0.7925	0.7260	0.6035	1.3928	4713	1.2818	61.66	96.00
Resistance 2	1.1675	159.83	1.3476	0.7894	0.7204	0.5959	1.3880	4587	1.2795	61.62	95.86
Resistance 1	1.1651	159.67	1.3452	0.7882	0.7173	0.5930	1.3860	4521	1.2783	61.60	95.78
Spot	1.1621	159.55	1.3420	0.7877	0.7137	0.5893	1.3844	4453	1.2777	61.57	95.70
Support 1	1.1612	159.27	1.3410	0.7851	0.7117	0.5854	1.3812	4395	1.2760	61.55	95.64
Support 2	1.1597	159.03	1.3392	0.7832	0.7092	0.5807	1.3784	4335	1.2749	61.54	95.58
Support 3	1.1558	158.63	1.3350	0.7801	0.7036	0.5731	1.3736	4209	1.2726	61.49	95.43
<b>Bollinger Band</b>											
Bollinger Upper	1.1792	160.20	1.3651	0.7903	0.7273	0.5981	1.3873	4767	1.2839	62.14	96.85
Bollinger Lower	1.1560	156.21	1.3325	0.7768	0.7096	0.5812	1.3575	4408	1.2667	60.76	94.16

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

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