

Daily Market Outlook

Oil, Rates, Risk

- **Oil, Rates, Risk:** Oil surged on geopolitics, pushing yields higher, USD firmer and equities lower. Markets brace for a steady Fed, but with inflation risks rising, policy messaging may edge from dovish patience to a more balanced, two-way stance.
- **JPY Round Trip:** BoJ's mild hawkish hold briefly lifted JPY, but softer guidance and high oil prices erased gains. USDJPY remains range-bound, with downside capped by energy costs and upside constrained by intervention risk.
- **Gold** traded heavy. Higher oil prices revived inflation concerns, while markets pushed out Fed easing cycle. Near term risks remain skewed to the downside.
- **Slower Oil Unwind:** Damage to infrastructure and precautionary stockpiling should keep prices elevated even if the Strait of Hormuz reopens. We now expect Brent to end the year near USD80/bbl, up from USD70/bbl previously.

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Oil, Rates, Risk: Brent crude climbed above USD110/bbl alongside a firmer USD, as stalled US–Iran talks fuelled concerns over prolonged supply disruptions. News of the UAE's exit from OPEC from 1 May had limited near-term impact while the Strait of Hormuz remains closed and Fujairah pipeline utilised. Once Hormuz reopens and production normalises, the UAE could potentially export over 1mbd of additional supply if it ramps up to its higher capacity.

Global yield curves bear-flattened overnight, led by European government bonds, reflecting higher oil prices and a sharp rise in households' medium-term inflation expectations in the ECB's March Consumer Expectations Survey.

US equities closed lower, driven by losses in technology stocks as doubts emerged over returns on heavy AI investment following weak industry news. The move comes ahead of earnings from four of the "Magnificent Seven" today, with a fifth reporting on Thursday.

We expect the FOMC to hold the fed funds target rate at 3.50–3.75%, largely maintaining a wait-and-see stance. Since March, data has tilted hawkish: inflation remains sticky and the labour market shows tentative signs of stabilisation. We do not expect Chair Powell to signal a more hawkish rate path, particularly given this may be his final meeting as Chair. However, the risk is rising that the Fed shifts from a dovish bias towards a more symmetric "next move either way" posture.

JPY Round Trip: USDJPY was choppy but ultimately went nowhere after the Bank of Japan delivered a mildly hawkish hold, keeping the policy rate at 0.75%. Three dissents in favour of a hike, signalling a stronger hawkish bloc on the nine-member board, and sizable upward revisions to inflation forecasts initially supported the JPY.

That support proved short-lived. Governor Ueda struck a more cautious tone in the press conference, highlighting uncertainty around growth and inflation. Combined with elevated oil prices, this prompted the JPY to surrender early gains. Market pricing for the June meeting is unchanged, with a 66% probability of a hike.

Sustained high oil prices make a move below USDJPY 158 difficult. Conversely, any rally into the 160s risks Ministry of Finance intervention aimed at pushing the pair back toward 155. Recent forceful rhetoric from Finance Minister Katayama underscores that risk. Overall, we stay cautious on JPY and maintain our end-2026 USDJPY target of 155.

Slower Oil Unwind: Hormuz disruptions linger, keeping physical oil markets tight despite an extended ceasefire and partial pipeline diversions. Supply recovery, constrained by damaged infrastructure, will be uneven, even after reopening, supporting higher prices for longer into 2H26. Energy security has moved up the policy agenda, strengthening incentives for strategic stockpiling. We now expect Brent to end the year near USD80/bbl, up from USD70/bbl previously (see *Commodity Compass: Slower Oil Unwind*, 28 April 2026).

Gold. Pressured. Gold traded lower this week despite elevated geopolitical uncertainty. The Hormuz impasse has seen a recent run-up in oil prices with Brent pushing toward USD110/bbl. This has shifted the market focus back to inflation, real rates and Fed policy trajectory. Higher energy prices risk keeping inflation expectations sticky and could potentially delay Fed easing cycle. Hawkish repricing seen with Fed fund futures now implied only 5bp cut for 2026. For gold to regain stronger traction, markets may need to see either a pullback in oil prices or signs that geopolitical tensions are easing enough to revive dovish Fed pricing. Gold last seen at 4590 levels. Bullish momentum on daily chart shows signs of fading while RSI fell. On price formation, a rising wedge pattern appears to be in the making. This is typically associated with a bearish reversal in the near term. Risks skewed to the downside. Support at 4452 (23.6% fibo) and 4260 (200 DMA). Resistance at 4670 (38.2% fibo retracement of Jan high to Mar low), 4850/60 levels (50 DMA, 50% fibo).

Asian FX. Differentiated play. Most Asian FX slipped overnight, with losses led by PHP and THB. Oil prices continued to trade higher even as CNN reported that Iran is expected to submit revised peace proposal soon. Nevertheless, the longer the standoff between US and Iran, the tighter the oil market, and oil prices will have to be repriced higher. Ultimately this can weigh on Asian FX momentum, especially for oil-sensitive Asian FX. Given the impasse and still-elevated oil prices scenario, PHP, THB may stay under pressure while SGD and MYR should retain relative resilience while AI-led proxy FX including KRW, TWD may also find some support for now. That said, geopolitical developments remain fluid. Any signs of de-escalation, alongside oil prices easing should see depreciation pressure on Asian FX ease. Until that happens, Asian FX may continue to trade differentiated due to respective oil sensitivity, current-account positions, foreign flows dynamics and central bank reaction/policy functions.

CNH. Range-bound. USDCNH rebounded, tracking USD rebound. USDCNH last seen at 6.8390 levels. Daily momentum is mild bullish while RSI rose. 2-way trades likely with risks skewed to the upside. Resistance at 6.8420 (21 DMA), 6.8710 (50 DMA). Support at 6.82, 6.80 levels. Daily USDCNY fix was set modestly higher at 6.8589 (vs. 6.8579 prior) though still near 3-year low. We had earlier flagged that the relatively contained magnitude of fixing for Apr may imply that policymakers are guiding for a steady RMB in the interim, rather than to guide RMB for another fresh round of appreciation. As such, the recent range of 6.80 – 6.85 may still hold until USD breaks out. That said, the fix still deserves a close watch for any shift in RMB bias.

USDSGD. Consolidation. USDSGD continued to trade in a subdued range as markets keep an eye on any breakthrough in US-Iran impasse over Strait of Hormuz. Pair was last at 1.2765 levels. Daily momentum and RSI indicators are not showing a clear bias. 2-way trades likely in the interim. Resistance at 1.2780/1.28 levels (100 DMA, 38.2% fibo retracement of 2026 low to high), 1.2850 (200 DMA, 23.6% fibo). Support at 1.2720 levels (61.8% fibo), 1.2670 (76.4% fibo). Given elevated geopolitical uncertainties in Middle East, SGD can continue to trade like a regional defensive play, holding up better against higher-beta FX, on relative terms.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1805	161.12	1.3665	0.8008	0.7264	0.5994	1.3821	4910	1.2861	62.21	94.94
Resistance 2	1.1755	160.29	1.3586	0.7946	0.7220	0.5942	1.3742	4764	1.2813	61.66	94.72
Resistance 1	1.1734	159.95	1.3552	0.7920	0.7200	0.5913	1.3713	4680	1.2792	61.47	94.63
Spot	1.1720	159.55	1.3527	0.7889	0.7189	0.5891	1.3680	4604	1.2760	61.29	94.55
Support 1	1.1684	159.12	1.3473	0.7858	0.7156	0.5861	1.3634	4534	1.2744	60.92	94.42
Support 2	1.1655	158.63	1.3428	0.7822	0.7132	0.5838	1.3584	4471	1.2717	60.55	94.28
Support 3	1.1605	157.80	1.3349	0.7760	0.7088	0.5786	1.3505	4325	1.2669	60.00	94.06
Bollinger Band											
Bollinger Upper	1.1867	160.00	1.3682	0.8007	0.7289	0.5989	1.3959	4862	1.286	61.00	94.94
Bollinger Lower	1.1530	158.57	1.3223	0.7750	0.6905	0.5704	1.3561	4596	1.266	59.41	92.17

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

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