

Daily Market Outlook

USD Firm, Rangebound

- **USD Firm, Rangebound:** Oil's rally faded on ceasefire hopes. We see USD firm but rangebound. Easing oil supports high carry or risk sensitive energy importers like NZD and ZAR for now. USD downside limited by US growth edge. Brent seen near USD80 by year-end, risks tilted higher.
- **JPY Lacks Traction:** USDJPY has retraced most intervention losses as JPY underperforms despite softer oil. Fiscal concerns and negative real rates cap JPY gains, while intervention risk near 160 and a potential June BoJ hike limit USDJPY upside. Maintain end-2026 USDJPY target at 155.
- **Gold Takes Breather:** Gold stalls as higher real yields and a firmer USD offset geopolitical support. Policy uncertainty and India's duty hike weigh on sentiment. Bullish structural drivers remain but need softer inflation risks to reassert.

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USD Firm, Rangebound: Crude rallied on renewed Middle East tensions but reversed after Axios reported a US-Iran 60-day ceasefire framework, pending President Trump's approval. Key elements include free passage through the Strait of Hormuz, a pause in Iran's nuclear program, and removal of highly enriched uranium stockpiles. Cross-asset moves point to a moderation in geopolitical risk, not a full risk-on shift.

The USD softened overnight. We stay neutral, looking for a firm but rangebound profile. High carry or risk-sensitive energy importers should benefit most if tensions ease. In G10, that favours GBP, NZD and SEK. In EM, KRW and ZAR look better. Potential for a more hawkish BoK after yesterday's hawkish hold could also support the KRW.

We expect USD downside to be limited by US growth outperformance versus Europe and China, with the AI investment cycle offsetting energy drag.

Our rangebound USD view aligns with a base case of recovering Middle East oil flows after mid-year and gradually softer prices into 2H26. We see Brent ending the year near USD80/bbl, with upside risks.

If oil eases in 2H26 as expected, it should cap fears of a persistent inflation shock and reduce pressure for a more hawkish Fed. Latest data

help. Core PCE rose 0.24% MoM in April, below 0.3% expected. Despite the downside surprise, core PCE inflation at 3.3% YoY remains well above the Fed's target of 2% and is unlikely to derail a shift from a dovish bias toward neutral.

JPY Lacks Traction: USDJPY has retraced more than three-quarters of its intervention-led decline, with JPY failing to benefit meaningfully from the recent pullback in oil prices. Ongoing concerns about Japan's fiscal outlook and the risk that the BoJ remains behind the curve are weighing on JPY demand, even as the oil backdrop improves.

We stay alert to intervention risks around the 160 level, as well as the prospect of further BoJ tightening. BoJ Governor Ueda acknowledged that higher oil prices could alter Japan's inflation dynamics, noting broader pass-through effects beyond fuel. However, he offered no signal of an imminent hike. Our base case assumes a BoJ rate increase in June. We expect USDJPY to remain capped by intervention risk but supported by Japan's negative real rates and fiscal concerns. We maintain our USDJPY forecast at 155 by end-2026.

Gold Takes Breather: Gold rose on overnight after reports that Iran and the US reached a tentative deal to extend a ceasefire and work toward an agreement to end the Middle East war. But the broader picture remains that the debasement trade has paused. Except for stronger US equities, the softer USD, firmer gold and steeper US yield curve have lost momentum. Gold has also failed to act as a safe haven during the Middle East conflict.

Rising energy-driven inflation has raised the risk of a more hawkish Fed. This has pushed US real yields higher and supported the USD, creating a near-term headwind for gold. Uncertainty around the Fed's reaction function has increased with the leadership change, leaving investors to recalibrate expectations against incoming data.

Gold sentiment has also been hit by India's move to lift import duties on gold and silver to 15% from 6%, effective 13 May 2026, to curb imports.

Central bank demand should remain resilient. However, there are concerns some EM central banks may mobilise gold reserves to raise USD liquidity to stabilise currencies.

Despite these headwinds, this looks like a pause, not a reversal. Bullish structural gold drivers including currency debasement, fiscal risks and geopolitical fragmentation remain intact. A moderation in energy-driven inflation risks is needed for these themes to regain traction.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP
Resistance 3	1.1783	160.40	1.3587	0.7989	0.7288	0.6056	1.4001	4759	1.2891	61.92
Resistance 2	1.1708	159.87	1.3504	0.7923	0.7216	0.5984	1.3905	4609	1.2832	61.77
Resistance 1	1.1679	159.55	1.3475	0.7882	0.7189	0.5959	1.3845	4552	1.2795	61.70
Spot	1.1653	159.26	1.3445	0.7838	0.7163	0.5946	1.3784	4493	1.2762	61.62
Support 1	1.1604	159.02	1.3392	0.7816	0.7117	0.5887	1.3749	4402	1.2736	61.56
Support 2	1.1558	158.81	1.3338	0.7791	0.7072	0.5840	1.3713	4310	1.2714	61.49
Support 3	1.1483	158.28	1.3255	0.7725	0.7000	0.5768	1.3617	4160	1.2655	61.35
Bollinger Band										
Bollinger Upper	1.1787	160.24	1.3639	0.7899	0.7270	0.5989	1.3861	4762	1.2838	62.15
Bollinger Lower	1.1562	156.37	1.3326	0.7770	0.7097	0.5812	1.3600	4405	1.2669	60.76

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

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