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Daily Market Outlook

Higher Oil, Firmer USD

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- ***Higher Oil, Firmer USD**: Renewed Middle East tensions have reignited oil and inflation concerns, lifting USD and bond yields while supporting energy-exporter currencies. We remain constructive on the USD in 2H26, though a larger rally would likely require a sharper oil price spike.*

- ***RMB appreciation guidance appears to be waning**, with fixing signals turning less RMB-supportive. This may leave USDCNH driven more by USD, yield differentials and China growth sentiment.*

- ***KRW strength still looks flow-driven**, helped by inflows/repatriation of offshore fund-raising proceeds, though further USDKRW downside may need USD, oil and equities to stay benign.*

- ***Rate Support, Oil Drag**: NZD rose on a hawkish RBNZ rate hike, but higher oil prices are limiting gains. While AUDNZD may be nearing a peak as policy divergence widens, a sustained decline likely requires stronger New Zealand growth and easing energy headwinds.*

- ***TWD weakness shows tentative signs of slowing,** possibly helped by CBC guidance bringing forward USD supply, but foreign outflows and dividend/remittance demand may still restrain recovery.*

Higher Oil, Firmer USD: Geopolitics moved back to the forefront of global markets as renewed tensions in the Middle East disrupted the market's recent calm. Following Iranian attacks on vessels transiting the Strait of Hormuz, the US launched another round of strikes against Iran. Oil prices extended their gains amid concerns over potential disruptions to energy flows through the Strait. Refined fuel markets also came under pressure after Russia banned diesel exports through end-July, driving further gains in downstream fuel products.

FX markets echoed the pattern seen during the early stages of past energy shocks. High-beta, energy-importing currencies such as the SEK and ZAR came under pressure, while energy-exporting currencies including CAD and NOK outperformed. At around USD78/bbl, Brent crude remains below levels that would challenge our view that last quarter's energy shock is fading. However, a further rise in energy prices could trigger broader USD strength.

Renewed inflation concerns also pushed European and UK bond yields higher, catching up with the earlier rise in US yields. Markets repriced central bank expectations after previously scaling back rate hike bets following the signing of the US-Iran memorandum of understanding. Investors are once again close to fully pricing an ECB rate hike at the September meeting, while a Bank of England hike is fully priced by November. In the US, markets are also close to fully pricing a rate hike by September.

The latest FOMC minutes contained few surprises and reinforced the hawkish tone of post-meeting communications. The shift to scenario-based policy outlooks is likely the most meaningful change from the minutes.

We continue to expect the USD to appreciate by 2-3% in 2H26 and remain constructive on the currency against lower-yielding peers, including the EUR, JPY and CHF. A more significant move of over 5% remains a tail risk and would likely require either oil prices rising above USD100/bbl or renewed signs of US economic overheating, such as falling unemployment and firmer medium-term inflation expectations, rather than a soft-landing outcome.

Rate Support, Oil Drag: The NZD strengthened after a hawkish RBNZ rate hike, though gains were capped by renewed terms-of-trade headwinds from higher oil prices. The RBNZ raised the Official Cash Rate by 25bps to 2.50%, delivering its first hike since May 2023. Forward guidance was hawkish but data-dependent, with the central bank noting that further rate increases may be needed to return inflation to target.

Domestic data point to a rebound in GDP growth in 2H26 as the drag from elevated fuel costs fades and business and consumer confidence recover. With growth expected to improve, a policy rate that remains well below neutral is no longer warranted. That said, any disruption to energy flows through the Strait of Hormuz could lift energy prices further and derail the recovery.

With the RBNZ embarking on a tightening cycle while the RBA appears closer to the end of its hiking cycle, relative rate dynamics suggest AUDNZD is approaching a peak. However, a more sustained decline in AUDNZD will likely require clearer evidence of stronger New Zealand growth momentum and a more favourable energy backdrop, which would be particularly supportive for an energy-importing currency such as the NZD.

RMB. Signs that appreciation guidance is waning. The RMB appreciation impulse appears to show tentative signs of losing some official reinforcement. The CNH-CNY fixing gap has narrowed, while the pace of daily fixing adjustment has moderated. Recent fixes have also been less RMB-supportive versus market expectations (Bloomberg proxy), suggesting that the policymakers may be shifting back toward RMB stability management rather than guiding for further appreciation. If fixing guidance continues to fade, then RMB direction may potentially become more dependent on the broader USD, yield differentials and China growth sentiment. This can potentially mean that the downside path of USDCNH may be less anchored. We flag this as a risk and will continue to monitor. USDCNH last at 6.8060 levels. Mild bullish momentum on daily chart intact though RSI is flat. 2-way trades likely. Resistance 6.8110 (23.6% fibo retracement of 2026 high to low), 6.83 (100 DMA). Support at 6.7910 (50 DMA), 6.7880 (21 DMA).

USDKRW. Pullback likely to moderate. KRW continued to outperform, with USDKRW falling from almost 1,560 at the start of the month to sub-1500 briefly yesterday before rebounding. The move looks flow-driven rather than risk or macro-driven. KRW strengthened despite a less friendly macro backdrop, including the oil spike, renewed geopolitical concerns and KOSPI underperformance. USDKRW appears to have been weighed by inflows and repatriation of funds raised offshore, while official vigilance has also stayed high as Korea shifts into 24-hour trading of USDKRW. For now, flow dynamics may keep KRW supported, but a sustained break below 1500 may still require the broader USD, oil and equity backdrop not to worsen further. USDKRW last seen at 1507 levels. Bearish momentum on daily chart remains intact while RSI shows tentative signs of turnaround from near oversold conditions. Support at 1495 levels (100 DMA), 1490 (50% fibo retracement of 2026 low to high). Resistance at 1511 (50 DMA), 1528/29 levels (21DMA, 23.6% fibo).

USDTWD. Pause in upside momentum. Recent weakness in TWD shows tentative signs of moderation. Part of the moderation may reflect the earlier CBC guidance for banks to execute large USD sell orders on the day received, rather than delaying or staggering them. This could have helped bring forward natural USD supply and temper the pace of TWD weakness. Still, the broader flow backdrop has not turned decisively positive, with foreign equity selling (week-to-date USD4.3bn) and dividend/remittance-related USD demand potentially still restraining the pace of TWD recovery. Spot last closed at 32.04 levels. Bullish momentum on daily chart intact while RSI fell from overbought conditions. 2-way trades likely with risk of pullback. Resistance at 32.22 (76.4% fibo retracement of 2025 high to low), 32.50/60 levels. Support at 31.95, 31.78 (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1495	163.80	1.3550	0.8174	0.7008	0.5792	1.4287	4302	1.3024	61.79	96.64
Resistance 2	1.1454	163.12	1.3462	0.8130	0.6968	0.5745	1.4233	4190	1.2980	61.66	96.01
Resistance 1	1.1436	162.86	1.3425	0.8107	0.6949	0.5722	1.4203	4134	1.2958	61.58	95.79
Spot	1.1421	162.57	1.3393	0.8083	0.6936	0.5713	1.4170	4075	1.2936	61.51	95.56
Support 1	1.1395	162.18	1.3337	0.8063	0.6909	0.5675	1.4149	4022	1.2914	61.46	95.16
Support 2	1.1372	161.76	1.3286	0.8042	0.6888	0.5651	1.4125	3966	1.2892	61.41	94.76
Support 3	1.1331	161.08	1.3198	0.7998	0.6848	0.5604	1.4071	3854	1.2848	61.28	94.14
Bollinger Band											
Bollinger Upper	1.1584	163.04	1.3469	0.8160	0.7076	0.5832	1.4306	4327	1.3002	61.98	95.75
Bollinger Lower	1.1306	160.12	1.3133	0.7949	0.6840	0.5595	1.4005	3942	1.2832	60.32	94.06

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

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