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Daily Market Outlook

Oil Fuels Dollar

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- ***Oil Fuels Dollar:*** *The USD is finding fresh support from an oil-driven inflation narrative. As energy prices climb and geopolitical risks intensify, markets are reassessing Fed easing expectations, creating the conditions for a stronger USD.*

- ***CAD Under Pressure****: CAD remains vulnerable to escalating US trade tensions. While the immediate economic impact of the new tariffs appears limited, trade uncertainty reinforces our view that CAD will underperform AUD and NZD.*

- ***Precious metals rebounded broadly****, with gold, silver, platinum and palladium all recovering from recent weakness. An initial easing in geopolitical concerns helped take some pressure off the recent oil/rates shock, although oil prices subsequently rebounded. Technical buying after the sharp selloff likely added to the momentum.*

- ***INR found modest relief as recent policy measures provided some buffer.*** *That said, we remain cautious near term. Oil remains volatile, foreign equity flows are still soft despite some improvement.*

Oil Fuels Dollar: The broader USD is beginning to break out of its recent holding pattern, edging higher overnight alongside a bear flattening in the US yield curve. The move was driven by firmer oil prices, with Brent back above USD90/bbl, which rekindled inflation concerns and reinforced expectations for a hawkish Fed. USDJPY climbed in tandem, climbing above 163 for the first time since 1986. The move continues to be underpinned by wide rate differentials and has renewed speculation of potential currency intervention by Japanese authorities.

Cross-asset price action reflected a combination of renewed energy supply concerns and stronger risk appetite. AI-related and semiconductor stocks rebounded, supporting broader equity markets, even as geopolitical risks intensified.

The Red Sea has returned to the spotlight after the Houthis announced an immediate "maritime embargo" on Saudi Arabia, threatening to block Saudi vessels from transiting the Bab el-Mandeb Strait. Any disruption to Red Sea shipping would create a double bottleneck by restricting access through both the Bab el-Mandeb Strait and the Suez

Canal, at a time when the route serves as an important alternative to the Strait of Hormuz.

If tensions continue to escalate and revive fears of a prolonged supply shock, oil prices could move back above USD100/bbl. Such a scenario would likely trigger higher market volatility, reduce the attractiveness of FX carry trades, and reignite a broader USD rally. The USD would be supported by the US's status as a net energy exporter, while higher oil prices would also reinforce inflation risks. With recent US labour market data pointing to stabilisation rather than deterioration, a fresh energy shock would likely keep the Fed focused on upside inflation risks, providing an additional tailwind for the USD.

CAD Under Pressure: Trade uncertainty continues to weigh on the CAD and could further widen US-Canada rate differentials. However, the currency impact has been relatively modest as the direct economic hit from the new Section 338 tariffs appears manageable and the measures are widely viewed as a negotiating tool. Importantly, the tariffs will not take effect until 19 August, leaving room for further negotiations. We continue to expect CAD to underperform other G10 commodity currencies, particularly the AUD and NZD.

President Trump has announced additional tariffs of up to 50% on USD20bn of Canadian exports to the US under Section 338 of the Tariff Act of 1930, targeting motor vehicles, dairy products and alcohol. Section 338 shares similarities with Section 301 in allowing the US to impose tariffs in response to unfair or discriminatory trade practices. However, unlike Section 301, it does not require a formal investigation before tariffs can be introduced.

The tariffs apply regardless of USMCA origin status, although energy, potash, Section 232 products, critical minerals and several other goods remain exempt. The move comes ahead of a formal USMCA review process, which has yet to begin with Canada, and against the backdrop of the expiry of the US 10% Section 122 tariff on Friday.

Gold. Sustained price action above 21DMA can build momentum. Precious metals rebounded broadly, with gold, silver, platinum and palladium all recovering from recent weakness. An initial easing in geopolitical concerns (mediators proposed for 10-day ceasefire) helped take some pressure off the recent oil/rates shock, although oil prices subsequently rebounded. Technical buying after the sharp selloff likely added to the momentum, while renewed uncertainty around US tariff policy may also have marginally supported demand for hard assets and diversification. Still, we would be cautious about calling this a full revival of the de-dollarisation trade.

The USD was slightly firmer and US Treasury yields rose, while the reaction across FX was relatively muted. This suggests the rebound was more concentrated in precious metals, reflecting a mix of positioning, policy uncertainty and some easing in the earlier rates shock rather than a broad-based “sell America” move. That said, from a more medium term and broader perspective, a large part of the valuation reset may have somewhat taken place and that the pace of decline should potentially moderate if macro conditions do not deteriorate further. Gold last at 4077 levels. Daily momentum is flat while the rise in RSI moderated. 2-way trades likely. Sustained price action above 4063 (21 DMA) puts next resistance at 4092, 4150 levels. Support at 4000, 3940/60 levels (recent low), 3850 levels.

INR. Some relief, but caution warranted. INR recovered modestly. Recent policy measures announced in Jun provided some cushion, with RBI-led schemes mobilising about USD20.7bn of foreign-currency inflows by 17 Jul, largely via FCNR(B) deposits, while foreign demand for Indian government bonds has also improved. That said, we remain cautious near term. Oil remains volatile, foreign equity flows are still soft despite some improvement, and RBI appears more focused on containing excessive volatility than defending any particular USDINR level.

Recent foreign-currency inflows and stronger debt demand provide some buffer, which should help limit disorderly INR weakness, but a more sustained recovery likely requires a more material pullback in oil alongside a more supportive USD and risk backdrop. USDINR last seen at 96.25 levels. Mild bullish momentum on daily chart intact while RSI shows tentative signs of turning lower from near overbought conditions. Pullback risks not ruled out in the interim. Support at 96, 95.90 levels (61.8% fibo retracement of 2026 high to Jun low) and 95.55 (50% fibo). Resistance at 96.5, 97 levels (recent high).

SGD. Subdued ahead of CPI release. USDSGD traded a subdued range overnight despite broadly firmer USD. Pair was last at 1.2915 levels. Mild bearish momentum on daily chart shows tentative signs of fading though RSI is flat. 2-way trades likely. Support at 1.29, 1.2870 (50 DMA). Resistance at 1.2930 (21 DMA), 1.2980 levels. Focus next on CPI release on Thu.

MAS is due to announce its policy decision on 27 Jul (next Mon). Our base case is for no change to the S$NEER policy settings (i.e. on hold). Since the Apr tightening, core inflation has come in softer than expected and services inflation has moderated, reducing the urgency for another near-term move. That said, imported cost pressures have picked up and may still feed through with a lag, while the rebound in oil prices keeps upside inflation risks alive. A hold should therefore be read as giving MAS more time to assess the extent of pass-through rather than signalling an all-clear on inflation, with the S$NEER still maintained on an appreciating path. With markets already leaning towards no change, the tone of the statement may matter more than the decision itself: a balanced hold should see limited SGD reaction, while greater emphasis on lagged imported inflation or renewed domestic price pressures could keep S$NEER firm. *See MAS Preview: Room to Stay Put, 21 Jul.*

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1470	164.57	1.3589	0.8201	0.7074	0.5941	1.4203	4229	1.2971	61.86	96.90
Resistance 2	1.1439	163.76	1.3493	0.8159	0.7040	0.5891	1.4147	4142	1.2940	61.79	96.58
Resistance 1	1.1419	163.46	1.3435	0.8143	0.7020	0.5858	1.4128	4109	1.2927	61.77	96.41
Spot	1.1403	163.21	1.3378	0.8127	0.6999	0.5826	1.4107	4081	1.2920	61.75	96.24
Support 1	1.1388	162.65	1.3339	0.8101	0.6986	0.5808	1.4072	4022	1.2896	61.70	96.10
Support 2	1.1377	162.14	1.3301	0.8075	0.6972	0.5791	1.4035	3968	1.2878	61.66	95.96
Support 3	1.1346	161.33	1.3205	0.8033	0.6938	0.5741	1.3979	3881	1.2847	61.59	95.65
Bollinger Band											
Bollinger Upper	1.1464	163.25	1.3534	0.8142	0.7024	0.5891	1.4274	4177	1.2959	61.82	96.75
Bollinger Lower	1.1368	161.19	1.3189	0.8029	0.6871	0.5597	1.4017	3957	1.2891	61.23	94.15

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

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