

Daily Market Outlook

Stagflation Risk Reopens

- **Stagflation Risk Reopens:** Renewed oil-driven inflation risks are tightening global financial conditions, lifting yields and the USD while weighing on risk appetite. The Fed can stay sidelined amid firm data, but sustained energy pressure threatens US growth durability.
- High-beta **Asian FX** (KRW, TWD, MYR) have paused as US–Iran ceasefire talks flicker. Near-term risk may fade, but a breakthrough could spark a risk-on surge, favouring a proxy sell rally in USDKRW.

Sim Moh Siong

FX Strategist
(G10 & oil)

Christopher Wong

FX Strategist
(Asia & precious metals)

Stagflation Risk Reopens: The USD firmed and gold softened as global yields rose, led by the short end. Oil climbed on renewed geopolitical uncertainty, steering markets into the oil-stagflation channel. Risk sentiment weakened after US Vice President Vance cancelled his Pakistan trip for Iran talks. President Trump later said the ceasefire would be extended until talks conclude, while confirming the US blockade would remain—tempering, but not reversing, end-day risk aversion.

Crude surged, with Brent nearing USD100/bbl, as an early resumption of flows through the Strait of Hormuz looks increasingly unlikely. Another month of outages could push crude inventories close to operational lows, leaving demand destruction as the main rebalancing mechanism. This would magnify both inflationary and growth headwinds. Despite the supply shock, demand is already softening: flight cancellations are rising, refinery utilisation is falling, and the EU is exploring measures to optimise jet fuel use.

US data were firm, reinforcing expectations of an extended Fed hold. March retail sales surprised to the upside as consumers absorbed higher gasoline prices, likely partly offset by larger-than-usual tax refunds following the One Big Beautiful Bill Act. However, the April plunge in University of Michigan consumer sentiment to a record low flags downside risks to spending should the energy shock persist.

Separately, Fed Chair nominee Kevin Warsh's confirmation hearing delivered few surprises. He emphasised Fed independence and argued for a smaller balance sheet, though near-term structural reforms appear unlikely. Current Chair Jerome Powell's term ends on 15 May, with Warsh's transition still contingent on Senate confirmation.

Asian FX. Near term caution, buy dips preferred. The run-up in some high-beta Asian FX including KRW, TWD, MYR have stalled as prospects of US-Iran ceasefire talks *flickered*. At time of writing, both US and Iran have held off sending delegation to Islamabad for talks while US extended ceasefire deadline until talks conclude, according to President Trump. For now, military re-escalation risk is averted but the risk of re-escalation cannot be ruled out. If it happens, it will be a setback to risk-on sentiment. But geopolitical developments are fluid. Both US and Iran maybe trying to shore up leverage and playing a game of who blink first. Whatever the outcome, the suspense in the interim may see risk appetite being curtailed but when either side blinks, risk proxies could rally.

So, this is a state where 2-way trading is very much alive. On a FX technical point of view, there were short term bullish signals for a few pairs, including USDKRW, USDSGD, USDTWD. For USDKRW, bearish momentum shows signs of fading while RSI rose from oversold conditions. Rebound towards 1492 levels not ruled out in the interim. Support at 1460/64 levels. A positive turnaround in sentiments (when it happens) should be supportive of proxy sell rally trade in USDKRW, but the risk is how long it takes for US or Iran to blink.

USDTWD. Sell rallies preferred. USDTWD continued to trade on a heavy tone, supported by foreign inflows and strong exports momentum. USDTWD was last at 31.48 levels. Bearish momentum on daily chart intact but RSI is near oversold conditions. Price action continues to show falling wedge pattern – typically associated with bullish reversal risk in the near term. Bias to sell rallies. Resistance at 31.70/80 levels (21, 50 DMAs). Support here at 31.40/45, 31.20 (2026 low) before 30.90 (200 DMA). TWD appears to be re-coupling with the technology cycle, with the currency again trading more closely with the TWSE (30d rolling correlation >0.90). Ongoing foreign inflows into domestic equities remain significant, with month-to-date net inflows at greater than USD12bn, while exports momentum remain strong amid AI-related optimism. Mar export orders up +65.9% YoY, exports up 61.8% YoY. So, if geopolitical de-escalation gets underway again and USD softness persists, then there is a good chance TWD can see gains catch up, riding on foreign inflows and strong AI-led export momentum.

USDSGD. Tactical trades. USDSGD rebounded overnight following the stalemate in US-Iran ceasefire talks. Pair was last at 1.2740 levels. Bearish momentum on daily chart is fading while RSI rose. Resistance at 1.2750/60 levels (50 DMA, 50% fibo), 1.28 levels (21, 100 DMAs, 38.2% fibo retracement of 2026 low to high), 1.2850 (200 DMA, 23.6% fibo). Key support at 1.2670 (76.4% fibo). Decisive break puts next support at 1.2620, 1.2590 levels. Taking stock on SGD moves so far, one

can describe that SGD behaves like a regional defensive currency. During the Iran-war shock phase (defined as 1 Mar to before ceasefire announcement), SGD held better against most Asian peers, including JPY, KRW, THB, PHP and MYR. Since the ceasefire announcement (8 Apr), some of those earlier underperformers such as KRW, MYR and THB have started to recover against the SGD, though IDR, PHP and JPY continued to trade under pressure. That pattern reflects a shift from risk aversion and oil anxiety toward a more selective relief rally.

On relative terms, SGD’s resilience against some FX can last as long as the geopolitical backdrop stays uncertain enough to keep demand for lower-beta Asian currencies intact. When the immediate geopolitical stress fades and markets rotate back into pro-cyclical and trade-sensitive currencies, especially those linked to tech, global growth and broader risk recovery. Then the SGD strength may fade and could even underperform some of the higher-beta currencies on a relative basis once markets move from “defence” to “rebound.” So, in a way, there is room for MYR, KRW, AUD or TWD to play catch-up in a relief/risk-on environment.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1895	161.03	1.3636	0.7897	0.7268	0.5994	1.3749	5070	1.2860	60.13	94.19
Resistance 2	1.1823	160.14	1.3572	0.7851	0.7212	0.5945	1.3703	4905	1.2796	60.03	93.82
Resistance 1	1.1784	159.76	1.3540	0.7831	0.7182	0.5919	1.3684	4813	1.2770	59.99	93.66
Spot	1.1742	159.42	1.3506	0.7808	0.7154	0.5896	1.3661	4732	1.2737	59.95	93.50
Support 1	1.1712	158.87	1.3476	0.7785	0.7126	0.5870	1.3638	4648	1.2706	59.89	93.30
Support 2	1.1679	158.36	1.3444	0.7759	0.7100	0.5847	1.3611	4576	1.2668	59.84	93.10
Support 3	1.1607	157.47	1.3380	0.7713	0.7044	0.5798	1.3565	4412	1.2604	59.74	92.74
Bollinger Band											
Bollinger Upper	1.1881	160.19	1.3656	0.8059	0.7263	0.5966	1.4010	4940	1.2926	60.78	94.68
Bollinger Lower	1.1428	158.35	1.3122	0.7747	0.6791	0.5657	1.3620	4445	1.2645	59.52	92.00

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

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