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Daily Market Outlook

Caught Between Deal Hopes and Long Weekend Risk

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- ***Markets found some relief, but not conviction.*** *Softer oil and a modest pullback in UST yields helped ease the defensive tone, but investors remain wary of overpricing US-Iran deal optimism before there is confirmation.*
- ***Price action remains two-way into the long weekend****. With US and UK markets closed on Monday, liquidity may thin and markets look reluctant to add risk aggressively; the next headline likely matters more than any clean macro signal for now.*
- ***Gold may have tentatively stabilised,*** *but conviction is not high. Lower yields and softer oil help, but any renewed crude spike could revive inflation/Fed concerns and cap gold's recovery.*
- ***AUD remains a buy-on-dips story****, but recovery may be uneven. Softer labour data gives the RBA more room to be patient, though AUD's near-term direction is still more likely to be driven by USD, yields, oil and risk appetite.*
- ***INR and IDR show policy-led stabilisation,*** *not trend reversal. RBI discomfort and BI's jumbo hike have helped slow one-way pressure, but sustained recovery still needs help from softer oil, calmer geopolitics and steadier global yields.*

Markets remained caught between hope and caution. The softer tone in oil and modest easing in yields still suggest investors are leaning on the possibility of a US-Iran deal, but conviction is not strong enough for a risk-on chase. Headlines around Tehran continue to cut both ways as markets do not want to overprice optimism before there is a confirmed deal, but neither do they want to be under-positioned if "final talks" does progress to deliver a quicker de-escalation. That left price action more two-way overnight, with oil capped but volatile, yields a touch softer from recent highs, and the USD lacking fresh upside momentum.

With the US and UK both out on Monday for Memorial Day and the Spring Bank Holiday respectively, there is also less appetite to add risk aggressively into the long weekend. The near-term setup is therefore less about a decisive directional break and more about positioning risk around the next headline. If oil stays offered and UST yields stabilise, risk proxies and high-beta FX can extend the relief. But without clearer confirmation of a deal, markets may stay reluctant to fade the geopolitical premium too far.

DXY. *Consolidation, awaiting breakout.* The USD remains largely in consolidation mode, still tracking UST yields. Overnight US data was mixed: initial jobless claims eased, while the flash PMI showed firmer manufacturing activity but softer services momentum. The bigger driver for USD remains the yield and oil factors. Softer oil and modestly lower UST yields have capped USD upside, while markets stay cautious on how far to price US-Iran deal hopes. Focus today shifts to the University of Michigan sentiment survey, especially inflation expectations. Kevin Warsh's swearing-in as Fed Chair later today is also on the radar, though the ceremony itself may be more symbolic than market-moving; the bigger question is whether a Warsh-led Fed changes the reaction function over time.

DXY was last at 99.20 levels. Daily momentum is bullish while RSI was near overbought conditions. Price action past few sessions saw some consolidation, with 99.40 (23.6% fibo) provide key resistance in the interim, before 100.50/60 levels (2026 high). Support at 98.30/50 levels (21, 100, 200 DMAs), 98.10 (50% fibo retracement of 2026 low to high) and 97.50/60 levels (double bottom, 61.8% fibo retracement of 2026 low to high).

USDJPY. *Upside momentum moderating.* The recent run-up in USDJPY is starting to moderate slightly amid the pullback in UST yields and USD. Risk of MoF intervention may potentially rise if USDJPY pushes through the 160/161 area in coming sessions, especially during thin mkt liquidity with both US and UK markets out on Mon. Thin markets can amplify the impact of intervention, but intervention alone is unlikely to change the broader direction of travel for JPY. At best, it can slow the pace of depreciation and send a clear signal that policymakers are uncomfortable with disorderly moves around those levels. For JPY to recover more meaningfully, it would take more than just leaning against the wind. The BoJ likely needs to tighten further to get back ahead of the curve, while the external backdrop also needs to improve (i.e. geopolitical risks de-escalate, oil prices ease and US yields pull back).

USDJPY last seen at 158.90 levels. Mild bullish momentum on daily chart intact while rise in RSI moderated. 2-way risks likely from here. Resistance at 160, 160.70 (previous high). Support at 157.50 (100 DMA, 38.2% fibo), 156.40 (50% fibo retracement of 2026 low to high).

AUDUSD. *Buy dips.* AUD consolidated following the retreat earlier this week, with softer labor market report helping to dial back market expectations of a more aggressive tightening path. April employment fell by 18.6k vs expectations for a gain of 15k, while unemployment rose to 4.5%, the highest since late-2021. The data reinforces the case for the RBA to tread carefully: inflation remains uncomfortable, but the softer labour market also gives the RBA a little more room to be patient.

That said, AUD's immediate direction is still likely to be set more by external drivers than domestic data, including the USD, UST yields, oil prices and broader risk appetite. We still favour buying AUD on dips, especially if geopolitical risks stabilise, but the near-term recovery may remain choppy.

AUD was last at 0.7150 levels. Mild bearish momentum on daily chart intact though there are signs of it fading. RSI rose but also moderated. 2-way trades still likely in the interim, with bias to buy on dips. Support at 0.7070/90 levels (23.6% fibo retracement of Nov low to May high, 50 DMA), 0.7020 (100 DMA). Resistance at 0.7190 (21 DMA), 0.7230 levels.

Gold. *Sideways.* Gold showed tentative signs of stabilisation, helped initially by softer UST yields and lower oil prices as markets priced some hope of progress on US–Iran diplomacy. The move was not a clean risk-on rebound for bullion, however. Gold remains caught between two forces: lower yields/oil are supportive, but any renewed spike in crude quickly revives inflation and Fed-tightening concerns, lifting yields and the USD. For now, the near-term bias is less bearish than earlier in the week, but upside still looks capped unless oil and yields ease more decisively.

Gold was last seen at 4542 levels. Bearish momentum on daily chart shows tentative signs of fading while the rise in RSI moderated. 2-way trades likely in the interim while conviction on direction remains low at this point. Support at 4452 (23.6% fibo retracement of 2026 high to low), 4365 (200 DMA). Resistance at 4670/78 levels (50 DMA, 38.2% fibo), 4800/50 levels (50% fibo, 100 DMA).

Gold (daily chart)

Source: Bloomberg, OCBC Research

USDINR. ***Growing discomfort?*** INR recovered from record lows after reports that the RBI may be looking at options to steady the currency, including a possible rate hike, FX swaps and other dollar-liquidity measures. Reported dollar-selling by state-run banks also helped pull USD/INR back to low of 96 levels from near the 97-handle. The snapback is a useful "circuit breaker" after the recent slide, but further INR recovery still requires the external backdrop to improve. Higher oil prices, elevated UST yields and portfolio outflow risks remain INR headwinds. In the interim, the RBI's signal is useful in slowing one-way depreciation but is unlikely to fully change the direction on its own.

USDINR last at 96.20 levels. Bullish momentum on daily chart shows tentative signs of fading while RSI fell from overbought conditions. Slight risk to the downside. Support at 95.20 (21 DMA), 93.90 (50 DMA). Resistance at 97 levels.

USDIDR. ***Consolidation.*** IDR saw limited follow-through after BI's jumbo 50bp hike. Spot USD/IDR did not extend meaningfully lower after the initial relief, suggesting markets are still cautious about chasing rupiah gains while the external backdrop remains unsettled. But importantly, IDR also did not resume its earlier weakening trend in a decisive way. Price action points more to tentative stabilisation than a clean reversal for now as BI's jumbo hike has helped slow the pressure but has not yet delivered a sustained IDR rebound. This is broadly consistent with our earlier view that BI has bought the IDR some breathing room, rather than changed the trend. The policy signal is supportive. BI has put a strong emphasis on IDR stability as priority, and firm guidance/intervention readiness should help anchor sentiment. But stronger follow-through still needs help from external factors. Elevated oil prices, lingering geopolitical risks and pressure from DM long-end yields remain key headwinds for IDR. For IDR to recover more convincingly, markets may need to see softer oil, calmer geopolitics and a pause in the global bond sell-off.

USDIDR last seen at 17650 levels. Bullish momentum on daily chart shows tentative signs of it fading while RSI is near overbought conditions. Bearish engulfing price action observed on Wed session needs to see follow-through to the downside to reinforce the bearish reversal. We continue to monitor price action. Support at 17509 (23.6% fibo retracement of 2026 low to high), 17350 levels (21 DMA, 38.2% fibo). Resistance at 17700, 17760 (recent high).

USDSGD. ***Sell rallies.*** USDSGD traded choppy in subdued range, tracking the moves in USD, oil and UST yields. Pair was last around 1.2780 levels. Mild bullish momentum on daily chart shows early signs of it fading while RSI eased. 2-way trades still likely though bias remains to sell rallies. Area of support at 1.2720/60 levels (21, 100 DMAs, 61.8% fibo retracement of 2026 low to high) before 1.2650/70 levels (76.4%

fibo). Resistance at 1.2840/50 levels (23.6% fibo, 200DMA). S$NEER last at 1.85% above model-implied mid.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1741	160.04	1.3600	0.7977	0.7311	0.6003	1.3848	4715	1.2930	61.88	97.32
Resistance 2	1.1679	159.47	1.3512	0.7928	0.7224	0.5930	1.3800	4616	1.2861	61.80	97.08
Resistance 1	1.1652	159.19	1.3474	0.7899	0.7188	0.5899	1.3773	4580	1.2821	61.77	96.95
Spot	1.1618	159.00	1.3434	0.7867	0.7151	0.5875	1.3779	4541	1.2779	61.59	96.20
Support 1	1.1590	158.62	1.3386	0.7850	0.7101	0.5826	1.3725	4481	1.2752	61.69	96.71
Support 2	1.1555	158.33	1.3336	0.7830	0.7050	0.5784	1.3704	4418	1.2723	61.65	96.60
Support 3	1.1493	157.76	1.3248	0.7781	0.6963	0.5711	1.3656	4319	1.2654	61.57	96.35
Bollinger Band											
Bollinger Upper	1.1800	160.44	1.3670	0.7914	0.7275	0.5982	1.3790	4774	1.2835	62.18	96.90
Bollinger Lower	1.1596	155.87	1.3350	0.7761	0.7103	0.5817	1.3572	4467	1.2663	60.42	93.60

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

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