

Daily Market Outlook

AI Risk Reset

- **AI Risk Reset:** AI-related drawdown triggered de-risking and a global equity selloff. Safe havens bid, USD stronger, high beta FX weaker. Focus shifts to Australia CPI and RBA signals as inflation path remains uncertain.
- **New USD forecast:** EURUSD at 1.11 (previous: 1.18) and USDJPY at 163 (previous: 155) by year-end. Hawkish Fed signals lift USD, shifts our view to modest strength from rangebound.
- **RMB appreciation impulse temporarily faded** as USDCNH drifted back up to 6.80 levels. CNH weakness should remain measured unless the fix starts to validate a broader weakening bias.
- **Intervention Risk Rises:** Intervention risks are capping USDJPY despite the break above 160. Verbal warnings alone are not enough. A sustained reversal still depends on a more hawkish Bank of Japan.
- **Little urgency for MAS to tighten in Jul MPC** after core CPI undershoot expectations. A strong USD environment if sustained, may still keep USDSGD supported in the interim.

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AI Risk Reset: AI-linked equities, led by weakness in Korea, fell during the Asia session and the move spread to global markets. The selloff reflected de-risking in crowded memory and AI capex trades rather than weaker macro data. This rotation lifted demand for safe havens, pushing the USD higher and front-end Treasury yields lower. Softer oil prices helped ease inflation concerns. High beta currencies such as AUD and SEK underperformed against the USD.

Attention now turns to Australia's monthly CPI and a speech by Deputy Governor Hauser. Australia's policy rate is likely near its peak, but another hike remains possible if inflation proves sticky. Elsewhere, June flash composite PMIs in developed markets improved, pointing to easing energy shock effects from the Middle East conflict.

New USD forecast: EURUSD at 1.11 (previous: 1.18) and USDJPY at 163 (previous: 155) by year-end. Hawkish Fed signals lift USD, shifts our view to modest strength from rangebound. DXY breakout targets 2 to 3 percent upside; 5 percent move requires oil surge or US overheating scenario. A firmer USD alongside widening rate differentials tends to

weigh most on low-yielders such as CHF and JPY. Procyclical carry can still perform, but trade resilience will depend on selecting appropriate funding currencies (*Embracing A Stronger USD*, 23 June 2026).

Intervention Risk Rises: USDJPY dynamics are turning more interesting as intervention fears limit USD upside versus JPY relative to other G10 pairs. Japan's Finance Minister Katayama has stepped up verbal warnings, noting discussions with US Treasury Secretary Bessent. Both sides agreed that decisive action can be taken in the FX market if necessary. MoF data show Japan retains a substantial USD1.3trn in FX reserves, underscoring its intervention capacity. The same data suggest US Treasuries sales likely helped fund the record USD73bn intervention during April to May.

Earlier intervention effects have now fully unwound and more, with USDJPY back above 160. This reinforces the view that intervention alone is insufficient to drive a sustained reversal lower. A durable shift in USDJPY lower will require a clearer hawkish pivot from the Bank of Japan, transitioning the JPY from a funding currency toward a more attractive investment currency.

USDCNH. Temporary pause in downtrend. CNH has lost some of its earlier appreciation impulse, with USDCNH rebounding to the 6.80 area as broader USD strength and hawkish Fed repricing weighed on regional FX. While the spot still trades stronger than the daily fix, the fix-spot gap has narrowed from the very wide levels seen around mid-June, suggesting the market is no longer running as far ahead of the official guide. This fits with a cautious RMB read in the near term. China-specific headlines remain mixed, with resilient exports while soft domestic demand, property concerns cap enthusiasm. In the interim, heading into quarter-end, CNH may well trade on the back foot especially if USD momentum persists. We reckon CNH weakness should remain measured unless the fix starts to validate a broader weakening bias. USDCNH was last at 6.7950 levels. Bullish momentum on daily chart intact while RSI rose. Near term risks skewed to the upside. Resistance at 6.80 (50 DMA, 23.6% fibo retracement of 2026 high to low), 6.8260 (38.2% fibo). Support at 6.7750 (21 DMA), 6.7540 (recent low).

USDSGD. Lesser urgency for MAS to follow through. USDSGD drifted higher overnight amid broad USD strength while risk sentiment softened due to sell-off in tech/AI-linked equities. Pair was last seen at 1.2970. Daily momentum is bullish while RSI rose into overbought conditions. Consolidation near the upper range likely to persist for now. Resistance at 1.2980 (76.4% fibo), 1.3030 levels. Support at 1.29 (61.8%

fibonacci retracement of Dec high to 2026 low), 1.2840/50 levels (200 DMA, 50% fibonacci).

The recent CPI report saw May headline and core inflation printed softer-than-expected at 1.8% and 1.4% YoY respectively. They came in below our house view forecast of 1.9% and 1.5% YoY. Higher food and retail and other goods inflation was mostly offset by lower services inflation. Our economists noted that domestic cost pressures are tapering off – services unit labour costs are likely to rise at a slower pace this year as the nominal manpower wage growth moderates from last year with the cooling labour market conditions, whilst domestic consumer spending could also turn more cautious amid the economic uncertainty and higher price environment. With core CPI undershooting expectations and global energy prices easing off, our house now see less urgency for MAS to tighten at the upcoming MPC in July if the core inflation trajectory eases into 1H27. While SGD may retain relative resilience (vs peers), the SGD is not immune to higher US Treasury yields/ firmer USD. A strong USD environment if sustained, may still keep USDSGD supported in the interim.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1525	162.44	1.3367	0.8155	0.7141	0.5810	1.4325	4350	1.3049	62.01	95.31
Resistance 2	1.1462	161.98	1.3291	0.8124	0.7042	0.5748	1.4259	4243	1.3002	61.66	95.04
Resistance 1	1.1422	161.77	1.3247	0.8110	0.6980	0.5708	1.4234	4180	1.2984	61.51	94.89
Spot	1.1381	161.56	1.3199	0.8097	0.6911	0.5663	1.4213	4085	1.2969	61.36	94.74
Support 1	1.1359	161.31	1.3171	0.8079	0.6881	0.5646	1.4168	4073	1.2937	61.15	94.61
Support 2	1.1336	161.06	1.3139	0.8062	0.6844	0.5624	1.4127	4028	1.2908	60.95	94.48
Support 3	1.1273	160.60	1.3063	0.8031	0.6745	0.5562	1.4061	3921	1.2861	60.60	94.21
Bollinger Band											
Bollinger Upper	1.1709	161.83	1.3538	0.8131	0.7213	0.5987	1.4247	4585	1.2978	62.21	96.09
Bollinger Lower	1.1379	159.02	1.3176	0.7801	0.6905	0.5649	1.3728	4015	1.2743	60.28	94.13

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

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