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Daily Market Outlook

USD Tailwinds Build

- ***USD Tailwinds Build:** Rising Middle East tensions, firmer oil prices and increasingly hawkish Fed expectations have lifted the USD. While we expect modest USD gains by end-2026, a more significant rally would likely require oil prices to move above USD100/bbl.*

- ***Gold fell sharply** as the oil spike revived inflation concerns, lifted US yields and reinforced Fed tightening expectations. Near-term pressure may persist if oil and yields stay elevated, though a pullback in either could help prices stabilise.*

- ***IDR may find some relief from S&P's rating affirmation,** but the recent oil spike may still limit the extent of IDR gains.*

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USD Tailwinds Build: A volatile start to the week was driven by escalating geopolitical tensions, hawkish Fed rhetoric and weakness in Korean technology stocks spilling over into US tech-related equities.

Renewed tensions in the Middle East have halted the recent decline in energy prices, as hopes for a swift normalisation of traffic through the Strait of Hormuz have faded. Brent crude surged above USD80/bbl after President Trump said the US would reinstate a blockade on Iranian vessels transiting the Strait, impose a 20% fee on all other cargo for safe passage, and signalled the possibility of further military action. The rebound in oil prices has reinforced concerns over inflation and strengthened expectations for higher interest rates.

The USD strengthened against almost all G10 currencies, supported by improved terms-of-trade dynamics from higher energy prices, rising US rate expectations and softer risk sentiment. Fed Governor Waller adopted a hawkish tone, stating that the Fed may need to tighten policy "in the near term" if core inflation remains elevated in today's CPI release. Following his remarks, markets are now fully pricing a rate hike by September, alongside a cumulative 55bp of tightening by April 2027.

We expect June US CPI to show some relief from lower energy prices, although core inflation is likely to remain sticky. That said, consensus expectations for monthly core CPI have drifted lower to 0.2% month-on-month. Markets will also closely watch Fed Chair Warsh's first congressional testimony, scheduled shortly after the CPI release.

Looking ahead, we expect the USD to grind modestly higher, appreciating by around 2% to 3% by end-2026. The greenback should remain supported against lower-yielding currencies such as the EUR and CHF. The JPY may receive near-term support from policy initiatives aimed at encouraging greater domestic investment by Japanese pension funds. A more pronounced USD rally of more than 5% remains a tail risk and would likely require oil prices to rise above USD100/bbl.

Gold. Oil spike weighs. Gold fell close to 4000 as renewed US-Iran tensions pushed oil prices sharply higher. The oil spike had revived inflation concerns, lifted Treasury yields and reinforced Fed tightening expectations. To add, Fed's Waller added to the hawkish rhetoric, saying that FOMC will need to consider tightening monetary policy in the near term if inflation gets another hot reading this week. This puts focus on US CPI data and on Fed Chair Warsh's testimony to House Financial Services committee tonight. Near term environment for gold remains challenging if oil prices remain elevated and yields continue to rise. Conversely, a pullback in oil or a softer US CPI could help gold stabilise. Gold last seen at 4004 levels. Mild bullish momentum on daily chart shows signs of fading while RSI fell. Risks skewed to the downside for now. Support at 3940/60 levels (recent low in Jun). Resistance at 4110 (21 DMA).

IDR. Rating affirmation offers some relief. S&P's affirmation of Indonesia's BBB/A-2 ratings with a stable outlook is mildly supportive for the IDR, as it removes an immediate sovereign downgrade risk and signals that recent fiscal and external strains are temporary and manageable. However, the impact may be limited unless this is followed by clearer fiscal consolidation and a sustained improvement in capital flows. Elsewhere, the recent rebound in oil prices may also limit IDR gains, given the potential impact on Indonesia's import bill, inflation and fuel-subsidy costs as well as via the sentiments channel. USDIDR last closed at 18105 levels. Mild bullish momentum on daily chart intact while RSI is near overbought conditions. Resistance at 18190 (previous high). Support at 18000, 17910 (21 DMA).

USDSGD. Watch US CPI, Warsh. USDSGD firmed, tracking gains in USD while oil spike undermined sentiments. With correlation between USDSGD and DXY still significant, the pair is likely to take cues from external drivers – watch US CPI and Fed Chair testimonies tonight. Pair was last at 1.2945. Mild bearish momentum on daily chart shows signs of fading while RSI rose. 2-way risks still likely. Resistance at 1.2980 (76.4% fibo), 1.3020. Support at 1.29 (61.8% fibo retracement of Nov high to Jan low), 1.2840 (50 DMA), 50% fibo). Singapore 2Q26 GDP is scheduled for release on 14 Jul while NODX is release on 17 Jul.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1538	163.88	1.3506	0.8272	0.7041	0.5851	1.4252	4265	1.3022	61.73	96.23
Resistance 2	1.1470	163.03	1.3437	0.8198	0.6987	0.5806	1.4202	4148	1.2978	61.66	95.96
Resistance 1	1.1425	162.73	1.3392	0.8172	0.6952	0.5778	1.4178	4075	1.2961	61.62	95.79
Spot	1.1381	162.43	1.3349	0.8149	0.6916	0.5757	1.4153	3996	1.2947	61.57	95.62
Support 1	1.1357	161.88	1.3323	0.8098	0.6898	0.5733	1.4128	3958	1.2917	61.55	95.52
Support 2	1.1334	161.33	1.3299	0.8050	0.6879	0.5716	1.4102	3914	1.2890	61.53	95.42
Support 3	1.1266	160.48	1.3230	0.7976	0.6825	0.5671	1.4052	3797	1.2846	61.46	95.14
Bollinger Band											
Bollinger Upper	1.1487	162.91	1.3448	0.8152	0.7019	0.5789	1.4244	4252	1.2976	62.05	95.76
Bollinger Lower	1.1345	160.79	1.3140	0.8009	0.6858	0.5620	1.4116	3947	1.2889	60.46	94.07

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

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