

Daily Market Outlook

JPY Pressure Eases

- **JPY Pressure Eases:** JPY's relief rally stems from fading fiscal fears, but sustained gains need clearer signals of credible fiscal restraint and a more hawkish BoJ.
- **USD Faces Key Tests:** Soft retail sales puts today's US jobs report and Friday's CPI in focus. Fedspeak continues to push back on near-term cuts keeping USD downside risks contained unless job data turns decisively weaker.
- **TWD** is shrugging off stellar data, highlighting a widening fundamentals-FX disconnect. Even booming exports and heavy equity inflows aren't lifting the currency, with upside capped unless broader USD weakness, persistent inflows, or steadier insurer hedging emerge.
- **GBP Hit by Politics:** GBP is under pressure as political uncertainty rises, but stronger UK data should offer support once near-term political risks clear.
- **PHP gains reflect USD softness, not domestic strength.** Its outlook hinges on global factors and BSP easing, and we expect it to underperform peers due to lingering growth challenges despite a more supportive backdrop.

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JPY Pressure Eases: JPY selling pressure has eased unexpectedly, as the post-election calm in JGBs persists. Markets have shifted away from the earlier "Takaichi trade"—aggressive fiscal easing, weaker JPY, and higher long-end JGB yields—toward a narrative of reduced fiscal risks. The government's tone has turned more fiscally prudent, potentially prompting a partial snapback in the usual USDJPY—rate-differential relationship. This also limits the spillover of JPY weakness to Asian FX and the transmission of JGB volatility into Treasuries.

The LDP's super-majority win gives PM Takaichi significant room to pursue her agenda with minimal opposition pressure. She reiterated that the food sales-tax cut will remain temporary and will not be debt-financed. With USDJPY correcting lower, the urgency for coordinated FX-intervention signalling has faded—for now. A more neutral stance on JPY is warranted, but not outright bullishness. A sustained USDJPY decline will require stronger evidence that fiscal policy will remain disciplined. A firmer, more hawkish BoJ tone may also be needed to anchor expectations. Meanwhile, Japan's Trade Minister Akazawa will meet US Commerce Secretary Lutnick to discuss the first project under the bilateral investment deal.

USD Faces Key Tests: US retail spending disappointed in December, and further consumer momentum now hinges on an improving labour market, putting added focus on today's January employment report. The labour data today and CPI on Friday will be crucial in testing our view that resilient US growth should limit deeper USD losses. Fedspeak continues to lean hawkish, suggesting the FOMC may stay on an extended pause even as markets look for more cuts. Cleveland Fed President Hammack and Dallas Fed President Logan both stressed optimism on growth and labour markets, while expressing concern about the lack of inflation progress over the past year. Meanwhile, the 4Q25 Employment Cost Index indicates wage growth is unlikely to drive near-term inflation pressures.

GBP Hit by Politics: GBP has been the weakest G10 currency this month as renewed leadership challenge chatter revives concerns over government stability. The Mandelson episode has put political risk back on the radar, with fiscal worries at risk of resurfacing. The noise is unlikely to fade ahead of the 26 February Gorton and Denton by-election, where a Labour loss in what was once a safe seat could further unsettle PM Starmer. Last week's BoE meeting signalled the MPC may be nearing another rate cut as disinflation builds. However, the UK growth backdrop continues to improve, offering a potential catalyst for GBP to recover if political uncertainty eases.

TWD. Asymmetric reaction to data. TWD continues to trade with a more muted tone despite stronger macro and export fundamentals, reflecting a growing "delink" between fundamentals and FX. Jan exports surged 69.9% YoY, 4Q25 growth had earlier came in at 12.7% YoY while global investors bought USD1.77bn worth of Taiwan stocks yesterday and yet TWD has been largely muted. The key structural shift has been the recent accounting change, which has materially lowered incentives for Taiwan life insurers to hedge USD assets (and to some extent, led to lifers unwinding hedges). This has weakened a previously steady structural source of USD sell flows / TWD support, with hedge ratios falling.

At the same time, strong export performance led by AI-related demand has not fully translated into spot USD conversion, as exporters may have retained USD offshore, recycle receipts into USD capex, or hedge externally. As a result, TWD's reaction function has become more asymmetric: strong data no longer bring about TWD appreciation, and near-term upside is likely to remain measured unless accompanied by broader USD softness, sustained equity inflows, or a stabilisation in insurer hedging behaviour. USDTWD last seen at 31.56 levels. Daily momentum is flat while RSI eased lower. 2-way risks likely for now.

Support at 31.50 (50 DMA), 31.12 levels (100 DMA). Resistance at 31.70, 32 levels.

PHP. Riding on gains in other Asian FX. PHP's recent gains broadly tracked strength across other Asian FX, largely reflecting softer USD dynamics and improved risk sentiment, rather than a pure domestic story. A mild uptick in inflation alongside BSP's recent comments suggesting that room for further policy easing is becoming more limited also lent temporary support to the PHP by anchoring rate-cut expectations. In addition, optimism around higher tourism-related inflows—following changes to visa requirements allowing 14-day visa-free entry for Chinese tourists to facilitate trade, investment and tourism—may also have added to near-term PHP strength.

That said, whether the PHP remains supported will depend primarily on external factors, particularly the broader USD trajectory and how much further the BSP ultimately eases policy. We continue to expect the PHP to lag regional peers, given lingering growth challenges, even as the broader environment becomes more supportive. For now, spot was last at 58.53 levels. Daily momentum is bearish though RSI shows tentative signs of turning higher from near oversold conditions. Interim support at 58.40 (23.6% fibo retracement of 2025 low to 2026 high), 57.80 (38.2% fibo). Resistance at 58.65 (100 DMA), 58.80 levels).

Technical Levels Table

	EURUSD	USDJPY	GBPUKD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1988	159.37	1.3776	0.7784	0.7140	0.6102	1.3656	5212	1.2723	58.71	91.22
Resistance 2	1.1946	157.14	1.3718	0.7725	0.7109	0.6074	1.3603	5121	1.2686	58.60	90.92
Resistance 1	1.1920	155.77	1.3680	0.7702	0.7092	0.6059	1.3578	5073	1.2666	58.56	90.75
Spot	1.1889	154.50	1.3632	0.7686	0.7072	0.6041	1.3551	5034	1.2652	58.53	90.58
Support 1	1.1878	153.54	1.3622	0.7643	0.7061	0.6031	1.3525	4983	1.2629	58.45	90.45
Support 2	1.1862	152.68	1.3602	0.7607	0.7047	0.6018	1.3497	4940	1.2612	58.38	90.31
Support 3	1.1820	150.45	1.3544	0.7548	0.7016	0.5990	1.3444	4849	1.2575	58.26	90.01
Bollinger Band											
Bollinger Upper	1.2045	159.87	1.3887	0.8044	0.7190	0.6168	1.3940	5373	1.2907	59.65	92.35
Bollinger Lower	1.1580	152.17	1.3329	0.7546	0.6656	0.5749	1.3441	4498	1.2563	58.40	89.73

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

By Global Markets | 11 February 2026

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