

## Daily Market Outlook

### FX Differentiation Returns?

- **FX Differentiation Returns?:** *The USD held mixed as crude backed off. If risk stabilises, elevated energy prices could revive terms-of-trade differentiation, favouring commodity FX like AUD and high-carry EM such as BRL.*
- **AUD Gets Lift:** *AUD rallied as risk sentiment improved and given hawkish RBA commentary. Markets now see a real chance of a March hike, though we still expect the next move in May.*
- *The stronger CNY fix should keep the RMB appreciation trend intact. Watch upcoming fixes -- continued firm fixes could push USDCNH to new lows and revive Asian FX as oil and USD pressures fade.*

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**FX Differentiation Returns?:** The USD traded mixed overnight as oil prices consolidated after retreating from Monday's USD120/bbl peak. The earlier hawkish repricing in global interest rate expectations – shifting from easing to tightening – faded as crude slipped lower.

Following the oil price spike, G7 governments asked the IEA to draft emergency stockpile-release scenarios. President Trump added that the Middle East conflict “may not last long.” Trump also said he would waive oil-related sanctions and get the US Navy to protect tankers through the Strait of Hormuz. Such policy signals to cap further oil upside have fuelled market speculation that prices may be nearing a top, even as risks remain elevated. The UAE shut the Ruwais refinery – one of the world's largest – after a nearby drone attack, underscoring ongoing threats to energy infrastructure.

We remain neutral on the USD until there are clearer signs of de-escalation, which would give us more confidence that Middle East conflict-driven stagflation risks will not derail our baseline view of modest USD weakness in 2026. That said, if the risk backdrop stabilises even as oil stays elevated, terms of trade should play a larger role in FX differentiation by paving way for recovery of risk-vulnerable but not energy-vulnerable currencies like the AUD and BRL. Australia, as a net exporter of LNG and coal, stands to benefit indirectly from high oil prices, supporting the risk-sensitive AUD. In EM, the BRL looks well-positioned to recover given its commodity-export profile and high carry.

**AUD Gets Lift:** The risk-sensitive AUD outperformed overnight, supported by firmer global risk sentiment and hawkish signals from the RBA. OIS markets added 8bp of tightening to March pricing (now 14bp) after Deputy Governor Hauser warned that inflation remains too high and insufficient policy tightening would pose a problem. With this shift, a March hike is now a closer call, even though we continue to see May as the more likely timing for the next RBA move.

**Gold. On firmer footing.** Gold extended its recovery as USD and oil prices retraced lower while risk sentiment tentatively stabilised on signs that the conflict in Iran may possibly be near its end. Price action was also consistent with our posturing that asset liquidation to raise cash during market stresses may have partially explained why gold struggled to break out. Other factors that had weighed on gold are the risk of Fed slowing or delaying next rate cut as rising oil prices may stoke potential inflationary risks for US while gold purchase momentum in the official sector slowed. Jan gold purchases was about 5t, well below the prior 12-month average of 27t. When this phase of flight to safety passes, prior moves should unwind and demand for gold is likely to return. Gold was last seen at 5230 levels. Mild bearish momentum on daily chart intact but shows signs of fading while RSI is flat. 2-way trades likely for now as geopolitical development remain fluid. Resistance at 5260, 5315 levels. Support at 5105 (21 DMA), 5060 levels.

**CNH. Strong fix puts RMB back on path of appreciation.** USDCNH fell sharply overnight, taking cues from a stronger fix while chatters of Iran endgame eased market anxiety. Fix was set at 6.8982 yesterday (vs. 6.9158 on Mon). The -172pips downward adjustment suggest that policymakers may be allowing for greater pace of RMB appreciation. The next few sessions of daily fix is worth keeping a close watch as more aggressive fixing may push the USDCNH to trade fresh multi-month low. The overall RMB strength can also serve as a catalyst for Asian FX to recover, especially with oil prices easing and USD fading. USDCNH was last at 6.8690 levels. Bullish momentum on daily chart is fading while RSI fell. Risks tilted to the downside. Support at 6.85, 6.8270 levels (recent low). Resistance at 6.8910 (21 DMA), 6.93 (50 DMA).

**USDSGD. Bullish momentum fading.** USDSGD continued to trade lower as oil prices and USD slipped further while RMB strengthened. The partial retracement in energy prices amidst prospects of Iran conflict nearing an end have helped to ease near-term pressure on regional FX, including the SGD. It is no surprise that Asian FX with higher sensitivity to oil and risk sentiments, including THB, PHP and KRW were the ones clocking in more gains, relative to SGD. That said, geopolitical developments remain fluid and risks of further supply disruption

cannot be ruled out. Any renewed upside in oil prices could dampen momentum in Asian FX, including SGD. USDSGD was last at 1.2705 levels. Bullish momentum on daily chart shows signs of fading while RSI fell. Still see 2-way risks, with slight tilt for further downside. Support at 1.2710 levels (23.6% fibo), 1.2689 (21 DMA). Resistance at 1.2740 (21 DMA), 1.2780 (38.2% fibo) and 1.2840/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs).

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1748	159.52	1.3580	0.7863	0.7344	0.6046	1.3695	5424	1.2867	59.89	92.87
Resistance 2	1.1688	158.67	1.3509	0.7819	0.7229	0.5990	1.3635	5304	1.2798	59.47	92.39
Resistance 1	1.1650	158.36	1.3463	0.7802	0.7174	0.5959	1.3607	5248	1.2764	59.19	92.10
Spot	1.1609	158.13	1.3417	0.7787	0.7118	0.5923	1.3585	5194	1.2737	58.92	91.81
Support 1	1.1590	157.51	1.3392	0.7758	0.7059	0.5903	1.3547	5127	1.2695	58.77	91.61
Support 2	1.1568	156.97	1.3367	0.7731	0.6999	0.5878	1.3515	5062	1.2660	58.63	91.42
Support 3	1.1508	156.12	1.3296	0.7687	0.6884	0.5822	1.3455	4941	1.2591	58.21	90.93
<b>Bollinger Band</b>											
Bollinger Upper	1.1932	159.44	1.3651	0.7831	0.7139	0.6061	1.3732	5338	1.2806	59.20	92.17
Bollinger Lower	1.1546	152.32	1.3308	0.7667	0.7013	0.5871	1.3563	4886	1.2579	57.17	90.04

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

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