

## Daily Market Outlook

### Real Rates Rule

- **Real Rates Rule:** Oil-driven stagflation is eroding the euro area's real return even as nominal ECB rate expectations rise. This keeps EURUSD biased lower unless Middle East tensions ease. High energy prices also raise real risks for GBP.
- **Release Meets Shortfall:** IEA's record reserve release offers only a temporary buffer as the Strait of Hormuz stoppage removes far more oil than governments can replace. Rising tail risks now challenge our baseline for oil to fall below USD70/bbl by mid-year.
- **Asian FX** stays on the back foot as Iran's USD200/bbl threat overshadows the IEA's oil reserve release. RMB holds firmer, but oil- and sentiment-sensitive Asian currencies could face renewed pressure.

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**Real Rates Rule:** In an energy-driven stagflation shock, higher nominal rates don't automatically support a currency. What matters for FX is the real return after inflation and the economy's external balance. For the euro area, the latest oil spike hits on both fronts: it lifts inflation while simultaneously worsening terms of trade for a large net energy importer. The larger energy bill sends income abroad, undermining the currency even as markets price more hawkish ECB rhetoric. This is why the EUR has softened despite rising rate expectations.

We stay neutral on EURUSD until clearer signs of de-escalation emerge, giving us more confidence that Middle East-driven stagflation risks won't derail our baseline of modest USD weakness in 2026. In a moderately severe oil shock—prices near USD100/bbl through mid-year—EURUSD could slip to 1.13–1.12. Under an acute scenario, with Brent spiking toward USD140/bbl and staying elevated, a further drop toward 1.10 or slightly below is plausible. GBP may also face renewed pressure if energy prices remain high, despite the initial relief from short-covering.

**Release Meets Shortfall:** Market attention stayed fixed on oil, with prices firmer despite the International Energy Agency's (IEA) plan to release 400mmbbl from strategic reserves – the largest drawdown ever. The IEA notes its 32 members collectively hold over 1,200mmbbl, including the US Strategic Petroleum Reserve. Another 600mmbbl of industry stocks are under government obligation. The market will scrutinise both the pace and duration of the release.

A staggered, “drip-feed” approach can soften the shock and buy time, but it cannot fully replace the barrels lost from the effective closure of the Strait of Hormuz. The blockage is removing roughly 100 million barrels per week (15mbpd). On that math, a 400mbbl release covers only about four weeks of disruption.

Our baseline view – oil slipping below USD70/bbl by mid-year – is increasingly challenged by tail risks that echo the 2022 Russia-Ukraine energy shock. We have outlined a range of scenarios based on the severity and longevity of Hormuz disruptions in [\*Commodity Compass: Supply Shock Builds\*](#) (9 March 2026) and assessed the economic and cross-asset implications in [\*Impact of Rising Global Oil Prices\*](#) (9 March 2026).

**USDMYR. Geopolitical headlines dominate.** USDMYR slipped this week after the 2% run-up last week. Combination of oil prices easing away from its peak, slippage in USD and strengthening in RMB helped the MYR to recover partially. Focus remains on Iran conflict, where developments remain fluid and the outlook for MYR will largely depend on how the situation evolves. A key consideration is the duration and scale of potential oil supply disruption. If tensions in the Middle East ease and risks to shipping routes and production remain contained, the oil risk premium could unwind relatively quickly. In such a scenario, further recovery in risk sentiment should support MYR recovery. However, if tensions remain heightened, like how Iran is telling the world to prepare for USD200/bbl, then risk appetite may stay restrained and the MYR recovery seen in early week may stall, regardless of oil/commodity dynamics. Positioning and portfolio flows may temporarily dominate any terms-of-trade benefits. USDMYR last seen at 3.9185 levels. Bullish momentum on daily chart is fading while RSI fell. Immediate support at 3.9150/80 levels. Decisive break below puts next support at 3.90, 3.88 levels. Resistance at 3.9550, 3.9760 (50 DMA).

**USDCNH. Consolidation.** USDCNH consolidated near recent lows, with the decline lacking momentum overnight. Fears of oil price staying high for longer, alongside USD following threat from Iran had undermined broader sentiment despite IEA’s plan to release record 400mn barrels of oil from reserves. Stronger CNY fix may partially support RMB but that is only one part of the equation. Broader risk sentiment, USD direction still matters and, in the interim, geopolitical headline dominates and drives 2-way trades. That said, on relative terms, RMB may be less vulnerable while Asian FX, including KRW, PHP sensitive to oil and sentiment shocks may be under more pressure. (See [\*FX Focus: Oil shock and AXJ FX: Framing the impact of escalation 6 Mar\*](#)). USDCNH

was last at 6.8770 levels. Bullish momentum on daily chart is fading but decline in RSI moderated. 2-way trades likely. Support at 6.85, 6.86 levels, 6.8270 levels (Feb low). Resistance at 6.89 (21 DMA), 6.9280 (50 DMA).

**USDSGD. 2-way trades.** USDSGD's decline from Monday's high appeared to show tentative signs of moderation. While IEA's decision to release 400mn barrels from oil reserves intended to contain oil price spike is a positive step, Iran's threat of USD200/bbl may still overwhelm in the interim, as it would have ramifications on inflation and growth outlook. In addition, release of oil reserves take time to reach open market due to logistical and shipping constraints. This means markets may still face a short-term squeeze, especially if supply disruptions coincide with existing production cuts. In that sense, the reserve release may help to cap panic and smooth volatility, but it does not fully remove the risk of near-term oil price spikes. As such, Asian FX including SGD may still face pressure. USDSGD was last at 1.2740 levels. Bullish momentum on daily chart shows signs of fading but decline in RSI moderated. 2-way trades likely. Support at 1.2710 (23.6% fibo), 1.2690 (21 DMA). Resistance at 1.2780 (38.2% fibo), 1.2840/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs).

In a report published yesterday, *Energy shock revisited: Will MAS stay patient (12 Mar)*, we highlighted that energy shocks matter for Singapore inflation. Imported energy costs transmit through both direct fuel prices and broader supply chain channels. Past policy episodes illustrate how large swings in global energy prices can influence Singapore's inflation outlook and, by extension, monetary policy settings. Our economists estimate that a move in average crude oil prices from around USD63/bbl to USD92/bbl could raise 2026 headline inflation from roughly 1.3% to about 1.8% YoY. Market pricing has also begun to reflect tentative expectations of a tighter policy stance. Our S\$NEER model shows the deviation from its model-implied mid-point widening to about 1.85% currently, from around 1.65% last week. At this stage, we opined MAS is unlikely to react prematurely. Policymakers will likely monitor developments closely to assess whether the energy shock proves temporary or persistent. That said, a more sustained rise in energy prices could reduce the scope for policy patience. If imported inflation pressures begin to broaden or influence inflation expectations, then the probability of MAS tightening stance may increase.

## Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1759	160.84	1.3549	0.7881	0.7299	0.6008	1.3684	5330	1.2824	59.72	92.38
Resistance 2	1.1675	159.72	1.3485	0.7837	0.7225	0.5965	1.3634	5257	1.2778	59.38	92.18
Resistance 1	1.1621	159.33	1.3449	0.7821	0.7188	0.5939	1.3614	5217	1.2760	59.26	92.11
Spot	1.1540	159.12	1.3377	0.7820	0.7127	0.5893	1.3603	5150	1.2763	59.14	92.04
Support 1	1.1537	158.21	1.3385	0.7777	0.7114	0.5896	1.3564	5143	1.2714	58.91	91.91
Support 2	1.1507	157.48	1.3357	0.7749	0.7077	0.5879	1.3534	5110	1.2686	58.68	91.77
Support 3	1.1423	156.36	1.3293	0.7705	0.7003	0.5836	1.3484	5036	1.2640	58.33	91.57
<b>Bollinger Band</b>											
Bollinger Upper	1.1928	159.87	1.3631	0.7841	0.7151	0.6053	1.3731	5331	1.2813	59.33	92.29
Bollinger Lower	1.1513	152.61	1.3303	0.7671	0.7007	0.5863	1.3564	4915	1.2587	57.13	90.04

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

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