

Daily Market Outlook

Oil Pressures Build

- **Oil Pressures Build:** Brent's surge above USD100/bbl and rising Hormuz disruption risk are fuelling fears of a durable energy shock and could set the stage for higher FX volatility. Markets are bracing for stagflation pressure, stronger USD, and an ECB/BoE reaction that may ultimately prove over-priced.
- **Asian FX stays shaky** as oil tests USD100/bbl. Without clarity on energy trends or Middle East conflict, volatility risk stays high—putting high-beta currencies at a disadvantage versus steadier peers like RMB and SGD.

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Oil Pressures Build: Crude oil has climbed back above USD100/bbl as Iran escalates attacks on oil and transport infrastructure across the Middle East, raising the odds of a prolonged disruption at the Strait of Hormuz. Persistently elevated prices are stoking concerns that the conflict could trigger a more durable—and not merely temporary—energy shock. That would reshape how markets assess inflation and growth risks.

Separately, USTR Greer launched Section 301 investigations into 16 major trading partners—including China, the EU, Japan, and India—and signalled another broad probe covering 60 countries is imminent. The process typically spans 6–12 months, though Greer aims to conclude it before Section 122 tariffs expire in July.

Higher oil and rising risk aversion supported the USD overnight, aided by the greenback's haven appeal and the US's relative insulation as a large energy exporter. USD gains have been orderly, helped by interest-rate markets aligning around central banks – across not just the Fed but also ECB and BoE -- leaning more toward inflation risks than growth. A short-lived conflict and rapid restoration of oil flows would justify today's muted FX reaction. But if the energy shock endures, FX volatility is likely to rise sharply, especially as prolonged high prices become increasingly growth-negative for energy-importing Europe and Asia.

Market expectations for rate hikes at the ECB and BoE continue to firm. OIS markets now price a cumulative 43bp and 20bp of tightening by year-end, versus expectations of 1bp and 53bp of cuts before the conflict started in end-February. We believe markets are overestimating the tightening risk, even as we shift our expected first BoE cut (25bp) to 3Q26 from March ([Central bank update: Hawkish](#))

RBA; BoE on hold for now, 12 March 2026). We still expect the ECB to remain on hold through 2026. Next week's heavy central-bank calendar may offer early hints of updated thinking, though the extreme uncertainty will likely prompt more cautious forward guidance.

We remain neutral on EURUSD until clearer signs of de-escalation give us more confidence that oil-driven stagflation risks won't derail our baseline of modest USD weakness in 2026. Under a moderately severe oil shock – USD100/bbl through mid-year – EURUSD could drift to 1.13–1.12. Under an acute scenario, with Brent spiking toward USD140/bbl and remaining elevated, a move toward 1.10 or slightly below is plausible. GBP may also come under renewed pressure if oil stays high, despite some initial short-covering relief. USDJPY could retest the 160–162 zone that triggered BoJ/MoF intervention in 2024. But indicative USDJPY levels under our moderately severe and acute oil shock scenarios are hard to pin down given intervention uncertainty and how US yields respond to the competing forces of weaker growth and higher inflation.

Asian FX. Renewed pressure. Asian FX came under renewed pressure overnight as another leg higher in oil prices weighed on risk sentiment and reinforced the USD's rebound. Brent's move toward the USD100/bbl mark has heightened concerns for Asia's net oil-importing economies. The rise in energy prices has also prompted markets to scale back expectations of Fed easing, providing an additional tailwind for the USD. Against this backdrop, Asian currencies typically sensitive to shifts in oil prices, global risk sentiment and broad USD direction softened across the board. The KRW was among the worst performers, with USDKRW pushing toward 1495 at one point overnight, underscoring the KRW's high-beta characteristics during periods of geopolitical stress and energy price spikes. Higher oil prices also pose a terms-of-trade headwind for several regional economies, adding to the pressure on their currencies, including PHP, INR, THB.

Until there is clearer visibility on the trajectory of energy prices and geopolitical developments in Iran, Asian FX may remain vulnerable to further bouts of volatility, with high-beta currencies likely to underperform relative to lower-beta peers (i.e. RMB, SGD). USDKRW last seen at 1488 levels. Bullish momentum on daily chart intact while RSI shows signs of rising. Risks skewed to the upside. Resistance at 1500, 1510 levels. Support at 1470 levels. That said policymakers have been quick to reassure markets this time and more forceful steps can help to slow the pace of depreciation. For a turnaround to play out would require the conflict to end and resumption of shipping routes, oil flows.

USDCNH. Consolidation. USDCNH held ground near recent lows as recent decline lacked follow-through traction. Brent making another trip to near USD100/bbl, alongside firmer USD and softer risk appetite are some drivers holding back RMB appreciation. While CNY fix can matter, broader risk sentiment, USD direction can still overwhelm policy guidance. That said, on relative terms, RMB may still be less vulnerable to other Asian FX. USDCNH was last at 6.8790 levels. Bullish momentum on daily chart faded 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. Bid but in range. USDSGD rebounded amid broad USD strength. Worries of a longer than expected military conflict in Iran stoked inflationary fears, leading to markets paring back on Fed cut trajectory. IEA's decision to release 400mn barrels from oil reserves is a positive step, but it does not fully remove the risk of near-term oil price spikes. Release of oil reserves can take time to reach open market due to logistical and shipping constraints. On the other hand, Iran appears to widen the conflict to Arabian Gulf.

USDSGD was last at 1.2780 levels. Bullish momentum on daily chart shows signs of fading but RSI rose. 2-way trades likely. Resistance here at 1.2790 (38.2% fibo), 1.2840/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs). Support at 1.2710 (23.6% fibo), 1.2690 (21 DMA). 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. 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 1.89% currently, from around 1.65% last week.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1662	160.84	1.3517	0.7978	0.7281	0.6006	1.3752	5381	1.2885	60.08	92.81
Resistance 2	1.1597	159.98	1.3441	0.7909	0.7192	0.5940	1.3686	5245	1.2830	59.78	92.51
Resistance 1	1.1555	159.66	1.3392	0.7884	0.7135	0.5898	1.3664	5162	1.2810	59.59	92.35
Spot	1.1527	159.04	1.3362	0.7849	0.7081	0.5859	1.3625	5104	1.2782	59.41	92.20
Support 1	1.1490	158.80	1.3316	0.7815	0.7046	0.5832	1.3598	5026	1.2755	59.28	92.05
Support 2	1.1467	158.26	1.3289	0.7771	0.7014	0.5808	1.3554	4973	1.2720	59.16	91.91
Support 3	1.1402	157.40	1.3213	0.7702	0.6925	0.5742	1.3488	4836	1.2665	58.86	91.61
Bollinger Band											
Bollinger Upper	1.1918	160.04	1.3602	0.7860	0.7146	0.6050	1.3731	5328	1.2826	59.50	92.42
Bollinger Lower	1.1485	153.09	1.3300	0.7673	0.7009	0.5845	1.3569	4917	1.2592	57.09	90.07

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

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