

Daily Market Outlook

USD Holds Firm

- **USD Holds Firm:** The USD is holding firm on better US data and hawkish-leaning FOMC minutes, though AI-related uncertainty and potential Supreme Court tariff rulings cloud the outlook. JPY gains post-election will be tested by PM Takaichi's upcoming policy speech, while ECB succession chatter heats up.
- **GBP Finds Support:** GBP steadied after firmer inflation offset weak labour data. Friday's flash PMI could offer a rebound catalyst once political risks ease, with markets eyeing the 26 Feb by-election and BoE rate-cut expectations.
- **NZD Lags After RBNZ:** NZD underperformed after a dovish RBNZ hold, with projected hikes falling short of market expectations. Despite this, NZ's improving recovery keeps our constructive NZD outlook intact.
- **Thin liquidity is fuelling sharp silver swings ahead of the March First Notice Day (FND) on 27 Feb.** Most positions should roll, but we are watching inventories and spreads for any tightening that could jolt volatility higher.
- **USDIDR firmed on post-holiday reopening flows and a stronger USD,** with thin liquidity ahead of BI on 19 Feb adding momentum. BI is expected to keep rates unchanged.

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USD Holds Firm. The USD is firmer this week, supported by an improving US macro backdrop and hawkish-leaning FOMC minutes. The key surprise was the Fed's openness to shifting from an easing bias to a symmetric stance, implying cuts and hikes are now equally plausible. Crude and gold both pushed higher on rising US–Iran escalation risks and the lack of progress in Russia–Ukraine talks.

The AI disruption narrative, which led to US equity underperformance since 4Q25, has weighed on the USD. But the USD could benefit further out from AI-driven productivity gains. The implications for the USD from the AI disruption narrative are not straightforward. Fed Governor Barr argued rapid AI investment could raise the neutral rate and near-term inflation, while San Francisco Fed President Daly highlighted the potential for productivity gains to reduce the need for restrictive policy. This aligns with dovish tones from Governor Miran and Chair-nominee Warsh, who view AI-driven productivity as a possible catalyst for renewed easing despite strong growth and above-target inflation.

Policy uncertainty is also rising ahead of the US Supreme Court's opinion days on 20, 24 and 25 February, with the potential for a ruling on the IEEPA tariffs case during this window.

In Japan, JPY and long-end JGBs have rallied post-election, raising questions about whether the "Buy Japan" theme is broadening beyond equities. We view a more neutral JPY stance as appropriate for now, with markets awaiting PM Takaichi's policy speech on 20 February. Meanwhile, a *FT* report suggesting ECB President Lagarde may step down before her term ends in October 2027—possibly ahead of France's April 2027 elections—has intensified debate over her succession.

GBP Finds Support. GBP started the week on the back foot after softer-than-expected UK labour data but later stabilised as a firmer inflation print helped offset the weakness. If last month's rebound holds, Friday's UK flash PMI could provide a trigger for GBP to recover once near-term political noise clears. Markets will increasingly focus on the Gorton & Denton by-election on 26 February.

Labour market data were mixed but slightly weaker overall, with the unemployment rate drifting up to 5.2%—a touch above consensus and BoE projections. This reinforces the gradual softening trend in the labour market and supports expectations for BoE cuts. Inflation, meanwhile, came in broadly as expected, though services inflation proved stickier, running about 0.25ppt above the BoE's forecast. This added a counterweight to labour-market softness and helped steady GBP.

NZD Lags After RBNZ. The NZD underperformed overnight after the RBNZ delivered a dovish hold. The central bank kept the cash rate at 2.25%, as universally expected. Markets had anticipated a hold with a hawkish tilt, but the RBNZ's projected rate increases for this year were softer than the 1–2 hikes implied in OIS pricing. Still, with New Zealand's economic recovery gaining momentum, our constructive NZD view remains intact despite the RBNZ not matching hawkish market expectations.

Silver. Focus shifts to FND. Silver's brief dip toward \$72 earlier this week, followed by a swift rebound to around \$77 levels, appears largely reflective of thin liquidity conditions during the Asia holiday period rather than a shift in fundamentals. With regional participation reduced, market depth was lighter than usual, allowing relatively modest selling to trigger disproportionate price moves and prices snapped back quickly when the liquidation pressure exhausted itself.

The price action reinforces that silver remains prone to exaggerated swings in a thinner liquidity environment.

Focus shifts to the March silver contract, with First Notice Day (FND) on 27 February. March is a key delivery month for COMEX silver, and front-month open interest currently stands at around 57,000 contracts — equivalent to roughly 285 million ounces of notional exposure. While this is sizeable in absolute terms, history suggests that the majority of speculative longs typically roll or exit ahead of FND, with only a fraction standing for delivery. That said, inventory movements require monitoring. Recent declines in registered inventory in COMEX alongside modest backwardation in forward curve could heighten front-end volatility if open interest does not decline meaningfully into the roll window.

Silver was last seen at 77.40 levels. Bearish momentum on daily chart shows signs of waning while RSI shows tentative signs of turning higher. 2-way trades may persist for now. Support at 70/72 levels (38.2% fibo retracement of Aug low to Jan high), 66 levels (100 DMA) and 58 (23.6% fibo). Resistance at 80/81 levels (50% fibo, 50 DMA), 88/90 levels (21 DMA, 61.8% fibo).

IDR. *Slight upside risk.* USDIDR edged higher yesterday as onshore markets returned after Lunar New Year closure over 16-17 Feb. The move higher was in line with a firmer USD. The move appeared flow-driven rather than fundamentally led. Thinner market liquidity in the region likely also played a partial role in amplifying the adjustment, with positioning light ahead of the Bank Indonesia (BI) policy decision on Thu (19 Feb). On policy, our house view is for Bank Indonesia to keep rates unchanged at 4.75%. Our economists still expect BI to deliver one 25bp in 2Q26 and one 25bp cut in 3Q26. The window to ease, however, depends on IDR moves, inflation remaining target and GDP growth remaining subdued. Timing of future rate cuts remains data dependent while BI's focus on IDR stability remains key.

USDIDR was last at 16884. Daily momentum shows early signs of turning mild bullish while RSI rose. Risks marginally skewed to the upside. Resistance at 16900, 16940 levels. Support at 16820 (21 DMA), 16770 (50 DMA). In the interim, USD momentum and regional risk sentiment are likely to play a bigger role in USDIDR direction.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1957	157.85	1.3703	0.7788	0.7159	0.6175	1.3812	5261	1.2763	58.28	90.91
Resistance 2	1.1882	156.05	1.3613	0.7754	0.7107	0.6084	1.3744	5104	1.2710	58.10	90.78
Resistance 1	1.1833	155.43	1.3554	0.7743	0.7074	0.6025	1.3720	5041	1.2690	57.98	90.73
Spot	1.1788	154.69	1.3494	0.7726	0.7043	0.5966	1.3698	4965	1.2675	57.86	90.68
Support 1	1.1758	153.63	1.3464	0.7709	0.7022	0.5934	1.3652	4884	1.2637	57.79	90.61
Support 2	1.1732	152.45	1.3433	0.7686	0.7003	0.5902	1.3608	4791	1.2604	57.72	90.54
Support 3	1.1657	150.65	1.3343	0.7652	0.6951	0.5811	1.3540	4634	1.2551	57.53	90.42
Bollinger Band											
Bollinger Upper	1.1995	157.54	1.3837	0.7821	0.7151	0.6096	1.3752	5342	1.2756	59.45	92.28
Bollinger Lower	1.1728	151.57	1.3469	0.7618	0.6897	0.5942	1.3507	4671	1.2585	57.77	89.85

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

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