

Daily Market Outlook

JPY Upside Capped

- **JPY Upside Capped:** JPY selling eased after the LDP's landslide win, but optimism is capped by signals that PM Takaichi may resist further BoJ hikes. We stay neutral on JPY, expecting limited upside unless the BoJ turns more hawkish.
- **EURUSD Upside Looks Limited:** EURUSD gains are mainly USD-driven, but upside is constrained by a lack of EUR undervaluation and a cautious ECB. With the Fed sounding firmer than markets expect, a delayed and shallower US easing cycle may cap further EURUSD strength.
- **CNY's** post-holiday strength reflects softer USD conditions, better risk sentiment, and policymakers' tolerance for appreciation. The daily fix ahead will reveal whether authorities endorse faster gains or prefer to slow the pace.
- **SGDMYR's** drop reflects MYR outperformance, not SGD weakness. MYR rebounded on better risk sentiment and past undervaluation, but a near-term snap-back is possible after the sharp move.

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JPY Upside Capped: JPY selling driven by fiscal worries has eased, surprising many given the LDP's early-February landslide victory. Alongside receding fiscal concerns, markets have also priced a higher chance of portfolio flows turning more supportive for the JPY. This has sparked a debate on whether the "Buy Japan" theme could broaden from equities to the currency. But expectations for a stronger JPY are likely to be checked by reports that PM Takaichi expressed reservations about additional BoJ rate hikes during her 16 February meeting with Governor Ueda.

We remain neutral on JPY rather than outright bullish. Our end-2026 USDJPY forecast stays at 149, reflecting the view that the JPY will struggle to shift from a funding currency to an investment currency unless the BoJ turns more hawkish than our baseline of two rate hikes this year. Two BoJ board seats will soon be vacant, and markets will watch closely whom PM Takaichi nominates – potentially a key signal of her monetary policy leanings.

EURUSD Upside Looks Limited: Our mildly constructive EURUSD view is driven more by USD weakness than EUR strength. As the main anti-USD, the EUR has benefited from a higher USD risk premium amid erratic US policymaking, which briefly pushed EURUSD above 1.20 in January. Attention now turns to President Trump's upcoming State of

the Union Address, where markets will watch for signals on Iran, trade policy, and his domestic priorities heading into the midterms.

But EURUSD upside looks limited. Unlike JPY or CNY, the EUR lacks a strong undervaluation story, and recent gains have already drawn caution from dovish ECB Governing Council members. Germany's expansionary fiscal stance should support more stable Eurozone growth into 2026. But slowing wage momentum and inflation already below the 2% target point to a prolonged ECB hold—broadly in line with current market pricing.

Meanwhile, Fedspeak continued to tilt hawkish. Governor Lisa Cook and Chicago Fed President Goolsbee echoed the broader FOMC view that the labour market is stabilising, reinforcing the need for more progress on inflation before easing. With the macro backdrop still firm, the Fed may not cut as much as markets expect – OIS prices 54bp of easing this year versus our call for at most one cut. We now expect the next Fed funds cut in June instead of March. For more detail, please see [*Interest Rate Focus: Fed in a wait-and-see mode, 23 February 2026.*](#)

USDCNY. Watching the fix for any policy signal. USDCNY fell sharply overnight after returning from spring break holidays. The move in USDCNY tracked USDCNH, which has continued to trade with a heavy bias. RMB's outperformance was not due to a single catalyst but likely a range of factors including less strong USD environment, supported risk sentiment and the perception that policymakers allow for RMB strength (given little pushback).

That said, yesterday's USDCNY fix was set higher at 6.9414 (vs. pre-holiday closure fix of 6.9398). Hence, we would pay close attention to the fix today and coming sessions to assess if policymakers do allow for faster but measured pace of RMB appreciation or if policymakers are signalling for moderation in pace of RMB appreciation. USDCNY was last at 6.8820 levels. Bearish momentum on daily chart intact while RSI is in oversold conditions. Bias skewed to the downside though the risk of snapback is not ruled out. Support at 6.8465 – 6.85 levels. Break below said support puts next support at 6.82 levels. Resistance at 6.90, 6.94 levels (21 DMA).

SGDMYR. Near term oversold. SGDMYR has continued to trend lower to below 3.08 levels, from around 3.17 levels since start of the year. This is less about SGD weakness but more about a meaningful improvement in Malaysia's macro and flow dynamics that supported MYR's outperformance. Malaysian policymakers also appear to view MYR appreciation favourably. Some of the reasons the MYR has strengthened more than the SGD lies partly in differing sensitivities and

starting points. The MYR is more cyclical and higher beta, meaning it responds more sharply to shifts in global risk sentiment, USD and RMB direction. It also benefits more directly from commodity price tailwinds and was trading at deeper undervaluation previously, allowing for a sharper rebound when sentiment and fundamentals improved over the last year. In contrast, SGD tends to move in a more measured fashion given MAS's exchange rate-based monetary policy. Whether MYR continues to outperform will depend on whether supportive drivers such as stable risk appetite, steady RMB, and sustained inflows remain intact. If global conditions turn more cautious, then MYR's higher beta profile could just as quickly work in the opposite direction.

Cross was last at 3.0750 levels. Weekly, daily momentum remains bearish bias while RSI is in oversold conditions. Risk of retracement is not ruled out in the near term, but the broader bias remains skewed to the downside. Technically 3.30 – 3.05 is a key area of support. A clean break would open way towards psychological-3.00 levels. Resistance at 3.0820, 3.0950 levels (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1838	159.06	1.3633	0.7817	0.7147	0.6023	1.3772	5473	1.2721	58.08	91.04
Resistance 2	1.1808	157.31	1.3566	0.7781	0.7100	0.5992	1.3739	5318	1.2696	57.91	91.00
Resistance 1	1.1790	156.59	1.3527	0.7761	0.7079	0.5979	1.3719	5231	1.2684	57.84	90.97
Spot	1.1776	155.86	1.3497	0.7738	0.7060	0.5966	1.3701	5151	1.2668	57.77	90.95
Support 1	1.1760	154.84	1.3460	0.7725	0.7032	0.5948	1.3686	5076	1.2659	57.67	90.93
Support 2	1.1748	153.81	1.3432	0.7709	0.7006	0.5930	1.3673	5008	1.2646	57.58	90.91
Support 3	1.1718	152.06	1.3365	0.7673	0.6959	0.5899	1.3640	4853	1.2621	57.42	90.86
Bollinger Band											
Bollinger Upper	1.1940	157.63	1.3783	0.7807	0.7145	0.6088	1.3758	5313	1.2746	59.25	92.00
Bollinger Lower	1.1723	152.11	1.3417	0.7646	0.6944	0.5934	1.3524	4706	1.2597	57.49	89.88

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

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