By Global Markets | 26 February 2026

Daily Market Outlook

Doves In, JPY Out?

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- ***Doves In, JPY Out?***: *Dovish-leaning BoJ nominees have reignited concerns the central bank may lag policy normalisation, weakening the JPY and steepening JGB curve. Intervention chatter may intensify near 160. We remain neutral on USDJPY.*
- ***AUD Rides CPI***: *Hotter-than-expected inflation kept RBA hawkish risks alive and pushed AUD higher, supported further by easing AI-related jitters. We expect AUDUSD to hold above 0.70 and still target 0.73 by end-2026.*
- *Most **USD/Asia** pairs have declined this week, led by KRW, RMB, and TWD. Asian FX outperformed on a subdued USD, steady foreign inflows, firmer risk sentiment, and renewed RMB strength after the Spring Festival holidays.*
- *The **THB** weakened modestly following the BoT's surprise rate cut. However, external factors remain key: if the USD stays soft and gold prices remain well supported, these conditions could still underpin THB strength.*

Growth Tailwinds Hold: The safe-haven USD softened overnight, particularly against risk-sensitive currencies like AUD and NZD, after Nvidia's upbeat outlook eased AI-related worries. Energy markets remain tense ahead of US–Iran talks today.

Our base case is unchanged: the AI-disruption narrative, tariff uncertainty and geopolitically driven oil spikes are unlikely to derail improving US and global growth, especially with fiscal tailwinds building into 2026. These cyclical supports should continue to benefit commodity currencies such as AUD, ZAR and BRL. JPY and CNY remain fundamentally undervalued, but the recent Mainichi report and BoJ appointments reinforce a dovish perception, limiting the JPY's ability to capitalise on its undervaluation. In contrast, policymakers appear comfortable with gradual CNY appreciation, which is providing a positive spillover to the rest of Asia FX.

Doves In, JPY Out?: The JPY slipped as the JGB curve bear-steepened, reflecting market worries that the BoJ could fall further behind the curve after PM Takaichi nominated two policy board candidates with notably past dovish leanings. Toichiro Asada has been proposed to replace Asahi Noguchi when his term ends in March, while Ayano Sato is set to succeed Junko Nakagawa in June. Both academics are regarded as dovish, though neither has publicly commented on the BoJ's current policy stance.

Intervention risk would return quickly if USDJPY drifts back toward 160. We would not rule out stepped-up verbal warnings from Japan—and possibly the US—heading into the US-Japan summit on 19 March. We remain neutral on the JPY. Our end-2026 USDJPY forecast stays at 149, as the currency is unlikely to transition from a funding currency to an investment currency unless the BoJ turns more hawkish than our baseline outlook of two rate hikes this year.

AUD Rides CPI: The AUD gained after monthly inflation surprised to the upside, with waning AI-related risk jitters providing additional support for the risk-sensitive currency. Headline inflation held firm at 3.8% YoY, while the RBA's preferred core gauge—the trimmed mean—ticked up to 3.4% YoY from 3.3%. Both measures remain comfortably above the RBA's 2–3% target band.

While quarterly CPI data, due on 29 April, will remain the key determinant for RBA policy, the stronger-than-expected monthly print keeps hawkish RBA risks alive. This should help anchor AUDUSD above 0.70. We maintain our view for further upside, targeting 0.73 by end-2026. RBA Governor Bullock, speaking at a fireside chat, remained noncommittal and noted that assessing current economic conditions is "a little bit more difficult" than in earlier periods.

Asian FX. Room for gains. Most USD/Asia fell this week so far, with KRW, RMB and TWD taking the lead. Asian FX outperformance was due to slightly more subdued USD, supported risk sentiment (KOSPI and TAIX up between 9 -10% over 5 days) and well anchored by resumption of RMB strength post-spring holidays. For the Taiwan stock market, foreign inflows returned with week-to-date flows rising to near record high of USD5.1bn. Heavy foreign inflows has also helped to support TWD, with momentum (for USDTWD) also showing signs of turning lower.

Further gains in Asian FX is possible if broader pro-risk environment stays intact: USD to trade on the back foot while sustained positive risk sentiments could support continued foreign inflows into the region. While strong US growth could in isolation be supportive of the USD, this impulse has so far been diluted by simultaneously improving global growth dynamics outside the US, allowing pro-cyclical and high-beta FX to continue benefiting. As long as growth momentum outside the US remains resilient, we still see room for gains for Asian FX.

USDTHB. Double-bottom bullish reversal? Bank of Thailand (BoT) surprised with a 25 bp rate cut yesterday. On FX, there was a slight weakening in THB but largely modest knee jerk reaction despite surprise timing of policy decision. In earlier BoT communication, it was mentioned that further easing could still be considered if uncertainty rises or if financial conditions tighten meaningfully. Overall, tighter checks on FX inflows, heightened scrutiny of gold-related THB inflows and BoT cut are efforts that are intended to dampen THB appreciation. Policymakers remain concerned with THB strength being misaligned with fundamentals. But external driver is the other part of the equation. If USD stays soft and gold remains well supported, then these factors can offset THB weakness. On net, we still expect a restraint path of THB appreciation. USDTHB was last seen at 31.08 levels. Daily momentum is flat while RSI is not showing clear conviction. 2-way trades likely for now. Interim support at 30.85/90 levels (double bottom). Resistance at 31.28/35 levels (21, 50 DMAs, 23.6% fibo retracement of Oct high to 2026 low), 31.65 (38.2% fibo).

USDCNH. Strong fix gave the green light for RMB bulls. USDCNH fell further overnight, taking cues from CNY fix and softer USD tone. USDCNY fix was set at 6.9321 yesterday. This was -93 pips lower than the day before on Tue (6.9414) and is the lowest level in 32 months. Stronger CNY fix continued to anchor the path of RMB appreciation. Nevertheless, we would still keep an eye on the daily fixing for any signal if policymakers may moderate the pace of RMB appreciation or if the fixing change intensifies. USDCNH was last at 6.8530 levels. Daily momentum shows tentative signs of turning mild bearish while RSI is in oversold conditions. Bias skewed to the downside though the risk of snapback is not ruled out. Support at 6.85, 6.83 levels. Resistance at 6.88, 6.91 levels (21 DMA).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1884	159.12	1.3692	0.7812	0.7240	0.6073	1.3753	5354	1.2743	58.24	91.10
Resistance 2	1.1841	157.65	1.3615	0.7773	0.7171	0.6030	1.3719	5262	1.2696	57.91	91.02
Resistance 1	1.1826	157.01	1.3587	0.7749	0.7147	0.6015	1.3698	5213	1.2666	57.71	90.99
Spot	1.1816	156.20	1.3558	0.7722	0.7121	0.6000	1.3676	5166	1.2630	57.52	90.96
Support 1	1.1783	155.54	1.3510	0.7710	0.7078	0.5972	1.3664	5121	1.2619	57.39	90.91
Support 2	1.1755	154.71	1.3461	0.7695	0.7033	0.5944	1.3651	5077	1.2602	57.26	90.86
Support 3	1.1712	153.24	1.3384	0.7656	0.6964	0.5901	1.3617	4985	1.2555	56.93	90.78
Bollinger Band											
Bollinger Upper	1.1910	157.79	1.3742	0.7801	0.7162	0.6077	1.3742	5265	1.2746	59.24	91.90
Bollinger Lower	1.1740	152.31	1.3439	0.7659	0.6940	0.5941	1.3556	4734	1.2592	57.38	89.91

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

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