

Daily Market Outlook

USD Lifted by Risk-Off

- **USD Lifted by Risk-Off:** *The USD edged higher as tech-led risk-off returned and Treasuries regained their hedging appeal. The USD's near-term direction hinges on whether US equity weakness spreads globally or if risk sentiment stabilises.*
- **Shifting FX Drivers:** *Resilient US growth limits deeper USD downside, though global growth momentum favours cyclical FX like the AUD. JPY undervaluation remains trapped by dovish BoJ risks, while gradual CNY strength helps anchor Asian currencies.*
- **Asian FX** *traded mixed. The SGD held steady despite intraday volatility in other USD/Asia pairs. The KRW firmed earlier but later surrendered gains as sentiment turned cautious and the USD staged a modest rebound.*

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USD Lifted by Risk-Off: The safe-haven USD firmed slightly as risk sentiment deteriorated, driven by renewed weakness in tech – particularly semiconductor – stocks and geopolitical tensions. Nuclear negotiations are set to resume next week, with the US and Iran signalling further progress. With inflation concerns easing, US Treasuries are regaining traction as a viable hedge during risk-off episodes, reinforcing the USD's safe-haven appeal. We are watching whether US equity weakness spills over into global markets. Continued resilience in global equities would weigh on the USD, while broader contagion – combined with Treasuries performing again as a hedge – could support the USD in the near term.

Shifting FX Drivers: Our base case remains unchanged: resilient US growth should limit the risk of a deeper USD sell-off. Initial jobless claims edged up to 212k (from 208k; consensus 216k), while another low reading in continuing claims suggests the US labour market is stabilising after a year of cooling. A firmer labour backdrop raises the risk that the FOMC could eventually shift toward a symmetric bias – signalling that the next move could be either a hike or a cut.

We do not expect the AI-disruption narrative, tariff uncertainty or geopolitical oil shocks to derail improving US and global growth, particularly with fiscal support strengthening into 2026. Stronger non-US growth creates space for USD downside even if US activity holds up – especially against cyclical currencies like AUD, NZD, ZAR and BRL.

While EUR lacks a compelling undervaluation story, JPY and CNY do not. However, reports of Prime Minister Takaichi signalling reluctance toward further BoJ rate hikes, alongside the nomination of two dovish-leaning BoJ board members, reinforce a dovish perception that caps JPY's ability to benefit from its undervaluation. In contrast, Chinese policymakers appear comfortable with a gradual CNY appreciation, creating positive spillovers across Asia FX.

USDSGD. Steady. USDSGD held steady despite the intra-day swings observed in other USD/Asia. The relative calm reinforces SGD's lower beta characteristic. Pair was last at 1.2640 levels. Mild bullish momentum on daily chart intact though RSI is flat. 2-way trades likely for now. Resistance at 1.2670/80 (21 DMA), 1.2710 levels (23.6% fibo retracement of Nov high to Jan low). Support at 1.2620, 1.2590 levels (2026 low).

The latest Survey of Professional Forecasters released by MAS pointed to a firmer macro backdrop relative to earlier expectations. Respondents expect GDP to expand by 3.6% this year, higher than the previous survey estimate of 2.3%, reflecting continued resilience in trade-related sectors, manufacturing activity and services. On inflation for 2026, the latest median forecast for MAS core inflation is 1.5%, higher than 1.3% in the previous survey while headline remains steady at 1.5%. On policy expectations, 47% of respondents (vs. 5.6% in previous survey) anticipate monetary policy tightening in April 2026 through an increase of the slope of the S\$NEER policy band. On risks to the outlook for Singapore economy, geopolitical tensions, burst of AI bubble were amongst the top downside risk while tech upcycle and resilient global growth/ easing of trade tensions were some of the key upside risks.

USDKRW. Rebound but within range. KRW traded firmer in early session, mirroring gains in RMB and the initial improvement in risk appetite. However, downside traction (for USDKRW) was limited, with the pair struggling to extend meaningfully beyond the prior low of around 1419 levels. As sentiment later turned more cautious and the USD staged a modest rebound, USDKRW reversed course and climbed toward the 1434 area. The subsequent slippage in KRW, in tandem with the shift in broader risk sentiment, once again highlights KRW's high-beta profile. We continue to expect KRW to remain particularly sensitive to fluctuations in risk appetite, broad USD moves and foreign flow in the near term. On the policy front, BoK kept policy rate on hold at 2.5% as widely expected. Our strategist shared that BoK had introduced a BoK-version of "dot-plot" which covers the following 6 months guidance. And in this instance, BoK is guiding for rates to be on hold, which also aligns with our base case.

USDKRW was last at 1433 levels. Mild bearish momentum on daily chart intact while RSI showed tentative signs of turning higher from near oversold conditions. These point to some upside risks in the near term, though largely within the sideways range we earlier highlighted. Resistance at 1435 (23.6% fibo retracement of Dec high to Jan low), 1444/45 levels (21 DMA, 38.2% fibo) and 1450/52 (100 DMA, 50% fibo). Support at 1419 (recent low, double bottom).

Technical Levels Table

| | EURUSD | USDJPY | GBPUSD | USDCHF | AUDUSD | NZDUSD | USDCAD | XAUUSD | USDSGD | USDPHP | USDINR |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Resistance 3 | 1.1910 | 157.53 | 1.3761 | 0.7822 | 0.7243 | 0.6094 | 1.3790 | 5323 | 1.2728 | 57.92 | 91.12 |
| Resistance 2 | 1.1855 | 156.81 | 1.3631 | 0.7779 | 0.7173 | 0.6038 | 1.3737 | 5248 | 1.2683 | 57.75 | 91.00 |
| Resistance 1 | 1.1826 | 156.47 | 1.3556 | 0.7760 | 0.7139 | 0.6008 | 1.3709 | 5217 | 1.2662 | 57.69 | 90.96 |
| Spot | 1.1801 | 155.96 | 1.3487 | 0.7736 | 0.7100 | 0.5979 | 1.3679 | 5183 | 1.2640 | 57.63 | 90.92 |
| Support 1 | 1.1771 | 155.75 | 1.3426 | 0.7717 | 0.7069 | 0.5952 | 1.3656 | 5142 | 1.2617 | 57.52 | 90.84 |
| Support 2 | 1.1745 | 155.37 | 1.3371 | 0.7693 | 0.7033 | 0.5926 | 1.3631 | 5099 | 1.2593 | 57.42 | 90.77 |
| Support 3 | 1.1690 | 154.65 | 1.3241 | 0.7650 | 0.6963 | 0.5870 | 1.3578 | 5025 | 1.2548 | 57.25 | 90.65 |
| Bollinger Band | | | | | | | | | | | |
| Bollinger Upper | 1.1907 | 157.86 | 1.3734 | 0.7802 | 0.7161 | 0.6075 | 1.3745 | 5290 | 1.2742 | 59.17 | 91.77 |
| Bollinger Lower | 1.1737 | 152.35 | 1.3420 | 0.7660 | 0.6954 | 0.5935 | 1.3559 | 4740 | 1.2591 | 57.31 | 89.95 |

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



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