

Daily Market Outlook

Commodities Take Lead

- **Commodities Take Lead:** Oil spiked on US–Iran tensions and a US winter storm, lifting petro-currencies like the NOK and CAD, while Chinese policy signals boosted metals. Geopolitics may temporarily support oil prices, but a persistent surplus keeps Brent's year-end downside intact.
- **USD Haven Tested:** The USD's safe-haven grip is being tested by policy noise and the "Greenland shock." Recent softness could extend, but downside looks limited given resilient US data, cautious ECB signalling and uncertainties around JPY and CNY appreciation.
- **USDSGD** rebounded overnight amid weaker risk sentiment. Technicals continue to suggest risk of corrective bounce in the short term. MAS kept policy stance unchanged but delivered a hawkish tilt in its policy decision. Market expectations for MAS to tighten at some point may continue to anchor relative strength in SGD against the currencies of Singapore's trading partners.

Sim Moh Siong
FX Strategist
(G10 & oil)

Christopher Wong
FX Strategist
(Asia & precious metals)

Commodities Take Lead: Volatility rotated from FX into commodities as US–Iran tensions propelled Brent above USD70/bbl. Higher oil prices on fears of renewed confrontation supported petro-currencies such as NOK and CAD. President Trump warned Iran to pursue a nuclear deal or face military action, while the Associated Press reported that Iran had alerted vessels about upcoming live-fire drills in the Strait of Hormuz – a chokepoint for roughly 20% of global oil flows. Any escalation would revive supply-disruption concerns.

Beyond geopolitics, a severe US winter storm further lifted energy prices as refineries struggled with operational constraints. Industrial metals also rallied, with copper surging on speculative trading in China. Sentiment improved after headlines signalled that Beijing may relax its "three red lines" debt metrics for the property sector.

Geopolitical instability may temporarily keep oil supported, but an oil market surplus continues to anchor the broader outlook. We maintain our view that Brent will likely bottom near USD59/bbl by year-end, subject to greater clarity on Venezuela's new government and resource policy. OPEC's pause in quota hikes provides a soft floor in the high-USD50s, while China's ongoing strategic stockbuilding may keep non-China inventories relatively low.

USD Haven Tested: The USD's safe-haven status amid the "Greenland shock" will shape hedging demand. If the classic risk-off pattern (equities down, USD up) reasserts, the need to lift hedge ratios should ease. The DXY held steady overnight even as US equities fell on renewed concerns about major tech firms' AI investment plans. Media reports that Congress is edging toward a funding deal to avert a prolonged government shutdown, alongside Treasury Secretary Bessent's reaffirmation of strong-USD policy, helped underpin the greenback.

Several USD downside risks we previously flagged – volatile policy signals and questions about Fed independence – have now materialised, weighing on the USD. USD weakness could extend if investors doubt that "maximum US policy uncertainty" has passed. Still, a repeat of 2025's tariff-recession-driven slide looks unlikely. The backdrop is firmer: US data remain resilient (jobless claims continue to edge lower), even as markets price a dovish Fed, limiting the scope for deeper USD losses.

Further USD downside also depends on the ECB's willingness to tolerate more EUR strength. We expect the ECB to stay on hold next week, though markets will watch for any mild dovish tilt given renewed geopolitical risks and a firmer EUR. On valuation, JPY or CNY screen as better candidates than EUR to gain against the USD -- but scope for large currency gains is uncertain. Japan's intervention threat caps JPY downside. But a durable JPY recovery likely needs supportive flow measures, a more proactive BoJ, and fiscal restraint. Meanwhile, despite USDCNY fixings slipping below 7.0, China has in the past leaned against appreciation whenever speculation around CNY strength intensifies.

USDSGD. Near term rebound risk. USDSGD rebounded overnight, taking cues from the dent in risk sentiment. Gold was down 7% at one point, US, European equities fell, and USD rose. USDSGD was last at 1.2650 levels. Momentum is bearish but RSI points to oversold conditions. This suggests that risk of retracement is not ruled out in the short term. But watch the key area of support at 1.2590 - 1.2610. A decisive break puts next support closer to 1.2410, 1.2340 levels. Resistance at 1.2750, 1.2810/20 levels. MAS kept policy stance unchanged but delivered a hawkish tilt, in line with our expectations. Given the hawkish tilt: (1) core/headline inflation forecast for 2026 revised upwards to 1 – 2% (from 0.5 – 1.5% prior) and (2) mention of risks to growth and inflation outlook tilted to the upside (vs. 2-way risks to inflation outlook previously), we expect S\$NEER can continue to hover in the upper half of the range until the next MAS meeting in April.

Market expectations for MAS to tighten at some point may continue to anchor relative strength in SGD against the currencies of Singapore's trading partners. But the influence of MAS policy on USDSGD should be viewed as only one of several drivers. Broader USD dynamics, Federal Reserve policy expectations, RMB movements, regional growth-inflation dynamics and overall risk sentiment will continue to play an important role in shaping USDSGD beyond the immediate policy reaction.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.2138	154.83	1.4010	0.7795	0.7287	0.6205	1.3704	6337	1.2804	59.29	92.28
Resistance 2	1.2048	153.97	1.3905	0.7729	0.7162	0.6135	1.3611	5848	1.2725	59.09	92.10
Resistance 1	1.2009	153.54	1.3857	0.7686	0.7106	0.6106	1.3550	5612	1.2685	59.02	92.03
Spot	1.1974	152.96	1.3814	0.7640	0.7054	0.6080	1.3484	5423	1.2637	58.95	91.96
Support 1	1.1919	152.68	1.3752	0.7620	0.6981	0.6036	1.3457	5122	1.2606	58.82	91.85
Support 2	1.1868	152.25	1.3695	0.7597	0.6912	0.5995	1.3425	4870	1.2567	58.68	91.75
Support 3	1.1778	151.39	1.3590	0.7531	0.6787	0.5925	1.3332	4380	1.2488	58.48	91.57
Bollinger Band											
Bollinger Upper	1.2021	160.89	1.3857	0.8167	0.7072	0.6107	1.4053	5445	1.2981	59.61	92.25
Bollinger Lower	1.1479	152.27	1.3226	0.7609	0.6531	0.5611	1.3499	4156	1.2605	58.80	89.23

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



OCBC Group Research

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