

Daily Market Outlook

JPY Weak, JGB Calm?

- JPY Weak, JGB Calm?**: JPY softness versus calm JGB yields potentially points to differing interpretations of Japan's fiscal outlook. FX markets price greater policy risk, while bonds remain steady, reflecting uncertainty over post-election fiscal direction.
- ECB, BoE Steady**: ECB and BoE are set to hold rates steady, with the ECB sticking to a patient, data-driven stance. Softer EURUSD from a week ago eases currency-driven disinflation worries, but markets will watch for any signal on the ECB's tolerance for renewed EUR strength.
- Global Markets Overview**: USD strengthens as broader tech weakness drags US equities. Markets take the US government shutdown's end in stride. Oil rises on persistent Middle East tensions and choppy US-Iran communications.
- THB is trading on a softer footing**. Election-related uncertainty, a firmer USD, recent gold sell-offs, and tighter checks on FX and gold-related inflows are weighing on the currency. The 8 Feb election (with results only in early April) could further sway THB through sentiment and policy channels.

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Global Markets Overview: The USD is firmer as US equities weaken, with the tech sell-off broadening beyond software names. There was little USD-specific news, and FX markets largely shrugged off the end of the limited US government shutdown. The BLS announced that the January US employment report, originally scheduled for 6 February, will be released on 11 February. The January CPI report was pushed to 13 February. Geopolitical tensions in the Middle East persist, supporting higher oil prices amid uneven communications between the US and Iran.

JPY Weak, JGB Calm?: Verbal intervention risks could rise as the 8 February Japan election keeps fiscal uncertainty weighing on the JPY. Intervention concerns should help cap USDJPY upside both before and after the vote. Fiscal worries typically weaken the JPY and push long-end JGB yields higher. The contrast between a relatively calm JGB market and a struggling JPY is notable, hinting at diverging views between bond and FX investors on potential LDP fiscal direction after a likely ruling coalition win. Media reports strongly favour the LDP securing a lower-house majority. A majority win would strengthen PM Takaichi's mandate to pursue "Sanaenomics" (fiscal stimulus), which could pressure the JPY. However, the JPY could stabilise if a clear LDP

majority reduces the need for looser fiscal or monetary measures to court opposition support.

ECB, BoE Steady: The ECB and BoE meetings take centre stage today, with both central banks expected to keep rates unchanged at 2.0% and 3.75%, respectively. The ECB is likely to maintain a patient, data-dependent stance, reiterating that it is “in a good place” and unwilling to pre-commit to any rate path. Eurozone inflation eased to 1.7% YoY in January. While now below the 2% target, this is unlikely to spur additional ECB cuts unless growth and inflation soften further later this year. The recent pullback in EURUSD from 1.20 has also reduced concerns about disinflationary pressure from currency strength. Markets will still watch for any cues on the ECB’s tolerance for EUR strength – especially after dovish Riksbank minutes weighed on SEK by flagging recent currency appreciation as a downside inflation risk.

THB. Interim weakness playing out. USDTHB continued to inch higher, tracking the USD rebound and weaker gold sentiment while also inching closer to election day (8 Feb). We had earlier indicated that softer growth momentum and election-related uncertainty add to two-way risks, with near-term USDTHB bias tilting modestly higher. The outcome of the upcoming election (results out only in early Apr) can have implications on THB via sentiment and economic policy channels. A clear outcome allowing for the formation of majority government is the most positive as economic policies can potentially be implemented smoothly. This should also be supportive of THB, and we reckon some of the weakness can dissipate and that THB should revert to taking cues from broader macro drivers including risk sentiments, USD trend. But in the event of no clear outcome or fragile coalition, then this makes implementing policies a challenge. And the risk of any election-related delay in budget disbursement may also weigh on consumption and growth. Consequentially, this may have implication on THB.

USDTHB was last at 31.64 levels. Bullish momentum on daily chart intact while RSI inched closer to overbought conditions. Double-bottom bullish reversal appears underway. Risks remain 2-way with bias tilted to the upside for now. Resistance at 31.65/80 levels (38.2%fib retracement of Oct high to 2026 low, recent intra-day high), 31.90 (100 DMA< 50% fibo) and 32.12 (61.8% fibo). Support at 31.30 levels (21 DMA, 23.6% fibo). In the interim, potential election-related uncertainty, rebound in USD and the recent sell-off in gold, alongside checks on FX inflows and heightened scrutiny on gold-related THB inflows are some factors that may weigh on THB. On the other hand, THB weakness may be mitigated when USD bias turns softer and gold sentiment improves.

KRW. Underperformer amid softer sentiment. USDKRW extended its run higher overnight. USD's rebound, foreign equity outflow and cautious risk sentiments, linked to the broader sell-off in software sector were some of the factors weighing on high-beta KRW. While the KOSPI did rebound yesterday, the benchmark index had suffered its biggest drop in 10 months on Monday, triggering a brief trading halt as authorities attempted to contain volatility. USDKRW spot was last at 1459 levels. Bearish momentum on daily chart is fading while RSI rose. Bullish divergence observed on daily MACD. Double bottom bullish reversal is underway. Risks remain skewed to the upside. Resistance at 1462 (50 DMA), 1469 (76.4% fibo retracement of Dec high to Jan low). Support at 1452 (50% fibo), 1443/44 levels (38.2% fibo, 100 DMA).

USDSGD. Consolidation. USDSGD consolidated a touch firmer this week amid a mild USD bid tone while broader equity sentiment remains subdued, following the selloff in global software sector. Pair was last seen at 1.2720 levels. Daily momentum shows tentative signs of turning mild bullish though rise in RSI moderated. 2-way trades likely to dominate. Resistance at 1.2780/90 levels (21 DMA, 38.2% fibo). Support at 1.2710/30 levels (23.6% fibo retracement of Nov high to Jan low), 1.2590 levels (recent low). USDSGD may continue to consolidate in 1.2670 – 1.2760 range for now in absence of fresh catalyst. Singapore will release 2025 full year GDP on 10 February and budget on 12 February.

Technical Levels Table

	EURUSD	USDJPY	GBPUUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1906	159.00	1.3858	0.7825	0.7146	0.6147	1.3769	5446	1.2809	59.01	90.95
Resistance 2	1.1859	157.75	1.3767	0.7795	0.7075	0.6081	1.3714	5208	1.2763	58.99	90.68
Resistance 1	1.1833	157.31	1.3711	0.7785	0.7037	0.6042	1.3688	5086	1.2744	58.98	90.55
Spot	1.1805	156.86	1.3649	0.7772	0.6997	0.6000	1.3666	5022	1.2728	58.97	90.42
Support 1	1.1786	156.06	1.3620	0.7755	0.6966	0.5976	1.3633	4849	1.2698	58.96	90.28
Support 2	1.1765	155.25	1.3585	0.7735	0.6933	0.5949	1.3604	4732	1.2671	58.95	90.13
Support 3	1.1718	154.00	1.3494	0.7705	0.6862	0.5883	1.3549	4494	1.2625	58.93	89.86
Bollinger Band											
Bollinger Upper	1.2019	160.71	1.3879	0.8124	0.7133	0.6153	1.4013	5370	1.2961	59.60	92.44
Bollinger Lower	1.1516	152.48	1.3264	0.7587	0.6570	0.5654	1.3486	4349	1.259	58.72	89.43

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

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