

Daily Market Outlook

Waiting on the Fed

- **Waiting on the Fed:** *FX is sidelined ahead of the FOMC. Oil's drop may ease inflation but downside looks limited. The Fed likely holds and removes easing bias. USD lacks a clear bearish catalyst. Stay neutral, favour cross trades.*
- **BoJ Tightens, JPY Lags:** *A widely expected BoJ hike delivers little surprise. Policy stays cautiously hawkish, but not enough to lift the JPY. Intervention risk is high, though a sustained JPY turn needs a clearer shift in policy stance.*
- **Asian FX consolidate ahead of FOMC.** *Softer oil has given AXJ FX some breathing room, but follow-through may hinge on whether the FOMC avoids a hawkish tone and allows recent rates repricing to unwind.*
- **Holding Pattern:** *RBA holds steady with a tightening bias, but softer growth and rising joblessness point to a prolonged pause. AUDNZD looks stretched, though AUD remains supported by its yield advantage.*

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Waiting on the Fed: FX is in a holding pattern ahead of the FOMC. This persists even as oil continues to drift lower before the expected Friday signing of the US-Iran memorandum. Brent has slipped below USD80/bbl, undercutting many analysts' year-end forecasts.

Further downside in oil may be capped. Even if the Strait of Hormuz reopens, normalisation will take time. Mine clearance, insurance reinstatement, restarting shut-in production and precautionary stockpiling should slow the pace of any further decline.

The Fed is set to keep rates unchanged for a fourth meeting. We expect the FOMC to drop its easing bias with unanimous support. Chair Warsh will likely acknowledge sticky inflation and a firmer labour market but avoid signalling a clear policy tilt. With oil prices easing, the Fed can afford to stay patient if the trend holds.

The case for sustained USD weakness remains weak. We stay neutral on the dollar and prefer relative value in FX crosses.

BoJ Tightens, JPY Lags: The BoJ raised rates by 25bp to 1.0%, as expected, with one dissent from new Board member Asada who preferred to hold. It also confirmed that tapering of bond purchases will end in April 2027.

Policy bias remains for further hikes, but there is no signal of an accelerated tightening path. This limits near-term support for the JPY. Despite policy rate at 30-year highs, Japan still has the lowest real rate in the G10.

Intervention risk remains elevated with USDJPY just above 160. However, intervention threats alone are unlikely to drive a sustained reversal. A clearer hawkish shift from the BoJ is needed to move the JPY from a funding currency toward an investment currency.

Holding Pattern: Australia's RBA kept rates steady at 4.35% after three consecutive hikes earlier this year. In both the statement and press conference, policymakers retained a tightening bias, noting they stand ready to hike if needed.

Inflation remains above target, but growth is slowing and unemployment has edged higher. This backdrop points to an extended pause, even as the RBA resists calling an end to the hiking cycle.

AUDNZD appears toppish as the RBA nears the end of its cycle while the RBNZ leans more hawkish. Still, the AUD should find support from its position as a top yielder in G10 FX.

Asian FX. Consolidate. Asian FX was mostly steady in a quiet overnight session, with markets still waiting on the FOMC and little in the way of fresh data or news. The softer oil story remains key. Brent below USD80/bbl gives Asian FX some breathing room, particularly for the Asian FX laggards (net oil importers) that were previously hit hard. That said, follow-through momentum remains capped ahead of the FOMC. Rates are widely expected to stay on hold, but there is less visibility around Kevin Warsh's first meeting as Fed Chair, and markets will be watching closely for how he frames the forward-looking bias and how much guidance the Fed is prepared to give. With oil having eased lower significantly, a less-hawkish FOMC could allow some of the recent hawkish Fed repricing to unwind. That would likely provide some support for risk assets and Asian FX. In that backdrop, recent gains in IDR, PHP and INR may still have legs. Elsewhere, we watch BI and BSP decision on Thursday.

USDSGD. Decline may slow in the interim. USDSGD traded lower in recent sessions as US–Iran de-escalation story weighed on oil prices, US Treasury yields and USD, while supporting broader risk sentiment. That said, follow-through may stay measured ahead of FOMC, with markets still watching whether policymakers may turn more hawkish or if are less hawkish than market expectations. Pair was last seen at 1.2820 levels. Daily momentum showed tentative signs of turning mild bearish while the decline in RSI shows signs of moderation. These implies risks that pullback may slow. We watch next support at 1.2800/20 levels (21 DMA, 38.2% fibo). A decisive break may see downside pressure extend. Next support at 1.2760/70 levels (50% fibo retracement of 2026 low to high, 50, 100 DMAs). Resistance at 1.2840/50 levels (200 DMA, 23.6% fibo), 1.2920 (recent high). S\$NEER was last at 1.7% above model-implied mid.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1691	161.18	1.3524	0.8014	0.7139	0.5919	1.4074	4428	1.2877	60.70	95.05
Resistance 2	1.1646	160.75	1.3472	0.7976	0.7101	0.5871	1.4036	4380	1.2850	60.53	94.82
Resistance 1	1.1627	160.59	1.3449	0.7954	0.7085	0.5852	1.4015	4355	1.2836	60.42	94.69
Spot	1.1615	160.41	1.3430	0.7928	0.7070	0.5834	1.3994	4334	1.2820	60.31	94.56
Support 1	1.1582	160.16	1.3397	0.7916	0.7047	0.5804	1.3977	4307	1.2809	60.26	94.46
Support 2	1.1556	159.89	1.3368	0.7900	0.7025	0.5775	1.3960	4282	1.2796	60.20	94.36
Support 3	1.1511	159.46	1.3316	0.7862	0.6987	0.5727	1.3922	4233	1.2769	60.04	94.12
Bollinger Band											
Bollinger Upper	1.1680	160.88	1.3499	0.8018	0.7222	0.5962	1.4046	4659	1.2903	62.24	96.63
Bollinger Lower	1.1520	158.80	1.3343	0.7794	0.6992	0.5760	1.3736	4132	1.2734	60.63	94.38

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

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