Daily Market Outlook

Risk Currencies Hit

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- ***Risk Currencies Hit**: Safe-haven flows lifted the USD as Middle East tensions persisted, pushing oil higher and stoking inflation fears. Risk-sensitive and energy-importing currencies stayed under pressure as markets braced for a more sustained energy-shock-driven risk-off environment.*
- ***EUR Holds Steady For Now**: EUR stays resilient relative to peers despite risk-off markets. Hawkish ECB expectations offer support, but rate pricing looks stretched. Growth risks from high energy costs limit upside until oil eases later in 2026.*
- ***Asian FX** stayed defensive as de-escalation doubts lingered. RMB weakened on shifting fixes and geopolitics, while MYR's slide underscored how commodity-linked currencies can still buckle in broad risk-off waves.*

Risk Currencies Hit: Risk sentiment deteriorated overnight, driving safe-haven demand for the USD as oil prices climbed amid renewed uncertainty over de-escalation in the Middle East. President Trump questioned prospects for a ceasefire with Iran before later extending the pause on strikes against Iranian energy sites to 6 April.

As the conflict nears its fifth week, the issue has shifted from reduced energy flows to accelerating stock depletion, with Asia feeling the pressure most acutely. Regional central banks have likely leaned against mounting FX pressures.

Investors continued to interpret the energy shock through an inflation lens, with G10 front-end yields rising. Norges Bank delivered a hawkish hold—scrapping plans for cuts and signalling a hike this year—reinforcing the move higher in rates.

On the FX front, while terms-of-trade dynamics initially favoured energy exporters over importers, the broader growth drag from higher oil and the associated risk-off tone is now dominating. Risk-sensitive and energy-importing currencies such as SEK and NZD look most exposed if markets slide into a deeper energy-shock-driven risk-off phase. The AUD, despite its energy-exporter support, is also vulnerable in a risk-off backdrop, even as the medium-term outlook remains constructive.

EUR Holds Steady For Now: The EUR held up modestly relative to its peers overnight even as oil and equities slipped into risk-off mode. While Europe's energy-importer status is a headwind, hawkish ECB expectations are lending support. Inflation remains the dominant concern for policymakers, with Bundesbank chief Nagel noting that an April rate hike is "an option" (Reuters).

OIS markets now price roughly 75bp of ECB tightening by year-end, up from 63bp at the start of the week. We think this pricing is excessive. Any additional hikes may not be EUR-positive, as policy risks tipping into restrictive territory—especially once the growth drag from elevated energy prices becomes clearer.

If oil prices ease in 2H26, EUR prospects could improve, helped by stronger European growth tied to rising defence spending. However, we expect EURUSD to stay confined within its post-"Liberation Day" ranges, with resilient US growth capping USD downside.

USDCNH. Signs of moderation in pace of fixing. USDCNH has started to inch a touch higher this week. This could partially be due to swings in geopolitical headlines as hopes of de-escalation gave way to re-escalation concerns in Iran conflict and also due to tentative shifts in CNY fixing pattern. While the fix continues to come in close to spot and where market expects, the daily change in fixing has started to change. The 30d rolling average of daily fixing change has started to decrease to -13pips vs. -33pips in early Mar. And the timing of the moderation in the pace of fixing has also resulted in USDRMB bottoming around 6.88 last week. This requires further monitoring - if there is any intent to inject some temporary 2-way volatility or a slight shift in policymakers' preference for a more moderated path of RMB appreciation, especially when CFETS RMB index has risen past 100 levels (a rise in >3% since end-Jan). We caution that further moderation in the fix from here may lead to some slippage in RMB. This can in turn undermine some Asian FX, including MYR that closely correlates with RMB moves. USDCNH last seen at 6.92 levels. Daily momentum is mild bullish while RSI rose. Next resistance at 6.9340/6.94 levels. Decisive break puts next resistance closer to 6.95, 6.9780 levels. (38.2% fibo retracement of Aug high to 2026 low). Support at 6.91 (50 DMA), 6.8920 (21 DMA).

USDMYR. Inverted head and shoulders. USDMYR traded higher this week, partly in reaction to geopolitical headlines as US 5 day deadline (for Iran to open up straits of Hormuz) fast approaches (now extended to 10 day deadline) and partly due to RMB slippage as well as media report of plans to reduce subsidised fuel quota to 200l/ month from current 300l/month (unconfirmed by officials at point of writing). According to Finance ministry, the monthly subsidies for both petrol and diesel have climbed to MYR3.2bn from MYR700mn previously. Pair was last at 3.9935 levels. Daily momentum is mild bullish while RSI rose towards near overbought conditions. Price pattern shows an inverted head and shoulders, which is typically associated with a bullish reversal setup.

A “textbook completion” of the move may potentially see the pair trade higher towards 4.04 levels. Nevertheless, some resistance levels lie at 4.0150 (38.2% fibo retracement of Oct high to Feb low), 4.0370 (100 DMA). Support at 3.9630 (23.6% fibo), 3.93 levels (21 DMA). A decisive close back below the neckline (around 3.9550/3.9630 levels) may nullify the bullish reversal setup. Overall, the decline in MYR shows that no currency is immune from geopolitical events, especially when the drag-out is causing oil prices to stay elevated, and this shock comes via not just production but logistical (due to closure of straits of Hormuz). This reinforced our view that even as Malaysia’s position as a net commodity exporter can support the MYR, the currency may still soften in broader risk-off environments given its exposure to global sentiment and portfolio flows (See *FX Focus: Oil Shocks and AXJ FX: Framing the impact of escalation*, 6 Mar 2026).

USDSGD. *Nearing resistance.* USDSGD continued to trade higher overnight as scepticism over de-escalation hopes prevails. Pair was last seen at 1.2850 levels. Bullish momentum on daily chart remains intact while RSI was flat. 2-way trades likely to persist in the interim. Resistance at 1.29 (61.8% fibo), 1.2940 levels. Support at 1.2730/60 levels (21, 50 DMAs), 1.2710 (23.6% fibo retracement of Nov high to 2026 low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1644	160.77	1.3475	0.8032	0.7068	0.5896	1.3964	4810	1.2952	60.56	#VALUE!
Resistance 2	1.1592	160.21	1.3407	0.7987	0.6987	0.5835	1.3904	4617	1.2897	60.38	#VALUE!
Resistance 1	1.1559	160.01	1.3369	0.7970	0.6937	0.5799	1.3883	4497	1.2875	60.32	#VALUE!
Spot	1.1536	159.69	1.3336	0.7948	0.6889	0.5762	1.3855	4406	1.2860	60.26	93.98
Support 1	1.1507	159.45	1.3301	0.7925	0.6856	0.5738	1.3823	4304	1.2820	60.14	#VALUE!
Support 2	1.1488	159.09	1.3271	0.7897	0.6825	0.5713	1.3784	4231	1.2787	60.02	#VALUE!
Support 3	1.1436	158.53	1.3203	0.7852	0.6744	0.5652	1.3724	4038	1.2732	59.84	#VALUE!
Bollinger Band											
Bollinger Upper	1.1699	160.40	1.3476	0.7971	0.7173	0.5975	1.3861	5508	1.2862	60.81	94.19
Bollinger Lower	1.1442	156.83	1.3256	0.7738	0.6896	0.5747	1.3534	4247	1.2709	57.89	90.27

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

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