

FX Weekly

USD Stays Dominant For Now

- **USD Stays Dominant For Now:** Concerns over higher-for-longer oil is driving a sharper FX divide: oil exporters and the USD gain, while Asia and Europe weaken. Persistent stagflation risks strengthen the USD's role as a hedge and safe haven.
- **Oil Market on a Knife-Edge:** Strategic reserves can soften the energy shock but cannot fully replace the barrels lost from a disrupted Hormuz. The risk of further escalation now depends on how Iran reacts to intensifying US military pressure following the strike on Kharg Island.
- **Gold** is steady but pressured as safe-haven demand clashes with rising real yields and a stronger USD. The broader uptrend holds, but near-term price action points to consolidation or a mild pullback.
- **Europe FX Fragile:** European currencies look exposed as markets overprice ECB and BoE tightening. Energy-driven growth risks should eventually outweigh inflation fears, keeping EUR and GBP under pressure while oil shock scenarios favour broader USD strength.
- **SGD** traded on the back foot, in line with other Asian currencies against the USD, as the Iran conflict persisted. Market pricing has also begun to factor in tentative expectations of a tighter policy stance. We retain a tactical sell-on-rally bias for USDSGD.

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Oil Market on a Knife-Edge: Two weeks into the Iran conflict, there is still no clear path to an end. Oil flows through the Strait of Hormuz have slowed to a trickle, pushing prices above USD100/bbl. Prices remain firm even after the International Energy Agency pledged a coordinated 400mn barrel release, including 172mn barrels from the US Strategic Petroleum Reserve.

The staggered, “drip-feed” release may smooth volatility and buy time, but it cannot offset the supply shock from the effective closure of the Strait. The blockage is removing roughly 100mn barrels per week (about 15mbpd). On that math, a 400mn-barrel release covers only about four weeks of lost supply.

Separately, US forces carried out large-scale strikes on military targets on Iran's Kharg Island—through which roughly 90% of Iran's crude exports pass—while deliberately avoiding its oil infrastructure. President Trump warned that Iran's energy assets could be targeted next if Tehran continues to obstruct shipping through the Strait.

The key question now is whether this pressure convinces Iran to reopen the Strait of Hormuz or triggers retaliation against the oil infrastructure of regional neighbours. The market will be watching closely.

USD Stays Dominant For Now: It is early days, but the scale of the current energy shock risks matching the Russia-Ukraine episode. In our earlier work (*Impact of Rising Global Oil Prices*, 9 March 2026), we assessed the economic and cross-asset fallout under two scenarios: a moderately severe shock (Brent at ~USD100/bbl through mid-year before easing) and an acute shock (Brent spiking toward USD140/bbl and staying elevated through mid-year).

Markets have since moved closer to our moderately severe scenario. The Brent curve now implies prices holding above USD99/bbl through mid-year, before sliding toward USD82/bbl by year-end—up sharply from USD69/bbl before the conflict. Fears of persistently high oil prices have re-established a clear divide between energy exporters and importers after the initial positioning unwind. The USD, along with AUD, NOK, and CAD, has seen the largest terms-of-trade boost since the start of the Iran conflict, while Asia and the euro area have suffered the steepest deterioration.

If energy shocks and stagflationary pressures persist, the USD is likely to stay resilient, benefiting from safe-haven flows and renewed value as a portfolio hedge, especially as equity-bond diversification breaks down. A key difference from 2022 Russia-Ukraine shock: Asia's—particularly China, India, Korea, and Japan's—deep reliance on Gulf crude. Whereas the 2022 shock was mainly about prices, the 2026 episode could evolve into a severe physical supply shock for Asia if disruptions escalate.

Europe FX Fragile: European currencies remain vulnerable, with recent gains in European front-end rates looking stretched. Markets have sharply repriced ECB and BoE tightening risks, now discounting 47bp and 24bp of rate hikes by year-end—versus expectations of cuts before the late-February conflict.

We think this hawkish shift is overdone. While we now push our first BoE cut to 3Q26 (from March), we still expect the ECB to stay on hold through 2026 (*Central bank update: Hawkish RBA; BoE on hold for now*, 12 March 2026). As the energy shock persists, markets are likely to shift focus from near-term inflation concerns to mounting growth risks, eventually making recession – rather than inflation – the dominant narrative.

We also expect the RBA to frontload tightening: a 25bp hike this week and another in May, taking the cash rate to 4.35% by end-2026. This week's packed central-bank schedule may offer early signals, though uncertainty should keep guidance cautious.

Under a moderately severe oil shock (USD100/bbl through mid-year), EURUSD could drift to 1.13–1.12. In a more acute scenario – Brent near USD140/bbl and staying elevated—a move toward 1.10 or slightly below is plausible. GBP would likely face renewed pressure if oil stays high, despite some early short-covering support.

USDJPY could retest the 160–162 zone that previously triggered BoJ/MoF intervention, though projecting levels under oil-shock scenarios remains difficult given uncertainty over both intervention thresholds and how US yields respond to competing inflation-versus-growth forces.

Gold. Caught between a rock and a hard place. Gold remains caught between competing macro forces (see [*Precious Metals Thoughts: Gold – Near terms risks vs medium-term support*](#), published 13 Mar). On one hand, structural support remains intact. Continued central bank purchases, portfolio hedging demand and persistent geopolitical uncertainty should continue to underpin the medium-term outlook. On the other hand, near-term risks have increased. The recent surge in energy prices risks reigniting inflation pressures and could delay or complicate the global easing cycle. If inflation proves stickier, policy rates and real yields may remain elevated for longer, while stronger demand for USD liquidity could also weigh on gold.

It is also worth noting that gold does not always rise immediately during periods of acute market stress. History shows that during major shocks such as the global financial crisis or the early phase of the COVID pandemic, gold was initially sold as investors raised cash and met margin calls. Once liquidity conditions stabilised and policy responses eased financial stress, gold typically recovers as defensive demand returned. On the demand side, official sector buying remains an important anchor for the market, even though the pace of purchases moderated at the start of the year. While central banks reported smaller net purchases in January relative to last year's average, the broader trend of reserve diversification remains intact, with a widening group of emerging market central banks continuing to add to gold exposure. Looking ahead, the trajectory of real yields, Fed policy expectations and broader global liquidity conditions will remain key drivers for gold.

USDSGD. Bid but tactically look to fade. USDSGD traded firmer as Iran conflict persisted longer than expected, sparking risk-off sentiment, higher energy prices and stronger USD. Risk of persistent inflationary pressures saw markets reducing expectations of Fed cut to about 24bps of cut this year (vs. 61 bps cut two weeks ago). That said, geopolitical risks can be fluid. Signs of reconciliation (or dialogue) can see sentiments recover quickly. USDSGD was last at 1.2780 levels. Bullish momentum on daily chart intact but rise in RSI moderated. 2-way trades likely. Resistance at 1.2840/60 levels (50% fibo retracement of Nov high to 2026 low, 100, 200 DMAs). Support at 1.2780 (38.2% fibo), 1.2740 (50 DMA) and 1.2710/20 levels (21 DMA, 23.6% fibo). Tactical bias to lean against strength.

While MAS is unlikely to react prematurely, we believe policymakers are assessing whether the energy shock proves temporary or persistent. A more sustained rise in energy prices could reduce the scope for policy patience and we opined that all options are on the table. Market pricing has also begun to reflect tentative expectations of a tighter policy stance. Our S\$NEER model shows the deviation from its model-implied mid-point widening to about 1.89% currently, from around 1.65% about 2 weeks ago.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHE	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1691	160.98	1.3575	0.8032	0.7242	0.5979	1.3936	5290	1.2950	60.24	92.75
Resistance 2	1.1572	160.24	1.3424	0.7962	0.7130	0.5891	1.3815	5171	1.2883	59.95	92.58
Resistance 1	1.1494	159.98	1.3327	0.7936	0.7055	0.5833	1.3766	5095	1.2856	59.85	92.52
Spot	1.1428	159.57	1.3237	0.7904	0.6995	0.5792	1.3716	5024	1.2831	59.75	92.46
Support 1	1.1375	159.24	1.3176	0.7866	0.6943	0.5745	1.3645	4977	1.2789	59.55	92.35
Support 2	1.1334	158.76	1.3122	0.7822	0.6906	0.5715	1.3573	4934	1.2749	59.35	92.25
Support 3	1.1215	158.02	1.2971	0.7752	0.6794	0.5627	1.3452	4816	1.2682	59.06	92.08
Bollinger Band											
Bollinger Upper	1.1930	160.41	1.3601	0.7896	0.7156	0.6063	1.3747	5327	1.285	59.74	92.59
Bollinger Lower	1.1421	153.40	1.3249	0.7664	0.6981	0.5799	1.3570	4913	1.2593	57.03	90.08

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

FX Forecasts

Currency Pair	Current (2 Mar)	1Q26	2Q26	3Q26	4Q26	1Q27
USD-JPY	157	153	151	150	149	147
EUR-USD	1.17	1.21	1.22	1.23	1.23	1.21
GBP-USD	1.34	1.39	1.42	1.44	1.45	1.41
AUD-USD	0.71	0.71	0.73	0.73	0.73	0.73
NZD-USD	0.59	0.61	0.62	0.62	0.62	0.62
USD-CAD	1.37	1.35	1.34	1.34	1.33	1.33
USD-CHF	0.78	0.77	0.76	0.76	0.76	0.78
DXY	98.38	95.50	94.50	93.90	93.60	94.70
USD-SGD	1.27	1.26	1.25	1.25	1.24	1.24
USD-CNY	6.91	6.90	6.86	6.85	6.80	6.80
USD-CNH	6.90	6.90	6.86	6.85	6.80	6.80
USD-THB	31.45	31.20	31.00	31.00	30.80	30.90
USD-IDR	16861	16680	16620	16620	16500	16550
USD-MYR	3.93	3.90	3.86	3.86	3.83	3.84
USD-KRW	1440	1405	1380	1380	1350	1350
USD-TWD	31.44	31.20	31.10	31.00	30.90	30.00
USD-HKD	7.82	7.77	7.76	7.76	7.76	7.76
USD-PHP	58.18	58.30	58.00	57.40	57.20	57.00
USD-INR	91.48	92.20	92.50	93.00	93.50	94.00
USD-VND	26171	25900	25800	25800	25600	25600
EUR-JPY	184	185	184	184	183	178
EUR-GBP	0.87	0.87	0.86	0.85	0.85	0.86
EUR-CHF	0.91	0.93	0.93	0.93	0.94	0.94
EUR-AUD	1.65	1.70	1.67	1.68	1.68	1.66
EUR-NOK	11.20	11.70	11.60	11.50	11.40	11.30
AUD-NZD	1.19	1.16	1.17	1.17	1.17	1.18
EUR-SGD	1.49	1.52	1.52	1.53	1.52	1.50
GBP-SGD	1.71	1.75	1.77	1.79	1.79	1.74
AUD-SGD	0.90	0.89	0.91	0.91	0.90	0.91
NZD-SGD	0.76	0.77	0.78	0.78	0.77	0.77
CHF-SGD	1.63	1.63	1.63	1.64	1.62	1.60
CAD-SGD	0.93	0.93	0.93	0.93	0.93	0.93
JPY-SGD	0.81	0.82	0.82	0.83	0.83	0.84
SGD-MYR	3.09	3.11	3.10	3.10	3.10	3.10
SGD-CNY	5.42	5.50	5.51	5.50	5.51	5.48
SGD-IDR	13263	13291	13349	13349	13360	13347
SGD-THB	24.65	24.86	24.90	24.90	24.94	24.92
SGD-PHP	45.74	46.45	46.59	46.10	46.32	45.97
SGD-VND	20547	20637	20723	20723	20729	20645
SGD-CNH	5.42	5.50	5.51	5.50	5.51	5.48
SGD-TWD	24.75	24.86	24.98	24.90	25.02	24.19
SGD-KRW	1153	1120	1108	1108	1093	1089
SGD-HKD	6.14	6.19	6.23	6.23	6.28	6.26
SGD-JPY	124	122	121	120	121	119
Gold \$/oz	5322	5250	5367	5425	5600	5626
Silver \$/oz	89	117	119	121	133	134
Platinum \$/oz	2307	2917	2982	3014	3111	3126
Palladium \$/oz	1781	2161	2209	2233	2305	2315
ICE Brent \$/bbl	78	70	67	65	63	63
NYMEX WTI \$/bbl	71	66	64	62	60	60

Source: OCBC Group Research (Latest Forecast Update: 2 March 2026)

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair.

FX Forecasts

	Current (2 Mar)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.17	1.22	1.22	1.22
GBPUSD	1.34	1.41	1.43	1.42
USDJPY	157	152	150	148
USDCHF	0.78	0.76	0.76	0.77
AUDUSD	0.71	0.72	0.73	0.73
NZDUSD	0.59	0.62	0.62	0.62
USDCAD	1.37	1.34	1.34	1.33
EURNOK	11.20	11.63	11.53	11.33
Forecast for Asian Currencies				
USDCNY	6.91	6.87	6.85	6.80
USDIDR	16861	16640	16620	16533
USDINR	91.48	92.40	92.50	93.83
USDKRW	1440	1388	1380	1350
USDMYR	3.93	3.87	3.86	3.84
USDPHP	58.18	58.10	58.00	57.07
USDSGD	1.27	1.25	1.25	1.24
USDTHB	31.45	31.07	31.00	30.87
USDTWD	31.44	31.13	31.10	30.30
USDHKD	7.82	7.76	7.76	7.76
Forecast for Precious Metals				
Gold \$/oz	5322	5328	5406	5617
Silver \$/oz	89	118	120	134
Platinum \$/oz	2307	2960	3003	3121
Palladium \$/oz	1781	2193	2225	2312
Forecast for Crude Oil				
NYMEX WTI \$/bbl	71	64.5	62.5	60.0
ICE Brent \$/bbl	78	68.0	65.5	63.0

Source: OCBC Group Research (Latest Forecast Update: 2 March 2026)

Note: The 3-, 6-, and 12-month forecasts may vary slightly over time even when the underlying FX outlook remains unchanged. This is because we use a single set of core FX and interest-rate forecasts anchored on quarter-end levels. From these quarter-end projections, we derive the 3-, 6-, and 12-month forecasts using straightforward methodologies, including interpolation. This approach ensures internal consistency across all forecast horizons.

Interest Rates Forecasts

	Current (2 Mar)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.75	3.50	3.50
2-Year US Treasury	3.48	3.55	3.50	3.50
5-Year US Treasury	3.61	3.65	3.65	3.65
10-Year US Treasury	4.03	4.05	4.00	3.95
30-Year US Treasury	4.68	4.80	4.75	4.70
Forecast for US SOFR swap rates				
2-Year Rate	3.30	3.40	3.40	3.50
5-Year Rate	3.32	3.45	3.45	3.50
10-Year Rate	3.60	3.65	3.65	3.65
30-Year Rate	3.94	3.95	3.90	3.90

Source: OCBC Group Research (Latest Forecast Update: 2 March 2026)

Central Bank Forecast Table

	Current (12 Mar)	1Q26	2Q26	3Q26	4Q26
Fed Funds Rate (upper)	3.75	3.75	3.50	3.50	3.50
BoE Bank Rate	3.75	3.75	3.75	3.50	3.50
ECB Depo Rate	2.00	2.00	2.00	2.00	2.00
BOJ Policy Rate	0.75	0.75	1.00	1.00	1.25
RBA Cash Rate	3.85	4.10	4.35	4.35	4.35

Source: OCBC Group Research (Latest Forecast Update: 12 March 2026)

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
16-Mar	10:00	CH	Retail Sales YTD YoY	Feb		2.5%	--
	10:00	CH	Industrial Production YTD YoY	Feb		5.3%	--
	20:30	US	Empire Manufacturing	Mar		3.9	7.1
	20:30	CA	CPI YoY	Feb		1.9%	2.3%
	20:30	CA	CPI Core- Trim YoY%	Feb		2.3%	2.4%
	21:15	US	Industrial Production MoM	Feb		0.1%	0.7%
	22:00	US	NAHB Housing Market Index	Mar		37	36
17-Mar	11:30	AU	RBA Cash Rate Target			4.10%	3.85%
	22:00	US	Pending Home Sales NSA YoY	Feb		--	-1.2%
18-Mar	21:45	CA	Bank of Canada Rate Decision			2.25%	2.25%
19-Mar	02:00	US	FOMC Rate Decision (Upper Bound)			3.75%	3.75%
	02:30	US	Fed Holds Press Conference				
	05:45	NZ	GDP YoY	4Q		1.7%	1.3%
	08:30	AU	Employment Change	Feb		20.0k	17.8k
	08:30	AU	Unemployment Rate	Feb		4.1%	4.1%
	15:00	UK	Average Weekly Earnings 3M/YoY	Jan		3.9%	4.2%
	15:00	UK	ILO Unemployment Rate 3Mths	Jan		5.3%	5.2%
	16:30	SZ	SNB Policy Rate			0.00%	0.00%
	16:30	SW	Riksbank Policy Rate			1.75%	1.75%
	17:00	NO	Regional Network Survey: Output Next Quarter QoQ	1Q		--	0.3%
	20:00	UK	Bank of England Bank Rate			3.75%	3.75%
	20:30	US	Initial Jobless Claims	14-Mar		215k	213k
	20:30	US	Philadelphia Fed Business Outlook	Mar		10.0	16.3
	21:15	EC	ECB Deposit Facility Rate			2.00%	2.00%
	22:00	US	New Home Sales	Jan		720k	745k
	3/19/2026	JN	BOJ Target Rate			0.75%	0.75%
20-Mar	09:00	CH	5-Year Loan Prime Rate			3.50%	3.50%

Source: Bloomberg, OCBC Group Research

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