By Global Markets | 2 March 2026

FX Weekly

Risk-Off on Oil

- ***Risk-Off on Oil**: Middle East escalations lifted oil. The USD and CHF benefit from risk aversion but there is also higher risk of SNB intervention. Energy-linked FX may gain modestly, but importers face pressure if crude remains high despite OPEC+'s modest output boost.*
- ***Oil Risks Resurface**: Oil's climb past USD70/bbl and multi-year-high tanker rates underscore rising conflict risk. A Hormuz blockade remains a tail risk, with OPEC capacity offering a buffer that should let the geopolitical premium fade later in 2026.*
- *Middle East tensions are boosting demand for geopolitical hedges. **Gold**'s upside hinges on whether the conflict widens and disrupts oil supplies—hurting global growth and inflation—or calms quickly, limiting the rally's momentum.*
- ***JPY Caution Prevails**: Political hesitation over BoJ tightening and dovish nominees limit JPY recovery prospects. With USDJPY vulnerable to oil-driven moves toward 160, intervention risks loom. We maintain a neutral stance and a 149 end-2026 USDJPY forecast.*
- ***UK Politics vs Macro**: Political strain continues to weigh on the GBP, but improving growth data, easing inflation, and fiscal tailwinds should limit downside. Once political risks fade, we see room for EURGBP to move lower.*
- *Middle East tensions should pressure **Asian FX**, with oil import dependent and market-sensitive currencies – KRW, TWD, INR, PHP – likely to lag the most.*

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Risk-Off on Oil: US and Israel launched strikes on Iran over the weekend, prompting Iran to retaliate against Israel and US military sites across the Middle East. Despite talk of "significant progress" in US-Iran negotiations, markets headed into the weekend on edge, with Brent holding above USD70/bbl.

Oil prices pushed higher in early Asian trading on concerns that a drawn-out conflict or any disruption to flows through the Strait of Hormuz could tighten global supply. A brief spike above USD80/bbl is unlikely to derail global growth, but a sustained move higher would carry clear stagflation risks. While geopolitical oil shocks typically fade quickly, an extended confrontation could keep volatility elevated. OPEC+ offered some relief on Sunday, agreeing to lift its April production target by 206kbbl/d as it continues unwinding 2023 cuts, partially offsetting potential Iran-related supply disruptions.

Higher oil prices and rising risk aversion should continue to support the USD, given the US has been a net energy exporter since 2019 and is now the world's largest LNG exporter, having surpassed Qatar and Australia since early 2026. Haven flows are also likely to boost the CHF, though the risk of SNB intervention rises with any sharp appreciation. Energy-linked currencies such as CAD, NOK and MYR typically benefit from higher crude, though geopolitical-driven risk aversion may cap gains. If oil stays elevated, import-dependent currencies including JPY, INR and TRY may come under mounting pressure. Beyond energy, regional tensions also pose downside risks to tourism-reliant Türkiye.

Oil Risks Resurface: Brent breaks USD70/bbl as US–Iran tensions rise, prompting higher near term forecasts. We have also raised the end-2026 price floor to USD63/bbl (previously USD59/bbl) amid resilient US and global growth. Conflict fears send tanker rates to multi year highs, with any Strait of Hormuz disruption risking a rapid, disorderly spike toward triple digit oil prices. Base case assumes no Hormuz blockade, while OPEC spare capacity should cap sustained disruptions and allow the geopolitical premium to unwind later in 2026. For more detail, please see *Commodity Compass: Oil Risks Resurface, 27 February 2026*.

JPY Caution Prevails: Fiscal-related JPY selling has faded after the election, raising questions on whether the "Buy Japan" theme could extend from equities to the currency. However, expectations for JPY strength remain capped after reports that Prime Minister Takaichi expressed reservations about further BoJ rate hikes in her meeting with Governor Ueda, alongside the nomination of two notably dovish BoJ board members. Even so, Ueda has signalled his intention to continue raising rates in line with economic and inflation progress, keeping attention on the March or April BoJ meetings.

Intervention risks would rise quickly if USDJPY moves back toward 160, especially amid higher oil prices. Stronger warnings from Tokyo – and potentially Washington – are possible ahead of the 19 March US-Japan summit. We stay neutral on the JPY. Our end-2026 USDJPY forecast remains 149, reflecting our view that the JPY will struggle to shift from a funding currency to an investment currency unless the BoJ turns more hawkish than our baseline of two rate hikes this year.

UK Politics vs Macro: Political risks remain a drag on the GBP. Labour's defeat in last week's Gorton by-election increases the likelihood of a leadership challenge after the May local elections. Still, it is unclear whether lingering political uncertainty warrants a higher fiscal risk premium – the key factor behind past episodes of GBP weakness.

Recent data point to a firmer UK growth backdrop than the rise in the unemployment rate suggests. Ongoing disinflation and a loosening labour market support further BoE cuts, which in turn provide fiscal relief. This week's gilt remit should add to the positive fiscal narrative following January's large budget surplus. GBP volatility may stay elevated near term. However, once political risks ease, we continue to see scope for EURGBP to retrace lower.

Gold. Safe haven bid. The weekend strike raises geopolitical risk premia as markets head into Monday's open. The immediate reaction function is fairly predictable: safe-haven assets such as gold are likely to see an upside gap. Escalation in Middle East reinforced demand for hedges against geopolitical tail risk, especially at a time when markets are already sensitive to global policy uncertainty. The magnitude and sustainability of any rally in gold will depend on whether this is a prolonged and wider conflict, that undermines oil supply routes, and result in wider implication on global growth and inflation or that the tense situation can calm swiftly. Gold was last seen at 5378 levels. Daily momentum turned mild bullish while RSI rose. Risks skewed to the upside. Resistance at 5440, 5500 levels. Support at 5149, 5013 (21 DMA).

Asian FX. Dip on Risk off mood. USD/Asia traded higher in knee-jerk reaction to the weekend escalation in Middle East. Geopolitically driven oil/ LNG price gains tend to be a term of trade negative for net energy oil importer Asian countries. Concerns of inflation, growth on Asian economies may come at some point if energy price gains are sharp and prolonged. But for now, the oil channel and sentiment channel would dampen momentum in Asian FX. Some of these countries that have high oil import dependence include Korea, Taiwan, India, Philippines and Thailand. Given the high sensitivity of these currencies to market developments and high dependence on oil imports – KRW, TWD, INR, PHP may underperform more. Whether the initial sell-off in Asian FX extends will be highly dependable on a few moving parts: (1) if geopolitical uncertainty remains high or quickly stabilises; (2) if equities see sharp sell-off today; (3) how RMB trades. A triple whammy scenario would be one where geopolitical escalation prolongs; equities continue to see further sell-off and RMB trades weaker.

USDCNH. Near term rebound. PBOC's decision to cut risk reserve ratio for forward FX sales to zero last Fri is not likely to dent the broader direction of travel for USDRMB to the downside but the timing of the adjustment comes at a time when the actual fix relative to expected fix has been widening (and there were questions if the recent RMB appreciation in spot has been too sharp). Our interpretation is that policymakers may want to somewhat keep the pace of appreciation in check. The daily fix in coming session will be key. The 30d moving average of daily change in the USDCNY fix has been around -27pips. A moderation in the pace of fixing strength should act as another lever to slow the pace of RMB appreciation. Elsewhere, fresh conflict in Middle East may also dampen sentiment and put upward pressure on oil prices. Near term risk for USD/Asia including USDCNH is skewed to the upside. USDCNH last seen at 6.8850 levels. Bearish momentum on daily chart faded while RSI rose. Risks skewed to the upside in the interim. Resistance at 6.90 (21 DMA), 6.92 levels (23.6% retracement of Aug high to 2026 low). Support at 6.8550, 6.8260 levels.

USDSGD. Firmer. USDSGD firmed, in line with moves seen in other USD/Asia NDFs in early trade. This is in reaction to move higher in USDCNH, risk-off sentiment and escalation in geopolitical tensions. But we expect the initial jump to stabilise when market liquidity normalises into Asian hours and that losses in SGD is likely to pale in comparison to other Asian FXs given its lower beta. Pair was last at 1.27 levels. Bullish momentum on daily chart intact while RSI rose. Risks skewed to the upside. Resistance at 1.2710 levels (23.6% fibo retracement of Nov high to Jan low), 1.2750 (50 DMA) and 1.2780 (38.2% fibo). Support at 1.2670 (21 DMA), 1.2620 and 1.2590 levels (2026 low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1885	157.32	1.3613	0.7852	0.7202	0.6059	1.3770	5470	1.2734	58.03	91.06
Resistance 2	1.1847	156.63	1.3545	0.7778	0.7157	0.6025	1.3710	5356	1.2692	57.84	91.01
Resistance 1	1.1830	156.34	1.3513	0.7735	0.7138	0.6012	1.3675	5318	1.2672	57.75	90.99
Spot	1.1777	156.35	1.3426	0.7693	0.7070	0.5965	1.3657	5347	1.2686	57.66	90.98
Support 1	1.1792	155.65	1.3445	0.7661	0.7093	0.5978	1.3615	5204	1.2630	57.56	90.95
Support 2	1.1771	155.25	1.3409	0.7630	0.7067	0.5957	1.3590	5129	1.2608	57.46	90.92
Support 3	1.1733	154.56	1.3341	0.7556	0.7022	0.5923	1.3530	5015	1.2566	57.26	90.88
Bollinger Band											
Bollinger Upper	1.1908	157.95	1.3730	0.7791	0.7157	0.6076	1.3740	5328	1.2736	59.09	91.57
Bollinger Lower	1.1735	152.34	1.3400	0.7656	0.6972	0.5933	1.3558	4781	1.2594	57.27	90.05

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

FX Forecasts

Currency Pair	Current (27 Feb)	1Q26	2Q26	3Q26	4Q26	1Q27
USD-JPY	156	153	151	150	149	147
EUR-USD	1.18	1.21	1.22	1.23	1.23	1.21
GBP-USD	1.35	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	0.60	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	0.77	0.77	0.76	0.76	0.76	0.78
DXY	97.76	95.5	94.5	94.0	93.6	94.7
USD-SGD	1.27	1.26	1.25	1.25	1.24	1.24
USD-CNY	6.86	6.90	6.86	6.85	6.80	6.80
USD-CNH	6.86	6.90	6.86	6.85	6.80	6.80
USD-THB	31.08	31.2	31.0	31.0	30.8	30.9
USD-IDR	16771	16680	16620	16620	16500	16550
USD-MYR	3.89	3.90	3.86	3.86	3.83	3.84
USD-KRW	1441	1405	1380	1380	1350	1350
USD-TWD	31.23	31.2	31.1	31.0	30.9	30.0
USD-HKD	7.82	7.77	7.76	7.76	7.76	7.76
USD-PHP	57.66	58.3	58.0	57.4	57.2	57.0
USD-INR	90.98	92.2	92.5	93.0	93.5	94.0
USD-VND	26053	25900	25800	25800	25600	25600
EUR-JPY	184	185	184	184	183	178
EUR-GBP	0.88	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	1.66	1.70	1.67	1.68	1.68	1.66
EUR-NOK	11.23	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	1.64	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	3.08	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	13269	13291	13349	13349	13360	13347
SGD-THB	24.6	24.86	24.90	24.90	24.94	24.92
SGD-PHP	45.6	46.45	46.59	46.10	46.32	45.97
SGD-VND	20581	20637	20723	20723	20729	20645
SGD-CNH	5.42	5.50	5.51	5.50	5.51	5.48
SGD-TWD	24.74	24.86	24.98	24.90	25.02	24.19
SGD-KRW	1138	1120	1108	1108	1093	1089
SGD-HKD	6.18	6.19	6.23	6.23	6.28	6.26
SGD-JPY	123	122	121	120	121	119
Gold $/oz	5177	5250	5367	5425	5600	5626
Silver $/oz	90	116.7	119.3	120.6	133.3	134.0
Platinum $/oz	2366	2917	2982	3014	3111	3126
Palladium $/oz	1817	2161	2209	2233	2305	2315
ICE Brent $/bbl	72	70	67	65	63	63
NYMEX WTI $/bbl	67	66	64	62	60	60

Source: OCBC Group Research (Latest Forecast Update: 27 February 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 (27 Feb)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.18	1.22	1.22	1.22
GBPUSD	1.35	1.41	1.43	1.42
USDJPY	156	152	150	148
USDCHF	0.77	0.76	0.76	0.77
AUDUSD	0.71	0.72	0.73	0.73
NZDUSD	0.60	0.62	0.62	0.62
USDCAD	1.37	1.34	1.34	1.33
EURNOK	11.23	11.63	11.53	11.33
Forecast for Asian Currencies				
USDCNY	6.86	6.87	6.85	6.80
USDIDR	16771	16640	16620	16533
USDINR	90.98	92.40	92.50	93.83
USDKRW	1441	1388	1380	1350
USDMYR	3.89	3.87	3.86	3.84
USDPHP	57.66	58.10	58.00	57.07
USDSGD	1.27	1.25	1.25	1.24
USDTHB	31.08	31.07	31.00	30.87
USDTWD	31.23	31.13	31.10	30.30
USDHKD	7.82	7.76	7.76	7.76
Forecast for Precious Metals				
Gold $/oz	5177	5328	5406	5617
Silver $/oz	90	118	120	134
Platinum $/oz	2366	2960	3003	3121
Palladium $/oz	1817	2193	2225	2312
Forecast for Crude Oil				
NYMEX WTI $/bbl	72	64.7	62.7	60.0
ICE Brent $/bbl	67	68.0	65.7	63.0

Source: OCBC Group Research (Latest Forecast Update: 27 February 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 (23 Feb)	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	3.65	3.65	3.65	3.65
10-Year US Treasury	4.08	4.05	4.00	3.95
30-Year US Treasury	4.72	4.80	4.75	4.70
Forecast for US SOFR swap rates				
2-Year Rate	3.28	3.40	3.40	3.50
5-Year Rate	3.34	3.45	3.45	3.50
10-Year Rate	3.65	3.65	3.65	3.65
30-Year Rate	4.01	3.95	3.90	3.90

Source: OCBC Group Research (Latest Forecast Update: 23 February 2026)

Central Bank Forecast Table

	Current (23 Feb)	1Q26	2Q26	3Q26	4Q26
Fed Funds Rate (upper)	3.75	3.75	3.50	3.50	3.50
BoE Bank Rate	3.75	3.50	3.50	3.50	3.50
ECB Depo Rate	2.00	2.00	2.00	2.00	2.00
BOJ Target Rate	0.75	1.00	1.00	1.00	1.25
RBA Cash Rate	3.60	3.85	3.85	3.85	3.85

Source: OCBC Group Research (Latest Forecast Update: 23 February 2026)

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
02-Mar	23:00	US	ISM Manufacturing	Feb		51.8	52.6
03-Mar	07:30	JN	Jobless Rate	Jan		2.6%	2.6%
	18:00	EC	CPI Estimate YoY	Feb P		1.7%	1.7%
	18:00	EC	CPI Core YoY	Feb P		2.1%	2.2%
04-Mar	08:30	AU	GDP YoY	4Q		2.2%	2.1%
	09:30	CH	Manufacturing PMI	Feb		49.1	49.3
	09:45	CH	RatingDog China PMI Composite	Feb		--	51.6
	15:30	SZ	CPI YoY	Feb		-0.1%	0.1%
	15:30	SZ	CPI Core YoY	Feb		--	0.5%
	21:15	US	ADP Employment Change	Feb		42k	22k
	23:00	US	ISM Services Index	Feb		54	54
05-Mar	15:00	SW	CPIF YoY	Feb P		--	2.0%
	15:00	SW	CPIF Excl. Energy YoY	Feb P		--	1.7%
	18:00	EC	Retail Sales YoY	Jan		1.7%	1.3%
	21:30	US	Initial Jobless Claims	46081		--	212k
06-Mar	15:00	GE	Factory Orders WDA YoY	Jan		13.2%	13.0%
	21:30	US	Change in Nonfarm Payrolls	Feb		60k	130k
	21:30	US	Average Hourly Earnings YoY	Feb		3.7%	3.7%
	21:30	US	Unemployment Rate	Feb		4.3%	4.3%

Source: Bloomberg, OCBC Group Research

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