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DAILY FX REPORT

FX Holds Near Inflection Levels

EUR / USD

EUR/USD remains caught between diverging macroeconomic fundamentals and a technically neutral structure, with we seeing the balance of risks tilted modestly to the downside. US economic resilience — highlighted by firmer labour market data — continues to underpin the dollar, while eurozone momentum appears to be softening, reflected in declining confidence indicators and persistent manufacturing weakness. We expect the ECB's accommodative bias, combined with ongoing uncertainty surrounding the Federal Reserve's policy trajectory, to maintain a rate differential dynamic that constrains meaningful euro upside unless US growth deteriorates more clearly.

Technically, the pair is trading in a compressed range near 1.1805, holding just above the 50-day SMA around 1.18 but remaining capped beneath the 30-day VWAP near 1.19, which we see as firm overhead resistance. The RSI near 48 confirms limited directional conviction. We expect that a break below the 1.1774 session low would expose support near 1.1725 and potentially open a move towards 1.1584. With trade uncertainty and geopolitical tensions still favouring safe-haven demand for the dollar, we see scope for continued range-bound to slightly negative price action until incoming US data or tariff clarity provides a clearer catalyst.

USD / JPY

USD/JPY is consolidating near 155.9, trading just below the 50-day moving average around 156, which we see as immediate resistance. The pair sits roughly one yen above the 20-day average near 155 and the 30-day VWAP around 154.7, both acting as nearby support, while the 200-day average near 152 continues to define the broader technical floor. We expect a sustained break above 156 to open the path towards the 158 resistance region, whereas repeated rejection could push prices back towards the 154.7–155 support cluster.

Fundamentally, we see a tug-of-war between tentative Bank of Japan normalisation signals and domestic political pressure favouring continued accommodation, highlighted by Prime Minister Takaichi's appointment of more dovish policymakers to the board. Tokyo core-core inflation easing to 1.8%, below the BoJ's target, has dampened near-term tightening expectations even as Governor Ueda retains conditional openness to hikes. Structural headwinds, including demographics, energy dependence and still-wide yield differentials, continue to restrain yen strength. However, we expect that eventual BoJ tightening alongside prospective Federal Reserve easing could narrow rate spreads over time, leaving medium-term risks biased modestly lower for USD/JPY.

GBP / USD

GBP/USD remains under pronounced pressure as the UK macro backdrop deteriorates. We see rising unemployment to 5.2% and moderating inflation to 3.0% reinforcing expectations for multiple Bank of England rate cuts beginning as early as March. These dovish policy signals, combined with fragile consumer sentiment and political uncertainty following Labour's recent electoral setback, have created a cluster of headwinds weighing on sterling.

Technically, the pair's recent decline to around 1.3445 on elevated volume has left it trading below both the 20-day SMA near 1.36 and the 50-day SMA near 1.35, with RSI around 43 signalling persistent downside momentum. The 200-day SMA near 1.34 now represents the key support level. We expect a break beneath this zone to expose structural support near 1.3361 and risk extending the correction from January's peak near 1.3848.

More broadly, we see the widening divergence between dovish UK policy expectations and comparatively firmer US economic performance as the dominant macro driver. Although geopolitical tensions and tariff uncertainty have at times softened the dollar, this has not translated into sustained sterling support, and we expect the pair to remain pressured unless it can decisively reclaim the 1.35 region.

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	27/2	00:01	Industrial Production YoY	Feb	-15	-16
USD	27/2	13:30	PPI Final Demand YoY	Jan	2.6%	3.0%

Source: Bloomberg

Risk warning

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