

Feb 20, 2026

Three Take-Aways

1) A sharp build-up of military forces around Iran have **escalated threats of a US strike on Iran if a favourable (to US) deal is not struck**.

2) Apart from Oil's limited rise, **wider risk markets though are relatively more sanguine, pricing in a mix between deal posturing and limited/contained strike, not an all-out Iran war**.

3) Accounting rule tweak for Japanese life insurers to allow **hold-to-maturity treatment of JGBs could backstop JGBs** from unremitting sell-off pressures.

MACRO THEME: "Kinetic" Iran Risks

- The **risk of a US strike on Iran** has (at least ostensibly) **escalated considerably**, with

- For one, the US military is now in the midst of the **largest build-up of US forces** (since the 2003 Iraq invasion) **around Iran**.

- What's more, **reports of Israel preparing for an offensive, if not war, worries of US "kinetic action" are compounded**.

- **President Trump will decide on whether to strike in the next 10 days**, adding that in the next two weeks he was **"going to make a deal or get a deal one way or another"**.

De-sensitized or Undaunted?

- To be sure, **Oil prices have risen** in response, with **Brent crude prices lifting from sub-\$68 to \$72** (up 6-7%).

- **But far short of** an order that is consistent with **disruption risks** that could come about **from a kinetic strike on Iran**.

- Notably, **Gold has hardly stirred**, which is **uncharacteristic of its geopolitical haven status**.

- Question is, whether markets are **de-sensitized or simply undaunted**.

The (US-Iran) Deal Quotient

- Perhaps a bit of both. But more importantly, markets are likely **deciphering US "kinetic action" in the context of US-Iran deal negotiations**.

- Specifically, the **apparent apathy, outside of oil's noticeable but measured rise**, is owed to a confluence of market considerations, ranging from;

i. **looking through** this credible military threat escalation as **mere posturing to apply pressure on Iran to make a deal**;

ii. **watering down** the threat of a full-scale offensive that is consequential for asset and commodity markets (instead believing the risk to be one of a limited strike like the one last year) or;

iii. simply **unwilling to price this binary risk** until greater clarity (and proximity to) on the threat emerges.

Ring-Fencing Bets

- Arguably, **Venezuela** is a recent and stark **reminder that US military build-up is not to be dismissed lightly** (as mere showmanship).

- **But** markets have nonetheless **bet on "ring-fenced" strike risks, that expressly preclude reasonable risks of Straits of Hormuz sabotage in an all-out war targeting regime**.

- Fact is even the **rise in (Brent) crude from \$60** (back in early-Jan) to **\$72**, on building Iran risks, the implication is a **mere 4-5% supply disruption – clearly not an all-out Iran war scenario**.

- Upshot being, current bets are on a) a strike averted by Iran blinking on a deal or; b) limited, highly-contained US strikes with no further escalation.

Yields (2Y:-0.3bp; 10Y: -1.6bp; 30Y: -0.8bp)

Equities (Nasdaq: -0.3%; S&P 500: -0.3%; Dow: -0.5%)

FX (DXY: +0.2%)

- EUR slips below 1.18, AUD holding above 70 cents amid USD strength.

Accounting for JGB Risks

- Elsewhere, an **accounting rule tweak** being mulled could **diminish adverse feedback loop between JGB pressures and financial risks for Japanese life insurers**.

- Specifically, Japan's Institute of Certified Public Accountants is in the consultation process to propose that **bonds holdings that match long-term liabilities ought to be treated as "held to maturity"**, hence **spared impairment accounting**.

- Whereas the **current rules require impairment losses to be recognized on significant drop in market value** (falling >50% below book), **with no prospect of recovery** on the bonds.

- If passed, this accounting tweak promises to be an **instrumental backstop for JGBs** (buoying prices, suppressing yields), **possibly even a JGB bear trap**, insofar that it **prevents forced liquidation by life insurers**.

- For a start, by creating conditions to **snag the adverse JGB-lifer feedback loop**, whereby **a brutal sell-off in JGBs is exacerbated by a defensive retrenchment by life insurers** (looking to stanch debilitating impairment losses).

- Crucially, by **restoring confidence** in life insurers **to pursue more attractive "carry" from higher-yielding JGBs into the BoJ rate hike cycle**.

- The upshot is that this accounting rule change, will help to **mitigate unnecessary amplification of volatility**, and **invoke "automatic stabilizers"** for JGB markets **by reviving the allure of higher yields**.

- This in turn should **dovetail with a constructive fiscal plan** – which is stimulatory for growth, without forsaking fiscal sustainability – alluded to by PM Takaichi to **underscore a positive (JGB-JPY) flip in the so called "Takaichi trade"**.

*See [report](#) from 9th Feb

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Trade Balance (Dec)	-\$70.3b	-\$55.5b	-\$53.0B
(US) Initial Jobless Claims	206k	225k	229k
(US) Philadelphia Fed Business Outlook (F)	16.5	7.3	12.6
(EZ) Consumer Confidence (Feb P)	-12.2	-12.0	-12.4
(AU) Unemployment Rate (Jan)	4.1%	4.2%	4.1%
(ID) BI-Rate	4.75%	4.75%	4.75%
(MY) CPI YoY (Jan)	1.6%	1.6%	1.6%
(PH) BSP Overnight Borrowing Rate	4.25%	4.25%	4.50%
(PH) BoP Overall (Jan)	-\$373m	--	-\$827m
Today	Actual	Exp.	Prior
(US) New Home Sales MoM (Dec)		-0.3%	-
(US) GDP Annualised QoQ (4Q A)		2.8%	4.4%
(US) PCE/Core Price Index YoY (Dec)		2.8%/2.9%	2.8%/2.8%
(US) Personal Spending/Income (Dec)		0.4%/0.3%	0.5%/0.3%
(JP) Natl CPI/Ex Fresh Food, Energy YoY (Jan)		1.5%/2.7%	2.1%/2.9%
(AU) Mfg/Services PMI (Feb P)		--	52.3/56.3
(IN) Mfg/Services PMI (Feb P)		--	55.4/58.5
(MY) Exports/Imports YoY (Jan)		13.6%/9.9%	10.4%/12.0%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	155.01	155.18	+0.13%	153.00 - 154.00
EURUSD	1.1773	1.1769	▼0.08%	1.1600 - 1.1950
GBPUSD	1.3465	1.3461	▼0.22%	1.3300 - 1.3700
AUDUSD	0.7056	0.7056	+0.20%	0.7000 - 0.7200
DXY	97.9	--	+0.23%	96.8 - 98.5
USDCNY	6.9049	--	+0.00%	6.8700 - 7.0200
USDCNH	6.9002	6.8993	+0.12%	6.8500 - 7.0200
USDHKD	7.8144	7.8144	+0.00%	7.7400 - 7.8800
USDSGD	1.2683	1.2686	+0.10%	1.2550 - 1.2800
USDKRW	1451	1450	+0.00%	1430 - 1460
USDTWD	31.51	--	+0.00%	31.30 - 32.00
USDINR	90.68	--	+0.00%	90.00 - 92.70
USDIDR	16880	--	▼0.02%	16650 - 17000
USDMYR	3.909	3.908	+0.23%	3.870 - 3.950
USDPHP	58.00	--	+0.23%	57.30 - 58.60
USDTHB	31.17	31.18	▼0.41%	30.8 - 31.6
USDVND	25965	25970	▼0.02%	25700 - 26300

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.460	4.068	-0.3	-1.6
JGB (JP)	1.255	2.140	2.0	0.3
Bunds (GE)	2.047	2.742	0.3	0.4
Gilts (UK)	3.563	4.368	-1.2	-0.5
AGB (AU)	4.290	4.784	7.1	6.1
SGS (SG)	1.319	1.933	2.0	4.3
CGB (CN)	1.359	1.783	0.0	0.0
KGB (KR)	2.897	3.579	0.0	0.0
SDL (IN)	5.656	6.678	0.0	0.0

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6861.89	-19.42	▼0.28%
Nasdaq (US)	22682.73	-70.90	▼0.31%
DJIA (US)	49395.16	-267.50	▼0.54%
N225 (JP)	57467.83	323.99	+0.57%
STOXX50 (EU)	6059.62	-43.75	▼0.72%

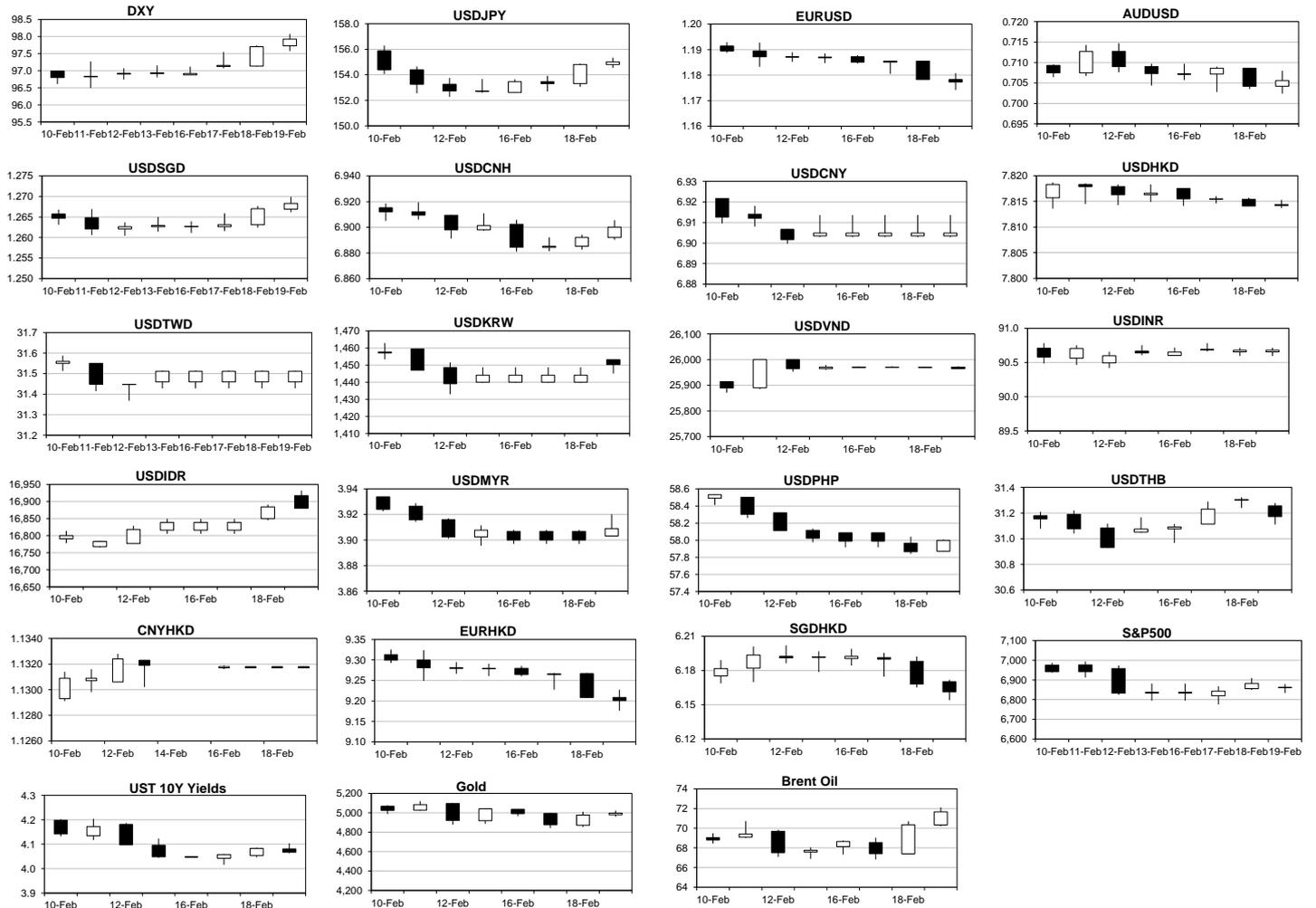
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	12,713.58	-103.17	▼0.80%
IRON ORE (CN)	98.25	-1.80	▼0.01%
GOLD	4,996.10	18.54	+0.37%
SILVER	78.51	-0.02	▼0.50%
OIL (BRENT)	71.66	1.31	+1.86%
OIL (WTI)	66.43	1.24	+1.90%
NATURAL GAS	3.00	1.31	+1.69%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	182.51	182.63	+0.05%
GBP/JPY	208.727	208.873	▼0.09%
JPY/SGD (100yen)	0.8182	0.8175	▼0.01%
JPY/HKD (100yen)	5.0415	5.0357	▼0.14%
CNH/JPY	22.46	22.473	+0.51%
CNH/HKD	1.1317	1.1317	+0.00%
EUR/GBP	0.87426	0.87434	+0.13%
AUD/NZD	1.1815	1.1818	+0.08%
EUR/CNH	8.1253	8.1202	+0.03%
GBP/CNH	9.2908	9.2868	▼0.09%
CNY/HKD	1.1317	1.1317	+0.00%
EUR/HKD	9.2009	9.1968	▼0.08%
SGD/HKD	6.1613	6.1599	▼0.11%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5712.11	-30.88	▼0.54%
STI (SG)	5001.56	62.98	+1.28%
SHCOMP (CN)	4082.073	0.00	+0.00%
SZCOMP (CN)	2680.393	0.00	+0.00%
HSI (HK)	26705.94	0.00	+0.00%
SENSEX (IN)	82498.14	-1236.11	▼1.48%
JSE (ID)	8274.081	-36.15	▼0.43%
KLSE (MY)	1752.11	10.85	+0.62%
PSE (PH)	6407.15	12.38	+0.19%
SET (TH)	1493.91	27.24	+1.86%
VNINDEX (VN)	1824.09	0.00	+0.00%

CHARTS



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