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FX Weekly

USD Pause, Not Pivot

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- ***USD Pause, Not Pivot:*** *A softer US payrolls report has delayed expectations for the next Fed hike, giving the USD rally room to pause. But with labour market conditions still firm, we continue to expect moderate USD gains in 2H26.*
- ***Japan Spillover Risk****: Japan is emerging as a key source of global market risk. Rising JGB yields are already reverberating across bond markets, while intervention threats can slow, but not reverse, the broader USDJPY uptrend.*
- ***KRW outperformed****, helped by flow-related USDKRW selling and softer US data. Follow-through still depends on USD momentum staying capped.*
- ***MYR may stabilise*** *as softer US data takes momentum out of USD while BNM's recent measures also helped sentiments. Focus this week on BNM MPC, US data and the outcome of upcoming Johor state election.*

USD Pause, Not Pivot: Last week's US payrolls report delivered a mixed signal and tempered near-term Fed tightening expectations. A softer-than-expected payrolls print, coupled with Chairman Warsh's comment that "inflation risks have come down", pushed the next fully priced Fed hike from October to December. As a result, the recent USD rally could take a breather. A pause in USD strength should benefit high-carry, net energy-importing currencies such as the ZAR and INR, particularly against a backdrop of lower oil prices.

That said, the broader USD outlook remains constructive. The decline in the US unemployment rate points to a still-tight labour market and should help keep Fed tightening expectations intact. We maintain our call for a moderate 2-3% USD appreciation in 2H26 (*2H 2026 FX & Rates Outlook, 2 July 2026*). Looking ahead, the 14 July US CPI report is the final tier-1 data release before the end-July FOMC meeting. This week's FOMC minutes should also keep FX markets on alert.

We expect the USD to remain supported against low-yielding currencies such as the EUR, JPY, CHF and CAD. Sustained USD weakness would likely require stronger EUR and JPY performance, but catalysts for either remain scarce. In Japan, fiscal concerns and a BoJ that remains behind the curve should continue to weigh on the JPY. In the eurozone, fading ECB tightening expectations and benign inflation dynamics are likely to remain headwinds for the EUR. Big elections in 2027 in France and Italy will also creep onto the radar in 2H26 that could weigh on the EUR.

Japan Spillover Risk: Japan's fiscal outlook and concerns that the BoJ remains behind the policy curve pose potential spillover risks to global markets through either JPY weakness or rising long-end JGB yields. Markets increasingly believe the BoJ is facing government pressure to slow policy normalisation just as Tokyo rolls out ambitious spending plans spanning defence, AI and household support.

A weaker JPY would likely weigh on regional currencies such as KRW and THB. However, the more immediate spillover risk lies in higher long-end JGB yields, as the threat of FX intervention limits the scope for sustained JPY depreciation. The recent rise in long-end G3 bond yields, including US Treasuries, UK gilts and German bunds, may partly reflect the move higher in JGB yields. G3 yields could have risen even further had markets not simultaneously pared expectations for additional central bank rate hikes.

Meanwhile, reports suggest Japan's Ministry of Finance may be prepared to intervene without the verbal warnings that have traditionally preceded FX operations. If that becomes the new playbook, sharp USDJPY pullbacks could occur without obvious headlines, keeping investors on edge at current levels. Japan still has considerable firepower after deploying around USD74bn in intervention between April and May, with FX reserves standing at roughly USD1.3trn.

That said, intervention risk is more likely to trigger bouts of volatility and temporary corrections than a lasting reversal in USDJPY. Without a meaningful shift in underlying macro fundamentals, verbal warnings and outright intervention alone are unlikely to change the broader direction of the pair.

USD/Asian. Consolidation. USD/Asian may trade with a softer bias after weaker US labour data took some momentum out of the USD move. The US holiday closure last Friday kept liquidity thin, but the signal from the shortened week was still that the USD needs firmer data to extend gains from here. June payrolls disappointed, prior months were revised lower, and this should temper aggressive Fed hawkish repricing for now. That said, we would not call this a clean bearish USD turn yet, with focus still on incoming US data and Fed rhetoric (FOMC minutes on 9 Jul).

Asian data. This week's macro calendar centres on a string of inflation updates, from Thailand (6 Jul), Taiwan, Philippines (7 Jul), and China (July 9). China will also publish its PPI data (July 9) and key credit indicators, including new yuan loans, total social financing, and M2 money supply (between 9 and 15 Jul). Taiwan exports (9 Jul) also in focus if momentum can be sustained. On central bank policy decision, BNM is likely to keep policy rate on hold at 2.75% (9 Jul).

USDKRW. Further pullback requires softer USD. KRW outperformed, in line with our earlier technical bias for USDKRW to ease. The catalyst was likely due to flow-related rather than purely macro, with markets reacting to reports that Korean officials are preparing for sizeable currency flows linked to SK Hynix's ADR issuance. Part of the proceeds is expected to be repatriated for domestic investment, raising expectations of sell flows relating to USDKRW. The flow can be significant, alongside USD softness to reinforce tactical KRW support, especially as softer US data has already taken some momentum out of the USD.

That said, sustained follow-through still requires the broader USD backdrop to stay benign. Pair was last seen at 1530 levels. Daily momentum turned mild bearish while RSI fell. Risks remain skewed to the downside for now. Support at 1528 (23.6% fibo retracement of 2026 low to high), 1506/07 (50 DMA, 38.2% fibo). Resistance at 1533 (21 DMA), 1540 and 1550 levels.

USDMYR. BNM this week. MYR should also find some relief from the softer USD backdrop and BNM's recent push to strengthen FX inflows, including by encouraging corporates to bring back and convert overseas earnings. This should help anchor sentiment after MYR's underperformance in Jun. Still, the move looks more like stabilisation at this point. Focus this week will be on the BNM MPC decision (9 Jul) and US data/FOMC minutes, while domestic political noise and portfolio-flow sensitivity may potentially keep markets watchful. Johor holds state election on 11 Jul. Spot last closed at 4.0720 levels. Bearish momentum on daily chart intact while RSI fell. Risks skewed to the downside for now. Support at 4.0570/610 levels (200 DMA, 38.2% fibo retracement of 2026 low to high)., 4.0320 (50% fibo). Resistance at 4.0850 (21 DMA), 4.0980 (23.6% fibo).

USDSGD. Slippage. USDSGD eased lower modestly, tracking the moves in USD, and 2y UST yields after US payrolls report disappointed. Pair was last at 1.2925 levels. Daily momentum showed signs of turning mild bearish while RSI was flat. 2-way trades likely for now with slight risk for downside retracement. Support at 1.29 (61.8% fibo retracement of Nov high to 2026 low), 1.2880 (21 DMA). Resistance at 1.2980 levels (76.4% fibo), 1.3030 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1522	163.18	1.3447	0.8102	0.7012	0.5783	1.4285	4313	1.2994	61.60	95.62
Resistance 2	1.1481	162.15	1.3401	0.8066	0.6973	0.5746	1.4237	4239	1.2955	61.52	95.44
Resistance 1	1.1459	161.74	1.3376	0.8050	0.6956	0.5729	1.4219	4208	1.2936	61.47	95.33
Spot	1.1437	161.42	1.3349	0.8038	0.6937	0.5704	1.4205	4189	1.2918	61.43	95.22
Support 1	1.1418	160.71	1.3330	0.8014	0.6917	0.5692	1.4171	4134	1.2897	61.39	95.14
Support 2	1.1399	160.09	1.3309	0.7994	0.6895	0.5672	1.4141	4090	1.2877	61.36	95.06
Support 3	1.1358	159.06	1.3263	0.7958	0.6856	0.5635	1.4093	4016	1.2838	61.28	94.87
Bollinger Band											
Bollinger Upper	1.1621	162.70	1.3467	0.8154	0.7098	0.5869	1.4327	4350	1.2999	62.01	95.77
Bollinger Lower	1.1309	159.75	1.3133	0.7922	0.6845	0.5594	1.3916	3949	1.2813	60.30	94.04

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

FX Forecasts

Currency Pair	Current (3 Jul)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
USD-JPY	161	163	163	163	163	162
EUR-USD	1.15	1.12	1.11	1.10	1.10	1.10
GBP-USD	1.34	1.29	1.28	1.26	1.26	1.26
AUD-USD	0.69	0.72	0.72	0.71	0.71	0.71
NZD-USD	0.57	0.60	0.61	0.61	0.61	0.62
USD-CAD	1.42	1.43	1.44	1.44	1.44	1.44
USD-CHF	0.80	0.83	0.84	0.85	0.85	0.85
DXY	100.67	102.93	103.62	104.39	104.35	104.22
USD-SGD	1.29	1.30	1.29	1.28	1.27	1.27
USD-CNY	6.78	6.77	6.74	6.72	6.70	6.68
USD-CNH	6.79	6.77	6.74	6.72	6.70	6.68
USD-THB	33.14	33.80	33.30	33.10	33.00	32.80
USD-IDR	17960	18000	17900	17800	17700	17600
USD-MYR	4.07	4.15	4.15	4.12	4.095	4.08
USD-KRW	1528	1550	1540	1510	1490	1470
USD-TWD	31.95	31.6	31.5	31.2	31	31
USD-HKD	7.84	7.84	7.84	7.83	7.82	7.82
USD-PHP	61.42	61.8	61.2	61	60.5	60.4
USD-INR	95.32	95.2	94.6	94.2	94	93.8
USD-VND	26294	26400	26400	26200	26000	26000
EUR-JPY	184	183	181	179	179	178
EUR-GBP	0.86	0.87	0.87	0.87	0.87	0.87
EUR-CHF	0.92	0.93	0.93	0.94	0.94	0.94
EUR-AUD	1.65	1.56	1.54	1.55	1.55	1.55
EUR-NOK	11.23	11.20	11.10	11.10	11.10	11.00
AUD-NZD	1.21	1.21	1.19	1.17	1.16	1.15
EUR-SGD	1.48	1.45	1.44	1.41	1.40	1.40
GBP-SGD	1.72	1.67	1.65	1.62	1.61	1.61
AUD-SGD	0.9	0.93	0.93	0.91	0.90	0.90
NZD-SGD	0.74	0.77	0.78	0.78	0.78	0.79
CHF-SGD	1.61	1.56	1.54	1.50	1.49	1.49
CAD-SGD	0.91	0.91	0.90	0.89	0.88	0.88
JPY-SGD	0.8	0.80	0.79	0.79	0.78	0.79
SGD-MYR	3.15	3.20	3.21	3.21	3.21	3.20
SGD-CNY	5.26	5.22	5.21	5.24	5.26	5.24
SGD-IDR	13924	13833	13885	13893	13815	13867
SGD-THB	25.68	26.04	25.73	25.82	25.90	25.75
SGD-PHP	47.62	47.61	47.30	47.58	47.49	47.41
SGD-VND	20380	20339	20402	20437	20408	20408
SGD-CNH	5.26	5.22	5.21	5.24	5.26	5.24
SGD-TWD	24.77	24.35	24.34	24.34	24.33	24.33
SGD-KRW	1185	1194	1190	1178	1170	1154
SGD-HKD	6.08	6.04	6.06	6.11	6.14	6.14
SGD-JPY	125	126	126	127	128	127
Gold $/oz	4177	4180	4360	4520	4680	4820
Silver $/oz	62.72	64.31	67.08	69.54	72.00	74.15
Platinum $/oz	1666	1672	1744	1808	1872	1928
Palladium $/oz	1284	1276	1331	1380	1429	1472
ICE Brent $/bbl	72	75	75	73	71	69
NYMEX WTI $/bbl	69	71	71	69	67	65
Aluminium $/mt	3091	3150	3050	3075	3100	3100
Copper $/mt	13326	12500	12500	12600	12800	12800

Source: OCBC Group Research (Latest Forecast Update: 3 July 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 (3 Jul)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.15	1.11	1.10	1.10
GBPUSD	1.34	1.28	1.26	1.26
USDJPY	161	163	163	162
USDCHF	0.8	0.84	0.85	0.85
AUDUSD	0.69	0.72	0.71	0.71
NZDUSD	0.57	0.61	0.61	0.62
USDCAD	1.42	1.44	1.44	1.44
EURNOK	11.23	11.10	11.10	11.00
Forecast for Asian Currencies				
USDCNY	6.78	6.74	6.72	6.68
USDIDR	17960	17900	17800	17600
USDINR	95.33	94.60	94.20	93.80
USDKRW	1529	1540	1510	1470
USDMYR	4.07	4.15	4.12	4.08
USDPHP	61.43	61.20	61.00	60.40
USDSGD	1.29	1.29	1.28	1.27
USDTHB	33.13	33.30	33.10	32.80
USDTWD	31.95	31.50	31.20	31.00
USDHKD	7.84	7.84	7.83	7.82
Forecast for Precious Metals				
Gold $/oz	4008	4180	4360	4680
Silver $/oz	58	64	67	72
Platinum $/oz	1553	1917	2000	2091
Palladium $/oz	1212	1452	1500	1528
Forecast for Crude Oil				
NYMEX WTI $/bbl	71.8	71.0	71.0	67.0
ICE Brent $/bbl	72.9	75.0	75.0	71.0
Aluminium $/mt	3086	3150	3050	3100
Copper $/mt	13375	12500	12500	12800

Source: OCBC Group Research (Latest Forecast Update: 3 July 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 (1 Jul)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.75	3.75	3.75
2-Year US Treasury	4.17	4.15	4.05	4.00
5-Year US Treasury	4.24	4.25	4.20	4.15
10-Year US Treasury	4.48	4.55	4.45	4.45
30-Year US Treasury	4.97	5.10	5.10	5.15
Forecast for US SOFR swap rates				
2-Year Rate	4.03	3.95	3.90	3.85
5-Year Rate	3.95	4.00	3.95	3.90
10-Year Rate	4.06	4.15	4.10	4.05
30-Year Rate	4.23	4.35	4.35	4.30

Source: OCBC Group Research (Latest Forecast Update: 1 Jul 2026)

Central Bank Forecast Table

	Current (2 Jul)	3Q26	4Q26	1Q27	2Q27	3Q27
Fed Funds Rate (upper)	3.75	3.75	3.75	3.75	3.75	3.75
BoE Bank Rate	3.75	3.75	3.75	3.50	3.50	3.50
ECB Depo Rate	2.25	2.50	2.50	2.50	2.50	2.50
BOJ Policy Rate	1.00	1.00	1.25	1.25	1.50	1.50
RBA Cash Rate	4.35	4.35	4.35	4.35	4.10	4.10
RBNZ Official Cash Rate	2.25	2.50	2.75	3.00	3.00	3.00

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

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
06-Jul	14:00	GE	Factory Orders WDA YoY	May		--	1.6%
	17:00	EC	Retail Sales YoY	May		1.6%	1.0%
	22:00	US	ISM Services Index	Jun		54.1	54.5
07-Jul	07:30	JN	Labor Cash Earnings YoY	May		3.4%	3.5%
08-Jul	10:00	NZ	RBNZ Official Cash Rate			2.50%	2.25%
	14:00	SW	CPIF YoY	Jun P		--	1.5%
	14:00	SW	CPIF Excl. Energy YoY	Jun P		--	0.5%
	14:00	SW	GDP Indicator WDA YoY	May		--	2.4%
09-Jul	02:00	US	FOMC Meeting Minutes			--	--
	09:30	CH	CPI YoY	Jun		--	1.2%
	09:30	CH	CPI Core YoY	Jun		--	1.1%
	15:00	MA	BNM Overnight Policy Rate			2.75%	2.75%
	20:30	US	Initial Jobless Claims	4-Jul		218k	215k
	22:00	US	Existing Home Sales	Jun		4.20m	4.17m
10-Jul	14:00	NO	CPI YoY	Jun		--	3.1%
	14:00	NO	CPI Underlying YoY	Jun		--	3.4%
	20:30	CA	Net Change in Employment	Jun		10.0k	87.8k
	20:30	CA	Unemployment Rate	Jun		6.6%	6.6%

Source: Bloomberg, OCBC Group Research

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