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FX Weekly

Oil Risks Recede

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- ***Oil Risks Recede:*** *Easing oil prices reduce inflation concerns and should support a partial reversal in last week's bond market moves. While geopolitical risks remain, the macro backdrop continues to favour USD strength, selected carry trades, and resilient US growth.*

- ***Fed Hold Risk****: Markets have repriced a July Fed hike from a remote possibility to a credible risk. A hawkish hold should keep USD supported, while an unexplained hold risks undermining Fed credibility and weighing on the USD.*

- ***USDCNH is likely to trade rangebound*** *as the PBoC fix stayed broadly stable, pointing to continued preference for measured two-way moves rather than a stronger appreciation signal.*

- ***GBP Fades, JPY Waits****: BoE and BoJ are set to stay on hold but fading UK optimism and mounting fiscal pressures leave GBP vulnerable. In Japan, policy support may curb JPY weakness, though a more durable shift stronger still requires a more hawkish BoJ.*

- ***USDMYR may retain a mild upside bias*** *as USD and US Treasury yields stay firm ahead of upcoming FOMC this week while tariff/geopolitical risks remain elevated.*

Oil Risks Recede: Oil prices eased after recovering much of their June losses last week, as Iran signalled a pause in retaliatory strikes while the US appeared to halt further attacks. Lower oil prices should ease inflation concerns for central banks and support a partial reversal of the bear flattening seen across global yield curves last week. The impact on equities and FX is likely to be more limited, as both markets remained relatively steady despite the recent rise in oil prices.

The renewed decline in oil prices brings developments closer to our base case that crude will gradually trend lower over time. That said, oil could rebound at some point as the underlying issues of freedom of navigation through the Strait of Hormuz and Iran's nuclear programme remain unresolved. We remain moderately bullish on the USD. Carry trades that pair high-yielding, energy-exporting currencies such as the USD and AUD against low-yielding, energy-importing currencies such as the EUR, CHF, JPY and THB should continue to perform well.

In equities, AI-related concerns have triggered sharp sector rotation beneath the surface, even as major indices such as the S&P 500 have remained relatively calm. However, strong profitability across the technology sector should sustain the US-led AI capex cycle and support resilient US growth. This theme is likely to feature prominently in this week's 2Q26 US GDP data.

Tariff risks are also returning to the market narrative. However, the proposed 10.0%-12.5% Section 301 "forced labour" tariffs appear largely intended to replace the expiring 10% Section 122 tariffs rather than signal a meaningful escalation in trade tensions. According to Yale Budget Lab estimates, the transition from Section 122 to Section 301 tariffs would have little impact on the overall effective tariff rate.

Fed Hold Risk: The probability of a July Fed rate hike fell to just 10% following benign US inflation data but has since rebounded to 35% as higher oil prices reignited inflation concerns. In short, markets have shifted from viewing a July hike as a remote possibility to a meaningful risk.

If the Fed remains on hold, as we expect, the market reaction will hinge on its communication. A hold accompanied by hawkish guidance would likely push expected rate hikes further out the curve without materially altering the roughly 55bp of cumulative tightening priced in through mid-2027. In this scenario, the USD should remain supported.

Confidence in the Fed's inflation-fighting credibility has helped lift long-end nominal Treasury yields, driven primarily by higher real yields as energy prices rise, while inflation expectations remain well anchored. Notably, 10-year breakeven inflation rates have fallen below their pre-conflict levels.

However, a decision to leave rates unchanged with little explanation could be interpreted as dovish and create confusion about the Fed's reaction function. That risks lifting long-end inflation breakevens, a development that would be negative for the USD.

GBP Fades, JPY Waits: Unlike the Fed, both the BoE and BoJ are widely expected to keep rates unchanged this week, despite media speculation that the BoJ could accelerate its tightening cycle.

For GBP, some of the recent optimism has faded. Expectations of greater political stability in the UK are increasingly giving way to concerns over fiscal constraints. We believe this reassessment has further to run, particularly as higher energy prices add to fiscal pressures. As such, we continue to expect EURGBP to recover towards

0.87 over the coming months, in line with our broader view that GBP remains range-bound.

In Japan, we see a higher probability of currency intervention or government-led measures to encourage domestic investment through GPIF and NISA accounts than a more aggressive BoJ hiking path beyond the current semi-annual pace. While such measures should help contain JPY weakness, they are unlikely to drive a sustained shift in the JPY's role from a funding currency to an investment currency without a meaningfully more hawkish BoJ.

Asian data. The week's calendar is centred on China PMIs, Korea industrial production, and 2Q25 GDP releases in Hong Kong and Taiwan, all due on 31 Jul. China's PMIs will be watched for signs of whether manufacturing and services momentum weakened further in July, while Korea IP should show whether export resilience is feeding through to domestic production. Taiwan GDP will also be relevant for the extent to which AI and semiconductor demand continues to support growth. Globally, the FOMC decision (30 Jul), BoE meeting (30 Jul) and BoJ decision (31 Jul) will be the main drivers of the USD and rates backdrop.

CNH. Fix offers limited directional signal. USDCNH remained broadly rangebound last week, with the daily fix staying tightly clustered around 6.79 and ending Friday little changed from the previous week. While the fixing continued to come in weaker than market estimates, this has been a persistent feature for some time. Instead, the relatively stable fix suggests the PBoC remains comfortable allowing measured two-way moves, without encouraging a sharper RMB appreciation. Broader USD moves, risk sentiments remain important drivers, while China's large external surplus and potential exporter USD selling offered some underlying support. Near-term, USDCNH is likely to trade rangebound, with the daily fix anchoring the pace of moves rather than providing a strong directional cue. USDCNH last seen at 6.7720 levels. Mild bearish momentum on daily chart intact while RSI is flat. 2-way trades likely for now. Support at 6.7660, 6.7540 (recent low in Jul). Resistance at 6.78, 6.7840 (21, 50 DMAs) and 6.80.

USDMYR: Range with slight bias to upside. USDMYR edged modestly higher last week and finished around the 4.09 handle on Friday, with the late-week move largely driven by external factors. Broadening US-Iran tensions (to Bab el-Mandeb chokepoint) and disruptions to regional shipping briefly pushed Brent towards USD102, lifted global yields and revived expectations of a more hawkish Fed, and firmer USD. Friday's new US forced-labour-related tariff on Malaysia also added a fresh layer of trade uncertainty and risk aversion. Political caution ahead of the 1 Aug Negeri Sembilan election may also temper sentiment at the margin. Meanwhile, the week-to-date equity-flow data showed foreign investors had returned as modest net buyers of Malaysian shares, reinforcing the view that the MYR weakness was primarily a broader USD and risk-off story rather than a deterioration in domestic fundamentals. Near term, USDMYR may retain a mild upside bias as USD, UST yields remain bid and tariff uncertainty remain elevated. USDMYR was last at 4.0905 levels. Mild bearish momentum on daily chart faded while RSI rose. Some upside risks remain. Resistance at 4.0980 (23.6% fibo retracement of May low to Jun high), 4.12 levels. Support at 4.0820 (21 DMA), 4.0610 levels (38.2% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1451	164.40	1.3413	0.8240	0.7054	0.5856	1.4190	4172	1.2979	61.97	97.19
Resistance 2	1.1415	164.10	1.3370	0.8207	0.7018	0.5822	1.4141	4112	1.2945	61.90	96.86
Resistance 1	1.1392	163.97	1.3347	0.8194	0.6998	0.5808	1.4119	4083	1.2925	61.87	96.71
Spot	1.1390	163.69	1.3345	0.8168	0.6993	0.5797	1.4088	4086	1.2898	61.85	96.57
Support 1	1.1356	163.67	1.3304	0.8161	0.6962	0.5774	1.4070	4023	1.2891	61.81	96.38
Support 2	1.1343	163.50	1.3284	0.8141	0.6946	0.5754	1.4043	3992	1.2877	61.77	96.20
Support 3	1.1307	163.20	1.3241	0.8108	0.6910	0.5720	1.3994	3932	1.2843	61.71	95.87
Bollinger Band											
Bollinger Upper	1.1464	163.95	1.3506	0.8184	0.7026	0.5888	1.4252	4182	1.2951	61.90	97.03
Bollinger Lower	1.1365	161.07	1.3250	0.8012	0.6893	0.5642	1.4003	3962	1.2889	61.27	94.46

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
27-Jul	16:00	GE	IFO Expectations	Jul		--	84.1
	20:30	US	Durable Goods Orders	Jun P		1.5%	-4.5%
	20:30	US	Durables Ex Transportation	Jun P		0.9%	1.4%
28-Jul	21:00	US	S&P Cotality CS 20-City YoY NSA	May		--	1.1%
	22:00	US	Conf. Board Consumer Confidence	Jul		92.3	91.2
29-Jul	09:30	AU	CPI YoY	Jun		4.1%	4.0%
	09:30	AU	CPI Trimmed Mean YoY	2Q		3.7%	3.5%
	14:00	SW	GDP Indicator WDA YoY	2Q		--	1.6%
30-Jul	02:00	US	FOMC Rate Decision (Upper Bound)			3.75%	3.75%
	15:00	SW	Economic Tendency Survey	Jul		--	101.7
	16:00	GE	GDP WDA YoY	2Q P		--	0.4%
	17:00	EC	Economic Confidence	Jul		--	95.0
	17:00	EC	GDP SA YoY	2Q A		0.5%	0.3%
	19:00	UK	Bank of England Bank Rate	30-Jul		3.75%	3.75%
	20:00	GE	CPI YoY	Jul P		2.6%	2.3%
	20:30	US	Core PCE Price Index YoY	Jun		3.3%	3.4%
	20:30	US	Initial Jobless Claims	25-Jul		205k	187k
	20:30	US	GDP Annualized QoQ	2Q A		2.3%	2.1%
31-Jul	07:30	JN	Tokyo CPI YoY	Jul		1.8%	1.7%
	07:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Jul		2.0%	1.9%
	07:30	JN	Jobless Rate	Jun		2.5%	2.5%
	07:50	JN	Industrial Production YoY	Jun P		3.1%	-2.1%
	09:30	CH	Manufacturing PMI	Jul		49.9	50.3
	17:00	EC	CPI Estimate YoY	Jul P		2.9%	2.8%
	17:00	EC	CPI Core YoY	Jul P		2.4%	2.4%
	20:30	CA	GDP YoY	May		--	1.1%
	20:30	US	Employment Cost Index	2Q		0.8%	0.9%
	22:00	US	U. of Mich. Sentiment	Jul F		54.2	54.4
		JN	BOJ Target Rate	46234		1.00%	1.00%

Source: Bloomberg, OCBC Group Research

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