

FX Weekly

Volatility Awakens

- **Volatility Awakens:** *The USD's advance remains underpinned by hawkish Fed risks, but rising rate volatility is becoming the bigger FX story. Higher US rate volatility and stress in European bond markets are spilling into currencies, hurting carry trades, weighing on EUR, and supporting traditional havens such as CHF.*
- **USD Up, Not Away:** *USD may extend gains if Eurozone bond spreads widen further, but ECB backstops should limit systemic stress. With markets scaling back near-term Fed hike expectations and inflation pressures easing, we expect a moderate rather than runaway USD rally.*
- **Softer US payrolls, wider trade surplus offer some relief for IDR** *while BI/MoF continue to signal support for IDR stability. Elevated US Treasury yields and oil remain key near-term headwinds.*
- **Gold found only brief support from softer US payrolls and ended softer.** *A more sustained pullback in yields and the USD is likely needed for a firmer recovery.*
- *Week ahead focus falls on Philippines, Thailand and Taiwan CPI (6 Oct), the RBI policy decision China's return from the Golden Week break (8 Oct), and Malaysia's Budget 2027 (9 Oct). With the US calendar relatively lighter after payrolls, Fed rhetoric, long-end US Treasury yields and oil prices remain key external drivers for Asian FX.*

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Volatility Awakens: The USD has started 4Q26 on a firm footing, consistent with our view of a stronger USD into year-end. Until recently, FX volatility had remained subdued. Despite hawkish Fed risks and the energy shock, USD gains have been measured rather than disorderly.

One reason is that policy divergence has remained contained. The improvement in global growth momentum has been broad-based rather than exclusively US-driven, preventing a sharp widening in policy expectations across major economies. However, the recent surge in developed market rates volatility is beginning to spill over into FX markets.

First, rising US rate volatility is becoming a growing headwind for risk-sensitive currencies such as the AUD and EM carry trades. Market

swings have likely been amplified by mortgage convexity hedging flows and shifts in Treasury futures' cheapest-to-deliver (CTD) bonds, both of which can magnify moves in long-dated yields during periods of stress. As rate volatility rises, investors typically become less willing to hold high-beta and carry-driven FX positions.

Second, the epicentre of developed market rate volatility shifted to Europe late last week. Widening OAT-Bund spreads and growing concerns over euro area fragmentation have intensified market stress. Pressure on European bank equities and the outperformance of CHF as a regional safe haven suggest that concerns are no longer confined to the French government bond market.

Rising fragmentation fears are tightening financial conditions through higher sovereign borrowing costs and wider risk premia. This raises the risk that the ECB becomes more cautious on further policy tightening as financial stability concerns begin to compete with inflation risks. As a result, EUR has come under renewed pressure, with EURUSD falling to its weakest level since May 2025.

In short, while the USD continues to benefit from relatively resilient US growth and hawkish Fed risks, the bigger story is the transmission of bond market volatility into FX markets. If rate volatility remains elevated, pressure on carry trades, cyclical currencies and EUR is likely to persist, while traditional havens such as CHF and USD should remain supported.

USD Up, Not Away: USD could extend its gains against the EUR if the recent widening in the French-German OAT-Bund spread persists. Wider peripheral spreads tend to tighten Eurozone financial conditions and weigh on EUR sentiment. However, betting on a disorderly sell-off in European bonds remains risky given the ECB's extensive anti-fragmentation toolkit.

The ECB retains powerful tools to limit unwarranted spread widening, including the Transmission Protection Instrument (TPI), which was specifically designed to counter disorderly market dynamics that threaten monetary policy transmission across the Eurozone. While the activation threshold remains high and requires political and economic conditions to be met, the ECB is unlikely to remain passive if market fragmentation intensifies. In the near term, verbal intervention is likely to be the first line of defence should spreads continue to widen.

Our base case remains for a moderate rather than aggressive USD rally into year-end. Markets have sharply reduced expectations of an October Fed rate hike after several Fed officials signalled no urgency to tighten policy further and indicated a preference to assess additional

incoming data before making their next move. Yet markets are still pricing roughly three rate hikes over the coming 12 months.

That tightening path looks overly aggressive. Recent labour market data showed softer job creation and slower wage growth, suggesting the labour market is no longer generating significant inflation pressure. If upcoming inflation data continue to show that underlying price pressures are contained, markets may gradually scale back Fed tightening expectations, limiting further USD upside.

A decline in energy prices could also reduce support for the USD by weakening the US terms-of-trade advantage. However, the oil outlook remains highly uncertain given the unresolved endgame of the US-Iran conflict. While headlines highlighted a 100 million barrel oil and diesel stock release by the G7, much of the announcement appears to be an acceleration or repackaging of previously committed strategic stock releases. More importantly, the package includes a large, front-loaded release of European diesel inventories and an explicit commitment against export restrictions. That significantly lowers the near-term risk of a US diesel export ban and should help ease concerns over a more severe energy supply shock.

The week starts with a relatively light regional calendar, while China remains closed for Golden Week through Wednesday, potentially keeping CNH liquidity and broader regional trading conditions thinner. Attention turns to inflation on Tuesday (6 Oct), with September CPI due in the Philippines, Thailand and Taiwan. The inflation prints are worth closer monitoring after the recent rise in energy prices, particularly where markets are reassessing the regional policy outlook. RBI policy decision is due on Wednesday (7 Oct), with the decision and guidance likely to be important for INR against a backdrop of higher oil prices and still-elevated global yields.

China markets reopen on Thursday (8 Oct), putting the CNY fixing and any catch-up in onshore markets back in focus after the Golden Week holiday. Malaysia then rounds out the week with August industrial production and the tabling of Budget 2027 (9 Oct). Focus will be on the pace of fiscal consolidation, subsidy reforms and any measures that may alter the growth-inflation mix. Outside Asia ex-Japan, the FOMC minutes (7 Oct) is one of the key inputs for the USD and rates, although after the softer payrolls report, incoming Fed communication and moves in long-end yields and oil may matter more for Asian FX than the data calendar alone.

Asian FX may find some near-term relief after the softer US payrolls report took some of the urgency out of further Fed tightening. Payrolls

disappointed, unemployment edged higher and wage growth moderated, prompting markets to pare expectations for an October Fed hike and taking some support away from the USD.

That said, we would be cautious about extrapolating this into a broad-based Asian FX rally. Long-end US yields remain elevated while oil prices are still high, leaving oil-importing Asian FX such as IDR, PHP and THB relatively more exposed. SGD and MYR should remain comparatively resilient, while KRW is likely to stay more sensitive to equity flows and broader risk sentiment. With China still closed for Golden Week, CNH trading may also be more liquidity-driven in the absence of the daily fixing signal. Near term, softer US data can take some pressure off Asian FX, but a more sustained recovery likely requires either US yields and/or oil to come lower.

USDIDR. Room for pullback. IDR may find some near-term relief in the open following softer US payrolls last Fri, while Indonesia's wider-than-expected August trade surplus provides an additional buffer. However, the improvement in the trade balance was partly due to weaker-than-expected imports and may not yet signal a sustained improvement in the external position. The external backdrop remains challenging. Long-end US Treasury yields are still elevated, while Brent recovered to above USD102/bbl after briefly falling below USD100/bbl. Domestically, policymakers continue to signal a focus on IDR stability. BI stressed that the shift towards greater use of derivatives does not represent a reduction in the intensity of its FX stabilisation efforts, while the Ministry of Finance highlighted coordination with BI and the importance of maintaining SBN attractiveness. Near term, there may be room for some IDR recovery, particularly given relatively bearish positioning, but a more sustained move would likely require a clearer moderation in US yields and oil prices.

USDIDR last closed at 17875. Mild bullish momentum shows signs of moderation while RSI fell. Room for retracement. Support at 17820/40 levels (50, 100 DMAs, 23.6% fibo retracement of 2026 low to high), 17760 (21 DMA). Resistance at 17950, 18000 levels.

USDSGD. Consolidation. USDSGD continued to track moves in USD and US Treasury yields closely. Softer payrolls report had initially saw the pair fell but partially retraced losses into NY close. Pair should continue to take cues from USD, US Treasury yields for now with focus gradually shifting to MAS policy decision (no later than 14 Oct). Pair was last at 1.2780 levels. Bullish momentum on daily chart intact while RSI is near overbought conditions. Consolidation likely, as we keep a look out for rallies to fade into. Resistance at 1.2820 (100 DMA), 1.2840 (38.2%

fibo). Support at 1.2740 (61.8% fibo retracement of 2026 low to high), 1.2720 (21 DMA).

Gold. Still waiting for yields to turn. Gold's post-US payrolls rebound faded quickly despite a softer US labour report and a further pullback in October Fed hike expectations. The key issue is that long-end yields did not fall sustainably and the USD stayed firm, limiting follow-through in gold. This reinforces the view that lower Fed hike risk alone may not be enough to drive the next leg higher. The more important catalyst is whether softer US data can pull long-end and real yields lower on a more sustained basis. Elevated oil prices remain a complication by keeping inflation and term premium concerns alive. Near term, gold may remain vulnerable to consolidation if yields stay high, while a clearer decline in yields and the USD would provide a firmer basis for recovery.

Gold last at 4140 levels. Mild bearish momentum on daily chart intact while RSI fell slightly. We continue to watch price action - compression of moving averages typically precedes a breakout trade. And there are some risk of gold trying the downside in the short term. Support at 4110, 4030 and 3944 (previous low). Gold needs to reclaim back above 4280 – 4330 (21, 50, 100 DMAs) to see bearish forces negate. Resistance at 4300/50, 4460 levels.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1382	160.21	1.3374	0.8479	0.7074	0.5729	1.4355	4366	1.2900	63.19	#VALUE!
Resistance 2	1.1318	158.94	1.3300	0.8380	0.7011	0.5672	1.4297	4265	1.2846	62.92	#VALUE!
Resistance 1	1.1286	158.40	1.3271	0.8334	0.6984	0.5644	1.4274	4203	1.2813	62.73	#VALUE!
Spot	1.1259	157.77	1.3247	0.8282	0.6956	0.5618	1.4252	4147	1.2793	62.55	96.31
Support 1	1.1222	157.13	1.3197	0.8235	0.6921	0.5587	1.4216	4102	1.2759	62.46	#VALUE!
Support 2	1.1190	156.40	1.3152	0.8182	0.6885	0.5558	1.4181	4063	1.2738	62.36	#VALUE!
Support 3	1.1126	155.13	1.3078	0.8083	0.6822	0.5501	1.4123	3962	1.2684	62.09	#VALUE!
Bollinger Band											
Bollinger Upper	1.1685	159.74	1.3595	0.8384	0.7249	0.5860	1.4346	4446	1.2846	62.89	96.66
Bollinger Lower	1.1200	153.17	1.3114	0.8086	0.6897	0.5563	1.3742	4101	1.2649	62.45	94.46

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

FX Forecasts

Currency Pair	Current (25 Sep)	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
USD-JPY	157	155	154	153	151	150
EUR-USD	1.14	1.14	1.13	1.13	1.14	1.15
GBP-USD	1.32	1.31	1.30	1.30	1.31	1.31
AUD-USD	0.70	0.71	0.72	0.72	0.72	0.72
NZD-USD	0.57	0.58	0.60	0.62	0.62	0.62
USD-CAD	1.41	1.41	1.42	1.42	1.40	1.37
USD-CHF	0.83	0.82	0.83	0.83	0.82	0.82
DX	100.97	100.8	101.5	101.4	100.4	99.5
USD-SGD	1.2773	1.2700	1.2670	1.2630	1.2610	1.2550
USD-CNY	6.7133	6.6900	6.6700	6.6400	6.6200	6.5900
USD-CNH	6.7227	6.6900	6.6700	6.6400	6.6200	6.5900
USD-THB	33.39	33.00	32.80	32.50	32.20	32.00
USD-IDR	17903	17800	17700	17660	17630	17550
USD-MYR	4.0740	4.0500	4.0300	4.0100	4.0000	3.9800
USD-KRW	1354.07	1360	1340	1320	1300	1290
USD-TWD	31.76	31.60	31.50	31.40	31.30	31.10
USD-HKD	7.84	7.84	7.83	7.82	7.82	7.80
USD-PHP	62.48	62.20	61.80	61.30	61.20	61.00
USD-INR	95.82	95.60	95.30	95.00	94.80	94.60
USD-VND	25974	26000	25900	25800	25800	25600
EUR-JPY	179	177	174	173	172.14	172.50
EUR-GBP	0.86	0.87	0.87	0.87	0.87	0.88
EUR-CHF	0.94	0.94	0.94	0.94	0.94	0.94
EUR-AUD	1.62	1.61	1.57	1.57	1.58	1.60
EUR-NOK	10.83	10.90	11.00	11.10	11.00	11.00
AUD-NZD	1.24	1.22	1.21	1.16	1.17	1.16
EUR-SGD	1.46	1.45	1.43	1.43	1.44	1.44
GBP-SGD	1.69	1.66	1.65	1.64	1.65	1.64
AUD-SGD	0.90	0.90	0.91	0.91	0.91	0.90
NZD-SGD	0.72	0.74	0.75	0.78	0.78	0.78
CAD-SGD	0.90	0.90	0.89	0.89	0.90	0.92
CHF-SGD	1.54	1.54	1.52	1.52	1.53	1.54
JPY-SGD	0.81	0.82	0.82	0.83	0.84	0.84
SGD-MYR	3.19	3.19	3.18	3.17	3.17	3.17
SGD-CNY	5.26	5.27	5.26	5.26	5.250	5.251
SGD-IDR	14014	14016	13970	13983	13981	13984
SGD-THB	26.14	25.98	25.89	25.73	25.54	25.50
SGD-PHP	48.89	48.98	48.78	48.54	48.53	48.61
SGD-VND	20334	20472	20442	20428	20460	20398
SGD-CNH	5.26	5.27	5.26	5.26	5.25	5.25
SGD-TWD	24.85	24.88	24.86	24.86	24.82	24.78
SGD-KRW	1060	1071	1058	1045	1031	1028
SGD-HKD	6.14	6.17	6.18	6.19	6.20	6.22
SGD-JPY	123	122	122	121	120	120
Gold \$/oz	4285	4600	4720	4850	4960	5050
Silver \$/oz	64	70	72	73	75	78
Platinum \$/oz	1782	1952	2002	2058	2104	2118
Palladium \$/oz	1271	1490	1529	1571	1606	1617
ICE Brent \$/bbl	104	85	83	81	78	75
NYMEX WTI \$/bbl	92	81	79	77	74	71
Aluminium \$/mt	3268	3,050	3,075	3,100	3,100	3,100
Copper \$/mt	14623	13,000	13,100	13,300	13,300	13,300

Source: OCBC Group Research (Latest Forecast Update: 25 September 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 (25 Sep)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.14	1.14	1.13	1.14
GBPUSD	1.32	1.31	1.30	1.31
USDJPY	157	155	154	151
USDCHF	0.83	0.82	0.83	0.82
AUDUSD	0.70	0.71	0.72	0.72
NZDUSD	0.57	0.58	0.60	0.62
USDCAD	1.41	1.41	1.42	1.40
EURNOK	10.83	10.90	11.00	11.00
Forecast for Asian Currencies				
USDCNY	6.71	6.69	6.67	6.62
USDIDR	17903	17800	17700	17630
USDINR	95.82	95.60	95.30	94.80
USDKRW	1354	1360	1340	1300
USDMYR	4.07	4.05	4.03	4.00
USDPHP	62.48	62.20	61.80	61.20
USDSGD	1.28	1.27	1.27	1.26
USDTHB	33.39	33.00	32.80	32.20
USDTWD	31.76	31.60	31.50	31.30
Forecast for Precious Metals				
Gold \$/oz	4285	4600	4720	4960
Silver \$/oz	64.30	70	72	75
Platinum \$/oz	1782	1952	2002	2104
Palladium \$/oz	1271	1490	1529	1606
Forecast for Crude Oil				
NYMEX WTI \$/bbl	92.4	81.0	79.0	74
ICE Brent \$/bbl	104.3	85.0	83.0	78

Source: OCBC Group Research (Latest Forecast Update: 25 September 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

	3M	6M	12M
Forecasts for US interest rates			
Fed Funds Rate	4.25	4.25	4.25
SOFR	4.15	4.15	4.15
2-Year US Treasury	4.75	4.65	4.45
5-Year US Treasury	4.85	4.75	4.55
10-Year US Treasury	5.05	4.95	4.80
30-Year US Treasury	5.40	5.40	5.30
Forecast for US SOFR swap rates			
2-Year Rate	4.65	4.55	4.35
5-Year Rate	4.65	4.55	4.35
10-Year Rate	4.70	4.60	4.40
30-Year Rate	4.75	4.70	4.55

Source: OCBC Group Research

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
05-Oct	22:00	US	ISM Services Index	Sep		55.2	55.4
06-Oct	14:00	GE	Factory Orders WDA YoY	Aug		--	13.1%
	17:00	EC	Retail Sales YoY	Aug		--	0.6%
07-Oct	07:30	JN	Labor Cash Earnings YoY	Aug		3.8%	4.7%
	12:30	IN	RBI Repurchase rate			5.50%	5.25%
	14:00	SW	CPIF YoY	Sep P		--	0.7%
	14:00	SW	CPIF Excl. Energy YoY	Sep P		--	0.5%
	14:00	GE	Industrial Production WDA YoY	Aug		--	-1.6%
08-Oct	02:00	US	FOMC Meeting Minutes	46281		--	--
	20:30	US	Initial Jobless Claims	3-Oct		--	197k
09-Oct	14:00	NO	CPI Underlying YoY	Sep		--	3.0%
	14:00	SW	GDP Indicator WDA YoY	Aug		--	2.5%
	14:00	NO	CPI YoY	Sep		--	3.3%
	20:30	CA	Net Change in Employment	Sep		9.2k	-41.7k
	20:30	CA	Unemployment Rate	Sep		6.5%	6.4%
	22:00	US	U. of Mich. Sentiment	Oct P		48.0	48.1

Source: Bloomberg, OCBC Group Research

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