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FX Weekly

Hawkish Repricing, Limited USD Follow-Through

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- ***Firmer core CPI and a near-90% probability of a September Fed hike*** *failed to generate sustained USD upside. The hurdle for further gains looks higher; focus shifts to whether the Fed can steer expectations towards additional tightening beyond September.*

- ***Brent's pullback on Friday offered some relief, but weekend attacks*** *on Saudi energy infrastructure and shipping have put supply risks firmly back in focus. Renewed oil upside would revive inflation/rates concerns and weigh disproportionately on energy-importing AXJs.*

- ***Higher US rates and oil risks may keep parts of AXJ under pressure,*** *particularly INR, THB and PHP. Some offset could come from the softer USD reaction if the Fed does not turn materially more hawkish.*

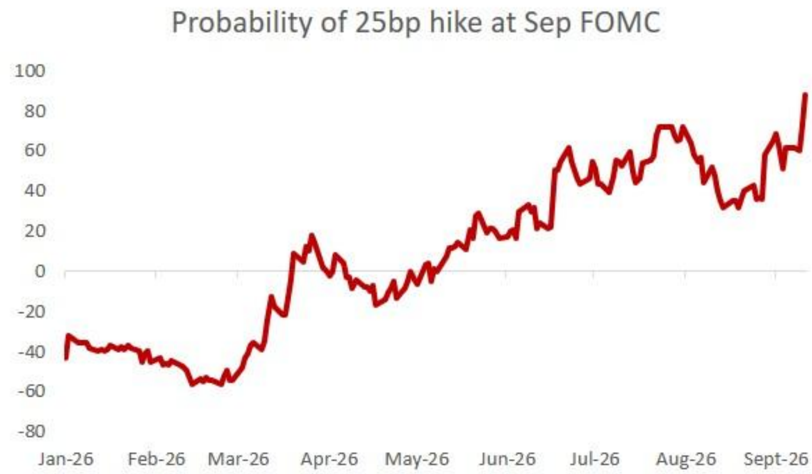
- ***JPY remains supported by expectations for BOJ normalisation,*** *though positioning is less one-sided after the recent shift. Further gains may require the BOJ to validate expectations for continued tightening.*

USD. Struggled to hold on to CPI gains. USD initially rose alongside UST yields after US CPI, but gains faded into the NY close. The lack of follow-through was notable given that the data were firm enough to push markets closer to fully pricing a September Fed hike.

Headline CPI rose 0.4% m/m in August, while core CPI increased 0.3% m/m, a touch above consensus. But the core strength was fairly concentrated. Mobile-phone costs, airfares and hotel prices were among the stronger components, while shelter inflation remained relatively contained and healthcare costs eased. The mix was firmer but hardly pointed to a broad-based reacceleration in underlying inflation.

Still, together with the earlier PPI print and resilient labour data, CPI added to expectations for another Fed move. Markets lifted the probability of a 25bp September hike towards 90%, from around 70% before the release.

Markets move closer to pricing in a 25bp hike at Sep FOMC



Source: Bloomberg, OCBC Group Research

Yet the USD struggled to capitalise on what, on the surface, was a supportive combination of firmer core CPI, higher front-end yields and a substantial increase in Fed hike expectations.

DXY failed to hold on to CPI gains

Source: Bloomberg, OCBC Group Research

Part of the explanation was in rates. Front-end yields moved higher and the 10Y briefly tested 5%, but the move did not hold, with the 10Y subsequently easing. Oil also pulled back, with Brent falling around 3% on Friday after the sharp rise earlier in the week. That took some pressure off the inflation-rates channel that had supported USD. Risk sentiment improved as well, while JPY remained supported by expectations for further BOJ normalisation.

Positioning may also have capped the move. Long USD positioning is around a two-year high and, after the recent rise in UST yields and recovery in USD, there was probably less appetite to add fresh dollar longs into the weekend.

More broadly, the muted reaction is becoming a recurring feature. Strong payrolls the week before failed to deliver sustained USD upside. Last week, stronger-than-expected PPI gave USD a lift, but that too faded. Now, firmer CPI and a near-90% probability of a September hike have again generated relatively little follow-through.

Recent price action reinforces an increasingly important theme that positive US macro surprises are still lifting yields and Fed expectations, but USD is getting less mileage from the same impulse. This leaves the Fed as the key test this week. A 25bp hike is now largely reflected in market pricing; the bigger FX question is whether the Fed validates expectations for further tightening beyond September. If Chair Warsh delivers the hike but retains a data-dependent, meeting-by-meeting approach, USD may again struggle to extract much upside. A clearer signal that the Fed is prepared to tighten again in October or December would be needed to reinvigorate the rates channel more decisively.

Oil remains an important wildcard. Another renewed surge would lift inflation concerns and yields, but the FX transmission may be less straightforward if higher energy costs start to weigh more heavily on growth and risk sentiment.

DXY last at 99.1 levels. Daily momentum is not showing a clear bias while RSI rose slightly. 2-way risks likely to persist. Resistance at 99.30/40 levels (21DMA, 38.2% fibo), 99.77 (100 DMA). Support at 98.60/70 levels (50% fibo retracement of 2026 low to high), 98 (61.8% fibo).

DXY (daily chart): Still in a holding pattern

Source: Bloomberg, OCBC Group Research

Gold. Await FOMC. Gold rebounded after US CPI, even as the data reinforced expectations for a Fed hike this week. The move came as 10y UST yields eased back from near-5% highs, while oil prices also retreated from earlier peaks, helping to temper some of the inflation pressure that had weighed on bullion. Dip-buying and broader investor participation provided additional support. This is broadly consistent with our *Precious Metals Tracker: CPI Hurdle, FOMC Ahead 11 Sep* that elevated real yields remain the key near-term hurdle, but stronger investment demand, central-bank buying and fiscal-credibility/dollar-diversification concerns continue to provide an underlying cushion. We retain a constructive medium-term bias, with upcoming FOMC now the key test for whether the recovery can extend or the rates headwind reasserts itself.

Gold was last at 4350 levels. Bearish momentum on daily chart intact while RSI was flat. Sideways trading likely to persist until we get a clearer catalyst. Resistance at 4460 (21 DMA), 4540 (200 DMA) and 4700 (recent high). Support at 4270 (50 DMA), 4000 levels.

Gold (daily chart): Nearing key support levels

Source: Bloomberg, OCBC Group Research

Oil risks have picked up again over the weekend. Saudi Arabia temporarily shut its East-West pipeline after a drone attack, affecting a key alternative export route while traffic through the Strait of Hormuz remains heavily disrupted. At the same time, developments around Bab el-Mandeb have raised concerns over another major shipping chokepoint, while reports of a vessel being struck in the Strait of Hormuz added to the unease.

This raises the risk that Friday's retreat in Brent from close to US$110/bbl may not extend much further. Markets will be watching how quickly Saudi pipeline operations resume and whether attacks on shipping and energy infrastructure broaden. A renewed move higher in oil would complicate the inflation backdrop, keep yields supported and weigh on risk sentiment. On the other hand, a quick restoration of flows or signs of de-escalation could see some of the geopolitical premium fade. For now, the balance of risks for oil still looks tilted higher.

AXJ FX may stay on the defensive as elevated UST yields and renewed upside risks to oil keep the external backdrop challenging. With a September Fed hike increasingly priced, the bigger risk for the region is whether markets extend the rates repricing beyond the upcoming meeting. At the same time, weekend developments leave open the risk of another leg higher in crude, which could add pressure on the region's energy importers.

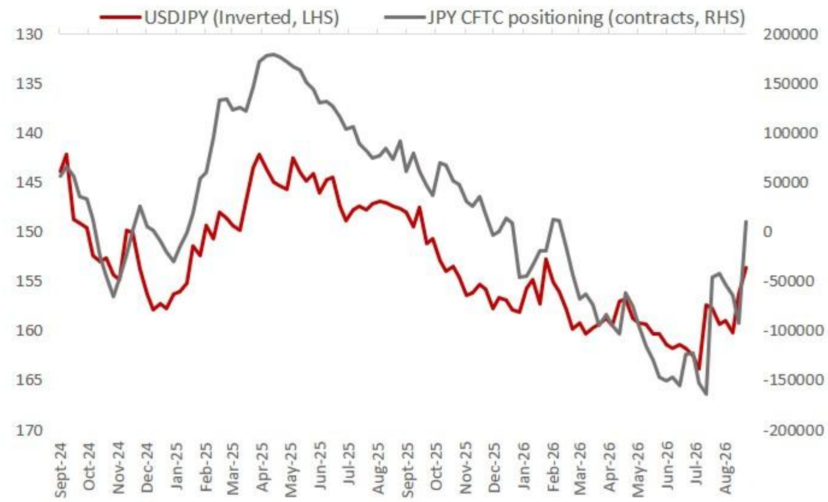
We remain cautious on AXJs that are more sensitive to the combination of US rates, oil and portfolio flows. INR looks particularly exposed, while PHP may also stay under pressure given its sensitivity to higher energy costs and already-fragile sentiment. THB could likewise struggle if oil re-accelerates, even if broader USD momentum remains contained.

Near-term AXJ performance is therefore likely to remain differentiated rather than uniformly weak. AXJs with stronger domestic buffers may prove more resilient, but for the more externally exposed FX, the hurdle for a sustained recovery remains high until US rates and oil show clearer signs of stabilising.

Week's AXJ data calendar is centred on China August activity data, India CPI and CBC policy decision. China activity data (15 Sep) should show whether the rebound in PMIs and stronger exports is starting to feed through to production, or if weak investment and consumption remain the bigger drag. CBC policy decision (17 Sep) should draw attention after Taiwan's growth upgrade and resilient tech/export cycle, though softer inflation and slower money growth give policymakers room to stay on hold. Malaysia CPI (18 Sep) is also due but is likely to be more of a regional inflation marker unless the surprise is material. Globally, the FOMC decision (16 Sep), US retail sales and BoJ meeting will dominate the USD and rates backdrop, with Fed guidance likely to matter more for AXJ FX than most regional data.

USDJPY. Near recent lows. JPY extended gains on Friday, with USDJPY lower despite firmer Fed hike pricing and higher UST front-end yields after CPI. That divergence is worth noting, as the rates differential backdrop would normally have been supportive of USDJPY. Instead, BOJ expectations continued to dominate, with markets largely positioned for a 25bp hike later this week. CFTC data also showed speculative positioning flipping net long JPY for the first time since February.

JPY position turned net long



Source: Bloomberg, OCBC Group Research

BOJ MPC in focus (Fri). With a hike largely in the price, the bigger focus is on Governor Ueda's guidance and whether the BOJ keeps the door open to further normalisation. Further downside in USDJPY may require the BOJ to sound sufficiently hawkish on the path ahead, flows to return and for the broader USD, UST yields to turn lower.

USDJPY last seen at 153.60 levels. Daily momentum is bearish while RSI is near oversold conditions. Support at 153, 152.20 levels (2026 low). Resistance at 155 (23.6% fibo retracement of 2026 low to high), 156.70 (38.2% fibo).

USDSGD: Range. SGD held up well after US CPI. USDSGD briefly traded higher alongside the initial rise in UST yields and Fed hike pricing, but gains were not sustained and the pair subsequently reversed lower into the NY close. The price action reinforces our view that SGD remains relatively resilient, even as the external rates backdrop has turned less favourable. Near term, USDSGD may still trade two-way leading to FOMC, particularly if UST yields stay elevated. But absent a more persistent USD rebound, we continue to see limited upside in the pair. Pair last at 1.2675 levels. Daily momentum is not showing a clear bias while rise in RSI moderated. Resistance at 1.2680 (76.4% fibo retracement of 2026 low to high), 1.2710 (21 DMA). Support at 1.2630 (recent low), 1.2590 (2026 low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1693	156.58	1.3620	0.8247	0.7245	0.5895	1.3975	4566	1.2741	62.89	96.16
Resistance 2	1.1644	155.20	1.3567	0.8200	0.7207	0.5855	1.3918	4457	1.2708	62.80	95.89
Resistance 1	1.1622	154.41	1.3545	0.8183	0.7188	0.5835	1.3894	4403	1.2689	62.75	95.72
Spot	1.1599	153.61	1.3524	0.8166	0.7170	0.5815	1.3871	4349	1.2670	62.70	95.56
Support 1	1.1573	153.03	1.3492	0.8136	0.7150	0.5795	1.3837	4294	1.2656	62.66	95.45
Support 2	1.1546	152.44	1.3461	0.8106	0.7131	0.5775	1.3804	4240	1.2642	62.62	95.35
Support 3	1.1497	151.06	1.3408	0.8059	0.7093	0.5735	1.3747	4131	1.2609	62.53	95.08
Bollinger Band											
Bollinger Upper	1.1696	162.39	1.3657	0.8175	0.7238	0.6001	1.3919	4676	1.2776	63.02	96.13
Bollinger Lower	1.1559	152.91	1.3465	0.7978	0.7093	0.5798	1.3760	4246	1.2629	61.16	94.42

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

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
14-Sept	14:00	SW	CPI YoY	Aug F	--	--	0.30%
	20:30	CA	CPI YoY	Aug	3.00%	--	3.00%
15-Sept	10:00	CH	Retail Sales YoY	Aug	0.80%	--	0.60%
	10:00	CH	Industrial Production YoY	Aug	4.80%	--	4.50%
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Aug	-7.20%	--	-6.70%
	14:00	UK	ILO Unemployment Rate 3Mths	Jul	5.00%	--	4.90%
	17:00	GE	ZEW Survey Expectations	Sep	40.2	--	34.2
16-Sept	14:00	UK	CPI YoY	Aug	3.00%	--	2.90%
	14:00	SW	Unemployment Rate	Aug	--	--	7.80%
	14:00	UK	PPI Input NSA YoY	Aug	--	--	4.90%
	20:30	US	Retail Sales Advance MoM	Aug	0.90%	--	-0.60%
17-Sept	2:00	US	FOMC Rate Decision (Upper Bound)	16-Sept	3.75%	--	3.75%
	4:00	US	Total Net TIC Flows	Jul	--	--	$133.5b
	6:45	NZ	GDP YoY	2Q	2.20%	--	1.50%
	17:00	EC	CPI YoY	Aug F	3.30%	--	3.30%
	19:00	UK	Bank of England Bank Rate	17-Sept	3.75%	--	3.75%
	20:30	US	Initial Jobless Claims	12-Sept	--	--	206k
	20:30	US	Housing Starts	Aug	1315k	--	1239k
	20:30	US	Building Permits	Aug P	1410k	--	1433k
18-Sept	7:30	JN	Natl CPI YoY	Aug	2.00%	--	1.90%
	14:00	GE	PPI YoY	Aug	3.80%	--	3.00%
	14:00	UK	Retail Sales Inc Auto Fuel YoY	Aug	--	--	1.60%
	21:15	US	Industrial Production MoM	Aug	0.30%	--	0.20%
		JN	BOJ Target Rate	18-Sept	1.25%	--	1.00%

Source: Bloomberg, OCBC Group Research

FX Forecasts

Currency Pair	Current (31 Aug)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
USD-JPY	160	160	160	161	161	159
EUR-USD	1.16	1.15	1.14	1.13	1.13	1.14
GBP-USD	1.35	1.34	1.31	1.30	1.30	1.31
AUD-USD	0.72	0.73	0.73	0.72	0.72	0.72
NZD-USD	0.60	0.60	0.61	0.62	0.62	0.62
USD-CAD	1.39	1.39	1.39	1.40	1.40	1.39
USD-CHF	0.81	0.82	0.82	0.83	0.83	0.82
DXY	99.7	100.3	101.1	101.9	101.9	100.8
USD-SGD	1.2740	1.2710	1.2650	1.2620	1.2580	1.2560
USD-CNY	6.7300	6.7200	6.6900	6.6700	6.6400	6.6200
USD-CNH	6.7300	6.7200	6.6900	6.6700	6.6400	6.6200
USD-THB	32.90	33.20	32.70	32.50	32.40	32.20
USD-IDR	17692	17820	17720	17620	17580	17550
USD-MYR	4.0200	4.0400	4.0200	4.0000	3.9800	3.9600
USD-KRW	1375	1375	1360	1340	1320	1300
USD-TWD	31.60	31.80	31.60	31.50	31.40	31.30
USD-HKD	7.84	7.84	7.84	7.83	7.82	7.82
USD-PHP	62.30	62.60	62.20	61.80	61.30	61.20
USD-INR	95.40	95.20	94.80	94.50	94.20	94.00
USD-VND	26078	26100	26000	25900	25800	25800
EUR-JPY	185	184	182	182	182	181.26
EUR-GBP	0.86	0.86	0.87	0.87	0.87	0.87
EUR-CHF	0.94	0.94	0.94	0.94	0.94	0.94
EUR-AUD	1.62	1.58	1.56	1.57	1.57	1.58
EUR-NOK	10.86	11.00	11.10	11.10	11.10	11.00
AUD-NZD	1.21	1.21	1.19	1.17	1.16	1.16
EUR-SGD	1.48	1.46	1.44	1.43	1.42	1.43
GBP-SGD	1.70	1.70	1.66	1.64	1.63	1.65
AUD-SGD	0.91	0.93	0.92	0.91	0.91	0.90
NZD-SGD	0.75	0.77	0.78	0.78	0.78	0.78
CAD-SGD	0.92	0.91	0.91	0.90	0.90	0.90
CHF-SGD	1.58	1.55	1.53	1.52	1.51	1.52
JPY-SGD	0.80	0.79	0.79	0.78	0.78	0.79
SGD-MYR	3.17	3.18	3.18	3.17	3.16	3.15
SGD-CNY	5.28	5.29	5.29	5.29	5.278	5.29
SGD-IDR	13924	14020	14008	13962	13975	13973
SGD-THB	26.00	26.12	25.85	25.75	25.76	25.64
SGD-PHP	49.01	49.25	49.17	48.97	48.73	48.73
SGD-VND	20460	20535	20553	20523	20509	20541
SGD-CNH	5.28	5.29	5.29	5.29	5.28	5.27
SGD-TWD	24.79	25.02	24.98	24.96	24.96	24.92
SGD-KRW	1080	1082	1075	1062	1049	1035
SGD-HKD	6.10	6.17	6.20	6.20	6.22	6.23
SGD-JPY	126	126	126	128	128	127
Gold $/oz	4455	4400	4600	4720	4850	4960
Silver $/oz	66.38	66.67	69.70	71.52	73.48	75.15
Platinum $/oz	1824	1867	1952	2002	2058	2104
Palladium $/oz	1425	1425	1490	1529	1571	1606
ICE Brent $/bbl	88	85	80	78	76	74
NYMEX WTI $/bbl	83	81	76	74	72	70
Aluminium $/mt	3242	3,150	3,050	3,075	3,100	3,100
Copper $/mt	14294	13,000	13,000	13,100	13,300	13,300

Source: OCBC Group Research (Latest Forecast Update: 31 August 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 (31 Aug)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.16	1.14	1.13	1.14
GBPUSD	1.35	1.32	1.30	1.31
USDJPY	160	160	161	160
USDCHF	0.81	0.82	0.83	0.83
AUDUSD	0.72	0.73	0.72	0.72
NZDUSD	0.60	0.61	0.61	0.62
USDCAD	1.39	1.39	1.40	1.39
EURNOK	10.86	11.07	11.10	11.03
Forecast for Asian Currencies				
USDCNY	6.73	6.70	6.68	6.63
USDIDR	17692	17753	17653	17560
USDINR	95.40	94.93	94.60	94.07
USDKRW	1375	1365	1347	1307
USDMYR	4.02	4.03	4.01	3.97
USDPHP	62.30	62.33	61.93	61.23
USDSGD	1.27	1.27	1.26	1.26
USDTHB	32.90	32.87	32.57	32.27
USDTWD	31.60	31.67	31.53	31.33
Forecast for Precious Metals				
Gold $/oz	4455	4533	4680	4923
Silver $/oz	66.38	68.80	70.91	74.60
Platinum $/oz	1824	1923	1985	2089
Palladium $/oz	1425	1468	1516	1594
Forecast for Crude Oil				
NYMEX WTI $/bbl	83	77.7	74.7	70.7
ICE Brent $/bbl	88	81.7	78.7	74.7

Source: OCBC Group Research (Latest Forecast Update: 31 August 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	3.75	3.75	3.75
2-Year US Treasury	4.20	4.05	4.00
5-Year US Treasury	4.30	4.20	4.15
10-Year US Treasury	4.65	4.55	4.45
30-Year US Treasury	5.20	5.15	5.15
Forecast for US SOFR swap rates			
2-Year Rate	4.05	4.00	3.85
5-Year Rate	4.10	4.05	3.90
10-Year Rate	4.25	4.20	4.05
30-Year Rate	4.45	4.45	4.30

Source: OCBC Group Research

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