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FX Focus

Oil Resets USD

- *Oil's surge has derailed expectations of a softer USD. Energy-driven terms-of-trade shifts, safe-haven demand, and diverging global policy risks now point to near-term USD resilience, with any meaningful decline hinging on lower oil prices later in 2026.*
- *Rising oil and persistent geopolitics keep Asia FX under pressure near term. Weaker KRW, THB, PHP and TWD expected, while RMB and SGD remain more policy-anchored. USD/Asia still seen easing once global risks fade.*
- *Rising energy prices and fading Fed cut expectations strengthen real yields and the USD, pressuring gold. Near-term gains may stay capped, though medium-term structural support remains.*

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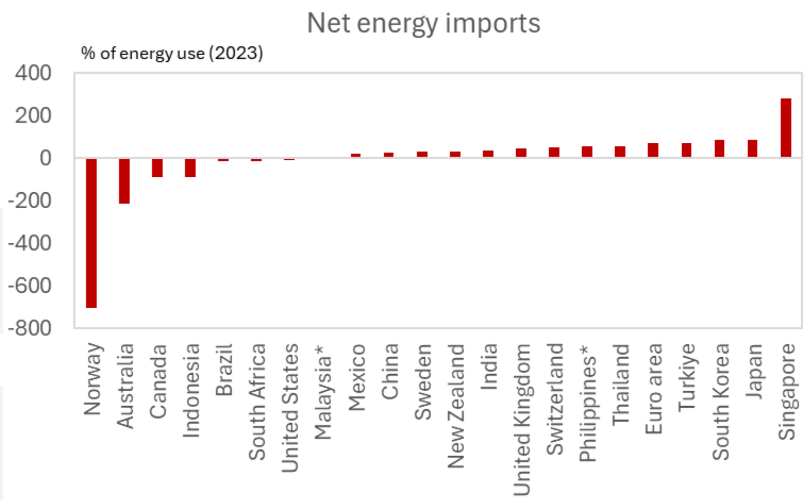
G10 FX: Oil Resets USD

We started the year expecting a mildly softer USD, supported by US policy uncertainty, improving non-US growth prospects, and an overvalued USD. That view has been disrupted by the sharp rise in oil prices, which has reinforced USD strength. We have raised our Brent forecasts, looking for prices to hover near USD100/bbl through mid-year before easing toward USD70/bbl by early 2027. (See *Commodity Compass: Oil Tensions Intensify*, 17 March 2026.)

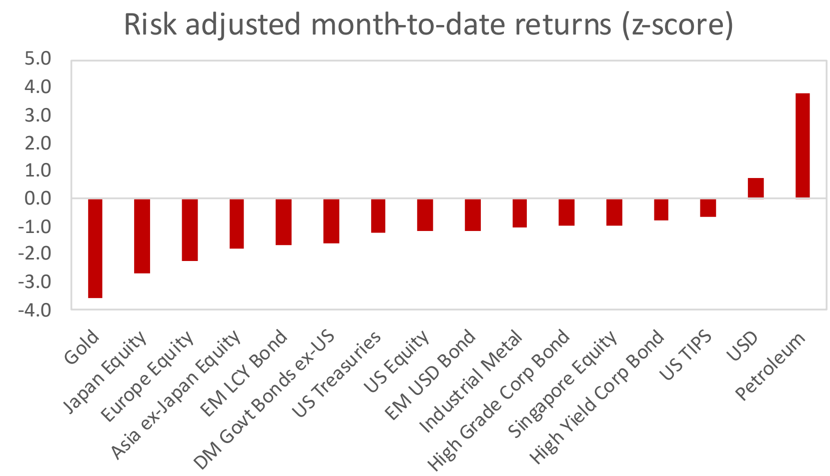
Rising oil price drives a growing divide between energy exporters and importers



*Note: Negative numbers refer to net energy exporter. * refers to 2022 data*
Source: World Bank, OCBC Group Research

The renewed spike in energy costs has re-opened the divide between exporters and importers. The USD, along with AUD, NOK, and CAD, has enjoyed the strongest terms-of-trade gain since the Iran conflict began, while Asia and the euro area — as net energy importers — have seen the steepest deterioration. If energy shocks persist and stagflation risks grow, the USD should stay supported by safe-haven flows and its restored value as a portfolio hedge, especially with equity-bond diversification breaking down.

USD has become more valuable as a portfolio hedge as energy shock erodes stock–bond diversification benefits



Note: Data as of 19 March 2026
Source: Bloomberg, OCBC Group Research

Uniform hawkish repricing across G10 central banks has helped suppress currency volatility. But as growth risks rise, central bank priorities may shift from inflation control to recession management. Differing policy paths could increasingly shape relative FX performance and lift volatility.

We have adjusted our currency forecasts to reflect a stronger near-term USD. A softer USD is still possible later this year, but only if oil prices fall as expected in the second half. Even then, solid US growth limits the scope for any sharper USD decline. A more durable USD rebound would require a clear acceleration in US growth — still absent for now — although early signs of labour-market stabilisation could support a recovery into 2027.

Asia FX: (Nearly) All About Oil

We revise our near-term Asia FX outlook to reflect the upward shift in oil prices and the increased likelihood that geopolitical tensions persist for longer than initially expected. While part of the depreciation in Asia

FX has already played out, a sustained period of elevated crude prices could continue to weigh on regional currencies through a combination of higher energy import costs, firmer USD and softer risk sentiment. As such, we still see risks skewed toward more measured weakness in Asian FX over the next 1–3 months, particularly for currencies with greater sensitivity to oil prices and global risk dynamics. Notably, we projected more downward revision for KRW, THB, PHP and TWD.

We calibrated RMB forecasts stronger over the forecast horizon, given that policymakers' intent for measured pace of appreciation remains intact (as observed via the daily fix). In fact, our earlier study (*FX Focus: Oil shock and AXJ FX: Framing the impact of escalation*, 6 March) on FX sensitivity to oil and sentiment shows that RMB displayed a slightly different profile compared with many regional peers, and this likely reflects the more managed nature of the exchange rate regime, where policy guidance can dampen volatility.

We kept MYR forecasts largely unchanged, still expecting USDMYR at 3.83 end-year. This is also supported by our earlier study. Malaysia's position as a net commodity exporter means that higher oil prices can potentially also support the broader commodity complex and improve terms of trade. This can provide some offset to MYR during periods of oil-driven market stress, even though the currency may still soften in broader risk-off environments given its exposure to global sentiment, USD strength and portfolio flows.

On SGD, we revised the forecasts somewhat weaker due to its high beta with moves in USD. But we kept the revision more modest on expectations that the Monetary Authority of Singapore (MAS) may potentially move to tighten policy earlier rather than later. Our model shows a strengthening in the S$NEER rising from 1.6% above model-implied mid (in early-March) to about 1.9%, reflecting expectations of a tighter policy stance. Our observation is that MAS can adjust policy when oil prices move sharply as the path of inflation can be affected. Judging from past history, we believe all options are on the table, including the steeping of the slope, re-centering the policy band higher, widening the band or even a combination of levers to front-load tightening if imported inflation pressures begin to broaden or influence inflation expectations significantly.

We also calibrated IDR forecasts weaker, considering exogenous factors including higher oil prices, USD and softer risk sentiment. That said, regional policymakers including Bank Indonesia (BI) have been quick to reassure markets and signal readiness to stabilise conditions. This can partially help to mitigate pressure on IDR. Earlier, senior deputy Governor Destry Damayanti communicated in a statement that BI will continue to be present in the market to maintain exchange rate stability and mitigate the spillover from the escalating Middle East conflict. BI announced FX market transaction measures, targeted to support IDR. These include lowering the FX cash purchase limit to USD50,000 (from USD100,000) per buyer per month (any higher than the USD50,000 would require supporting documentation), raising DNDF/forward (sell and swap B/S) transaction limits to USD10mn (from USD5mn), and adjusted the threshold for supporting documents for outgoing FX fund transfers to USD50,000 (from USD100,000). These will take effect in April and appears targeted at reducing non-essential USD demand while facilitating hedging activity. Potentially these can help to reduce pressure on spot market and improving onshore USD liquidity conditions.

Despite the revisions to Asian FX forecasts, we maintained a downward sloping trajectory for most USD/Asia forecast as we do not see any structural shift in the FX outlook. Our base case remains that Asian FX would stabilise and gradually recover thereafter, premised on a fade in geopolitical tensions, a resumption of the Fed easing cycle, and a corresponding moderation in USD strength. That said, geopolitical risks remain fluid. A swift de-escalation could see recovery come earlier, while further escalation and prolonged supply disruptions could risk a deeper selloff.

Precious metals: Downward forecast revision

Gold: We revised our forecast for gold prices lower as macro headwinds build. The recent rally in energy prices amid escalation in geopolitical tensions in Iran risks keeping inflation pressures elevated, which has already reduced the market expectations of Fed easing. This may keep real yields and the USD supported for longer, which can be a less favourable backdrop for gold. At the same time, gold may also be vulnerable to bouts of liquidation during periods of market stress as geopolitical uncertainties persist (See *Precious Metals Thoughts: Gold – Near terms risks vs medium-term support*, 13 March). Hence, the shift in macro environment suggests near-term price action could remain capped and warrant a downward revision in forecast levels. Nevertheless, we maintain a mild upward trajectory in forecasts as broader structural drivers remain intact.

Silver: We also see scope to revise our silver outlook modestly lower. While silver continues to benefit from structural demand linked to industrial uses, particularly in solar and electrification, its higher beta to macro conditions leaves it more exposed to shifts in USD strength and broader risk sentiments. The geopolitical shifts and recent repricing of Fed expectations may weigh more noticeably on silver relative to gold, especially given signs of softer momentum and positioning adjustment. In addition, any moderation in global growth expectations could dampen industrial demand at the margin. As such, while the medium-term fundamentals remain constructive, near-term risks for silver appear tilted to the downside.

PGMs: The near-term outlook for platinum and palladium appears more nuanced. While persistent supply side constraints, particularly in platinum continue to offer support after the sharp 2025 rally, demand signals remain mixed against a softer global growth backdrop and ongoing structural shifts in the auto sector. Palladium still faces headwinds from ongoing substitution towards platinum and the longer-term transition away from internal combustion engines, even as episodes of cyclical tightness have supported prices in recent quarters. The recent escalation of conflict involving Iran has added another layer of geopolitical risk, pushing oil prices higher and risk stoking recession fears, which in turn weigh on the more cyclical components of PGM demand even as bouts of risk aversion periodically underpin prices as part of the broader precious metals space. At the same time, the pullback from early 2026 highs and lingering sensitivity to sentiment shifts, USD and liquidity conditions suggest investor participation could turn more selective across the complex. As such, after the spike in early-2026, price action in PGMs is likely to be characterised by two-way risks, rather than a clear directional trend in the very near term.

FX Forecasts

Currency Pair	Current (19 Mar)	1Q26	2Q26	3Q26	4Q26	1Q27
USD-JPY	158	159	158	156	155	154
EUR-USD	1.16	1.14	1.16	1.19	1.19	1.18
GBP-USD	1.34	1.33	1.33	1.35	1.34	1.36
AUD-USD	0.71	0.71	0.73	0.75	0.75	0.75
NZD-USD	0.59	0.59	0.60	0.61	0.61	0.61
USD-CAD	1.37	1.37	1.36	1.35	1.35	1.34
USD-CHF	0.79	0.80	0.79	0.78	0.78	0.79
DXY	99.2	100.5	99.2	97.1	97.2	97.4
USD-SGD	1.28	1.28	1.27	1.27	1.26	1.26
USD-CNY	6.89	6.88	6.84	6.82	6.80	6.78
USD-CNH	6.88	6.88	6.84	6.82	6.80	6.78
USD-THB	32.79	32.50	32.20	32.00	31.80	31.80
USD-IDR	16985	16950	16890	16890	16830	16800
USD-MYR	3.94	3.90	3.86	3.85	3.83	3.81
USD-KRW	1495	1480	1460	1455	1440	1425
USD-TWD	31.97	31.80	31.70	31.60	31.50	31.00
USD-HKD	7.83	7.83	7.82	7.80	7.78	7.78
USD-PHP	60.09	59.50	59.20	58.60	58.40	58.20
USD-INR	92.64	92.60	92.90	93.40	93.90	94.30
USD-VND	26290	26100	26000	26000	25800	25800
EUR-JPY	183	181	183	186	184	182
EUR-GBP	0.86	0.86	0.87	0.88	0.89	0.87
EUR-CHF	0.91	0.91	0.92	0.93	0.93	0.93
EUR-AUD	1.64	1.61	1.59	1.59	1.59	1.57
EUR-NOK	10.99	10.90	10.80	10.90	11.00	11.10
AUD-NZD	1.21	1.21	1.22	1.23	1.22	1.22
EUR-SGD	1.48	1.45	1.47	1.51	1.50	1.48
GBP-SGD	1.72	1.69	1.69	1.71	1.69	1.71
AUD-SGD	0.91	0.91	0.93	0.95	0.95	0.94
NZD-SGD	0.75	0.75	0.76	0.77	0.78	0.77
CHF-SGD	1.62	1.60	1.60	1.62	1.61	1.60
CAD-SGD	0.93	0.93	0.93	0.94	0.94	0.94
JPY-SGD	0.81	0.80	0.80	0.81	0.81	0.82
SGD-MYR	3.07	3.06	3.04	3.04	3.04	3.03
SGD-CNY	5.39	5.39	5.39	5.39	5.39	5.39
SGD-IDR	13235	13284	13299	13352	13347	13355
SGD-THB	25.42	25.47	25.35	25.30	25.22	25.28
SGD-PHP	46.83	46.63	46.61	46.32	46.31	46.26
SGD-VND	20582	20455	20472	20553	20460	20509
SGD-CNH	5.39	5.39	5.39	5.39	5.39	5.39
SGD-TWD	25.03	24.92	24.96	24.98	24.98	24.64
SGD-KRW	1170	1160	1150	1150	1142	1133
SGD-HKD	6.13	6.14	6.16	6.17	6.17	6.18
SGD-JPY	123	125	124	123	123	122
Gold $/oz	4650	4950	5040	5210	5350	5500
Silver $/oz	72.83	76.15	77.54	82.70	89.17	91.67
Platinum $/oz	1973	2063	2100	2171	2229	2292
Palladium $/oz	1452	1528	1556	1608	1651	1698
ICE Brent $/bbl	108.7	100.0	100.0	85.0	70.0	70.0
NYMEX WTI $/bbl	96.1	94.0	94.0	81.0	66.0	66.0

Source: OCBC Group Research (Latest Forecast Update: 20 March 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 (19 Mar)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.16	1.15	1.18	1.18
GBPUSD	1.34	1.33	1.35	1.35
USDJPY	158	158	157	154
USDCHF	0.79	0.79	0.79	0.79
AUDUSD	0.71	0.72	0.74	0.75
NZDUSD	0.59	0.59	0.61	0.61
USDCAD	1.37	1.36	1.35	1.34
EURNOK	10.99	10.83	10.87	11.07
Forecast for Asian Currencies				
USDCNY	6.89	6.85	6.83	6.79
USDIDR	16985	16910	16890	16810
USDINR	92.64	92.80	92.90	94.17
USDKRW	1495	1467	1460	1430
USDMYR	3.94	3.87	3.86	3.82
USDPHP	60.09	59.30	59.20	58.27
USDSGD	1.28	1.27	1.27	1.26
USDTHB	32.79	32.30	32.20	31.80
USDTWD	31.97	31.73	31.70	31.17
USDHKD	7.83	7.82	7.81	7.78
Forecast for Precious Metals				
Gold $/oz	4650	5010	5153	5450
Silver $/oz	72.83	77	81	91
Platinum $/oz	1973	2088	2147	2271
Palladium $/oz	1452	1546	1591	1682
Forecast for Crude Oil				
NYMEX WTI $/bbl	96.1	94.0	85.5	66.0
ICE Brent $/bbl	108.7	100.0	90.0	70.0

Source: OCBC Group Research (Latest Forecast Update: 20 March 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.

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