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FX Weekly

Oil Risk Lingers

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- ***Oil Risk Lingers:*** *A renewed focus on energy risks has lifted yields and pressured EM currencies. Our base case remains a contained geopolitical escalation. This week's US CPI report likely to determine whether the USD's grind higher resumes.*

- ***GPIF Hopes****: Talk of steering pension funds towards domestic assets has paused the Japan debasement trade, but any GPIF-driven reallocation is likely to be slow and insufficient on its own to resolve Japan's fiscal and BoJ credibility concerns.*

- ***USDCNH eased*** *after Friday's stronger fix, reinforcing the view that policymakers remain comfortable with gradual RMB appreciation. But the fix was still weaker than market expectations, suggesting the PBoC is managing the pace rather than pushing for a sharper move.*

- ***Implication for MYR should be largely limited*** *as Johor outcome preserves policy continuity. Data this week includes 2Q26 GDP and Jun CPI.*

Oil Risk Lingers: The rise in global yields and pressure on EM currencies last week, triggered by a knee-jerk rally in oil prices following renewed Middle East tensions, serves as a reminder that delayed progress on energy relief remains a key risk for central bank expectations and terms-of-trade dynamics. Beyond the latest US-Iran tensions that have disrupted flows through the Strait of Hormuz, damage to Russian refining capacity has also renewed concerns over higher prices for refined products such as diesel and fuel oil.

Recent developments are moving oil markets closer to our baseline scenario of a more gradual decline in prices, rather than the sharp fall seen in 2Q26. We continue to forecast Brent crude at USD75/bbl by year-end, broadly in line with current levels. We view the latest US-Iran flare-up as a managed escalation aimed at gaining leverage rather than a return to peak conflict.

If our oil view proves correct, the recent rise in front-end European rates is likely to reverse. Our base case remains for one final ECB rate hike in September, although ECB President Lagarde's comments in Sintra have increased the possibility that June was a one-and-done move. We have stronger conviction that the BoE will not hike than the ECB and the next rate move for the BoE is a cut.

We expect the USD to grind modestly higher over the coming months, appreciating around 2% to 3% by end-2026. The USD should remain supported against low-yielding currencies such as the EUR and CHF. The JPY, however, could see near-term support from policy efforts to encourage greater domestic investment by Japanese pension funds. A more significant USD move of more than 5% remains a tail risk and would likely require oil prices to rise above USD100/bbl.

With Fed officials continuing to emphasise inflation risks, attention now turns to Tuesday's June US CPI report. It remains finely balanced whether the inflation print, together with Fed Chair Warsh's semi-annual monetary policy testimony, will provide the catalyst for the USD to resume its gradual uptrend after momentum stalled following the softer-than-expected June payrolls report.

GPIF Hopes: The Japan debasement trade, characterised by a weaker JPY and higher long-end JGB yields, stalled after Finance Minister Katayama suggested the government could introduce measures to encourage pension funds, including Government Pension Investment Fund (GPIF), to allocate more capital to domestic assets. The Takaichi administration also added a reference to "inflation stabilisation" in its Basic Policy, to help ease concerns over its commitment to BoJ independence.

Under GPIF's latest five-year investment plan announced in March 2025, the fund maintains a 25% allocation to each of four asset classes: domestic equities, domestic bonds, foreign equities and foreign bonds. Allowable deviations range from +/-6ppt to +/-8ppt around these targets. A shift towards domestic bonds or equities could trigger significant capital repatriation and generate JPY buying flows. However, any change in GPIF's strategic asset allocation would require broad government coordination and is unlikely to happen quickly.

In the near term, expectations of stronger GPIF demand could support the JPY and provide some relief for long-end JGBs. However, we doubt this alone would be enough to address underlying fiscal concerns or perceptions that the BoJ remains behind the curve. A decisive shift in the JPY from a funding currency to an investment currency likely requires more fundamental policy adjustments.

Asian data calendar is relatively busy this week. India CPI (13 Jul) will be watched, especially for signs if higher food and fuel costs are starting to narrow RBI policy flexibility. China trade data (14 Jul), followed by

2Q26 GDP and Jun activity data (15 Jul), will be the main regional focus as we assess the strength of domestic momentum. Singapore advance 2Q26 GDP (14 Jul), alongside Malaysia's advance 2Q26 GDP and Jun CPI (17 Jul), will also add to the regional growth and inflation picture. The BOK meeting (16 Jul) is the key regional policy event. Our house view looks for a 25bp hike this quarter and another in 4Q26, with the first move potentially coming as soon as the upcoming meeting. Inflation remains above target, growth has improved and financial-stability risks persist, keeping the case for tightening intact. That said, markets already price roughly two hikes over the next six months, so the reaction may depend more on the timing and tone than the decision alone. More broadly, regional sentiment will look to US CPI (14 Jul) and Fed Chair Kevin Warsh's testimony to House financial services committee (14 Jul) and to senate banking committee (15 Jul). Any shifts in Fed expectations will have implications on USD/Asia.

RMB. Fix breaks below 6.80, but guidance remains cautious. USDCNH dipped, taking cues from a lower USDCNY fix on Friday. The fix was set at 6.7989, below 6.80 for the first time since Feb 2023 and lower than 6.8036 prior. But the fix was still 51 pips weaker than Bloomberg consensus at 6.7938. This may suggest that policymakers are comfortable with further RMB appreciation but remain mindful of the pace. Further fixes below 6.80 should be supportive of RMB, though the gap against market expectations will remain important in interpreting PBoC's bias. USDCNH last at 6.7820 levels. Mild bullish momentum on daily chart intact while RSI looks flat. 2-way trade still likely. Support at 6.75/76 levels. Resistance at 6.80, 6.8320 (DMA).

MYR. Outcome offers policy continuity, but risks remain. Barisan Nasional retained Johor with a commanding 48 of 56 seats, up from 40 previously, while Pakatan Harapan secured the remaining eight. A BN victory was widely expected, although the scale of the win reinforces UMNO's political momentum and bargaining position within the federal unity government. The implication for MYR should be largely limited as the result preserves policy continuity in Johor and does not affect the federal government's parliamentary majority. However, PH's underperformance may add to coalition strains and speculation over an earlier general election. Focus now shifts to the elections in Negeri Sembilan on 1 Aug, where another setback for PH may add modestly to near term uncertainty around MYR. Spot last closed at 4.0730 levels. Bearish momentum on daily chart intact while RSI was flat. 2-way risks likely for now. Support at 4.0540/610 levels (200 DMA, 38.2% fibo retracement of 2026 low to high), 4.0320 (50% fibo). Resistance at 4.0810 (21 DMA), 4.0980 (23.6% fibo).

USDSGD. Range; Watch US CPI, Warsh. USDSGD was a touch softer, tracking gains in RMB while USD takes a breather. Pair was last at 1.2915. Momentum is mild bearish while RSI fell. Risks skewed to the downside for now. Support at 1.29 (61.8% fibo retracement of Nov high to Jan low), 1.2840 (50 DMA), 50% fibo). Resistance at 1.2980 (76.4% fibo). On the SG data docket this week, 2Q26 GDP is scheduled for release on 14 Jul while NODX is release on 19 Jul. With correlation between USDSGD and DXY still significant, the pair is likely taking cues from external drivers – watch US CPI and Fed Chair testimonies closely.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1528	164.10	1.3536	0.8187	0.7025	0.5858	1.4260	4232	1.2972	61.79	95.71
Resistance 2	1.1479	162.95	1.3476	0.8128	0.6989	0.5813	1.4204	4171	1.2942	61.67	95.52
Resistance 1	1.1447	162.31	1.3440	0.8107	0.6971	0.5788	1.4179	4145	1.2929	61.60	95.42
Spot	1.1395	162.05	1.3376	0.8101	0.6938	0.5749	1.4170	4071	1.2932	61.53	95.33
Support 1	1.1398	161.16	1.3380	0.8048	0.6935	0.5743	1.4123	4084	1.2899	61.48	95.23
Support 2	1.1381	160.65	1.3356	0.8010	0.6917	0.5723	1.4092	4048	1.2882	61.43	95.13
Support 3	1.1332	159.50	1.3296	0.7951	0.6881	0.5678	1.4036	3987	1.2852	61.31	94.94
Bollinger Band											
Bollinger Upper	1.1535	162.89	1.3465	0.8152	0.7044	0.5807	1.4275	4289	1.299	62.05	95.68
Bollinger Lower	1.1321	160.57	1.3134	0.7983	0.6850	0.5610	1.4071	3951	1.2861	60.35	94.10

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
14-Jul	18:00	US	NFIB Small Business Optimism	Jun		95.5	95.3
	20:30	US	CPI YoY	Jun		3.8%	4.2%
	20:30	US	Core CPI YoY	Jun		2.8%	2.9%
	22:00	US	Fed Chair Warsh Testifies at House Financial Services Cmte.				
		CH	Exports YoY	Jun		18.2%	19.4%
15-Jul	10:00	CH	GDP YoY	2Q		4.5%	5.0%
	10:00	CH	Retail Sales YoY	Jun		-0.1%	-0.6%
	10:00	CH	Industrial Production YoY	Jun		4.6%	4.5%
	17:00	EC	Industrial Production WDA YoY	May		-0.4%	0.3%
	20:30	US	Empire Manufacturing	Jul		8.6	5.7
	21:45	CA	Bank of Canada Rate Decision			2.25%	2.25%
16-Jul		SK	BOK Base Rate			2.75%	2.50%
	14:00	UK	Monthly GDP (MoM)	May		0.1%	-0.1%
	20:30	US	Philadelphia Fed Business Outlook	Jul		15.0	10.3
	20:30	US	Retail Sales Advance MoM	Jun		0.3%	0.9%
	20:30	US	Initial Jobless Claims	11-Jul		--	215k
	20:30	US	Retail Sales Control Group	Jun		0.5%	0.7%
	22:00	US	NAHB Housing Market Index	Jul		35	35
	22:00	US	Pending Home Sales NSA YoY	Jun		--	2.1%
17-Jul	20:30	US	Housing Starts	Jun		1325k	1177k
	21:15	US	Industrial Production MoM	Jun		0.2%	0.1%
	22:00	US	U. of Mich. Sentiment	Jul P		51.3	49.5

Source: Bloomberg, OCBC Group Research

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