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FX Weekly

Oil Trumps AI

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- ***Oil Trumps AI:*** *Cooler US inflation has capped USD gains and supported carry trades, but rising Middle East risks could change the narrative. A renewed oil shock may lift US yields, strengthen the USD and test the resilience of low-volatility FX markets.*

- ***GBP Optimism Overdone?:*** *GBP has rallied on hopes of fiscal discipline, but reality may prove more challenging. With EURGBP looking oversold after an apparent downside overshoot, we expect the cross to rebound towards 0.87.*

- ***USDCNH may continue to trade broadly rangebound***, with the fixing continuing to anchor the pace and direction of moves while softer domestic growth and policy-easing expectations limit the extent of RMB gains.

- ***USDSGD may remain largely driven by broader USD direction and risk sentiment****, with SG CPI in focus ahead of the upcoming MAS review where we expect FX policy to remain on hold.*

- ***USDMYR may stay*** *supported if geopolitical risks and risk aversion remain elevated, though resilient domestic growth and improving portfolio flows should help limit the extent of MYR weakness.*

Oil Trumps AI: It was a week dominated by oil, AI concerns and softer US inflation. The downside surprise in US CPI and PPI effectively rules out a July Fed hike and has helped anchor front-end Treasury yields despite renewed inflation concerns from higher oil prices. In contrast, rising energy prices pushed European front-end yields higher.

The softer US inflation backdrop also kept USD strength in check, even as higher oil prices revived terms-of-trade dynamics in FX markets. Oil exporters such as CAD and NOK outperformed, while oil importers including INR and THB lagged.

The key risk now is that US yields and the USD begin to catch up with the rise in global yields. Our base case had been for a managed escalation in the Middle East, allowing low volatility to persist, supporting FX carry strategies and limiting further USD gains ahead of the FOMC meeting. However, the risk of a more significant escalation has increased following the deaths of three US servicemen in attacks linked to Iran. Shipping traffic through the Strait of Hormuz has already slowed sharply.

A larger escalation could revive concerns over a prolonged disruption to Hormuz shipping flows and push oil prices back above USD100/bbl. For context, Brent crude reached USD126/bbl at end-April, around 40% above current levels.

Such a scenario would likely trigger higher market volatility, challenging FX carry trades and supporting a renewed USD rally. The USD would benefit from the US's status as a net energy exporter, while higher oil prices could also reinforce inflation concerns. With labour market data pointing to stabilisation rather than deterioration, a renewed energy shock would keep the Fed focused on upside inflation risks. Governor Waller's shift from a dovish stance towards a more hawkish bias highlights the risk of a Fed that remains sensitive to inflation after missing its target for much of the past five years.

Tech sector weakness is another theme worth watching, although the link between AI-related concerns and FX markets remains less direct and largely works through broader risk sentiment. First, the recent sell-off is primarily a technology sector story rather than a broad-based US equity market correction. Second, the scale of wealth destruction should be kept in perspective. While the Nasdaq has fallen nearly 10% from its early June peak, it remains up 13% year-to-date.

Third, the relationship between tech-heavy Asian equity markets and currencies has weakened, more so for KRW than TWD. Despite a sharp decline in the KOSPI last week, KRW still appreciated. This suggests that AI-driven equity weakness alone is unlikely to become a major FX driver unless it evolves into a broader risk-off event.

GBP Optimism Overdone?: Andy Burnham becomes UK prime minister today, the country's seventh prime minister in a decade. Markets are closely watching his choice of Chancellor and the government's economic agenda.

GBP rallied on reports that Burnham is likely to appoint Shabana Mahmood as Chancellor rather than a candidate perceived as less fiscally conservative. We continue to expect a fiscally responsible shift to the left. However, balancing higher defence spending and reversing cuts to unprotected departments could prove challenging within the existing fiscal framework. This sets up a key tension ahead of the Autumn Budget and next year's Spending Review.

The OECD echoed these concerns in its latest UK outlook, stressing the importance of fiscal discipline. It highlighted high public debt, elevated interest costs, and rising healthcare and social care expenditures as key constraints on fiscal flexibility.

Against this backdrop, we believe the recent EURGBP correction, which has pushed the cross to its lowest level in a year, is nearing exhaustion. We continue to expect EURGBP to recover towards 0.87 in the coming months, consistent with our broader range-bound GBP view. While renewed energy price gains are increasing the risk of further ECB rate hikes, the Bank of England still appears the least likely among major central banks to deliver a rate hike.

Asian data. Week's Asian data calendar is centred on BI MPC (22 Jul), Korea 2Q 26GDP (23 Jul) and Singapore CPI (23 Jul). Focus over BI will be on whether policymakers tighten further following the June hike, while Korea GDP should provide a read on whether the recent improvement in exports and domestic activity is broadening. Singapore CPI will be watched for the underlying inflation trend, with the MAS policy decision likely to come in the following week. Elsewhere, Malaysia exports (20 Jul), Taiwan export orders (21 Jul) and industrial production (23 Jul) will provide further updates on regional trade and tech-cycle momentum. Taiwan's data in particular should offer another read on whether AI-related demand remains supportive of the regional export cycle, while Malaysia's trade numbers will help gauge the broader external-demand backdrop. China's LPR fixing (20 Jul) is also due, though rates are widely expected to remain unchanged. Globally, the ECB meeting (23 Jul) and flash PMIs (24 Jul) will be the key events for the broader USD and rates backdrop.

RMB. *Still guided by the fix.* USDCNH fell to a recent low mid-week as softer US inflation data weighed on the USD and firmer PBoC fixings helped to reinforce the move, but the pair subsequently rebounded modestly in the week's close. Near-term direction continues to take its cue from the daily fix alongside broader USD moves. Recent fixing guidance suggests policymakers are comfortable allowing some gradual RMB strength to come through but not necessarily signalling a push for a sharper appreciation move at this point. For now, we expect USDCNH to remain broadly rangebound, with the fixing continuing to anchor the pace and direction of moves while softer domestic growth and policy-easing expectations limit the extent of RMB gains. USDCNH last at 6.7770 levels. Mild bearish momentum on daily chart intact but shows tentative signs of it fading while RSI rose. 2-way trades still likely. Resistance at 6.7860 (50 DMA), 6.79 (21 DMA). Support at 6.7670, 6.75/76 levels.

MYR. *Driven by externalities*. USDMYR moved higher into Fri's close as renewed geopolitical tensions between US and Iran drove a broader risk-off move and lifted defensive USD demand. The move came despite stronger-than-expected 2Q26 GDP and an improvement in foreign equity flows, suggesting that the late-week selloff was driven more by external risk sentiment than domestic fundamentals. Earlier in the week, BNM's decision to keep the OPR unchanged and fading expectations for a near-term rate hike may have removed some mild policy support for MYR, although local yields did not fall materially after the meeting.

Elsewhere, lingering uncertainty ahead of the 1 Aug Negeri Sembilan election may also temper sentiment at the margin. Although the election itself does not threaten Federal's parliamentary majority directly, another weak PH showing could deepen tensions within the federal coalition and increase speculation around an earlier general election. Near term, USDMYR may stay supported if geopolitical risks and risk aversion remain elevated, though resilient domestic growth and improving portfolio flows should help limit the extent of MYR weakness. Spot last closed at 4.0970 levels. Bearish momentum on daily chart shows signs of it waning while RSI rose. Immediate resistance at 4.0980 (23.6% fibo). Break opens room for further upside to transpire. Next resistance at 4.12, 4.14 levels. Support at 4.0750, 4.0610 (38.2% fibo retracement of 2026 low to high).

USDSGD. *Eyes on SG CPI release this week.* USDSGD remained largely rangebound around the low-1.29s, with the USD pullback post-US CPI failing to extend as geopolitical re-escalation and AI-selloff crimped sentiment. This week, focus shifts to Singapore CPI (23 Jul) ahead of the MAS policy review, likely in the week of 27–31 Jul. Our house view looks for MAS to stay on hold after Apr's modest tightening, with inflation developments likely to be closely watched amid still-elevated energy prices. In the near term, USDSGD may stay largely driven by broader USD direction and risk sentiment. Pair was last at 1.2917. Momentum is mild bearish while RSI rose. 2-way trades likely. Resistance at 1.2930 (21 DMA), 1.2980 (76.4% fibo). Support at 1.29 (61.8% fibo retracement of Nov high to Jan low), 1.2840/60 levels (50 DMA, 50% fibo).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1493	163.13	1.3563	0.8141	0.7054	0.5887	1.4107	4128	1.2968	61.72	96.59
Resistance 2	1.1466	162.74	1.3508	0.8108	0.7019	0.5863	1.4066	4064	1.2940	61.66	96.46
Resistance 1	1.1452	162.57	1.3480	0.8091	0.7001	0.5853	1.4044	4041	1.2928	61.63	96.37
Spot	1.1427	162.52	1.3444	0.8086	0.6976	0.5834	1.4020	3998	1.2921	61.59	96.28
Support 1	1.1425	162.18	1.3425	0.8058	0.6966	0.5829	1.4003	3977	1.2900	61.56	96.23
Support 2	1.1412	161.96	1.3398	0.8042	0.6949	0.5815	1.3984	3936	1.2884	61.54	96.18
Support 3	1.1385	161.57	1.3343	0.8009	0.6914	0.5791	1.3943	3872	1.2856	61.47	96.04
Bollinger Band											
Bollinger Upper	1.1469	162.92	1.3546	0.8135	0.7005	0.5871	1.4296	4182	1.2973	61.80	96.52
Bollinger Lower	1.1358	161.22	1.3140	0.8031	0.6869	0.5584	1.4013	3947	1.2889	61.16	94.00

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
20-Jul	09:00	CH	5-Year Loan Prime Rate			3.50%	3.50%
	20:30	CA	CPI YoY	Jun		3.0%	3.2%
	20:30	CA	CPI Core- Trim YoY%	Jun		--	2.0%
21-Jul	06:45	NZ	CPI YoY	2Q		--	3.1%
	14:00	UK	Average Weekly Earnings 3M/YoY	May		--	4.4%
	14:00	UK	ILO Unemployment Rate 3Mths	May		--	4.9%
22-Jul	14:00	UK	CPI YoY	Jun		--	2.8%
	14:00	UK	CPI Core YoY	Jun		--	2.6%
	15:20	ID	BI Rate			5.88%	5.75%
23-Jul	09:30	AU	Employment Change	Jun		19.0k	40.3k
	09:30	AU	Unemployment Rate	Jun		4.4%	4.4%
	20:15	EC	ECB Deposit Facility Rate	46226		2.25%	2.25%
	20:30	US	Initial Jobless Claims	18-Jul		214k	208k
	20:30	US	Chicago Fed Nat Activity Index	Jun		--	-0.1
24-Jul	07:30	JN	Natl CPI YoY	Jun		1.7%	1.5%
	07:30	JN	Natl CPI Ex Fresh Food, Energy YoY	Jun		1.8%	1.8%
	08:30	JN	S&P Global Japan PMI Mfg	Jul P		--	54.8
	14:00	SW	Unemployment Rate SA	Jun		--	8.8%
	16:00	EC	ECB 3 Year CPI Expectations	Jun		--	2.9%
	16:00	EC	S&P Global Eurozone Composite PMI	Jul P		--	50.0
	16:30	UK	S&P Global UK Composite PMI	Jul P		--	49.3
	16:30	UK	DMP 1 Year CPI Expectations	Jul		--	3.3%
	21:45	US	S&P Global US Composite PMI	Jul P		--	51.9
	22:00	US	New Home Sales	Jun		615k	580k

Source: Bloomberg, OCBC Group Research

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