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FX Weekly

JPY Nearing Turning Point

Sim Moh Siong
FX Strategist
(G10 & oil)

Christopher Wong
FX Strategist
(Asia & precious metals)

- ***JPY Nearing Turning Point****: The JPY remains deeply undervalued, but policy normalisation and the prospect of Japanese investors shifting capital back home could finally unlock its value. We turn more constructive on the JPY and lower our USDJPY forecasts.*

- ***Dollar Tracks Yields****: Firm US data, rising energy prices and renewed Fed tightening expectations are keeping the USD supported. While markets may be overpricing future Fed hikes, a strong payrolls report could extend the USD rally and keep yields elevated.*

- ***Modest upward calibration to USD/Asia forecasts*** *reflects higher oil and US Treasury yields alongside renewed Fed tightening risk. We retain a downward trajectory for most USD/Asia forecast as substantial Fed tightening is already priced.*

- ***China PMIs and Korea trade/IP*** *will be the main regional checks on manufacturing and tech momentum, while Indonesia/Korea CPI, US PCE and payrolls keep the rates backdrop in focus. China's Golden Week may also thin liquidity later in the week.*

- ***Oil Risk Premium****: Oil prices should still trend lower over time, but geopolitical risks are slowing the decline. Hormuz disruptions, tighter sanctions, shrinking inventories and constrained refining capacity are keeping a firm floor under crude and refined product prices.*

JPY Nearing Turning Point: The JPY remains one of the most undervalued currencies globally. Unlike the CNY, however, its cheap valuation has done little to ease depreciation pressures. USDJPY surged to a 40-year high in July, prompting a rare coordinated intervention by Japan and the US. The move triggered a sharp squeeze in speculative short JPY positions and highlighted policymakers' growing discomfort with excessive JPY weakness. While the threat of further intervention should limit disorderly depreciation, intervention alone is unlikely to deliver a sustained recovery without support from domestic policy changes.

That support may finally be emerging. The BoJ appears increasingly willing to normalise policy at a faster pace, narrowing the policy gap with other major central banks. While the BoJ is still unlikely to outhawk the Fed in the near term, the direction of travel has become more supportive for the JPY.

A more constructive JPY story is not just about the BoJ. It is also about the potential for a shift in Japanese portfolio flows. The Government Pension Investment Fund (GPIF) and other large institutional investors remain heavily invested overseas after years of ultra-low domestic yields. The sharp increase in GPIF's overseas allocation in 2014 coincided with a roughly 20-yen rise in USDJPY over four months. Any meaningful move back toward domestic assets could provide a powerful tailwind for the currency. Progress on this front has been limited so far, but we expect further policy initiatives aimed at encouraging domestic investment by Japanese investors.
Against this backdrop, we are revising our end-2026 USDJPY forecast to 155 from 160 and target 150 by end-2027. We expect the JPY's deep undervaluation to become a more meaningful driver of FX performance as policy and flow dynamics turn increasingly supportive.

As the JPY strengthens, the CHF is likely to remain the preferred funding currency for carry trades. This view is reinforced by our expectation that the SNB keeps policy rates at 0% through at least year-end, preserving the CHF's role as a low-yielding funding currency.

Dollar Tracks Yields: The USD has strengthened alongside rising Treasury yields as resilient US economic data, AI-driven investment momentum, higher energy prices and renewed confidence in the Fed's inflation-fighting credentials reinforce a hawkish policy outlook. Recent reports that Washington is considering restrictions on diesel exports have added to USD support, particularly against Latin American currencies given the region's reliance on US diesel imports.

Markets are now pricing around three to four additional Fed rate hikes by mid-2027. While we believe the risk of further Fed tightening remains alive, current market pricing appears somewhat aggressive. Our base case remains for a moderate USD rally into year-end. That said, the greenback could overshoot in the near term if energy market tensions persist and inflation risks continue to build. Against this backdrop, the JPY may increasingly prove more resilient.

This week's US labour market report is the key event risk. Bloomberg consensus expects nonfarm payrolls to rise by 90,000 in September, down from 162,000 in August, while the unemployment rate is forecast to remain at 4.1%. Although Fed Chair Kevin Warsh has highlighted the four-week average of initial jobless claims as a timely indicator of labour market conditions, payrolls remain the market's preferred gauge of labour market health. Recent claims data have continued to trend lower, with the four-week average falling to around 202,250, suggesting labour market conditions remain firm.

As a result, the risk of an upside payrolls surprise is rising. A stronger-than-expected employment report would likely reinforce expectations of additional Fed tightening, keep US yields elevated and provide further support for the USD.

Oil Risk Premium: We still expect oil prices to decline, but the path lower is likely to be more gradual as the endgame of the US-Iran conflict becomes increasingly difficult to predict. The risk of renewed escalation remains high, particularly if further attacks damage energy infrastructure or disrupt regional supply routes. As a result, we raise our end-2026 Brent forecast to USD85/bbl from USD80/bbl.

Washington continues to tighten sanctions on Iran while maintaining its naval blockade, and Tehran has responded by threatening further retaliation and demanding tougher conditions for any reopening of the Strait of Hormuz. Shipping activity through Hormuz remains subdued, although actual oil exports may be higher than official estimates suggest as some vessels increasingly operate with limited or disabled tracking signals. This makes it harder to assess the true extent of supply disruptions.

The market has so far been cushioned by inventory drawdowns, which have helped offset supply disruptions and limit further upside in crude prices. However, this buffer is becoming thinner as stockpiles decline, making the market more vulnerable to fresh supply shocks.

Meanwhile, refined product markets remain particularly tight. Export restrictions from major suppliers such as Russia and China have further tightened product markets, and the US could face increasing pressure to prioritise domestic fuel availability amid persistently high diesel prices.

Modest upward calibration to Asian FX forecasts. Recent developments warrant some recalibration to our Asian FX forecasts. Renewed geopolitical escalation in the Middle East has pushed oil prices higher, while the accompanying rise in US Treasury yields and risk of further Fed tightening provide a firmer floor for the USD on dips. The combination of higher oil, elevated yields and a more hawkish Fed backdrop is particularly challenging for currencies that are more sensitive to energy prices and/or external funding conditions. We therefore make modest upward adjustments to selected USD/Asia forecasts to better reflect the near-term external backdrop, with relatively larger adjustments for the more oil- and yield-sensitive currencies.

That said, this does not alter our broader directional view. Markets have already priced a meaningful amount of additional Fed tightening, leaving the hurdle increasingly high for US data to validate a further extension of the hawkish repricing. Should US inflation or activity/labour data soften, some of these expectations could be unwound, taking pressure off US Treasury yields and the USD. We retain a downward trajectory for most USD/Asia over the forecast horizon, while allowing for a somewhat higher near-term starting point and greater differentiation across Asian FX.

MYR – near-term uncertainty, fundamentals intact. We make a modest upward adjustment to our USDMYR forecasts, reflecting a less favourable near-term backdrop. Higher US yields and renewed Fed tightening risks have weighed on Asian FX sentiment, while the earlier selloff in MGS also took some shine off MYR. Domestic event risks are starting to build again. The dissolution of the Melaka state assembly has brought political developments back into focus earlier than anticipated, while the upcoming Budget 2027 will be watched for how the government balances cost-of-living support against its medium-term fiscal consolidation commitments.

For now, we see this more as near-term uncertainty than a change in the fundamental MYR story. Growth remains on a firm footing, supported by domestic demand, investment and the tech cycle, while the recent rise in MGS yields has shown some signs of stabilising. Higher oil is also not necessarily a straightforward negative for Malaysia, though its impact on global inflation, US yields and risk sentiment can still weigh on MYR indirectly. We view the forecast calibration mainly as an allowance for a higher near-term risk premium. Beyond that, assuming external rate pressures ease and fiscal consolidation remains on track, we continue to expect USDMYR to resume a gradual downward trajectory.

USDMYR last closed at 4.0740 levels. Mild bullish momentum on daily chart intact but there are tentative signs of it fading while RSI fell. Some downside risks not ruled out in the near term. Support at 4.0610 (21 DMA, 38.2% fibo retracement of May low to 2026 high), 4.0500 (100 DMA). Resistance at 4.0850, 4.0980 levels (23.6% fibo).

Week's data calendar for Asia is centred on China PMIs and a busy run of Korean data, with regional manufacturing PMIs providing a broader check on whether the recent improvement in the factory cycle is extending into September. China September PMIs (30 Sep) will be key for whether manufacturing momentum held up into quarter-end after the official manufacturing PMI improved to 49.8 in August and new orders moved back above 50. The broader backdrop remains uneven, however, with strength in tech and industrial production still contrasting with softer consumption and investment. Korea August industrial production (30 Sep) and September exports (1 Oct) should help gauge the durability of the tech-led recovery. The first 20 days of September already showed record exports for the period, led by semiconductors, although holiday timing will distort the year-on-year comparison.

Regional manufacturing PMIs around the turn of the month will also be worth watching after August surveys showed a rebound across several Southeast Asian economies, even as higher energy and supply-chain costs remain a risk. Korea CPI (2 Oct) and Indonesia CPI (1 Oct) are also due; for Indonesia, focus will be on whether food and transport pressures keep headline inflation edging higher after August CPI reached 3.19% YoY, with core at 2.92%. Globally, the US PCE (30 Sep) and payrolls (2 Oct) will be the main event risks that may swing rates/USD and risk sentiments. China also enters its National Day holiday from 1–7 Oct, which could see regional liquidity thinning later in the week.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1476	161.74	1.3350	0.8338	0.7101	0.5717	1.4186	4407	1.2856	63.14	96.13
Resistance 2	1.1433	159.73	1.3295	0.8311	0.7062	0.5690	1.4165	4346	1.2818	62.85	95.99
Resistance 1	1.1412	158.51	1.3271	0.8297	0.7043	0.5677	1.4153	4315	1.2795	62.66	95.91
Spot	1.1378	157.58	1.3227	0.8297	0.7011	0.5652	1.4154	4266	1.2786	62.48	95.82
Support 1	1.1369	156.50	1.3216	0.8270	0.7004	0.5650	1.4132	4254	1.2757	62.38	95.77
Support 2	1.1347	155.71	1.3185	0.8257	0.6984	0.5636	1.4123	4224	1.2742	62.28	95.72
Support 3	1.1304	153.70	1.3130	0.8230	0.6945	0.5609	1.4102	4163	1.2704	62.00	95.58
Bollinger Band											
Bollinger Upper	1.1708	160.05	1.3653	0.8323	0.7263	0.5936	1.4191	4454	1.2825	62.91	96.41
Bollinger Lower	1.1339	152.58	1.3194	0.8039	0.6998	0.5613	1.3699	4229	1.2622	62.37	94.35

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
DXY	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	4.00	4.00	3.75
2-Year US Treasury	4.40	4.25	3.95
5-Year US Treasury	4.60	4.50	4.15
10-Year US Treasury	4.75	4.65	4.45
30-Year US Treasury	5.25	5.20	5.15
Forecast for US SOFR swap rates			
2-Year Rate	4.35	4.25	3.85
5-Year Rate	4.40	4.30	3.90
10-Year Rate	4.45	4.35	4.00
30-Year Rate	4.60	4.50	4.20

Source: OCBC Group Research

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Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
28-Sep	09:30	CH	Industrial Profits YoY	Aug		--	11.2%
29-Sep	12:30	AU	RBA Cash Rate Target	46294		4.60%	4.35%
	14:00	SW	Economic Tendency Survey	Sep		--	105.1
	17:00	EC	Economic Confidence	Sep		98.9	98.4
	20:30	CA	GDP Advance Estimate MoM	Aug		--	0.0%
	21:00	US	S&P Cotality CS 20-City YoY NSA	Jul		2.2%	2.1%
	22:00	US	Conf. Board Consumer Confidence	Sep		89.2	89.4
	22:00	US	JOLTS Job Openings	Aug		7225k	7271k
30-Sep	07:50	JN	Industrial Production YoY	Aug P		6.9%	3.9%
	09:30	AU	CPI YoY	Aug		4.1%	3.5%
	09:30	CH	Manufacturing PMI	Sep		50.1	49.8
	09:30	AU	CPI Trimmed Mean YoY	Aug		3.6%	3.60%
	09:30	CH	Composite PMI	Sep		--	49.5
	09:45	CH	RatingDog China PMI Mfg	Sep		51.7	51.5
	15:30	SW	Riksbank Publishes Minutes of Sept. 23 Policy Meeting				
	20:00	GE	CPI YoY	Sep P		3.1%	2.9%
	20:15	US	ADP Employment Change	Sep		72k	38k
	20:30	US	Core PCE Price Index YoY	Aug		3.3%	3.3%
01-Oct	07:50	JN	Tankan Large Mfg Index	3Q		25	22
	14:30	SZ	CPI YoY	Sep		1.0%	0.8%
	14:30	SZ	CPI Core YoY	Sep		0.5%	0.4%
	20:30	US	Initial Jobless Claims	26-Sep		200k	197k
	22:00	US	ISM Manufacturing	Sep		55.0	54.6
02-Oct	07:30	JN	Tokyo CPI YoY	Sep		2.5%	1.9%
	07:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Sep		2.5%	2.0%
	07:30	JN	Jobless Rate	Aug		2.4%	2.4%
	16:30	UK	DMP 1 Year CPI Expectations	Sep		3.2%	3.1%
	17:00	EC	CPI Estimate YoY	Sep P		3.7%	3.2%
	17:00	EC	CPI Core YoY	Sep P		2.5%	2.4%
	20:30	US	Change in Nonfarm Payrolls	Sep		90k	162k
	20:30	US	Average Weekly Hours All Employees	Sep		3.2%	3.1%
	20:30	US	Unemployment Rate	Sep		4.1%	4.1%

Source: Bloomberg, OCBC Group Research