

FX Weekly

USD's AI Achilles' Heel

- **USD's AI Achilles' Heel:** AI is likely to remain a net tailwind for the USD, keeping the USD supported for now. But recent price action is a reminder that the relationship cuts both ways when concerns shift from AI-led growth to financing risks.
- **Energy Risk Returns:** Strategic stock releases may cushion energy prices, but Middle East supply risks are proving harder to contain. Higher oil and gas prices favour CAD and NOK, while domestic headwinds are limiting the read-through to USD and AUD.
- **USDCNH broke below 6.69,** supported by stronger PBoC fixing guidance and resilient exports. Constructive bias remains intact. Focus today on China's 3Q26 GDP and activity data.
- **IDR traded under some pressure following MSCI's proposed reclassification,** adding to concerns over foreign outflows and investor confidence. BI intervention may contain volatility, but uncertainty could prolong weakness. Focus this week also on BI's policy decision on Wednesday.

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USD's AI Achilles' Heel: The USD does not always benefit from risk aversion. When the shock originates in the US, as with recent AI financing concerns, weakness in US assets can overwhelm the USD's traditional safe-haven appeal.

AI has been an important USD tailwind. Strong investment has supported US growth and equities, while adding to inflationary pressures, financing demand and Treasury yields. These forces have reinforced the relative appeal of US assets and the USD.

But what works on the way up can work in reverse. If concerns over AI financing or expected returns trigger a reassessment of the investment cycle, weaker equities and capex could weigh on US growth, pull Treasury yields lower and erode the USD's yield advantage.

We think last week's USD weakness reflects the drag from renewed AI concerns more than a negative reaction to the FOMC's message that there was no "urgency" to hike in October. Despite firmer CPI and PPI inflation data, Treasury yields fell as weakness in AI-sensitive equities and credit concerns took over. Unlike earlier risk-off episodes driven by

higher energy prices or rate expectations, the latest wobble produced a different combination: risk-off, lower yields and a softer USD.

There is also an FX hedging angle. If overseas investors become less confident that the USD will hedge declines in their US equity holdings, they may increase FX hedge ratios. That could reinforce USD selling when US equities come under pressure.

For now, however, we expect the USD to remain well supported. We see the latest AI jitters as a bump, not a break in the investment cycle. As long as US AI capex remains durable and continues to support growth, yields and asset returns, AI should remain a net tailwind rather than a headwind for the USD.

The broader message is about two-way risk. The AI boom remains supportive of the USD, but recent price action shows that the relationship can reverse when the AI narrative wobbles. The USD can still benefit from AI, but it is no longer a one-way trade.

Energy Risk Returns: News of potential strategic reserve releases kept oil prices in check for much of last week. But crude surged on Friday as renewed attacks on shipping threatened the recovery in Middle East oil flows. Brent briefly touched USD110/bbl before paring gains.

Iranian attacks on commercial shipping have intensified and broadened beyond tankers, raising concerns over the sustainability of the recovery in flows through and around the Strait of Hormuz. Meanwhile, escalating Saudi-Houthi tensions have put Saudi Arabia's alternative export infrastructure back in focus. A Saudi-led coalition intercepted a ballistic missile headed towards Yanbu on Friday.

The key risk is that disruption spreads from Hormuz to the infrastructure designed to bypass it. Saudi Arabia's East-West Pipeline can carry around 7mn bpd to the Red Sea and was running at 5.8mn bpd in early October. A serious disruption to the pipeline or Yanbu would therefore constrain an important alternative route for Saudi crude exports.

The oil rally also came despite government efforts to put more supply into the market. The IEA agreed to accelerate its remaining emergency stock releases, including more than 20mn barrels of diesel, while the US solicited an exchange of up to 17mn barrels of SPR crude. Both measures form part of the broader emergency response agreed earlier this year, rather than representing entirely new supply commitments.

European natural gas remains another pressure point. TTF prices traded near their highest levels since late 2022 last week as Europe

faced relatively low inventories and uncertainty over LNG supply. EU storage was just 74% full on 16 October, compared with 83% a year earlier, increasing Europe's reliance on sustained LNG imports through the winter.

The FX read-through remains clearest for CAD and NOK, where higher energy prices provide a terms-of-trade tailwind. The relationship is less straightforward for the USD and AUD. For the USD, energy support has been offset by US-centric AI concerns, while softer domestic data have weighed on the AUD. For now, higher energy prices favour the commodity currencies with the cleanest exposure, particularly CAD and NOK.

The week starts with China's 3Q GDP and September activity data (19 Oct), with attention on whether export resilience continues to offset weakness in domestic demand and investment. Malaysia's September CPI and trade data (19 Oct) are also due, while the PBoC announces its loan prime rates (20 Oct). Korea's first 20-day exports (21 Oct) will provide another gauge of the technology cycle, although holiday-related distortions may complicate the headline reading. Regional central banks then take centre stage, starting with Bank Indonesia (21 Oct), followed by the Bank of Korea and BSP (22 Oct).

For BI, the focus remains on its assessment of IDR stability and capital flows, particularly against the backdrop of renewed portfolio outflow risks. The BoK's guidance on the timing of further tightening will be important for KRW, while the BSP faces a difficult balance between persistent inflation pressures, PHP weakness and growth concerns. Taiwan's industrial production and Singapore's September CPI (23 Oct) round off the regional calendar, with the latter providing an early read on price pressures following MAS' October policy hold.

USDCNH. Heavy bias. RMB extended its gains on Friday, with USDCNH breaking below 6.69 despite mixed external sentiment. The PBoC continued to guide the currency stronger, with Friday's fixing at 6.7220 (vs. 6.7253 on Thu). Last week's trade data also reinforced the supportive external backdrop. September exports surged 36.3% YoY, up from 25% in August, led by robust demand for semiconductors, autos and other high-tech products. The trade surplus widened to USD133.5bn, bringing the cumulative surplus to USD938bn in the first nine months. While this provides fundamental support for RMB, the extent of actual FX conversion flows remains less clear.

We maintain a constructive bias on RMB. Focus today turns to China's 3Q26 GDP and September activity data, particularly whether export resilience continues to offset sluggish domestic demand. A softer

growth print may weigh on sentiment temporarily, but we doubt it would materially alter the RMB outlook unless accompanied by a shift in PBoC guidance or renewed USD strength.

USDCNH last at 6.6860 levels. Daily momentum turned mild bearish while RSI slipped closer to oversold conditions. Sustained price action below 6.69 should see bearish pressure re-exert itself. Next support at 6.67 levels. Resistance at 6.69, 6.7020 (21 DMA).

IDR. Pressured by MSCI announcement. IDR came under renewed pressure on Friday after MSCI proposed reclassifying Indonesia from emerging market to standalone status, triggering a sharp selloff in local equities. USDIDR briefly rose above 18,070 before paring gains, with BI stepping up its presence across FX and bond markets to contain volatility. The development adds to existing concerns over portfolio outflows, elevated oil prices and the domestic fiscal outlook.

We retain a mildly cautious bias on IDR in the near term. While the MSCI proposal is not yet final, the uncertainty may weigh on investor confidence in the interim. BI intervention may help contain near-term volatility, but a more sustained recovery would require greater clarity on market reforms and some improvement in external conditions. Focus this week also turns to BI's policy decision on Wednesday.

Pair last closed at 18012. Daily MACD remains in positive territory though the impulse does not look especially strong while RSI is near overbought territory. Near term, 18190 remains the key resistance (2026 high). Initial support comes in around 17838 (23.6% fibo retracement of 2026 low to high), followed by 17620 (38.2% fib).

USDSGD. Reversal lower. USDSGD continued to trade lower, after the false break. We had earlier raised the caution that the recent sharp spike higher may end as a false break, given that the spike has failed to build on momentum thus far. This appears to be playing out. Move lower tracked the slippage in USD, US Treasury yields. Pair was last seen at 1.28 levels. Mild bullish momentum on daily chart faded while RSI fell from overbought conditions. Support at 1.2790 (21, 200 DMAs), 1.2750 (50 DMA). Resistance at 1.2840, 1.2870 (recent high). We favour a 1.2750 – 1.2840 range in the interim.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1361	159.30	1.3530	0.8377	0.7045	0.5769	1.4288	4273	1.2887	63.50	95.68
Resistance 2	1.1300	158.66	1.3426	0.8312	0.6994	0.5708	1.4223	4222	1.2844	63.27	95.29
Resistance 1	1.1269	158.34	1.3377	0.8276	0.6970	0.5680	1.4182	4194	1.2818	63.13	95.12
Spot	1.1214	157.94	1.3326	0.8246	0.6964	0.5655	1.4127	4176	1.2800	62.98	94.96
Support 1	1.1208	157.70	1.3273	0.8211	0.6919	0.5619	1.4117	4142	1.2775	62.91	94.73
Support 2	1.1178	157.38	1.3218	0.8182	0.6892	0.5586	1.4093	4119	1.2758	62.83	94.51
Support 3	1.1117	156.74	1.3114	0.8117	0.6841	0.5525	1.4028	4068	1.2715	62.61	94.12
Bollinger Band											
Bollinger Upper	1.1441	158.83	1.3333	0.8380	0.7067	0.5701	1.4312	4315	1.2836	63.03	96.96
Bollinger Lower	1.1101	157.11	1.3167	0.8219	0.6896	0.5565	1.4079	4053	1.2752	62.45	94.85

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
DX	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
USDCHE	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	4.25	4.25	4.25
SOFR	4.15	4.15	4.15
2-Year US Treasury	4.75	4.65	4.45
5-Year US Treasury	4.85	4.75	4.55
10-Year US Treasury	5.05	4.95	4.80
30-Year US Treasury	5.40	5.40	5.30
Forecast for US SOFR swap rates			
2-Year Rate	4.65	4.55	4.35
5-Year Rate	4.65	4.55	4.35
10-Year Rate	4.70	4.60	4.40
30-Year Rate	4.75	4.70	4.55

Source: OCBC Group Research

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
19-Oct	10:00	CH	GDP YoY	3Q		4.4%	4.3%
	10:00	CH	Retail Sales YoY	Sep		0.5%	0.4%
	10:00	CH	Industrial Production YoY	Sep		5.4%	5.2%
	20:30	CA	CPI YoY	Sep		3.2%	3.0%
	20:30	CA	CPI Core- Trim YoY%	Sep		1.9%	1.9%
	22:00	US	NAHB Housing Market Index	Oct		31	32
20-Oct	09:00	CH	5-Year Loan Prime Rate			3.50%	3.50%
	14:00	UK	Average Weekly Earnings 3M/YoY	Aug		--	3.9%
	14:00	UK	ILO Unemployment Rate 3Mths	Aug		5.0%	4.9%
	17:00	GE	ZEW Survey Expectations	Oct		33.0	34.7
	20:30	US	Housing Starts	Sep		1305k	1275k
	22:00	US	Pending Home Sales NSA YoY	Sep		--	-4.9%
		CH	FX Net Settlement - Clients CNY	Sep		--	352.4b
21-Oct	14:00	UK	CPI YoY	Sep		3.3%	3.1%
	14:00	UK	CPI Core YoY	Sep		--	2.6%
	15:20	ID	BI Rate			5.75%	5.75%
22-Oct	05:45	NZ	CPI YoY	3Q		--	4.1%
		SK	BOK Base Rate			3.00%	3.00%
	14:30	PH	BSP Overnight Borrowing Rate			5.25%	5.00%
	20:30	US	Initial Jobless Claims	17-Oct		200k	199k
23-Oct	07:30	JN	NatI CPI YoY	Sep		2.1%	1.9%
	07:30	JN	NatI CPI Ex Fresh Food, Energy YoY	Sep		2.3%	1.9%
	08:30	JN	S &P Global Japan PMI Mfg	Oct P		--	54.1
	16:00	EC	S &P Global Eurozone Composite PMI	Oct P		--	53.1
	16:00	EC	ECB 3 Year CPI Expectations	Sep		--	2.9%
	16:30	UK	S &P Global UK Composite PMI	Oct P		--	52.0
	21:45	US	S &P Global US Composite PMI	Oct P		--	58.4

Source: Bloomberg, OCBC Group Research

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