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FX Weekly

Resilient USD Story

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- ***Resilient USD Story**: Rangebound USD with a firm bias. US growth resilience and sticky inflation support, while easing oil risks act as a mild drag. Maintain a neutral USD stance and focus on relative value in FX.*

- ***Spike to De-escalate**: Diplomacy is stalling as brinkmanship persists. With Hormuz shut, limited inventories raise the risk of price spikes. Higher oil prices may be the trigger needed to force a ceasefire and restore supply flows.*

- ***Tech Up, US Outperforms, Oil Down in May**: Risk assets rallied with tech leadership in May. USD strength and higher yields echoed US outperformance. Oil moved the other way, falling late and moderating the hawkish shift in Fed rate expectations.*

- ***GBP Outlook Shift**: GBP steadies as fiscal concerns ease and carry draws inflows. We shift to neutral from bearish, as stretched short positioning may limit downside despite political risks.*

- ***IDR forecast revision**: BI's jumbo hike offers some support, but soft investor confidence and a challenging external backdrop warrant lower IDR forecasts.*

- ***Gold forecast revised lower**: Elevated oil prices, higher yields and hawkish Fed repricing have weakened gold's near term backdrop, though central bank diversification and portfolio hedging remain medium term anchors.*

Spike to De-escalate: US-Iran tensions have entered a 14th week. Initial optimism around a potential deal has faded after Iran reportedly suspended talks with the US in response to Israel's offensive in Lebanon. Both sides continue to test limits, with intermittent clashes keeping risks elevated. US front-end yields initially followed oil and USD higher and the curve flattened following a renewal of tensions in the Middle East conflict before retracing those moves after President Trump said talks are still on and that Israel and Hezbollah had agreed to cease attacks in Lebanon.

The longer the Strait of Hormuz remains shut, the tighter the oil market becomes. Inventory buffers appear limited, likely covering only weeks to up to three months. This leaves oil prices vulnerable to sharp upside if disruptions persist.

A rebound in prices may be necessary to shift the political calculus. Higher oil prices could increase pressure on Washington to pursue a ceasefire. While US naval blockade has choked off Iran's oil export revenue, its tolerance for economic strain appears higher.

This extends the challenging circular dynamic seen since the conflict began. Supply shocks have yet to drive sustained price spikes, but a sharper move may be required to force a diplomatic breakthrough. In effect, higher oil prices could become the catalyst for de-escalation and the reopening of Hormuz.

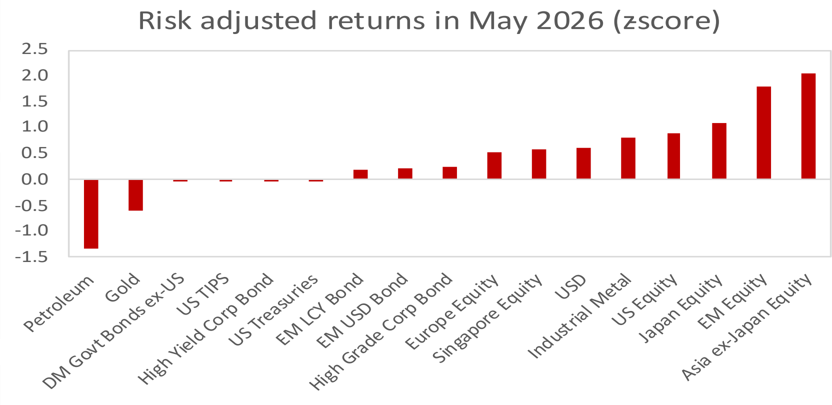
Tech Up, US Outperforms, Oil Down in May: AI remained the dominant theme in May, pushing US equities to fresh highs. Taiwan and Korea tech stocks surged, driving outperformance in Asia ex-Japan.

The key shift versus April was rising optimism around a potential US-Iran deal, which could restore oil flows through the Strait of Hormuz. Markets also focused more on US growth resilience and its outperformance relative to the rest of the world.

The USD strengthened as Fed communication turned more hawkish, supported by firmer growth and inflation data. However, the late-May decline in oil prices helped moderate this hawkish repricing, as Fed expectations had been catching up with other major central banks amid the earlier energy shock.

We continue to expect a gradual decline in 10-year Treasury yields. That said, we have raised our end-2026 forecast to 4.25% from 4.10%, reflecting slightly higher inflation expectations and real yields.

AI led in May, along with rising optimism on a US–Iran resolution and stronger focus on US growth outperformance



Source: Bloomberg, OCBC Group Research

Resilient USD Story: We remain neutral on USD, expecting a firm but rangebound profile. The Fed is moving away from an easing bias as US growth holds up and inflation stays sticky. This supported a gradual grind higher in the USD over the past few weeks. Following the strong ISM manufacturing data overnight, this week's data – including ISM services and payrolls – should reinforce the US growth resilience narrative. Fedspeak points to a shift toward a neutral stance at Chair Warsh's first FOMC meeting.

Elevated energy prices continue to weigh on global growth, though unevenly. The US stands out, supported by AI-led capex, while Europe and China remain softer.

A potential US-Iran deal reopening the Strait of Hormuz would be USD-negative via lower oil prices, but downside should be limited by US outperformance. Our base case sees Middle East oil flows rising beyond mid-year, with prices easing into 2H26, albeit gradually. We expect Brent near USD80/bbl by year-end, with upside risks. USD terms of trade support should fade only slowly.

There is no strong case for a bearish USD. We stay neutral and focus on crosses. Risk-sensitive oil importers such as NZD, SEK, GBP and KRW may outperform near term if energy prices ease. That said, we continue to prefer carry and commodity FX, including AUD, NOK and BRL. EUR and CHF are likely laggards, especially if oil prices decline only gradually.

GBP Outlook Shift: We shift from bearish to neutral on the GBP and revise our end-2026 EURGBP forecast to 0.87 from 0.89.

Politics remains a key focus. A potential win for Andrew Burnham at the 18 June Makerfield by-election could trigger a Labour leadership contest in late August or early September. Burnham is widely seen as a likely successor to Prime Minister Keir Starmer according to recent YouGov polling.

Despite soft UK data and ongoing political risk, GBP has recovered from early May losses. Easing fiscal concerns, supported by Burnham's commitment to discipline, and relatively attractive carry have helped stabilise the currency.

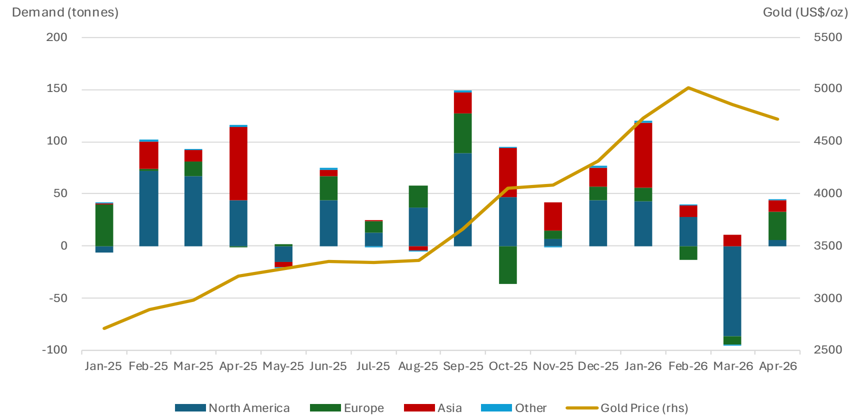
Positioning also matters. Elevated GBP shorts could unwind further, especially if oil prices ease, which tends to support risk-sensitive, oil-importing currencies like GBP.

Gold Under Pressure: Gold softened in May as elevated oil prices and Hormuz disruption lifted yields, supported the USD and drove a more hawkish Fed repricing. This has limited gold's safe-haven appeal, while ETF momentum has also slowed.

Near term, gold may need a better external backdrop to regain traction. Clearer US-Iran de-escalation, lower oil prices, softer yields and a more dovish Fed path. India's higher import tariffs may also weigh on physical demand at the margin. Still, the medium-term anchor remains intact, supported by central bank diversification, strategic allocation demand and portfolio hedging.

We revised gold forecasts lower to reflect elevated oil prices for longer, hawkish Fed repricing and potential softness in India demand.

Global ETF flows for gold slowing



Source: World Gold Council, OCBC Group Research

IDR. Lowered forecasts. IDR remains under pressure despite BI's larger-than-expected 50bp hike. The move underscored BI's commitment to IDR stability, but its impact has been diluted by renewed domestic policy uncertainty, including plans to tighten state control over key commodity exports — a move that may support revenue collection and FX reserves over time, but could unsettle investor confidence near term. The external backdrop remains unfavourable, with elevated oil prices, geopolitical risks and higher DM yields weighing on oil-importing, high-beta Asia FX. We are lowering our IDR forecasts to reflect this tougher mix. Further BI tightening may help anchor sentiment, but a durable IDR recovery likely requires clearer domestic policy signals and relief from oil, geopolitics and global yields.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1764	160.59	1.3584	0.8006	0.7271	0.6100	1.3946	4689	1.2871	62.05	95.57
Resistance 2	1.1700	160.07	1.3515	0.7930	0.7216	0.6022	1.3886	4591	1.2827	61.87	95.25
Resistance 1	1.1666	159.87	1.3484	0.7898	0.7188	0.5978	1.3863	4538	1.2808	61.80	95.12
Spot	1.1636	159.66	1.3460	0.7866	0.7163	0.5935	1.3842	4486	1.2786	61.74	95.00
Support 1	1.1602	159.35	1.3415	0.7822	0.7133	0.5900	1.3803	4440	1.2764	61.62	94.80
Support 2	1.1572	159.03	1.3377	0.7778	0.7106	0.5866	1.3766	4395	1.2739	61.50	94.61
Support 3	1.1508	158.51	1.3308	0.7702	0.7051	0.5788	1.3706	4297	1.2695	61.32	94.29
Bollinger Band											
Bollinger Upper	1.1783	160.52	1.3627	0.7904	0.7270	0.6003	1.3877	4764	1.2843	62.18	96.84
Bollinger Lower	1.1554	156.51	1.3323	0.7768	0.7096	0.5814	1.3629	4397	1.2669	60.76	94.20

Source: Bloomberg, OCBC Group Research. Potential resistance and support levels are identified based on pivot points

FX Forecasts

Currency Pair	Current (29 May)	2Q26	3Q26	4Q26	1Q27	2Q27
USD-JPY	159	158	156	155	154	153
EUR-USD	1.16	1.16	1.18	1.18	1.17	1.16
GBP-USD	1.34	1.34	1.36	1.36	1.34	1.33
AUD-USD	0.72	0.72	0.75	0.75	0.75	0.74
NZD-USD	0.60	0.60	0.61	0.61	0.62	0.62
USD-CAD	1.38	1.36	1.35	1.35	1.34	1.34
USD-CHF	0.78	0.79	0.79	0.79	0.79	0.80
DXY	99.14	99.05	97.64	97.52	98.08	98.65
USD-SGD	1.28	1.28	1.27	1.26	1.26	1.25
USD-CNY	6.77	6.81	6.80	6.78	6.76	6.74
USD-CNH	6.77	6.81	6.80	6.78	6.76	6.74
USD-THB	32.57	32.80	32.50	32.10	31.80	31.60
USD-IDR	17874	17600	17550	17450	17350	17250
USD-MYR	3.97	3.95	3.92	3.86	3.83	3.81
USD-KRW	1508	1470	1460	1450	1430	1410
USD-TWD	31.36	31.60	31.50	31.40	31.20	31.10
USD-HKD	7.83	7.82	7.80	7.78	7.78	7.78
USD-PHP	61.60	61.00	60.60	60.40	60.00	59.80
USD-INR	95.13	95.00	95.30	95.50	96.00	96.50
USD-VND	26315	26200	26000	26000	25800	25900
EUR-JPY	185	183	184	183	180	177
EUR-GBP	0.87	0.86	0.87	0.87	0.87	0.87
EUR-CHF	0.91	0.92	0.93	0.93	0.93	0.93
EUR-AUD	1.63	1.61	1.57	1.57	1.56	1.57
EUR-NOK	10.76	10.80	10.90	11.00	11.10	11.10
AUD-NZD	1.20	1.19	1.22	1.22	1.21	1.20
EUR-SGD	1.49	1.48	1.50	1.49	1.48	1.45
GBP-SGD	1.71	1.72	1.73	1.71	1.70	1.67
AUD-SGD	0.91	0.92	0.95	0.95	0.95	0.93
NZD-SGD	0.76	0.77	0.78	0.78	0.78	0.77
CHF-SGD	1.63	1.61	1.61	1.60	1.59	1.56
CAD-SGD	0.93	0.94	0.94	0.94	0.94	0.94
JPY-SGD	0.80	0.81	0.82	0.82	0.82	0.82
SGD-MYR	3.10	3.10	3.08	3.05	3.03	3.04
SGD-CNY	5.30	5.34	5.35	5.36	5.36	5.37
SGD-IDR	13992	13793	13797	13805	13748	13756
SGD-THB	25.49	25.71	25.55	25.40	25.20	25.20
SGD-PHP	48.22	47.81	47.64	47.78	47.54	47.69
SGD-VND	20597	20533	20440	20570	20444	20654
SGD-CNH	5.30	5.34	5.35	5.36	5.36	5.37
SGD-TWD	24.54	24.76	24.76	24.84	24.72	24.80
SGD-KRW	1180	1152	1148	1147	1133	1124
SGD-HKD	6.13	6.13	6.13	6.16	6.16	6.20
SGD-JPY	125	124	123	123	122	122
Gold $/oz	4528	4800	4962	5100	5230	5400
Silver $/oz	75.57	77.54	82.70	89.47	91.75	94.74
Platinum $/oz	1920	2000	2109	2237	2294	2368
Palladium $/oz	1376	1428	1506	1511	1519	1528
ICE Brent $/bbl	93.1	100	85	80	75	75
NYMEX WTI $/bbl	88.1	94	81	76	71	71

Source: OCBC Group Research (Latest Forecast Update: 29 May 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 (29 May)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.16	1.17	1.18	1.16
GBPUSD	1.34	1.35	1.36	1.34
USDJPY	159	157	155	153
USDCHF	0.78	0.79	0.79	0.80
AUDUSD	0.72	0.74	0.75	0.74
NZDUSD	0.60	0.61	0.61	0.62
USDCAD	1.38	1.35	1.35	1.34
EURNOK	10.76	10.87	10.97	11.10
Forecast for Asian Currencies				
USDCNY	6.77	6.80	6.79	6.75
USDIDR	17874	17567	17483	17283
USDINR	95.18	95.20	95.43	96.33
USDKRW	1509	1463	1453	1417
USDMYR	3.96	3.93	3.88	3.82
USDPHP	61.60	60.73	60.47	59.87
USDSGD	1.28	1.27	1.27	1.26
USDTHB	32.56	32.60	32.23	31.67
USDTWD	31.36	31.53	31.43	31.13
USDHKD	7.83	7.81	7.79	7.78
Forecast for Precious Metals				
Gold $/oz	4525	4908	5054	5343
Silver $/oz	75.5	81	87	94
Platinum $/oz	1918	2072	2194	2344
Palladium $/oz	1376	1480	1510	1525
Forecast for Crude Oil				
NYMEX WTI $/bbl	87.3	85.5	77.5	71.0
ICE Brent $/bbl	92.5	90.0	81.5	75.0

Source: OCBC Group Research (Latest Forecast Update: 29 May 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 (29 May)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.75	3.75	3.50
2-Year US Treasury	4.02	4.00	3.90	3.70
5-Year US Treasury	4.15	4.20	4.15	4.00
10-Year US Treasury	4.45	4.45	4.40	4.25
30-Year US Treasury	4.98	5.10	5.10	5.10
Forecast for US SOFR swap rates				
2-Year Rate	3.88	3.90	3.85	3.65
5-Year Rate	3.88	3.95	3.90	3.75
10-Year Rate	4.04	4.10	4.05	3.95
30-Year Rate	4.25	4.30	4.30	4.25

Source: OCBC Group Research (Latest Forecast Update: 29 May 2026)

Central Bank Forecast Table

	Current (29 May)	2Q26	3Q26	4Q26	1Q27	2Q27
Fed Funds Rate (upper)	3.75	3.75	3.75	3.50	3.50	3.50
BoE Bank Rate	3.75	3.75	3.75	3.75	3.50	3.50
ECB Depo Rate	2.00	2.25	2.25	2.25	2.25	2.25
BOJ Policy Rate	0.75	1.00	1.00	1.25	1.25	1.50
RBA Cash Rate	4.35	4.35	4.35	4.35	4.35	4.35
RBNZ Official Cash Rate	2.25	2.25	2.25	2.50	2.50	2.75

Source: OCBC Group Research (Latest Forecast Update: 29 May 2026)

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
01-Jun	09:45	CH	RatingDog China PMI Mfg	May	51.8	51.3	52.2
	15:00	SZ	GDP YoY	1Q	0.5%	0.4%	0.7%
	16:00	EC	ECB 3 Year CPI Expectations	Apr	2.9%	3.0%	3.0%
	22:00	US	ISM Manufacturing	May	54.0	53.0	52.7
02-Jun	17:00	EC	CPI Estimate YoY	May P		3.3%	3.0%
	17:00	EC	CPI Core YoY	May P		2.4%	2.2%
	22:00	US	JOLTS Job Openings	Apr		6890k	6866k
03-Jun	09:30	AU	GDP YoY	1Q		2.6%	2.6%
	09:45	CH	RatingDog China PMI Composite	May		--	53.1
	20:15	US	ADP Employment Change	May		120k	109k
	22:00	US	ISM Services Index	May		53.7	53.6
04-Jun	14:00	SW	CPIF YoY	May P		--	0.8%
	14:00	SW	CPIF Excl. Energy YoY	May P		--	0.0%
	14:30	SZ	CPI YoY	May		0.0	0.0
	14:30	SZ	CPI Core YoY	May		0.3%	0.3%
	17:00	EC	Retail Sales YoY	Apr		0.6%	1.2%
	20:30	US	Initial Jobless Claims	30-May		--	215k
05-Jun	07:30	JN	Labor Cash Earnings YoY	Apr		3.1%	2.7%
	12:30	IN	RBI Repurchase Rate			5.25%	5.25%
	16:30	UK	DMP 1 Year CPI Expectations	May		--	4.0%
	20:30	US	Change in Nonfarm Payrolls	May		93k	115k
	20:30	CA	Net Change in Employment	May		10.0k	-17.7k
	20:30	CA	Unemployment Rate	May		6.9%	6.9%
	20:30	US	Average Hourly Earnings YoY	May		3.4%	3.6%
	20:30	US	Unemployment Rate	May		4.3%	4.3%

Source: Bloomberg, OCBC Group Research

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