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FX Weekly

Tariff Twist Pressures USD

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(G10 & oil)

- ***Tariff Twist Pressures USD***: *IEEPA tariffs were struck down, briefly weighing on the USD as investors priced lower trade frictions and weaker tariff revenues. Still, resilient US growth and a potentially firmer-than-priced Fed stance argue against a deeper USD slide.*
- ***Oil Risks Return***: *Rising US–Iran tensions are lifting oil and supporting petro-FX, while safe-haven demand keeps the USD firm. Despite geopolitical spikes, we still expect a well-supplied market to push Brent lower toward USD59/bbl by year-end.*
- ***GBP Awaits Clarity***: *Sticky inflation and firmer UK activity data offset soft labour numbers, limiting dovish BoE repricing. GBP may stay choppy ahead of the 26 Feb by-election, but we still see room for EURGBP to drift lower once political risks clear.*
- ***NZD Lags After RBNZ***: *NZD underperformed after a dovish RBNZ hold, with projected hikes falling short of market expectations. Despite this, NZ's improving recovery keeps our constructive NZD outlook intact.*

Tariff Twist Pressures USD: The Supreme Court struck down the Trump administration's IEEPA-based tariffs but did not rule on tariff refunds. The decision invalidates both the fentanyl-trafficking tariffs on Canada, Mexico, and China and the "reciprocal" tariff regime. President Trump has already pivoted to "Plan B," signalling alternative legal avenues to rebuild the framework – including using the maximum 15% global tariff allowed under Section 122, alongside announcements that new Section 301 investigations will be launched.

The USD softened on the headline, but the reaction was muted. The ruling was not a complete surprise – prior to the decision, betting markets reportedly put the odds of a pro-Trump outcome at around 25% -- and investors expect other legal tools could replace the IEEPA measures. That said, concerns around the fiscal deficit (and potential tariff-revenue shortfall), as well as a possible boost to non-US growth from lower trade frictions, weighed on the USD. On the other hand, the ruling could reduce the USD's risk premium over the medium term by lowering the probability of "tariff on/tariff off" volatility: alternative tariff authorities are typically less discretionary and require investigations, making rapid policy swings harder.

More broadly, erratic US policymaking (e.g., the Greenland shock) and relative US equity underperformance (e.g., the S&P 500 versus MSCI World ex-US) driven by AI disruption concerns and firmer non-US growth have nudged the USD modestly lower year-to-date. Even so, we think resilient US growth should contain the risk of a deeper USD sell-off. With the macro backdrop firm, the Fed may not be as dovish as markets expect: OIS price 55bp of cuts this year, versus our base case of at most one more cut. Notably, the January FOMC minutes showed "several" participants favouring communications that highlight two-sided risks, including the possibility of higher rates.

Oil Risks Return: Geopolitics remains a key driver for FX as oil prices climb on fears of escalating US–Iran tensions. Brent has pushed above USD70/bbl—near its highest since June 2025—as the US expands its military presence in the Middle East. The *Wall Street Journal* reports that regional air power is now at its strongest since the 2003 Iraq invasion. Any conflict would threaten shipments from a region supplying about one-third of global output. Saudi Arabia and the GCC have urged Washington to avoid military action, while Türkiye has warned of potential regional instability.

Rising oil prices are supporting currencies such as CAD, NOK and MYR although the higher risk aversion fueled by geopolitically driven oil price spike is negative for these currencies. Petro-FX like NOK are outperforming G10 peers, but the USD remains the strongest on safe-haven demand and its status as a net oil exporter. If elevated oil prices persist, import-dependent currencies – including INR and TRY – could face increasing pressure. Beyond energy, Middle East tensions could affect regional tourism flows, a key vulnerability for Türkiye.

Still, our base case is unchanged: despite episodic geopolitical spikes, oil is likely to drift lower through 2026 amid ample supply and expected inventory builds. We continue to forecast Brent bottoming near USD59/bbl by year-end.

GBP Awaits Clarity: Sticky inflation and a firmer UK growth pulse helped offset soft labour data, tempering the market's shift toward a more dovish BoE and limiting GBP downside. With the Greater Manchester by-election on 26 February, GBP volatility may remain elevated. We continue to see scope for EURGBP to retrace lower once political risks subside. GBP opened the week before on the back foot after weaker-than-expected labour data but later stabilised as a hotter inflation print countered the softness. Upside surprises in the flash February UK PMIs and January retail sales reinforced signs of an early-year activity pick-up following the Budget. January's budget surplus was the largest on record, and better government borrowing data should ease fiscal sustainability concerns for now.

The recent improvement in UK growth indicators may have further room to run. However, the muted GBP reaction to last week's stronger data suggests investors may be waiting for political uncertainty around the 26 February by-election to clear before taking more decisive currency positions.

NZD Lags After RBNZ: The NZD underperformed after the RBNZ delivered a dovish hold. The central bank kept the cash rate at 2.25%, as universally expected. Markets had anticipated a hold with a hawkish tilt, but the RBNZ's projected rate increases for this year were softer than the 1–2 hikes implied in OIS pricing. Still, with New Zealand's economic recovery gaining momentum, our constructive NZD view remains intact despite the RBNZ not matching hawkish market expectations.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1906	156.98	1.3637	0.7835	0.7224	0.6060	1.3771	5318	1.2755	58.29	91.12
Resistance 2	1.1842	156.06	1.3557	0.7794	0.7144	0.6013	1.3729	5192	1.2716	58.21	91.04
Resistance 1	1.1813	155.55	1.3518	0.7775	0.7112	0.5995	1.3705	5150	1.2695	58.18	91.02
Spot	1.1800	154.84	1.3501	0.7741	0.7087	0.5981	1.3673	5140	1.2666	58.16	90.99
Support 1	1.1749	154.63	1.3438	0.7734	0.7032	0.5948	1.3663	5024	1.2656	58.10	90.94
Support 2	1.1714	154.22	1.3397	0.7712	0.6984	0.5919	1.3645	4940	1.2638	58.05	90.89
Support 3	1.1650	153.30	1.3317	0.7671	0.6904	0.5872	1.3603	4814	1.2599	57.97	90.82
Bollinger Band											
Bollinger Upper	1.1995	157.53	1.3846	0.7812	0.7146	0.6092	1.3741	5362	1.2747	59.32	92.20
Bollinger Lower	1.1714	151.62	1.3423	0.7622	0.6940	0.5950	1.3511	4678	1.2586	57.69	89.85

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

FX Forecasts

Currency Pair	Current (29 Jan)	1Q26	2Q26	3Q26	4Q26	1Q27
USD-JPY	153	153	151	150	149	147
EUR-USD	1.20	1.21	1.22	1.23	1.23	1.21
GBP-USD	1.38	1.39	1.42	1.44	1.45	1.41
AUD-USD	0.70	0.71	0.73	0.73	0.73	0.73
NZD-USD	0.61	0.61	0.62	0.62	0.62	0.62
USD-CAD	1.35	1.35	1.34	1.34	1.33	1.33
USD-CHF	0.76	0.77	0.76	0.76	0.76	0.78
DXY	96.3	95.5	94.5	94.0	93.6	94.7
USD-SGD	1.26	1.26	1.25	1.25	1.24	1.24
USD-CNY	6.95	6.90	6.86	6.85	6.80	6.80
USD-CNH	6.94	6.90	6.86	6.85	6.80	6.80
USD-THB	31.2	31.2	31.0	31.0	30.8	30.9
USD-IDR	16750	16680	16620	16620	16500	16550
USD-MYR	3.93	3.90	3.86	3.86	3.83	3.84
USD-KRW	1434	1405	1380	1380	1350	1350
USD-TWD	31.3	31.2	31.1	31.0	30.9	30.0
USD-HKD	7.81	7.77	7.76	7.76	7.76	7.76
USD-PHP	59.0	58.3	58.0	57.4	57.2	57.0
USD-INR	92.0	92.2	92.5	93.0	93.5	94.0
USD-VND	26020	25900	25800	25800	25600	25600
EUR-JPY	183.29	185.13	184.22	183.75	183.27	177.87
EUR-GBP	0.87	0.87	0.86	0.85	0.85	0.86
EUR-CHF	0.91	0.93	0.93	0.93	0.94	0.94
EUR-AUD	1.70	1.70	1.67	1.68	1.68	1.66
EUR-NOK	11.4	11.7	11.6	11.5	11.4	11.3
AUD-NZD	1.16	1.16	1.17	1.17	1.17	1.18
EUR-SGD	1.51	1.52	1.52	1.53	1.52	1.50
GBP-SGD	1.75	1.75	1.77	1.79	1.79	1.74
AUD-SGD	0.89	0.89	0.91	0.91	0.90	0.91
NZD-SGD	0.77	0.77	0.78	0.78	0.77	0.77
CHF-SGD	1.65	1.63	1.63	1.64	1.62	1.60
CAD-SGD	0.94	0.93	0.93	0.93	0.93	0.93
JPY-SGD	0.83	0.82	0.82	0.83	0.83	0.84
SGD-MYR	3.11	3.11	3.10	3.10	3.10	3.10
SGD-CNY	5.50	5.50	5.51	5.50	5.51	5.48
SGD-IDR	13271	13291	13349	13349	13360	13347
SGD-THB	24.70	24.86	24.90	24.90	24.94	24.92
SGD-PHP	46.68	46.45	46.59	46.10	46.32	45.97
SGD-VND	20578	20637	20723	20723	20729	20645
SGD-CNH	5.49	5.50	5.51	5.50	5.51	5.48
SGD-TWD	24.79	24.86	24.98	24.90	25.02	24.19
SGD-KRW	1134	1120	1108	1108	1093	1089
SGD-HKD	6.17	6.19	6.23	6.23	6.28	6.26
SGD-JPY	121	122	121	120	121	119
Gold $/oz	5375	5250	5367	5425	5600	5626
Silver $/oz	115.7	116.7	119.3	120.6	133.3	134.0
Platinum $/oz	2643	2917	2982	3014	3111	3126
Palladium $/oz	2011	2161	2209	2233	2305	2315
ICE Brent $/bbl	70.7	68.0	66.0	62.5	59.0	59.0
NYMEX WTI $/bbl	65.4	64.0	63.0	59.5	56.0	56.0

Source: OCBC Group Research (Latest Forecast Update: 29 January 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 Jan)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.20	1.21	1.22	1.22
GBPUSD	1.38	1.40	1.43	1.43
USDJPY	153	152	151	148
USDCHF	0.76	0.77	0.76	0.77
AUDUSD	0.70	0.72	0.73	0.73
NZDUSD	0.61	0.62	0.62	0.62
USDCAD	1.35	1.35	1.34	1.33
EURNOK	11.4	11.67	11.57	11.37
Forecast for Asian Currencies				
USDCNY	6.95	6.89	6.86	6.80
USDIDR	16750	16660	16620	16517
USDINR	92.0	92.30	92.50	93.67
USDKRW	1434	1397	1380	1350
USDMYR	3.93	3.89	3.86	3.83
USDPHP	59.0	58.20	58.00	57.13
USDSGD	1.26	1.25	1.25	1.24
USDTHB	31.2	31.13	31.00	30.83
USDTWD	31.3	31.17	31.10	30.60
USDHKD	7.81	7.77	7.76	7.76
Forecast for Precious Metals				
Gold $/oz	5375	5289	5386	5609
Silver $/oz	116	118	120	134
Platinum $/oz	2643	2938	2992	3116
Palladium $/oz	2011	2177	2217	2308
Forecast for Crude Oil				
NYMEX WTI $/bbl	71	64	62	56
ICE Brent $/bbl	65	67	65	59

Source: OCBC Group Research (Latest Forecast Update: 29 January 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 Jan)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.50	3.50	3.50
2-Year US Treasury	3.56	3.55	3.50	3.50
5-Year US Treasury	3.82	3.65	3.65	3.65
10-Year US Treasury	4.23	4.05	4.00	3.95
30-Year US Treasury	4.85	4.80	4.75	4.70
Forecast for US SOFR swap rates				
2-Year Rate	3.40	3.40	3.40	3.50
5-Year Rate	3.55	3.45	3.45	3.50
10-Year Rate	3.86	3.65	3.65	3.65
30-Year Rate	4.19	3.95	3.90	3.90

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

Central Bank Forecast Table

	Current (29 Jan)	1Q26	2Q26	3Q26	4Q26
Fed Funds Rate (upper)	3.75	3.50	3.50	3.50	3.50
BoE Bank Rate	3.75	3.50	3.50	3.50	3.50
ECB Depo Rate	2.00	2.00	2.00	2.00	2.00
BOJ Target Rate	0.75	1.00	1.00	1.00	1.25
RBA Cash Rate	3.60	3.85	3.85	3.85	3.85

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

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
23-Feb	17:00	GE	IFO Expectations	Feb		90.0	89.5
	21:30	US	Chicago Fed Nat Activity Index	Jan		--	-0.04
24-Feb	09:00	CH	5-Year Loan Prime Rate			3.50%	3.50%
	22:00	US	S&P Cotality CS 20-City YoY NSA	Dec		--	1.4%
	23:00	US	Conf. Board Consumer Confidence	Feb		88.0	84.5
25-Feb	08:30	AU	CPI YoY	Jan		3.7%	3.8%
	08:30	AU	CPI Trimmed Mean YoY	Jan		3.3%	3.3%
26-Feb	16:00	SW	Economic Tendency Survey	Feb		--	103.0
	18:00	EC	Economic Confidence	Feb		99.6	99.4
	21:30	US	Initial Jobless Claims	21-Feb		--	206k
27-Feb	07:30	JN	Tokyo CPI YoY	Feb		1.4%	1.5%
	07:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Feb		2.3%	2.4%
	07:50	JN	Industrial Production YoY	Jan P		5.0%	2.6%
	15:00	SW	GDP WDA YoY	4Q		--	2.6%
	16:00	SZ	GDP YoY	4Q		0.5%	0.5%
	21:00	GE	CPI YoY	Feb P		2.0%	2.1%
	21:30	CA	GDP YoY	Dec		--	0.6%

Source: Bloomberg, OCBC Group Research

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