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FX Weekly

Volatility Wakes Up

- ***Volatility Wakes Up**: AI-driven rotation and a precious metals unwind have stirred volatility. But with global growth holding up and G10 central banks patient, pro-cyclical (i.e. AUD and NZD) and high carry EM FX (i.e. MXN, ZAR and BRL) pullbacks still look like opportunities, not signals of a broader trend reversal.*
- ***Big Win, Weak JPY**: LDP's landslide gives PM Takaichi a strong policy mandate, but expectations of looser fiscal spending keep JPY under pressure. Intervention risks rise if USDJPY pushes toward 160.*
- ***Gold** is finding its footing after the pullback – USD strength has stalled, Fed fears have faded, and ETFs are steady. This looks like classic consolidation after a powerful rally.*
- ***Double Hit for GBP**: UK political uncertainty and a dovish BoE hold are weighing on GBP. If politics stabilise, resilient UK data could help EURGBP drift toward 0.85–0.86.*
- ***Muted ECB Signals**: ECB stays in wait-and-see mode. Mixed European signals leave EURUSD looking fairly priced around 1.18, where we stay neutral.*
- ***USD Caught Off Balance**: Policy uncertainty weighs on the USD, prompting an upgrade of our end-2026 EURUSD forecast to 1.23. Still, strong US fundamentals and a patient Fed limit the extent of any USD decline.*
- ***MYR**'s outlook stays constructive—domestic resilience, healthy inflows, and policy support meet a friendlier global backdrop of easing USD strength and a firm RMB.*
- ***IDR** may stay cautious as investors reassess EM allocations, but much bad news is priced in. Fiscal discipline, IDR-supportive policies, a weaker USD, and steadier risk sentiment should anchor a neutral-to-stable bias.*
- ***THB:** Early election results may support THB by easing political risk, but policymakers' preference for a weaker currency suggests any appreciation will remain restrained.*

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Volatility Wakes Up: Volatility has picked up across equities, precious metals and FX, while interest rates markets remain relatively calm. With global growth still on track and policy rates near neutral, G10 central banks can afford to stay patient and need not follow the RBA's hawkish lead. The RBA became the first G10 central bank (ex-Japan) to hike this cycle, lifting the cash rate to 3.85%—pushing Australian rates above the Fed's for the first time since 2017.

The dislocations in AI and precious metals pose manageable risks to the early global industrial recovery. The unwind in precious metals reflects a partial reversal of the fiat-debasement trade rather than a fundamental shift, while AI disruption is real but sector-specific and could ultimately lower software costs for manufacturers. Froth has been squeezed from both tech stocks and precious metals, lifting volatility and pressuring pro-cyclical currencies such as AUD and NZD, alongside EM carry trades in BRL, MXN and ZAR. Risks that US arms sales to Taiwan could derail the planned Trump–Xi meeting in April may add to market volatility. We continue to view sell-offs in pro-cyclical FX and EM carry as attractive buying opportunities.

Big Win, Weak JPY: Prime Minister Takaichi's ruling LDP is set for a landslide victory, securing over 310 of 465 Lower House seats, according to NHK's flash count. A two-thirds majority gives the government the power to override Upper House vetoes on bills and budgets, strengthening its mandate for increased fiscal spending and a more assertive foreign policy. The contrast between a calm JGB market and a weak JPY ahead of the vote highlights diverging views on the fiscal outlook. Bond markets appear relaxed, but FX markets remain wary that a more expansionary fiscal stance could weigh on the JPY. Still, as USDJPY approaches 160, market caution over potential official pushback – via rate checks or even direct intervention – will likely intensify.

Double Hit for GBP: Fresh UK political uncertainty and a dovish BoE hold at 3.75% weighed on GBP. Political tensions—intensified by pressure on PM Starmer over the Mandelson episode—also kept long-end gilts from rallying despite the BoE's dovish shift. The BoE surprised with a dovish 5–4 vote split (vs. 7–2 expected), signalling greater concern about softer growth and less worry about pay pressures. This reinforces the likelihood of a March rate cut – our base case – before a prolonged pause. Still, limits to further easing remain if the UK's improving data trend holds. If political uncertainty eases, the GBP could shed its "European laggard" tag to nudge EURGBP to 0.85-0.86, supported by relatively resilient UK data.

Muted ECB Signals*:* The ECB's latest hold at 2.0% was far less eventful than the BoE's, with policymakers firmly in wait-and-see mode. Signs of life in the German economy present a hawkish risk, but dovish Riksbank minutes remind that downside CPI surprises can still delay any early European rate-hike hopes. Overall, EURUSD looks fairly valued around 1.18, and we stay neutral for now.

USD Caught Off Balance: USD volatility reflects the “Greenland shock,” shifting Washington signals, and ongoing JPY intervention speculation. Kevin Warsh’s nomination for Fed Chair reduces – but does not fully remove – Fed independence concerns. Multiple USD downside risks have already materialised, and markets remain unsure that “maximum US policy uncertainty” is behind us. We raise our end 2026 EURUSD forecast to 1.23 (from 1.20) to reflect a higher USD risk premium. But USD downside is limited by US resilience — the FOMC is signaling no rush for further easing. In our base case, the USD has more room to weaken against commodity FX. A stronger global cyclical backdrop and firmer industrial metals underpin our upgraded end 2026 AUDUSD forecast of 0.73 (from 0.69). Please read *FX Focus: USD Caught Off Balance, 3 February 2026* for more details.

A jump in layoff announcements, higher jobless claims and a sharp drop in job openings have sparked another bout of anxiety over the health of the US economy. But the surge in claims likely reflects weather-related distortions from January’s winter storm rather than genuine labour-market deterioration. Wednesday’s US employment report – delayed from 30 January due to the partial government shutdown – now becomes an even more important gauge of underlying labour market strength.

Gold. Tentative signs of stabilisation. Market narrative has shifted towards relative stabilisation, with price action becoming more two-way after early month’s sharp pullback. The initial selloff appears to have been driven primarily by mechanical and positioning-related forces rather than a deterioration in underlying fundamentals. Downside momentum has moderated, and gold has begun to find firmer footing at lower but still historically elevated levels. The earlier rise in USD has paused, while initial concerns around a less-dovish Fed leadership outlook have also moderated. Markets increasingly recognise that a single policy signal is insufficient to overturn the broader medium-term easing narrative, even if expectations for near-term rate cuts have been tempered. This has reduced pressure for gold to reprice lower in a disorderly fashion. In addition, this correction has not been accompanied by a meaningful drawdown in known ETF gold holdings (though there was a slight easing from peak). Taken together, the combination of price correction without ETF capitulation, easing momentum pressures, and supportive medium-term trend signals reinforces the view that gold is undergoing a healthy consolidation phase following an overextended rally. Gold last seen at 4964 levels. Mild bearish momentum on daily chart shows signs of fading while RSI shows signs of turning higher. 2-way trades with slight tilt to the upside likely. Resistance at 5060 (23.6% fibo retracement of Aug low to 2026 high), 5090 levels. Support at 4720 (38.2% fibo), 4450 levels (50% fibo).

MYR. Constructive bias. MYR was a touch softer last week amid USD rebound and risk-off sentiments. But the Friday overnight gains in US equities may have helped sentiments to recover somewhat. Barring short term corrective retracement, we still hold to our constructive bias on MYR. The key drivers we earlier highlighted including the improvement in external balances, supportive commodity prices, firmer regional growth momentum and a constructive risk backdrop have largely played out as anticipated. These have been reinforced by signs of renewed portfolio inflows, alongside a resilient trade surplus and improving investor confidence linked to Malaysia's positioning within regional electronics and AI-related supply chains. Amongst Asean FX ex-SGD, MYR benefits from its economic resilience while neighbours have their challenges to handle.

Furthermore, policymakers appear to view MYR appreciation favourably. Economy Minister Akmal said that *When ringgit gets stronger, for us it's good. It shows us confidence about our economy…*he also said *exports last year rose despite the ringgit's strength, which shows what Malaysia is providing is no longer about cost competitiveness but the value.* Second Finance Minister Amir Hamzah Azizan also indicated *that MYR has potential as Malaysia's economic growth remains intact*, when asked if he still sees MYR as undervalued this year. He is also optimistic of upward revision to 2026 GDP and that Malaysia has no problem in meeting 2026's fiscal deficit target (of 3.5% of GDP). Remarks made by officials are consistent with our assessment and is in line with our earlier call to revise MYR forecast stronger to reflect the faster-than-expected pace of appreciation for MYR, even as the overall directional bias remains broadly consistent with our prior view. In addition, MYR has also benefited from the confluence of resilient global growth, diminishing USD weakness, and resilient RMB allowing MYR to move through levels more quickly than earlier anticipated. USDMYR last seen at 3.9475. Bearish momentum on daily chart is fading while RSI is near oversold conditions. Near term consolidation likely for now. Support at 3.9140/3.92 levels (recent low). Decisive break out will put next support closer to 3.88 levels. Resistance at 3.97, 3.9860.

IDR. Some caution. The recent Moody's outlook downgrade and MSCI's earlier announcement of potential reclassification of Indonesia from "emerging market" to "frontier market" status had added to a sense of perceived caution around IDR, rather than introduced fundamentally new risks. Lingering downside risks remain around potential portfolio outflows, particularly as global investors reassess EM allocations in response to index and rating-related signals. At the same time, ongoing concerns over fiscal slippage, alongside the prospect of further narrowing in yield differentials, may dim IDR's traditional carry appeal, and warranting a somewhat more cautious near-term trajectory.

That said, we see scope for IDR stabilisation over time. Many of the issues flagged by rating agencies and index providers have been well-telegraphed and are somewhat priced. A clearer demonstration of fiscal discipline, coupled with continued policy commitment to IDR stability, should help rebuild investor confidence. The external backdrop also matters. IDR can trade with a neutral-to-stable bias when USD softness returns, and global risk sentiment finds better footing. USDIDR was modestly firmer for the week. Last at 16866. Bearish momentum on daily chart is fading while RSI rose. Risks slightly tilted to the upside. Resistance at 16900/940 levels. Support at 16830 (21 DMA), 16750/780 levels (50 DMA, 23.6% fibo retracement of Aug low to Jan high).

THB. ***Early election outcome positive.*** While vote count is still ongoing, unofficial preliminary results by local media showed caretaker PM Anutin's party, Bhumjaithai Party led with a wide lead. The election outcome may potentially be viewed as market-friendly especially if economic policies can be implemented smoothly, lowering political risk premia and improving sentiment for THB. That said, authorities' preference for weaker THB may still see a more restraint appreciation path foe THB. USDTHB last seen at 31.65 levels. Bullish momentum on daily chart intact but RSI shows signs of turning lower from overbought conditions. Bearish engulfing candlestick observed on Friday session – typically associated with bearish reversal. Next support at 31.35 (21 DMA), 31.20 levels. Resistance at 31.90 levels (100 DMA).

USDSGD. *Consolidation.* USDSGD reversed earlier gains into losses on Friday as risk sentiment found support, with equities, precious metals firmer while USD eased lower. That said, USD should continue to trade range bound as markets wait for clues from the delayed non-farm payroll report (11 Feb) and CPI report (13 Feb). On SG data release last week, Singapore retail sales moderated from a revised 6.2% YoY pace in November to 2.7% YoY, underwhelming expectations. Our economist shared that retail sales expanded by 2.8% YoY in 2025, which was double the 1.4% pace seen in 2024 and the highest since 2022 (10.7% YoY). This reflects the better-than-expected GDP growth registered in 2025 and underpinned by the healthy domestic labour market which supports private consumption. Looking ahead, our economists forecast retail sales to continue expanding by 2-3% YoY in 2026, driven by a strong pipeline of new products and experiences. Pair was last seen at 1.2715 levels. Mild bullish momentum on daily chart intact but rise in RSI moderated. 2-way risks likely. Resistance at 1.2770/80 levels (21 DMA, 38.2% fibo). Support here at 1.2710 levels (23.6% fibo retracement of Nov high to Jan low), 1.2680 and 1.2590 levels (recent low).

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1922	158.50	1.3809	0.7836	0.7234	0.6188	1.3875	5495	1.2850	59.10	91.91
Resistance 2	1.1862	157.75	1.3695	0.7801	0.7106	0.6089	1.3775	5180	1.2790	58.87	91.24
Resistance 1	1.1839	157.49	1.3653	0.7780	0.7060	0.6053	1.3725	5072	1.2751	58.73	90.95
Spot	1.1815	157.45	1.3603	0.7765	0.7018	0.6015	1.3664	4964	1.2716	58.59	90.67
Support 1	1.1779	156.74	1.3539	0.7745	0.6932	0.5954	1.3625	4756	1.2691	58.49	90.28
Support 2	1.1742	156.25	1.3467	0.7731	0.6850	0.5891	1.3575	4548	1.2670	58.40	89.89
Support 3	1.1682	155.50	1.3353	0.7696	0.6722	0.5792	1.3475	4232	1.2610	58.17	89.21
Bollinger Band											
Bollinger Upper	1.2022	160.58	1.3876	0.8089	0.7152	0.6160	1.3975	5354	1.2938	59.64	92.39
Bollinger Lower	1.1543	152.49	1.3290	0.7577	0.6608	0.5694	1.3483	4386	1.2584	58.57	89.56

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
09-Feb	07:30	JN	Labor Cash Earnings YoY	Dec		3.2%	0.5%
	15:00	NO	GDP Mainland QoQ	4Q		0.4%	0.1%
	15:00	NO	CPI YoY	Jan		3.0%	3.2%
	15:00	NO	CPI Underlying YoY	Jan		3.0%	3.1%
	19:00	US	NFIB Small Business Optimism	Jan		99.8	99.5
	21:30	US	Employment Cost Index	4Q		0.8%	0.8%
	21:30	US	Retail Sales Advance MoM	Dec		0.4%	0.6%
	21:30	US	Retail Sales Control Group	Dec		0.5%	0.4%
11-Feb	09:30	CH	CPI YoY	Jan		0.4%	0.8%
	21:30	US	Change in Nonfarm Payrolls	Jan		69k	50k
	21:30	US	Average Hourly Earnings YoY	Jan		3.7%	3.8%
	21:30	US	Unemployment Rate	Jan		4.4%	4.4%
12-Feb	15:00	UK	GDP YoY	4Q		1.2%	1.3%
	21:30	US	Initial Jobless Claims	7-Feb		224k	231k
	23:00	US	Existing Home Sales	Jan		4.20m	4.35m
13-Feb	15:30	SZ	CPI YoY	Jan		0.1%	0.1%
	15:30	SZ	CPI Core YoY	Jan		0.5%	0.5%
	21:30	US	CPI YoY	Jan		2.5%	2.7%
	21:30	US	Core CPI YoY	Jan		2.5%	2.6%

Source: Bloomberg, OCBC Group Research