GLOBAL MARKETS RESEARCH

FX Weekly

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Cautious Optimism

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The next FX Weekly will be published in the week of 14 July 2025.

Bloomberg FX Forecast Ranking (1Q 2025)

By Currency:
No. 2 for THB
No. 3 for SGD
No. 9 for CHF

(3Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for TWD
No.4 for EUR
No. 8 for CHF

(2Q 2024)

By Currency:
No. 3 for TWD, THB
No. 8 for EUR, CHF

(1Q 2024)

By Region:
No. 7 for 13 Major FX

By Currency:
No. 3 for EUR
No. 4 for TWD
No. 5 for GBP

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Tentative Progress on Trade Talks. Most USDAxJs continued to trade near their recent lows. Several factors are supporting the ongoing rally in AxJs, including tentative optimism surrounding US trade talks, a prevailing "sell USD" sentiment, consistently stronger CNY fixings over the past few sessions, while geopolitical concerns take a back seat. Recent developments on trade talks include: (1) Trump mentioned that the US likely has trade deals with around 4 or 5 countries, including the UK, China, and potentially India. (2) Last Friday, China confirmed that a trade deal framework had been reached with the US. (3) Japan reported that Akazawa and Lutnick had a "fruitful" discussion and agreed to continue pursuing a mutually beneficial trade agreement. (4) Taiwan indicated "constructive progress" in the 2nd round of trade talks with the US, aimed at avoiding tariffs imposed by the Trump administration. (5) Canada announced it would rescind its digital services tax to advance trade negotiations with the US. Despite these positive signals, caution remains warranted. The tariff deadline on 9th July remains a key focus, as markets watch for potential new deals or extensions. Although Trump indicated that the deadline will not be extended, he also mentioned plans to send letters within the next week and a half—or possibly sooner—to other countries, informing them about unilateral tariff rates. Additionally, we are watchful of some central banks in the region potentially engaging in *leaning against the wind* measures to temper the AxJs' advance. Amongst AxJs, we look for further gains in KRW while IDR, THB to lag peers. Key data: global manufacturing PMIs; EU CPI (Tue); US payrolls, services PMI (Thu).

Likely an Eventful Week for THB. Political risks had intensified last week —Prime Minister Paetongtarn's approval has plunged to just 9.2% while opposition leader Natthaphong Ruengpanyawut and his People's Party are gaining momentum. In a June 19–25 NIDA poll, 31.5% of respondents favoured him as PM, while the People's Party led with 46.1% as their preferred party. This is a striking reversal of fortunes: Paetongtarn once held 30.9% backing in March, versus 22.9% for Natthaphong. Court and parliamentary timelines are key: The Constitutional Court meets Tuesday to examine the petition filed by 36 senators, and Parliament reconvenes Thursday, potentially opening the door to a no-confidence vote. Meanwhile, gold is off its highs, and alongside some political uncertainty, THB risks underperforming regional peers. Immediate resistance lies at 32.70/33.00, with support at 32.30 the critical support.

ECB Forum in Sintra (30 Jun – 2 Jul) is a key event to watch, with highlight on a powerhouse panel session on 1 Jul (Tue), when Fed's Powell, BoJ's Ueda, ECB's Lagarde, BoE's Bailey and BoK's Rhee will participate in. Central bankers may share insights or even paint guidance with regards to economy and monetary policies amidst market uncertainty. Historically, the Sintra Forum has been a stage for market-moving signals. Back in 2017, the then-ECB president Draghi used the forum to highlight reflationary pressures in the Eurozone, which helped push the euro higher. In 2019, he hinted at further monetary stimulus, leading to a weaker euro. Given this track record, we will be watching this year's panel closely for any clues. We remain constructive on EUR's outlook.

AxJ Positioning Bias (Reuters Poll)

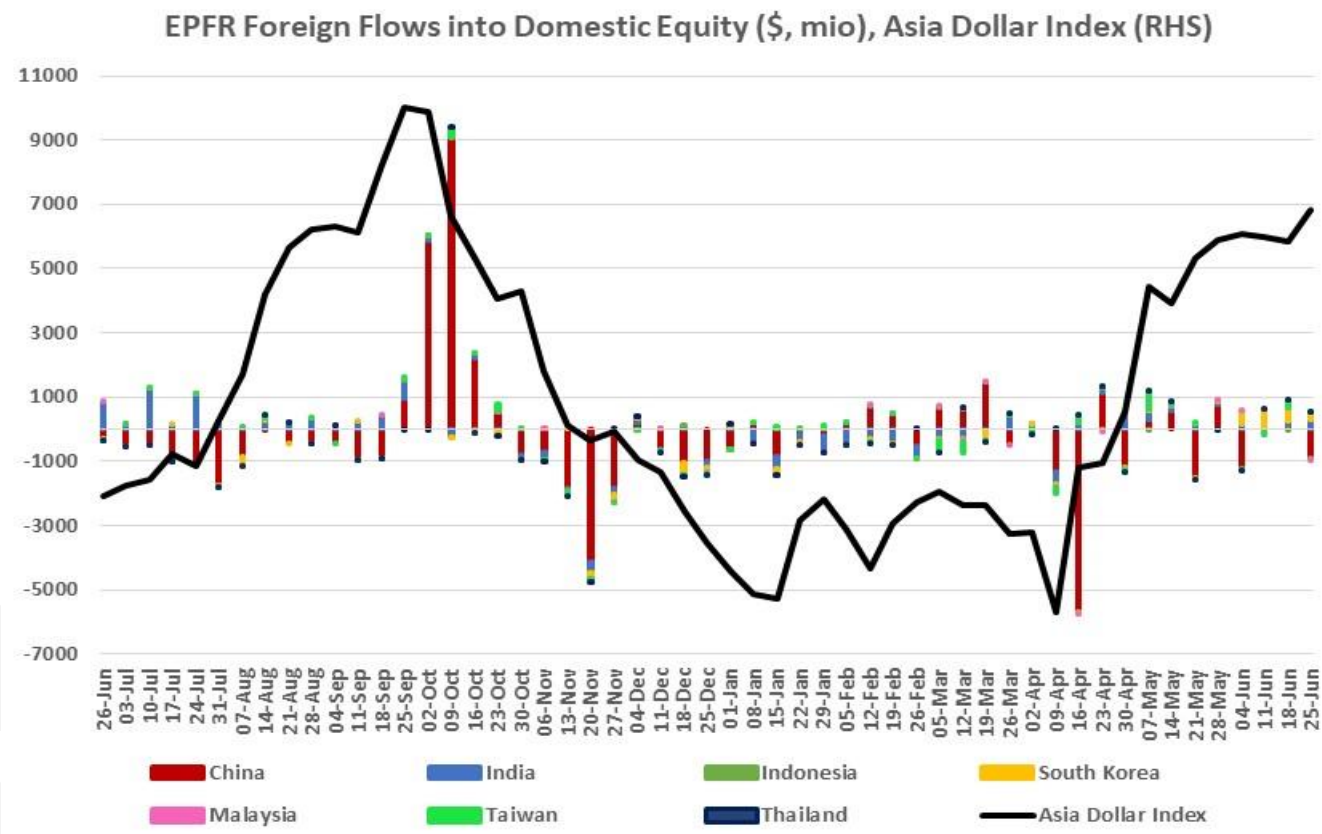
Based on Reuters survey on Asia FX positioning, market bullishness on AxJ FX was dialled back amid geopolitical escalation in Middle East but fast de-escalation should see bullish position being reflected at the next poll. But as of last two weeks, net oil importers' FX such as PHP, THB, INR saw the largest unwinding, with INR turning most bearish and PHP was slight bearish. TWD and SGD saw the least adjustment and remain the top two most bullish amongst AxJs.

	20-Feb-25	06-Mar-25	20-Mar-25	03-Apr-25	17-Apr-25	01-May-25	15-May-25	29-May-25	12-Jun-25	26-Jun-25	Trend
USD/CNY	0.88	0.77	0.24	0.47	0.57	0.2	0	-0.67	-0.78	-0.74	
USD/KRW	0.83	1	0.72	1.13	0.19	-0.06	-0.22	-1.2	-1.37	-1.06	
USD/SGD	0.31	0.34	0.15	0.54	-0.26	-0.67	-0.54	-1.34	-1.24	-1.22	
USD/IDR	1.06	1.36	0.97	1.2	1.33	1.27	0.7	-0.32	-0.6	-0.2	
USD/TWD	0.59	0.71	0.85	1.14	0.06	-0.53	-1.01	-1.5	-1.58	-1.48	
USD/INR	1.22	1.47	1.09	0.01	-0.2	-0.58	-0.19	-0.08	0.03	0.89	
USD/MYR	0.37	0.45	0.42	0.33	0.04	-0.4	-0.15	-1.04	-1.25	-0.76	
USD/PHP	0.31	0.2	-0.13	-0.15	-0.65	-1.02	-0.68	-1.19	-0.93	0.21	
USD/THB	0.02	0.48	0.08	0.4	-0.3	-0.61	-0.45	-1.14	-1.24	-0.33	

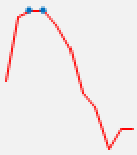
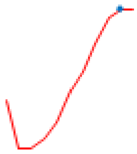
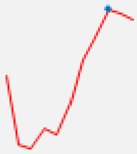
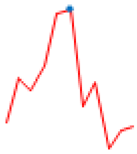
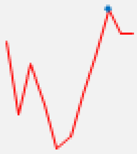
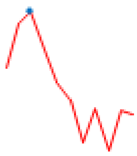
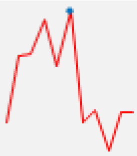
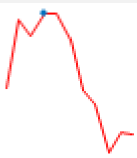
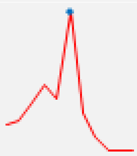
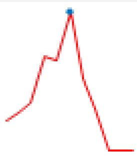
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 26 Jun 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity inflows continued in South Korea, Taiwan and India while outflow was observed in China last week. Asian FX strengthened as last week as Israel-Iran ceasefire supported sentiments while oil prices eased.



Note: Latest data available as of 25 June 2025 (weekly frequency); ASIADOL index refers to Bloomberg Asia Dollar Index
Source: EPFR, Bloomberg, OCBC Research

FX	Key Data and Events for the Week	14D Trend	Support/Resistance
Dollar	**Mon**: Chicago PMI, Dallas Fed mfg activity (Jun); **Tue:** ISM mfg (Jun); JOLTS job openings (May); **Wed:** ADP employment (Jun) **Thu:** ISM services, **Payrolls report (Jun)**; initial jobless claims; durable goods order (May F) **Fri:** - Nil –		**S: 95.50; R: 99.50**
EURUSD	**Mon: ECB Sintra Forum – 20 Jun to 2 Jul;** **Tue: CPI (Jun P);** Mfg PMI (Jun); 1y, 3y CPI expectations; **Panel where Lagarde, Powell, Bailey, Ueda and Rhee will participate;** **Wed:** Unemployment rate (May); **Thu:** Services PMI (Jun); **Fri:** PPI (May)		**S: 1.1410; R: 1.1900**
GBPUSD	**Mon:** GDP, current account (1Q T); **Tue:** Mfg PMI, nationwide house prices (Jun); **Wed:** - Nil – **Thu**: Services PMI, 1y CPI expectations (Jun); **Fri:** Construction PMI (Jun)		**S: 1.3330; R: 1.3800**
USDJPY	**Mon:** Industrial production, housing starts (May); **Tue:** PMI Mfg, consumer confidence (Jun); **Tankan survey (2Q);** **Wed:** - Nil – **Thu:** PMI services (Jun); **Fri:** Household spending (May)		**S: 142.50; R: 148.70**
AUDUSD	**Mon:** - Nil – **Tue:** PMI Mfg (Jun); **Wed: Retail sales, building approvals (May);** **Thu**: PMI services (Jun); **Fri:** Household spending (May)		**S: 0.6380; R: 0.6720**
USDCNH	**Mon:** NBS PMIs (Jun); **Tue**: Caixin PMI Mfg (Jun); **Wed:** - Nil – **Thu:** Caixin PMI services (Jun) **Fri:** - Nil –		**S: 7.1230; R: 7.2100**
USDKRW	**Mon**: Industrial production, cyclical leading index (Jun); **Tue:** Trade, PMI (Jun); **Wed:** CPI (Jun); **Thu**: FX reserves (Jun) **Fri:** Current account balance (May)		**S: 1,330; R: 1,375**
USDSGD	**Mon:** Deposits & balances of residents outside Singapore (May); **Tue:** URA private home prices (2Q P); **Wed:** PMI (June); **Thu:** - Nil – **Fri:** Retail sales (May)		**S: 1.2650; R: 1.2860**
USDMYR	**Mon:** - Nil – **Tue:** PMI Mfg (Jun) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.1870; R: 4.2700**
USDIDR	**Mon:** - Nil – **Tue:** PMI mfg, **CPI (Jun);** trade (May) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 15,900; R: 16,425**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

Downtrend Resumes. USD consolidated near more than 3-year lows, driven by tentative optimism on trade talks, comments from Trump on Fed Chair and in reaction to softer US data last Fri. Trump mentioned that the US probably has trade deals with around four or five countries, including the UK, China, and potentially India. Taiwan noted "constructive progress" in second round of trade talks with US while earlier, Canada said it would rescind digital services tax to advance trade talks with US. Last Friday, China confirmed that a trade deal framework had been reached with the US while Japan reported that Akazawa and Lutnick had a "fruitful" discussion and agreed to continue pursuing a mutually beneficial trade agreement. Last Fri, Trump spoke about selecting a Fed chair who would cut rates, a remark that could be seen as undermining Fed independence and may contribute to selling pressure on the USD. Regarding US data, core PCE inflation was slightly higher, but personal income and spending surprised to the downside.

In the near term, the tariff deadline on 9th July remains a key focus, as markets watch for potential new deals or extensions. Although Trump has indicated the deadline will not be extended, he also mentioned plans to send letters within the next week and a half—or possibly sooner—to other countries, informing them about unilateral tariff rates. This week, attention will turn to ISM manufacturing (Tue) and services data, as well as the payrolls report, which will be released earlier on Thursday since US markets will be closed on Friday for the Independence Day holiday.

DXY was last at 97 levels. Mild bearish momentum intact while RSI is near oversold conditions. Support at 96.50, 95 levels. Resistance at 97.50/60 levels, 98.40 (21 DMA).

For the month of Jun, USD had saw mild initial demand at first on geopolitical escalation in Middle East, but USD demand quickly faded on a ceasefire in Israel-Iran conflict. Subsequently, USD took a turn lower, with DXY testing more than 3y low into month-end. Some of the factors that contributed to renewed USD selling pressure include tentative trade talk optimism, prospects of Fed cut and softer US data (reinforcing the erosion of US exceptionalism) while geopolitical concerns take a back seat. Recent comments from Fed officials have indicated that a rate cut in July is a possibility. For instance, Governor Bowman expressed support for a potential rate cut if inflation remains subdued, while Goolsbee suggested that Fed should cut rates if tariff 'dirt' clears. Waller also noted that the Fed could be positioned to cut rates in July. When testifying at the House Financial Services Committee, Powell reiterated the message that Fed need not rush to cut, but he also did suggest that the Fed may cut rate sooner rather than later if inflation pressures remain contained (when asked the question about the possibility of a rate cut next month). Trump had openly said that US interest rates should be at least 2-3ppts lower and also commented on picking a Fed chair who would cut rates can also be perceived as another factor undermining Fed independence, weighing on confidence on the USD. As confidence in the USD starts to waver and USD resumes its downtrend, exporters in the region, along with global asset managers, are likely to continue reducing their USD holdings and/or increasing their hedge ratios to balance their USD exposure. Non-USD FX including EUR, Asian FX are likely to resume appreciation as long as USD softness persists, driven by US-centric risks, assuming that global growth outside the US remains stable (caveat is that there is no bigger systematic risk or global slowdown). Nevertheless, the momentum could be jeopardised if US exceptionalism makes a comeback or if global growth shows further signs of weakening.

Over the forecast horizon, we continue to expect USD to trade weaker as USD diversification/ re-allocation trend takes centre-stage while Fed cut cycle potentially comes into focus in 2H 2025. More fundamentally, USD's status as a reserve currency and a safe haven continue to come under scrutiny. The rise in US protectionist measures have significantly heightened economic policy uncertainty, which in turn challenges the USD's status as the world's primary reserve currency. US national debt is more than USD36trn and a recent report from US Congressional Budget Office estimated that the One, Big, Beautiful Bill will add ~USD3.3trn to the US's USD36.2trn debt over the next decade, with the deficit potentially stretching to around 7% of GDP in the coming years. While this may stimulate growth in the short term, it raises significant concerns about the rising trajectory of debt and deficits in the medium term, as well as the associated sovereign risk. These factors, combined with the policy unpredictability surrounding

Trump's tariffs and the erosion of US exceptionalism, can continue to undermine sentiment and confidence in the USD.

Nevertheless, we are not looking for an imminent displacement of the USD. Trade invoices denominated in USD still accounts for half of global trade and as much as ~70% of APAC still invoices in USD. USD share of swift payment is high at around 49% (as of Mar 2025) vs. the 5-year average of 43%. FX market is predominantly concentrated in USD with 88% (as of 2022 latest BIS data avail) of spot, forward and swap markets involving USD in one leg of the transactions. USD still accounts for ~58-59% of global foreign exchange reserves and remains the primary currency in international banking and debt markets. Liquidity in the US government bond market also remains unmatched.

Although the USD is still irreplaceable in the short term (transaction demand remains dominant), increase in reallocation/diversification flows (out of US assets, USD) or proactive hedging (to reduce USD FX exposure) can weigh on the USD. Our medium-term view still expects USD to trend lower. USD's overvaluation, alongside rising debt, twin deficit of fiscal and current accounts as well as de-dollarisation trends are some drivers that should weigh on USD.

EURUSD

ECB Sintra Forum, Euro-area CPI This Week. EUR extended its run higher towards 1.17-handle as USD loses ground broadly. Last week, Germany's government approved its draft budget for 2025, clearing the way for a big boost in spending on defence and infrastructure. Defence spending is set to more than double to €152.8 billion by 2029. Plus, NATO members have agreed to ramp up military spending to 5% of GDP. All of this supports our view that fiscal policy will be a tailwind for German growth in the years ahead—and that should be a positive for the euro as well. Pair was last at 1.1730 levels. Bullish momentum on daily chart intact while RSI rose into overbought conditions. Next resistance at 1.1820 levels, before 1.1920 levels. Support at 1.1630, 1.1530 (21 DMA).

ECB Forum in Sintra (30 Jun – 2 Jul) is a key event to watch, with highlight on a powerhouse panel session on 1 Jul (Tue), when Fed's Powell, BoJ's Ueda, ECB's Lagarde, BoE's Bailey and BoK's Rhee will participate in. Central bankers may share insights or even paint guidance with regards to economy and monetary policies amidst market uncertainty. Historically, the Sintra Forum has been a stage for market-moving signals. Back in 2017, the then-ECB president Draghi used the forum to highlight reflationary pressures in the Eurozone, which helped push the euro higher. In 2019, he hinted at further monetary stimulus, leading to a weaker euro. Given this track record, we will be watching this year's panel closely for any clues.

Another risk factor on our radar is EU-US tariff truce deadline on 9 July. German Chancellor Merz urged the EU to do a "quick and simple" trade deal rather than a "slow and complicated" one. While French President Macron wants a quick and pragmatic deal, France would not accept terms that were not balanced. Trump has earlier hit Europe with a 50% tariff on steel and aluminium and a 25% levy on cars, and the EU is trying to secure a deal before July 9, when reciprocal tariffs on most other goods could rise from 10% to up to 50%. For now, it seems that EU leaders are divided on whether to accept a baseline 10% tariff on exports to the US while imposing their own retaliatory 10% tariff. Potential repercussions if the tariff on EU goods goes through may include reduction in exports to US, growth concerns in EU and deeper ECB cut to support growth. Technically this can hold back the EUR's rally but if the "sell USD" trade remains the dominant theme, then EUR may still be largely supported on dips.

We remain constructive on EUR's outlook due to factors including: 1/ German/European defence spending plans can lend a boost to growth; 2/ prospects of ECB cut cycle nearing its end while there is room for Fed to resume easing cycle; 3/ a Ukraine peace deal at some point (can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 4/ China's economic growth showing tentative signs of stabilisation (stable to stronger RMB can see positive spillover to EUR); 5/ signs of portfolio flows and reserve diversification that may favour alternative reserve currencies such as the EUR. Also, the main factors that previously constrained reserve managers' allocation to EUR was the European sovereign debt crisis/fears on Euro breakup in 2011/12, the era of negative rates in EU, and limited availability of EUR-denominated bond papers. Today, these issues are no longer a hurdle. The EUR today is in a better position to benefit from a potential reduction in USD dominance in trade flows, international payments, reserve diversification and FX turnover.

GBPUSD ***Risk of Technical Pullback.*** GBP rose, riding on broad USD softness, EUR's momentum while geopolitical de-escalation helps support broad risk sentiments. Pair was last at 1.3720 levels. Daily momentum is bullish but rise in RSI moderated. Consolidation likely, with risks of pullback. Support at 1.3620, 1.3560 (21 DMA). Resistance at 1.3770, 1.3860 levels.

We remain slightly optimistic on GBP outlook, owing to soft USD outlook. The UK trade deal with US takes away some element of tariff uncertainty for now while GBP as a carry alternative and softer USD trend are some factors supportive of GBP. We also reckon the USD diversification/reallocation flows can also benefit GBP amongst other reserve FX. For downside risks, we continue to watch labour market development (if job growth slows further), and if BoE may quicken rate cut cycle (lesser risk for now unless conditions deteriorate). The KPMG and REC UK Report on Jobs for May showed a continued decline in UK recruitment activity, with hiring activity for permanent staff slowing. Employers are still holding back on hiring due to weaker confidence around the outlook and concerns over costs has dampened staff hiring. Elsewhere, candidate supply saw its sharpest rise in 4.5 years. It was also mentioned in the report there were frequent cases that redundancies and fewer job opportunities has pushed up candidate numbers in the latest survey period.

USDJPY ***Bears to Gather Traction Only When 144 Gives Way.*** USDJPY started the week on a softer footing amid broad USD softness and UST yields drifting lower. Key risk to watch in coming days – trade negotiation with US. Japan's top negotiator Ryosei Akazawa was in Washington DC last week for the 7th round of trade negotiations, in hopes of ironing out a deal before 9 Jul deadline. Japan said that Akazawa and Lutnick had a "fruitful" discussion and agreed to continue seeking a deal that is beneficial to both US and Japan. In a separate interview on Sunday, Trump labelled the trade in cars between US and Japan as unfair, but he also said that Japan can take oil from US and "a lot of other things".

Pair was last at 144 levels. Bullish momentum on daily chart is fading while RSI continues to fall. Risks remain skewed to the downside. Support here at 144/143.80 levels before 142.50. Resistance 144.40/50 levels (23.6% fibo, 21, 50 DMAs), 146.40 (100 DMA) and 147.15 (38.2% fibo retracement of 2025 high to low.

More broadly, we look for USDJPY to trend lower, premised on the USD sell-off story and Fed-BoJ policy divergence at some point (Fed rate cut cycle to resume while the BoJ has room to further pursue policy normalisation). Of interest, some Fed officials have recently tilted somewhat dovish, and Powell is open to earlier rate cuts if inflation pressure is contained. Wage growth, broadening services inflation and upbeat economic activities in Japan should continue to support BoJ policy normalisation although tariff uncertainty may temporarily delay policy normalisation in the near term. While the timing of BoJ policy normalisation may be deferred, policy normalisation is not derailed. Fed-BoJ policy divergence and USD diversification theme should still support USDJPY's broader direction of movement to the downside.

USDCAD ***Heavy.*** USD extended its decline, fuelled by tentative optimism on trade talks, growing expectations of more Fed cut, worsening fiscal fundamentals, and a softer US data released last Friday. At the same time, lower US Treasury yields have also narrowed US-Canada yield spreads, pushing USD/CAD toward our fair-value projection of 1.3650 ahead of the June month-end. On June 30, Canadian dollar gains after Canadian Finance Minister François-Philippe Champagne announced plans to revoke Canada's Digital Services Tax to advance trade negotiations with the US, with both nations aiming to secure a deal by July 21. Resistance holds at 1.3840, while support sit at 1.3540. Pressure remains to the downside for the USD/CAD given our view for a weaker USD as USD diversification/ re-allocation trend takes centre-stage while Fed cut cycle potentially comes into focus in 2H 2025. The upcoming week will feature the release of Jun manufacturing PMI on Wednesday and May trade data on Thursday.

AUDUSD	***Buy Dips.*** AUD rose as Israel-Iran ceasefire supported risk sentiments while tentative trade deals between US and a few nations including China and UK and dovish Fed rhetoric (some officials turned dovish) undermined USD. AUD was higher over the last 5 sessions; last at 0.6540. Bearish momentum on daily chart faded while RSI shows signs of turning higher. Two-way risks likely. Resistance at 0.6550 (61.8% fibo), 0.66 levels. Support at 0.65 (21 DMA), 0.6450 (50 DMA), 0.6420 (200 DMA, 50% fibo retracement of 2024 high to 2025 low) and 0.6375 (100 DMA). This week, AU PMI (Tue); building approvals, retail sales (Wed); services PMI, trade (Thu) will be of interest. Australia growth remains intact, but pace of recovery is expected to moderate, due to weaker global demand, trade related uncertainties and softer domestic consumption momentum. Slowing CPI into RBA's target range and a less tight labour market allows for RBA to continue it gradual path of easing monetary policy. This calibration should be perceived as one of the means of supporting growth. AUD, a high beta FX, can be exposed to geopolitical shocks, swings in RMB, equity sentiments, and global growth prospects. The interplay of dovish RBA, tariff uncertainty are factors that restrain AUD from breaching higher but on the other hand, softer USD trend cushions the impact. Bias remains for AUD to trend gradually higher as USD softness returns and markets re-focus on potential Fed cut in the months ahead.
USDSGD	***Sticky Downside.*** USDSGD continued to trade near decade low. A combination of tentative progress on trade talks, soft USD environment, stronger RMB while geopolitical tensions de-escalation were some factors that undermined the pair. Pair was last at 1.2740 levels. Daily momentum is mild bearish while RSI fell. Risks remain somewhat skewed to the downside. Next support at 1.2710, 1.2650 levels. Resistance at 1.2780, 1.2830 levels (21 DMA), 1.2920 (50 DMA). May CPI report saw core CPI edge lower to 0.6% y/y (from 0.7% in Apr), due to lower food inflation. Headline CPI fell to 0.8% y/y (from 0.9% in Apr), due to smaller increases in the prices of food and private transport. MAS-MTI joint statement noted that imported inflation should remain moderate. Domestically, enhanced government subsidies for essential services are likely to dampen services inflation. Overall, core and headline inflation are projected to average 0.5 – 1.5% for 2025 (unchanged from previous statement). In our opinion, there may be little urgency to ease in the July MPC meeting for a 3rd consecutive time after 2 back-to-back easing in Jan and Apr this year. Nevertheless, earlier downgrades to growth and inflation projections for 2025 alongside a highly uncertain external environment suggests that the door remains open for further easing, should macroeconomic conditions deteriorate further. With S$NEER trading near the upper bound of its band (+1.99% above model-implied mid), we continue to see limited room for SGD on a trade-weighted basis and expect trade peers (i.e. JPY, KRW) to play catch-up on gains when tariff de-escalation gathers momentum and softer USD trend resume. When it comes to USDSGD, the USD leg plays a significant role in the bilateral pair. Hence, if the USD continues to weaken, USDSGD can still trend lower. Taking stock, SGD has performed well this year, up about 7.2% YTD (vs. USD) despite MAS easing policy twice this year. The resilience was largely due to SGD's appeal as a safe haven (especially in the environment of Trump's tariff uncertainty), solid fundamentals and a softer USD trend. For the remainder of the year, we continue to project a mild degree of USDSGD downside over the forecast trajectory, premised on 1/ tariff de-escalation with tariff impact on regional growth largely manageable (i.e. no sharp recession); 2/ softer USD trend to continue and Fed resumes easing cycle in due course. We continue to pay close attention to 1/ tariff developments – whether the de-escalation optimism has momentum to carry on; 2/ broad USD trend – if the weakness continues; 3/ RMB movements – in particular China's economic recovery and RMB fixing trend; 4/ the extent of EUR's recovery – in light of defence spending plans impact on growth, ECB cut cycle nearing its end and Ukraine peace dividend (if any). More positive developments on these fronts (i.e. stronger recovery in EUR, RMB and weaker USD) can pose risks to our USDSGD forecasts.
USDCNH	***Drifting Lower.*** USDCNH continued to trade in subdued ranges near its recent lows. Consistent trend of CNY fix being set stronger, relatively upbeat PMIs, confirmation of trade deal framework between US and China as well as a softer USD environment should continue to point to a more constructive outlook for RMB. But at the same time, we believe policymakers will continue to pursue setting the USDCNY fix at a

"measured pace" to also help anchor relative stability in RMB overall. Any sharp or rapid RMB appreciation may risk triggering exporters rushing to sell USD holdings and that cycle (if it happens) may result in excessive RMB volatility and strength. This may hurt exporters' margins and have wider repercussion on deflation. A more gradual pace of appreciation could repair investor sentiments and encourage a return of foreign inflows.

USDCNH last at 7.1620 levels. Daily momentum is not showing a clear bias while RSI shows signs of falling. Support at 7.16, 7.1460 (61.8% fibo retracement of 2024 low to 2025 high). Resistance at 7.1820 (21 DMA).

In the 2Q MPC meeting statement released last Fri (meeting held on 23rd Jun), PBoC said it would adjust the pace and intensity of policy implementation in response to domestic and global economic and financial conditions. Statement also noted that China's economy shows a positive trend, social confidence continues to be boosted, and high-quality development is being solidly advanced, but challenges remain such as insufficient domestic demand, persistently low-price levels, and multiple risk factors. Statement further indicated that it is necessary to implement a moderately accommodative monetary policy, strengthen counter-cyclical adjustments, better leverage the dual functions of monetary policy tools in terms of both quantity and structure, increase coordination between monetary and fiscal policies, and maintain stable economic growth and prices at reasonable levels.

We reiterate that moves between DXY and RMB CFETS index remain highly correlated. This reinforces our view that that a softer USD trend allows for RMB softness to play out vs. other regional FX, while RMB holds steady to slight strength vs. USD. On the contrary, the reverse is also true. When DXY and RMB CFETS rise, RMB strength can be seen vs. trade peers (because the latter group may weaken on a stronger USD) – which is the current scenario.

USDTHB

Some Poltical Risks to Watch This Week. Political risks had intensified last week —Prime Minister Paetongtarn's approval has plunged to just 9.2% while opposition leader Natthaphong Ruengpanyawut and his People's Party are gaining momentum. In a June 19–25 NIDA poll, 31.5% of respondents favoured him as PM, while the People's Party led with 46.1% as their preferred party. This is a striking reversal of fortunes: Paetongtarn once held 30.9% backing in March, versus 22.9% for Natthaphong. Court and parliamentary timelines are key: The Constitutional Court meets Tuesday to examine the petition filed by 36 senators, and Parliament reconvenes Thursday, potentially opening the door to a no-confidence vote. Meanwhile, gold remains off its highs, and alongside some political uncertainty, THB risks underperforming regional peers.

USDTHB started the week near 32.62 but as of writing, the pair has drifted lower. Last at 3247 levels. Mild bullish momentum remains intact, but RSI fell. 2-way trades likely for now. Resistance at 32.63 (21 DMA), 32.92 (50 DMA). Support at 32.33 (interim double bottom), 32.14 (Sep low).

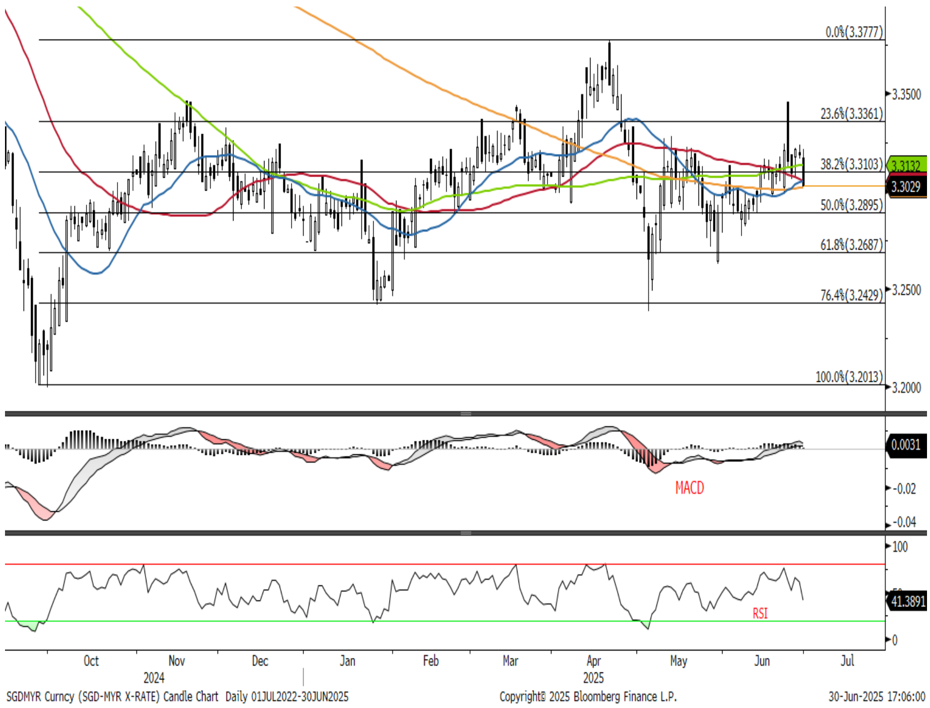
Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
01-May-24	Long EURUSD	1.0661	1.09	2.24	Markets have largely priced in ECB's 75bps cuts into EUR but a growth re-rating outlook on Euro-area economy is probably not priced. And lately there are signs to suggest some signs of stabilisation in Euro-area growth. ECB's Lagarde and Bundesbank have recently spoken about signs of activity picking up pace in Germany. A better growth story in Euro-area can push back against aggressive rate cut expectations and this is supportive of EUR. Entered at 1.0661. Targeting move towards 1.0900. SL at 1.0508. [Trade TP]	04-Jun-24
12-Aug-24	Short RMB Index	98.53	98.5	0	USDCNY's decline was a function of USD leg. Faced with domestic woes, the RMB should remain weak on TWI basis. This should see RMB CFETS index fall further (i.e. short CNH vs basket trade). And a move towards 2023 low at 96 levels is not ruled out. SL 99.70. [EXIT with no P&L, given recent market development in China]	30-Sep-24
19-Aug-24	Short CHFJPY	170.1	166.7	2.03	SNB-BOJ policy divergence. SNB may turn wary of how recent CHF strength may complicate inflation objective. May press on for 3rd cut of the year and/or pursue FX intervention to weaken CHF. On the other hand, BOJ is embarking on policy normalization which is likely to continue into 2025. Also, USDJPY is more sensitive to declines in UST yield. Target 148. SL 181. [Trade TP]	10-Feb-25
23-Sep-24	Short EURGBP	0.838	0.841	-0.3	Policy and growth divergence between EU/ECB and UK/BOE. Target a decline towards 0.81. SL 0.8470. [SL]	14-Jan-25
10-Dec-24	Short USDJPY	151.5	154.7	-2.07	Bias for USDJPY to trend lower, premised on Fed cut cycle while the BoJ has room to further pursue policy normalisation. Target a move towards 146.10. SL at 154.70. [SL]	18-Dec-24
15-Jan-25	Short SGDJPY	115.1	113.8	1.13	To express MAS-BOJ monetary policy/ inflation divergence trade. Targeting a move towards 110 levels. SL at 117.12. [TP]	03-Feb-25
25-Feb-25	Long NZDSGD	0.7665	0.755	-1.50	Riding on RBNZ nearing end of rate cut cycle with next cut a step-down to 25bp/ clip, improvement in China sentiments (NZD as a higher beta play) and NZD short at extreme levels. On the other hand, there is room for SGD strength to fade should MAS eases policy again. Entry at 0.7665, targeting move towards 0.80. SL below 0.7550. [SL]	04-Apr-25
05-May-25	Short CHFJPY	174.7	178.5	-2.17	Long CHF (safe haven) position should have room to unwind if de-escalation narrative further gain traction. On the other hand, policy divergence between SNB-BOJ may still underpin the direction of travel to the downside. Target move towards 166. SL: 178.5 [SL]	20-Jun-25
05-May-25	Short SGDKRW	1072.2			An expression of short S$NEER, riding on tariff de-escalation narrative. High-beta KRW may have more room to catch-up on gains while much gentler slope in S$NEER policy band implies that SGD may appreciate less than trade peers. A proxy trade for short S$NEER. Target move towards 1015. SL: 1105 [LIVE]	
13-May-25	Short USDJPY	148			90d trade truce may be a surprise turnaround but devil is in the details during negotiations. Some degree of caution remains warranted. Separately, Finance Minister Kato said he will seek an opportunity to discuss currency matters with US Treasury secretary Scott Bessent without offering specifics. Target move towards 141. SL: 147.22. [LIVE]	

Note: TP refers to take profit; SL refers to stop-loss. Trade can take profit or stopped earlier than indicated levels, depending on market conditions.

Selected SGD Crosses

SGDMYR Daily Chart: Downward Pressure



SGDMYR spiked last week but started the week on a softer footing. Cross was last at 3.3030 levels.

Bullish momentum on daily chart shows signs of fading while RSI fell. Risks skewed to the downside.

Support at 3.30 levels (200 DMA), 3.29 (50% fibo retracement of Sep low to 2025 high) and 3.2690 (61.8% fibo).

Resistance at 3.3130 (100 DMA), 3.3230 levels.

SGDJPY Daily Chart: Risks Skewed to the Downside

SGDJPY eased away from its high last week. Cross was last seen at 113.10 levels.

Bullish momentum on daily chart is fading while RSI fell. Risk skewed to the downside.

Support at 112.80/90 levels (200 DMA, 61.8% fibo), 112.60 (21 DMA) and 111.80 levels (50DMA< 50% fibo).

Resistance at 113.80, 114.30 (76.4% fibo retracement of 2025 high to low).

Note: blue line – 21SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA

Gold Daily Chart: Corrective Pullback Done?

Gold fell last week amid geopolitical de-escalation. Last seen at 3282 levels.

Daily momentum is bearish while decline in RSI shows signs of moderating. Sideways trade, with slight risks skewed to the upside.

Resistance at 3320 (50 DMA), 3351 (21 DMA).

Key support at 3250 levels, 3158 (38.2% fibo retracement of 2025 low to high).

Silver Daily Chart: Corrective Pullback Meets 21 DMA

Silver traded range-bound last week. Last seen at 36.10 levels.

Daily momentum is mild bearish while RSI fell. Not ruling out further corrective pullback if support at 36 levels (21 DMA) gives way.

Bigger support down at 35, 34.20 (50 DMA).

Resistance at 36.90, 37.30 levels (recent high).

Note: blue line – 21SMA; red line – 50 SMA; green line - 100 SMA; yellow line - 200 SMA

Medium Term FX Forecasts

Currency Pair	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
USD-JPY	141.00	139.00	139.00	138.00	137.00
EUR-USD	1.1850	1.2000	1.2000	1.2050	1.2100
GBP-USD	1.3760	1.3800	1.3800	1.3850	1.3900
AUD-USD	0.6600	0.6650	0.6650	0.6700	0.6750
NZD-USD	0.6100	0.6150	0.6150	0.6200	0.6250
USD-CAD	1.3600	1.3550	1.3550	1.3500	1.3480
USD-CHF	0.8000	0.8000	0.7900	0.7900	0.7850
USD-SEK	9.40	9.27	9.16	9.07	8.90
DXY	96.18	95.18	95.09	94.66	94.19
USD-SGD	1.2680	1.2650	1.2650	1.2640	1.2620
USD-CNY	7.1400	7.1200	7.1200	7.1100	7.1000
USD-CNH	7.1400	7.1200	7.1200	7.1100	7.1000
USD-THB	32.50	32.30	32.30	32.20	32.20
USD-IDR	16150	16100	16050	16050	16000
USD-MYR	4.1800	4.1600	4.1500	4.1400	4.1200
USD-KRW	1320	1310	1300	1290	1280
USD-TWD	29.40	29.30	29.30	29.20	29.00
USD-HKD	7.8000	7.7800	7.7500	7.7500	7.7600
USD-PHP	56.00	55.80	55.60	55.60	55.50
USD-INR	85.50	85.20	85.00	84.80	84.50
USD-VND	26000	25900	25950	25800	25700
EUR-JPY	167.09	166.80	166.80	166.29	165.77
EUR-GBP	0.8612	0.8696	0.8696	0.8700	0.8705
EUR-CHF	0.9480	0.9600	0.9480	0.9520	0.9499
EUR-AUD	1.7955	1.8045	1.8045	1.7985	1.7926
EUR-SGD	1.5026	1.5180	1.5180	1.5231	1.5270
GBP-SGD	1.7448	1.7457	1.7457	1.7506	1.7542
AUD-SGD	0.8369	0.8412	0.8412	0.8469	0.8519
AUD-NZD	1.0820	1.0813	1.0813	1.0806	1.0800
NZD-SGD	0.7735	0.7780	0.7780	0.7837	0.7888
CHF-SGD	1.5850	1.5813	1.6013	1.6000	1.6076
JPY-SGD	0.8993	0.9101	0.9101	0.9159	0.9212
SGD-MYR	3.2965	3.2885	3.2806	3.2753	3.2647
SGD-CNY	5.6309	5.6285	5.6285	5.6250	5.6260
SGD-IDR	12737	12727	12688	12698	12678
SGD-THB	25.63	25.53	25.53	25.47	25.52
SGD-PHP	44.16	44.11	43.95	43.99	43.98
SGD-VND	20505	20474	20514	20411	20365
SGD-CNH	5.6309	5.6285	5.6285	5.6250	5.6260
SGD-TWD	23.19	23.16	23.16	23.10	22.98
SGD-KRW	1041.01	1035.57	1027.67	1020.57	1014.26
SGD-HKD	6.1514	6.1502	6.1265	6.1313	6.1490
SGD-JPY	111.20	109.88	109.88	109.18	108.56
Gold $/oz	3510	3620	3720	3800	3850
Silver $/oz	37.34	38.51	39.57	40.43	41.85

Source: OCBC Research *(Latest Forecast Updated: 01 July 2025)*

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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