

FX Weekly

De-escalation Trade On, But Maturing

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- **De-escalation Trade On But Maturing:** Oil's drop on US-Iran deal hopes has boosted risk and eased rate pressure. Importer FX may outperform near term, but de-escalation trades look mature. Stay neutral USD, prefer selective carry and commodity FX.
- **ECB Eyes Another:** ECB hikes again and signals more to come. We expect one more move, but less than market pricing. Any EURUSD strength on US-Iran deal looks tactical and likely fades on widening US–eurozone growth divergence.
- **Guidance in Focus:** Policy rates likely unchanged, but guidance turns key. Fed likely neutral shift and any hawkish signals support USD. BoJ may hike but pace uncertain. RBA near peak. AUD supported by carry, but AUDNZD looks toppish.
- **Oil, Rates, Gold:** Rising yields have weighed on gold, but structural tailwinds persist. Easing energy pressures and steady central bank accumulation could help gold hold key support and gradually rebuild upward momentum.

De-escalation Trade On But Maturing: Rising hopes of a near-term US-Iran deal late last week triggered a sharp fall in oil, easing energy shock concerns that had been widening the gap between inflation and growth. Markets followed the familiar de-escalation playbook. USD softened, rates fell with a bull steepening bias, and risk sentiment improved. The US and Iran say they have agreed to a peace deal to reopen the Strait of Hormuz, setting the stage for negotiations on the fate of Iran's nuclear program. Pakistani Prime Minister Sharif said the agreement between the two sides would be signed in Switzerland on 19 June.

Lower oil is risk-positive and should narrow FX performance gaps between high-beta exporters such as AUD, NOK and CAD, and importers such as NZD, SEK and GBP, favouring the latter. Sentiment has improved sharply post-ceasefire and could extend on a confirmed deal, unwinding the earlier terms-of-trade shock. With Brent now in the mid-80s, prices are already near many analysts' year-end forecasts.

A brief downside overshoot in oil is possible on a formal deal announcement. This would support EM FX and offer relief to Asian currencies such as KRW, IDR and INR, where authorities have stepped

up stabilisation efforts. That said, much of the easy money in de-escalation trades is likely behind us. We look for Brent near USD80/bbl by year-end, with risks skewed higher.

The energy shock may fade, but the AI investment cycle remains intact. The US continues to lead, driving growth divergence versus the rest of the world and supporting tech-linked Asia. Whether this cycle sustains a backdrop of sticky inflation, a firm labour market and central bank hikes is the next key question.

In FX, Europe's limited exposure to the AI cycle could weigh on EUR, while a materially stronger JPY would require a more hawkish BoJ. CNY strength should persist and has helped cap broader USD gains. Overall, there is no compelling case for a weaker USD. We remain neutral and prefer cross trades. Near term, high-beta oil importers may outperform if energy prices fall further. However, we continue to favour carry and commodity FX such as AUD and BRL. EUR and CHF are likely laggards, especially if oil declines only gradually.

ECB Eyes Another: The ECB delivered a 25bp hike, taking the policy rate to 2.25%, in line with expectations. ECB President Lagarde stressed this was not an "insurance" move, reinforcing the tightening bias. We expect sticky inflation and resilient activity to support one more 25bp hike, pencilled in for September. This would take the policy rate to 2.50% by year-end.

That said, our outlook is less hawkish than market pricing, which is leaning toward two additional hikes into 2026. On FX, a US–Iran deal that reopens the Strait of Hormuz could lift EURUSD near term. We would treat such strength as an opportunity to fade, as US–eurozone growth divergence should reassert downside pressure on the pair.

Guidance in Focus: Central banks again dominate this week but moves should be limited. The Fed, BoE and RBA are set to hold. Markets still lean toward a BoJ hike. We expect the SNB to stay on hold despite the ECB's move. The Makerfield by-election in the UK on 18 June will likely prove a bigger GBP driver than the BoE.

Focus shifts from decisions to guidance and inflation risks. The Fed is likely to pivot from an easing bias to a neutral stance. Any hawkish tilt should offer modest USD support. Attention will also be on the dot plot and whether new Chair Warsh backs the recent hawkish shift in Fed communication. He is expected to avoid signalling early tightening, so any hawkish surprise would matter.

In Japan, Governor Ueda will be absent, with Deputy Governor Uchida leading. We expect a 25bp hike to 1.0%. The key question is pace. Markets will watch for signals of faster tightening, potentially more than one move every six months. A sustained shift in JPY from funding to investment currency still looks unlikely while the BoJ is seen as behind the curve.

The RBA should remain on hold. It may be too early to drop the hawkish bias, but weaker activity data suggest past tightening is feeding through. This makes it harder to sustain a hawkish stance. AUDNZD looks toppish as the RBA nears the end of its rate hike cycle while the RBNZ moves closer into tightening. Even so, AUD should stay supported by relatively high carry within G10 FX.

Oil, Rates, Gold: The USD debasement narrative has lost momentum, with both gold and bitcoin retreating in recent weeks. A hawkish repricing of Fed expectations, alongside higher oil prices following the US-Iran conflict, has lifted the opportunity cost of holding non-yielding assets like gold.

Gold recovered some ground late last week as oil prices eased on expectations of a potential US-Iran deal reopening the Strait of Hormuz. This improves the odds that the USD4,000/oz support level will hold. However, uncertainty remains over how quickly gold can reclaim its 200-day moving average.

The persistent AI-driven growth cycle, which continues to support US economic resilience and sticky inflation, keeps hawkish Fed risks in play. This remains the next key hurdle for gold bulls.

That said, structural drivers for gold remain intact. Currency debasement concerns, fiscal risks and ongoing geopolitical fragmentation continue to underpin long-term demand. A moderation in energy-led inflation could help these themes regain traction.

Central bank demand remains a key pillar. The PBoC added 10 tonnes in May, marking its 19th straight month of purchases. Silver's fundamentals differ, with industrial demand playing a larger role. However, recent price action has been dominated by investment flows, with silver tracking gold lower and reinforcing the near-term weakness before rebounding towards the end of the week.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1638	161.12	1.3489	0.8031	0.7121	0.5891	1.4057	4364	1.2908	62.15	96.36
Resistance 2	1.1605	160.65	1.3447	0.7997	0.7082	0.5860	1.4019	4288	1.2875	61.56	95.78
Resistance 1	1.1586	160.44	1.3427	0.7984	0.7064	0.5846	1.4003	4254	1.2859	61.18	95.44
Spot	1.1606	159.93	1.3450	0.7940	0.7074	0.5855	1.3963	4283	1.2816	60.79	95.11
Support 1	1.1553	159.97	1.3385	0.7950	0.7025	0.5815	1.3965	4178	1.2826	60.59	94.86
Support 2	1.1539	159.71	1.3363	0.7929	0.7004	0.5798	1.3943	4136	1.2809	60.38	94.62
Support 3	1.1506	159.24	1.3321	0.7895	0.6965	0.5767	1.3905	4060	1.2776	59.79	94.04
Bollinger Band											
Bollinger Upper	1.1681	160.71	1.3502	0.8012	0.7226	0.5963	1.4022	4684	1.2902	61.99	96.69
Bollinger Lower	1.1521	158.64	1.3342	0.7789	0.7000	0.5766	1.3708	4140	1.273	61.15	94.63

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	1.17	1.16	1.18	1.18	1.17	1.16
GBP-USD	1.35	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	98.94	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	6.76	6.81	6.80	6.78	6.76	6.74
USD-THB	32.54	32.80	32.50	32.10	31.80	31.60
USD-IDR	17874	17600	17550	17450	17350	17250
USD-MYR	3.96	3.95	3.92	3.86	3.83	3.81
USD-KRW	1504	1470	1460	1450	1430	1410
USD-TWD	31.36	31.60	31.50	31.40	31.20	31.10
USD-HKD	7.84	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	95.00	95.00	95.30	95.50	96.00	96.50
USD-VND	26313	26200	26000	26000	25800	25900
EUR-JPY	187	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	1.62	1.61	1.57	1.57	1.56	1.57
EUR-NOK	10.79	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	1.72	1.72	1.73	1.71	1.70	1.67
AUD-SGD	0.92	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	20613	20533	20440	20570	20444	20654
SGD-CNH	5.30	5.34	5.35	5.36	5.36	5.37
SGD-TWD	24.58	24.76	24.76	24.84	24.72	24.80
SGD-KRW	1179	1152	1148	1147	1133	1124
SGD-HKD	6.14	6.13	6.13	6.16	6.16	6.20
SGD-JPY	125	124	123	123	122	122
Gold \$/oz	4540	4800	4962	5100	5230	5400
Silver \$/oz	75.3	77.54	82.70	89.47	91.75	94.74
Platinum \$/oz	1920	2000	2109	2237	2294	2368
Palladium \$/oz	1361	1428	1506	1511	1519	1528
ICE Brent \$/bbl	92.1	100	85	80	75	75
NYMEX WTI \$/bbl	87.4	94	81	76	71	71
Aluminium \$/mt	3667	3500	3350	3150	3175	3175
Copper \$/mt	13636	12800	12500	12500	12600	12600

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.

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FX Forecasts

	Current (29 May)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.17	1.17	1.18	1.16
GBPUSD	1.35	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	10.79	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	95.00	95.20	95.43	96.33
USDKRW	1504	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	32.54	32.60	32.23	31.67
USDTWD	31.36	31.53	31.43	31.13
USDHKD	7.84	7.81	7.79	7.78
Forecast for Precious Metals				
Gold \$/oz	4540	4908	5054	5343
Silver \$/oz	75.3	81	87	94
Platinum \$/oz	1920	2072	2194	2344
Palladium \$/oz	1361	1480	1510	1525
Forecast for Crude Oil				
NYMEX WTI \$/bbl	87.4	85.5	77.5	71.0
ICE Brent \$/bbl	92.1	90.0	81.5	75.0
Aluminium \$/mt	3667	3400	3217	3175
Copper \$/mt	13636	12600	12500	12600

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 (5 Jun)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.75	3.75	3.75
2-Year US Treasury	4.15	4.15	4.15	4.00
5-Year US Treasury	4.27	4.25	4.25	4.15
10-Year US Treasury	4.53	4.60	4.60	4.50
30-Year US Treasury	5.00	5.10	5.10	5.15
Forecast for US SOFR swap rates				
2-Year Rate	4.00	3.95	3.95	3.85
5-Year Rate	3.99	4.00	4.00	3.90
10-Year Rate	4.12	4.15	4.15	4.05
30-Year Rate	4.27	4.35	4.35	4.30

Source: OCBC Group Research (Latest Forecast Update: 8 Jun 2026)

Central Bank Forecast Table

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	Current (12 Jun)	2Q26	3Q26	4Q26	1Q27	2Q27
Fed Funds Rate (upper)	3.75	3.75	3.75	3.75	3.75	3.75
BoE Bank Rate	3.75	3.75	3.75	3.75	3.50	3.50
ECB Depo Rate	2.25	2.25	2.50	2.50	2.50	2.50
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	2.50	2.75	3.00	3.00

Source: OCBC Group Research (Latest Forecast Update: 12 Jun 2026)

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
15-Jun	14:00	SW	Unemployment Rate SA	May		--	8.5%
	17:00	EC	Industrial Production WDA YoY	Apr		0.5%	-2.1%
	20:30	US	Empire Manufacturing	Jun		12.5	19.6
	21:15	US	Industrial Production MoM	May		0.2%	0.7%
	22:00	US	NAHB Housing Market Index	Jun		36	37
16-Jun	10:00	CH	Retail Sales YoY	May		0.0%	0.2%
	10:00	CH	Industrial Production YoY	May		4.3%	4.1%
	12:30	AU	RBA Cash Rate Target			4.35%	4.35%
	17:00	GE	ZEW Survey Expectations	Jun		-7.5	-10.2
	20:30	US	Housing Starts	May		1430k	1465k
17-Jun		JN	BOJ Target Rate			1.00%	0.75%
	14:00	UK	CPI YoY	May		--	2.8%
	14:00	UK	CPI Core YoY	May		--	2.5%
	15:30	SW	Riksbank Policy Rate			1.75%	1.75%
	20:30	US	Retail Sales Advance MoM	May		0.5%	0.5%
18-Jun	20:30	US	Retail Sales Control Group	May		0.4%	0.5%
	22:00	US	Pending Home Sales NSA YoY	May		--	1.4%
	02:00	US	FOMC Rate Decision (Upper Bound)			3.75%	3.75%
	02:30	US	Fed Holds Press Conference				
	06:45	NZ	GDP YoY	1Q		1.1%	1.3%
19-Jun	14:00	UK	Average Weekly Earnings 3M/YoY	Apr		--	4.1%
	14:00	UK	ILO Unemployment Rate 3Mths	Apr		--	5.0%
	14:30	PH	BSP Overnight Borrowing Rate			4.75%	4.50%
	15:20	ID	BI Rate			5.75%	5.50%
	15:30	SZ	SNB Policy Rate			0.00%	0.00%
19-Jun	16:00	NO	Deposit Rates			4.25%	4.25%
	19:00	UK	Bank of England Bank Rate			--	3.75%
	20:30	US	Initial Jobless Claims	13-Jun		--	229k
			CBC Benchmark Interest Rate			2.00%	2.00%
	07:30	JN	Natl CPI YoY	May		1.5%	1.4%
	07:30	JN	Natl CPI Ex Fresh Food, Energy YoY	May		1.8%	1.9%

Source: Bloomberg, OCBC Group Research

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