FX Weekly

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Brace for some release of US data

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Data Backlog vs. Hawkish Fed Rhetoric. DXY was a touch softer last week, as major FX including EUR, CHF and JPY rebounded while global equities fell. Market narrative is shifting towards concerns of what the backlog of US data may reveal about the US economy while there are also concerns that Fed may slow pace of rate cuts. Dec cut is now <50% probability as Fed officials continue to paint a clear division in opinions. Bostic said that while he was able to support the most recent 2 interest-rate cuts, he wasn't yet convinced about another move next month. Logan said it would be hard to support another rate cut unless there is convincing evidence that inflation is really coming down faster. Schmid said additional rate cuts could do more to ingrain higher inflation than shore up the labour market. Reluctance to ease can support USD bounce but on the other hand, if US data turns out softer then USD bounce (if any) can also be curbed. As such, 2-way price action on USD is likely in the interim.

Focus on Labour Market Report. BLS confirmed that the employment situation report for Sep (initially scheduled for release on 3 Oct) will be released on 20 Nov (Thu, 830pm SGT) and the real earnings report will be released on Fri. The Oct labour market report will be released when it is ready, but BLS will not calculate the unemployment rate. Census Bureau will release Aug data on construction spending, manufacturers' shipments and international trade on Monday, Tuesday and Wednesday. There are quite a number of Fedspeaks on 19 occasions this week, including Williams, Waller, Miran and FOMC minutes (Thu).

KRW Bears Checked by Intervention Risk. USDKRW fell in reaction to news that Korean authorities pledged to take action to stabilise the KRW, in coordination with state-owned National Pension Services (NPS). Bloomberg also reported that Finance Minister Koo met with BOK Governor Rhee and financial regulators to prepare measures. Stock outflows and rising overseas investment by locals were some of the factors behind the decline in KRW, despite KOSPI clocking in near 70% gains YTD. We still expect KRW to recover, amidst greater clarity on US-KR deal, upbeat economic growth, potential leaning against the wind activities while a more stable RMB should also help to anchor relative stability in the region.

TWD Shorts Bail. 1m USDTWD NDF fell sharply in London/NY hours on Fri, in response to joint statement from CBC and US Treasury, where both parties agreed that intervention in FX market should only be used to address excessive volatility or disorderly currency movements. Both also agreed that public investment vehicles like pension funds should invest overseas mainly for risk-adjusted returns and diversification purposes. CBC will also disclose FX intervention operations on at least a quarterly basis (vs. current once every 6 months). Should USD softness reasserts, the pair may have room to fall.

Bloomberg FX Forecast Ranking (3Q 2025)
By Region:
No. 2 for Asia FX
No. 8 for 13 Major FX

By Currency:
No. 1 for THB, CNH
No. 2 for CNY, MYR
No. 3 for PHP, HKD
No. 4 for SGD, TWD

(2Q 2025)
By Region:
No. 2 for Asia FX
No. 4 for 13 Major FX

By Currency:
No. 1 for SGD, THB
No. 2 for TWD
No. 3 for CNY, NZD
No. 4 for MYR

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Key Themes and Trades

DXY

Some Data and Plenty of Fedspeaks. DXY was a touch softer last week, as major FX including EUR, CHF and JPY rebounded while global equities fell. Market narrative is shifting towards concerns of what the backlog of US data may reveal about the US economy while there are also concerns that Fed may slow pace of rate cuts. Dec cut is now <50% probability as Fed officials continue to paint a clear division in opinions. Bostic said that while he was able to support the most recent 2 interest-rate cuts, he wasn't yet convinced about another move next month. Logan said it would be hard to support another rate cut unless we were to get convincing evidence that inflation is really coming down faster than my expectations or that we were seeing more than the gradual cooling that we've been seeing in the labour market. Schmid said additional interest-rate cuts could do more to ingrain higher inflation than shore up the labour market. Kashkari said that he didn't support the last cut and is undecided about Dec; Musalem reiterated that officials should move cautiously on rates while Hammack noted that policy should remain somewhat restrictive. Daly said she is open-minded on Dec rate. BLS confirmed that the employment situation report for Sep (initially scheduled for release on 3 Oct) will be released on 20 Nov (Thu, 830pm SGT) and the real earnings report will be released on Fri. The Oct labour market report will be released when it is ready, but BLS will not calculate the unemployment rate as the separate survey of households didn't take place during the shutdown. Elsewhere, Census Bureau will release Aug data on construction spending, manufacturers' shipments and international trade on Monday, Tuesday and Wednesday. At some point, USD bears can return with more conviction when US data to come in softer, making the case for Fed to ease rates more decisively.

DXY was last at 99.30 levels. Daily momentum is mild bearish but decline in RSI moderated. 2-way trades likely to persist in absence of fresh catalyst. Support at 99.10/30 levels (21 DMA, 50% fibo retracement of May high to Sep low), and 98.30/50 levels (50, 100 DMAs, 38.2% fibo). Resistance at 100 levels (200 DMA), 100.6 (76.4% fibo). There are quite a number of Fedspeaks on 19 occasions this week, including Williams, Waller, Miran and FOMC minutes (Thu).

Into 2026, we continue to expect USD to trade moderately softer as Fed easing erodes carry advantage while US exceptionalism fade. Private sector data reinforced the view that US labour market is softening. Not only are job creations slowing, but layoffs are also increasing. Indeed job postings and wage growth tracker have also been falling all year. Our house view looks for 1 more Fed cut for 2025, and another 25bp cut in 1Q 2026. Further cut may require inflation to come closer to Fed's mandate of 2%. USD has room to fall as long as broader risk-on sentiment stays intact, growth conditions outside US remains supported and the Fed stays on easing path. Risks in the near term: (1) Cautious about a divisive Fed as hawkish rhetoric (due to upside US data surprises if any) can un-nerve sentiments; (2) if tariff passthrough to US inflation is larger than expected. Either of these risk factors can affect Fed's easing path, undermine high-beta proxy FX while USD can strengthen. More broadly, US policy unpredictability, and concerns of about the rising trajectory of US debt and deficits in the medium term should continue to underpin the broad and likely, bumpy decline in the USD.

EURUSD

2-way with USD Likely to Play a Dominant Role. EUR extended its rebound for a second week amid USD's retreat. EUR was last seen at 1.1620 levels. Daily momentum turned bullish but rise in RSI slowed. 2-way risks likely. Resistance at 1.1660 levels (50, 100 DMAs), 1.1720 levels. Support at 1.1590 (21 DMA), 1.1540 before 1.1460 (38.2% fibo retracement of Apr low to Sep high). This week brings CPI (Wed); prelim PMIs, ECB's negotiated wages (Fri). There are a few ECBspeaks, including Lagarde on Fri. Political uncertainties in France may have temporarily receded after French parliament voted to suspend pension reform last Wed (retirement age remains at 62), giving PM Lecornu a lifeline. But beyond this, the compromise on budget remains challenging. Elsewhere we noted that German Council of Economic Experts has reduced German growth forecast to 0.9% for 2026, from 1% arguing that the spending boost put forth by Merz administration will only have a small impact on growth. Earlier last week, ZEW economic sentiment fell.

We maintain our broadly constructive outlook on EUR. (1) ECB cut cycle likely nearing its end while there is room for Fed to continue with it easing cycle. This should help to narrow EU-UST yield differentials. (2) Germany to boost growth plan with EUR400bn investment plan while European defence spending plans can lend a boost to growth. (3) China's economic growth showing tentative signs of stabilisation (stable to stronger RMB can see positive spillover to EUR) and (4) 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 less of 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. There may also be indirect benefits for EUR in the medium term, should there be a peace deal and that Europe participates in Ukraine's reconstruction efforts. A peace deal at some point can lead to supply chain normalisation, lower energy costs, in turn reducing existing burden on corporates and households, improving sentiments and growth outlook.

USDJPY

2-way Trades. USDJPY rose modestly for the week. Opposing forces of fiscal concerns, delayed BOJ policy normalisation, risk sentiments and intervention risks should continue to drive the pair. Last week, Finance Minister Katayama said the government is watching for any excessive and disorderly moves with a high sense of urgency. We continue to monitor if intervention rhetoric steps up intensity as the pair closes in on 155 levels.

Last week, PM Takaichi signalled her intent to ramp up the active use of fiscal policy to power economic growth by dropping an annual budget-balancing goal. She said that the government's long-held target of achieving a primary balance surplus will no longer be reviewed on a single-year basis. She made mention of multi-year budgets and also favour net debt to GDP (which is a lower figure at 130% of GDP instead of gross debt to GDP of 230%). This may imply that government can issue bonds with greater ease, to finance bigger fiscal spending targeted to boost growth. Risk of heavier fiscal burden amid rise in debt servicing cost and worries of lack of fiscal discipline can undermine JPY in the interim.

USDJPY last seen at 154.55 levels. Daily momentum and RSI indicators are flat for now. 2-way trades likely. Support at 153.20 (21 DMA), 151.60 (61.8% fibo retracement of 2025 high to low). Resistance at 155.10, 156 levels.

Our view for USDJPY to trend lower is premised on the USD sell-off story and Fed-BOJ policy divergence (Fed rate cut cycle to resume while the BOJ to continue its policy normalisation). Wage growth, broadening services inflation and upbeat economic activities in Japan are some factors already supportive of BoJ policy normalisation. But the BOJ is just keeping a long pause and concerns over fiscal expansion are some factors that may undermine JPY in the interim. At some point, Fed-BOJ policy divergence and a softer USD should still support USDJPY's broader direction of movement to the downside.

AUDUSD

Buy Dips. AUD saw early gains in early week, owing to rise in metals complex and upside surprise to labour market report. But gain was partially curbed into late week amid pullback in global equities. Pair was last at 0.6540 levels. Daily momentum shows tentative signs of turning mild bullish while RSI rose. Immediate resistance at 0.6560 (50 DMA). Break out puts next resistance at 0.6620/30 levels. Support at 0.6520 (21 DMA), 0.6455 (200 DMA).

We continue to favour AUD to trend higher. Economic recovery is expected to remain sustained into 1H 2026, with impulse primarily coming from domestic demand, led by resilient household consumption, rebound in services and firmer housing activities. Inflation is projected to stay above 3% through most of 2026, before easing gradually to 2.6% by late-2027, implying a slower disinflation path than before. Labour market remains stable, with recent report showing fulltime employment change rose 55.3k while unemployment rate edged lower to 4.3% (vs. 4.5% prior). The latest policy statement and subsequent press conference at the Nov-2025 meeting gave the impression that the easing cycle is shifting toward a longer pause, as the Board weighs evidence of inflation amid signs that domestic demand is stabilising. With the cash rate now seen as close to neutral and financial conditions only mildly restrictive, the Bank has room to wait and watch. We expect one final 25bp rate cut in 2Q26 (if need arises), taking the policy rate to 3.35%, which would mark the end of the current easing cycle. Nevertheless, AUD, a high-beta FX, can be exposed to geopolitical shocks, swings in RMB, equity sentiments, and global growth prospects.

More broadly, a relatively resilient RMB and RBA nearing end cycle are factors supportive of AUD, so long global growth holds up and USD softness return.

USDSGD

Watch if Support Levels Give Way. USDSGD traded lower for the week, in line with the technical caution flagged – gravestone doji - typically associated with a bearish reversal. The move played out with USDSGD back under 1.30 levels. Last at 1.2985. Daily momentum turned mild bearish while RSI fell. Risks skewed to the downside. Support at 1.2930/50 levels (50 DMA, 23.6% fibo retracement of 2025 high to low) and 1.2890 (100 DMA). USDSGD bears can gather momentum if those support levels are breached. Failing which, the pair may consolidate. Resistance at 1.3000/20 levels (21, 200 DMAs), 1.31(38.2% fibo).

In the past week, USDSGD had fell due to moves in EUR and RMB. Looking on, we expect broader market narratives, including USD trend, moves in RMB, JPY and risk sentiments, etc. to influence the pair more as MAS policy takes a back seat for now. While S$NEER had eased, it has recently stabilised. Last at 1.20% above model implied mid. 3Q final GDP is scheduled for release on Fri – markets including our Economist are looking for upward revision.

For the forecast horizon into 2026, we continue to project a mild degree of USDSGD downside, premised on (1) moderately softer, albeit bumpy USD trend to continue amid Fed cuts underway; (2) still-resilient RMB; (3) while tariff impact on regional, Singapore growth to be largely manageable (i.e. no sharp recession). We continue to pay close attention to a few key risks that may impact SGD: (1) how sectoral tariff may play out – if Singapore growth, exports will ultimately be impacted by higher tariffs on pharmaceuticals while monitoring tariff developments on semiconductor goods; (2) broad USD trend given that USDSGD and DXY remains highly correlated – if USD sees an extended bounce, then USDSGD may even be exposed to upside risks; (3) moves in EUR, JPY, can also affect SGD, given relative strong correlation and weights in S$NEER basket; (4) trends in RMB is also another development to watch – in particular China's economic recovery, RMB fixing trend and sentiments.

Taking stock, at the last MPC (14 Oct), MAS maintained policy on hold – prevailing rate of appreciation of the S$NEER policy band, width and center of currency band. In accompanying statement, MAS indicated that core inflation should trough in the near term and rise gradually over the course of 2026 as temporary factors dampening inflation fade. Other highlights of the MPS include: (1) Growth surpassed expectations, underpinned by resilient activity in the manufacturing and domestic consumer-facing sectors. Growth is expected to moderate from this above-trend pace in the upcoming quarters as activity normalises in the trade-related sectors. (2) While core inflation could edge down further in the near term, some of the factors dampening inflation are expected to diminish in the quarters ahead. Imported costs should exert a smaller drag on inflation in 2026, given projections for a more gradual decline in global crude oil prices, as well as a modest pickup in regional inflation from the easing this year. On the domestic front, services unit labour costs growth is projected to rise in 2026 as productivity growth normalises. The net drags on inflation associated with administrative price changes and their base effects should also unwind more discernibly from Q4 this year. All in, MAS Core Inflation is forecast to trough in the near term and rise gradually thereafter. (3) MAS is in an appropriate position to respond effectively to any risk to medium-term price stability and will continue to closely monitor economic developments amid uncertainties in the external environment.

USDMYR

Some Moderation Not Ruled Out. MYR's recent outperformance is broadly consistent with our constructive view, although the pace of appreciation has been quicker than we initially anticipated. We had earlier projected USDMYR to end the year around 4.16, and the pair has moved towards this level faster than expected. We still see room for MYR gains to extend into 2026 though some consolidation is not ruled out in the near term.

USDMYR last seen at 4.1330 levels. Bearish momentum on daily chart intact but RSI shows signs of turnaround from oversold conditions. We see a good chance of a slowdown in the pace of MYR gains in the near term, but overall bias remains skewed to the downside for USDMYR if fundamentals continue to hold up and USD does not rebound in a big way. Support at 4.12, 4.10 levels. Resistance at 4.16, 4.18 levels.

Domestically, Malaysia's fundamentals remain encouraging, supported by quality FDI inflows, upside growth surprises, a wider trade surplus and clear commitment to fiscal consolidation. The successful conclusion of recent ASEAN summit in KL also helped to reinforce confidence in Malaysia's regional positioning and stability. These factors can help to enhance foreign investor confidence and improve prospects for portfolio inflows. Policymakers' constructive messaging, including comments that USDMYR could trade "just below 4" by mid-2026, has also contributed to more positive sentiment. To add, external conditions are similarly supportive. A more resilient RMB continues to anchor stability in MYR, while the Fed's resumption of its easing cycle provides a softer USD backdrop.

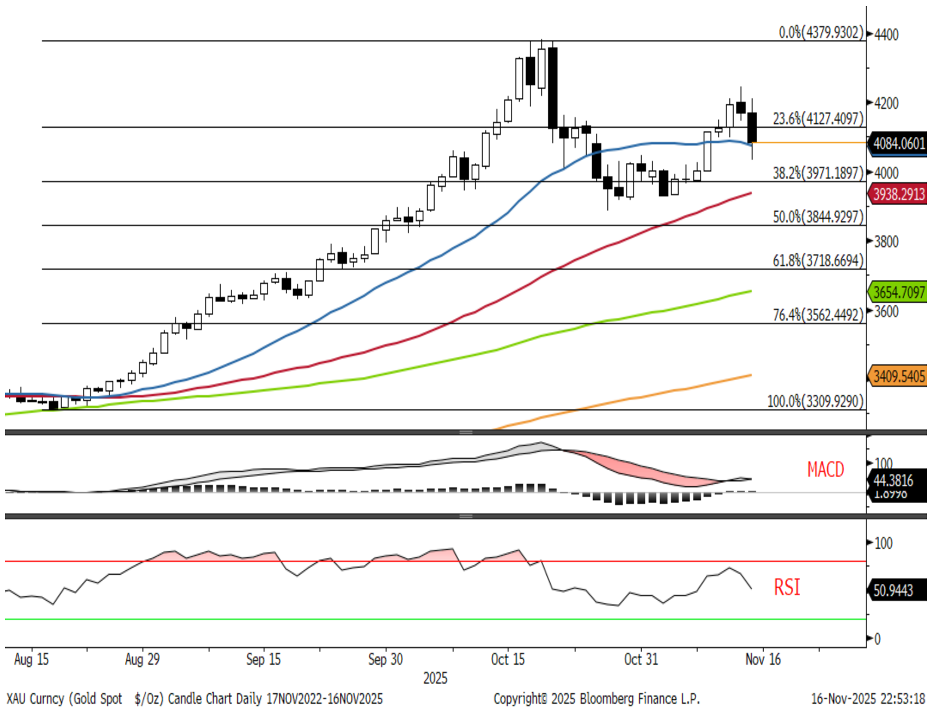
MYR's path will continue to be influenced by the broader USD trend and RMB policy direction. Upside drivers for MYR strength include further Fed easing, continued resilience in the RMB, stronger portfolio inflows, exporters' conversion of foreign currency to local currency and sustained domestic growth momentum. Key downside risks include a deterioration in global risk sentiment, renewed USD strength from geopolitical or sudden stop in Fed easing cycle, and any stumbles in China's recovery or local fiscal consolidation efforts.

Trade Ideas

Entry Date	Trade	Entry	Close	Profit/ Loss (%)	Remarks	Exit Date
13-May-25	Short USDJPY	148	147.22	0.52	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. [TP]	25-Jul-25
05-Aug-25	Short CHFJPY	182.1	187	-2.69	Entered into short at 182.10 (5 Aug), looking for a move towards 170.10. SL at 187. The 12% run-up this year may also provide an opportunity to re-enter short, from a risk-reward perspective. 39% tariff on Swiss imports to US can hurt Swiss economy and lead to SNB cutting rates into negative. SNB-BOJ policy divergence play could return, and this can underpin the direction of travel to the downside. [SL]	19-Sep-25
08-Oct-25	Short USDCNH	7.15			PBOC shifts from RMB stability to RMB appreciation bias. Sell rallies towards 7.15, target move towards 7.01. SL at 7.21 [LIVE]	
03-Nov-25	Short USDKRW	1431	1452	-1.47	A few reasons ranging from anticipation of BOK cuts, sluggish growth in Korea and also the persistent uncertainty on trade between Korea and US were some of the factors weigh on KRW but we think some of this negativity is starting to fade and this may bode well for KRW recovery. Enter short (spot ref at 1430). SL:1452 with TP:1370 [SL]	07-Nov-25
03-Nov-25	Short SGDKRW	1100			To express view on lesser SGD strength amid milder pace of appreciation stance while riding on KRW recovery following clarity on US-KR trade relations. TP:1060. SL:1126 [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.

Gold Daily Chart: Consolidation



XAU traded a week of 2 halves: rising in early week alongside most asset classes before erasing losses partially, due to profit-taking and Fed's hawkish rhetoric. The week may see knee-jerk reaction owing to latest development between China and Japan over Taiwan. Last seen at 4084 levels.

Bearish momentum on daily chart signs of it slowly fading but RSI fell. 2-way trades likely.

Resistance at 4250 (recent high), 4380 (2025 high).

Support at 3,972 (38.2% fibo), 3,940 (50 DMA) and 3,845 levels (50% fibo retracement of Aug low to Oct high).

Silver Daily Chart: Double-top Bearish Reversal

Silver's rise partially faded into late week.

XAG last seen at 50.60 levels. Mild bullish momentum on daily chart shows signs of fading while RSI fell. Double-top pattern observed – typically associated with bearish reversal. Risks skewed to the downside.

Support at 50.22 (23.6% fibo retracement of Jul's run-up to Oct peak), 47.40/60 levels (50 DMA, 38.2% fibo) and 45.50 (50% fibo).

Resistance at 52.50, 54.50 levels (double-top).

Medium Term FX Forecasts

Currency Pair	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD-JPY	153.00	150.00	148.00	147.00	145.00
EUR-USD	1.1800	1.1900	1.2000	1.2050	1.2100
GBP-USD	1.3200	1.3400	1.3600	1.3700	1.3750
AUD-USD	0.6700	0.6700	0.6750	0.6800	0.6850
NZD-USD	0.5800	0.5900	0.6000	0.6050	0.6100
USD-CAD	1.3900	1.3800	1.3700	1.3600	1.3600
USD-CHF	0.7980	0.7900	0.7900	0.7850	0.7800
DXY	98.10	97.04	96.13	95.56	95.06
USD-SGD	1.2950	1.2900	1.2850	1.2830	1.2800
USD-CNY	7.1000	7.0700	7.0600	7.0500	7.0000
USD-CNH	7.1000	7.0700	7.0600	7.0500	7.0000
USD-THB	32.50	32.30	32.20	32.20	32.00
USD-IDR	16550	16450	16350	16300	16250
USD-MYR	4.1600	4.1200	4.1000	4.0800	4.0400
USD-KRW	1420	1390	1370	1360	1350
USD-TWD	30.50	30.30	30.20	30.10	30.00
USD-HKD	7.7800	7.7500	7.7500	7.7600	7.7600
USD-PHP	58.50	58.10	57.90	57.40	57.20
USD-INR	88.40	88.20	88.50	88.20	88.00
USD-VND	26400	26500	26600	26700	26800
EUR-JPY	180.54	178.50	177.60	177.14	175.45
EUR-GBP	0.8939	0.8881	0.8824	0.8796	0.8800
EUR-CHF	0.9416	0.9401	0.9480	0.9459	0.9438
EUR-AUD	1.7612	1.7761	1.7778	1.7721	1.7664
EUR-SGD	1.5281	1.5351	1.5420	1.5460	1.5488
GBP-SGD	1.7094	1.7286	1.7476	1.7577	1.7600
AUD-SGD	0.8677	0.8643	0.8674	0.8724	0.8768
AUD-NZD	1.1552	1.1356	1.1250	1.1240	1.1230
NZD-SGD	0.7511	0.7611	0.7710	0.7762	0.7808
CHF-SGD	1.6228	1.6329	1.6266	1.6344	1.6410
JPY-SGD	0.8464	0.8600	0.8682	0.8728	0.8828
SGD-MYR	3.2124	3.1938	3.1907	3.1800	3.1563
SGD-CNY	5.4826	5.4806	5.4942	5.4949	5.4688
SGD-IDR	12780	12752	12724	12705	12695
SGD-THB	25.10	25.04	25.06	25.10	25.00
SGD-PHP	45.17	45.04	45.06	44.74	44.69
SGD-VND	20386	20543	20700	20811	20938
SGD-CNH	5.4826	5.4806	5.4942	5.4949	5.4688
SGD-TWD	23.55	23.49	23.50	23.46	23.44
SGD-KRW	1096.53	1077.52	1066.15	1060.02	1054.69
SGD-HKD	6.0077	6.0078	6.0311	6.0483	6.0625
SGD-JPY	118.15	116.28	115.18	114.58	113.28
Gold $/oz	4060	4200	4300	4400	4500
Silver $/oz	50.12	51.22	52.44	53.66	54.88

Source: OCBC Research

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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