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FX Weekly

Pro-Risk, Guard Up

- ***Pro-Risk, Guard Up****: Geopolitics are noisy but likely contained. Global growth momentum should continue to support risk-friendly FX like AUD and NZD and EM carry trades, while political noise around the Fed keeps USD risks two-way. US-led upside surprises could challenge the risk environment, favouring diversified funding strategies.*
- ***JPY intervention watch****: JPY weakness has slowed as intervention risk grows, but politics and fiscal expectations keep the currency soft. With upside capped near 160 and limited catalysts for JPY strength, USDJPY likely holds a 155–160 range near term.*
- ***GBP Shakes Laggard****: UK growth is rebounding and fiscal worries have eased, supporting our view that GBP can shed its European FX laggard status. EURGBP may drift toward 0.85-0.86 over the next few months.*
- ***Oil Pared Gains****: Oil retreated from two-month highs as Iran-related escalation risks eased. With lower odds of supply disruption, Brent should stay subdued but hold a soft floor near high-USD50s.*
- ***USDCNH*** *stayed near recent lows, supported by a lower USDCNY fix. We are watching for any sign that policymakers may ease the pace of RMB strengthening. The FX conversion ratio has risen to 68.8%, near the top of its recent range. A faster RMB rise could spur USD selling, so policymakers are likely to keep appreciation orderly—possibly by slowing the daily fix, without shifting the broader RMB stance.*
- ***USDTWD*** *edged softer as foreign inflows lifted equities and pushed the TAIEX to a record high. The US–Taiwan trade deal will cut US tariffs on most Taiwanese goods to 15%. While reshoring may still weigh on TWD, lower tariffs and selective preferential treatment are likely a near-term positive.*

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Pro-Risk, Guard Up: Global spillovers from the recent Iran and Venezuela tensions via the energy channel remain contained. But a new geopolitical flashpoint has opened after President Trump announced 10% tariffs on eight European countries that opposed Washington's bid for greater influence over Greenland. Actual implementation looks uncertain: the EU's customs-union structure makes country-specific tariffs technically difficult, and the US Supreme Court may rule on the legality of tariffs imposed under IEEPA before their scheduled 1 February start date.

We remain pro-cyclical and long global growth, keeping the door open for further gains in risk-oriented currencies such as AUD and NZD. An extension of the low volatility backdrop should continue to support popular EM carry trades like the MXN, ZAR and BRL. Recent market signals reinforce this constructive view: industrial metals are trending higher, US small-caps (Russell 2000) continue to outperform large-caps (S&P 500), and cyclical equities have been beating defensives since late 2025. Together, they point to rising investor confidence in the global growth outlook.

US data over the past week show a labour market that has cooled without deteriorating, while January regional manufacturing surveys signal improving capex intentions. Business sentiment looks set to firm further. Ahead of the November mid-term elections, the Trump administration appears to be pivoting from shock-type measures (tariffs, immigration, DOGE-related initiatives) toward election-driven growth support – pressuring for rate relief and housing affordability measures.

The USD has been largely range-bound since 2H25, a trend that may persist for now. Typically, the haven USD softens when global growth strengthens, and concerns over Fed independence add another headwind. Political scrutiny has intensified following the Department of Justice's subpoena of Fed Chair Powell, making the Supreme Court's review of President Trump's attempted removal of Fed Governor Lisa Cook – oral arguments on 21 January – particularly important. Still, if global growth is led by the US, upside USD risks remain. Stronger-than-expected US data could push markets to price a higher probability of Fed hikes, potentially disrupting the current pro-risk environment. Using EUR or CAD as funding currencies for carry trades may offer better resilience against such shocks.

JPY Intervention Watch: The JPY has been one of the weakest G10 currencies over the past month, reinforcing its attractiveness as a funder for many investors. However, its underperformance has begun to ease as investors grow more cautious about rising intervention risks. Intervention remains a key watchpoint near USDJPY 160, especially after Finance Minister Katayama and US Treasury Secretary Bessent reportedly "shared" concerns about one-way JPY depreciation. Political developments also matter: Prime Minister Takaichi may call a snap Lower House election for 8 or 15 February, seeking to capitalise on strong her approval ratings. A strengthened mandate could pave the way for further Sanaenomics—greater fiscal spending and a continued bias toward stimulatory monetary policy.

Typically, narrowing US-Japan rate differentials would argue for USDJPY downside. But fiscal concerns have weakened this transmission channel, leaving the JPY outlook subdued. Rising intervention risks make chasing USDJPY higher at current levels unattractive, yet incoming data and election uncertainty also limit the scope for JPY strength. Overall, we expect USDJPY to trade in a 155–160 range near term, with intervention fears capping the USDJPY upside and fiscal concerns restraining the downside.

GBP Shakes Laggard: Signs of a UK growth rebound support our view that GBP can shed its European FX-laggard status in 2026, after fiscal concerns overwhelmed its yield advantage last year. We still see scope for EURGBP to edge lower to 0.85-0.86 over the next three-to-six months, though political uncertainty may rise ahead of the May local elections. Reassuringly for GBP, fiscal concerns have eased since the November Budget, and a firmer growth outlook should help keep those worries contained. UK GDP rose 0.3% MoM in November, beating expectations, with manufacturing rebounding as production normalised following the earlier cyber-attack on a major vehicle producer. With downside risks to growth diminishing, the likelihood increases that the 25bp BoE cut we expect in 1Q26 – to 3.5% -- may be pushed back. The Bank of England can afford to wait for clearer disinflation progress, in line with current market pricing.

Oil Pared Gains: Oil prices pared gains after touching a two-month high, as easing geopolitical tensions reduced fears of an imminent Iran-related escalation. Headlines suggest President Trump is stepping back from a potential US strike on Iran, lowering the risk of disruptions to Iranian supply or key shipping lanes. We maintain our forecast for Brent outlook to remain subdued but bottom near USD59/bbl by year-end, pending clarity on Venezuela's new government and resource policy. OPEC's pause in quota hikes supports soft floor for Brent in high-USD50s. Read *Commodity Compass: Venezuela: Oil and gold stirred, not shaken, 5 January 2026* for more details.

USDCNH. Still watching the fix closely. USDCNH traded near recent lows, well anchored by lower USDCNY fix. That said, we continue to monitor if policymakers may soon moderate the pace of setting the RMB stronger. Friday fix was at 7.0078 vs. 7.0064 low. Stronger CNY fix or a fix with USDCNY below 7 may trigger a round of USD-selling. Based on SAFE data, Chinese banks on behalf of clients settled a net US$100bn in Dec. Our rates strategist's estimate of FX conversion ratio rose to 68.8%, the higher end of the multi-month range of 61-71%. A sharper pace of RMB appreciation may add to a rush to sell USD. Hence, we believe policymakers are likely to strike a balance to maintain an orderly yet measured pace of RMB appreciation.

A delicate act to slow the intensity of daily fixing is one of the options but this is by no means a shift in RMB stance. PBOC also reiterated its commitment to keeping the RMB exchange rate generally stable and guarding against overshooting. This is consistent with our view for a measured pace of RMB appreciation while maintaining market stability. This approach aims to prevent markets from rushing to offload USD in a disorderly manner, thereby avoiding abrupt price fluctuations and ensuring orderly market dynamics.

Last Thursday, policymakers announced a slew of targeted easing measures, including a 25bp cut in relending facilities. At the press conference, PBOC deputy Governor Zou Lan said there is no need to gain a competitive advantage in international trade through currency depreciation. He mentioned that the break of 7-threshold was due to USD weakening and easing tensions between US and China. The comments suggest that policymakers are likely comfortable with the pace of RMB appreciation. USDCNH last seen at 6.9680. Daily momentum is mild bullish while RSI rose from near oversold conditions. Slight bounce not ruled out in the interim. Resistance at 6.9890 (21 DMA), 7.0065 (23.6% fibo retracement of Oct high to Jan low), 7.0350 levels (38.2% fibo). Support at 6.96 levels (double bottom). Decisive break may accelerate the decline, with next support closer to 6.9460/6.95.

USDTWD. An interim top? USDTWD traded modestly softer for the week amid surge in foreign fund inflows into local equities. According to exchange data, net foreign fund inflows to domestic equities surged to more than USD2bn week-to-date while TAIEX closed at record high on Friday, on capex uplift and AI optimism. Meanwhile US and Taiwan reached a trade deal, that will see US tariffs on most Taiwanese goods reduced to 15% (on par with peers) from roughly 20%, with selected strategic goods (including pharmaceuticals, aircraft components and certain materials) exempted entirely. The deal also introduces preferential treatment for Taiwanese semiconductor firms expanding production capacity in the US, including tariff incentives on imported equipment tied to new fab construction. In return, Taiwanese tech industry would commit at least USD250bn in semiconductor and technology-related investments in the US over a multi-year horizon. Taiwan will also provide an additional USD250bn in credit guarantees for further investment into US semiconductor supply chain.

While reshoring flows may weigh on TWD, the lower tariff rate of 15% is deemed as overall beneficial for now. Spot USDTWD was last at 31.56 levels. Daily momentum is flat but RSI fell. Key support at 31.52 (21 DMA), 31.36 (50 DMA). Decisive break below those support levels may open room for further downside. Failing which, the pair may revert back to trading near recent highs. Resistance at 31.70 (recent high), 32 levels.

USDMYR. Consolidation. USDMYR traded a touch softer last week, with price action largely still confined to recent range. Push back of market expectations in timing of next Fed cut to July, from June limited the extent of USD softness. Pair was last seen at 4.0575 levels. Mild bullish momentum on daily chart remains intact for now while RSI is flat. 2-way risks likely for now. Support at 4.0460, 4.0320 levels. Resistance at 4.0620 (21 DMA), 4.08 levels (23.6% fibo retracement of Oct high to Dec low). On data release last week, Malaysia GDP growth surprised to the upside. Our economist highlighted that the economy expanded more than expected by 5.7% YoY in 4Q25 versus 5.2% in 3Q25 (Consensus and OCBC: 5.4%). Drivers were broad based across all key sectors including manufacturing, services, construction and agriculture. Our house looks for BNM to maintain OPR at 2.75% at the upcoming MPC (22 Jan).

Notwithstanding the potential of near-term bounce in USDMYR, MYR's 8% outperformance seen in 2025 is likely to spillover to 2026, though the magnitude of gains may be milder. Domestically, Malaysia's fundamentals remain encouraging, supported by quality FDI inflows, upbeat growth, a wider trade surplus and clear commitment to fiscal consolidation. These factors can help to enhance foreign investor confidence and improve prospects for portfolio inflows. EPFR foreign fund flows saw inflows into Malaysia equities surged to USD73mn for week ending 14 Jan. Elsewhere, a more resilient RMB continues to anchor relative stability in MYR.

USDSGD. Upside risks. USDSGD consolidated higher last week, tracking the moves higher in US Treasury yields and USD into NY close. While the USD maybe gaining some traction on the back of markets pushing back on timing of next Fed cut amid signs of US economic resilience, President Trump's threat of imposing new tariffs on 8 European nations over Greenland underscores a renewed willingness to deploy coercive tariff diplomacy to force geopolitical concessions. When US foreign policy leans towards transactional, unpredictable and bypassing multilateral frameworks, it can erode policy credibility and incentivises diversification away from the USD over time. That said, the near-term impact may not be immediate.

Pair was last seen at 1.2870. Daily momentum is turning mild bullish while RSI rose. Risks are skewed to the upside in the interim. Resistance at 1.2920 levels (100, 200 DMAs), 1.2950 levels (50 DMA, 23.6% fibo retracement of 2025 high to low). Support at 1.2830, 1.2790 levels (Jan low). This week brings SG CPI data (Fri) ahead of MAS policy decision (no later than 30 Jan). We look for policy status quo as recent release of data suggests room for policymakers to adopt a "watch-and-hold" stance.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1687	159.97	1.3480	0.8091	0.6764	0.5807	1.3997	4753	1.2945	59.59	91.73
Resistance 2	1.1645	159.09	1.3433	0.8058	0.6726	0.5780	1.3953	4669	1.2916	59.48	91.22
Resistance 1	1.1622	158.61	1.3407	0.8044	0.6704	0.5766	1.3934	4632	1.2902	59.42	91.04
Spot	1.1633	157.59	1.3405	0.7985	0.6689	0.5764	1.3894	4678	1.2865	59.35	90.87
Support 1	1.1580	157.73	1.3360	0.8011	0.6666	0.5739	1.3890	4548	1.2873	59.31	90.53
Support 2	1.1561	157.33	1.3339	0.7992	0.6650	0.5726	1.3865	4501	1.2858	59.28	90.19
Support 3	1.1519	156.45	1.3292	0.7959	0.6612	0.5699	1.3821	4416	1.2829	59.17	89.68
Bollinger Band											
Bollinger Upper	1.1826	159.00	1.3555	0.8054	0.6731	0.5848	1.3977	4701	1.2897	59.57	90.65
Bollinger Lower	1.1578	155.19	1.3370	0.7845	0.6665	0.5711	1.3608	4269	1.281	58.55	89.38

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

FX Forecast

Currency Pair	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
USD-JPY	153.00	151.00	150.00	149.00	147.00
EUR-USD	1.19	1.20	1.20	1.20	1.18
GBP-USD	1.34	1.36	1.37	1.38	1.38
AUD-USD	0.67	0.69	0.69	0.69	0.69
NZD-USD	0.58	0.59	0.59	0.59	0.58
USD-CAD	1.38	1.37	1.37	1.36	1.37
USD-CHF	0.78	0.78	0.78	0.78	0.80
DXY	97.33	96.38	96.18	95.98	96.93
USD-SGD	1.29	1.29	1.28	1.28	1.28
USD-CNY	6.97	6.95	6.94	6.92	6.92
USD-CNH	6.97	6.95	6.94	6.92	6.92
USD-THB	31.50	31.40	31.30	31.10	31.00
USD-IDR	16680.00	16620.00	16500.00	16420.00	16300.00
USD-MYR	4.06	4.04	4.02	4.00	4.00
USD-KRW	1450.00	1430.00	1430.00	1410.00	1410.00
USD-TWD	31.20	31.10	31.00	30.90	30.00
USD-HKD	7.77	7.76	7.76	7.76	7.76
USD-PHP	58.30	58.00	57.40	57.20	57.00
USD-INR	89.50	89.30	89.10	89.00	88.70
USD-VND	26300.00	26250.00	26200.00	26200.00	26200.00
EUR-JPY	182.07	181.20	180.00	178.80	173.46
EUR-GBP	0.89	0.88	0.88	0.87	0.86
EUR-CHF	0.93	0.94	0.94	0.94	0.94
EUR-AUD	1.78	1.74	1.74	1.74	1.71
EUR-NOK	11.70	11.60	11.50	11.40	11.30
AUD-NZD	1.16	1.17	1.17	1.17	1.18
EUR-SGD	1.53	1.54	1.54	1.54	1.51
GBP-SGD	1.72	1.75	1.76	1.77	1.76
AUD-SGD	0.86	0.89	0.89	0.88	0.88
NZD-SGD	0.74	0.76	0.76	0.75	0.75
CHF-SGD	1.65	1.64	1.64	1.63	1.60
CAD-SGD	0.93	0.94	0.94	0.94	0.93
JPY-SGD	0.84	0.85	0.86	0.86	0.87
SGD-MYR	3.16	3.14	3.13	3.13	3.13
SGD-CNY	5.42	5.41	5.41	5.41	5.41
SGD-IDR	12970.45	12933.85	12860.48	12828.13	12754.30
SGD-THB	24.49	24.44	24.40	24.30	24.26
SGD-PHP	45.33	45.14	44.74	44.69	44.60
SGD-VND	20451.01	20428.02	20420.89	20468.75	20500.78
SGD-CNH	5.42	5.41	5.41	5.41	5.41
SGD-TWD	24.26	24.20	24.16	24.14	23.47
SGD-KRW	1127.53	1112.84	1114.58	1101.56	1103.29
SGD-HKD	6.04	6.04	6.05	6.06	6.07
SGD-JPY	118.97	117.51	116.91	116.41	115.02
Gold $/oz	4500	4600	4650	4800	4850
Silver $/oz	76.27	77.97	78.81	81.36	82.20
Platinum $/oz	2500.00	2555.56	2583.33	2666.67	2694.44
Palladium $/oz	1851.85	1893.00	1913.58	1975.31	1995.88
ICE Brent $/bbl	64.00	63.00	61.00	59.00	59.00
NYMEX WTI $/bbl	61.00	60.00	58.00	56.00	56.00

Source: OCBC Group 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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