FX Weekly

24 June 2025

Prospect of Fed Cut, Ceasefire Curtail USD Bounce

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Herbert Wong
Herberthtwong@ocbc.com

Geopolitical Tensions Fade. Over the past 5-6 days, Asian FX have demonstrated greater sensitivity to movements in the USD compared to DM FX, particularly as the USD had strengthened. As geopolitical tensions begin to ease and USD's rebound momentum wanes, Asian FX are again showing notable responsiveness, with the KRW, THB, and MYR leading the way in gains this morning. In the last 24-48 hours, market volatility have been driven by two conflicting factors: ongoing geopolitical risks and the prospect of a Federal Reserve rate cut. In the Asian context, key concerns include oil prices and the growth outlook. Recent developments, such as Qatar's successful interception of Iran's attempt to target U.S. military bases in the Middle East and tentative Israel-Iran ceasefire, signalled a reduction in geopolitical tensions. This environment is likely to provide relief for high beta and net oil importing Asian FX like the JPY, TWD, and PHP.

Dovish Fed Rhetoric; Watch Powell Tonight. At the same time, 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. Last Friday, Waller noted that the Fed could be positioned to cut rates in July. This dovish Fed rhetoric has alleviated some upward pressure on the USD; however, geopolitical developments remain fluid, albeit with reduced risks compared to earlier. While two-way risks persist, an extended period of geopolitical de-escalation could lead to resumption of USD softness. It is important to note that Powell's semi-annual testimony is scheduled for tonight and tomorrow, with core PCE data set to be released on Friday. Any hints of a hawkish tone from Powell may reignite momentum for USD bulls but in the absence that, we may see USD ease.

Little Urgency for MAS to Ease Again in Jul. Core CPI edged down to 0.6% y/y in May (from 0.7% in Apr), due to lower food inflation. MAS-MTI joint statement noted that imported inflation should remain moderate. Report acknowledged the recent rise in crude oil prices but also indicated that price levels are now close to 2024 average while food commodity price should also stay contained. The report also highlighted that impact of trade conflicts and increase in global energy prices on Singapore's import prices, is likely to be mitigated by disinflationary drags due to weaker external demand. 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). We should be in time for another CPI report before the next MAS MPC (no later than 31 Jul). 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. With S$NEER trading near the upper bound of its band (+1.98% 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 geopolitical tensions ease.

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

FX-Markets Asia Awards 2024 Winner
Best bank for research
OCBC Bank

AxJ Positioning Bias (Reuters Poll)

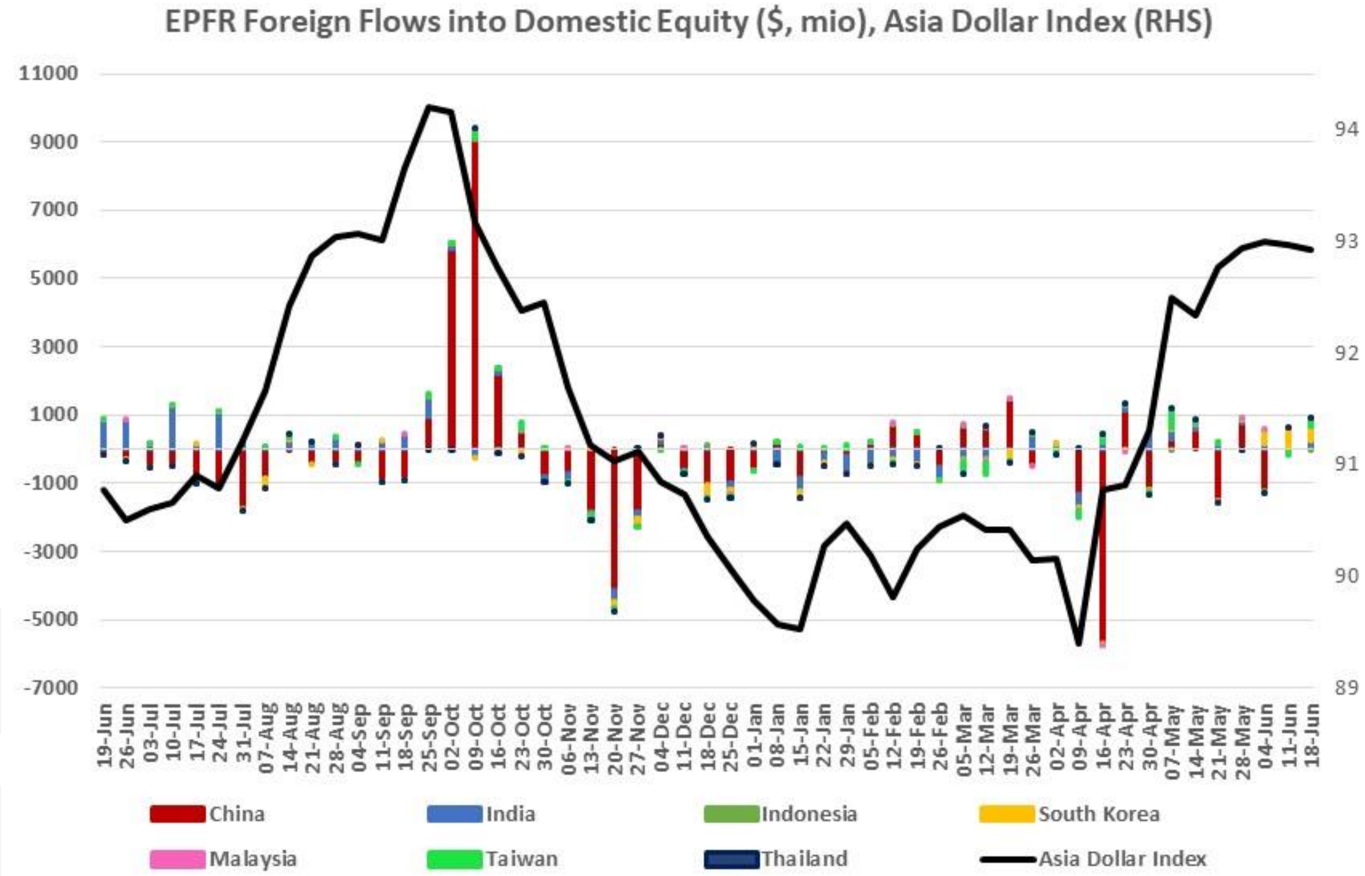
Based on Reuters survey on Asia FX positioning, market bullishness on AxJ FX increased somewhat. TWD, KRW and MYR were most bullish but INR was flat. IDR and MYR saw bullish bets extend more while bullish bets on PHP, SGD and INR were reduced.

	06-Feb-25	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	Trend
USD/CNY	1.15	0.88	0.77	0.24	0.47	0.57	0.2	0	-0.67	-0.78	
USD/KRW	1.01	0.83	1	0.72	1.13	0.19	-0.06	-0.22	-1.2	-1.37	
USD/SGD	0.86	0.31	0.34	0.15	0.54	-0.26	-0.67	-0.54	-1.34	-1.24	
USD/IDR	1.25	1.06	1.36	0.97	1.2	1.33	1.27	0.7	-0.32	-0.6	
USD/TWD	1.14	0.59	0.71	0.85	1.14	0.06	-0.53	-1.01	-1.5	-1.58	
USD/INR	1.98	1.22	1.47	1.09	0.01	-0.2	-0.58	-0.19	-0.08	0.03	
USD/MYR	0.62	0.37	0.45	0.42	0.33	0.04	-0.4	-0.15	-1.04	-1.25	
USD/PHP	0.93	0.31	0.2	-0.13	-0.15	-0.65	-1.02	-0.68	-1.19	-0.93	
USD/THB	0.23	0.02	0.48	0.08	0.4	-0.3	-0.61	-0.45	-1.14	-1.24	

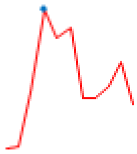
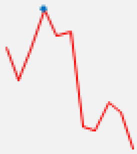
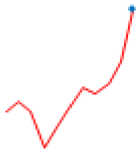
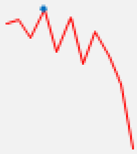
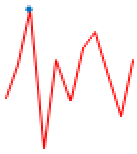
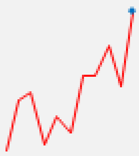
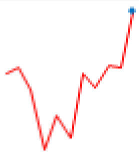
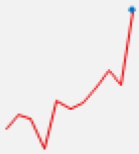
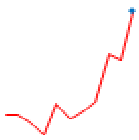
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 12 Jun 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity inflows were observed in South Korea, Taiwan and India last week. Asian FX was a touch softer as geopolitical escalation weighed on sentiments and boosted oil prices.



Note: Latest data available as of 18 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**: Prelim PMIs (Jun); Existing home sales (May); **Tue:** Conf board consumer confidence, Richmond Fed mfg (Jun); **Fed's Powell to deliver semi-annual policy testimony;** **Wed:** New home sales, building permits (May); **Powell to testify before Senate Committee** **Thu:** GDP (1Q T); Durable goods order (May P); initial jobless claims; **Fri: Core PCE,** personal income, spending (May); Uni of Michigan sentiment, Kansas City Fed Mfg (Jun); Pending home sales (May)		**S: 98.40; R: 101.90**
EURUSD	**Mon:** Prelim PMIs (Jun); **Tue: German IFO (Jun);** ECB's Lagarde speaks; **Wed:** - Nil – **Thu:** ECB's Lagarde speaks; **Fri:** Consumer confidence (Jun)		**S: 1.1280; R: 1.1550**
GBPUSD	**Mon:** Prelim PMIs (Jun); **Tue:** CBI Trends total orders, selling prices (Jun); BOE's Bailey speaks; **Wed:** - Nil – **Thu**: CBI reported sales (Jun); BOE's Bailey speaks **Fri:** - Nil –		**S: 1.3260; R: 1.3520**
USDJPY	**Mon:** Prelim PMIs (Jun); **Tue:** - Nil – **Wed:** PPI services (May); **Thu:** - Nil – **Fri:** Jobless rate, retail sales (May); **Tokyo CPI (Jun)**		**S: 144.60; R: 149.60**
AUDUSD	**Mon:** Prelim PMIs (Jun); **Tue:** - Nil – **Wed: CPI (May);** **Thu**: Job vacancies (May); **Fri:** - Nil –		**S: 0.6300; R: 0.6500**
USDCNH	**Mon:** - Nil – **Tue**: - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** Industrial profits (May); Current account (1Q)		**S: 7.1620; R: 7.2240**
USDKRW	**Mon**: First 20days exports, imports (Jun); **Tue:** Consumer confidence (May); **Wed:** Retail sales (May); **Thu**: Business survey – mfg, non-mfg (Jun) **Fri:** - Nil –		**S: 1,360; R: 1,408**
USDSGD	**Mon: CPI (May);** **Tue:** - Nil – **Wed:** - Nil – **Thu:** Industrial production (May) **Fri:** - Nil –		**S: 1.2850; R: 1.3140**
USDMYR	**Mon:** - Nil – **Tue: CPI (May)** **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.2500; R: 4.3200**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,250; R: 16,600**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

Back to Trading on the Back Foot. Over the past 5-6 days, Asian FX have demonstrated greater sensitivity to movements in the USD compared to DM FX, particularly as the USD had strengthened. As geopolitical tensions begin to ease and USD's rebound momentum wanes, Asian FX are again showing notable responsiveness, with the KRW, THB, and MYR leading the way in gains this morning. In the last 24-48 hours, market volatility has been driven by two conflicting factors: ongoing geopolitical risks and the prospect of a Federal Reserve rate cut. In the Asian context, key concerns include oil prices and the growth outlook. Recent developments, such as Qatar's successful interception of Iran's attempt to target U.S. military bases in the Middle East and tentative Israel-Iran ceasefire, signalled a reduction in geopolitical tensions. This environment is likely to provide relief for high-beta and net oil-importing Asian FX like the JPY, TWD, and PHP. Elsewhere, we continue to keep a close eye on whether there will be further escalation. Iran foreign minister Araghchi said that "Provided that the Israeli regime stops its illegal aggression against the Iranian people no later than 4 am Tehran time, we have no intention to continue our response afterwards… The final decision on the cessation of our military operations will be made later". Earlier, there were fears of closure of the Strait of Hormuz after support from the Iranian parliament. This requires approval from Iran's Supreme National Security Council and Supreme Leader Ayatollah. The risk of further escalation can potentially bring disruption to supply chains and pose risks of even higher oil prices, as well as undermine broader risk sentiments. Shipping insurance, freight costs will likely increase, and delivery times may be longer, exposing fragilities in global trade. High beta and net oil importing Asia FX such as PHP, INR, KRW, JPY, TWD, and THB may be affected more than other Asian or DM FX. The risk of oil prices going higher can add to oil import bill for these Asian countries. However, this remains a reduced risk for now.

At the same time, 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. Last Friday, Waller noted that the Fed could be positioned to cut rates in July. He does not expect tariffs to boost inflation significantly and officials should "look through" one-time price increases from tariffs. He also added that Fed should cut to avoid a potential slowdown in the labour market. Dovish Fed rhetoric has alleviated some upward pressure on the USD; however, geopolitical developments remain fluid, albeit with reduced risks compared to earlier. While two-way risks persist, an extended period of geopolitical de-escalation and further dovish rhetoric could lead to resumption of USD softness. It is important to note that Powell's semi-annual testimony is scheduled for tonight and tomorrow, with core PCE data set to be released on Friday. Any hints of a hawkish tone from Powell may reignite momentum for USD bulls but in the absence that, we may see USD trade on a softer footing.

DXY last at 98.15 levels. Mild bullish momentum on daily chart faded while RSI fell. Support at 98.10, 97.60 levels (recent low). Resistance at 99.50 (50 DMA), 100.2 and 100.60 levels (23.6% fibo retracement of 2025 high to low).

Short term demand for USD can fade when other macro factors such as Fed cut prospects, easing US exceptionalism narratives come into play (caveat is that there is no bigger systematic risk or global slowdown). When the USD short squeeze peaks and starts to resume 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. Asian currencies 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. However, 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, we continue to question USD's status as a reserve currency and a safe haven. 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 USD3.8trn 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, the global financial landscape (relating to the rise of EMs/geopolitical realignment, increased usage of alternative payment systems, etc.) is gradually evolving. Reallocation/diversification flows (out of US assets, USD) or proactive hedging (to reduce USD FX exposure) can weigh on the USD. A transition to a more diversified reserve currency regime (over time) can erode USD's dominance in the medium term. 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

Corrective Pullback Completed? EUR waffled around 1.15 levels last week after pulling back from 1.1630 levels. But ceasefire hopes saw EUR rose. Last seen at 1.16 levels. Daily momentum turned mild bullish while RSI rose towards near overbought. Risks skewed to the upside. Resistance at 1.1630 (recent high), 1.17 levels. Support at 1.1460 (21 DMA) and 1.1370 (50 DMA). Geopolitical risks had earlier undermined sentiments and kept EUR pressured, but this has now reversed. If we do not see further escalation, then EUR is likely to recover loss grounds.

Another factor on our radar is EU-US tariff truce deadline on 9 July. 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%. EU officials are trying to negotiate for below 10% tariff rate but U.S. Commerce Secretary Howard Lutnick has ruled out going below a 10% baseline rate for the so-called reciprocal tariffs that cover most goods the EU exports to the US. Potential repercussion 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 should hold back the EUR's rally but if the sell USD trade remains intact, 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

50 DMA Support Held Ground for Now. Last week, GBP fell on dovish BoE, softer retail sales data while geopolitical escalation in Middle East undermined risk sentiments. Pair was last at 1.3550 levels. Bearish momentum shows signs of fading while RSI rose. Risks skewed to the upside. Resistance at 1.3630 (recent high), 1.37 levels. Support at 1.3390 (50 DMA), 1.3260 (23.6% fibo retracement of 2025 low to high), 1.31 (100 DMA).

Post-BoE MPC, our rates strategist shared BoE policy rate decision which was by a more dovish than expected vote split of 6-3. BoE MPC voted by a majority of 6-3 to maintain Bank Rate at 4.25%; three members preferred to reduce Bank Rate by 25bps. We had expected one or two dissidents while market had expected two dissidents – assuming Dhingra and Taylor who lasted voted for a 50bp cut at May meeting; the additional vote for a cut came from Deputy Governor Ramsden. The Committee sounded more downbeat on wage growth, seeing weak growth and a loosening labour market leading to "clearer signs that a margin of slack has opened up over time"; the Committee expects a significant slowing in pay growth over the rest of the year. We have earlier noted that "while the 6.7% rise in the NLW per se is expected to push up annual wage growth somewhat, the increase in employer NICs may lead firms to contain pay increase to partly offset the impact on their costs." The outlook for wage growth aside, the BoE mentioned rising energy prices and heightened unpredictability and thus saw two-sided risks to inflation. The MPC maintained the guidance of "a gradual and careful approach" to the further withdrawal of monetary policy restraint", in line with expectations. Overall, the outcome underlines our view for one 25bp Bank Rate cut in each of Q325 and Q425.

Notwithstanding near-term downside risks, we are 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), geopolitical developments and twin deficits of current and fiscal accounts.

USDJPY

Dovish Fed Rhetoric Overwhelms. USDJPY extended its run higher in Asia open yesterday, in response to LDP's weak results in Tokyo Metropolitan election (losing 9 seats) and geopolitical escalation in Middle East. Typically, geopolitical concerns/risk-off sentiments should see safe haven proxy such as JPY rises but geopolitical issues concerning oil may not see the typical relationship play out. Rising oil prices can impact oil import bills for Japan while also seeing higher UST yields. At the same time, timing of BoJ policy normalisation may further be delayed due to higher economic uncertainty. As such, the risk of wider UST-JGB yield differentials puts temporary upward pressure on USDJPY. Nevertheless, dovish comments from Fed officials, including Waller and Bowman saw UST yields turn lower, in turn driving USDJPY lower. To some extent, USDJPY may stay choppy due to the risk of higher oil prices (lesser risk now) but at the same time, dovish Fed rhetoric may overwhelm. If there is no further escalation in geopolitical tensions over the next 24hours, and Fed rhetoric remains dovish (plenty of Fed officials this week), then USDJPY could potentially trade lower. But in the scenario geopolitical risks escalate, then higher oil prices could still fuel USDJPY higher in the interim.

USDJPY was last at 145.60 levels. Bullish momentum on daily chart shows signs of fading while RSI turned lower. Gravestone doji is typically associated with a bearish reversal. Risks skewed to the downside. Support at 145.50, 144.20/40 levels (23.6% fibo, 21, 50 DMAs). Resistance at 146.80 (100 DMA), 147.15 (38.2% fibo retracement of 2025 high to low). We discretionally "protected" our short USDJPY trade while short CHFJPY trade was stopped out last Fri with a 2.2% loss after JPY's sharp decline.

Near term risks for USDJPY may be skewed to the upside but 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). 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.

USDCHF	***Back to Re-visiting Double Bottom.*** Last week, SNB cut rate 25bp to bring policy rate down to 0%, as widely anticipated. SNB indicated that the decision was driven by a decrease in inflation and inflationary pressures. This was in line with our view that Switzerland is also grappling with a well-entrenched disinflation trend, as core inflation has reached a near four-year low, and the headline CPI is now negative on a year-over-year basis. SNB also lowered conditional inflation forecast for 2025 and 2026 to average 0.2% in 2025, 0.5% in 2026 (vs. 0.4 and 0.8% earlier forecasts, respectively). Downward revision to inflation forecasts suggests that SNB may not be done cutting rates but further policy decision may not be as forthcoming. SNB's Schlegel did say that policymakers can't exclude any measure including negative rates, but he also acknowledged that negative rates have challenges and big unwanted side effects. In our opinion, the room for further cut to negative interest rate policy (NIRP) is not ruled out but it may take more for policymakers to do it. For instance, a case of further downside surprise to inflation and/or another round of strong CHF may see policymakers revisit NIRP. USDCHF rose amid broad USD rebound last week but turned lower this week, on prospects of Fed cut. Pair was last at 0.8120 levels. Daily momentum is flat, while RSI fell. Risks skewed to the downside. Support at 0.8040/50 levels (double bottom). Resistance at 0.8190 (21 DMA), 0.8240 levels (50 DMA).
USDCAD	***Risk Aversion.*** The US attacked three Iranian nuclear sites including - Fordow, Natanz and Isfahan over the weekend, and markets continue to await how Iran will respond to the strike. While market reactions to this latest development in the Middle East conflict appear to be diminishing significantly, any escalation—especially potential oil flow disruptions through the Strait of Hormuz—could heighten risks of surging oil prices and trigger a broader war, with far more catastrophic implications. With risk aversion takes hold more strongly across markets, USD/CAD has rebounded from its low of 1.3540 to 1.3750/60 as of early Monday. Technical indicators for USD/CAD are mixed, but a firmer US dollar should underpin a bullish tone for the pair in the coming sessions. An eventual break above the 1.3802 level (50-day moving average) could pave the way to 1.3836, with 1.3900 as the next target. However, near-term retracement toward the 1.37 handle cannot be ruled out.
AUDUSD	***Buy Dips.*** AUD fell sharply during Asia-London session but losses were erased into NY session overnight. Dovish Fed comments from Bowman weighed on UST yields and USD. She joined Waller, in support for July cut if inflation remains subdued. Nevertheless, we continue to watch geopolitical developments in the Middle East. Further escalation should dampen risk appetite and weigh on AUD but conversely, if there is no further escalation or even hint of de-escalation, then AUD could potentially recoup earlier losses. AUD was last at 0.6475. Daily momentum is bearish, but RSI shows signs of turning higher. Two-way risks. Support at 0.6420 (50% fibo retracement of 2024 high to 2025 low), 0.6360 (100 DMA). Resistance at 0.6480 (21 DMA), 0.6550 (61.8% fibo). This week, AU CPI report report (Wed), Powell's semi-annual testimony (Tue and Wed) will be of interests. AUD, a high beta FX, can be exposed to geopolitical shocks, swings in RMB, equity sentiments, and global growth prospects. The interplay of geopolitical risks (weighing on sentiments), dovish RBA, tariff uncertainty are factors that restrain AUD from breaching higher but on the other hand, softer USD trend cushions the impact. Near term risks skewed to the downside but it is also possible that AUD continues to trend higher should geopolitical tensions ease, USD softness returns and markets re-focus on potential Fed cut in July.
USDSGD	***External Factors to Influence.*** USDSGD rose to an intraday high of 1.2940 (Mon) before erasing gains entirely as we wrote. The short squeeze was due to geopolitical-driven risk-off and the subsequent decline, was due to prospects of Fed cut in July and some easing of geopolitical fears. Pair was last at 1.2850 levels. Bullish momentum on daily chart intact but rise in RSI moderated. Price action points to false break on Mon (though we still caution against any complacency). 2-way risks. Resistance at 1.2860 levels (21 DMA), 1.2960 (50 DMA), 1.3020 (76.4% fibo retracement of 2024 low to 2025 high). Support at 1.2760 (recent low), 1.2650 levels.

May CPI report saw core CPI edge down 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. Report acknowledged the recent rise in crude oil prices but also indicated that price levels are now close to 2024 average while food commodity price should also stay contained. The report also highlighted that impact of trade conflicts and increase in global energy prices on Singapore's import prices is likely to be mitigated by disinflationary drags due to weaker external demand. 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 (+1.98% 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 geopolitical tensions ease, tariff de-escalation gathers momentum and softer USD trend resume.

Taking stock, SGD has performed well this year, up about 6.3% 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

Consolidation. USDCNH continued to trade range-bound in subdued range of 7.1713 – 7.1975 last week despite geopolitical risk off/oil price spikes and USD strength. Lower USDCNY fix in the range of 7.1656 – 7.1789 (vs. 7.1772 – 7.1855 for the week before last week) continued to help anchor relative stability in USDRMB. 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.

Pair was last at 7.1750 levels. Mild bullish momentum shows signs of fading while RSI slipped. Risks somewhat skewed to the downside. Support at 7.1650, 7.1475 (61.8% fibo retracement of 2024 low to 2025 high). Resistance at 7.1890 (21 DMA), 7.2010 (50% fibo) and 7.2320 levels (200 DMA).

We expect policymakers to still adopt a measured approach with regards to daily fixing, in attempt to manage volatility and anchor some stability. Maintaining RMB stability is a key objective for policymakers at this point. Any sharp RMB depreciation may risk de-anchoring AxJ stability especially when Asian FX complex comes under pressure during this geopolitical risk off/high oil prices scenario. With regards to Asian currencies, the RMB continue to hold some influence over directional bias, and this is due to trade, investment and sentiment linkages. Our 30-day rolling correlation dashboard continue to see fairly significant correlation between Asian FX and RMB.

USDPHP

Overbought; Room for Retracement. Slump in PHP (>3% vs USD) over the past 7 sessions stood out, amongst AxJs. Rebound in USD, comments from BSP Governor, BSP cut and geopolitical concerns (higher oil prices) were some of the factors weighing on PHP. Last week, BSP Governor Remolona said "it is futile to intervene when it's a strong USD story driven by safe-haven flows". In a way, going against the tide may indeed do little to achieve the desired effects but at some point, leaning against the wind activities may also help to reduce excessive volatility when the time is right. Elsewhere, the risk of oil prices going higher amid geopolitical escalation will also hurt net oil importer FX, including PHP. In particular, Philippines oil net import dependency is 80-85% and also imports most if not 100% of crude from Middle East. Any disruption to the Strait of Hormuz or higher oil prices for longer, may pose risk to wider current account deficit, and this can also undermine PHP. This is however now a reduced risk following US-led ceasefire proposal.

USDPHP turned sharply lower on prospects of Fed cut while geopolitical tensions in the Middle East shows signs of easing. Pair was last at 57 levels. Daily momentum is bullish but shows tentative signs of fading while RSI fell from overbought conditions. Support here at 57.00/10 levels (100 DMA, 50% fibo), 56.60 (38.2% fibo). Resistance at 57.50 (61.8% fibo retracement of 2025 high to low), 58.10/30 levels (76.4% fibo).

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: Interim Upside Risk

SGDMYR inched higher amid SGD resilience. Cross was last at 3.3210 levels.

Daily momentum is mild bullish while RSI rose. Mild upside risks remain.

Resistance at 3.3250, 3.33 levels.

Support at 3.3100/50 levels (50, 100 DMAs, 38.2% fibo retracement of Jul high to Sep), 3.30 levels (21, 200 DMAs).

SGDJPY Daily Chart: Slight Upside Risk

SGDJPY extended its bullish run. Cross was last seen at 113.80 levels.

Daily momentum is mild bullish while RSI rose towards near overbought conditions. Risk somewhat skewed to the upside.

Resistance at 114.30 (76.4% fibo retracement of 2025 high to low), 115 levels.

Support at 112.80/90 levels (200 DMA, 61.8% fibo), 112.30 (21 DMA)

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

Gold Daily Chart: Sideways

Gold eased last week. Geopolitical concerns did not seem to fuel much hype this round. Last seen at 34380 levels.

Daily momentum is flat while RSI shows signs of rising. Sideways trade, with slight risks skewed to the upside.

Resistance at 3450, 3500 levels.

Key support at 3352 (21 DMA), 3321 (50 DMA) and 3290 levels (23.6% fibo retracement of 2025 low to high).

Silver Daily Chart: Bullish Momentum Faded

Silver failed to make much headway, after testing a multi-year high of 37.10 last week. Last seen at 36.30 levels.

Bullish momentum on daily chart faded while RSI fell. Not ruling out further corrective pullback if support at 35.30/60 levels (21 DMA) gives way.

Bigger support down at 34.60, 33.85 (50 DMA).

Resistance at 36.90, 37.10 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	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
USD-JPY	142.00	141.00	139.00	139.00	138.00
EUR-USD	1.1600	1.1650	1.1800	1.1850	1.1900
GBP-USD	1.3600	1.3650	1.3700	1.3700	1.3750
AUD-USD	0.6500	0.6550	0.6600	0.6650	0.6650
NZD-USD	0.6000	0.6050	0.6100	0.6150	0.6150
USD-CAD	1.3650	1.3600	1.3550	1.3550	1.3500
USD-CHF	0.8250	0.8200	0.8150	0.8100	0.8100
USD-SEK	9.95	9.88	9.79	9.57	9.50
DXY	97.97	97.51	96.47	96.13	95.70
USD-SGD	1.2800	1.2760	1.2720	1.2700	1.2700
USD-CNY	7.1800	7.1600	7.1500	7.1400	7.1200
USD-CNH	7.1800	7.1600	7.1500	7.1400	7.1200
USD-THB	32.60	32.50	32.40	32.40	32.30
USD-IDR	16200	16150	16100	16050	16050
USD-MYR	4.2000	4.1800	4.1600	4.1500	4.1400
USD-KRW	1350	1320	1310	1300	1290
USD-TWD	29.50	29.40	29.30	29.30	29.20
USD-HKD	7.8500	7.8000	7.7800	7.7500	7.7500
USD-PHP	56.20	56.00	55.80	55.60	55.60
USD-INR	86.00	85.50	85.20	85.00	84.80
USD-VND	26000	26000	25900	25950	25800
EUR-JPY	164.72	164.27	164.02	164.72	164.22
EUR-GBP	0.8529	0.8535	0.8613	0.8650	0.8655
EUR-CHF	0.9570	0.9553	0.9617	0.9599	0.9639
EUR-AUD	1.7846	1.7786	1.7879	1.7820	1.7895
EUR-SGD	1.4848	1.4865	1.5010	1.5050	1.5113
GBP-SGD	1.7408	1.7417	1.7426	1.7399	1.7463
AUD-SGD	0.8320	0.8358	0.8395	0.8446	0.8446
AUD-NZD	1.0833	1.0826	1.0820	1.0813	1.0813
NZD-SGD	0.7680	0.7720	0.7759	0.7811	0.7811
CHF-SGD	1.5515	1.5561	1.5607	1.5679	1.5679
JPY-SGD	0.9014	0.9050	0.9151	0.9137	0.9203
SGD-MYR	3.2813	3.2759	3.2704	3.2677	3.2598
SGD-CNY	5.6094	5.6113	5.6211	5.6220	5.6063
SGD-IDR	12656	12657	12657	12638	12638
SGD-THB	25.47	25.47	25.47	25.51	25.43
SGD-PHP	43.91	43.89	43.87	43.78	43.78
SGD-VND	20313	20376	20362	20433	20315
SGD-CNH	5.6094	5.6113	5.6211	5.6220	5.6063
SGD-TWD	23.05	23.04	23.03	23.07	22.99
SGD-KRW	1054.69	1034.48	1029.87	1023.62	1015.75
SGD-HKD	6.1328	6.1129	6.1164	6.1024	6.1024
SGD-JPY	110.94	110.50	109.28	109.45	108.66
Gold $/oz	3400	3510	3620	3720	3800
Silver $/oz	36.96	38.15	39.35	40.43	41.30

Source: OCBC Research *(Latest Forecast Updated: 16 June 2025)*
Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

Macro Research

Selena Ling
Head of Research & Strategy
lingssselena@ocbc.com

Tommy Xie Dongming
Head of Asia Macro Research
xied@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau Economist
cindyckeung@ocbc.com

Herbert Wong
Hong Kong & Taiwan Economist
herberthtwong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
lavanyavenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
ahmad.enver@ocbc.com

Jonathan Ng
ASEAN Economist
jonathanng4@ocbc.com

Ong Shu Yi
ESG Analyst
shuyiong1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Head of FX & Rates Strategy
francescheung@ocbc.com

Christopher Wong
FX Strategist
christopherwong@ocbc.com

Credit Research

Andrew Wong
Head of Credit Research
wongvkam@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
ezienhoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
wonghongwei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
mengteechin@ocbc.com

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be constru ed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.:193200032W