GLOBAL MARKETS RESEARCH

FX Weekly

26 May 2025

USD Stumbles On

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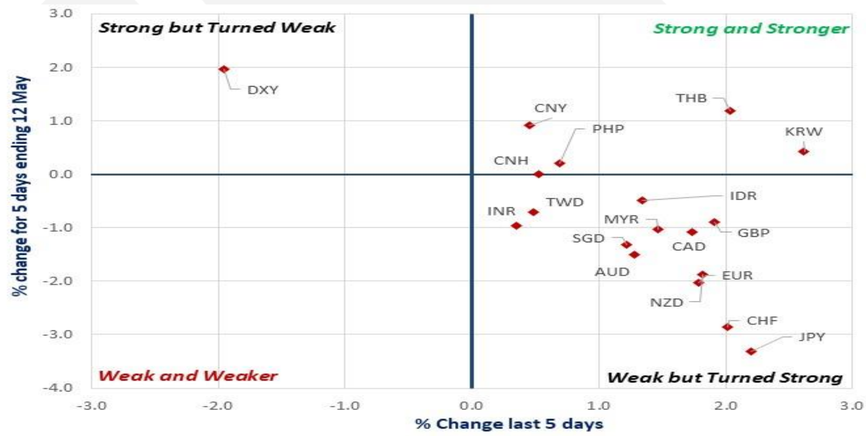
Trump Tariffs Strike Again... on EU and Smartphones. Trump threatened a 50% tariff on all goods sent to the US from the EU as soon as 1 Jun (but later extended to 9 Jul). Trump also warned Apple that he would impose a 25% import tax "at least" on iPhones not manufactured in America and later broadened the threat to any smartphone maker including Samsung. Recall that Trump had earlier said that the US will send letters to some of its trading partners to unilaterally impose new tariff rates over the next 2-3 weeks. It was not immediately clear if the new tariffs would be in addition to what is already in place or if these adjustments supersede previous tariff rates. Uncertainty on this front may continue to favour safe haven proxies, including JPY, CHF, and gold. We retain our USDJPY short (entered at 148 on 13 May, targeting a move towards 141).

Erosion of USD Confidence. The One, Big, Beautiful Bill and Moody's recent downgrade of US rating casted a long shadow over the sustainability of US fiscal position. CBO estimates the bill will add USD3.8trn to the US's USD36.2trn in debt over the next decade and deficit may stretch to around 7% of GDP in coming years. While it may stimulate growth in the short term, it also raises red flags about rising debt and deficit trajectory in the medium term as well as sovereign risk. This adds to the long list of factors, including policy unpredictability relating to Trump tariffs and the erosion of US exceptionalism that continue to hurt sentiment and confidence in the USD. As USD continues to breach fresh multi-month lows, exporters in the region as well as global asset managers will continue to reduce their USD holdings and raise their hedge ratio further to reduce USD exposure. Asian currencies can continue to appreciate as long as USD softness persists owing to US-centric risks and global growth outside US hold up. The risk to this momentum is that US exceptionalism returns or global growth shows further signs of caving in.

Data of interest this week includes AU CPI, RBNZ MPC – likely a 25bp cut (Wed); BoK – likely a 25bp cut; US core PCE, FOMC minutes (Thu); German and Tokyo CPIs (Fri); China PMI readings (Sat)

Softer DXY a Stand-Out Trade



Source: Bloomberg, OCBC Research

Bloomberg FX Forecast Ranking
(1Q 2025)

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

(3Q 2024)

By Region:
No. 7 for 13 Major FX

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

(2Q 2024)

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

(1Q 2024)

By Region:
No. 7 for 13 Major FX

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

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Best bank for research
OCBC Bank

AxJ Positioning Bias (Reuters Poll)

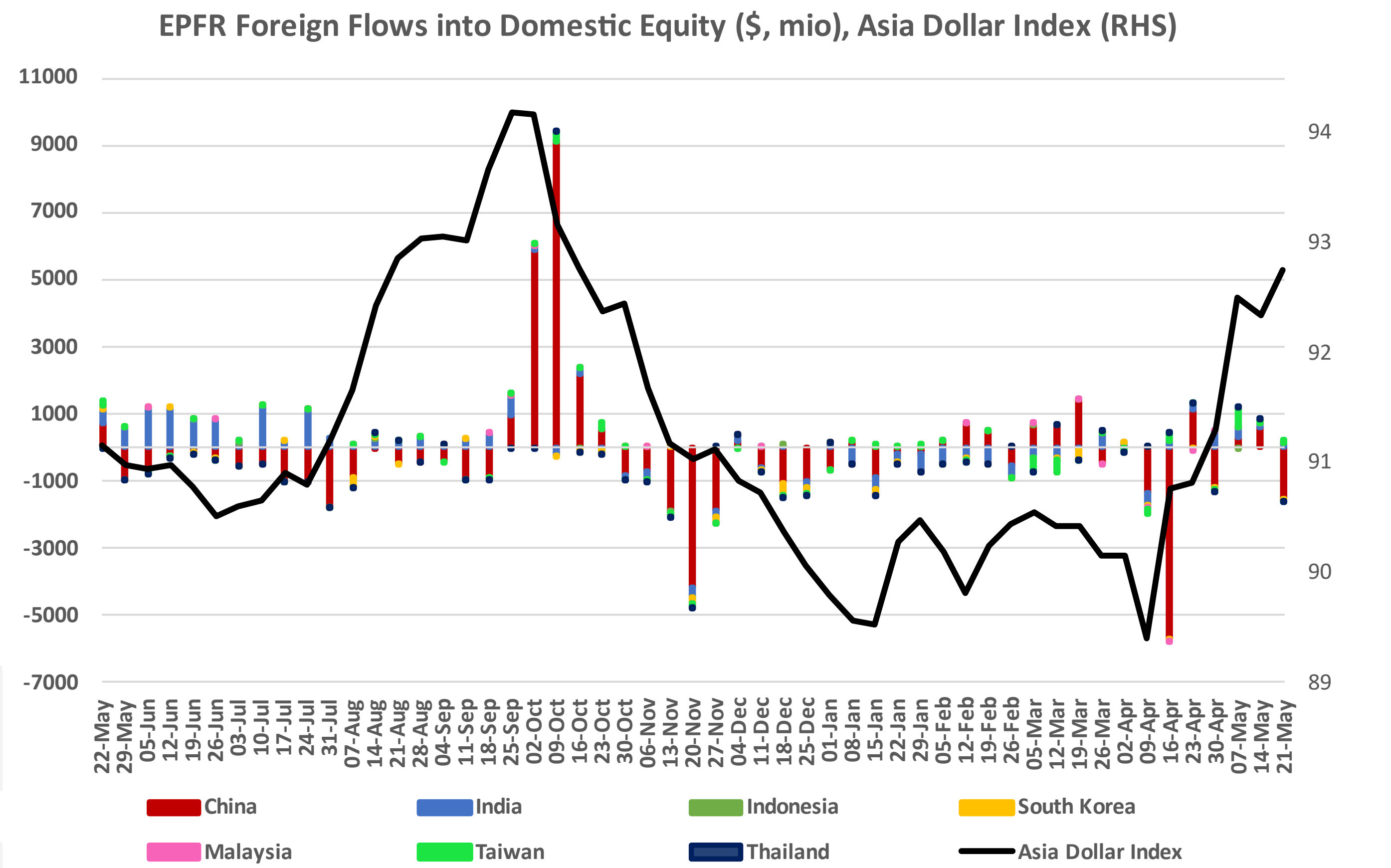
Based on Reuters survey on Asia FX positioning, most AxJ FX remained somewhat bullish. TWD, PHP and THB were most bullish amongst AxJs while IDR remained bearish on net. That said, bearish bet on IDR was pared back significantly. In terms of the magnitude of change, TWD saw the largest increase in bullish bets while INR, PHP and MYR saw bullish bets reduced.

	09-Jan-25	23-Jan-25	06-Feb-25	20-Feb-25	06-Mar-25	20-Mar-25	03-Apr-25	17-Apr-25	01-May-25	15-May-25	Trend
USD/CNY	1.65	1.33	1.15	0.88	0.77	0.24	0.47	0.57	0.2	0	
USD/KRW	1.75	1.04	1.01	0.83	1	0.72	1.13	0.19	-0.06	-0.22	
USD/SGD	1.34	1.11	0.86	0.31	0.34	0.15	0.54	-0.26	-0.67	-0.54	
USD/IDR	1.2	1.5	1.25	1.06	1.36	0.97	1.2	1.33	1.27	0.7	
USD/TWD	1.18	1.01	1.14	0.59	0.71	0.85	1.14	0.06	-0.53	-1.01	
USD/INR	1.69	1.78	1.98	1.22	1.47	1.09	0.01	-0.2	-0.58	-0.19	
USD/MYR	0.99	1.01	0.62	0.37	0.45	0.42	0.33	0.04	-0.4	-0.15	
USD/PHP	0.65	0.77	0.93	0.31	0.2	-0.13	-0.15	-0.65	-1.02	-0.68	
USD/THB	0.76	0.54	0.23	0.02	0.48	0.08	0.4	-0.3	-0.61	-0.45	

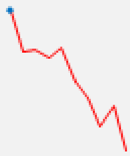
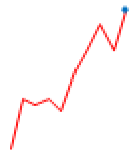
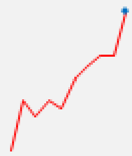
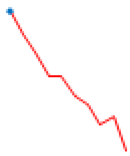
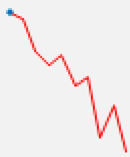
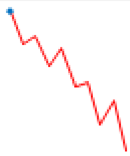
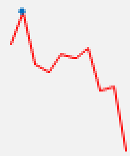
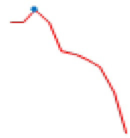
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 15 May 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflows were observed in most countries with the exception of Taiwan. Notably, China saw large inflows.



Note: Latest data available as of 21 May 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**: - Nil – **Tue:** Durable goods order (Apr); **Conf board consumer confidence**, Dallas Fed mfg activity (May); **Wed:** Richmond Fed mfg, business conditions (May); **Thu: FOMC minutes**; **1Q GDP;** initial jobless claims; **Fri: Core PCE**, personal income, spending (Apr); Chicago PMI, Uni of Michigan sentiment (May)		**S: 97.90; R: 101.20**
EURUSD	**Mon:** ECB's Lagarde speaks in Berlin; **Tue:** Consumer confidence (May); **Wed:** ECB 1y, 3y CPI expectations; German unemployment (May); **Thu:** - Nil – **Fri:** German retail sales (Apr); **German CPI (May P)**		**S: 1.1150; R: 1.1400**
GBPUSD	**Mon:** - Nil – **Tue:** BRC shop price index, CBI reported sales (May); **Wed:** - Nil – **Thu**- Nil – **Fri:** Lloyds business barometer (May)		**S: 1.3220; R: 1.3600**
USDJPY	**Mon:** - Nil – **Tue:** PPI services (Apr); **Wed:** - Nil – **Thu:** Consumer confidence (May); **Fri: Tokyo CPI (May);** Jobless rate, industrial production, retail sales, housing starts (Apr)		**S: 139.90; R: 146.00**
AUDUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed: CPI (Apr);** Construction work done (1Q); **Thu**: Private capex (1Q); **Fri:** Retail sales (Apr)		**S: 0.6350; R: 0.6620**
USDCNH	**Mon:** - Nil – **Tue**: Industrial profits (Apr); **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil – **Sat**: NBS **PMIs (May)**		**S:7.1400; R: 7.2200**
USDKRW	**Mon**: - Nil – **Tue:** Consumer confidence (May); **Wed:** Business survey – manufacturing, non-manufacturing (May); **Thu**: **BoK MPC;** **Fri:** Industrial production (Apr); **Sun**: Trade (May)		**S: 1,346; R: 1,390**
USDSGD	**Mon:** Industrial production (Apr); **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** Deposits and balances of residents outside Singapore (Apr)		**S: 1.2750; R: 1.3020**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 4.1800; R: 4.2700**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 16,040; R: 16,450**

Source: Bloomberg, OCBC Research

	Key Themes and Trades
DXY	***Sell Rallies on Protectionism, Fiscal Worries.*** USD bounced at first when Trump threatened tariffs last Fri. But the bounce did not last and USD ended the session broadly weaker. The price action underscores a re-pricing of weak USD sentiment and confidence. Last Fri, Trump threatened a 50% tariff on all goods sent to the US from the EU, as soon as 1 Jun (but later extended to 9 Jul). He also warned Apple that he would impose a 25% import tax "at least" on iPhones not manufactured in America and later broadened the threat to any smartphone maker including Samsung. This move followed Trump's earlier announcement that the US would send letters to some of its trading partners to unilaterally impose new tariff rates over the next 2-3 weeks. However, it remains unclear whether these new tariffs would be in addition to existing ones or if they would supersede previous rates. Compounding these trade tensions/protectionism measure, the One, Big, Beautiful Bill and Moody's recent downgrade of the US credit rating have cast a long shadow over the sustainability of the US fiscal position. The Congressional Budget Office (CBO) estimates the bill will add USD3.8trn to the US's USD36.2trn in debt over the next decade and deficit may stretch to around 7% of GDP in 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, could further undermine sentiment and confidence in the USD. As the USD continues to breach fresh multi-month lows, exporters in the region, along with global asset managers, are likely to reduce their USD holdings and increase their hedge ratios to mitigate USD exposure. Asian currencies may continue to appreciate as long as USD softness persists, driven by US-centric risks, provided that global growth outside the US remains stable. However, the momentum could be jeopardized if US exceptionalism makes a comeback or if global growth shows further signs of weakening. DXY was last at 99.10 levels. Bullish momentum on daily chart faded while RSI fell. Risks are skewed to the downside. Immediate support here at 99.10/98.90 levels. Break below puts next support at 97.90 (2025 low), 97.40 in focus. Resistance at 100.1 (21 DMA), 100.80 (23.6% fibo retracement of 2025 peak to trough) and 101.25 (50 DMA). 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. Markets are increasingly focused on how Trump's policies (especially tariffs) are hurting the US economy, US assets and USD. Furthermore, relative growth matters. If growth in the US slumps while growth for the rest of the world holds up, USD may end up weaker over time. USD may also trade softer against AxJs and antipodeans if broad USD weakness permeates and tariff impact on global growth (excluding US) is more manageable than feared. 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 USD's status as the world's primary reserve currency. US national debt is more than USD36trn and the recent report from US Congressional Budget Office estimated that the recent 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. This raises significant concerns about the rising trajectory of debt and deficits in the medium term, as well as the associated sovereign risk. 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% in APAC still invoices in USD. USD share of swift payment is still high 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 strength 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

Room for Gains. EUR saw whippy trade on Fri, falling at first in reaction to Trump's threat of 50% tariff on EU goods. But losses were erased into NY close amid broad USD weakness. EU trade chief Sefcovic said that the 27-member bloc is committed to securing a trade deal with the US based on respect not threat. The EU remains committed to securing a deal that works for both EU-US. But Trump expressed impatience with the slow progress on negotiations and is looking to raise tariff on EU on 1 Jun (but later extended to 9 Jul). Potential repercussion if the 50% goes ahead 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 but if sell USD trade remains intact, then it may cushion against EUR downside.

EUR was last seen at 1.1360 levels. Bearish momentum on daily chart is fading while RSI rose. Risks skewed towards upside. Resistance at 1.1380, 1.1420 levels before 1.1570 (recent high). Support at 1.1280 (21 DMA), 1.1235 (23.6% fibo retracement of 2025 low to high) and 1.1150 (50 DMA).

Going back in time to the 2010-12 period, Greece was the focal point of the European sovereign debt crisis, as contagion risks quickly spread to other vulnerable countries. Concerns over the sustainability of public finance also arose in Ireland, Portugal and later also Spain, Cyprus and Italy. Sovereign CDS and bond spreads in several euro area countries rose to elevated levels. Negative feedback loops between vulnerable banks, indebted sovereigns and weak economies took hold in several countries. Then came a series of sovereign rating downgrades. On several occasions, the ECB had to counter acute financial fragmentation and break-up risks. Cross-border transactions within the banking system also grounded to a halt. Not only was the Euro-area confronted with sovereign debt crisis but there were fears of Euro-area breakup, leading to concerns about the stability of EUR. Its share of global FX reserves also fell from over 28% (in 2009) to sub-20% in 2016. These were some of the factors that weighed on EUR then and partly contributed to USD's rise back then. This time however, those issues are less of a hurdle for the Euro-area and EUR may be in a better position than before to benefit from any USD fallout.

In addition, Lagarde's remarks (in an interview) may reflect a more assertive stance in attempting to position the EUR as a credible alternative reserve currency. By highlighting the euro's recent appreciation as 'counterintuitive but justified,' she implicitly acknowledges a shift in global capital preferences—driven not just by macroeconomic fundamentals, but also by waning confidence in US governance and policy predictability. Her emphasis on judicial integrity and rules-based order serves to reinforce the euro's strategic appeal in a world increasingly characterized by geopolitical fragmentation. To some extent, this may also signal a growing tolerance for euro strength amongst some ECB officials —so long as it reflects underlying fundamentals.

We remain constructive on EUR's outlook due to recent developments: 1/ German/European spending plans can lend a boost to growth; 2/ signs of a Ukraine peace deal (can lead to supply chain normalisation, lower energy costs, reduce existing burden on corporates and households, improve sentiments and growth outlook); 3/ prospects of ECB cut cycle nearing its end while there is room for Fed to resume easing cycle; 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	***Bullish Break-Out.*** GBP extended its run higher, to more than 3-year high as activity, inflation and PMI services data surprised to the upside. Elsewhere, a softer USD trend also helped. We had earlier said the GBP performance has been surprisingly resilient amongst the DM FX and remains so. This can be attributed to better-than-expected growth momentum (reflected in recent GDP, retail sales, PMI data), less dovish than expected BoE rhetoric as well as the US-UK trade deal (removes uncertainty element). We also reckon the USD diversification/ reallocation flows can also benefit GBP amongst other reserve FX. Pair was last at 1.3537. Daily momentum on daily chart intact while RSI rose. Further upside risks likely. Next resistance at 1.3660, 1.3750 levels. Support at 1.3450 (previous double top, now turned support), 1.3330 (21 DMA). We look for opportunity on dips to buy into. We are turning slightly optimistic on GBP outlook. UK trade deal with US takes away some element of tariff uncertainty for now while better than expected data including 1Q GDP, less dovish BoE rhetoric and softer USD trend are some factors supportive of GBP. At the last MPC (8 May), BoE lowered policy rate by 25bp to 4.25% as widely anticipated. There was a 3-way vote split with 5 members looking for 25bp cut; 2 looking for 50bp cut and 2 looking for a hold. BoE Governor Bailey said that the easing inflationary pressure allowed for the MPC to reduce rate. The committee held to its guidance that easing should continue to be “gradual and careful” in light of volatility in the global economy caused by Trump’s sweeping tariffs. On growth revisions, the BoE upgraded growth this year to 1% from 0.7% and lowered next year to 1.25% from 1.5%. The 2027 outlook was unchanged. BoE also said that *while the risk to growth is “somewhat to the downside,” the risks to inflation remain “two-sided”.* For downside risks, we continue to watch labour market development (if job growth slows further) and growing twin deficits of current and fiscal accounts.
USDJPY	***Stay Short.*** USDJPY extended its decline as Trump tariff threats ramped up demand for safe haven proxies, including JPY, CHF and gold. This was in line with our earlier caution that the *devil is in the details during the 90 day tariff truce period. Moreover, Trump has also said that the US will send letters to some of its trading partners to unilaterally impose new tariff rates over the next 2-3 weeks. Fresh threats/ uncertainty on this front may see safe havens regaining appeal.* Elsewhere, softer USD trend and the hotter than expected Japan CPI (last Fri) kept BoJ policy normalisation plans alive. USDJPY was last at 142.60 levels. Daily momentum turned mild bearish while RSI fell. Risks remain skewed to the downside. Next support at 142, 141.60 before 139.90 (recent low in Apr). Resistance at 144.40/60 levels (21 DMA, 23.6% fibo retracement of 2025 high to low) and 145.70 (50 DMA). We kept our short USDJPY trade (entered at 148 as per FX Weekly 13 May), targeting a move towards 141. We adjust the SL to 147.22 from 151. On recent tariff/trade development, Japan trade negotiator Akazawa concluded a 3rd round of talks with US officials including Greer and Lutnick over the weekend and will likely return to the US again to potentially meet with Bessent on 30 May. Last week, PM Ishiba also held a 45 min phone call with Trump to exchange views on tariffs but didn’t mention anything specific about tariffs. Depending on situation, Ishiba may meet Trump in person next month. More broadly, we continue to 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 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. In BoJ’s summary of opinions report, one BoJ board member said that the central bank’s policy path could change at “any time” depending on the course of US tariff measures while another urged for a wait-and-see mode until tariffs settle. Separately, BoJ’s Uchida said that BoJ will raise rates if economic outlook is realised. Earlier, Governor Ueda also said that the BoJ will raise the policy rate when policymakers become more confident in the

outlook. He also added that the delay in the price target timing does not mean that there will be a delay in hikes. Overall, we still expect BoJ to get back to normalising interest rates at some point (when tariff uncertainty finds some clarity). Fed-BoJ policy divergence should bring about further narrowing of UST-JGB yield differentials, in turn underpinning the broader direction of travel for USDJPY to the downside.

USDCAD

Downward biased. The U.S. dollar remained under pressure last week amid concerns over the US debt trajectory and weakening economic growth. In Canada, April's CPI growth slowed from 2.3% to 1.7% (versus a consensus forecast of 1.6%), driven primarily by the elimination of the consumer carbon tax and declining crude oil prices. Meanwhile, core inflation (measured by the median) rose from 2.9% to 3.2% year-over-year. The stronger-than-expected inflation triggered a repricing in expecting for 2025 BoC meeting. 7bp of cuts are now priced by June and 16bp for July. Prior the release of the data, pricing was 17bp for June and 30bp for July.

Momentum indicators suggest downward pressure is building on USDCAD but some uptick risks in the near term cannot be ruled out. Next support is at the 1.3600 before the last September low at 1.3420; Resistance at 1.3800 before 1.3940.

AUDUSD

Bias for Upside but May be Bumpy. AUD consolidated slightly higher last week. Softer USD trend, steady CNY (trading closer to 7.18 levels) were some of the factors keeping AUD supported. But the move higher was also more restraint relative to other major FX and this could partially be attributed to a dovish RBA and recent escalation in Trump tariff threats. Pair was last seen at 0.6488. Daily momentum is not showing a clear bias while RSI rose. Upside risks not ruled out. Next resistance at 0.6550 (61.8% fibo retracement of 2024 high to 2025 low), 0.6645 levels. Support at 0.6430 (50% fibo, 21 DMA), 0.6345 (50 DMA) and 0.6310 levels (38.2% fibo, 100 DMA). Focus this week on CPI (Wed); retail sales (Fri).

Post RBA decision, our rates strategist shared that RBA rhetoric turned out to be more dovish than expected. ACGBs rallied by 12-16bps in a steepening manner; cash rate futures added to rate cut expectations, to additional 67bps for the rest of the year (versus 51bps prior, netting out the delivered rate cut). Dovish elements coming out of the 20 May decision included: 1/ Governor Bullock revealed a 50bp cut was discussed – although the strength of argument for a 25bp cut was much bigger, and there was also discussion between a hold and a cut. 2/ The statement opined that "inflation is in the target band and upside risks appear to have diminished" – while understandably the commentaries have to support yesterday's rate cut decision and hence by right would be more dovish than the previous statement, such opinion was still picked up as dovish. 3/ The Board has a scenario analysis – considering a severe downside scenario and noted that "monetary policy is well placed to respond decisively"; while this is a scenario analysis, it nevertheless reflects the asymmetric risk that the Board sees. Our call has been for OCR to be cut to 3.60% by year-end; we are, however, reviewing this call given the dovish outcome (20 May MPC).

AUD, a high beta FX, is typically exposed to swings in RMB, equity sentiments and global growth prospects. Recent development was a tariff re-escalation while softer USD negates the impact. The interplay of dovish RBA, tariff uncertainty are factors that restrain AUD from breaching higher but at the same time, softer USD trend cushions the impact. Consolidation likely for now but it is also possible that AUD continues to trend higher should USD softness more than overwhelm.

USDSGD

Downside Risk. USDSGD continued to trend lower, breaching an 8-month low. Trump's One, Big, Beautiful Bill 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 (50% on EU goods and 25% tariff on smartphone makers for not producing in US) and the erosion of US exceptionalism, are some factors that undermine sentiment and confidence in the USD.

Pair was last at 1.2850 levels. Daily momentum is not showing a clear bias while RSI fell. Consolidation with slight risk to the downside likely in the near term. Support next at 1.2820, 1.2790 (Sep 2024 low) before 1.26 levels. Resistance at 1.2950, 1.30 levels (21 DMA).

The Singapore dollar 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. This is also the strongest YTD performance in the last 20 years. 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 will 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 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.

Looking on, MAS 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. But Apr core CPI uptick also suggests there may be no urgency to ease in July MPC meeting for a 3rd consecutive time after 2 back-to-back easing in Apr and Jan this year. That said, we continue to monitor CPI, growth and tariff developments. With S$NEER trading near the upper bound of its band (+1.8% above model-implied mid), we continue to see room for SGD to trade softer against its trade peers (i.e. JPY, KRW), if tariff de-escalation momentum and softer USD trend continue to play out.

Recap of last MPC 14 Apr: MAS reduced policy slope slightly and will continue with policy of modest and gradual appreciation of the S$NEER policy band. This implies that the rate of SGD appreciation vs basket of trade peers will be reduced. The accompanying MPS noted that *prospects for global trade and GDP growth dimmed in early April. The US has imposed tariffs on imports from most countries in the world, with some of these countries announcing retaliatory tariffs. Economies that levy duties on imports will likely experience an increase in costs and this will weigh on their aggregate demand. At the same time, exporting countries which have been hit by tariffs will be confronted with a weaker demand and pressure to lower prices for their output. In addition, global financial conditions have tightened as asset markets have begun repricing risks in the global economy. These factors will exert widespread and potentially reinforcing drags on production, trade and investments in Singapore's major trading partners. Global growth is expected to weaken this year, with trade possibly moderating to a greater extent.* It also indicated that *amid the weakening external outlook, Singapore's output gap will turn negative. Consequently, imported and domestic cost pressures will remain low, and MAS Core Inflation is forecast to stay well below 2%. The risks to inflation are tilted towards the downside.*

USDCNH

Bearish Crossover. USDCNH extended its decline breaking below 7.18 levels. Softer USD trend and consistent lower USDCNY fix (but measured pace) saw both onshore USDCNY and offshore USDCNH trade lower. USDCNH was last at 7.1730 levels. Daily momentum is flat while RSI fell towards near oversold conditions. Bearish crossover observed with 21DMA cutting 200 DMA to the downside. Risks skewed to the downside. Support at 7.1650, 7.1475 (61.8% fibo retracement of 2024 low to 2025 high). Resistance at 7.2010 (50% fibo), 7.2250 levels (21, 200 DMAs).

We believe policymakers are likely to still adopt a measured approach to appreciation like how they took on a measured approach when USDRMB was trading higher previously. Maintaining RMB stability is a key objective for policymakers at this point. Any sharp RMB appreciation may risk triggering exporters rushing to sell their USD holdings and that cycle (if it happens) may result in excessive RMB strength and volatility, which is not desirable for policymakers. With regards to Asian currencies, the RMB does hold some influence over directional bias, and this is due to trade, investment and sentiment linkages. Our 30-day rolling correlation between Asian FX and RMB have also seen a pickup in correlation. If market perception bias about RMB is not negative (or positive like now), then Asian FX may even appreciate more than the RMB due to RMB's relative lower beta characteristic. Conversely, if the market perception about RMB turns negative, then this may potentially restrain the appreciation path of Asian FX and likely have a negative spillover impact onto Asian FX.

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			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 [LIVE]	
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: Slight Risk to Downside

SGDMYR consolidated lower last week. Cross was last at 3.2920 levels.

Daily momentum shows signs of turning bearish while RSI fell. Consolidation likely, with slight risk to the downside.

Support at 3.2720 (23.6% fibo), 3.25 levels.

Resistance at 3.3020/50 levels (21, 100, 200 DMAs), 3.3150/200 levels (50 DMA, 38.2% fibo retracement of Jul high to Sep).

SGDJPY Daily Chart: Downside Risk

SGDJPY extended its decline last week. Cross was last seen at 110.90 levels.

Daily momentum turned mild bearish while RSI fell. Risks remain skewed to the downside.

Support at 110.60/70 levels (21, 50 DMAs, 38.2% fibo), 109.30 (23.6% fibo).

Resistance at 111.80/95 (50% fibo retracement of 2025 high to low, 100 DMA) and 112.60 (200 DMA) and 113.60.

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

Gold Daily Chart: Rebound Risk

Gold rebounded last week, aided by renewed tariff uncertainties. Last seen at 3357 levels.

Bearish momentum on daily chart is fading while RSI rose. Risks skewed to the upside.

Resistance at 3380, 3440 levels.

Key support at 3290 (23.6% fibo retracement of 2025 low to high, 21 DMA) before 3200 (50DMA, 3160 (38.2% fibo).

Silver Daily Chart: Break Out of Flag May Trigger More Upside

Silver continues to trade in a wide sideways range. Last seen at 33.47 levels.

Daily momentum and RSI indicators show tentative signs of turning mild bullish. Risks may be skewed to the upside.

Resistance at 34.58 (2025 high), 34.90 (2024 high).

Support at 32.80 levels (21, 50 DMAs), 31.80/32.10 levels (100 DMA, 23.6% fibo retracement of 2024 low to high), and 31.40 (200 DMA).

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	1.1400	1.1500	1.1600	1.1650	1.1700
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	1.3750	1.3700	1.3650	1.3650	1.3600
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	99.02	98.31	97.49	97.14	96.70
USD-SGD	1.2820	1.2800	1.2760	1.2760	1.2740
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	30.00	29.70	29.60	29.50	29.40
USD-HKD	7.8100	7.8000	7.7800	7.7500	7.7500
USD-PHP	55.20	55.00	54.80	54.60	54.60
USD-INR	84.60	84.30	84.20	84.00	83.80
USD-VND	25950	25900	25850	25800	25750
EUR-JPY	161.88	162.15	161.24	161.94	161.46
EUR-GBP	0.8382	0.8425	0.8467	0.8504	0.8509
EUR-CHF	0.9405	0.9430	0.9454	0.9437	0.9477
EUR-AUD	1.7538	1.7557	1.7576	1.7519	1.7594
EUR-SGD	1.4615	1.4720	1.4802	1.4865	1.4906
GBP-SGD	1.7435	1.7472	1.7481	1.7481	1.7518
AUD-SGD	0.8333	0.8384	0.8422	0.8485	0.8472
AUD-NZD	1.0833	1.0826	1.0820	1.0813	1.0813
NZD-SGD	0.7692	0.7744	0.7784	0.7847	0.7835
CHF-SGD	1.5539	1.5610	1.5656	1.5753	1.5728
JPY-SGD	0.9028	0.9078	0.9180	0.9180	0.9232
SGD-MYR	3.2761	3.2656	3.2602	3.2524	3.2496
SGD-CNY	5.6006	5.5938	5.6034	5.5956	5.5887
SGD-IDR	12637	12617	12618	12578	12598
SGD-THB	25.43	25.39	25.39	25.39	25.35
SGD-PHP	43.06	42.97	42.95	42.79	42.86
SGD-VND	20242	20234	20259	20219	20212
SGD-CNH	5.6006	5.5938	5.6034	5.5956	5.5887
SGD-TWD	23.40	23.20	23.20	23.12	23.08
SGD-KRW	1053.04	1031.25	1026.65	1018.81	1012.56
SGD-HKD	6.0920	6.0938	6.0972	6.0737	6.0832
SGD-JPY	110.76	110.16	108.93	108.93	108.32
Gold $/oz	3400	3510	3620	3720	3800
Silver $/oz	34.34	35.45	36.57	37.96	38.78

Source: OCBC Research *(Latest Forecast Updated: 26 May 2025)*

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

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