

FX Weekly

Firm USD Bias

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- **Firm USD Bias:** Strong US jobs reinforce growth resilience and support a firm USD. Fed pricing is turning more hawkish, with upside risks to the USD if yields rise. Higher yields could pressure equities and tighten conditions for EM FX.
- **ECB Week Risk:** ECB set to hike but much is priced, limiting EUR upside. Oil stays capped for now, though tightening inventories threaten a late-cycle spike. Trade tensions resurface with fresh US tariff proposals.
- **Asia FX Under Pressure:** Oil strength and a hawkish Fed backdrop are weighing on Asia FX. KRW weakness looks flow-driven, while IDR faces policy uncertainty and more rate hikes to stabilise the currency.
- **RBI Boosts Flows:** RBI rolled out targeted capital flow measures to support external balances and sentiment. INR may see near-term support, but persistent food and energy inflation risks point to further rate hikes ahead.

Firm USD Bias: The US exceptionalism narrative gained fresh traction after a strong May payrolls print. Non-farm payrolls have now surprised to the upside for three consecutive months. This underscores two points. First, a firm labour market should help offset the drag from higher energy costs on household spending. Second, AI is not leading to a jobless recovery.

A big divergence is building between US and European growth

Real activity surprise index



Source: Bloomberg, Citigroup, OCBC Group Research

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In the post-Iran conflict backdrop, a big divergence is building between US and European growth. A relatively stronger US growth versus Europe and non-tech Asia supports our resilient USD view. We expect the dollar to remain firm but broadly rangebound. Risks, however, are skewed toward further USD strength as Fed pricing turns more hawkish. Markets have shifted to fully pricing one rate hike by year-end, with a growing chance of another by mid-next year.

Markets are focused on two key questions. First, how much further can Fed expectations reprice higher. Second, whether rising US yields will undermine the tech-led equity rally. Periodic pullbacks from overextended risk positioning are not unusual, especially ahead of major events such as the large SpaceX IPO this week. However, if yields continue to climb, driven for instance by concerns over labour market overheating, last week's selloff in risk assets could extend.

While markets are moving past the weak jobs narrative, the labour market is not yet overheating. That said, overheating concerns could build if robust payroll gains is paired with stronger wage growth alongside lower unemployment rate.

Whether Fed pricing becomes more hawkish will depend in part on incoming policy signals. Focus turns to the FOMC meeting on 17 June and whether new Fed Chair Warsh validates the recent hawkish shift in Fed communication. Warsh is widely expected to avoid early tightening, so any hawkish signal would be a surprise. Such an outcome would support the USD and add to the already challenging backdrop for EM FX, as seen in last week's weakness in IDR and KRW.

ECB Week Risk: Monetary policy meetings return this week. The ECB is set to hike, while a BoC hike would be a clear surprise. Updated ECB projections should show higher inflation and weaker growth, supporting a one-off 25bp insurance hike in our view to 2.25%.

With the move fully priced, EURUSD may struggle to rally without a fresh catalyst. Progress on a US-Iran deal that reopens the Strait of Hormuz could help, but talks appear stalled. Weekend missile activity underscores persistent geopolitical risk.

Ceasefire hopes are keeping Brent below USD100/bbl for now. However, inventories are falling and the shrinking buffer could drive oil to new highs by late 3Q26 if diplomacy fails to progress.

Trade risks are also resurfacing. The USTR has proposed tariffs of 10 to 12.5% on imports from 60 economies linked to forced labour concerns. A consultation period runs to 6 July, with hearings from 7 July, broadly

aligning with the expiry of Section 122 tariffs on 24 July. These new tariffs are aimed to preserve continuity in the trade regime rather than a meaningful escalation.

Asia FX Under Pressure: Higher oil prices and a firmer US policy outlook kept pressure on Asian currencies last week, led by KRW and IDR. KRW weakness triggered renewed verbal intervention, while Bank Indonesia (BI) reportedly stepped up FX operations to support IDR.

KRW underperformance appears driven by flows rather than fundamentals. Macro conditions remain supportive. Semiconductor exports are strong, the KOSPI is among the best performers globally this year despite last week's pullback, and the Bank of Korea continues to signal further tightening. However, gains in equities have been concentrated in a few AI-linked names, prompting rebalancing and foreign outflows due to concentration limits. This technical drag could cap KRW upside in the near term.

In Indonesia, parliament passed a broad financial sector law that expands BI's mandate and introduces parliamentary performance reviews of BI officials. The mandate now places greater emphasis on growth and employment alongside price and FX stability. Authorities have downplayed concerns, noting such objectives are common among central banks.

Despite a 50bp rate hike to 5.25% in May, USDIDR has continued to rise, moving above 18,000 last week. Our economists expect a further 50bp of cumulative tightening this year to contain FX risks, with the balance of risks skewed toward more hikes.

RBI Boosts Flows: At the June RBI meeting, the policy rate was unanimously held at 5.25%, but the focus was on a suite of capital flow measures.

These include concessional FX swap rates, available through 30 September, to encourage state-owned firms and banks to raise USD funding. The RBI also announced tax exemptions for foreign investment in government securities, tightened rules on export proceeds repatriation, and broadened the pool of eligible long-tenor government bonds for foreign institutional investors.

Overall, these steps are incrementally positive for India's balance of payments and could lift market sentiment, providing near-term support to INR. That said, our economists still expect cumulative tightening of 50bp in FY27. Risks are tilted towards more hikes, as

inflation pressures are building not only from energy but increasingly from food.

Technical Levels Table

	EURUSD	USDJPY	GBPUSD	USDCHF	AUDUSD	NZDUSD	USDCAD	XAUUSD	USDSGD	USDPHP	USDINR
Resistance 3	1.1813	161.31	1.3691	0.8126	0.7289	0.6014	1.4084	4713	1.3057	61.84	96.96
Resistance 2	1.1687	160.72	1.3538	0.8030	0.7183	0.5919	1.4001	4544	1.2970	61.67	96.08
Resistance 1	1.1605	160.50	1.3440	0.7995	0.7115	0.5857	1.3969	4436	1.2938	61.58	95.51
Spot	1.1514	160.33	1.3324	0.7972	0.7033	0.5787	1.3951	4322	1.2917	61.50	94.94
Support 1	1.1479	159.91	1.3287	0.7899	0.7009	0.5762	1.3886	4266	1.2851	61.41	94.63
Support 2	1.1435	159.54	1.3232	0.7838	0.6971	0.5729	1.3835	4204	1.2796	61.32	94.32
Support 3	1.1309	158.95	1.3079	0.7742	0.6865	0.5634	1.3752	4035	1.2709	61.15	93.44
Bollinger Band											
Bollinger Upper	1.1729	160.64	1.3542	0.7954	0.7260	0.5984	1.3951	4709	1.2894	61.89	96.76
Bollinger Lower	1.1528	157.77	1.3321	0.7781	0.7049	0.5780	1.3659	4325	1.2697	61.31	94.52

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



FX Forecasts

Currency Pair	Current (29 May)	2Q26	3Q26	4Q26	1Q27	2Q27
USD-JPY	159	158	156	155	154	153
EUR-USD	1.17	1.16	1.18	1.18	1.17	1.16
GBP-USD	1.35	1.34	1.36	1.36	1.34	1.33
AUD-USD	0.72	0.72	0.75	0.75	0.75	0.74
NZD-USD	0.60	0.60	0.61	0.61	0.62	0.62
USD-CAD	1.38	1.36	1.35	1.35	1.34	1.34
USD-CHF	0.78	0.79	0.79	0.79	0.79	0.80
DXY	98.94	99.05	97.64	97.52	98.08	98.65
USD-SGD	1.28	1.28	1.27	1.26	1.26	1.25
USD-CNY	6.77	6.81	6.80	6.78	6.76	6.74
USD-CNH	6.76	6.81	6.80	6.78	6.76	6.74
USD-THB	32.54	32.80	32.50	32.10	31.80	31.60
USD-IDR	17874	17600	17550	17450	17350	17250
USD-MYR	3.96	3.95	3.92	3.86	3.83	3.81
USD-KRW	1504	1470	1460	1450	1430	1410
USD-TWD	31.36	31.60	31.50	31.40	31.20	31.10
USD-HKD	7.84	7.82	7.80	7.78	7.78	7.78
USD-PHP	61.60	61.00	60.60	60.40	60.00	59.80
USD-INR	95.00	95.00	95.30	95.50	96.00	96.50
USD-VND	26313	26200	26000	26000	25800	25900
EUR-JPY	187	183	184	183	180	177
EUR-GBP	0.87	0.86	0.87	0.87	0.87	0.87
EUR-CHF	0.91	0.92	0.93	0.93	0.93	0.93
EUR-AUD	1.62	1.61	1.57	1.57	1.56	1.57
EUR-NOK	10.79	10.80	10.90	11.00	11.10	11.10
AUD-NZD	1.20	1.19	1.22	1.22	1.21	1.20
EUR-SGD	1.49	1.48	1.50	1.49	1.48	1.45
GBP-SGD	1.72	1.72	1.73	1.71	1.70	1.67
AUD-SGD	0.92	0.92	0.95	0.95	0.95	0.93
NZD-SGD	0.76	0.77	0.78	0.78	0.78	0.77
CHF-SGD	1.63	1.61	1.61	1.60	1.59	1.56
CAD-SGD	0.93	0.94	0.94	0.94	0.94	0.94
JPY-SGD	0.80	0.81	0.82	0.82	0.82	0.82
SGD-MYR	3.10	3.10	3.08	3.05	3.03	3.04
SGD-CNY	5.30	5.34	5.35	5.36	5.36	5.37
SGD-IDR	13992	13793	13797	13805	13748	13756
SGD-THB	25.49	25.71	25.55	25.40	25.20	25.20
SGD-PHP	48.22	47.81	47.64	47.78	47.54	47.69
SGD-VND	20613	20533	20440	20570	20444	20654
SGD-CNH	5.30	5.34	5.35	5.36	5.36	5.37
SGD-TWD	24.58	24.76	24.76	24.84	24.72	24.80
SGD-KRW	1179	1152	1148	1147	1133	1124
SGD-HKD	6.14	6.13	6.13	6.16	6.16	6.20
SGD-JPY	125	124	123	123	122	122
Gold \$/oz	4540	4800	4962	5100	5230	5400
Silver \$/oz	75.3	77.54	82.70	89.47	91.75	94.74
Platinum \$/oz	1920	2000	2109	2237	2294	2368
Palladium \$/oz	1361	1428	1506	1511	1519	1528
ICE Brent \$/bbl	92.1	100	85	80	75	75
NYMEX WTI \$/bbl	87.4	94	81	76	71	71
Aluminium \$/mt	3667	3500	3350	3150	3175	3175
Copper \$/mt	13636	12800	12500	12500	12600	12600

Source: OCBC Group Research (Latest Forecast Update: 29 May 2026)

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

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FX Forecasts

	Current (29 May)	3M	6M	12M
Forecast for G10 Currencies				
EURUSD	1.17	1.17	1.18	1.16
GBPUSD	1.35	1.35	1.36	1.34
USDJPY	159	157	155	153
USDCHF	0.78	0.79	0.79	0.80
AUDUSD	0.72	0.74	0.75	0.74
NZDUSD	0.60	0.61	0.61	0.62
USDCAD	1.38	1.35	1.35	1.34
EURNOK	10.79	10.87	10.97	11.10
Forecast for Asian Currencies				
USDCNY	6.77	6.80	6.79	6.75
USDIDR	17874	17567	17483	17283
USDINR	95.00	95.20	95.43	96.33
USDKRW	1504	1463	1453	1417
USDMYR	3.96	3.93	3.88	3.82
USDPHP	61.60	60.73	60.47	59.87
USDSGD	1.28	1.27	1.27	1.26
USDTHB	32.54	32.60	32.23	31.67
USDTWD	31.36	31.53	31.43	31.13
USDHKD	7.84	7.81	7.79	7.78
Forecast for Precious Metals				
Gold \$/oz	4540	4908	5054	5343
Silver \$/oz	75.3	81	87	94
Platinum \$/oz	1920	2072	2194	2344
Palladium \$/oz	1361	1480	1510	1525
Forecast for Crude Oil				
NYMEX WTI \$/bbl	87.4	85.5	77.5	71.0
ICE Brent \$/bbl	92.1	90.0	81.5	75.0
Aluminium \$/mt	3667	3400	3217	3175
Copper \$/mt	13636	12600	12500	12600

Source: OCBC Group Research (Latest Forecast Update: 29 May 2026)

Note: The 3-, 6-, and 12-month forecasts may vary slightly over time even when the underlying FX outlook remains unchanged. This is because we use a single set of core FX and interest-rate forecasts anchored on quarter-end levels. From these quarter-end projections, we derive the 3-, 6-, and 12-month forecasts using straightforward methodologies, including interpolation. This approach ensures internal consistency across all forecast horizons.

Interest Rates Forecasts

	Current (29 May)	3M	6M	12M
Forecasts for US interest rates				
Fed Funds Rate	3.75	3.75	3.75	3.50
2-Year US Treasury	4.02	4.00	3.90	3.70
5-Year US Treasury	4.15	4.20	4.15	4.00
10-Year US Treasury	4.45	4.45	4.40	4.25
30-Year US Treasury	4.98	5.10	5.10	5.10
Forecast for US SOFR swap rates				
2-Year Rate	3.88	3.90	3.85	3.65
5-Year Rate	3.88	3.95	3.90	3.75
10-Year Rate	4.04	4.10	4.05	3.95
30-Year Rate	4.25	4.30	4.30	4.25

Source: OCBC Group Research (Latest Forecast Update: 29 May 2026)

Central Bank Forecast Table

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	Current (29 May)	2Q26	3Q26	4Q26	1Q27	2Q27
Fed Funds Rate (upper)	3.75	3.75	3.75	3.50	3.50	3.50
BoE Bank Rate	3.75	3.75	3.75	3.75	3.50	3.50
ECB Depo Rate	2.00	2.25	2.25	2.25	2.25	2.25
BOJ Policy Rate	0.75	1.00	1.00	1.25	1.25	1.50
RBA Cash Rate	4.35	4.35	4.35	4.35	4.35	4.35
RBNZ Official Cash Rate	2.25	2.25	2.50	2.75	3.00	3.00

Source: OCBC Group Research (Latest Forecast Update: 3 Jun 2026)

Weekly Economic Calendar

Date	Spore time	Country/ Currency	Data/ Event	Period	Actual	Cons.	Prior
08-Jun	14:00	GE	Factory Orders WDA YoY	Apr		4.8%	6.3%
	14:00	GE	Industrial Production WDA YoY	Apr		-1.1%	-2.8%
10-Jun	18:00	US	NFIB Small Business Optimism	May		96.0	95.9
		CH	Exports YoY	May		15.0%	14.1%
	09:30	CH	CPI YoY	May		1.3%	1.2%
	09:30	CH	CPI Core YoY	May		1.2%	1.2%
11-Jun	14:00	NO	CPI YoY	May		3.1%	3.4%
	14:00	NO	CPI Underlying YoY	May		3.3%	3.2%
	14:00	SW	GDP Indicator WDA YoY	Apr		--	2.5%
	20:30	US	CPI YoY	May		4.2%	3.8%
	20:30	US	Core CPI YoY	May		2.9%	2.8%
	21:45	CA	Bank of Canada Rate Decision			2.25%	2.25%
11-Jun	20:15	EC	ECB Deposit Facility Rate			2.25%	2.00%
	20:30	US	Initial Jobless Claims	6-Jun		219k	225k
12-Jun	14:00	UK	Monthly GDP (MoM)	Apr		-0.1%	0.3%
	22:00	US	U. of Mich. Sentiment	Jun P		46.0	44.8

Source: Bloomberg, OCBC Group Research

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