

MAS Preview

Looking for Slope Increase

- *The upcoming Monetary Policy Statement (MPS) is scheduled to be released on 14 Apr 2026. Our base case is for MAS to tighten policy stance by increasing the slope of the S\$NEER policy band (i.e. quickening the pace of appreciation) to lean against rising imported inflation pressures. That said, we do not rule out an outside chance of a double-barrel tightening via a combination of slope steepening and an upward re-centering of the policy band. This scenario would likely require MAS to assess that inflation risks are not only rising but also sufficiently persistent and broad-based to warrant a stronger and more front-loaded response.*
- *Given that expectations are skewed towards policy tightening, the focus is on the choice of policy lever(s) and tone of the statement. A slight hawkish shift in the tone would possibly see the S\$NEER hovering near the upper bound of the band while USDSGD may see modest knee-jerk downside pressure post-decision, assuming the broader USD trend remains relatively balanced. But if the tone is more balanced, then reaction on USDSGD may be more muted.*

Christopher Wong
FX Strategist

MAS Decision on 14 Apr 2026 (8am SGT).

The upcoming MAS Monetary Policy Statement will be closely watched, alongside the release of 1Q Advanced GDP data and likely, the revised inflation forecasts.

Deputy PM Gan's ministerial statement (7 Apr) has gone at length to touch on the impact of the Middle East situation on Singapore. He cautioned about the *risk of escalation – including further damage to energy infrastructure, or a prolonged blockade of the Strait of Hormuz. This could trigger a global energy crunch – slowing global growth and pushing up inflation worldwide.*

The statement¹ also highlighted that *About 95% of Singapore's electricity is generated from natural gas, whose price is mostly pegged to market prices.* Though there was a 2.1% increase in regulated electricity tariff for 2Q 2026, this was based on fuel prices from the first 10 weeks of the preceding quarter. This means only a small portion of the recent surge in fuel prices has been captured in this tariff adjustment. With fuel making up about half of the

¹ Ministerial Statement by DPM Gan Kim Yong on the Impact of the Middle East Situation, 7 Apr 2026
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tariff, higher fuel prices will flow through to electricity prices, and it is likely to expect a much sharper increase in the next tariff adjustment, which will then fully reflect the higher cost of fuel. These cost increases will likely feed through to broader inflation in Singapore.

MAS had earlier expected inflation to come in at 1 – 2% range for 2026 but given the recent developments, the overall inflation will be higher than earlier anticipated. PM Gan shared that MAS will take these developments into account in its upcoming assessment of the inflation outlook, which it will release on 14 April.

The tone of the ministerial statement underscores Singapore’s exposure to imported inflation risks, particularly through trade and energy channels. It also ties in with our earlier report, *FX Focus: Energy shock revisited – Will MAS stay patient?* (12 Mar 2026), which we had highlighted that energy prices historically have meaningful implications for Singapore’s inflation outlook, both directly through fuel and utilities costs and indirectly via transportation, logistics and broader supply chains. Given Singapore’s high energy import dependence, global energy price movements can feed into domestic inflation dynamics more quickly than in economies with larger domestic production bases. Separately, a MAS special feature published in the October 2022 *Macroeconomic Review*² examined how global commodity shocks affect Singapore inflation.

Brent vs Singapore inflation



Source: Bloomberg, OCBC Group Research

Our Chief Economist, Selena Ling highlighted that given the elevated energy prices, our house **view for 2026 headline and core inflation forecasts are raised to 2-3%** to factor in the Middle East

² Monetary Authority of Singapore (MAS) (2022): "Effects of higher global input costs on prices in Singapore", *Macroeconomic Review*
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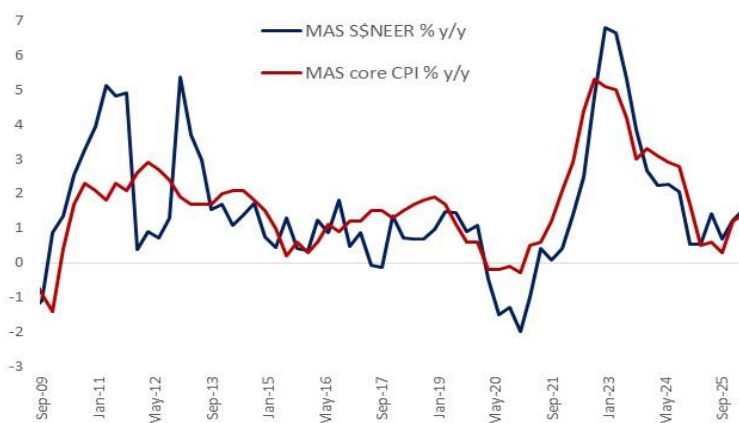
conflict and global supply chain disruptions. Looking ahead, the prolonged US-Iran war with the broadening spillover effects into the broader energy and fertilizer complex in the Middle East region, as signalled by force majeure notices signal a widening LNG crunch for Asia, including Singapore, poses a significant headwind for the Singapore economy and policymakers are currently watchful.

MAS Policy Options

On MAS policy, there are various options that MAS can go about setting its monetary policy at this meeting and that includes: (1) adjusting the policy band higher to allow for an immediate strengthening of the SGD on a trade-weighted basis; (2) adjusting the policy slope higher to increase the pace at which SGD appreciates on a trade-weighted basis; (3) widening the policy band from the current estimated $\pm 2\%$ in light of volatility in the financial markets; or (4) do nothing – to keep policy stance status quo (which is currently on a mild appreciating path). In certain circumstances, MAS can also deploy a combination of options.

Our House View: We expect MAS to increase the slope of the S\$NEER policy band at the upcoming April MPS, effectively quickening the pace of SGD appreciation to lean against rising imported inflation pressures.

Room for S\$NEER to strengthen if path of core CPI trends higher



Source: Bloomberg, OCBC Group Research

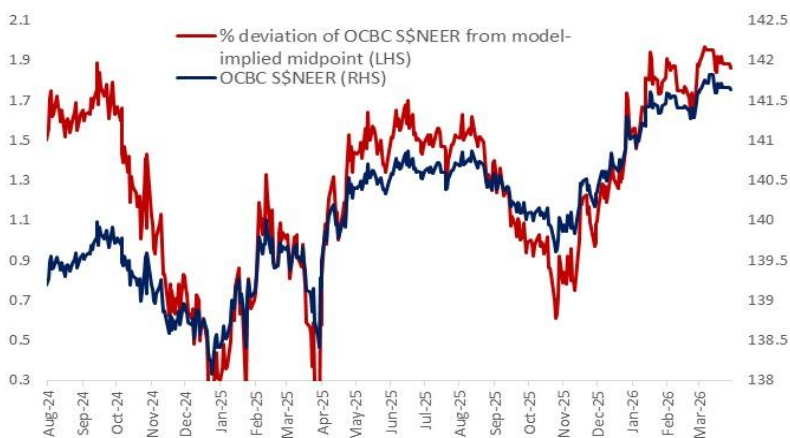
Singapore's near term inflation outlook may be influenced by renewed imported cost pressures, with risks tilting to the upside. The recent increase in oil prices and broader commodity volatility has reintroduced inflationary impulses through both direct fuel channels and indirect supply chain effects — a transmission mechanism that tends to be relatively quick and pervasive in a highly open economy like Singapore. This warrants a tightening response via slope increase, earlier rather than later.

Past policy episodes illustrate how large swings in global energy prices can influence Singapore’s inflation outlook and, by extension, monetary policy settings, including slope adjustments and/or re-centering moves when inflation risks become more persistent. The current setup, where imported inflation risks are rising but growth remains resilient (with risks of impact on economic activity but extent remains uncertain at this point) is more consistent with a tightening bias rather than patience.

That said, **we do not rule out an outside chance of a double-barrel tightening** via a combination of slope steepening and an upward re-centering of the policy band. This scenario would likely require MAS to assess that inflation risks are not only rising but also sufficiently persistent and broad-based to warrant a stronger and more front-loaded response. During the 2021-2022 tightening cycle, MAS did a double-barrel tightening in Apr-2022 via a combination of an upward re-centering of the mid policy band and increasing the slope of the policy band. The policy shift then was predicated on still-resilient growth expectations and rising inflation risks. For now, this remains **a tail risk rather than a base case**. We opined that MAS is likely to prefer a calibrated adjustment via the slope, while retaining optionality to do more should inflation dynamics deteriorate further.

We also observed that the relative strength in SGD (vs. basket) has increased, with S\$NEER strengthening towards the model-implied upper bound, in a way reflecting a shift in expectations towards MAS tightening.

Some expectation of tightening in the price



Source: OCBC Group Research estimates

Implications on USDSGD during Past Episodes of MAS Tightening

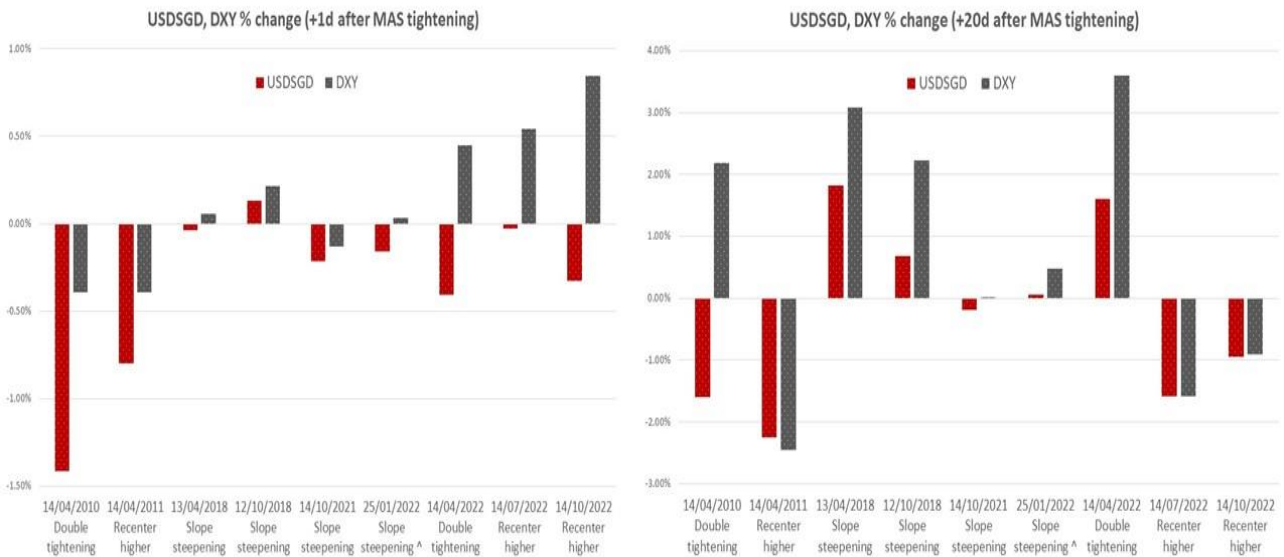
We looked back at USDSGD moves on the past few episodes of MAS tightening since 2010, on +1day and +20day % change post-MAS

policy action. We included DXY to account for the broader USD backdrop to assess whether MAS tightening effects are reinforced or offset by broader USD trends. Historically, the impact of MAS tightening on USDSGD has varied by the policy lever used.

Episodes involving a re-centering higher of the policy band, or a double-barrel tightening combining both slope steepening and re-centering, have generally exerted a larger downside impact on USDSGD than slope adjustments alone.

By contrast, a pure increase in the slope has tended to see a more muted and less consistent FX knee-jerk response as the increase in the slope is intended to guide a faster pace of appreciation path over time.

That said, MAS policy is only one side of the equation. The broader USD trend and macro-inflation backdrop remains crucial. In periods of broad-based USD strength, MAS tightening may partially cushion against USDSGD upside rather than trigger a sustained decline outright.

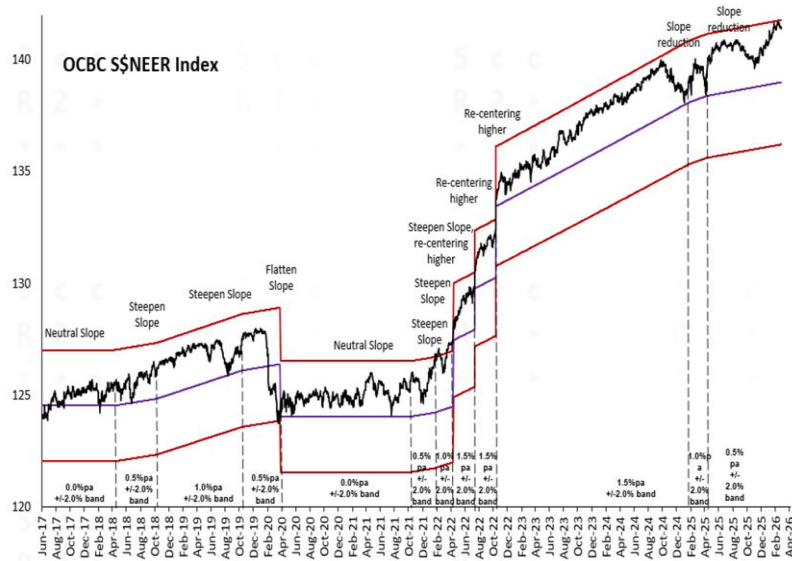


Note: ^ refers to off-cycle policy action
 Source: OCBC Group Research

In our base case scenario of slope increase, with a slight hawkish shift in the tone, S\$NEER may continue to hover near the upper bound of the band while USDSGD may see modest knee-jerk downside pressure post-decision, assuming the broader USD trend remains relatively balanced. But if the tone is more balanced, then reaction on USDSGD may be more muted.

In the outside-chance scenario of a double-barrel tightening by an upward adjustment in the policy band and an increase in the policy slope, the S\$NEER will see a one-off adjustment in the range of 150 – 200bps while the USDSGD is likely to see a knee-jerk pullback to the downside, assuming the broader USD trend remains relatively balanced.

Chart of S\$NEER



Source: Bloomberg, OCBC Group Research

That said, the influence of MAS policy on USDSGD should be viewed as only one of several drivers. Broader factors including geopolitical tensions, oil prices, USD dynamics, Federal Reserve policy expectations, RMB movements, regional growth–inflation dynamics and overall risk sentiment will continue to play an important role in shaping USDSGD beyond the immediate policy reaction.

USDSGD view

The near-term view may still see USDSGD trade 2-way, driven by geopolitical headlines. But into 2H 2026, we see room for the pair to trend lower, owing to expectations that geopolitical tensions fade, USD strength eases, Fed remains in easing cycle, still resilient-RMB helping to anchor broader sentiment while effects of tighter MAS policy should further help anchor SGD strength.

For the remainder of the year, we continue to project a mild degree of USDSGD downside over the forecast trajectory, premised on (1) moderately softer, albeit bumpy USD trend to continue amid Fed’s easing cycle; (2) still-resilient RMB; (3) while tariff impact on regional, Singapore growth to be largely manageable.

We continue to pay close attention to a few key risks that may impact SGD: (1) conflict in Middle East – if the ceasefire is a positive step to de-escalation or a false dawn as prolonged supply disruption may continue to affect energy prices, and in turn pose risks to inflation, economic growth; (2) broad USD trend given the high correlation between USDSGD and DXY. This can be a 2-way risks: if USD unexpectedly strengthens or Fed tightens, then USDSGD may even be exposed to upward pressure but if de-dollarisation trend returns in a big way that sees a more pronounced USD bear trend, then USDSGD may risk a larger decline; (3) RMB is also another development to watch – in particular China’s economic recovery and RMB fixing trend.

USDSGD technical outlook

USDSGD remains in a medium-term downtrend on the weekly chart (chart not shown here) with price action constantly capped below major moving averages while broader sequence of lower highs and lower lows since 2023 stay intact. This suggests that rallies remain corrective rather than trend-reversal at this point. Momentum on weekly chart shows signs of turning mild bearish while RSI turned lower.

USDSGD fell, post-US-Iran ceasefire deal announced earlier this week. Last seen at 1.2740. Daily momentum turned mild bearish while RSI fell. Rising wedge pattern – typically associated with bearish reversal – has played out. Key support at 1.2710 (23.6% fibo). Decisive break out puts next support at 1.2620., 1.2580 levels (2026 low). Resistance at 1.2780 levels (38.2% fibo retracement of Nov high to 2026 low), 1.2810 (21, 100 DMAs) and 1.2840/50 levels (50% fibo, 200 DMA).

USDSGD (Daily Chart): Can 1.27-support Hold Up?



SGD Curncy (Singapore Dollar Spot) Candle Chart Daily 10APR2023-09APR2026

Source: Bloomberg, OCBC Group Research

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09-Apr-2026 23:31:29

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