GLOBAL MARKETS RESEARCH

FX Weekly

10 June 2025

Tentative Breather for USD

Christopher Wong
FX and Rates Strategy
ChristopherWong@ocbc.com

Herbert Wong
Herberthtwong@ocbc.com

US CPI Report Can Be Binary Risk for USD. Stronger-than-expected US May NFP (+139k) and surprise pick-up in wage growth (+0.4% MoM) saw some signs of a tentative breather in the USD's decline (YTD ~10% down). Fed funds futures pared back rate cuts expectation to 46bps for this year with the chance of the next 25bp cut not fully priced until the October FOMC meeting. The more upbeat US payrolls report may potentially be a trigger for some USD short covering ahead of CPI, PPI reports (Wed, Thu, respectively) and FOMC event risk next week, unless US inflation surprises meaningfully to the downside. Elsewhere, we continue to monitor if the current round of US-China trade talks leads to a formalised agreement before the truce expires on 12 Aug. Positive developments on this front should continue to keep AxJs broadly supported.

Short SGDKRW Trade Intact. The KRW continued to outperform following the June 3 presidential elections. President Lee Jae-myung's decisive win helped to put an end to the political uncertainty that started in late-Dec 2024 (the martial law crisis and subsequent impeachment of former President Yoon). The result means both the presidency and legislature will be under the Democratic party's control, paving the way for greater political stability while the government focuses on delivering fiscal stimulus to support growth. Risk appetite should improve further, with positive market implications to be felt on KRW and Korean assets including KOSPI. In turn, this should reinforce the case for FX relative outperformance, with KRW playing catch-up to gains. Against this backdrop, our short SGDKRW trade (entered in early May at 1072.2) remains intact, especially with S$NEER near the model-implied upper bound (implying less room for SGD to appreciate against its peers) while high-beta KRW may have more room to play catch-up, riding on domestic political clarity, de-escalation in US-China tensions and chatters of FX being discussed during bilateral trade talks with US.

Data of interest this week includes UK labour market report (Tue); US CPI, ECB wage tracker, Korea unemployment rate, Malaysia IP (Wed); US PPI, UK IP, GDP, trade data (Thu); EU IP, trade (Fri).

Room for SGDKRW to Head Lower

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

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

AxJ Positioning Bias (Reuters Poll)

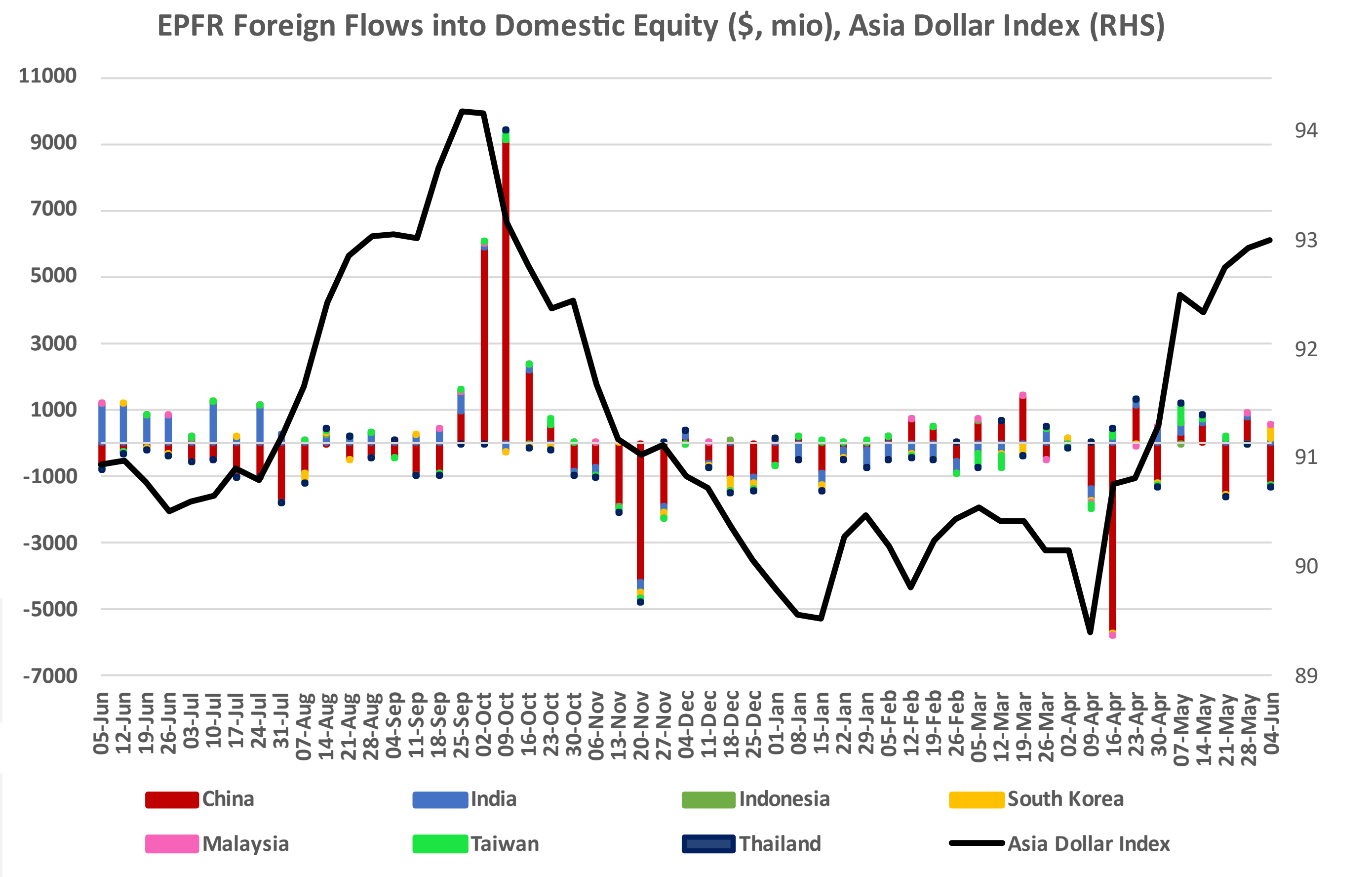
Based on Reuters survey on Asia FX positioning, market bullishness on AxJ FX increased. SGD, KRW, PHP and THB were most bullish while bullishness on INR and IDR remained lowest. That said, positioning shift on IDR was highest as markets flipped from bearish to small bullish whereas INR was the only AxJ that saw its mild bullish bets pared back. In terms of growing bullish bets, KRW, MYR and SGD stood out.

	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	29-May-25	Trend
USD/CNY	1.33	1.15	0.88	0.77	0.24	0.47	0.57	0.2	0	-0.67	
USD/KRW	1.04	1.01	0.83	1	0.72	1.13	0.19	-0.06	-0.22	-1.2	
USD/SGD	1.11	0.86	0.31	0.34	0.15	0.54	-0.26	-0.67	-0.54	-1.34	
USD/IDR	1.5	1.25	1.06	1.36	0.97	1.2	1.33	1.27	0.7	-0.32	
USD/TWD	1.01	1.14	0.59	0.71	0.85	1.14	0.06	-0.53	-1.01	-1.5	
USD/INR	1.78	1.98	1.22	1.47	1.09	0.01	-0.2	-0.58	-0.19	-0.08	
USD/MYR	1.01	0.62	0.37	0.45	0.42	0.33	0.04	-0.4	-0.15	-1.04	
USD/PHP	0.77	0.93	0.31	0.2	-0.13	-0.15	-0.65	-1.02	-0.68	-1.19	
USD/THB	0.54	0.23	0.02	0.48	0.08	0.4	-0.3	-0.61	-0.45	-1.14	

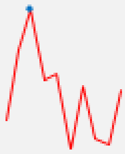
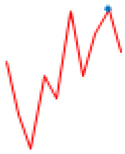
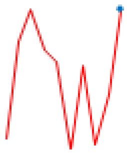
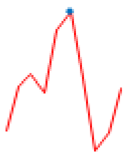
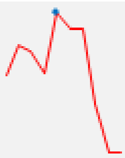
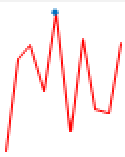
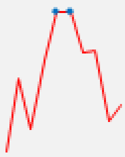
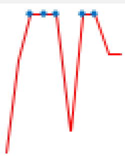
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change in positioning from last date. Source: Reuters [latest avail: 29 May 2025], OCBC Research.

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity outflows were observed in China, Taiwan and Thailand, with large outflows in China. Notably, South Korea saw sizeable inflows likely due to the 3 June presidential elections results. Asian currencies extended gains amid broad USD softness.



Note: Latest data available as of 4 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**: Wholesale inventories, trade sales (Apr); NY Fed 1Y CPI expectations; **Tue:** NFIB business optimism (May); **Wed: CPI,** real weekly earnings (May); **Thu:** PPI (May); initial jobless claims; Fed budget balance; **Fri:** Uni of Michigan sentiment (Jun P)		**S: 97.90; R: 101.30**
EURUSD	**Mon:** - Nil – **Tue:** Sentix investor confidence (Jun); **Wed:** ECB wage tracker; **Thu:** - Nil – **Fri:** IP, trade (Apr); German CPI (May)		**S: 1.1250; R: 1.1500**
GBPUSD	**Mon:** - Nil – **Tue:** BRC Sales (May); **Labour market report (Apr);** **Wed:** - Nil – **Thu**: IP, GDP, trade (Apr); **Fri:** Inflation expectations; S&P, KPMG, REC UK report on jobs		**S: 1.3260; R: 1.3620**
USDJPY	**Mon:** GDP (1Q F); Current account (Apr); **Tue:** Machine tool orders (May P); **Wed:** PPI (May); **Thu:** BSI manufacturing survey (2Q); **Fri:** Industrial production, capacity utilisation (Apr)		**S: 142.20; R: 146.10**
AUDUSD	**Mon:** - Nil – **Tue:** Consumer confidence (Jun) Business confidence (May); **Wed:** - Nil – **Thu**: Inflation expectations; **Fri:** - Nil –		**S: 0.6350; R: 0.6600**
USDCNH	**Mon: CPI, PPI, trade (May)** **Tue**: - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 7.1620; R: 7.2240**
USDKRW	**Mon**: - Nil – **Tue:** Current account (Apr); **Wed:** Unemployment rate (May); **Thu:** - Nil – **Fri:** - Nil –		**S: 1,346; R: 1,386**
USDSGD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.2810; R: 1.2980**
USDMYR	**Mon:** FX reserves (May); **Tue:** - Nil – **Wed:** Industrial production (Apr) **Thu:** - Nil – **Fri:** - Nil –		**S: 4.2000; R: 4.2800**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** Consumer confidence (May) **Fri:** - Nil –		**S: 16,050; R: 16,450**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

Near Term Consolidation. Stronger-than-expected US May NFP (+139k) and surprise pick-up in wage growth (+0.4% MoM) saw some signs of a tentative breather in the USD's decline (YTD ~10% down). Fed funds futures pared back rate cuts expectation to 46bps for this year with the chance of the next 25bp cut not fully priced until the October FOMC meeting. The more upbeat US payrolls report may potentially be a trigger for some USD short covering ahead of CPI, PPI reports (Wed, Thu, respectively) and FOMC event risk next week, unless US inflation surprises meaningfully to the downside. On this note, we opined US CPI (on Wed) can be a binary event risk. Consensus expects core CPI to pick up slightly to 0.3% MoM (vs. 0.2% prior) and headline CPI to hold steady at 0.2% MoM. Softer print may see USD softness resuming while firmer print may see USD shorts unwind further ahead of FOMC next week. Elsewhere, we continue to monitor trade talks between US and other countries. In particular, if the current round of US-China trade talks leads to a formalised agreement before the truce expires on 12 Aug. Positive developments on this front should continue to keep AxJs broadly supported.

DXY was last at 99 levels. Daily momentum and RSI indicators are not showing a clear bias. 2-way trades likely in recent ranges, for now. Support at 98.35, 97.90 (2025 low). Resistance at 99.80 (21 DMA), 100.20 (50 DMA).

As the USD continues to breach fresh multi-month lows, exporters in the region, along with global asset managers, are likely to partially reduce their USD holdings and/or 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, assuming 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.

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 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

Bulls Need to Reclaim 1.15 Handle for Momentum to Extend. EUR consolidated last week despite ECB delivering its 8th rate cut in the current easing cycle (total of 200bps reduction in policy rates). The move was well anticipated but more importantly at the press conference, Lagarde emphasised that the ECB is now "in a good position" to navigate the uncertainties ahead. She also indicated that growth had only been downgraded in the near term, while higher fiscal spending would support the economy in the medium term. The recent downward trend in headline CPI was due to lower energy prices and stronger EUR, both temporary effects and subject to market volatility.

Other ECB officials also echoed similar views relating to ECB nearing the end of the easing cycle. Kazimir said "As things stand now, ECB is nearly done, if not already at the end of the easing cycle". He also said that incoming data throughout summer will provide a clearer picture and guide ECB's decision on whether further fine-tuning is needed. He added that ECB has cut rates to reach neutral territory without compromising the ability to respond if inflation were to pick up again. Nagel said that "We have now reached neutral territory with our monetary policy and rates — this means that we are no longer restrictive, we can now take our time… we now have maximum flexibility at this rate level". Vujcic said that the ECB is nearly done while Stournaras said that the bar for more rate cuts is high. He also added that the views among the Governing Council (difference between doves-hawks) "have converged". This reinforces our earlier view that *prospects of ECB cut cycle nearing its end and room for Fed to resume easing cycle in due course should see yield differentials narrow in favour of EUR.* Our house view looks for 1 more ECB cut this year, but this is already more than priced in.

Progress of trade talks remains on the radar as the 9 Jul deadline draws closer. EU trade chief Sefcovic had earlier 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 9 Jul. The threats are a 50% tariff of EU goods and potentially sectoral tariffs on cars and pharmaceuticals. 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 sell USD trade remains intact, then EUR may still be largely supported on dips.

EUR was last seen at 1.1420 levels. Daily momentum is mild bullish while RSI is flat. Range-bound trade likely for now. Support at 1.1310 (21 DMA), 1.1235 (23.6% fibo retracement of 2025 low to high). Immediate resistance at 1.1420/30 levels before 1.15, 1.1570 levels (2025 high). EUR needs to break out of recent high for momentum to carry on. Failing which, it may well revert to trading 1.12 – 1.15 range.

We remain constructive on EUR's outlook due to recent developments: 1/ German/European defence spending plans can lend a boost to growth; 2/ 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); 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.

Going back in time to the 2010-12 period, Greece was the focal point of the European sovereign debt crisis and contagion risks quickly spread to other vulnerable countries. Concerns over the sustainability of public finance also arose in Ireland, Portugal and later 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 that also partly contributed to the 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.

Lagarde's recent comments (on EUR) 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 characterised 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.

GBPUSD

Plenty of Data to Digest. GBP continued to hover near recent highs amid broad USD softness while EUR's rally had spillover effects. While better than expected data (reflected in recent GDP, retail sales, PMI data) has been supportive of GBP's rally, this week's labour market data (Tue), IP, GDP, trade data on Thu as well as the S&P, KPMG, REC UK joint report on jobs (Fri) will be key. A stronger print should continue to solidify GBP's rebound momentum, but a softer report may dent the momentum.

Pair was last at 1.3565. Daily momentum and RSI indicators on daily chart are not showing a clear bias. Consolidation likely. Next resistance at 1.3620, 1.3750 levels. Support at 1.3440/50 levels (previous double top, now turned support, 21 DMA), 1.33 (50 DMA). We look for opportunity on dips to buy into.

We are slightly optimistic on GBP outlook. The UK trade deal with US takes away some element of tariff uncertainty for now while better than expected data such as the 1Q GDP, less dovish BoE rhetoric, 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) and growing twin deficits of current and fiscal accounts.

USDJPY

US CPI is Near Term Event Risk before BOJ, FOMC Next Week. USDJPY was bumped higher into 145-levels briefly last Fri as better than expected US payrolls report saw markets pare back on Fed cut expectations and push back the timing of next rate cut to Oct. UST yields were broadly higher with UST-JGB differentials widening, and in turn driving USDJPY higher. To some extent, markets were also reacting to earlier media reports that BoJ is considering a smaller reduction to its bond purchase program. According to BoJ minutes last week, the BoJ received a sizeable number of requests from bond market participants to maintain or halve its quarterly taper size to around JPY200bn, from Apr-2026 onwards (from current JPY400bn). A final decision is expected at the next BoJ MPC (17 Jun), when the board conducts a review of its current tapering plan through Mar-2026 and comes up with the next program from Apr-2026 to Mar-2027. A reduction in pace of taper means more bond buying than expected, which may imply that JGB yields can be pressured lower, and this can weigh on JPY. Elsewhere on trade talk developments, negotiator Akazawa said progress was made in the 5th round of talks but have not reached a deal yet. Separately, Akazawa also expressed doubts that PM Ishiba and Trump would hold talks before G7 summit in Canada (15 – 17 Jun) but we believe the fluidity of tariff developments may not rule out any impromptu meeting.

USDJPY was last at 144.30 levels. Daily momentum turned mild bullish but rise in RSI moderated. Consolidation likely for now. Support at 142.20, 141.60 before 139.90 (recent low in Apr). Resistance at 144.40/60 levels (21, 50 DMAs, 23.6% fibo retracement of 2025 high to low), 145.10 and 146.20. Near term, US CPI data risk to watch. A firmer print may lead to further upticks in USDJPY but an underwhelming print should see USDJPY trade lower. We kept our short USDJPY trade (entered at 148 as per FX Weekly 13 May), targeting a move towards 141. SL at 147.22.

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 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. It is important to note 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. USDCAD traded lower last week amid a persistent week US dollar. On June 4, the Bank of Canada (BoC) kept interest rates unchanged, in line with market expectations, but cited uncertainty around tariffs and their impact on the Canadian economy. Officials hinted that a rate cut could become necessary if the economy weakens and inflation remains contained, while emphasized the need for greater clarity on trade front before acting. Data-wise, Canada's May jobs report was better than expectations, with details showing solid gains in both full-time employment and hours worked. With the economy (Q1GDP growth QoQ +2.2%) and labour market both demonstrating resilience, the data is unlikely to change the BoC' path. A policy pause is likely to extend through July. Elsewhere, Prime Minister Carney stated that Canadian and US officials are actively negotiating a new bilateral economic and security agreement.

This week data calendar is relatively light, with highlights including Apr manufacturing sales data and the US May inflation report. The Federal Reserve will enter its pre-FOMC quiet period this weekend ahead of the June 18 meeting.

With the USD rebound unlikely to extend far, USDCAD should see greater selling pressure on the 1.3740/50 level and toward 1.3800. Weekly support levels are at 1.3630/40 and 1.3600.

AUDUSD

Bulls Need to Break Above 0.6550 to Gather Momentum. AUD continued to drift higher last week. US-China trade talk optimism (supported risk sentiments), softer USD trend and steady CNY were some of the factors keeping AUD supported. Pair was last seen at 0.6510 levels. Daily momentum is mild bullish bias while RSI rose. Bullish crossover observed as 21 DMA cuts 200 DMA to the upside. Upside risks likely. Next resistance at 0.6550 (61.8% fibo retracement of 2024 high to 2025 low), 0.6645 levels. Support at 0.6430/50 levels (50% fibo, 21 DMA), 0.6380 (50 DMA) and 0.6310 levels (38.2% fibo, 100 DMA).

AUD, a high beta FX, is typically exposed to swings in RMB, equity sentiments and global growth prospects. Recent development was promising signs of tariff de-escalation as US-China trade talks get underway while soft USD kept AUD supported. The interplay of dovish RBA and 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

Consolidation. USDSGD continued to consolidate near recent lows, following the >6% decline YTD. Near term, US data/event risks including US CPI, PPI reports (this week), FOMC meeting (next week) and US-China trade talks are some factors that may temporarily see markets re-assess developments, resulting in consolidative price action. US CPI can be a binary event – softer print may see USD softness resuming while firmer print may see USD shorts unwind further ahead of FOMC. But beyond the near term, we continue to expect USDSGD to trend lower. Pair was last at 1.2865 levels. Daily momentum is mild bullish but RSI eased. Consolidation likely for now, with the pair likely taking cues from external drivers. Resistance at 1.2920 (21 DMA), 1.3020 (76.4% fibo retracement of 2024 low to 2025 high). Support at 1.2850, 1.2790 (Sep 2024 low).

Taking stock, SGD has performed well this year, up about 6.1% 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 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 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.

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 the July MPC meeting for a 3rd consecutive time after 2 back-to-back easing in Jan and Apr this year. That said, we continue to monitor CPI (next report on 23 Jun), 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

Await Details of US-China Trade Talks. USDCNH consolidated below 7.20-figure amid softer USD while US-China trade talks sparked optimism. To be fair, we refrain from jumping the gun but look for signs of a follow-up for another round of trade talks or a more formalised agreement before the trade truce expires on 12 Aug.

Softer USD trend and steady USDCNY fix (in the range of 7.1845 - 7.1886 last few sessions) saw spread between onshore USDCNY and offshore USDCNH narrow. USDCNH was last at 7.1850 levels. Daily momentum is mild bullish while RSI rose. Death cross (50DMA to cut 200DMA to the downside) appears to be in the making. Bias to sell rallies. Resistance at 7.1960 (21 DMA), 7.2010 (50% fibo) and 7.2250 levels (200 DMA). Support at 7.1650, 7.1475 (61.8% fibo retracement of 2024 low to 2025 high).

Between DXY and CFETS index, the movement remains well 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. This week, there are a handful of key event risks including US-China talks, US CPI data and FOMC next week. We may enter a phase of consolidation in the near term after a decline of about 6% in CFETS since start of year.

We expect 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.

SGDKRW

Short Bias. The KRW continued to outperform following the June 3 presidential elections. President Lee Jae-myung's decisive win helped to put an end to the political uncertainty that started in late-Dec 2024 (martial law crisis and subsequent impeachment of former President Yoon). The result means both the presidency and legislature will be under Democratic party's control, paving the way for greater political stability while the government focuses on delivering fiscal stimulus to support growth. Risk appetite should improve further, with positive market implications to be felt on KRW and Korean assets including KOSPI. In turn, this should reinforce the case for FX relative outperformance, with KRW playing catch-up to gains.

Against this backdrop, our short SGDKRW trade (entered in early May at 1072.2) remains intact, especially with S$NEER near the model-implied upper bound (implying less room for SGD to appreciate against peers) while high-beta KRW may have more room to play catch-up, riding on domestic political clarity, de-escalation in US-China tensions and chatters of FX being discussed during bilateral trade talks with US. Cross was last at 1053 levels. Bearish momentum on daily chart intact while RSI fell to near oversold conditions. Bias remains for further downside play. Support at 1046 (Aug low to 2025 high), 1034 (76.4% fibo) and 1010 levels (Aug low). Resistance at 1057 (50% fibo), 1067 (38.2% 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			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: Sideways

SGDMYR was a touch softer last week. Cross was last at 3.29 levels.

Daily momentum is flat while RSI fell. Key moving averages are flat, and possible converging at some point. This can be a precursor to breakout trade (price expansion). For now, consolidation is likely.

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

Resistance at 3.3040/80 levels (21, 100, 200 DMAs), 3.3140/50 levels (50 DMA, 38.2% fibo retracement of Jul high to Sep).

SGDJPY Daily Chart: Consolidation with Slight Upside Risk

SGDJPY firmed last week. Cross was last seen at 112.30 levels.

Mild bearish momentum on daily chart faded while RSI rose. Consolidation with slight upside risk not ruled out in the near term.

Resistance at 112.60/90 levels (200 DMA, 61.8% fibo) and 113.60.

Support at 111.80/95 (50% fibo retracement of 2025 high to low, 100 DMA) 110.60/80 levels (50 DMA, 38.2% fibo).

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

Gold Daily Chart: Corrective Pullback

Gold attempt to try higher stalled at 3403 last week. Last seen at 3310 levels.

Daily momentum shows tentative signs of turning bearish while RSI fell. Risks skewed to the downside.

Key support at 3290 levels (23.6% fibo retracement of 2025 low to high, 21 DMA) before 3260 (50DMA) and 3160 (38.2% fibo retracement of 2025 low to high).

Resistance at 3410, 3450 levels.

Silver Daily Chart: Bullish Break Out of Flag Played Out

In the last FX weekly, we flagged the potential for bullish flag breakout trade. Since then, Silver has traded higher. Break out saw silver rose to multi-year high of 36.33 before easing off slightly. Last seen at 36 levels.

Daily momentum is bullish bias while RSI rose to near overbought conditions. Bullish bias remains intact; buy dips preferred.

Resistance at 37.50 (2012 high), 39.60 levels.

Support at 34.80/90 levels, 33.50 (21 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	36.96	38.15	39.35	40.43	41.30

Source: OCBC Research *(Latest Forecast Updated: 10 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

GLOBAL MARKETS RESEARCH

Macro Research

Selena Ling
Head of Research & Strategy
lingsselena@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

Co.Reg.no.:193200032W