FX Weekly

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Central Banks, Geopolitics to Drive Price Action

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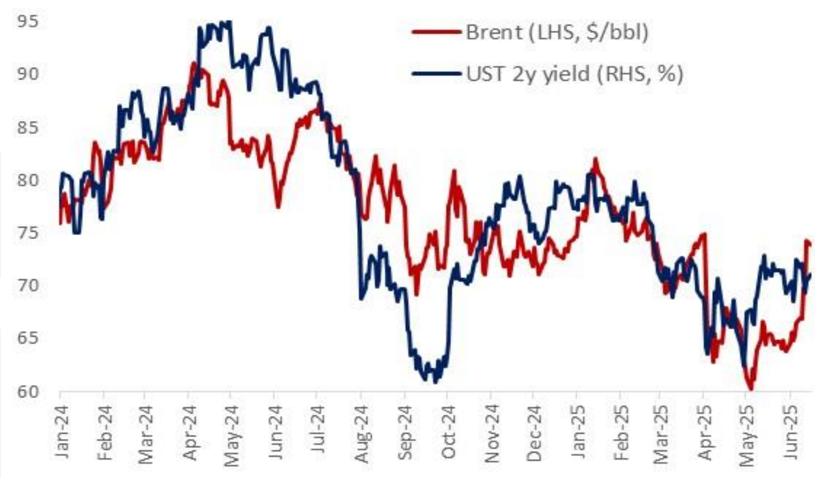
Markets Appear to Favor "Sell USD" Trade. The week is packed with major central bank decisions, including the Fed, BoE, BoJ, SNB, BI, and CBC. Escalation in geopolitical tensions between Israel and Iran add to uncertainty, as markets navigate between Fed guidance and safe haven flows. The Fed takes centre-stage (decision on Thu 2am SGT). While no policy rate change is expected, the focus is on the updated dot plot and Fed Chair Powell's tone at the press conference. The market is currently pricing in two rate cuts by year-end. If the Fed signals only one cut (vs. last dot plot where 2 cut was anticipated) or pushes back against easing expectations, the USD could strengthen. Conversely, a less hawkish stance might lead to renewed sell-off in USD. While USD rebounded last Fri, the constrained price action suggests it has yet to fully reclaim its safe haven status. In geopolitical space, Israel-Iran tensions are keeping risk appetite in check. Any **de-escalation may well see USD softness resume**, while escalation favours gold, CHF and JPY. Gold is trading above $3,400, underpinned by safe-haven demand and portfolio diversification. A decisive push beyond $3,450 could push prices above $3,500, while failure to break may see it may revert to trade $3,280 – $3,450 range.

BoJ, BoE to Hold; SNB to Ease. In the JPY space, USDJPY dipped to 142.80 before recovering. The BoJ's meeting on Tuesday could complicate the JPY's safe haven narrative. Recent comments from Governor Ueda suggest that the timeline for policy normalisation may be extended, but the path to a potential rate hike remains intact due to rising price pressures and wage growth. BoE (on Thu) is expected to maintain policy rate at 4.25%, but a dovish tilt could extent the Pound's recent pullback. The SNB, facing entrenched disinflation, may signal a dovish cut, potentially supporting USDCHF upticks.

In Asia, BI, CBC policy decisions are expected on Wed and Thu, respectively. Our house view looks for both central banks to keep respective policy rates on hold.

Further Rise in Oil Prices May Pose Upward Risk to Yields



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

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

AxJ Positioning Bias (Reuters Poll)

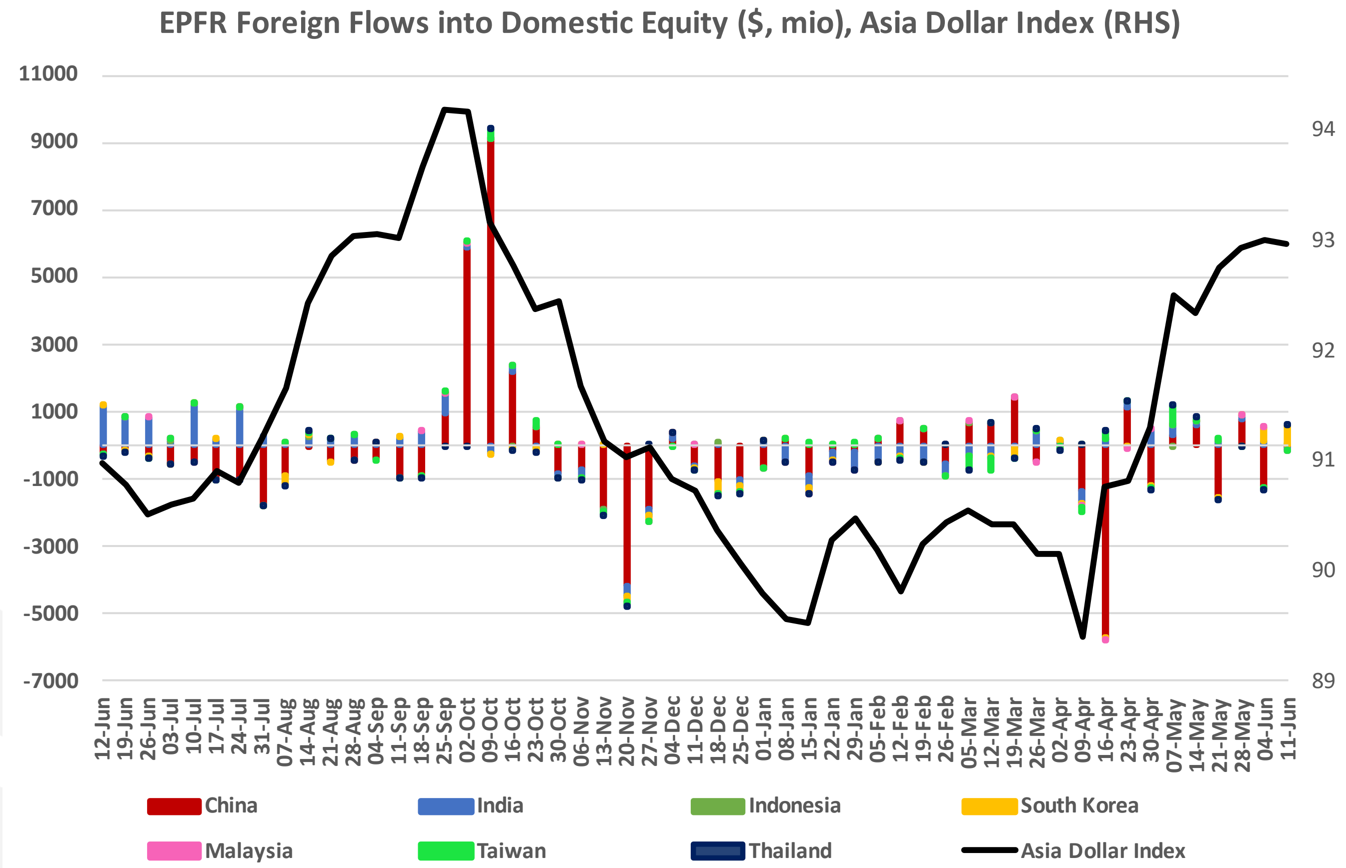
Based on Reuters survey on Asia FX positioning, market bullishness on AxJ FX increased somewhat. TWD, KRW and MYR were most bullish but INR was flat. IDR and MYR saw bullish bets extend more while bullish bets on PHP, SGD and INR were reduced.

	06-Feb-25	20-Feb-25	06-Mar-25	20-Mar-25	03-Apr-25	17-Apr-25	01-May-25	15-May-25	29-May-25	12-Jun-25	Trend
USD/CNY	1.15	0.88	0.77	0.24	0.47	0.57	0.2	0	-0.67	-0.78	
USD/KRW	1.01	0.83	1	0.72	1.13	0.19	-0.06	-0.22	-1.2	-1.37	
USD/SGD	0.86	0.31	0.34	0.15	0.54	-0.26	-0.67	-0.54	-1.34	-1.24	
USD/IDR	1.25	1.06	1.36	0.97	1.2	1.33	1.27	0.7	-0.32	-0.6	
USD/TWD	1.14	0.59	0.71	0.85	1.14	0.06	-0.53	-1.01	-1.5	-1.58	
USD/INR	1.98	1.22	1.47	1.09	0.01	-0.2	-0.58	-0.19	-0.08	0.03	
USD/MYR	0.62	0.37	0.45	0.42	0.33	0.04	-0.4	-0.15	-1.04	-1.25	
USD/PHP	0.93	0.31	0.2	-0.13	-0.15	-0.65	-1.02	-0.68	-1.19	-0.93	
USD/THB	0.23	0.02	0.48	0.08	0.4	-0.3	-0.61	-0.45	-1.14	-1.24	

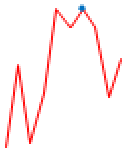
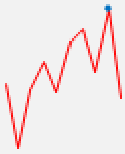
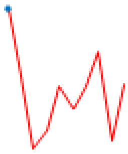
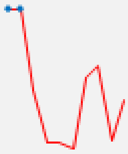
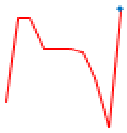
Note: Asian FX poll is conducted by Reuters, on bi-weekly basis on what analysts and fund managers believe the current market positioning are. Poll uses estimates of net short or long on a scale of -3 to +3. A score of +3 indicates significant long USD against the AxJ FX. Arrow direction indicates change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

EPFR Foreign Flows to Selected AxJ Equities vs. Asiadollar Index

Net foreign equity inflows were observed in South Korea and Thailand, with outflows in Taiwan. Net outflows from China slowed. Gains in Asian FX moderated as geopolitical tensions weighed on sentiments.



Note: Latest data available as of 11 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**: Empire mfg (Jun); **Tue:** Retail sales, IP, import/export price index (May); **Wed:** Housing starts, building permits (May); initial jobless claims; **Thu: FOMC**; **Fri:** Philly Fed business outlook (Jun); Leading index (May)		**S: 97.60; R: 100.30**
EURUSD	**Mon:** Labor cost (1Q); **Tue:** ZEW survey expectations (Jun); **Wed:** CPI (May); current account (Apr); **Thu:** Construction output (Apr); **Fri:** Consumer confidence (Jun); German PPI (May)		**S: 1.1400; R: 1.1700**
GBPUSD	**Mon:** Rightmove House Prices (Jun); **Tue:** - Nil – **Wed:** CPI, PPI, RPI (May); house price index (Apr); **Thu**: **BoE MPC** **Fri:** Retail sales, public finances (May); GfK consumer confidence (Jun)		**S: 1.3260; R: 1.3630**
USDJPY	**Mon:** - Nil – **Tue: BoJ MPC;** **Wed:** Trade (May); core machine orders (Apr); **Thu:** - Nil – **Fri:** CPI (May)		**S: 142.20; R: 146.10**
AUDUSD	**Mon:** - Nil – **Tue:** - Nil – **Wed:** Westpac leading index (May); **Thu**: Labour market report (May); **Fri:** - Nil –		**S: 0.6350; R: 0.6550**
USDCNH	**Mon:** IP, FAI, retail sales, jobless rate, home prices (May); **Tue**: - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** 1y, 5y loan prime rate		**S: 7.1620; R: 7.2240**
USDKRW	**Mon**: - Nil – **Tue:** Export, import price index (May); **Wed:** - Nil – **Thu**: - Nil – **Fri:** PPI (May)		**S: 1,346; R: 1,386**
USDSGD	**Mon:** - Nil – **Tue:** NODX (May) **Wed:** - Nil – **Thu:** - Nil – **Fri:** - Nil –		**S: 1.2760; R: 1.2980**
USDMYR	**Mon:** - Nil – **Tue:** - Nil – **Wed:** - Nil – **Thu:** - Nil – **Fri:** Trade (May); FX reserves (Jun)		**S: 4.2200; R: 4.2800**
USDIDR	**Mon:** - Nil – **Tue:** - Nil – **Wed: BI MPC** **Thu:** - Nil – **Fri:** - Nil –		**S: 16,150; R: 16,450**

Source: Bloomberg, OCBC Research

Key Themes and Trades

DXY

Heavy Bias. USD traded a touch firmer amid geopolitical escalation between Israel and Iran. This morning, Bloomberg headlines stated that Iran's new Israel strike was "more crushing" than before. While USD did rebound last Fri, the constrained price action suggests it has yet to fully reclaim its safe haven status. Geopolitical risks—renewed tensions between Israel and Iran—may keep risk sentiment fragile. As such, high-beta FX such as AUD and NZD may trade on the back foot if tensions continue to rise. That said, any de-escalation would likely weigh on the dollar and bring support back to risk proxies.

Focus this week is on FOMC (Thu 2am SGT). Status quo likely, but all eyes on the dot plot, press conference. Markets look for 2 cuts by year-end. If the Fed signals only one cut (vs. last dot plot where 2 cut was anticipated) or pushes back against easing expectations, the USD could strengthen. Conversely, a less hawkish stance might lead to renewed sell-off in USD.

As of writing, the DXY is facing renewed selling pressure. In latest developments, Trump said Iranian officials called him to discuss the situation. Earlier, Trump urged Iran to make a deal after Israeli attacks. DXY was last at 98 levels. Daily momentum is mild bearish bias while RSI shows signs of falling towards near oversold conditions. Support at 97.60 (recent low). Resistance at 99.20 (21 DMA), 99.70 levels (50 DMA).

As the USD continues to breach fresh multi-month lows, exporters in the region, along with global asset managers, are likely to continue reducing their USD holdings and/or increasing 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 jeopardised if US exceptionalism makes a comeback or if global growth shows further signs of weakening.

Over the forecast horizon, we continue to expect USD to trade weaker as USD diversification/ re-allocation trend takes centre-stage while Fed cut cycle potentially comes into focus in 2H 2025. More fundamentally, we continue to question USD's status as a reserve currency and a safe haven. The rise in US protectionist measures have significantly heightened economic policy uncertainty, which in turn challenges the USD's status as the world's primary reserve currency. US national debt is more than USD36trn and a recent report from US Congressional Budget Office estimated that the One, Big, Beautiful Bill will add USD3.8trn to the US's USD36.2trn debt over the next decade, with the deficit potentially stretching to around 7% of GDP in the coming years. While this may stimulate growth in the short term, it raises significant concerns about the rising trajectory of debt and deficits in the medium term, as well as the associated sovereign risk. These factors, combined with the policy unpredictability surrounding Trump's tariffs and the erosion of US exceptionalism, can continue to undermine sentiment and confidence in the USD.

Nevertheless, we are not looking for an imminent displacement of the USD. Trade invoices denominated in USD still accounts for half of global trade and as much as ~70% of APAC still invoices in USD. USD share of swift payment is high 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 extended its run higher, upon decisive break of 1.15. Comments from ECB officials have largely been supportive of further EUR strength. For instance, Lagarde took opportunity last week to talk about how EUR can play as a reserve currency. She said the further shifts may be underway in global currencies and that currency shift may boost Euro's international role. 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". 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.

EU-US trade talks remain 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 the sell USD trade remains intact, then EUR may still be largely supported on dips.

EUR was last seen at 1.1580 levels. Mild bullish momentum on daily chart is intact while RSI is near overbought conditions. Immediate resistance at 1.1630 (previous high). Break puts next resistance at 1.17 levels. Support at 1.1490, 1.14 (21 DMA) and 1.1330 (50 DMA).

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.

GBPUSD

BoE MPC This Thu. GBP eased further as escalation in geopolitical tensions weighed on sentiments. Pair was last at 1.3540 levels. Daily momentum shows tentative signs of turning mild bearish while RSI fell. Pullback lower not ruled out in the near term. Support at 1.3510 (21 DMA), 1.3440 levels. Resistance at 1.3630 (overnight high). This week's focus on BoE (Thu). No change expected, but weaker labour market report and downside surprise to growth have already saw markets add to rate cut expectations later this year. Dovish tilt in MPC vote may see GBP extend recent pullback.

The KPMG and REC UK Report on Jobs for May (released last Fri) showed a continued decline in UK recruitment activity, with hiring activity for permanent staff slowing. Employers are still holding back on hiring due to weaker confidence around the outlook and concerns over costs has dampened staff hiring. Elsewhere, candidate supply saw its sharpest rise in 4.5years. Recruiters signalled quicker increases in the supply of both permanent and temporary staff, with the former recording the sharper rate of expansion. It was also mentioned in the report there were frequent cases that redundancies and fewer job opportunities has pushed up candidate numbers in the latest survey period.

We are slightly optimistic on GBP outlook, owing to soft USD outlook. The UK trade deal with US takes away some element of tariff uncertainty for now while GBP as a carry alternative and softer USD trend are some factors supportive of GBP. We also reckon the USD diversification/ reallocation flows can also benefit GBP amongst other reserve FX. For downside risks, we continue to watch labour market development (if job growth slows further) and growing twin deficits of current and fiscal accounts.

USDJPY

BoJ, Geopolitics, Surge in Oil Prices Temporarily Complicate Near Term Outlook. Geopolitical escalation in Middle East saw safe haven proxies, including JPY strengthening last Fri. USDJPY touched a low of 142.80 before rebounding. Surge in oil prices saw UST yields rose, and subsequently led to USDJPY's rebound. BoJ MPC on Tue may complicate JPY's safe haven story. Governor Ueda's recent comments that BoJ is still some distance from 2% goal gave the impression that timing of next hike may be pushed back. Although the timing of BoJ policy normalisation may be deferred, policy normalisation is not derailed. Broadening price pressure and wage growth suggest that BoJ's next course of action remains a hike but in the interim, BoJ may prefer to stay on hold due to uncertainties on outlook and tariff. Nevertheless, we remain watchful for any surprise hawkish tone as that may pose downward pressure on the pair.

USDJPY was last at 144.35 levels. Daily momentum is mild bullish while RSI rose. 2-way trades likely for now. Support at 144 (21, 50 DMAs), 142.50 levels. Resistance at 145.10, 145.50 levels. We keep our short USDJPY trade (entered at 148 as per FX Weekly 13 May), targeting a move towards 141. SL at 147.22.

Our rates strategist shared that BoJ is widely expected to stay put on policy rate on Tuesday. Focus is on the interim review of its JGB purchase plan. According to the plan set out in July 2024, BoJ's monthly JGB purchase is on a step-down schedule by the quarter; Apr-Jun 2025 monthly purchases are set at JPY4.1trn (April actual was JPY3.95trn and May was JPY4.00trn), to be reduced to 3.7trn/3.3trn/2.9trn over the next three quarters. Our base-case is for BoJ to stick with this plan, with some shifts in allocation of reductions by remaining maturity. That said, the central bank may also discuss JGB purchase plans beyond April 2026 and if they were to slow the pace of JGB purchase reduction, they might make up for it during the months from April 2026 onwards. Separately, MoF is meeting with primary dealers this Friday to gauge bond demand; expectation is for some further tweaks (reduction) in the auction size of 40Y JGBs; the slack is likely to be taken up via bigger sizes at 2Y and/or 5Y auctions — this appears actionable given there are six 40Y bond auctions in FY2025 while there are twelve auctions each for 2Y and 5Y JGBs.

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. 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

Oil in Play. The Canadian Dollar (CAD) continues to be a key beneficiary of the ongoing oil price surge, fuelled by escalating Israel-Iran tensions and heightened concerns over potential disruptions to Iranian crude oil supply. Israel has launched strikes on critical Iranian infrastructure, including the main nuclear enrichment facility, underground ballistic missile storage sites, and the Revolutionary Guard Aerospace Command headquarters. Since the start of the month, crude oil prices have surged by 20.85%, while Brent crude climbing 19.23% over the same period.

While the Israel-Iran conflict is set to dominate headlines, this week's G7 summit in Canada will draw attention to potential diplomatic shifts. Key focus includes whether Canadian policymakers can align the nation more closely with the five other non-US member states. UK leader Starmer is also set to pursue restarting trade negotiations with Canada to strengthen bilateral commercial ties. This week's economic data includes June CFIB Business Barometer on Thursday and April retail sales figures releasing on Friday.

Technical indicators remain bearish, with USDCAD dipping below 1.3600 levels. Notable support levels are absent until the September low at 1.3420, leaving near-term support in the 1.3580–1.3600 range. Near-term resistance around 1.3680.

AUDUSD

Buy Dips Preferred. AUD eased off recent highs amid geopolitical tensions between Israel-Iran persisting for 4th consecutive day. That said, the decline in AUD was within recent range's lower bound. Pair was last at 0.6495. Mild bullish momentum on daily chart is fading while RSI eased lower. Slight risks to the downside. Support at 0.6470 (21 DMA), 0.6410/30 levels (50, 200 DMAs, 50% fibo retracement of 2024 high to 2025 low). Resistance at 0.6550 (61.8% fibo), 0.6645 levels. This week, AU labor market report (Thu), US FOMC will be of interests as well as tariff developments (as Trump indicated that US would send out letters informing countries of unilateral tariff rates soon)

AUD, a high beta FX, can be exposed to geopolitical shocks, swings in RMB, equity sentiments and global growth prospects. The interplay of geopolitical risks (weighing on sentiments), dovish RBA, tariff uncertainty are factors that restrain AUD from breaching higher but on the other hand, softer USD trend cushions the impact. Consolidation likely for now but it is also possible that AUD continues to trend higher should USD softness more than overwhelm.

USDSGD

Watch USD Direction. USDSGD saw a rebound last Fri but gains fizzled out as we start the new week. A lethargic USD bounce in light of geopolitical concerns, suggests that USD is far from reclaiming back its safe haven status. Nevertheless, a more contained outcome should see SGD trade supported. Also, this week, there is FOMC (Thu), possible chatters on trade talks (Trump expects deals to be made during G7 meeting this week) and SG CPI report (next Mon). These drivers may influence USDSGD.

Pair was last at 1.2815 levels. Bullish momentum on daily chart is fading but rise in RSI moderated. Consolidation likely for now, with risks to the downside. Support at 1.2760 (recent low), 1.2650 levels. Resistance at 1.2850/70 levels (21 DMA), 1.2920, 1.3020 (76.4% fibo retracement of 2024 low to 2025 high).

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 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 (+1.92% above model-implied mid), we continue to see limited room for SGD on a trade-weighted basis and expect trade peers (i.e. JPY, KRW) to play catch-up on gains 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

Consolidation. USDCNH continued to trade sideways under 7.20-figure, despite oil price volatility, risk-off sentiments (owing to geopolitical concerns) and small USD bounce. Elsewhere on US-China trade talks last week, Scott Bessent told reporters they had a "good meeting" while Lutnick called the discussions "fruitful". US signalled a willingness to remove restrictions on some tech exports in exchange for assurances that China is easing limits on rare earth shipments. We continue to look for signs for a more formalised agreement before the trade truce expires on 12 Aug.

Steady and lower USDCNY fix in the range of 7.1772 – 7.1855 for the last 5 sessions (vs 7.1845 - 7.1886 for the week before last week) helped to anchor relative stability in USDCNH. Pair was last at 7.1820 levels. Daily momentum is not showing a clear bias while RSI is flat. Death cross (50 DMA to cut 200 DMA to the downside) appears to be in the making. Bias to sell rallies. Resistance at 7.1920 (21 DMA), 7.2010 (50% fibo) and 7.23 levels (200 DMA). Support at 7.1650, 7.1475 (61.8% fibo retracement of 2024 low to 2025 high).

We reiterate that moves between DXY and RMB CFETS index remain 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. On the contrary, the reverse is also true. When DXY and RMB CFETS rise, RMB strength can be seen vs trade peers (because the latter may weaken on a stronger USD).

We expect policymakers 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 dashboard continue to see fairly significant correlation between Asian FX and RMB. If market perception bias about RMB is not negative (or positive), 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.

USDTWD

Oversold. USDTWD saw another round of sell-off this morning, in line with USD sell-off against some Asian FX including KRW. While the USD did bounce on geopolitical tensions in Middle East, the magnitude of USD's jump was not convincing. Given there remains demand for exporters/FIs to reduce USD exposure, and market participants want to avoid missing out on selling USD. This led to USDTWD trading heavy this morning. There is a risk of a cycle in which, fears of another sharp pace of TWD appreciation leading exporters/FIs rushing to reduce their USD holdings/exposure. And this may further result in excessive TWD strength and volatility (that may not be desirable for policymakers).

Spot was last at 29.57. Bullish momentum on daily chart shows tentative signs of fading while RSI fell further into oversold conditions. Bias skewed to the downside but cautious of snapback risk should geopolitical/macro conditions worsen of Fed turns more hawkish than expected. Support at 29.50, 29.20 levels. Resistance at 29.72, 29.94 (21 DMA). CBC MPC this Thu – we do not expect a move this round.

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: Interim Upside Risk

SGDMYR rose last week as SGD's resilience hold ground over MYR on escalation in geopolitical tensions, renewed uncertainty over unilateral tariffs. Cross was last at 3.31 levels.

Daily momentum turned mild bullish while RSI rose.

Resistance at 3.3140/50 levels (50 DMA, 38.2% fibo retracement of Jul high to Sep), 3.3250 levels.

Support at 3.2980/3.3015 levels (21, 200 DMAs), 3.2720 (23.6% fibo), 3.25 levels.

SGDJPY Daily Chart: Consolidation

SGDJPY traded a week of 2 halves last week. Cross was last seen at 112.35 levels.

Daily momentum and RSI indicators are not showing a clear bias. Consolidation likely for now.

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

Support at 111.70/95 (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: Bullish Momentum Returns

Gold resumed its uptick amid rise in geopolitical tensions in middle east last week. Last seen at 3430 levels.

Daily momentum shows signs of turning mild bullish while RSI rose. Risks skewed to the upside.

Resistance at 3450, 3500 levels.

Key support at 3324 (21 DMA), 3285/90 levels (50 DMA, 23.6% fibo retracement of 2025 low to high).

Silver Daily Chart: Consolidation

Silver consolidated last week, after hitting a high of near 36.90 the week before. Last seen at 36.30 levels.

Daily momentum is bullish bias but RSI eased from near overbought conditions. Buy dips preferred.

Support at 35, 34.70/80 levels and 34.30 (21 DMA).

Resistance at 36.90 (recent high), 37.50 (2012 high) and 39.60 levels.

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

Medium Term FX Forecasts

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

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

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