Weekly Macro Views (WMV)

OCBC Group Research

19 January 2026

Weekly Macro Update

Key Global Data for this week:

19 Jan	20 Jan	21 Jan	22 Jan	23 Jan
• **JN** Core Machine Orders • **AU** MI Inflation • **CH** GDP, New Home Prices • **CH** Retail Sales, Residential Property Sales • **JN** Industrial Production • **EC** CPI, Core CPI • **CA** CPI, Core CPI	• **SK** PPI • **NZ** PSI • **CH** 1Y LPR, 5Y LPR • **MA** Exports, Imports YoY • **GE** PPI, ZEW Survey • **EC** ZEW Survey, Construction Output • **IN** Eight Infrastructure Industries	• **AU** Westpac Leading Index • **SK** 20d Imports, 20d Exports • **NZ** Non-Resident Bond Holdings • **SI** Automobile COE Open Bid • **US** MBA Mortgage Application, Pending Home Sales • **CA** Industrial Product Price	• **NZ** Card Spending Retail • **SK** GDP SA QoQ • **JN** Trade Balance, Imports YoY, Exports YoY • **AU** Unemployment Rate • **MA** BNM OPR • **US** Initial Jobless Claims, Annualised GDP, PCE, Core PCE, Personal Spending	• **SK** Consumer Confidence • **NZ** CPI • **JN** CPI, Core CPI • **JN** BOJ Target Rate, BOJ Core CPI (Forecast) • **IN** HSBC PMI Composite • **SI** CPI, Core CPI

Summary of Macro Views:

Global	• **Global:** Tariff threats over Greenland • **Global:** Expecting slower economic and trade growth in 2026 • **US:** Beige Book signals mild growth, inflation risk
Asia	• **SG:** Strong 2025 NODX • **CH:** Growth on target • **CH:** Underlying divergence remains • **CH:** Resilient external demand • **CH:** More monetary supports • **CH:** Rising willingness for FX settlement • **HK:** Fervent trading and fundraising activities

Asia	• **ID:** 4Q25 investment growth slows, but exceeds annual target • **MY:** Solid growth in 2025 • **PH:** More Chinese tourists? • **TH:** February 2026 election
Asset Class	• **ESG:** Japan's GX-ETS to launch in FY2026, likely second largest ETS in Asia • **FX & Rates:** Pro-Risk, Guard Up

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Global: Central Banks

Forecast – Key Rates

People's Bank of China (PBoC)	Bank Indonesia (BI)	Bank Negara Malaysia (BNM)	Bank of Japan (BOJ)
中国人民银行			
Tuesday, 20th January	**Wednesday, 21st January**	**Thursday, 22nd January**	**Friday, 23rd January**

House Views

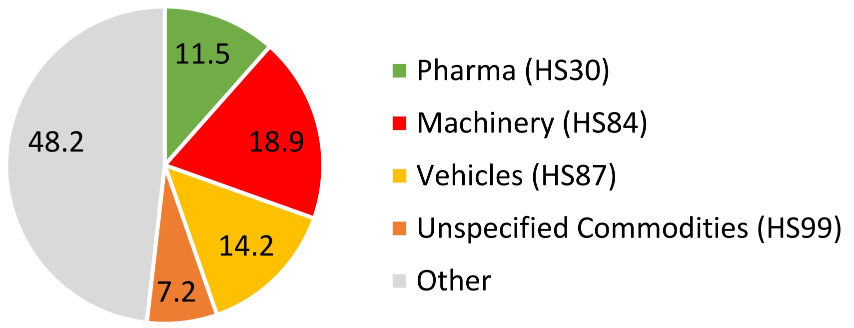
1-year Loan Prime Rate **Likely hold at 3.00%** *5-year Loan Prime Rate* **Likely hold at 3.50%**	*7D Reverse Repo* **Likely hold at 4.75%**	*Overnight Policy Rate* **Likely hold at 2.75%**	*Target Rate* **Likely hold at 0.75%**

Global: Tariff threats over Greenland

- US President Donald Trump has threatened to impose 10% tariffs on the UK, Norway, and six EU countries (France, Germany, the Netherlands, Denmark, Sweden, and Finland) starting 1 February 2026. Tariff rates may rise to 25% in June, unless they support the US stance on Greenland. The tariff threats specifically target NATO members that deployed troops to Greenland last week as part of a military exercise to strengthen Arctic security, an action President Trump described as "playing a very dangerous game." On Truth Social, President Trump stated that the US "needs Greenland for national security very badly," adding that without it, the US would face "a big hole in national security, especially in terms of what we're doing with the Golden Dome," his planned USD175bn missile-defence system.
- In response, the EU is reportedly considering imposing EUR93bn worth of tariffs on the US and may activate the Anti-Coercion Instrument (ACI), which could restrict US companies' access to the EU market. The package was initially prepared in 2025 but later suspended to avoid escalating trade tensions, according to the Financial Times. President Trump and European leaders, including European Commission President Ursula von der Leyen, are expected to hold talks this week at the World Economic Forum in Davos.
- US imports from the eight countries reached USD372.2bn in 2024, led by machinery and mechanical appliances, boilers, nuclear reactors (USD70.3bn), vehicles (USD52.9bn), and pharmaceutical products (USD43.0bn).

US imports from selected NATO-8 members

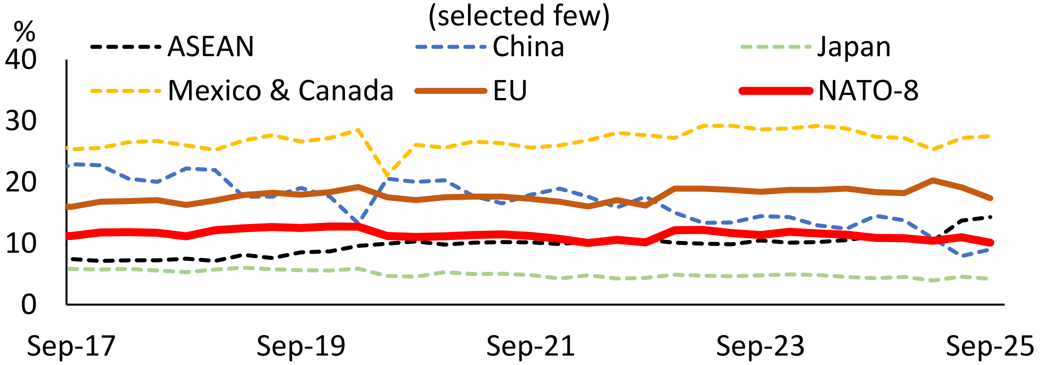
(% share of imports, 2024)



Source: UN Comtrade, Financial Times, Bloomberg, OCBC Group Research.

US imports by source

(selected few)



Note: Not seasonally adjusted. NATO-8 refers to the UK, Norway, France, Germany, the Netherlands, Denmark, Sweden, and Finland. The EU covers the 27 member countries, while ASEAN includes all 10 members. Source: US Census Bureau, CEIC, OCBC Group Research.

Global: Expecting slower economic and trade growth in 2026

- In the January Global Economic Prospects report, the World Bank revised up its 2026 global growth forecast to 2.6% YoY from 2.4% in its June 2025 projection, although this still represents a slight slowdown from 2.7% YoY in 2025. The upward revision reflects stronger-than-expected US growth, with the economy now projected to accelerate to 2.2% in 2026 from an estimated 2.1% in 2025. By contrast, China's growth is expected to moderate to 4.4% in 2026 from 4.9% in 2025, while eurozone growth is forecast to slow to 0.9% from 1.4%, largely due to the drag from US tariffs.
- Global trade growth is expected to slow notably in 2026 due to fading stockpiling effects and the growing impact of higher tariffs amid ongoing trade tensions and policy uncertainty. Trade is projected to strengthen again in 2027 as markets adjust, and uncertainties diminish. Meanwhile, crude oil prices are forecast to decline as demand weakens and OPEC+ increases supply, leading to a substantial surplus in oil markets.
- On price pressures, global inflation is expected to moderate further, albeit with lingering effects of tariff measures that likely introduce variations across major economies.

Real GDP (% YoY)	2023	2024	2025e	2026f	2027f	pp differences from June 2025 projections	
						2025e	2026f
World	**2.8**	**2.8**	**2.7**	**2.6**	**2.7**	**0.4**	**0.2**
Advanced economies	**1.6**	**1.7**	**1.7**	**1.6**	**1.6**	**0.5**	**0.2**
United States	2.9	2.8	2.1	2.2	1.9	0.7	0.6
Euro area	0.5	0.9	1.4	0.9	1.2	0.7	0.1
Japan	0.7	-0.2	1.3	0.8	0.8	0.6	0.0
Emerging market and developing economies	**4.4**	**4.3**	**4.2**	**4.0**	**4.1**	**0.3**	**0.2**
China	5.4	5.0	4.9	4.4	4.2	0.4	0.4
Indonesia	5.0	5.0	5.0	5.0	5.2	0.3	0.2
Thailand	2.0	2.5	2.0	1.8	2.5	0.2	0.1
India [1]	9.2	6.5	7.2	6.5	6.6	0.9	0.0

Memorandum items (% YoY uncles indicated otherwise)	2023	2024	2025e	2026f	2027f
World trade volume [2]	**0.6**	**3.4**	**3.4**	**2.2**	**2.7**
Commodity prices [3]					
WBG commodity price index	108.0	105.1	98.2	90.9	94.1
Energy index	106.9	101.5	90.0	79.9	84.9
Oil (US$ per barrel)	82.6	80.7	69.0	60.0	65.0
Non-energy index	110.2	112.5	114.6	113.1	112.7

Note: (1) GDP growth rates are on a fiscal year (FY) basis. For India the column for 2023 refers to FY2023/24. (2) World trade volume of goods and nonfactor services. (3) Indexes are expressed in nominal U.S. dollars (2010 = 100). Oil refers to the Brent crude oil benchmark

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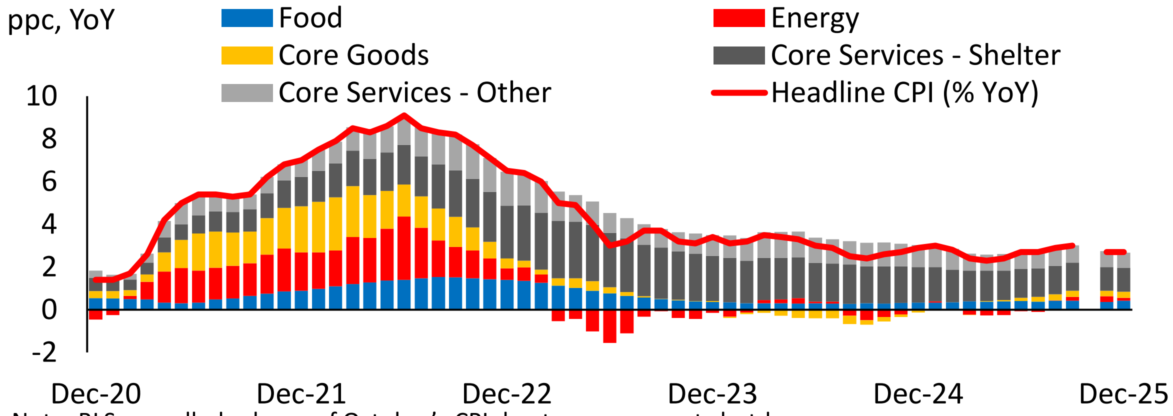
Source: World Bank, Bloomberg, OCBC Group Research.

US: Beige Book signals mild growth, inflation risk

- The January 2026 Beige Book reported that economic activity had “edged up further,” with a slight increase in consumer spending amid otherwise mixed conditions. It also noted that “employment and wages were flat, and prices continued to rise at a modest pace.” Price pressures appeared uneven: restaurant costs rose more noticeably, while manufacturers’ input and output prices remained “mostly stable recently.” In addition, the survey highlighted that “cost pressures due to tariffs were a consistent theme across all Districts,” with producers beginning to pass tariff-related increases on to customers.

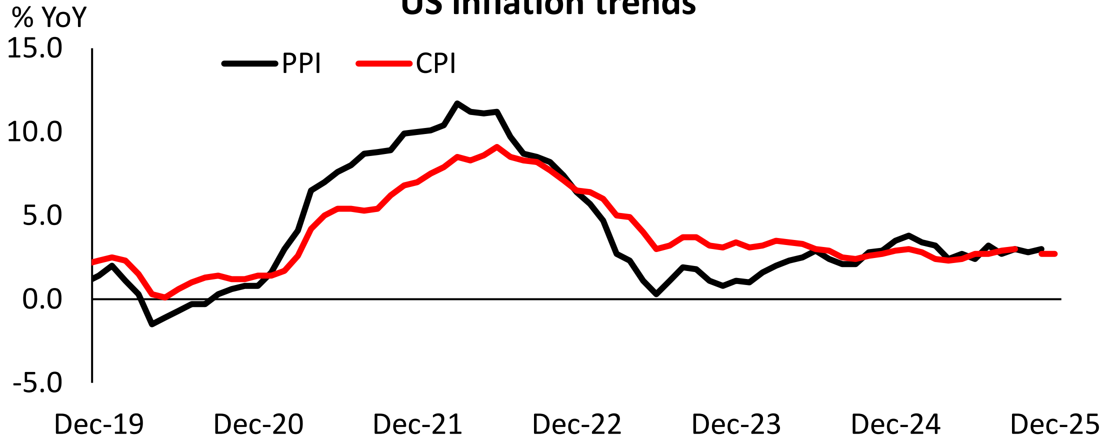
- Turning to the latest inflation data, both headline and core CPI held steady in December at 2.7% and 2.6% respectively, matching the November readings and easing concerns of an upside surprise. On the producer side, the Producer Price Index (PPI) rose to 3.0% YoY in November from 2.8% in October, while core PPI remained unchanged at 2.9%. Notably, core inflation readings from September to November were affected by the 43-day government shutdown, which disrupted price collection in October.

US CPI



Note: BLS cancelled release of October’s CPI due to government shutdown.
Source: US Bureau of Labor Statistics, Bloomberg, OCBC Group Research.

US inflation trends

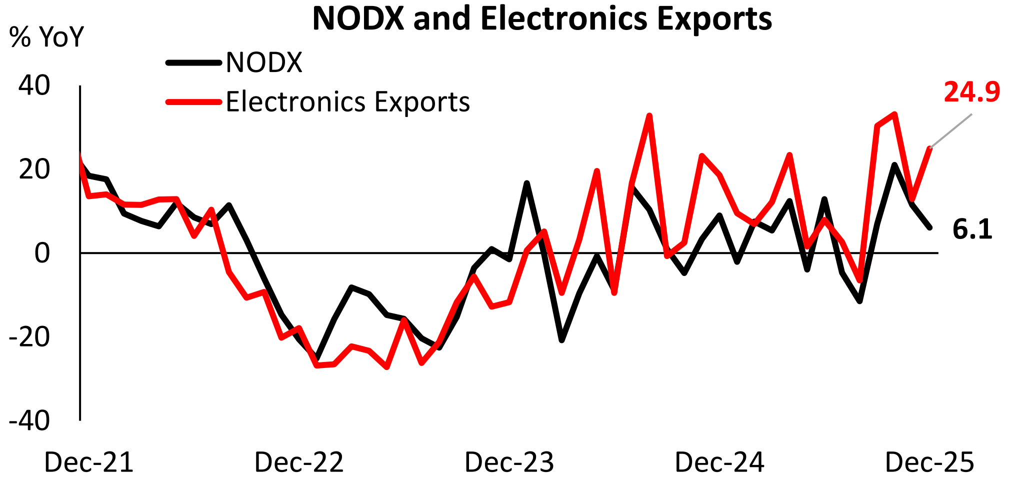


Source: BLS, Bloomberg, OCBC Group Research.

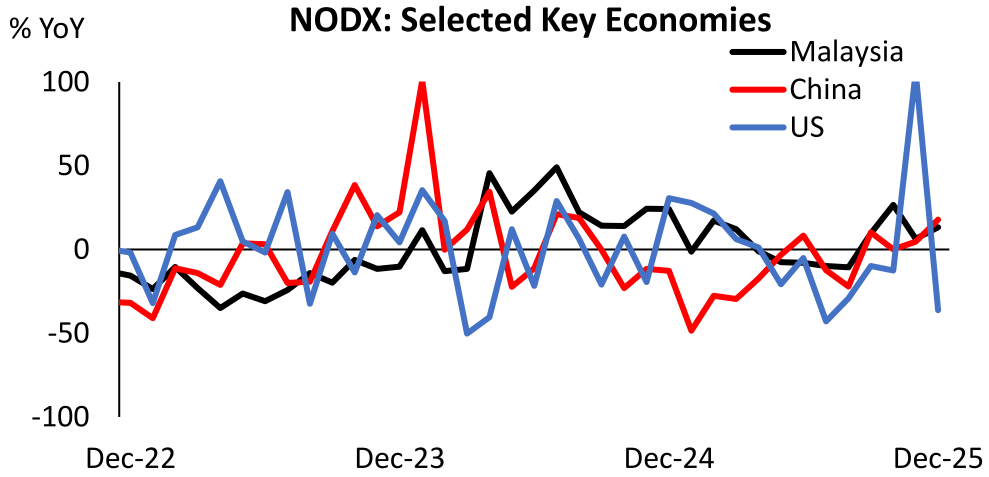
Source: BLS, Bloomberg, OCBC Group Research.

Singapore: Strong 2025 NODX

- Non-oil Domestic Exports (NODX) eased to 6.1% YoY in December (Consensus: 10.1%; OCBC: 9.1%), down from 11.5% in November. The main drag was likely exports of pharmaceutical products, which shrank by 7.8% YoY (-83.5% MoM sa). In contrast, electronics NODX remained stellar, surging 24.9% YoY, and marking the 4th straight month of double-digit expansion.
- By destination, six of the top 10 NODX markets saw a contraction in December 2025. The decline was led by the US, followed by Indonesia, Japan, Thailand, Hong Kong and the EU. Conversely, NODX to China, Taiwan, South Korea and Malaysia expanded by double-digit growth. In particular, NODX to China continued to grow for the 4th consecutive month, rising by 17.9% YoY, suggesting continued reflation amidst demand for specialised machinery, measuring instruments and metal removing machine-tools.
- Notwithstanding the volatile external geopolitical, economic and trading landscape, NODX grew by an impressive 4.8% YoY in 2025, a sharp improvement from the 0.2% growth seen in 2024. Looking ahead, our forecast for 2026 is a moderation in NODX growth to around 1-3% YoY.



Source: EnterpriseSG, CEIC, OCBC Group Research.

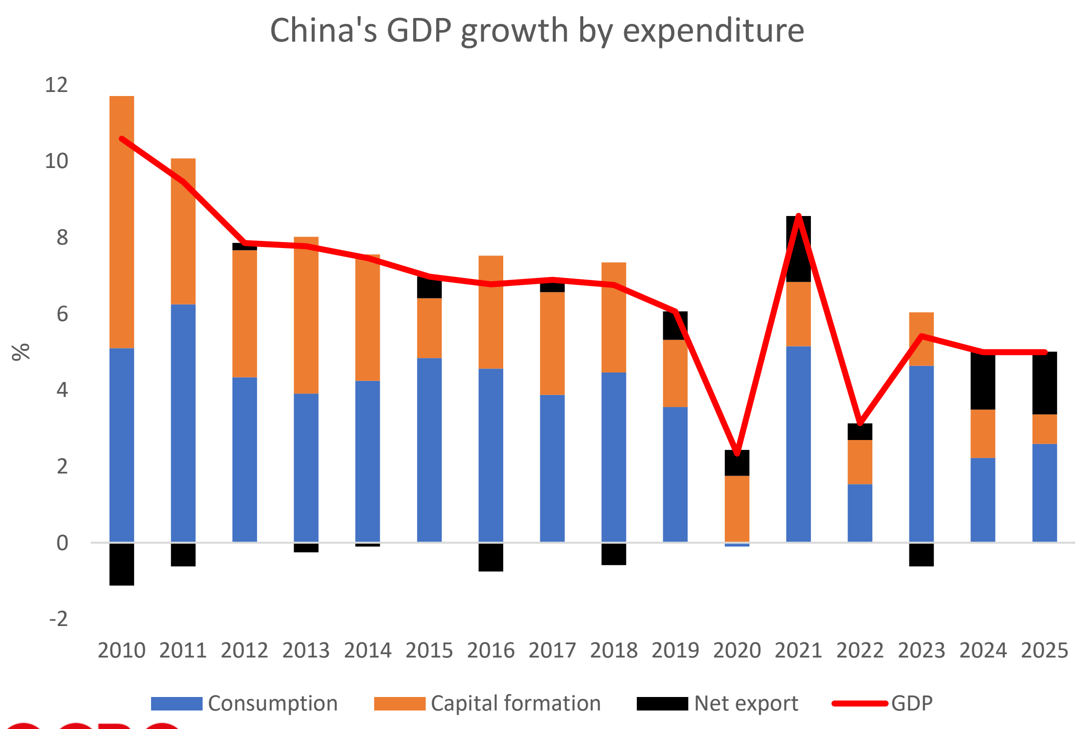


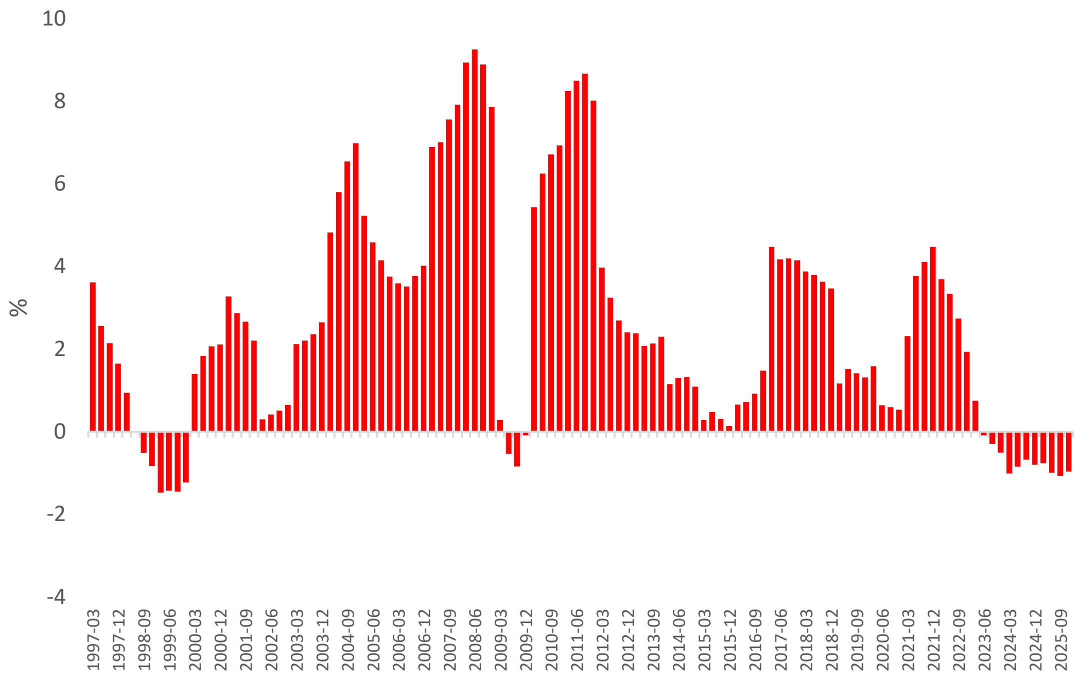
Source: EnterpriseSG, CEIC, OCBC Group Research.

Source: EnterpriseSG, CEIC, OCBC Group Research.

China: Growth on target

- China’s economy expanded by 5.0% YoY in 2025, meeting the government’s target of “around 5%” growth. Net exports contributed around 1.6 percentage points to overall growth, accounting for more than 30% of total GDP expansion, and once again emerged as a key stabilising force for the economy.
- However, GDP deflator has been in negative territory for 11th consecutive quarters.



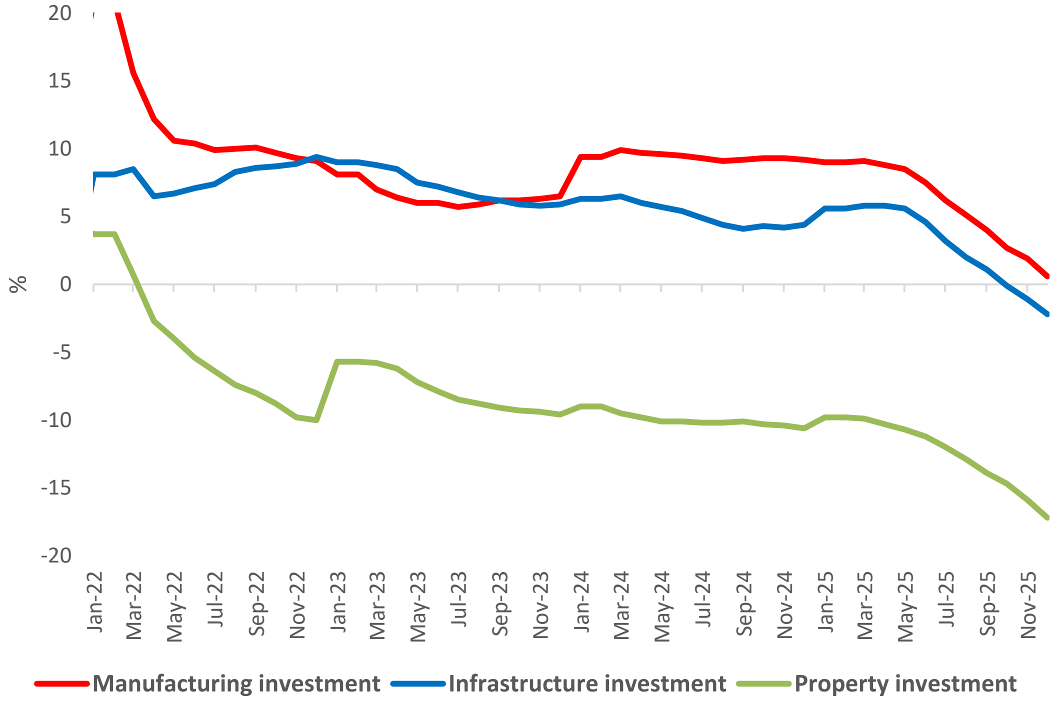


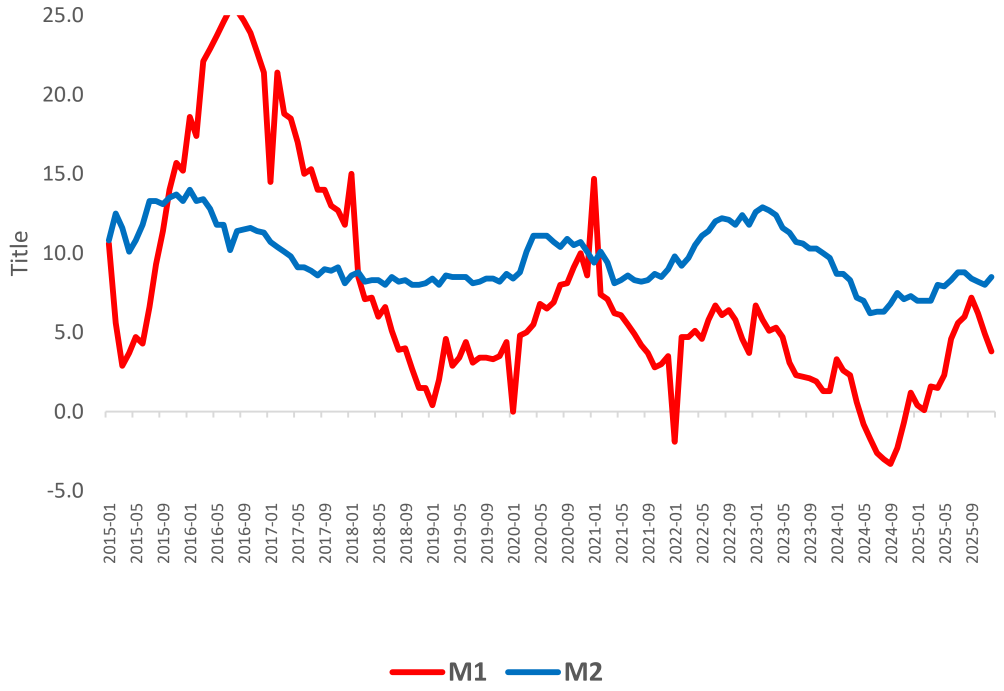
China's quarterly GDP deflator

Source: Wind, OCBC Group Research.

China: Underlying divergence remains

- China's GDP growth moderated to 4.5% YoY in 4Q, down from 4.8% YoY in 3Q, broadly in line with expectations. The deceleration was primarily driven by weaker investment activity, reflecting the ongoing correction in property investment alongside a softening in manufacturing investment.
- M2 growth accelerated sharply by 0.5ppt to 8.5%, while M1 growth slowed by 1.1ppt to 3.8%, widening the M2–M1 growth gap to 4.7ppt. The rebound in M2 points to ample system liquidity, but the continued weakness in M1 suggests subdued short-term corporate activity and transaction demand.

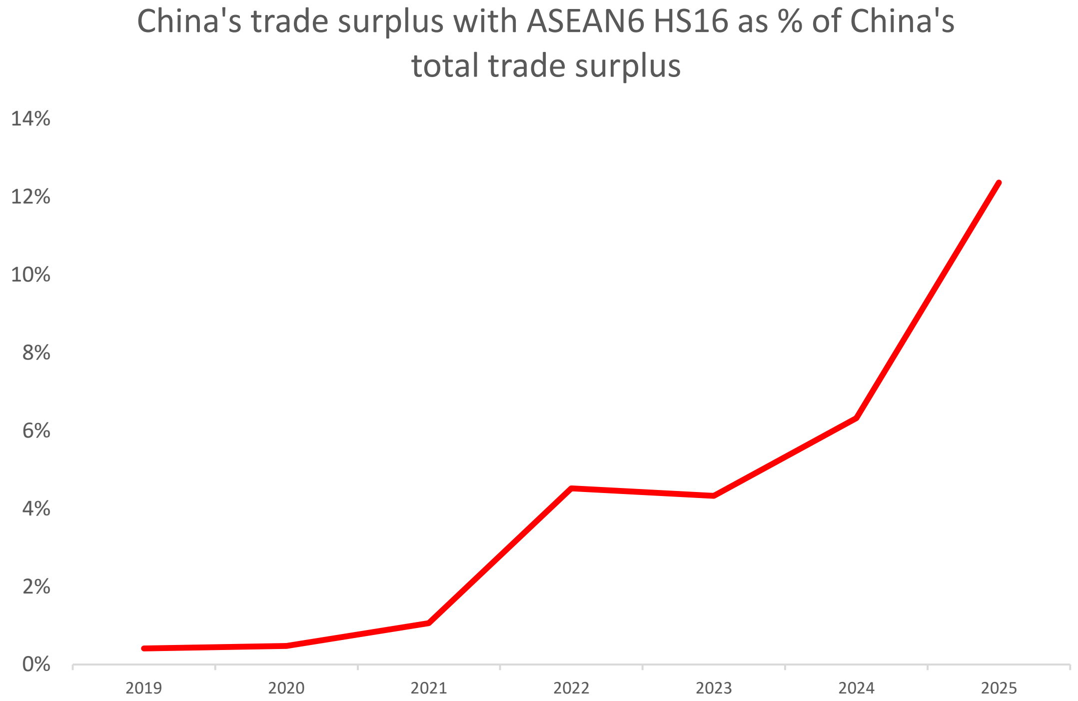




Source: Wind, OCBC Group Research.

China: Resilient external demand

- The anticipated drag from earlier front-loaded shipments, tighter re-export controls, and RMB appreciation has so far been limited, highlighting the underlying resilience of China's export sector.
- The pace of trade integration between China and ASEAN has exceeded expectations and will remain a key structural support for China's external sector. Looking ahead, we expect China's exports to grow by around 3% in 2026.
- China's trade surplus with ASEAN6 for HS16 ballooned to US$133 billion in 2025, accounting for 12.4% of China's total trade surplus. ASEAN did not replace China; it plugged into China.



Source: Wind, OCBC Group Research.

China: More monetary supports

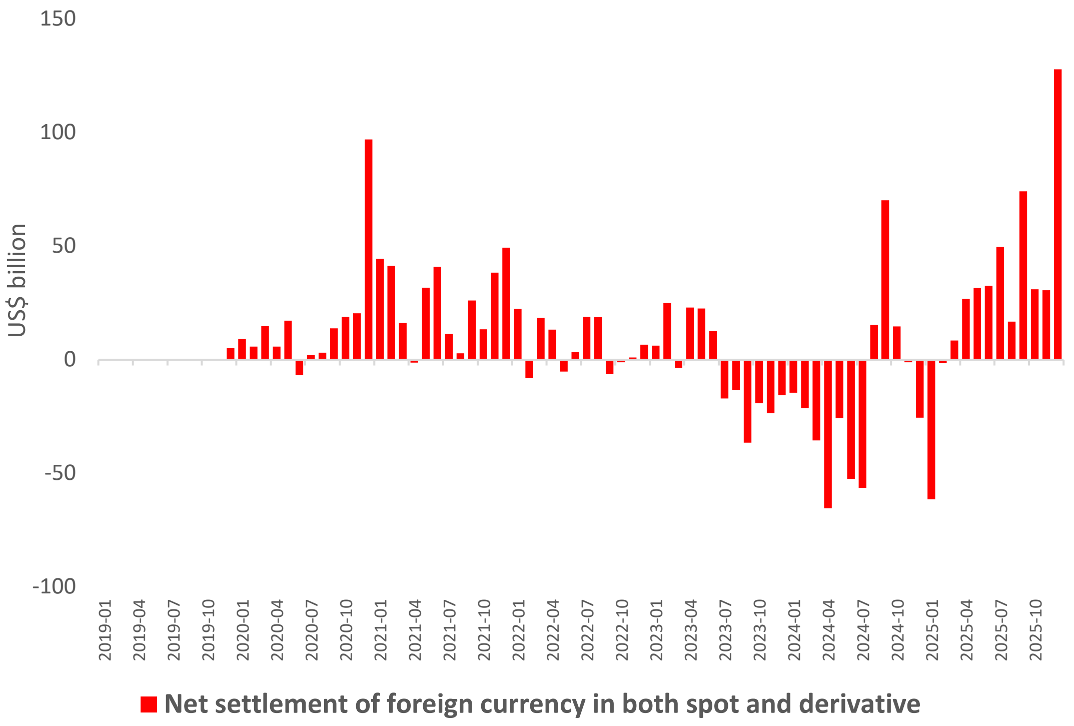
- The People's Bank of China (PBoC) last week unveiled a comprehensive policy "combination package" aimed at supporting high-quality economic development. Key measures include a 25bp cut in relending and rediscount rates, alongside the consolidation of agriculture- and SME-supporting relending quotas with rediscount quotas. In addition, the PBoC raised the agriculture- and SME-focused relending quota by RMB 500bn.

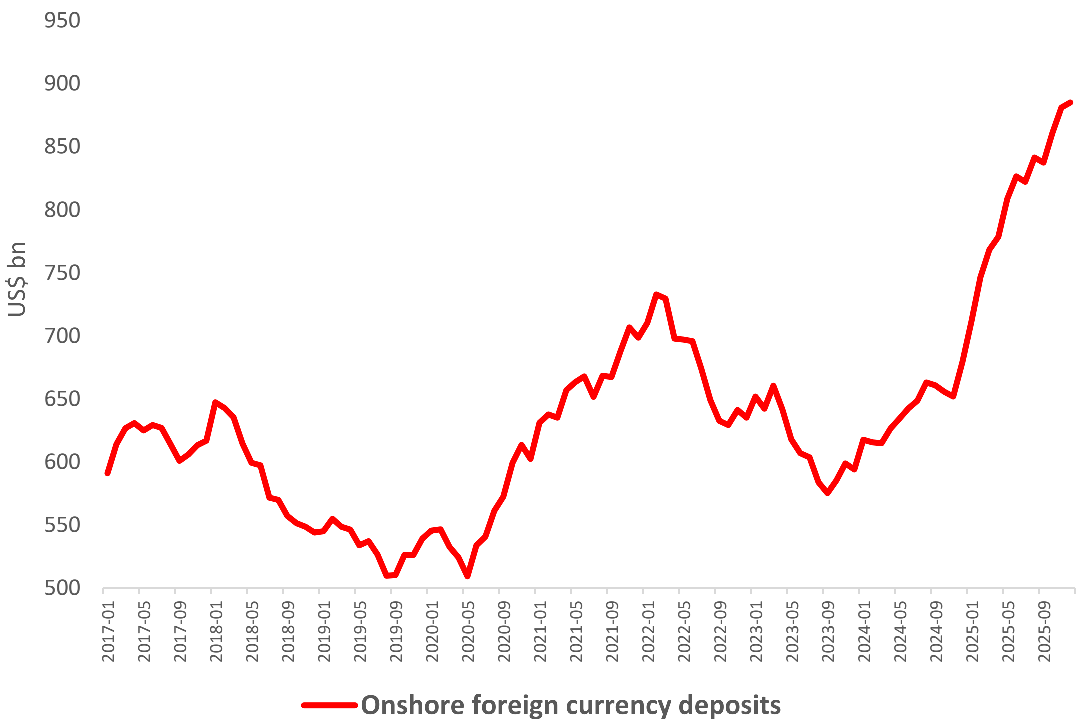
Both external and domestic constraints on further monetary easing have largely been lifted	
External pressure: are manageable: the RMB exchange rate has remained broadly stable, while the U.S. dollar has entered a rate-cut cycle, implying that exchange-rate considerations are unlikely to materially constrain additional easing.	**Domestically,** bank net interest margins (NIMs) have shown clear signs of stabilization, holding at 1.42% for two consecutive quarters since 2025. Looking ahead to 2026, a meaningful volume of long-tenor deposits, including three-year and five-year deposits, will mature and be repriced at lower rates. Combined with the PBoC's reductions in relending facility rates, these factors should lower banks' funding costs and anchor NIM stability, thereby creating additional room for further policy rate cuts.

Source: Wind, OCBC Group Research.

China: Rising willingness for FX settlement

- December FX settlement data suggest that a key factor underpinning the RMB last month was a rising willingness—particularly among exporters—to sell foreign currency. The willingness to sell foreign currency rose sharply to 69% in December from 61% in November. Interestingly, this improvement in conversion willingness was not accompanied by higher trading activity: daily FX trading volumes declined in December, while onshore foreign-currency deposits continued to rise, increasing to US$884.99bn from US$880.98bn in November.





Source: Wind, OCBC Group Research.

HK: Fervent trading and fundraising activities

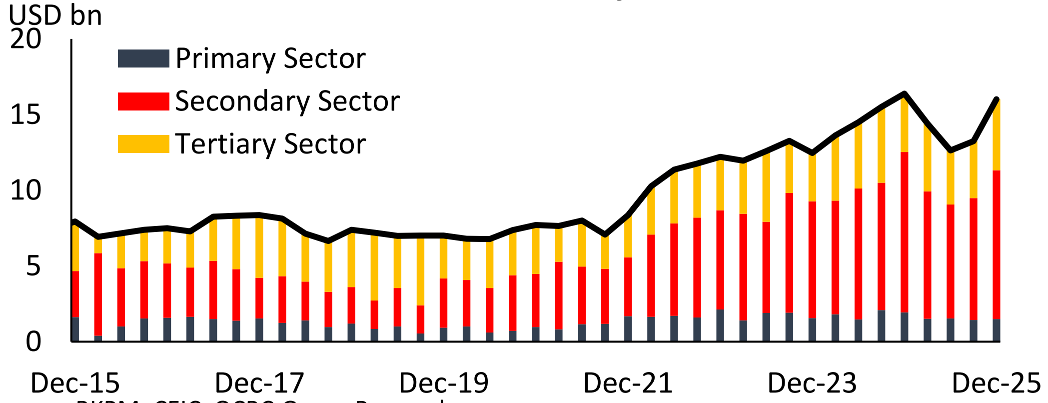
- Risk sentiment in Hong Kong equity market remained buoyant, and trading activities turned much more fervent with average daily market turnover standing at 301 billion last week (vs average daily turnover in Dec 25 at 186 billion). However, Chinese authorities' decision to raise the minimum margin requirement for financing securities purchase and clamp down on high frequency trading left a mild dent on sentiment.
- Overweighing Hong Kong stocks has been a crowded call this year, and the strategy has worked out so far. Hang Seng Index climbed to the high of 27,206.84 last Thursday, refreshing three-month high, led by rallies in property and tech sectors.
- Riding on the positive risk sentiment, fund raising demand should remain exuberant with more quality dual A-H listings. The total fund raised through IPO is expected to reach HKD350 billion this year, up from HKD286 billion last year. So far this year, the market has already seen a wave of IPO applications from AI related firms.
- Sustained equity market rally and further gain in housing prices will likely stimulate domestic consumption this year via positive wealth effect. We pitched Hong Kong's 2026 GDP growth at 2.6%.

Source: Bloomberg, OCBC Group Research.

Indonesia: 4Q25 investment growth slows, but exceeds annual target

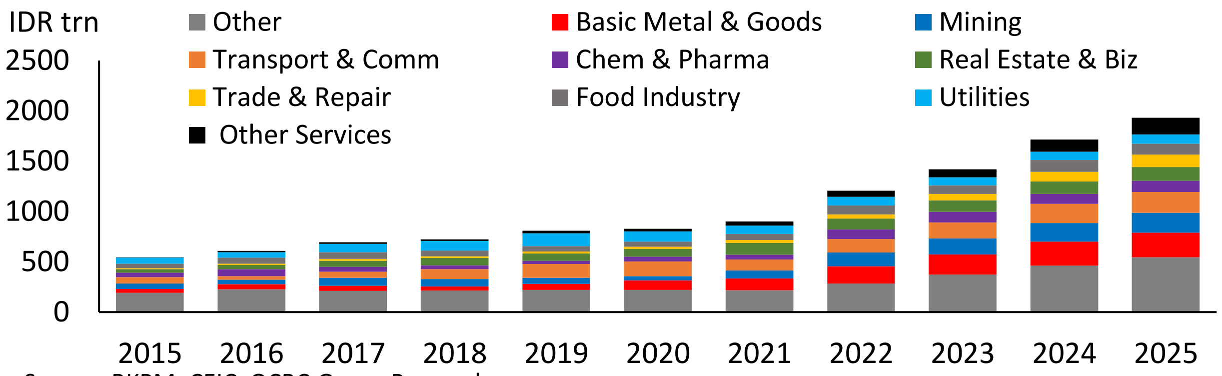
- Total direct investment growth eased slightly to 9.7% YoY, reaching IDR496.9trn in 4Q25, compared with 13.9% YoY (IDR491.4trn) in 3Q25, according to BKPM data. Foreign direct investment (FDI) grew 4.3% YoY to IDR256.3trn in 4Q25, improving from -8.9% YoY (IDR212.0trn) in 3Q25. Domestic direct investment (DDI) remained robust, though moderating, rising 16.7% YoY to IDR240.6trn in 4Q25 from 40.5% YoY (IDR 279.4trn) in 3Q25. The natural-resource downstream sectors continued to attract the largest share of capital, with the mining and basic metals sectors receiving a combined IDR102.1trn in 4Q25.
- The 4Q25 outcome brought cumulative 2025 realised investment to IDR1,931.2trn, up 12.7% YoY, surpassing the government's target of IDR1,905.6trn. DDI rose sharply to IDR1,030.3trn (+26.6% YoY) from IDR814trn in 2024, while FDI totalled IDR900.9trn, broadly unchanged from IDR900.2trn in 2024. These investments generated 2.71mn jobs (+10.4% YoY) according to BKPM. Investment outside Java accounted for 51.3% of the total, supporting the government's regional development agenda. Downstreaming remained a key pillar, with downstream-related investment surging 43.3% YoY to IDR584.1trn, representing roughly 30% of total investment.

Total realised FDI by sector



Source: BKPM, CEIC, OCBC Group Research.

Total realised investments by sector



Source: BKPM, CEIC, OCBC Group Research.

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Source: BKPM, CEIC, OCBC Group Research.

Malaysia: Solid growth in 2025

- The economy expanded more than expected, growing by 5.7% YoY in 4Q25 versus 5.2% in 3Q25 (Consensus and OCBC: 5.4%), according to advance estimates. The drivers were broad based across all key sectors including manufacturing (6.0% YoY in 4Q25 versus 4.1% in 3Q25), services (5.4% versus 5.0%), construction (11.9% versus 11.8%) and agriculture (5.1% versus 0.4%). Mining and quarrying growth slowed to 1.1% YoY versus 9.7% in 3Q25. For 2025, GDP growth was solid at 4.9%, easing only slightly from 5.1% in 2024.
- We maintain our conservative 2026 GDP growth forecast of 3.8% YoY compared to 4.8% in 2025. Our GDP growth profile suggests that the weakness in growth will be gradual to 3.9% YoY in 1H26 and 3.8% in 2H26. We see slower economic growth being driven by mainly a payback from frontloading of exports to the US through 2025 as well as modestly slower investment spending.
- With fiscal policy supported likely targeted, we do expect monetary policy to remain nimble. We are comfortable with our forecast for another 25bp rate cut from BNM this year, likely in 2Q26.

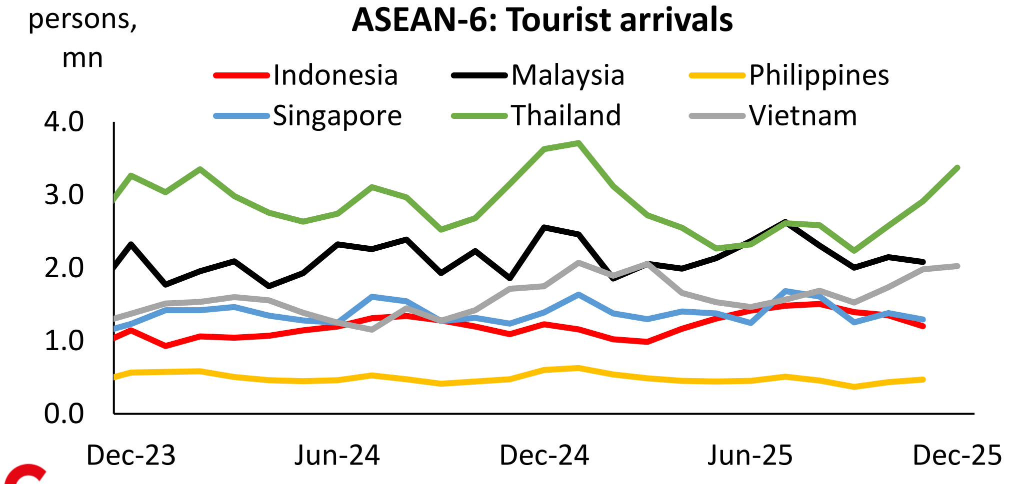
% YoY	1Q23	2Q23	1Q24	2QQ4	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
Headline GDP growth	5.7	2.7	4.2	5.9	5.4	4.9	4.4	4.4	5.2	5.7
Agriculture, Forestry & Fishing	0.9	-1.2	1.9	7.6	3.6	-0.7	0.7	2.5	0.4	5.1
Mining & Quarrying	3.0	-2.2	4.3	2.7	-2.8	-0.7	-2.7	-5.2	9.7	1.1
Manufacturing	3.2	0.1	2.1	4.7	5.6	4.2	4.1	3.7	4.1	6.0
Construction	7.4	6.2	11.9	17.2	20.0	20.7	14.2	12.1	11.8	11.9
Services	7.3	4.4	4.8	5.9	5.2	5.5	5.0	5.1	5.0	5 .4

Source: CEIC, OCBC Group Research.

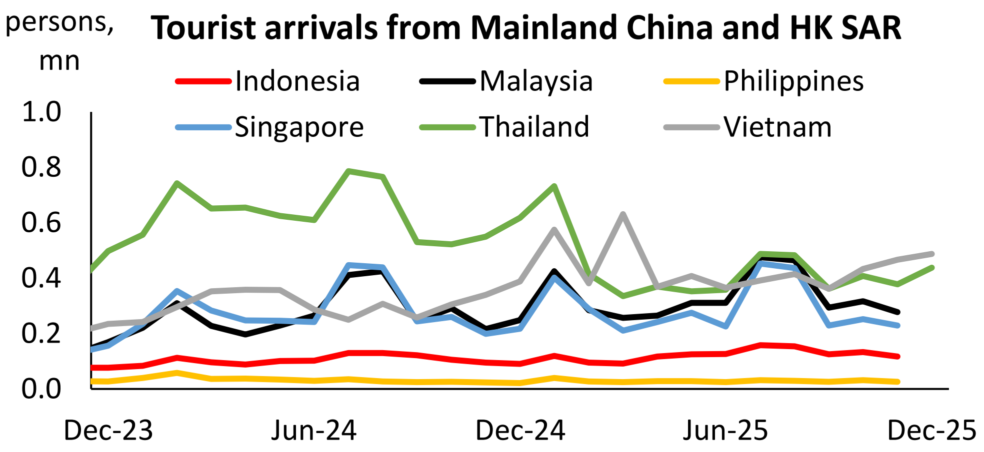
Source: DOSM, CEIC, OCBC Group Research.

Philippines: More Chinese tourists?

- The Department of Foreign Affairs will allow Chinese nationals to enter the Philippines without a visa for a period of 14 days, effective 16 January 2026. The agreement is effective for one year. According to the official statement, the directive is "to facilitate trade, investments, and tourism, as well as strengthen people-to-people exchanges between the Philippines and China."
- This measure is consistent with our view that competition for tourism across ASEAN will intensify with more schemes being introduced across different nations. This is in a bid to bolster Chinese tourists, which has been the lowest for the Philippines compared to regional peers. The Philippines will however need to do more.
- The visa-free effort will need to be complemented with better tourism infrastructure including travel tours and logistic requirements, much like Thailand, Vietnam or Malaysia, which sees significantly higher Chinese tourism. The runway for this better tourism infrastructure to develop could be long considering that the basic infrastructure needs could also be impacted by the ongoing the challenges associated with the corruption scandals.



Source: Various government agencies, CEIC, OCBC Group Research.



Note: data for Malaysia is China Incl. HKSAR (CN) & MO SAR (CN).
Source: Various government agencies, CEIC, OCBC Group Research.

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Source: Various government agencies, CEIC, OCBC Group Research.

Thailand: February 2026 election

- Several political parties have revealed their manifestos, including the Pheu Thai Party, People’s Party, Bhumjaithai Party, and Democrat Party. A key agenda in their manifestos is about boosting growth through a combination of support for the lower income groups, reducing the cost of living and improving government efficiency.
- Official results will be announced on 9 April 2026 after which the new parliament must convene within 15 days to elect the speaker and vote for the PM. The authorities are, however, setting up for real time election results which can be tracked via more than twenty-five media organisations including Thai PBS and NPT. Partial results are expected to be released as soon as counting begins.
- A constitutional referendum is also scheduled to be held with the general election. The constitutional referendum will ask the question to the effect of ‘do you agree that Thailand should have a new constitution?’ Voters will have three choices on the ballot: "approve", "disapprove", or "no opinion". Registration for the referendum, for voters both in and outside of Thailand, runs from 3–5 January 2026.

Source: The Nation, Bangkok Post, Thai PBS, OCBC Group Research.

Party	Key agenda	Additional details
Pheu Thai party	War on poverty	Minimum income guarantee of THB3000/month for all Thai citizens living below the poverty line
	Overseas Business Loan	This is to support Thais in starting businesses, effectively turning them into "global storefronts" for Thai products and services
	Reduce Expenses, Increase Income, Expand Opportunities	Reducing electricity costs, promoting local products, restructuring debt
	GDP growth target	**Minimum annual growth rate of 5%**
People's Party	12 priority missions	Reviving economic competitiveness; supporting SMEs; developing new industries; improving household incomes and lowering living costs; reforming rural agriculture; upgrading education and workforce skills; reforming the bureaucracy
		Strengthening the justice system; combating corruption and grey capital; enhancing democracy and national security; improving environmental and disaster response; and implementing mission-driven governance with cabinet appointments based on expertise rather than quotas
	Government structure	The structure would comprise: (1) a Government House team and (2) ministerial teams
		He described the Government House team as the centre of operations—setting goals, prioritising actions, and coordinating the work of ministries and agencies
	GDP growth target	**4–5% range**
Democrat Party	27 point platform	**State reform:** ‘show the way, open the way, stop blocking the way’- reduce bureaucracy and better adoption of technology
		Energy policy: cutting electricity bills without the state budget
		Targets: faster growth, lower debt and better education
		Policies for workers, older people and families
		Health, bioscience and space technology to anchor a ‘new economy’
	GDP growth target	**5.0%**
Bhumijaithai Party	Four critical pillars: economy, security, society and natural disasters	**Economic Growth & Cost of Living:**
		Let's Go Halves Plus: An enhanced co-payment subsidy scheme
		Electricity Subsidy: Capping electricity costs at under 3 baht per unit.
		Welfare Plus Card: An upgraded version of the state welfare card for low-income earners.
		Social Welfare & Healthcare:
		Senior Employment: Creating dedicated job opportunities to provide income for the elderly
		Education: "True Free Education" initiatives
		Security & Safety:
		Volunteer Soldiers: Recruiting 100,000 personnel with a monthly salary of 12,000 baht, featuring Up-skill and Re-skill programs to transition into Non-Commissioned Officer (NCO) roles.
	GDP growth target	**3%+**

Source: The Nation, Bangkok Post, Thai PBS, OCBC Group Research.

ESG

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ESG: Japan’s GX-ETS to launch in FY2026, likely second largest ETS in Asia

- Japan will launch its compliance Green Transformation Emissions Trading System (GX-ETS), expected to become Asia’s second-largest ETS after the China ETS. This is part of Japan’s joint-decarbonisation and economic strategy to secure stable energy supplies, spur economic growth and reduce emissions concurrently.
- The GX-ETS is set to transition from its voluntary phase to the obligatory first phase starting FY2026-27 (April-March), mandating participation for facilities emitting more than 100,000 mt/year of CO2. This is expected to cover ~300 to 400 businesses, accounting for almost 60% of Japan’s total GHG emissions. Compliance entities could be allowed to utilise credits from domestic programs (J-credit or the Joint Crediting Mechanism (JCM)) to offset up to 10% of their annual emissions.
- Participants have pushed the need for greater transparency and continued public engagement to ensure that the GX-ETS can further align and achieve Japan's climate targets, enabling covered entities to commit to their obligations as efficiently as possible. One main area of concern highlighted by participants is whether the supply of credits issued from both the J-credit and JCM programs will be sufficient to match the expected demand.

Japan’s GX-ETS Phases:

FY2023 – 2025
- Accounts for 40% of total emissions
- Voluntary participation by GX League members

FY2026 – 2032
- Accounts for 60% of total emissions
- Mandatory for facilities with direct emissions of more than 100,000 mt/year

FY2033 onwards
- Further development and refinement of the ETS
- METI will allocate emission allowances to power generators for a partial fee and levy
- Explore introduction of paid auction system for carbon allowances similar to the EU ETS

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Source: LSEG, Ministry of Economy, Trade and Industry Japan, S&P.

FX & Rates

FX and Rates: Pro-Risk, Guard Up

- **Pro-Risk, Guard Up:** Geopolitics are noisy but likely contained. Global growth momentum should continue to support risk-friendly FX like AUD and NZD and EM carry trades, while political noise around the Fed keeps USD risks two-way. US-led upside surprises could challenge the risk environment, favouring diversified funding strategies.
- **JPY intervention watch:** JPY weakness has slowed as intervention risk grows, but politics and fiscal expectations keep the currency soft. With upside capped near 160 and limited catalysts for JPY strength, USDJPY likely holds a 155–160 range near term.
- **GBP Shakes Laggard:** UK growth is rebounding and fiscal worries have eased, supporting our view that GBP can shed its European FX laggard status. EURGBP may drift toward 0.85-0.86 over the next few months.
- **Oil Pared Gains:** Oil retreated from two-month highs as Iran-related escalation risks eased. With lower odds of supply disruption, Brent should stay subdued but hold a soft floor near high-USD50s.
- **USDCNH** stayed near recent lows, supported by a lower USDCNY fix. We are watching for any sign that policymakers may ease the pace of RMB strengthening. The FX conversion ratio has risen to 68.8%, near the top of its recent range. A faster RMB rise could spur USD selling, so policymakers are likely to keep appreciation orderly—possibly by slowing the daily fix, without shifting the broader RMB stance.

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Source: OCBC Group Research.

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