EXECUTIVE SUMMARY

Climbing the growing wall of higher energy price and rising Treasuries yield

"It is not the mountain we conquer but ourselves"
- **Sir Edmund Hillary**

What's next for Brent crude oil amidst the uncertainty over Strait of Hormuz?

More than 3 months have passed since the onset of the Iran War, at the moment of writing, a durable peace deal between US and Iran seems elusive and the Strait of Hormuz remains disrupted to shipping. Nonetheless, of late Brent crude oil has fallen to consolidate above the USD 90 / bbl level on strong hopes that a peace deal would eventually be reached between US and Iran.

By now the stumbling blocks against achieving a peace deal have been widely discussed in the media. Two key stumbling blocks from the US side include how to effectively open up the Strait of Hormuz for safe passage and without toll as well as how to address the issue of Iran's nuclear enrichment. The stumbling blocks from Iran's perspective are an end to all sanctions and release of frozen funds and assets as well as an end to all hostilities across the Middle East.

> "In light of the on-going uncertainty with the elusive US-Iran peace deal, our updated quarterly Brent crude oil forecast is USD 100/bbl for 2H26 and USD 90/bbl for 1H27. This is a cautious forecast in view of all the above-mentioned geopolitical risks and ongoing inventory drawdown."

Heng Koon How
Head of Markets Strategy

Needless to say, going forward, Brent crude oil is at an important crossroad. Should the US and Iran achieve a credible peace deal with broad international support, leading to a gradual reopening of the Strait of Hormuz, Brent crude oil will likely fall further below USD 90 / bbl as the energy disruption eases. However, the disruption across the Strait of Hormuz will take months to clear and optimism should be tempered that an immediate pullback in Brent crude oil to the pre-war level below USD 70 / bbl is unlikely.

On the other hand, it is important to note that the current stalemate may well extend indefinitely into 2H26, whereby both the US and Iran fail to reach a peace deal and fall back to an uneasy ceasefire. In such a situation, the Strait of Hormuz remains blocked and the ongoing disruption to energy supply continues with energy inventory tightening further as supply drawdown persists. Under such a circumstance, Brent crude oil may well rebound to trade back above USD 100/ bbl. Needless to say, should broader military conflict resume between US and Iran, Brent crude oil will risk jumping back to USD 120 / bbl or higher.

Brent Crude Oil consolidates above USD 90/bbl amidst uncertainty over US-Iran peace deal

Source: Bloomberg, UOB Global Economics & Markets Research

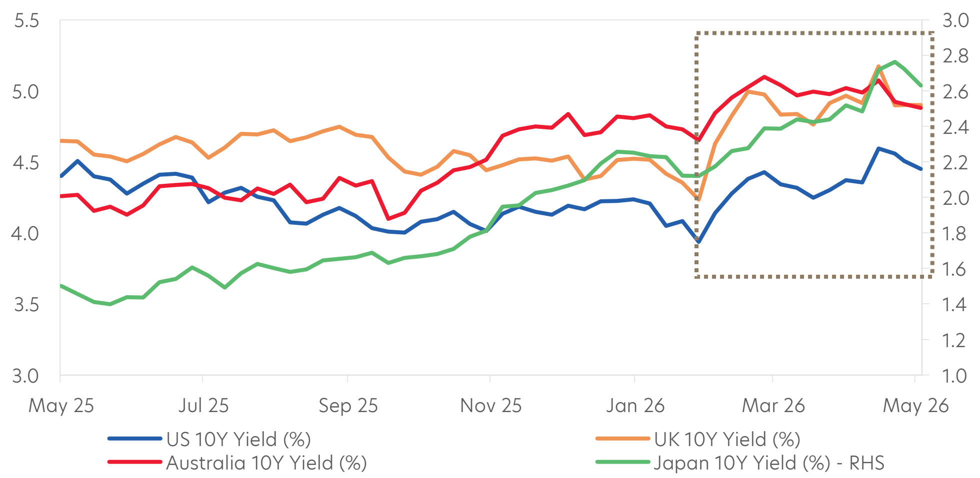
Amidst the Hormuz uncertainty, global yield continues to grind higher

Irrespective of where energy prices head from here on, since the Iran War started in late February, global yields, especially long term government bond (Govies) yields have indeed staged a steady and consistent climb higher.

Irrespective of where energy prices head from here on, since the Iran War started in late February, global yields, especially long term government bond (Govies) yields have indeed staged a steady and consistent climb higher. In particular, 10Y UK and 10Y Australia yields traded up to test the psychologically important 5% resistance. Japan's 10Y JGB yield pushed up above 2% to as high as 2.7%. One could argue that the rise in Govies yields this year is not standalone, but the latest act in a long term series of shocks starting from Covid-19 in 2020 to Russia's invasion of Ukraine in 2022.

Global 10Y yields climb further as Iran War drags on

Source: Bloomberg, UOB Global Economics & Markets Research



Entire US Treasury Yield Curve about 50bps higher since start of Iran War

Source: Bloomberg, UOB Global Economics & Markets Research

Most importantly, the entire US Treasury yield curve is now decidedly higher with the 30Y US Treasury yield leading the charge above 5%. In the front end, the 2Y US Treasury yield, which is widely regarded as a key proxy for Fed Fund Rate has jumped from 3.6% in end Feb to 4.1% now. The consequential 10Y US Treasury yield is also about 50 bps higher across the same time frame, from 4.0% to 4.5%.

Questions are now being asked as to how sustainable is this rise in Govies yields? Objectively there are two key related drivers that have triggered this latest round of higher Govies yields. And both are non-too familiar to many investors.

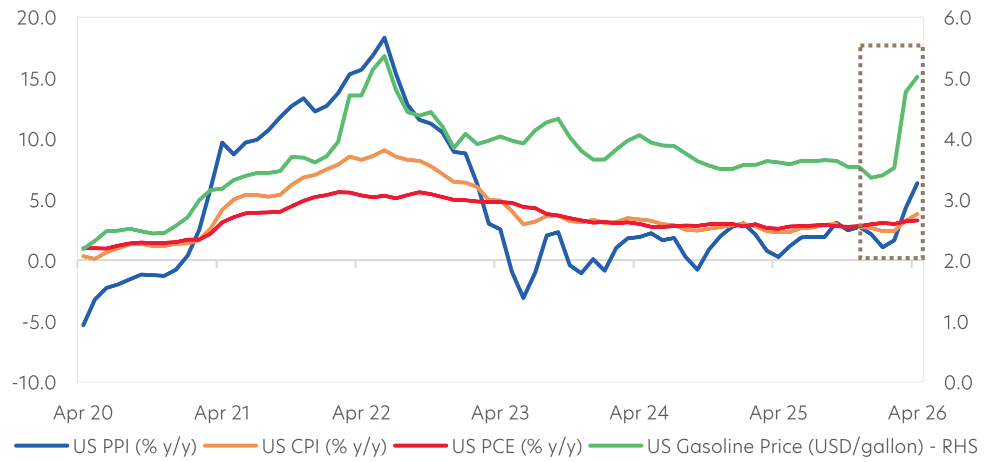
Specific to the US, the national average for gasoline price has spiked from USD 3.5 / gallon to USD 5.0 / gallon and that is widely seen as the key culprit for triggering the jump in headline US PPI to 6.0% y/y and headline US CPI to 3.8% y/y, both in the latest April monthly read.

US is now on inflation watch amidst energy price surge

The first is the sharp rise in crude oil and energy prices since the start of the Iran War. The onset of the Iran War and the subsequent disruption of shipping through the Strait of Hormuz have triggered an unprecedented surge in energy prices. Brent crude oil has jumped by about 40% since the start of the Iran War. Other energy distillates like jet fuel have almost doubled in price. Specific to the US, the national average for gasoline price has spiked from USD 3.5 / gallon to USD 5.0 / gallon and that is widely seen as the key culprit for triggering the jump in headline US PPI to 6.0% y/y and headline US CPI to 3.8% y/y, both in the latest April monthly read. Long term government bonds and US Treasuries alike are of course very vulnerable to rising inflation risk, hence the jump in yields.

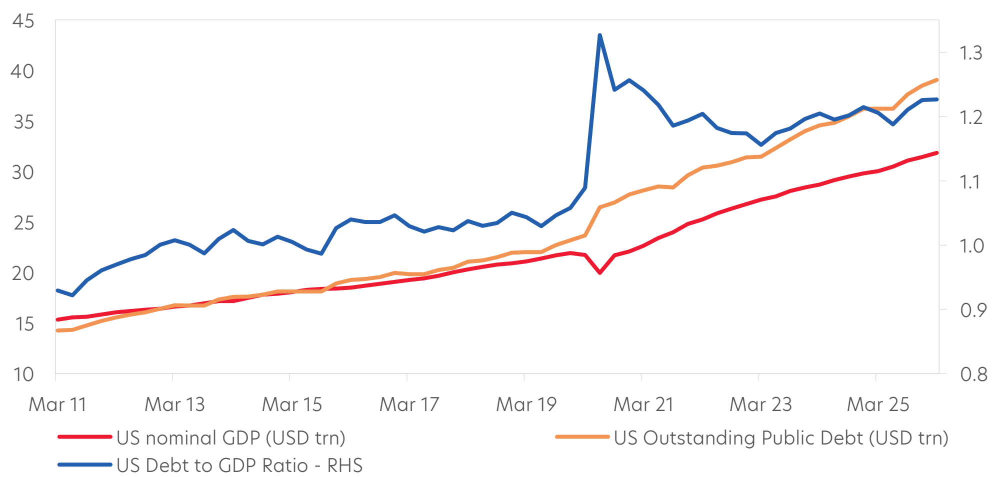
US Gasoline price has surged 50% since start of Iran War, igniting inflation risk

Source: Bloomberg, UOB Global Economics & Markets Research



US Total Public Debt is now 122% of GDP

Source: Bloomberg, UOB Global Economics & Markets Research



Higher fiscal risk and debt burden across a growing number of economies

Related to this rise in energy price is the further deterioration in fiscal outlook for the US and many other economies in both the Developed Markets (DM) as well as Emerging Markets (EM). The higher fiscal burden from the sudden spike in energy imports coupled with increasing long term infrastructure and strategic security spending needs have added to the already strained fiscal outlook for many economies. Japan's overall debt to GDP ratio has crossed 200%. France's overall debt to GDP ratio is now heading towards 100%. And despite the strong AI-driven economic growth spurt of late, the US' overall debt to GDP ratio is now in excess of 120%. According to the EU, the Euro area's overall debt to GDP ratio is at a disconcerting 88% as of end 2025. At the height of the Eurozone debt crisis about a decade ago, Greece's overall debt to GDP ratio spiked to around 180%.

If governments need to issue more debt to fund more liabilities and higher energy bills, the yield and cost of such debt have no choice but to go higher.

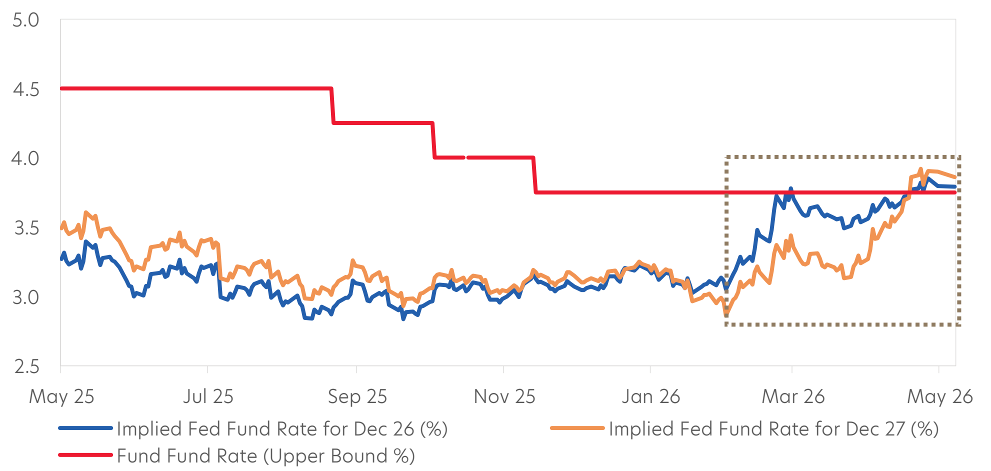
This is not to say that another global debt crisis is now imminent or in the offing. The overall debt to GDP ratio is but one of many important metrics for debt sustainability, including size of FX reserves, level of foreign investor ownership, ratio of short-term vs long-term debt etc. But the higher fiscal stress and higher overall debt level are indeed a magnet pulling Govies yields higher. Simply put, if governments need to issue more debt to fund more liabilities and higher energy bills, the yield and cost of such debt have no choice but to go higher.

Futures are now starting to price in minor bias for Fed rate hike

As a result of higher energy prices and higher inflation risk, investors have voted decisively to erase all of the previous bias for rate cuts by the Fed. At the start of the year, prior to the start of the Iran War, the Fed Fund Futures were pricing in about 3 x 25 bps cuts from the Fed for this year. Now futures-implied rates have removed all easing bias and even went further to price in a small hiking bias. The latest FOMC minutes noted that "a majority of members" warn of increasing inflation risk and would like to remove the easing bias from the FOMC statement. Fed Governor Chris Waller, who was previously a devoted dove has recently switched position and now warns of inflation risk as well. Our macroeconomic team has also updated the Fed view to flat, forecasting an extended hold till end of the year and noted that risk for inflation and rates is now tilted to the upside.

Fed Fund Futures have all but erased previous bias for rate cuts

Source: Bloomberg, UOB Global Economics & Markets Research



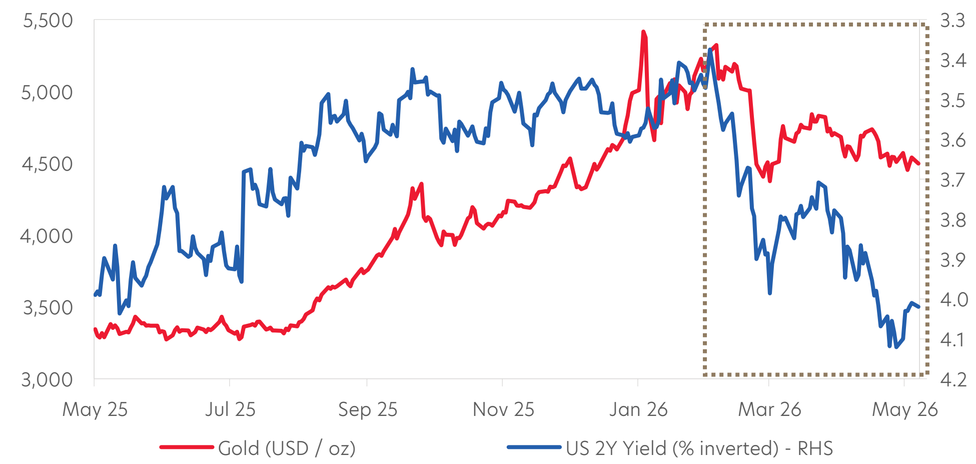
The increasing consequences of higher energy price and rising Treasuries yield

Over the near term, further consolidation in gold may be necessary as investors start to weigh the higher opportunity costs from the higher yield environment.

There are consequences to this gradual but decisive turn in Fed monetary policy view amidst the higher inflation risk and higher yields from the spike in energy price. The USD which we had expected to weaken appears to have stabilized near term as the USD Index (DXY) now consolidates around 99. Gold has retreated from USD 5,000 / oz to current level of around USD 4,500 / oz as UST yields climb anew. Over the near term, further consolidation in gold may be necessary as investors start to weigh the higher opportunity costs from the higher yield environment. In addition, as fiscal pressures take precedence, gold has lost a few friends of late with Indian PM Narendra Modi asking his fellow citizens to stop purchasing gold.

Gold weighed down near term by rebound in yield

Source: Bloomberg, UOB Global Economics & Markets Research



In ASEAN, in an attempt to stabilize the IDR, Bank Indonesia (BI) led the tightening cycle with a surprise 50 bps hike. In the Philippines, the BSP is on inflation watch as CPI jumped to 7.2% y/y. Thailand's growing fiscal strain is also increasingly evident after the sharp widening of trade deficit to an unprecedented USD 10 bn, mostly as a result of elevated energy purchases sending imports soaring by 45% y/y in April. Complicating the inflation risk is the exceptional semiconductor and AI boom that has triggered a further leg up in growth, manufacturing and exports of selected economies that are plugged into this rally. Specifically, Singapore's 1Q26 GDP was revised strongly upward to 6% y/y, beating the most optimistic of forecasts as the K-shaped economic boom triggered a sharp 24.5% y/y jump in the latest Non-Oil Domestic Exports for April.

Will the USD climb anew instead? How high will rates and yields climb further? Will gold be able to rebound from here on? In this latest quarterly report for 3Q26, we review the consequences of higher energy prices and rising Govies and Treasuries yields, taking stock of the latest Fed monetary policy bias, to update on our economic, FX and Rates outlook for the key global and ASEAN economies that we focus on.

FX Strategy: Is USD at a potential inflection point?

Major FX Strategy: Monetary policy to take over in 2H26 as key driver

Looking ahead to 2H26, our base case remains that diminishing geopolitical risk premia will erode a key pillar of USD support. In turn, market focus is likely to shift back toward monetary policy differentials. Our Fed view has notably pivoted less dovish relative to the pre-war baseline. Concurrently, select G10 central banks have already initiated tightening cycles. As such, we retain a medium-term bearish bias on the USD. The continued narrowing in US rate differentials versus G10 peers should act as a structural headwind for the USD. Consistent with this view, our updated DXY forecasts are still biased lower, at 97.9 in 3Q26, 97.0 in 4Q26, 95.7 in 1Q27, and 94.9 in 2Q27.

Risks to our USD outlook remain skewed to the upside should the closure of the Strait of Hormuz persist deeper into 2H26. Under such a scenario, sustained high oil prices—potentially at or above USD120/bbl—would likely amplify second round inflation effects, particularly through wages, services, and core components. This would present a material challenge for the Fed, limiting its ability to look through supply driven price pressures. In turn, the policy narrative could shift more decisively toward the prospect of renewed tightening into year-end. Such a development (while not yet our base case) would represent a clear upside risk to the USD and necessitate a reassessment of our baseline expectation for a weaker dollar trajectory.

Asian FX Strategy: Recovery deferred as Hormuz risks linger on

We have consistently highlighted in prior publications that Asia FX remains disproportionately exposed to prolonged Middle East tensions. Since the onset of the Iran conflict, most regional currencies have weakened against the USD, with net energy importers—such as PHP, THB, INR and IDR—underperforming. The ongoing closure of the Strait of Hormuz, now into its fourth month, has intensified fiscal strains associated with securing energy supplies, particularly in economies with administered fuel pricing frameworks. Each additional day of disruption heightens inflation risks across the region, while macro buffers—including current account positions and FX reserve adequacy—have eroded in several cases.

On balance, we judge that a cautious stance remains warranted until there are clearer signs of normalisation in the Strait of Hormuz and a meaningful easing in regional inflationary pressures. Accordingly, we maintain a defensive bias on Asia FX into 3Q26 and push back the expected timing of a more sustained recovery to 4Q26. We expect CNY, MYR and SGD to stay resilient as they had during the Middle East conflict thus far, while TWD and KRW are expected to post a stronger recovery due to sustained AI tailwinds. On the other hand, PHP, IDR and INR are expected to underperform and stay near record lows against the USD.

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Rates Strategy: Central banks running short of runway to look through inflation

US Rates: Higher 10Y UST forecast due to Fed vigilance on inflation, economy still resilient, step-up in AI-related corporate bond issuance and worrying fiscal trajectory

Three months into Iran War, composition of Fed has turned decidedly more hawkish, and the division of opinions is apparent. Apart from inflation concerns affecting the Fed rate path, three other drivers also push rates higher, namely still resilient US data, strong corporate issuance this year and worsening US fiscal sustainability. Under this backdrop, our macroeconomic team now sees the Fed on extended pause through 2026, delaying any easing cycle until 2027 with one 25 bps rate cut each in late-2Q27 and late-4Q27. This path implies a steady 3M compounded in arrears SOFR projection at 3.62% in 3Q26, 3.62% in 4Q26, 3.62% in 1Q27 and 3.45% in 2Q27.

As for the long-end, we have been consistent to project a gradually increasing UST 10-year trajectory given the longstanding fiscal concerns. The recent developments of higher inflation concerns, still robust economy, increased corporate issuance and fiscal overhang reinforced our projection. Incorporating the latest Fed call of no more 2026 cuts, our updated forecasts stand at 4.60% for 3Q26, 4.65% for 4Q26, 4.70% for 1Q27 and 4.70% for 2Q27, about 10-20bps higher than our previous forecast made 5 May. Even if geopolitical risks dissipate, we think it's hard to see yields meaningfully lower to pre-war levels given the confluence of above-mentioned factors.

SG Rates: Upward pull from global rates likely to dominate downward push from safe-haven flows

Overnight SORA continues to trade within the range 0.75-1.45%. Another 50 bps increase in the S$NEER slope in Oct MPS would mechanically result in a lower SORA, though we expect the spillover to be limited. Similarly, we note that the safe-haven flows from the Middle East conflict thus far was less intense than the de-dollarization episode in 2025. In contrast, we continue to see US and global rates as the dominant driver to pull SORA upwards. Expectations of less Fed rate cuts inevitably reduce the downside of SORA and could potentially lead to an increasing pull in SORA upwards if markets pivot towards no more Fed rate cuts or even rate hikes going forward.

Overall, we reiterate the view that the sharpest drop in SORA is likely behind us and we continue to expect SOFR-SORA spread to normalize gradually from a historically wide level. We project 3M compounded in arrears SORA at 1.24% in 3Q26, 1.42% in 4Q26, 1.56% in 1Q27 and 1.64% in 2Q27. At the longer end, we continue to expect a gradual rebound in 10Y SGS yields tracking UST yields. Overall, our updated forecasts for 10Y SGS yield are 2.30% in 3Q26, 2.45% in 4Q26, 2.65% in 1Q27 and 2.80% in 2Q27. Similarly, we expect a gradual normalization of SGS versus UST spread.

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Commodities Strategy: What's next for Brent crude oil amidst the uncertainty over Strait of Hormuz?

This near-term consolidation around USD 4,500 / oz is very important and necessary for gold to find a stable footing ahead of long term positive safe haven drivers reasserting in the months ahead.

Gold: Near term consolidation around USD 4,500/oz is both important and necessary

Gold now consolidates around the USD 4,500 / oz level as US Treasuries yield trade higher on increasing worries of inflation from higher crude oil prices. Amidst this consolidation, both trading and speculative activity has cooled down as well. In addition, there are some additional near-term headwinds against gold. These include central bank sales from Russia and Turkey as well as India's efforts to scale back on its gold purchases to limit INR weakness. As such, this near-term consolidation around USD 4,500 / oz is very important and necessary for gold to find a stable footing ahead of long term positive safe haven drivers reasserting in the months ahead. Overall, while we stay cautious near term, we reiterate the long-term positive view. Our updated gold forecast is USD 4,600 / oz in 3Q26, USD 4,800 / oz in 4Q26, USD 5,000 / oz in 1Q27 and USD 5,200 / oz in 2Q27.

Brent: Hormuz has to reopen soon for Brent to normalize below USD 90/bbl

Brent Crude Oil is now at a critical juncture after 3 months of the Iran War. The shutting down of the Strait of Hormuz to shipping has significantly constricted global energy supply. A large part of the stop gap for supply disruption was achieved from drawing down of existing global crude oil inventories. Based on the International Energy Agency (IEA) estimates, there was about 4 mio bpd of "global observed inventory" drawdown across Mar and Apr. However, this inventory drawdown cannot continue indefinitely. Therefore, with the peace deal between US-Iran remaining elusive and Hormuz still blocked to shipping, our updated quarterly Brent crude oil forecast retains a cautious outlook for USD 100 / bbl in 2H26 and USD 90 / bbl in 1H27. Should there be a credible peace deal leading to then gradual reopening of Hormuz, then Brent may well pull back below USD 90 / bbl. On the other hand, resumption of hostilities and conflict between US and Iran may well push Brent back up above USD 100 / bbl and towards USD 120 / bbl.

LME Copper: Increasingly stretched after price rally towards USD 14,000/MT

The industrial metals complex performed remarkably well since the onset of the Iran War with LME Copper leading the charge towards USD 14,000 / MT due to supposedly increasing industrial demand from AI data centers as well as EV cars. However, the picture is decidedly bearish in China with both monthly Copper import and demand indicators pulling back noticeably. Some industry reports suggest that this is a deliberate effort by Chinese manufacturers to control cost and rely on domestic recycling instead. Overall, we continue to highlight the risk that current strength in LME Copper price is inconsistent with various moderate macroeconomic indicators especially out of China. We maintain our modestly cautious outlook for LME Copper with forecasts for USD 13,500 / MT in 3Q26, USD 13,000 / MT in 4Q26 and USD 12,500 / MT in 1H27.

Global FX

USD/JPY: Looking ahead, we reiterate our bias for a lower USD/JPY trajectory. Our expectation of a further 25-bps BOJ rate hike in 3Q26 could act as a catalyst for gradual normalisation in the currency pair, in line with narrowing rate differentials. In addition, any reopening of the Strait of Hormuz would alleviate a key structural drag on the yen, as reduced energy import costs improve Japan's terms of trade. On balance, we maintain a constructive view on JPY, with updated USD/JPY forecasts at 157 in 3Q26, 155 in 4Q26, 153 in 1Q27, and 151 in 2Q27.

EUR/USD: Looking ahead, the anticipated ECB rate lift-off in Jun would mark the conclusion of its two-year easing cycle and could catalyze a further narrowing of EUR–USD rate differentials, providing a renewed tailwind for EUR/USD. In addition, any tangible de-escalation in Middle East tensions would offer an additional layer of support for the pair. Taken together, we maintain a constructive bias on EUR/USD and reaffirm our upward trajectory, with revised forecasts of 1.18 in 3Q26, 1.19 in 4Q26, 1.21 in 1Q27, and 1.22 in 2Q27.

GBP/USD: Looking ahead, we continue to expect broader USD weakness to remain the dominant driver. Political developments, while impactful, are typically episodic and less likely to exert a sustained drag on sterling. That said, we remain attentive to gilt market dynamics, as an uncontained rise in yields—whether driven by fiscal concerns, inflation risks, or political uncertainty—could generate outsized spillovers into GBP. On balance, we maintain a modestly constructive outlook for GBP/USD, with updated forecasts at 1.35 in 3Q26, 1.37 in 4Q26, 1.38 in 1Q27, and 1.39 in 2Q27.

AUD/USD: While we maintain a constructive medium-term outlook on AUD/USD, near-term price action may consolidate as the hawkish RBA premium that underpinned Apr's rally fades. On the supportive side, a confirmed reopening of the Strait of Hormuz, alongside stabilisation in Australian labour market conditions, would reinforce our positive medium-term thesis and could bring forward upside risks. Overall, we retain a modestly bullish bias in AUD/USD, with updated forecasts at 0.72 in 3Q26, 0.73 in 4Q26, 0.74 in 1Q27, and 0.75 in 2Q27.

NZD/USD: Taken together, we see scope for further upside in NZD/USD, particularly if a confirmed reopening of the Strait of Hormuz coincides with the delivery of RBNZ rate hikes. This combination would reinforce both cyclical and relative yield support for the currency. On balance, we retain a constructive medium-term outlook for NZD/USD, with updated forecasts at 0.60 in 3Q26, 0.61 in 4Q26, 0.62 in 1Q27, and 0.63 in 2Q27. Key downside risks to this view include a breakdown in the ceasefire arrangement and a renewed surge in oil prices, which could trigger a resurgence in global risk aversion and bolster USD safe-haven demand.

Asian FX

USD/CNY: Several factors are likely to temper the pace of CNY appreciation. A recent surge in onshore USD funding costs has raised the carry cost of maintaining short USD/CNY positions, weighing on forward net FX settlements and constraining spot gains. More importantly, the PBOC appears increasingly sensitive to the pace of CNY strength. Its latest monetary policy report reintroduced language emphasising the need to "foster a stable exchange rate environment for the real economy," in response to a growing number of exporters reporting currency-related margin pressures in 1Q26 earnings. These developments are consistent with our long-held view that policymakers will lean against excessive CNY strength, as reflected in the PBOC consistently setting the USD/CNY fixings stronger than market-implied levels. We maintain our expectation of a gradual appreciation path for the CNY, with updated USD/CNY forecasts at 6.80 in 3Q26, 6.76 in 4Q26, 6.73 in 1Q27, and 6.70 in 2Q27.

USD/SGD: Overall, we expect USD/SGD to resume its underlying downtrend as geopolitical risk premia gradually unwind and regional growth dynamics improve. Accordingly, we reiterate our USD/SGD forecasts at 1.28 in 3Q26, 1.27 in 4Q26, 1.26 in 1Q27, and 1.25 in 2Q27.

USD/HKD: In the near term, we expect USD/HKD to remain skewed toward the upper half of the currency band, reflecting continued geopolitical uncertainty. A credible resolution to the conflict would likely shift dynamics, allowing the pair to gradually normalise toward the mid-point of the band around 7.80, more in line with underlying rate differentials. Accordingly, our updated USD/HKD forecasts are at 7.83 in 3Q26, before easing to 7.80 from 4Q26 through 3Q27.

USD/TWD: On balance, these idiosyncratic developments over the past two months have materially exceeded our prior assumptions and have largely offset the drag from geopolitical risks. Reflecting this strong outlook for Taiwan's growth and export trajectory, we revise our USD/TWD forecasts lower to 31.5 in 3Q26, 31.2 in 4Q26, 31.0 in 1Q27, and 30.7 in 2Q27.

USD/KRW: Looking ahead, we expect downside risks to be partially mitigated by continued verbal intervention from authorities. At the same time, prospective 50bps of cumulative BOK rate hikes in 2H26, alongside expectations of a normalization in global energy supply conditions, should provide more durable support to the currency. On balance, we maintain a cautiously constructive outlook on the KRW, with updated USD/KRW forecasts at 1,530 in 3Q26, 1,510 in 4Q26, 1,490 in 1Q27, and 1,480 in 2Q27.

USD/MYR: We retain a cautious near-term stance on MYR through 3Q26, in line with our broader Asia FX view. A credible reopening of the Strait of Hormuz would serve as a key catalyst for Malaysia's favourable idiosyncratic fundamentals to reassert themselves. We reiterate our USD/MYR forecasts at 4.00 in 3Q26, 3.98 in 4Q26, 3.94 in 1Q27, and 3.92 in 2Q27.

USD/IDR: Looking ahead, our expectation of three more 25-bps BI rate hikes this year should provide incremental support to the IDR. Nevertheless, near-term risks remain tilted toward further weakness, given the combination of external shocks and domestic vulnerabilities. Over the medium term, the IDR is also likely to underperform regional peers, even as geopolitical risks recede, unless credible progress is made on fiscal consolidation. Accordingly, we revise our USD/IDR forecasts to 18,000 in 3Q26, 17,800 in 4Q26, and 17,700 in both 1Q and 2Q27.

USD/THB: On balance, we expect the THB to remain under near-term pressure and to underperform regional peers during any tentative medium-term recovery, as long as the macroeconomic backdrop remains challenged. Accordingly, we revise our USD/THB forecasts to 32.9 in 3Q26, 32.7 in 4Q26, 32.5 in 1Q27, and 32.3 in 2Q27.

USD/PHP: Overall, the PHP is expected to stay weak in 3Q26 before gradually stabilizing and rebounding in line with broader Asia FX strengthening from 4Q26 onwards. Our revised USD/PHP forecasts are 63.0 in 3Q26, 62.5 in 4Q26, 62.0 in 1Q27, and 61.5 in 2Q27.

USD/VND: In the near term (3Q26), the VND is likely to stay on the defensive alongside regional peers amid lingering geopolitical uncertainty. Over the medium term, we maintain a broadly stable view, supported by robust growth, sustained FDI inflows, and a steady monetary policy stance, with the SBV expected to keep its policy rate unchanged at 4.5% through 2026. Vietnam's potential upgrade to Emerging Market status in Sep 2026 could also provide a structural boost to portfolio inflows. On balance, we retain a gradual depreciation bias for USD/VND, with updated forecasts of 26,500 in 3Q26, 26,400 in 4Q26, 26,300 in 1Q27, and 26,100 in 2Q27.

USD/INR: Looking ahead, we continue to expect the INR to underperform regional peers through 2026 in the absence of a credible reopening of the Strait of Hormuz. Near-term focus will centre on the 5 Jun RBI policy meeting, as well as developments surrounding the durability of the US-Iran ceasefire, both of which are key catalysts for the currency. On balance, we retain a cautious outlook, with updated USD/INR forecasts at 96.0 in 3Q26, 95.5 in 4Q26, 95.0 in 1Q27, and 94.0 in 2Q27.