Monthly FX & Rates Strategy

Getting uncomfortable with growing inflation risk

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- Heading into the third month of the Iran War, with Strait of Hormuz remaining blocked to shipping, the disruption in the crude oil and energy space has now widened into industrial metals, agriculture, chemicals and many other parts of the entire commodities complex. Consequently, headline inflation in the US and several other economies have jumped while core inflation remained relatively benign.

- The debate has intensified amongst global central banks as to whether they can indeed "look past" this inflation risk. Fed Chair Jerome Powell himself expressed uncertainty as to whether the rise in headline inflation "will bleed" into core inflation. Following the unprecedented dissent by three regional Fed presidents at the latest FOMC, our macroeconomic team has trimmed its Fed forecast to just 1 cut at the end of this year (from 2 cuts previously).

- The US Dollar's correlation with crude oil has indeed increased over the past two months. As such, we reiterate our view that the USD should remain relatively well supported through 2Q26 amidst elevated geopolitical uncertainties. Thereafter, we continue to hold a medium-term bearish bias on the USD as the gradual narrowing of USD rate differentials versus G10 peers remains an important headwind against the USD.

- Our macroeconomic team now see ECB hiking by 25 bps in Jun and forecast another 25 bps hike from the BOJ by Jul. The BOE has also warned of near-term rate hikes. As such, we see DXY easing to 96.40 by 4Q26. Concurrently, by 4Q26, we see EUR/USD, GBP/USD, AUD/USD rising to 1.19, 1.39 and 0.74 respectively, with USD/JPY easing to 152.

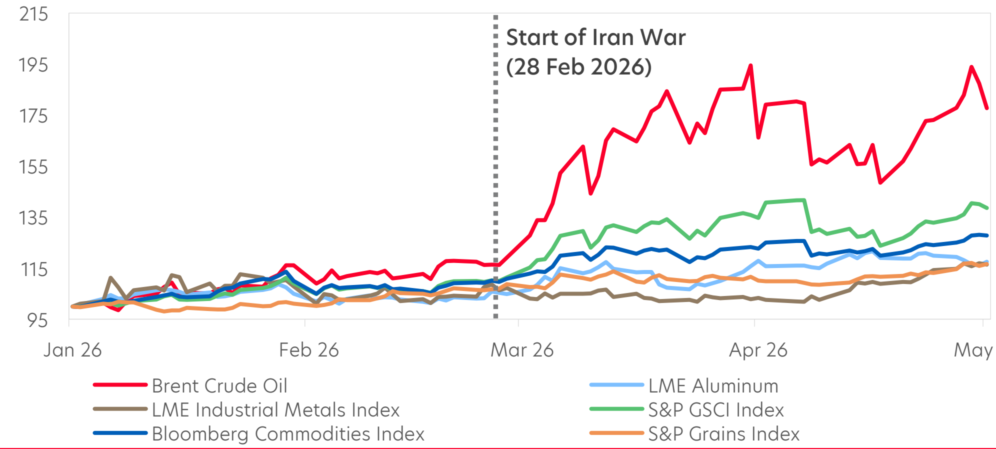
- Given our revision to just 1 more Fed cut in 4Q26 to 3.50%, we raise our 3M compounded in arrears SOFR forecast to 3.46% by 4Q26. In the backend, the UST curve has bear flattened after Apr FOMC as market continues to adjust to a less dovish Fed rhetoric. Accordingly, we revise our 10Y UST yield forecast higher to 4.45% by 4Q26.

- For the Monetary Authority of Singapore (MAS), after the pre-emptive tightening in Apr, our macroeconomic team expect a further tightening of the S$NEER appreciation path at the Oct 26 MPS, with risks that the move may be front-loaded to the Jul 26 MPS. In the front end, we reiterate the view that the sharpest drop in SORA is likely behind us and see 3M compounded in arrears SORA climbing to 1.38% by 4Q26. In the back end, 10Y SGS yield is seen rising to 2.40% by 4Q26. As for USD/SGD, despite near term uncertainties risking 1.29 across 2Q26, we expect SGD resilience to reassert later in the year, driving the pair lower to 1.27 by 4Q26.

Right By You

Chart 1: Jump in energy price has widened across industrial metals, plastics and agriculture (normalized return since Jan 2026)

Source: Bloomberg, UOB Global Economics & Markets Research



Commodities supply disruption now widening from energy to industrial metals and agriculture

We have now entered the third month of the US-Iran war and no clear end is in sight. While there is an on-going ceasefire, the Strait of Hormuz remain decidedly blocked to shipping and both US and Iran are nowhere near reaching a definitive agreement to end hostilities.

Amidst this uncomfortable stalemate, the geopolitical risk across the Middle East remains elevated. The UAE has decided to leave OPEC with effect from 1 May. While this is clearly negative for crude oil price over the longer run, but over the near term, this is viewed widely as a result of increasing strategic differences between UAE and Saudi Arabia.

As a result of the double blockade of the Strait of Hormuz by both the US and Iran, the supply disruption is decidedly evident on crude oil price. The recent roller coaster ride saw Brent crude oil ending Apr at a high of above USD 120 / bbl after the temporary pullback to USD 90 / bbl in mid-Apr amidst transient hopes of a peace deal. The disruption in supply is real with various prices for crude oil benchmark for immediate delivery priced at a distinct strong premium to the prevailing futures prices.

We can certainly expect Brent crude oil to range around the new normal of USD 100 / bbl for the foreseeable future, albeit with elevated volatility. We reiterate our existing Brent crude oil forecast of USD 110 / bbl for 2Q26, followed by a gentle glide lower to USD 100 / bbl for 3Q26 and USD 90 / bbl for 4Q26 and 1Q27.

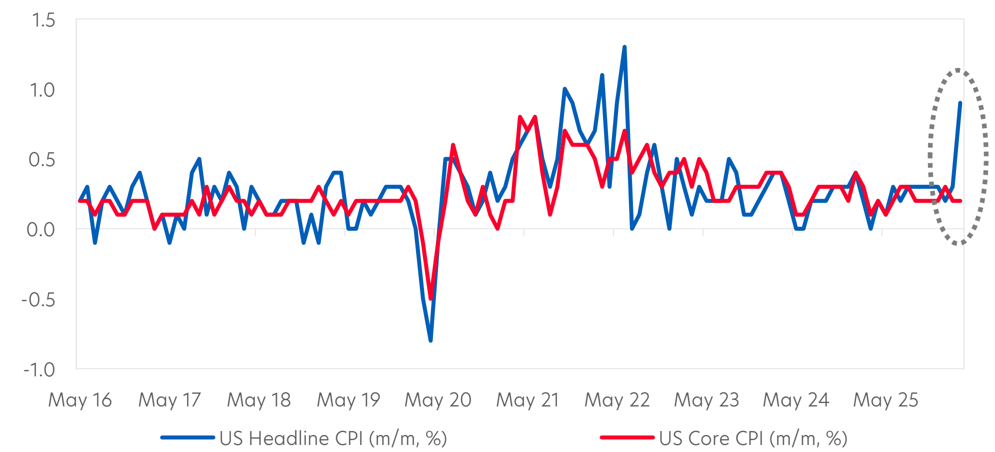
It is important to note that the supply disruption is keenly felt across the entire energy complex as well, ranging from jet fuel, to gasoline, to various downstream distillates and resultant chemicals like naphtha, polyethylene, urea, helium and sulfur etc. Heading into the third month of the war, this supply disruption has now started to bleed into other parts of the commodities complex, including industrial metals, specially aluminum and nickel, as well as agriculture and grains.

Increasing heated debate amongst central banks about extent of inflation risk

As energy and various commodities prices climb further, uncomfortable questions are now being asked about growing inflation risk. There is heated debate across all central banks about the ability to "look through" this inflation risk triggered by energy and commodities supply disruption. In particular, the latest monthly inflation figures for the US showed a very clear jump in headline inflation figures, while core inflation figures stayed benign for now. E.g. in the Mar US CPI figure, headline CPI jumped 0.9% m/m, while core CPI stayed benign at 0.2% m/m.

Chart 2: Will the jump in US headline CPI rate "bleed" into the core CPI rate?

Source: Bloomberg, UOB Global Economics & Markets Research



This rising inflation risk is not lost on the Fed. While the FOMC held the Federal Funds Rate steady at the range of 3.50-3.75% as widely expected at its latest meeting in late Apr, the FOMC surprised with three dissents arguing against the on-going accommodative language in the FOMC (while Fed Governor Miran expectedly dissented, preferring a 25-bps cut) as Fed Chair Jerome Powell himself expressed uncertainty over the extent of the "bleed" in inflation from headline into core.

Specifically on the three notable dissents, Dallas Fed President Lorie Logan said pointedly that "in light of the two-sided risks to monetary policy, I believed that the FOMC should not give forward guidance implying a bias towards rate cuts at this time". Cleveland Fed President Beth Hammack warned that "inflation pressures continue to be broad-based, and rising oil prices present an additional source of inflationary pressure". Minneapolis Fed President Neel Kashkari warned in clear terms that "with an extended closure of the Strait of Hormuz and potentially further damage to energy and commodity infrastructure in the Middle East, the price shock could be much larger than expected". Kashkari warned that "we would likely have to follow through with a strong policy response ... potentially a series of rate hikes could be warranted even at the risk of further weakness to the labor market".

As such, our macroeconomic team has updated the Fed view, from the previous forecast of two rate cuts, the team now expects an extended pause before resuming with only one cut in 4Q26. The macroeconomic team added that "risks remain firmly skewed to smaller chances for easing. Investors will be on heightened alert for the possibility of further delays to the first rate cut—or even an inability to ease in 2H26 altogether—should energy prices rise sharply and persistently due to an escalation or prolongation of the Middle East conflict." For more details, kindly refer to Macro Note: "[US Apr 2026 FOMC: An extended pause amidst a divided Fed]" dated 30th April.

The commodity supply disruption is also keenly felt in Europe amidst increasingly frequent warnings of jet fuel shortage across the continent. The latest CPI for Europe jumped to 3.0% y/y in Apr, from 2.6% y/y in Mar and just 1.9% y/y in Feb prior to the war. European Central Bank (ECB) President Christine Lagarde sounded decidedly hawkish when she warned that a rate hike may be in the offering as early as Jun "pending updated staff (macroeconomic) projections". Indeed, our macroeconomic team agrees and now expects a 25 bps rate hike from the ECB in Jun. For more details, kindly refer to Macro Note: "Eurozone: ECB holds rates in Apr; Jun hike expected" dated 04 May 26.

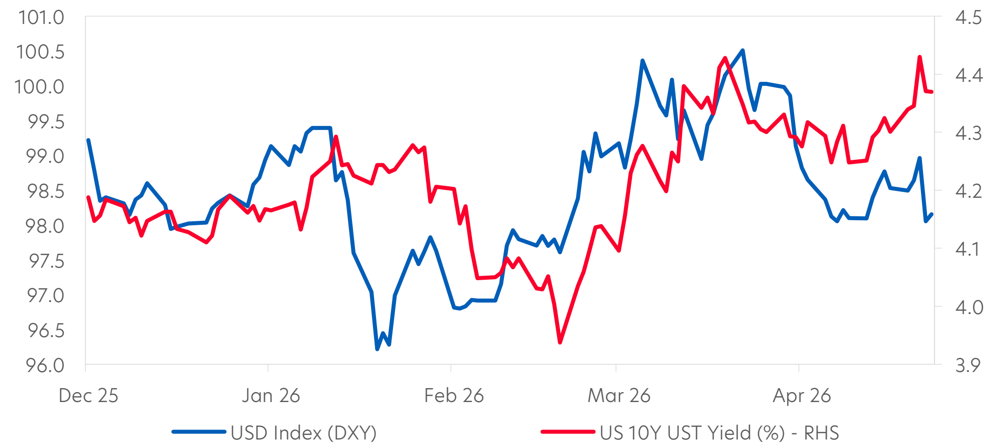
What's next for USD as rates climb further?

At the previous Monthly FX & Rates Strategy: "A brave new volatile world of Brent Crude oil at USD 100 / bbl" dated 02 Apr 26, we warned that with Brent crude oil trading around the new normal of USD 100 / bbl, there will likely be near term USD strength with various Asian FX units having a more difficult outlook.

Specifically, we have raised our USD/Asia forecasts higher over the coming four quarters. Correspondingly, we have raised modestly our forecasts for both short-term money market rates (US SOFR and SG SORA) as well as long-term bond yields (US Treasuries and SG Government Securities).

Chart 3: DXY climbed brief above 100 in late Mar while 10Y UST yield ended April above 4.4%

Source: Bloomberg, UOB Global Economics & Markets Research



Since the onset of the war in end Feb, the DXY has rallied to above 100 in late Mar, before easing to where it started the year near 98. While the 10Y US Treasuries yield has made a more sustained climb from 4.0% to end Apr near the psychological cap of 4.4%. Amidst the abovementioned intensifying disruption to energy and commodities supply, increasing risks to inflation and recent hawkish tilt in language by various central bank officials, what's next for the USD as rates climb further?

In this latest Monthly FX & Rates Strategy, we update our USD view for both the Majors and Asian units as well as review our various short-term rates and long-term yield outlook.

FX Strategy

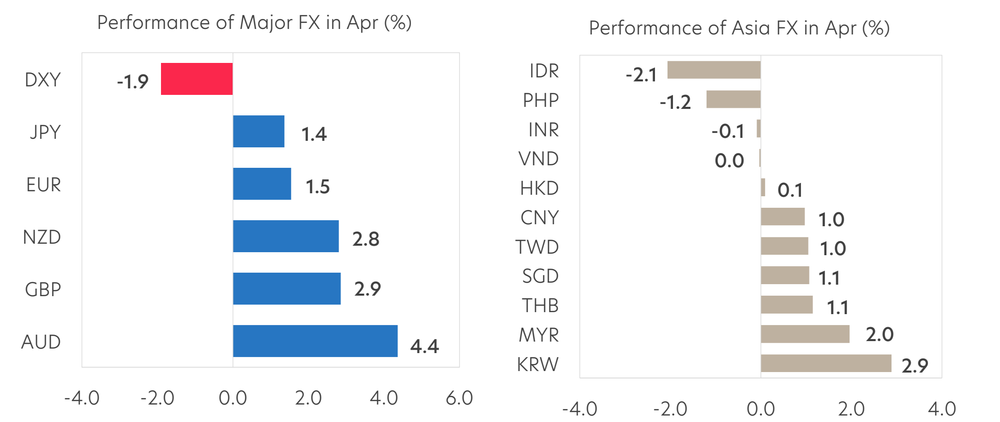
USD gives back safe haven gains as Middle East risks reprice

The USD retraced against all G10 counterparts in Apr, as emerging prospects for peace negotiations to resolve the Iran conflict prompted a partial unwinding of safe-haven positioning that had underpinned the greenback during the initial phase of the war back in Mar. That said, the downside in the USD was partly cushioned by persistently higher oil prices, which continue to skew inflation risks to the upside and reinforce a less dovish Federal Reserve stance. On balance, the US Dollar Index (DXY) declined 1.9% in Apr to 98.05, pulling back from its Mar peak of 100.64 reached at the height of the Iran War.

In our previous FX & Rates Strategy Monthly dated 2 Apr, we highlighted that safe-haven demand stemming from elevated Middle East geopolitical risks was likely to remain supportive of the USD through 2Q26. Beyond this horizon, we expect USD weakness to resume from 3Q26 as geopolitical risk premia fades and underlying monetary policy considerations reassert themselves. Following the Apr FOMC meeting, our macroeconomic team has revised its Fed outlook, now expecting just one 25-bps rate cut in 4Q26, versus two cuts previously. Against the backdrop of developments over the past month, we reassess whether this baseline USD outlook remains appropriate.

Chart 4: USD fell against most G-10 and Asia peers in Apr as haven demand receded

Source: Bloomberg, UOB Global Economics & Markets Research



Most Asia FX rebounded in Apr as tentative signs of a Middle East peace deal provided some near-term relief. The recovery was reinforced by early signs of stabilisation in portfolio flows, with Thailand, Malaysia and Indonesia registering modest bond inflows over the month. The Asia Dollar Index recovered roughly half of its Mar losses—its weakest monthly performance since Feb 2023—rising 1.1% to 92.20.

That said, risks remain materially skewed to the downside. As long as the Strait of Hormuz remains closed, Asian economies and currencies are likely to bear a disproportionate share of the fallout, given that around 80% of the disrupted oil cargoes were bound for Asia. Each additional day of closure increases stagflationary risks across the region. As major net energy importers, Asian economies are likely drawing down inventories while carefully managing strategic reserves amid ongoing supply disruptions. Against this backdrop, we maintain a cautious near-term stance on Asia FX through 2Q26.

More critically, our medium-term constructive bias on regional currencies—previously underpinned by resilient growth fundamentals, expectations of an eventual Fed easing cycle, and sustained CNY stability – faces growing strain, the longer oil supply disruptions persist. At some point, these supportive tailwinds risk reversing into outright headwinds. The key uncertainty remains to be the timing.

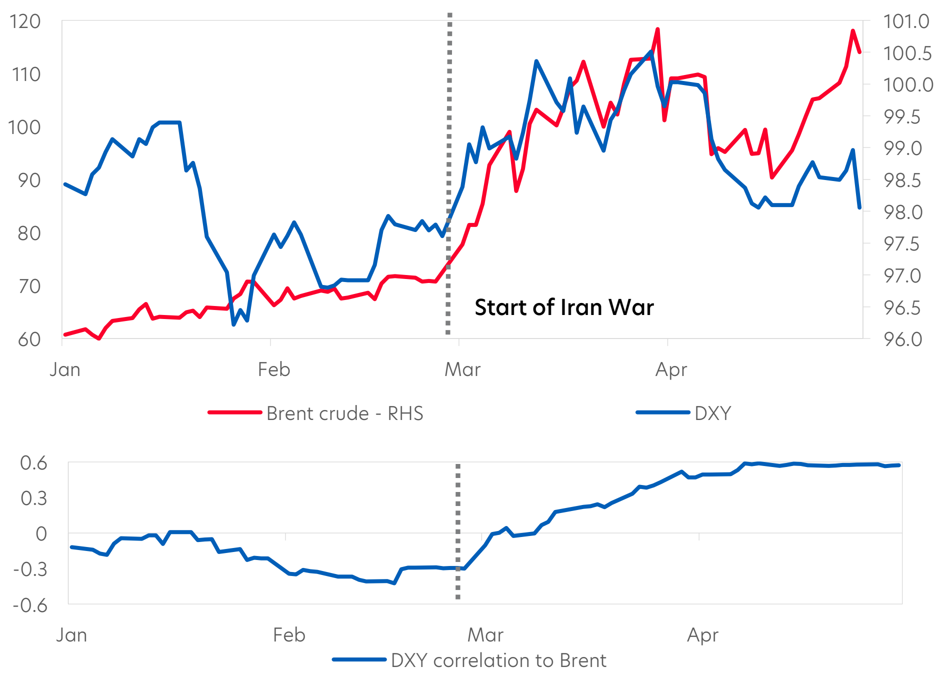
Major FX Strategy

USD to stay elevated through 2Q26, renewed weakening thereafter

Reflecting its safe-haven characteristics, the correlation between the DXY and oil prices has strengthened over the past two months, accounting for a significant share of recent USD price action. During Mar, the USD tracked the rise in oil prices amid the escalation phase of the Iran War. In early Apr, the DXY moved lower in tandem with oil following the announcement of a US-Iran ceasefire. However, the USD subsequently rebounded from the 98 level as peace talks lost momentum and the Strait of Hormuz remained closed, driving a renewed upswing in oil prices. Notably, the DXY softened again towards 98 on 30 Apr, as reported JPY intervention triggered broader USD selling, despite oil prices holding near recent highs.

Chart 5: DXY closely correlated to Brent crude since the start of the Iran War

Source: Bloomberg, UOB Global Economics & Markets Research



While the Apr ceasefire represents a constructive geopolitical development for FX markets, the absence of meaningful progress towards a comprehensive peace agreement—particularly one that would reopen the Strait of Hormuz—is likely to keep oil supplies constrained and prices elevated. Under this backdrop, we reiterate our view that **the USD should remain relatively well supported through 2Q26** amid elevated geopolitical uncertainties.

Beyond the near term, however, we continue to hold a medium-term bearish bias on the USD. Although our macroeconomic team has downgraded expectations for Fed easing to a single 25-bps cut in 4Q26 (from two cuts previously), **the gradual narrowing of US rate differentials versus G10 peers remains an important headwind for the USD**. Swap markets continue to price the next Fed move as a cut, with US inflation expectations broadly contained. In contrast, our macroeconomic team expects the European Central Bank (ECB) to raise rates by 25 bps at the 11 Jun meeting. Similarly, we also expect the Reserve Bank of Australia (RBA) to deliver another hike in May, following consecutive increases in Feb and Mar. In Japan, we maintain our call for an additional 25 bp Bank of Japan (BOJ) rate hike in 3Q (Jul). The Bank of England (BOE) has signalled the possibility of rate hikes as early as Jun in response to inflation pressures stemming from the Middle East conflict.

Accordingly, our updated DXY projections are at 99.0 in 2Q26, 97.4 in 3Q26, 96.4 in 4Q26, and 95.6 in 1Q27.

Chart 6: DXY still biased lower in the coming quarters as haven demand for USD recedes and rate differentials start to weigh

Source: Bloomberg, UOB Global Economics & Markets Research

As highlighted in our 2 Apr publication, risks to our USD outlook are skewed to the upside should the Iran conflict prove more protracted. A prolonged closure of the Strait of Hormuz would likely see oil prices higher, generating second-round inflationary effects and more persistent price pressures. In such circumstances, the Fed may be less inclined to accommodate easing, and a renewed shift towards tightening later in the year would warrant a reassessment of our weaker-USD baseline.

EUR/USD

EUR/USD appreciated 1.5% in Apr to 1.1731, retracing a significant portion of the 2.2% decline recorded in Mar. Beyond the moderation in USD safe-haven demand, the primary catalyst for the rebound was an increasingly divergent monetary policy outlook between the ECB and the Fed. ECB policymakers have adopted a more hawkish tone relative to their Fed counterparts, with guidance pointing to a potential rate hike as early as Jun.

Following the Apr decision, we now expect the ECB to raise rates once this year, delivering a 25-bps hike at the 11 Jun meeting. Separately, the swap markets are now pricing in approximately 76 bps of cumulative ECB tightening by year-end. By contrast, the Fed maintained an easing bias at its latest meeting, albeit with growing dissent.

That said, we argue that in the near term, the USD may still be supported by periodic haven demand as both US and Iran remain a distance from reaching a comprehensive peace deal. This dynamic is likely to weigh on the EUR/USD in 2Q26.

Looking ahead, a further narrowing of rate differentials should turn increasingly supportive for EUR/USD, assuming a further easing in geopolitical uncertainties. Taken together, we continue to expect EUR/USD to trough in 2Q26 before embarking on a gradual recovery thereafter. Our updated forecasts are 1.16 in 2Q26, 1.18 in 3Q26, 1.19 in 4Q26, and 1.20 in 1Q27.

GBP/USD

GBP/USD advanced 2.9% in Apr, making sterling one of the earliest G10 currencies to fully recoup its Mar losses and turn positive since the onset of the Iran conflict. This relative outperformance has been driven primarily by a sharp hawkish repricing of BOE policy expectations. Rate markets have effectively completed a 180-degree shift, moving from pricing around 50 bps of BOE easing in 2026 before the conflict to now nearly 60 bps of cumulative rate hikes.

This repricing has been reinforced by the Apr BOE meeting minutes, which revealed that several policymakers are increasingly open to tightening at upcoming meetings. Notably, BOE Chief Economist Huw Pill—the lone dissenter who voted for a rate hike at the Apr meeting—argued that policy tightening should proceed with greater urgency amid slowing progress in bringing down inflation.

Looking ahead, we retain a constructive medium-term outlook for GBP/USD, underpinned by supportive rate-differential dynamics. In the near term, however, domestic political uncertainty surrounding the 7 May local elections could re-emerge as a near-term headwind for sterling, alongside episodic USD safe-haven demand. Overall, our updated GBP/USD forecasts are at 1.35 in 2Q26, 1.37 in 3Q26, 1.39 in 4Q26, and 1.40 in 1Q27.

USD/JPY

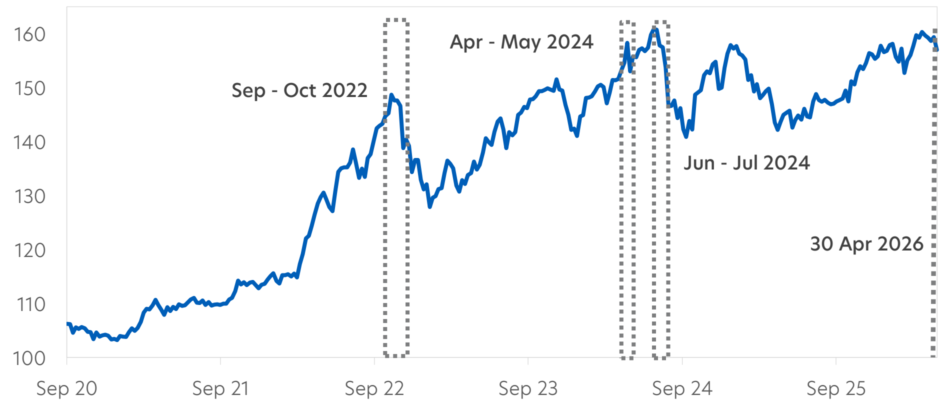
Japanese authorities intervened in the FX market for the first time since 2024, deploying JPY 5.4trn (USD 34.5bn) to support the yen. The action triggered a sharp near-term appreciation in JPY, with USD/JPY falling as much as 3% to 155.57 on 30 Apr from 160.41 the previous day. The intervention underscores policymakers' resolve to defend the 160 level, amid concerns that a weaker currency and elevated energy prices could rekindle inflation pressures domestically.

That said, experience from previous intervention episodes in 2022 and 2024 suggests that a single-day operation is unlikely to be sufficient to engineer a sustained trend reversal in USD/JPY. This challenge is compounded by the strengthening correlation between USD/JPY and oil prices, which has risen to multi-year highs. With the Strait of Hormuz remaining closed, oil prices are likely to stay elevated, keeping underlying pressure on JPY. Moreover, ongoing USD safe-haven demand should continue to support USD/JPY through at least 2Q26, although we do not expect a sustained break above 160.

Looking further ahead, as geopolitical risks recede, we continue to expect a gradual re-alignment of USD/JPY towards levels more consistent with a narrowing US–Japan interest-rate differential. Monetary policy divergence remains significant and continues to argue for lower USD/JPY. Our base case assumes a 25-bps Fed rate cut in 4Q26, alongside an additional 25-bps rate hike by the BOJ, taking the terminal policy rate to 1.0% by 3Q26 following the hawkish hold at the April MPM. Overall, our updated USD/JPY forecasts are at 158 in 2Q26, 155 in 3Q26, 152 in 4Q26, and 150 in 1Q27.

Chart 7: Past JPY interventions in 2022 and 2024, together with the latest on 30 Apr 2026

Source: Bloomberg, UOB Global Economics & Markets Research



AUD/USD

The AUD remained a notable outperformer within the G10 complex, advancing 4.4% in Apr and holding broadly resilient levels against the USD, up a modest 1.2% since the onset of the Middle East conflict in late Feb. The currency has been underpinned by increasingly hawkish RBA expectations, with the central bank standing apart from its G10 peers after delivering consecutive rate hikes in Feb and Mar. These actions reflect heightened concerns that the global oil shock could exacerbate domestic inflation pressures, where housing and transport prices were rising sharply.

Our macroeconomic team expects another 25-bps rate hike—potentially at the upcoming RBA meeting on 5 May—as inflation continues to run above target, while acknowledging that softer demand indicators may argue for a more patient policy approach beyond the near term.

In the near term (2Q26), AUD/USD is likely to remain subject to two-way volatility amid elevated geopolitical uncertainty, particularly as long as the Strait of Hormuz remains closed. Beyond this horizon, however, we retain a constructive medium-term outlook for AUD/USD. This view is anchored on an eventual easing of geopolitical risks and a resumption of the Fed's policy easing cycle, which should further accentuate the AUD's relative yield advantage—currently the highest across the G10 space. Our updated AUD/USD forecasts are at 0.72 in 2Q26, 0.73 in 3Q26, 0.74 in 4Q26, and 0.75 in 1Q27.

Asia FX Strategy

Stay defensive in 2Q26; dial down extent of medium term recovery

Most Asia FX rebounded in Apr as tentative signs of a Middle East peace deal provided some near-term relief. The recovery was reinforced by early signs of stabilisation in portfolio flows, with Thailand, Malaysia and Indonesia registering modest bond inflows over the month. The Asia Dollar Index recovered roughly half of its Mar losses—its weakest monthly performance since Feb 2023—rising 1.1% to 92.20.

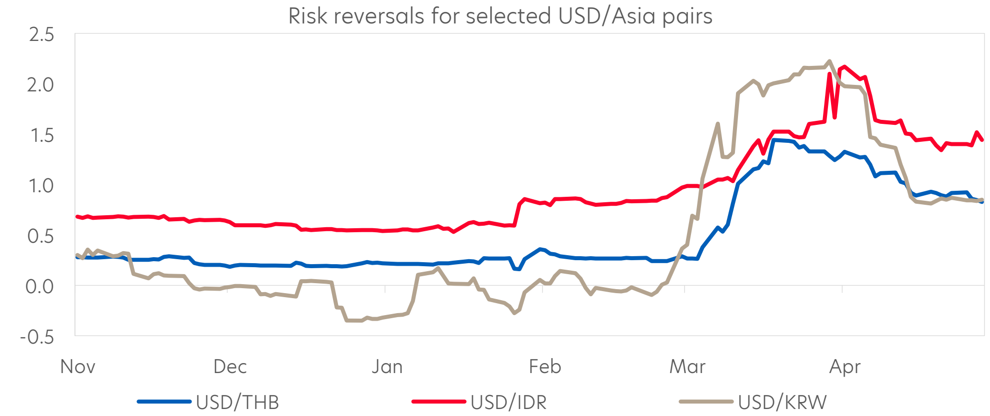
That said, risks remain materially skewed to the downside. As long as the Strait of Hormuz remains closed, Asian economies and currencies are likely to bear a disproportionate share of the fallout, given that around 80% of the disrupted oil cargoes were destined for Asia. Each additional day of closure increases stagflationary risks across the region. As major net energy importers, Asian economies are likely drawing down inventories while carefully managing strategic reserves amid ongoing supply disruptions. Against this backdrop, we **stay defensive on Asia FX and expect further weakness from current levels through 2Q26**.

More critically, our medium-term constructive bias on regional currencies—previously underpinned by resilient growth fundamentals, expectations of an eventual Fed easing cycle, and sustained CNY stability—faces growing strain the longer oil supply disruptions persist. At some point, these supportive tailwinds risk reversing into outright headwinds.

In light of these developments, we **dial down the extent of the expected medium term Asia FX recovery**. Also, we reiterate that risks are tilted toward renewed downside should stagflation dynamics take hold and trigger meaningful portfolio outflows from the region. Within Asia, currencies of net energy importers facing the most acute supply vulnerabilities—including PHP, INR, KRW and THB—are likely to remain key underperformers. The IDR is likely to underperform as well due to domestic factors. In contrast, relatively resilient currencies are the SGD, MYR and CNY.

Chart 8: Option markets continue to price a meaningful premium for USD calls over puts, although this skew has eased from the extreme levels observed in Mar

Source: Bloomberg, UOB Global Economics & Markets Research



USD/CNY

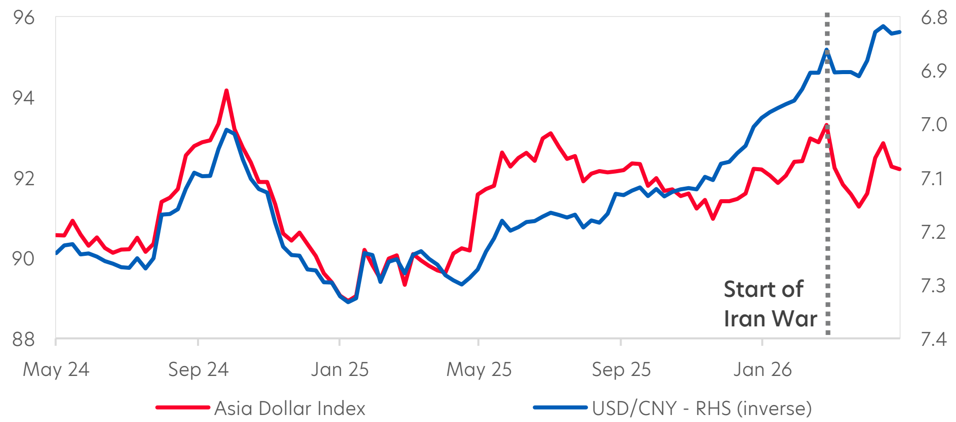
The CNY has remained the most resilient currency in Asia, appreciating 0.5% against the USD since the onset of the Iran conflict, even as all other regional peers weakened. This relative outperformance reflects broad market perceptions that China is comparatively insulated from oil-price shocks, supported by substantial strategic petroleum reserves, a differentiated energy mix dominated by domestic coal, and a pivot toward renewables.

Policy signalling has further reinforced CNY stability. The CFETS fixing rate appreciated steadily through the conflict, moving from 6.92 on 27 Feb to 6.86 by 30 Apr, helping to anchor expectations. Consistent with this, CNH recorded the lowest volatility among major Asian currencies, with 30-day implied volatility compressing from 3.55% to 2.95% over Apr, returning to pre-conflict levels.

Looking ahead, as geopolitical risks gradually recede, we expect CNY to resume a measured appreciation trend, albeit at a more controlled pace. Notably, for the first time in nearly two years, the Chinese Communist Party's Politburo reiterated the importance of maintaining the renminbi at a "reasonable and balanced" level, underscoring policymakers' sensitivity to the risks of excessive currency strength especially when the global backdrop has worsened. At the same time, a "moderately loose" monetary policy stance is likely to cap the extent of appreciation. Overall, our updated USD/CNY forecasts are 6.90 in 2Q26, 6.86 in 3Q26, 6.82 in 4Q26, and 6.80 in 1Q27.

Chart 9: The CNY clearly outperformed the broader Asia Dollar since the start of the Iran War

Source: Bloomberg, UOB Global Economics & Markets Research



USD/KRW

The KRW rallied sharply in Apr, appreciating 2.9% to 1,477/USD and ranking as the top performer within the Asia FX complex. The rebound was underpinned by a further acceleration in South Korea's export momentum, with Apr shipments rising an exceptional 48% y/y. Strength was driven primarily by sustained upside in semiconductor demand, which continued to anchor growth despite rising headwinds from higher energy prices linked to the Iran-related supply disruptions. In addition, foreign demand for South Korean government bonds picked up materially in Apr, with net inflows of USD 5.1bn, following Korea's phased inclusion into the WGBI effective 1 Apr. Furthermore, South Korea's market capitalization surged to a new record high of USD 4 trn, making South Korea the world's 8th largest stock market.

Despite this tentative stabilisation, the KRW remains vulnerable given South Korea's status as a net energy importer. Elevated oil prices and the risk of energy supply shortages—should the Strait of Hormuz remain closed—continue to represent significant downside risks. Accordingly, we expect near-term volatility to persist and see the KRW underperforming in any broader Asia FX recovery until there is clearer evidence of a restoration in global energy flows. Overall, our updated USD/KRW forecasts are 1,500 in 2Q26, 1,490 in 3Q26, 1,480 in 4Q26, and 1,470 in 1Q27.

USD/TWD

The TWD strengthened modestly in Apr, appreciating 1.0% to 31.66 per USD. The rebound was supported by a strong AI-led rally in the technology sector, which lifted the local equity index to fresh record highs, alongside an improvement in risk sentiment following the Middle East ceasefire. The currency also drew support from robust macro fundamentals, as Taiwan's economy expanded at its fastest pace since 1987, with GDP growth accelerating to 13.7% y/y in 1Q26 from 12.65% in 4Q25. The sharp pickup was driven by stronger-than-expected exports, resilient investment activity and firm private consumption.

Looking ahead, we expect Taiwan's solid growth fundamentals to underpin a gradual medium-term recovery in the TWD, beyond any near-term weakness stemming from renewed geopolitical uncertainty in the Middle East. Overall, our updated USD/TWD forecasts are 31.9 in 2Q26, 31.7 in 3Q26, 31.5 in 4Q26, and 31.4 in 1Q27.

USD/SGD

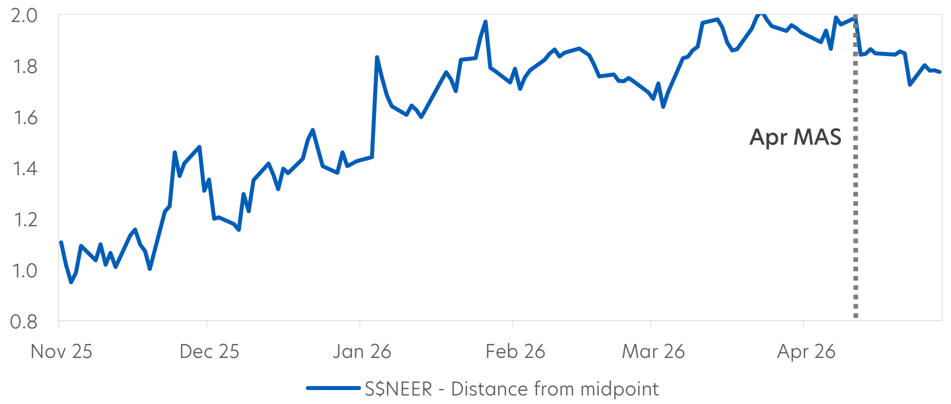
As widely expected, the Monetary Authority of Singapore (MAS) tightened policy at the Apr 2026 MPS via an estimated 50 bps steepening of the S$NEER slope to 1.0% p.a. We continue to expect a further 50 bps slope increase to 1.5% p.a. at the Oct 2026 MPS, with risks skewed toward an earlier adjustment as soon as the Jul meeting. Beyond expected safe-haven inflows amid ongoing geopolitical uncertainty, the SGD should also benefit from Singapore being the first Asian economy to tighten policy pre-emptively, aimed at containing imported inflation pressures.

This combination of hawkish policy stance and safe haven status positions the SGD favourably to outperform regional peers over the remainder of the year. Accordingly, we reiterate our view for a modest recovery in key SGD crosses, including SGD/CNY and SGD/MYR, through the rest of 2026.

For USD/SGD, we expect the pair to resume its underlying downtrend as geopolitical risks gradually recede and broader USD softness re-emerges, with market attention shifting back toward an eventual Fed easing cycle. Factoring the SGD's resilience during the Iran conflict, we revise our USD/SGD forecasts to 1.29 in 2Q26, 1.28 in 3Q26, 1.27 in 4Q26, and 1.26 in 1Q27.

Chart 10: The S$NEER is likely to trade near its 2% upper limit on expectations of further MAS tightening despite retracing lower since the Apr MPS

Source: Bloomberg, UOB Global Economics & Markets Research



USD/MYR

The MYR—Asia's best-performing currency prior to the onset of recent geopolitical hostilities—once again demonstrated relative resilience, rebounding sharply in Apr alongside an improvement in the global risk backdrop. USD/MYR retreated from an early-Apr high of 4.04 to close the month at 3.97. Notably, Malaysia recorded MYR 6.1bn in bond inflows in Mar—predominantly into Malaysian Government Securities (MGS)—even as Middle East geopolitical tensions peaked, according to data released in early Apr. This suggests that global investors may have reallocated portfolios away from economies with higher direct exposure to Middle East risks toward relatively lower-risk markets such as Malaysia.

Should these portfolio rebalancing dynamics persist, the MYR's resilience amid ongoing geopolitical uncertainty is likely to be sustained. Malaysia's status as a net energy exporter further underpins MYR stability relative to regional peers. Nonetheless, the currency is not immune to rising stagflationary risks should the Strait of Hormuz remain closed for an extended period. Prolonged and elevated fuel subsidies would weigh on Malaysia's fiscal position. Against this backdrop, we retain a defensive near-term stance on the MYR through 2Q26, consistent with our broader view on Asia FX.

Looking further ahead, as geopolitical tensions ease, Malaysia's favourable idiosyncratic fundamentals should reassert themselves. We expect Bank Negara Malaysia (BNM) to look through near-term, transitory inflation pressures while remaining attentive to external headwinds to domestic growth and demand, keeping the OPR unchanged at 2.75% through 2026. A gradual narrowing in the US-Malaysia interest rate differential should provide an additional medium-term tailwind for the MYR. Overall, our updated USD/MYR forecasts are 4.02 in 2Q26, 4.00 in 3Q26, 3.98 in 4Q26, and 3.94 in 1Q27.

USD/THB

The THB showed early signs of stabilisation in Apr, rebounding 1.1% after registering a sharp 5.0% decline in Mar at the height of the Middle East conflict.

That said, key structural headwinds facing the THB remain firmly in place and risk intensifying the longer the Strait of Hormuz remains closed. Thailand's heavy reliance on imported energy leaves it particularly exposed to tighter global supply conditions and persistently elevated oil prices, worsening the growth-inflation trade-off.

Macro buffers are also less robust than in the past, as rising energy import costs and higher freight expenses erode the external cushion provided by Thailand's current account surplus and sizeable FX reserves. In addition, tourism receipts—an important pillar of the Thai economy—could come under renewed pressure should a prolonged Middle East conflict lead to flight reductions amid constrained global jet fuel supplies.

Overall, we expect the THB to remain under pressure in the near term and to lag its Asian peers during any tentative medium-term regional recovery, as long as these headwinds persist. Our revised USD/THB forecasts are 33.0 for 2Q26, 32.7 in 3Q26, 32.5 in 4Q26, and 32.3 in 1Q27.

USD/IDR

The IDR found little respite in Apr despite a more constructive global risk backdrop, as deteriorating domestic fundamentals continued to weigh on the currency. The IDR weakened to a fresh record low of 17,393 /USD, reflecting mounting fiscal pressures from elevated oil prices, which have significantly increased Indonesia's energy subsidy burden. Sentiment was further undermined by persistent equity outflows, with foreign investors withdrawing USD 440 mn from the domestic stock market in Apr. The equity benchmark, Jakarta Composite has now fallen more than 20% from its Jan peak. Adding to the negative momentum, MSCI announced an extension of its review of Indonesian securities to Jun while maintaining a temporary freeze on certain index adjustments, further denting investor confidence.

In response to intensifying depreciation pressures, Bank Indonesia (BI) held its policy rate unchanged at 4.75% for a seventh consecutive meeting and reiterated its readiness to take additional measures to stabilise the rupiah, likely via sustained intervention in currency markets. These efforts, however, have come at a rising cost, with Indonesia's FX reserves declining to a two-year low of USD 148.2bn in Mar, underscoring the increasing burden of defending currency stability.

Looking ahead, near-term risks remain skewed toward further IDR weakness, given the confluence of external and domestic headwinds, as well as fragile price action following the recent breach of the key psychological 17,000 level. Further out, a moderation in oil prices and easing geopolitical risks could support a modest recovery in the IDR. Nonetheless, lingering concerns around fiscal sustainability are likely to leave the IDR underperforming most regional peers. Overall, our updated USD/IDR forecasts are at 17,600 in 2Q26, 17,500 in 3Q26, 17,400 in 4Q26, and 17,300 in 1Q27.

USD/VND

The VND remained anchored near the weaker end of the State Bank of Vietnam's (SBV) trading band through Apr, hovering around 26,400 /USD, as elevated geopolitical uncertainty continued to sustain USD safe-haven demand. Pressure on the currency was further compounded by a widening trade deficit, which reached USD 3.28bn on a year-to-date basis through Apr.

To alleviate depreciation pressures, the SBV intervened by selling USD via 180-day cancellable forward contracts to commercial banks with negative foreign currency positions, at a fixed rate of 26,850 /USD.

Looking beyond the near-term geopolitical overhang, our medium-term outlook for the VND remains broadly stable. The currency should continue to be supported by Vietnam's strong growth fundamentals, with GDP projected to expand by around 7% this year (UOB forecast), sustained resilience in FDI inflows, and a steady monetary policy backdrop, with the SBV policy rate expected to be held at 4.5% through 2026. In addition, Vietnam's potential reclassification to Emerging Market status in Sep 2026 could provide a longer-term structural tailwind for portfolio inflows. Overall, our updated USD/VND forecasts are at 26,600 in 2Q26, 26,500 in 3Q26, 26,400 in 4Q26, and 26,300 in 1Q27.

Rates Strategy

Prolonged closure in Hormuz risks further upside to rates

US Rates: SOFR and UST yields marked higher as we now expect only 1 Fed cut this year

Since our previous FX & Rates Strategy Monthly dated 2 Apr, the Strait of Hormuz remains effectively closed to shipping despite a ceasefire between US and Iran. As such, US Treasuries found itself unable to recover to the pre-war level – unlike US equities which have risen to new record highs – and hovered in a 20-bps trading range (3.67-3.95% in UST 2Y, 4.22-4.43% in UST 10Y).

Meanwhile, US macroeconomic data has been on the strong side: with robust Mar payrolls, an unexpected reduction in unemployment rate and solid retail sales. Our macroeconomic team has raised US headline CPI forecast to 3.3% (from 2.6% previously) and core CPI forecast to 2.8% (from 2.6% previously).

Following the Apr FOMC, which showed a divided Fed with three regional Fed Presidents dissented over retaining languages that suggested easing bias, our macroeconomic team now sees **an extended pause of Fed Funds Rate at 3.75%, before one final cut in 4Q26** to bring the terminal rate to be 3.50%. For details, kindly refer to Macro Note dated 30 Apr 2026 here.

Consistent with this macro view, we expect 3M compounded in arrears SOFR projected at 3.64% in 2Q26, 3.63% in 3Q26, 3.46% in 4Q26 and 3.40% in 1Q27 (vs. the prevailing level of 3.67%). Fed funds futures currently price in no cuts for this year, while the Fed's March median dot remains at one cut for 2026.

Developments around Kevin Warsh's confirmation hearing were also key highlights for Apr. On 21 Apr, Warsh faced a tough grilling at the Senate confirmation hearing and offered a glimpse of what the Fed could look like under his chair. For details, kindly refer to Macro Note dated 27 Apr 2026 here and the Box A below for discussions of alternative inflation measures. Warsh has since then cleared a major hurdle towards a potential confirmation by the Senate in the week of 11 May.

The US Treasury yield curve has bear flattened after Apr FOMC as market continues to adjust to a less dovish Fed rhetoric given the rising dissents to maintaining the easing bias. Accordingly, we revise our 10Y UST yield forecast higher to 4.40% for 2Q26, 4.40% for 3Q26, 4.45% for 4Q26 and 4.50% for 1Q27. The updated forecasts are about 10-20 bps higher than previously, driven by one less Fed cut and a higher terminal rate.

As for the quarterly refunding announcement (6 May), we think there will be unchanged coupon issuances from previous quarter and look for language changes in future guidance of eventual coupon increase. Fed's Reserve Management Purchases have also stepped down from $40 billion of Treasury bills each month to $25 billion a month.

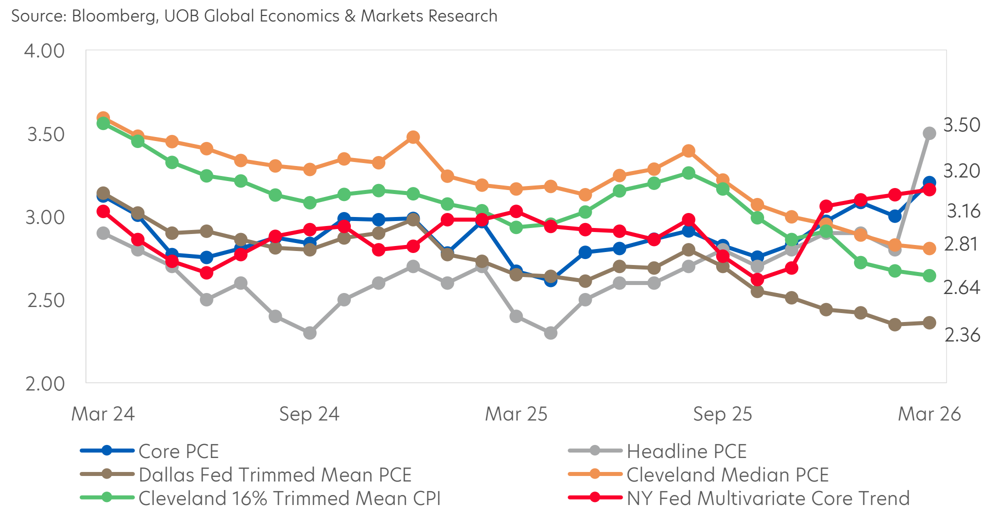
Box A: Different measures of inflation

In the confirmation hearing before the Senate Banking Committee, Fed Chair nominee Kevin Warsh suggested to have a new inflation framework and offered his preferred measures of inflation: trimmed mean measures. "We take out all of the tail-risks, all of the one-off items, and we ask ourselves whether the generalized change in prices is having second-order effects on the economy."

Currently, regional Federal Reserve banks have a number of trimmed mean inflation measures at disposal:

1. Dallas Fed's trimmed mean measure excludes 32% of the prices from the upper tail and 25% of the prices from the lower tail. Latest reading was 2.36% in Mar.
2. Cleveland Fed's median PCE measure is the one-month inflation rate of the component whose expenditure weight is in the 50th percentile of price changes. Latest reading was 2.81% in Mar.
3. Cleveland Fed's 16 percent trimmed-mean CPI is a weighted average of one-month inflation rates of components whose expenditure weights fall below the 92nd percentile and above the 8th percentile of price changes. Latest reading was 2.64% in Mar.
4. New York Fed's Multivariate Core Trend Inflation aims to measure inflation's trend by estimating common trend, sector-specific trend from the core PCE. Latest reading was 3.16% in Mar.

Different measures of Inflation



In short, we think there is no one definite measure of inflation. The key is to be consistent in the approach, not pick and choose depending on convenience. It will be interesting to see which "trimmed mean" measure Warsh chooses. Picking Dallas Fed's measure which currently has the lowest reading of 2.36% could be viewed controversial.

SG Rates: Geopolitical risks tilt MAS outlook towards further tightening via a steeper slope

As we expected, MAS took a pre-emptive tightening to guard against imported inflation by slightly increasing the slope of S$NEER policy band (est from 0.5% p.a. to 1.0% p.a.) in its Apr 2026 MPS. In terms of outlook, MAS raised its 2026 core and headline inflation ranges to 1.5-2.5%, from 1.0-2.0% previously. GDP growth in 2026 is now expected to "step down" from the above-trend pace recorded in 2025, with output gap forecast to average around zero percent in 2026. Our macroeconomics team downgraded 2026 GDP forecast to 2.5% (from 3.6% previously), upgraded core inflation to 1.9% (from 1.5% previously) and headline inflation forecast to 2.2% (from 2.0%).

Our macroeconomics team continues to see another 50 bps slope tightening to 1.5% p.a. in the Oct 2026 MPS, with risks that the move may be front-loaded to Jul 2026. Further details could be found in our Macro Note published 14 Apr 2026 here and 23 Apr 2026 here. Although the latest Mar IP and NODX suggest still robust AI-related growth, we could already spot uneven weaknesses underneath the hood in clusters like chemicals due to disruptions in feedstock supply (Mar: -18.5% m/m sa from Feb: -1.8%).

Overnight SORA continues to trade within the range 0.80-1.30%. A 50 bps increase in the S$NEER slope in Apr MPS would mechanically result in a lower SORA, but we continue to see US and global rates as the dominant driver. 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 the cumulative daily fixing changes this year also suggest a relatively muted safe-haven flow to Singapore compared to the previous period in 2H25 (See detailed discussion in Box B). For 2026, we continue to expect SOFR-SORA spread to normalize gradually from a historically wide level, driven by Fed rate cut expectations and muted safe-haven flow to Singapore. We project 3M compounded in arrears SORA at 1.17% in 2Q26, 1.28% in 3Q26, 1.38% in 4Q26 and 1.50% in 1Q27.

As for the curve, we observed the SGS curve (2s10s) tends to flatten in past cycles when MAS tightened policy, either via a slope steepening or an upward re-centering of S$NEER. Notable exception is in the 2007-2008 cycle, where the MAS tightened into the Global Financial Crisis (GFC), SGS curve understandably bull steepened massively. If we exclude the 2007-2008 recession episode, the historical anecdote suggests an average 2s10s SGS curve flattening by about 20 bps in 6 months.

Given that we have just entered into a tightening cycle in Apr, we think the historical pattern will repeat and 2s10s SGS will be flatter going forward although some of the flattening may be offset by the general steepening trend in DM rates. As such, we forecast 10Y SGS at 2.10% in 2Q26, 2.20% in 3Q26, 2.40% in 4Q26, and 2.60% in 1Q27, with 2s10s at 45 bps in 2Q26, 40bps in 3Q26, 35bps in 4Q26, and 30bps in 1Q27 vs. prevailing level of 55bps. Given the relative flat curves to begin with, we have noted a weaker average bid-to-cover ratio in the 10-30 year SGS auctions this year.

Tightening Regimes	2Y SGS Start	2Y SGS End	10Y SGS Start	10Y SGS End	2Y SGS Chg	10Y SGS Chg	2s10s SGS
10Oct2007 to 09Oct2008	2.085	1.400	2.816	2.944	-0.685	0.128	0.813
14Apr2010 to 13Oct2011	0.527	0.131	2.786	1.617	-0.396	-1.169	-0.773
13Apr2012 to 27Jan2015	0.104	0.571	1.620	1.862	0.467	0.242	-0.225
13Apr2018 to 11Oct2019	1.853	1.556	2.375	1.673	-0.297	-0.702	-0.405
13Oct2021 to 23Jan2025	0.575	2.826	1.693	2.931	2.251	-1.238	-1.013
14 Apr 2026 till now	1.478		1.997				
				Avg	0.268	-0.053	-0.321

Source: UOB Global Economics & Markets Research

Chart 11: 2s10s SGS curve change around first tightening date (T)

Source: Bloomberg, UOB Global Economics & Markets Research

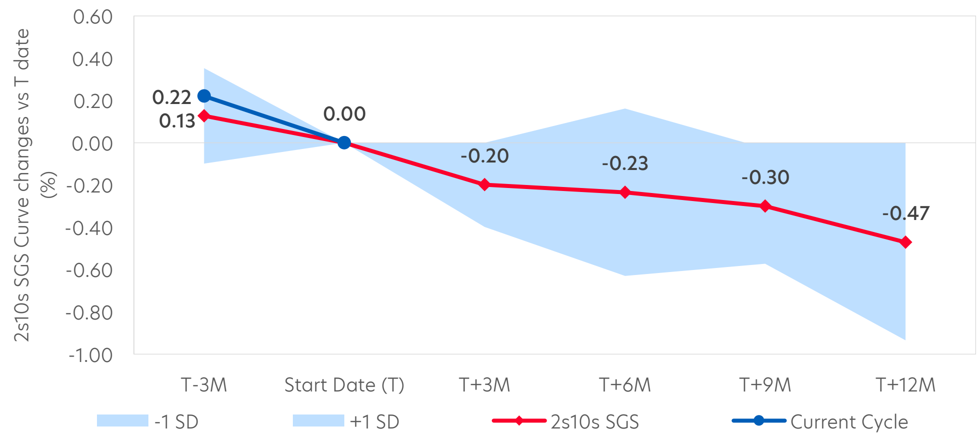
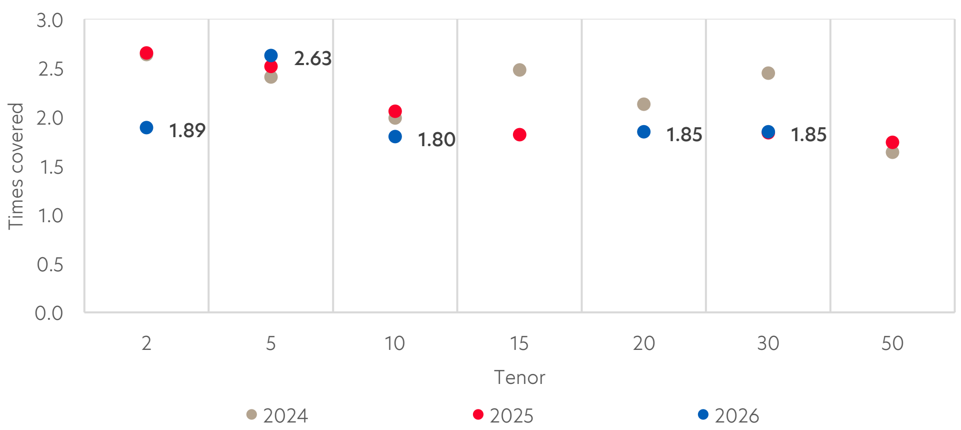


Chart 12: Average bid-to-cover

Source: Bloomberg, UOB Global Economics & Markets Research



Box B: Reading tea leaves of safe-haven flows from SORA fixings' seasonality

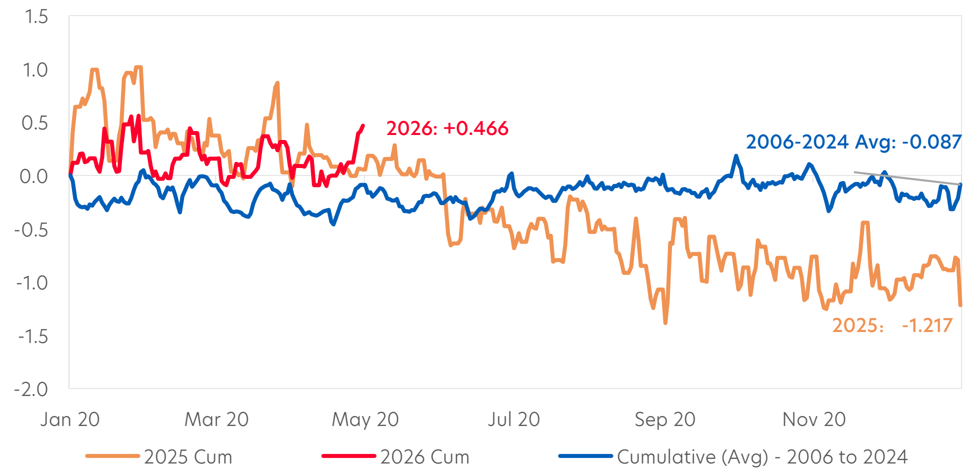
There is no single definitive measure of safe-haven flows to Singapore. Instead, markets typically rely on proxies such as banking deposit growth and news on the expansion of family offices to gauge these flows. In this box, we seek to uncover potential signals of safe-haven activity by examining the seasonal patterns in the cumulative daily changes of SORA fixings across years.

2025 (orange line), especially in the second half of the year, stood out as average fixings deviate a lot with the long-term trend – defined by 2006 – 2024 (blue line). Cumulatively, fixings closed ~122bps lower than 2024. Incidentally 2H 2025 was when safe-haven narrative took center stage during the depths of the trade war in the immediate aftermath of Liberation Day.

This year so far, we see cumulative daily fixing changes is closer to the long-run average pattern compared to 2025. In fact, year-to-date fixings are 46.6bps higher. This would suggest to us that safe-haven flows this time round due to the Iran War are not as pronounced as 2H25.

Overnight SORA fixings cumulative changes by year (%)

Source: Bloomberg, UOB Global Economics & Markets Research



DM and Asian Rates: Bond yields repriced higher due to potential inflation spillovers from oil shock

The longer the Strait of Hormuz remains closed, the global economy – especially that of Asia where most of the oil trapped in the strait is bound – will take an increasing "toll". Currently, we have seen global central banks respond to the inflation spillover of higher oil prices, either by hiking rates or shifting to a hawkish stance. The Reserve Bank of Australia (RBA) has hiked twice this year – in Feb and Mar – on the back of strong domestic factors and Bangko Sentral ng Pilipinas (BSP) has reversed an earlier cut in Feb with a recent hike in Apr, kicking off a new hiking cycle.

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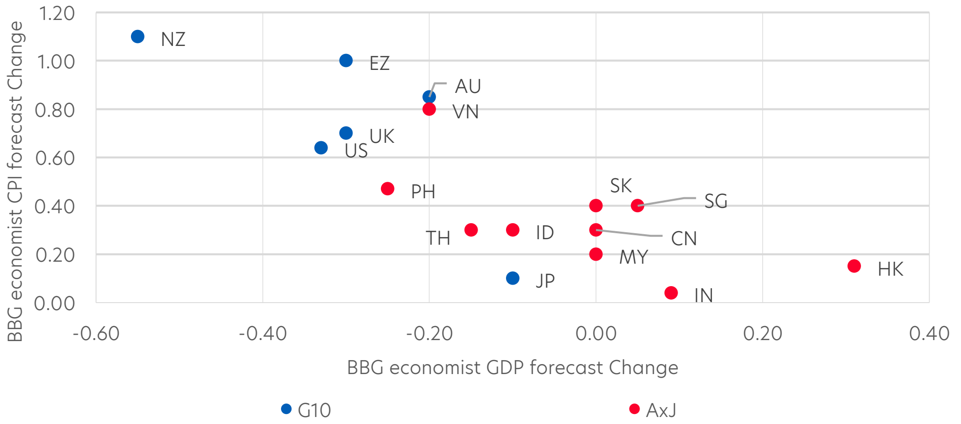
Chart 13: Bloomberg Economist CPI and GDP Forecast Change since Iran war

Source: Bloomberg, UOB Global Economics & Markets Research



Curr.Lvl	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds
vs Pre-war	USD	EUR	GBP	AUD	NZD	JPY
2y	3.88 (+50)	2.64 (+65)	4.42 (+89)	4.71 (+52)	3.60 (+52)	1.39 (+15)
5y	4.01 (+51)	2.75 (+51)	4.49 (+81)	4.72 (+42)	4.14 (+37)	1.89 (+30)
10y	4.37 (+43)	3.04 (+39)	4.96 (+73)	5.00 (+34)	4.66 (+33)	2.52 (+40)

Source: UOB Global Economics & Markets Research

In developed markets, there are no new policy rate changes in Apr, as central banks take a wait-and-see approach while assessing the economic fallout. Economists (including UOB) have broadly reduced 2026 GDP forecast and increased 2026 CPI forecast. Versus pre-war levels, DM rates generally are higher by about 40 bps, with UK and Europe as clear underperformers. Interestingly, although the US is a crude exporter and has minimal direct import dependency from Strait of Hormuz, UST's performance is similar to the other DMs.

For Australia, our macroeconomics team now sees **another 25 bps hike possibly at the upcoming RBA meeting on 5 May** following Mar's inflation print above RBA's 2-3% target band. Trimmed-mean CPI edged up 3.5% y/y in 1Q26. Minutes from the Mar meeting showed policymakers judged inflation to be still "too high", with some members arguing that further tightening may be required in the near term. Governor Michelle Bullock has echoed this stance, noting broad agreement that rates may need to rise further, even if views differ on timing. For more details, kindly refer to Macro Note published 29 Apr 2026 here.

The Bank of Japan (BOJ) delivered a well-anticipated pause in Apr, keeping policy rate at 0.75%, with three dissenting votes calling for a hike to 1.00%. Our macroeconomics team's view remains unchanged, with expectations for a final 25-bps rate hike in 3Q 2026 (Jun), bringing the terminal rate to 1.00%. For more details, kindly refer to Macro Note published 28 Apr 2026 here.

The European Central Bank (ECB) held rates steady in Apr, but President Christine Lagarde signaled earlier that the ECB will consider an increase in borrowing costs in Jun after debating and rejecting one in Apr meeting. Lagarde stressed that the coming six weeks would allow policymakers to assess incoming data and decisions would be based on refreshed and validated information. **Our macroeconomic team updates our policy call for ECB to hike once in coming Jun meeting**, still more dovish than market pricing.

Current market prices in three hikes by year-end. For more details, kindly refer to Macro Note published 04 May 2026 here.

The Bank of England (BOE) also held rates steady in Apr MPC with an 8-1 decision, as chief economist Huw Pill voted to raise interest rates in Apr meeting. Market pared pricing for number of hikes in 2026 from 3 hikes to 2.5 hikes, as risk of rapid hikes seems unlikely. Our economic team maintains the call for unchanged policy rate and will review this forecast along with the incoming data. For more details, kindly refer to Macro Note published 04 May 2026 here.

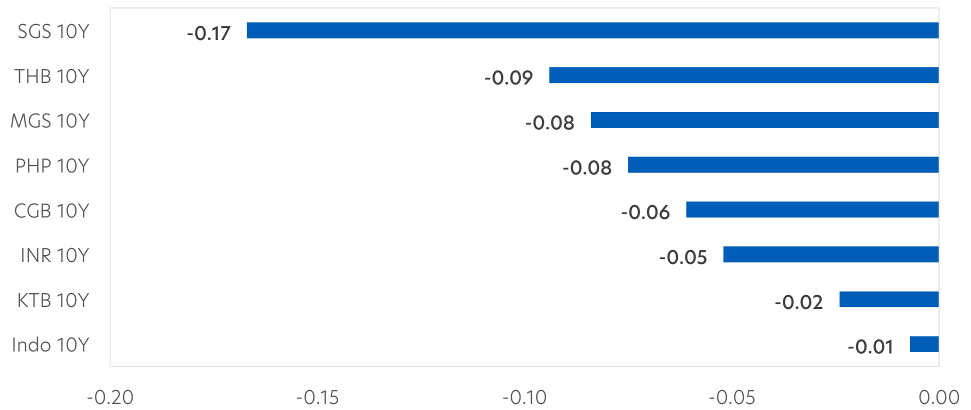
As for Asia, rates in Apr had a decent retracement since the US and Iran engaged in ceasefire negotiation, led by Singapore's SGS . But compared to pre-war level (27 Feb), Asia rates are still meaningfully higher with Philippines (RPGB) and Indonesia (IndoGB) clear underperformers, while China (CGB) and Malaysia (MGS) outperformed.

Curr.Lvl	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Swap	Swap	Bonds	Bonds
vs Pre-war	KRW	INR	SGD	MYR	THB	CNY	HKD	TWD	IDR	PHP
2y	3.52 (+69)	-	1.53 (+17)	-	1.22 (+18)	1.30 (-10)	2.95 (+45)	1.99 (+14)	6.24 (+118)	-
5y	3.79 (+51)	6.76 (+38)	1.70 (+19)	3.35 (+3)	1.59 (+43)	1.48 (-8)	2.97 (+41)	2.21 (+16)	6.68 (+93)	6.62 (+110)
10y	3.92 (+47)	7.04 (+36)	2.08 (+15)	3.56 (+7)	2.18 (+47)	1.75 (-6)	3.19 (+30)	2.53 (+9)	6.79 (+38)	6.94 (+105)

Source: UOB Global Economics & Markets Research

Chart 14: Asia Benchmark 10Y Yield Retracement in Apr (%)

Source: Bloomberg, UOB Global Economics & Markets Research



Our macroeconomics team now sees two more rate hikes in the Philippines and delays the rate cut timeline for China to 3Q from 2Q following a robust 1Q GDP release at 5.0%.

In the Philippines, the BSP raised the target reverse repurchase (RRP)rate by 25bp to 4.50% on 23 Apr. The latest policy decision underscores a renewed BSP focus on inflation risks over near-term growth concerns. The central bank now projects headline inflation to exceed the 4% upper bound of its target range in both 2026 (at 6.3% vs 5.1% projected in Mar and UOB est: 5.5%) and 2027 (at 4.3% vs 3.8% previously). Core inflation is also expected to rise towards the 4% ceiling. As such, our macroeconomics team see two more hikes in Jun and 3Q26, bringing the RRP to 5.00%. For more details, kindly refer to Macro Note published 23 Apr 2026 here. Separately, it was announced on 22 Apr that the Philippines will be added to one of the key local currency emerging market debt indices (GBI-EM) from 29 Jan 2027. The weight for RPGBs is 1.78% once fully phased in.

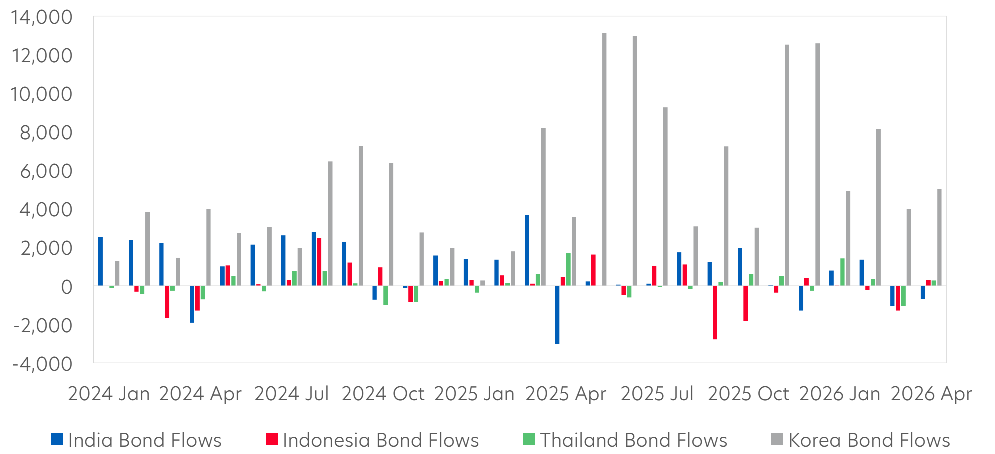
In China, we delayed the timing of the 10-bps cut to the 1-year Loan Prime Rate (LPR) to 3Q26 from 2Q26, given the strong 1Q real GDP growth at 5.0%. We think the strong start this year dimmed likelihood of near-term rate cuts, and targeted monetary easing and structural support measures are likely to assume greater importance to address the risks from uncertainties from the Middle East. For details, kindly refer to macro note published 16 Apr 2026 here. On 27 Apr, credit rating agency Moody's revised China's outlook to "stable" from "negative", citing resilient economic and fiscal strength despite ongoing domestic pressures and challenges in trade and geopolitics. So far, China's rates market is indeed the most stable in the region, with 10y benchmark down 5 bps versus pre-war level. Long-end CGBs have been performing well in Apr given flush liquidity, 10s30s CGB flattened by 7 bps.

Elsewhere, we look for the Bank of Thailand (BOT), Taiwan Central Bank (CBC), Bank of Korea (BOK), Bank Negara Malaysia (BNM), State Bank of Vietnam (SBV), Bank Indonesia (BI) and Reserve Bank of India (RBI) to maintain benchmark rates at 1.0%, 2.0%, 2.5%, 2.75%, 4.5%, 4.75% and 5.25% respectively. RBI, BOK, BI and BOT had policy meetings in Apr, maintaining policy rates as expected. For more details, kindly refer to Macro Note published 08 Apr here for RBI, 10 Apr here for BOK, 22 Apr here for BI and 30 Apr here for BOT. In Taiwan, we have lifted our 2026 GDP forecast to 9% from previous 7.7% and headline inflation forecast to 2.0% from 1.9%. Please refer to Macro Note published 30 Apr here for more details.

Separately, KTBs have seen strong bond inflows this year netting USD 22bn inflows, while Indonesia saw a foreigner bond outflows at USD 1.2bn so far. The strong foreigner bond inflow of Korea is attributed to the phased-in WGBI inclusion (starting Apr, ending Nov 2026), while other economies' bond flows could continue to stay defensive as long as the Strait of Hormuz remains closed.

Chart 15: Selected Asian countries monthly net bond flows (USD mn)

Source: Bloomberg, UOB Global Economics & Markets Research



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FX, INTEREST RATES & COMMODITIES

Forecasts

FX	05 May	2Q26F	3Q26F	4Q26F	1Q27F
USD/JPY*	157	158	155	152	150
EUR/USD*	1.17	1.16	1.18	1.19	1.20
GBP/USD*	1.35	1.35	1.37	1.39	1.40
AUD/USD*	0.72	0.72	0.73	0.74	0.75
NZD/USD*	0.59	0.58	0.59	0.60	0.61
DXY*	98.5	99.0	97.4	96.4	95.6
USD/CNY*	6.83	6.90	6.86	6.82	6.80
USD/HKD	7.83	7.84	7.82	7.80	7.80
USD/TWD*	31.7	31.9	31.7	31.5	31.4
USD/KRW*	1,474	1,500	1,490	1,480	1,470
USD/PHP*	61.7	62.5	62.0	61.8	61.5
USD/MYR*	3.96	4.02	4.00	3.98	3.94
USD/IDR*	17,380	17,600	17,500	17,400	17,300
USD/THB*	32.8	33.0	32.7	32.5	32.3
USD/VND*	26,341	26,600	26,500	26,400	26,300
USD/INR*	95.1	97.0	96.0	95.5	95.0
USD/SGD*	1.28	1.29	1.28	1.27	1.26
EUR/SGD*	1.49	1.50	1.51	1.51	1.51
GBP/SGD*	1.73	1.74	1.75	1.77	1.76
AUD/SGD*	0.91	0.93	0.93	0.94	0.95
SGD/MYR*	3.10	3.12	3.13	3.13	3.13
SGD/CNY*	5.35	5.35	5.36	5.37	5.40
JPY/SGDx100*	0.81	0.82	0.83	0.84	0.84

POLICY RATES	05 May	2Q26F	3Q26F	4Q26F	1Q27F
US Fed Funds Rate*	3.75	3.75	3.75	3.50	3.50
JPY Policy Rate	0.75	0.75	1.00	1.00	1.00
EUR Refinancing Rate*	2.15	2.40	2.40	2.40	2.40
GBP Repo Rate	3.75	3.75	3.75	3.75	3.75
AUD Official Cash Rate*	4.10	4.35	4.35	4.35	4.35
NZD Official Cash Rate	2.25	2.25	2.25	2.25	2.25
CNY 1Y Loan Prime Rate*	3.00	3.00	2.90	2.90	2.90
HKD Base Rate*	4.00	4.00	4.00	3.75	3.75
TWD Official Discount Rate	2.00	2.00	2.00	2.00	2.00
KRW Base Rate	2.50	2.50	2.50	2.50	2.50
PHP O/N Reverse Repo*	4.50	4.75	5.00	5.00	5.00
MYR O/N Policy Rate	2.75	2.75	2.75	2.75	2.75
IDR 7D Reverse Repo	4.75	4.75	4.75	4.75	4.75
THB 1D Repo	1.00	1.00	1.00	1.00	1.00
VND Refinancing Rate	4.50	4.50	4.50	4.50	4.50
INR Repo Rate	5.25	5.25	5.25	5.25	5.25

INTEREST RATES	05 May	2Q26F	3Q26F	4Q26F	1Q27F
USD 3M SOFR (compounded)*	3.67	3.64	3.63	3.46	3.40
SGD 3M SORA (compounded)*	1.03	1.17	1.28	1.38	1.50
10Y US Treasuries Yield*	4.44	4.40	4.40	4.45	4.50
SGD 10Y SGS	2.08	2.10	2.20	2.40	2.60

COMMODITIES	05 May	2Q26F	3Q26F	4Q26F	1Q27F
Gold (USD/oz)	4,519	4,400	4,600	4,800	5,000
Brent Crude Oil (USD/bbl)	114	110	100	90	90
Copper (USD/mt)	12,997	13,000	12,500	12,000	12,000

Updated as of 05 May 2026
* Forecasts updated as compared to previous report dated 02 Apr 2026
Source for spot rates: Bloomberg

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