Monthly FX & Rates Strategy

Warsh uncertainty pushes US Treasuries Yield even higher

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Global Economics & Markets Research

- By now it has become abundantly clear that Fed Chairman Kevin Warsh is not a fan of forward guidance. Will Warsh be able to convince investors to embrace his leaner style of communication and much reduced forward guidance?

- However, the concurrent further rise in longer dated US Treasuries yield coupled with renewed USD weakness is a classic sign of increasing investors distrust in the Fed's monetary policy. The recent inability of the USD to benefit from the higher US Treasuries yields is yet another sign of increasing worries about Fed credibility.

- The disconnect between geopolitical escalation and FX market response over the past month is worth noting. Despite the ceasefire collapse and a near-$30/bbl surge in Brent, the USD failed to attract meaningful safe-haven demand. This contrasts with the early stages of the US-Iran conflict in Mar, when geopolitical risk premia provided a clear and durable USD tailwind. In its place, monetary policy differentials have re-emerged as the primary driver of USD direction in 2H26 – consistent with our existing FX framework.

- We keep to our medium-term bearish USD bias. This is anchored on our expectation of an extended Fed rate pause through the remainder of 2026, with easing resuming across 2027 as the transitory component of inflation fades. The resulting compression in US rate differentials will be the dominant medium-term force against the USD. The DXY is expected to hold firm relative to G-10 peers through 3Q26 before resuming a gradual weakening trend thereafter to 96.9 in 2Q27.

- A compression of the US rate advantage remains the primary catalyst for a resumption of regional portfolio inflows and Asia FX appreciation from 4Q26. But ceasefire collapse, Brent's brief breach of $100/bbl, and the hawkish dissent at the Jul FOMC have collectively weakened, but not derailed, this base case. The primary upside risk to the USD – and downside risk to Asia FX – remains a scenario in which the Fed follows through on the hike path currently priced by swap markets.

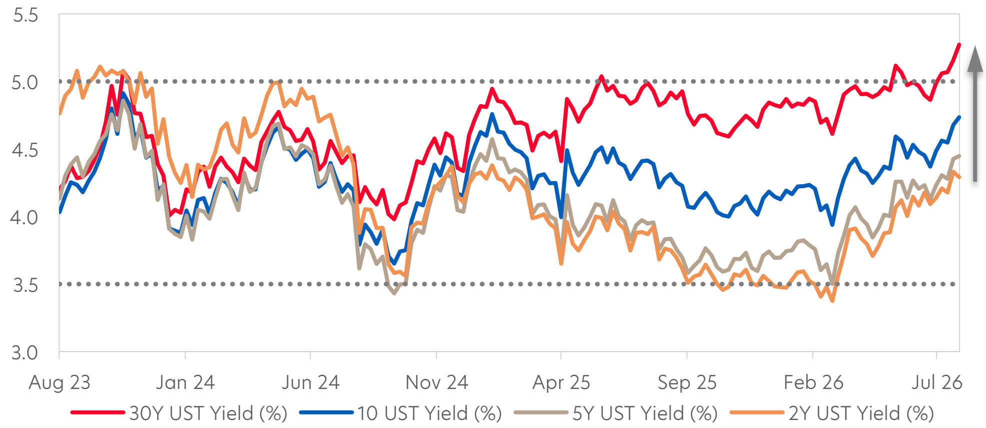
- SGD's resilience is now underpinned by both a more hawkish MAS and a stronger growth trajectory – a combination that distinguishes it from most regional peers facing the dual headwind of oil-driven inflation and slowing activity. We therefore expect more SGD strength to 1.25 against the USD in 2Q27.

- In line with our macroeconomics team view of Fed easing across 2027, we see 3M compounded-in-arrears SOFR easing further to 3.47% in 2Q27. But in the back end, we see additional upside risks to UST yields, especially from increased fiscal supply and an unclear Fed commitment to bringing inflation down, as such 10Y UST yield may stay elevated at 4.8% in 2Q27.

- We reiterate our view of a stable but gradually rising SORA and project 3M compounded-in-arrears SORA at 1.62% in 2Q27. In fact, we have observed firmer loan growth, thereby increasing demand for funding and contributing to upside pressure on SORA. Similarly, 10Y SGS yield is expected to climb further to 2.75% in 2Q27.

Chart 1: The unmistakable march in US Treasuries yield higher

Source: Bloomberg, UOB Global Economics & Markets Research



By now it has become abundantly clear that Fed Chairman Kevin Warsh is not a fan of forward guidance and is firmly implementing his new vision. The statement for both FOMC meetings since he has taken over have been relatively concise and short. In particular, the statement for his second FOMC statement is without any new information value as it is almost identical to the first FOMC statement.

Beyond the obligatory pledges to keep inflation in check and maintain price stability, Warsh has provided frustratingly little new information during both post FOMC press conferences, especially so during the second one in Jul. Latest news reports went further to suggest that Warsh was planning to reduce the number of post FOMC press conferences. And it would not be a stretch of imagination to expect that dot plots may be a thing of the past too once Warsh's reform task forces report back on their findings.

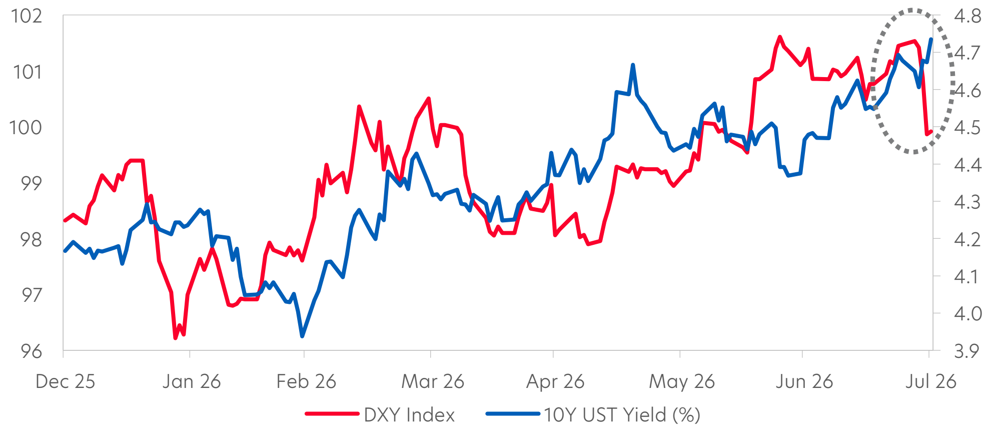
The key question here is whether Warsh is able to convince financial markets and investors to embrace his leaner style of communication and much reduced forward guidance. He has mentioned that he "does not want to interfere with markets" and "would like markets to speak for themselves".

Or will financial markets and investors distrust grow? Will investors question his efforts to reduce forward guidance as an excuse for obfuscation not to hike rates. In the worst case, will this lead to increasing distrust of Warsh's monetary policy intentions. It is worth noting that indeed, various news commentaries and opinion pieces after the second post FOMC press conference have taken on a rather negative tone with some even questioning outright Warsh's credibility as Fed Chairman. In his own words, the "family fights" within the Fed may get more intense in the months ahead and the Fed may well be forced to eventually hike rates to rein in inflation before it is too late.

There are indeed increasing signs of distrust in financial markets. Most prominently, US Treasuries yields continued their climb higher and have traded further to new highs especially in the back end, after the latest FOMC decision. The 10Y US Treasuries yield started the year near 4.20% and has punched above 4.70% post FOMC to the current high of 4.73%. The 30Y US Treasuries yield started the year near 4.80% and has now solidified its push above the psychologically important 5% resistance with a further push higher above 5.2% to 5.27%.

Chart 2: The Dollar's recent inability to capitalize on further rise in UST yield

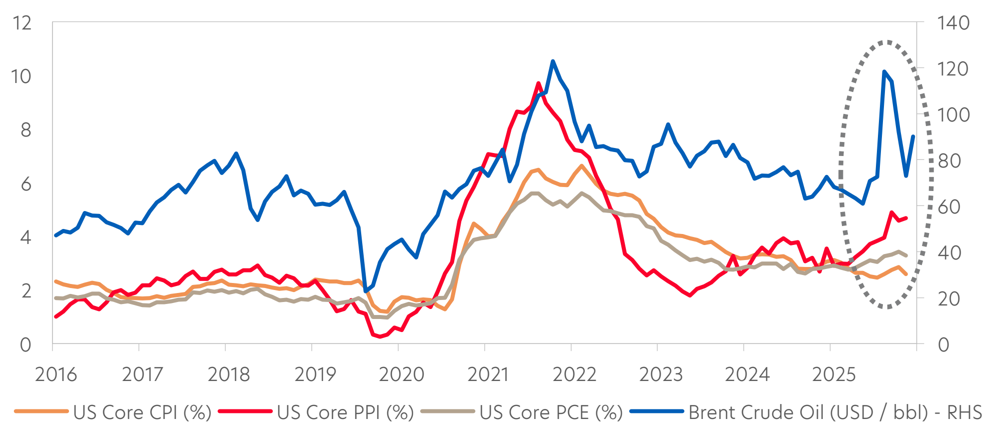
Source: Bloomberg, UOB Global Economics & Markets Research



Concurrently, the USD's latest gyrations are worth keeping a close watch as well. Previously, the USD Index (DXY) has stayed surprisingly strong, climbing from its Jan low of about 96 to its late Jun high of just under 102. Interestingly, after the second FOMC decision not to hike rates, the DXY turned south, retreating swiftly from 101.80, back below 100 to 99.80. Some would argue that the latest round of FX market intervention by both Japanese and US officials to limit JPY strength has a lot to do with the DXY weakness over the past few days. But the overall trend of renewed near term USD weakness against both Developed Market (DM) and Emerging Market (EM) currencies is clear.

Chart 3: Renewed rise in crude oil price complicates US inflation outlook

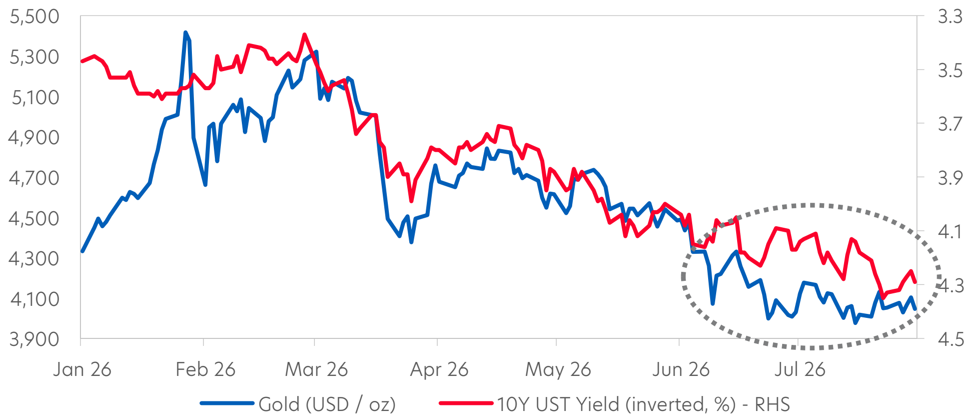
Source: Bloomberg, UOB Global Economics & Markets Research



This concurrent further rise in longer dated US Treasuries yields coupled with renewed USD weakness is a classic sign of increasing financial markets and investors distrust in the Fed's monetary policy direction. The further rise in long dated US Treasuries yields reflect investor concerns that the Fed may be behind the curve by choosing to stay neutral and not hiking rates. And that the Fed is unable to anchor inflation risk at a time when crude oil and energy prices have climbed anew amidst repeated skirmishes between US and Iran with the Strait of Hormuz remaining effectively closed to shipping. The recent inability of the USD to take advantage of the higher US Treasuries yields to climb further is yet another sign of increasing worries about Fed credibility. Growing investors' unease over the further rise in fiscal and debt risk for the US may have played a part to limit the USD's further strength.

Chart 4: Gold remains stuck in near term consolidation around USD 4,000 / oz

Source: Bloomberg, UOB Global Economics & Markets Research



It is worth mentioning that amidst the abovementioned increasing unease over the further rise of long dated US Treasuries yield and renewed weakness of the USD, gold remains stuck around the USD 4,000 / oz level. Indeed, gold's renewed near term upside is firmly capped by increasing uncertainty and opaqueness in US monetary policy. While gold appears supported against further extended near term weakness below USD 4,000 / oz by strong consistent buying from various EM central banks, especially from China. For now, it would appear indeed that gold's frustrating consolidation around the USD 4,000 / oz level will continue.

What's next for US Treasuries yields and the USD amidst all the abovementioned increasing uncertainty over Fed monetary policy and increasing distrust of Fed Chair Warsh? Will US Treasuries yield climb further? Will the USD weaken anew? This latest FX and Rates Strategy Monthly provides an update on the entire suite of rates outlook and various currency outlook against the USD.

FX Strategy

Monetary policy differentials reassert, geopolitical premium fades

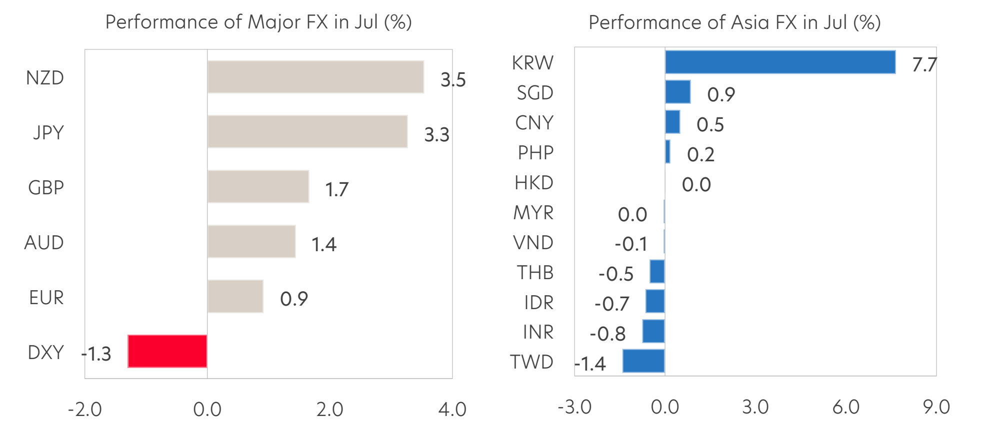
The USD rally that gathered momentum through Jun has stalled in Jul, as softer-than-expected readings on both inflation and payrolls capped the pace of near-term Fed rate-hike repricing. The emerging concern that the Fed is "behind the curve" after holding rates for a seventh consecutive month in the Jul FOMC despite still-elevated inflation is denting sentiment on the USD as well, which is compounded by FX intervention by Japanese and US authorities at the end of Jul to shore up the JPY. As a result, the US Dollar Index (DXY) fell for the first time in three months, settling at 99.91 (-1.3%) on 31 Jul.

One of the striking developments of the past month has been the disconnect between geopolitical escalation and FX market response. Despite the ceasefire collapse and a near-$30/bbl surge in Brent — from a low of ~$70/bbl to an intra-month high above $100/bbl — the USD failed to attract meaningful safe-haven demand. The contrast with the early stages of the US-Iran conflict in Mar, when geopolitical risk premia provided a clear and durable USD tailwind, is notable. In its place, monetary policy differentials have re-emerged as the primary driver of USD direction in 2H26 — consistent with the framework outlined in our last report.

The Jul FOMC delivered what markets had anticipated: a hawkish hold with no forward guidance on the timing or conditionality of the next policy move. The central question for the remainder of 2H26 remains the durability of the Fed's hawkish posture. The sharp rebound in oil prices introduces a meaningful upside risk to the expected moderation in US inflation later in the year. Should inflationary pressures prove stickier than our base case assumes, and the Fed follows through on the hike path currently priced by swap markets, a recalibration of our medium-term bearish USD view would be warranted.

Chart 5: USD fell against most G-10 and was mixed versus Asia FX in Jul

Source: Bloomberg, UOB Global Economics & Markets Research



Most Asia FX closed mixed against the USD in Jul, driven by idiosyncratic domestic drivers against a broadly softer USD backdrop. The surprise of the past month was the collapse of the US-Iran ceasefire and the subsequent re-escalation of the conflict. Notably, however, the transmission to Asia FX was narrowly concentrated in currencies with the highest oil import sensitivity — INR, THB, and PHP — rather than manifesting as broad-based safe-haven USD demand, a markedly different dynamic from the early stages of the conflict in Mar. The combined effect of elevated near-term Fed rate hike expectations and oil prices staying elevated is likely to sustain regional FX headwinds through the remainder of 3Q26.

Our 4Q26 Asia FX recovery thesis rests on the following: a disinflationary impulse from moderating oil prices that affords the Fed sufficient cover to hold rates this year, falling US rate advantage which allows regional portfolio flows and Asia FX to recover. The events of Jul — the ceasefire collapse sending Brent briefly above $100/bbl and the hawkish dissent at Jul FOMC — have weakened this base case. Against this backdrop, we reassess whether the 4Q26 recovery baseline remains intact, or whether a more defensively positioned regional FX stance is warranted should the Fed follow through on the hike path currently priced by swap markets.

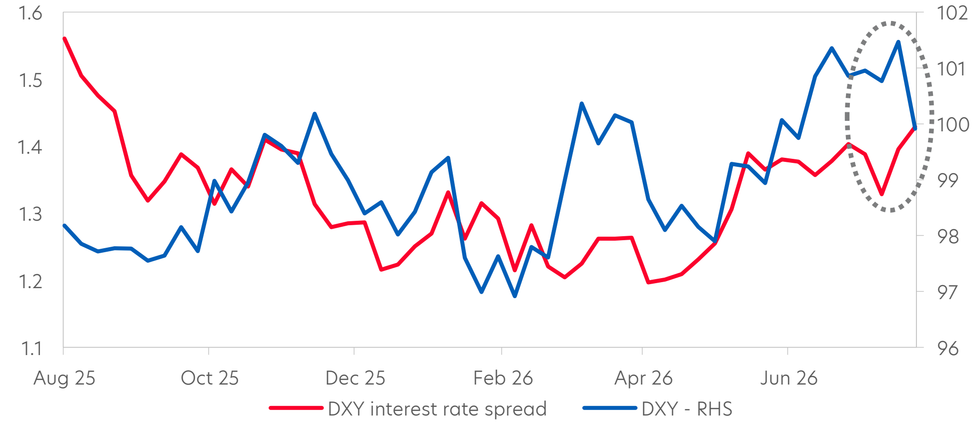
Major FX Strategy

Dollar consolidates as rate differential advantage narrows

The decisive USD rally that carried the DXY to a 13-month high of 101.80 on 24 Jun has given way to consolidation in Jul. The index has traded in a narrow 100.49–101.64 range for the most part of Jul, reflecting the competing forces at work: hawkish Fed repricing providing a floor, while softer Jun inflation and payrolls data have capped the upside. Then, the decisive selloff post Jul FOMC coupled with joint intervention by Japanese and US authorities at the end of Jul - selling USD/JPY and EUR/JPY respectively - pressured the DXY to close below 100 by end-Jul.

Chart 6: JPY intervention may have jolted the USD lower than what the rate spread suggests

Source: Bloomberg, UOB Global Economics & Markets Research

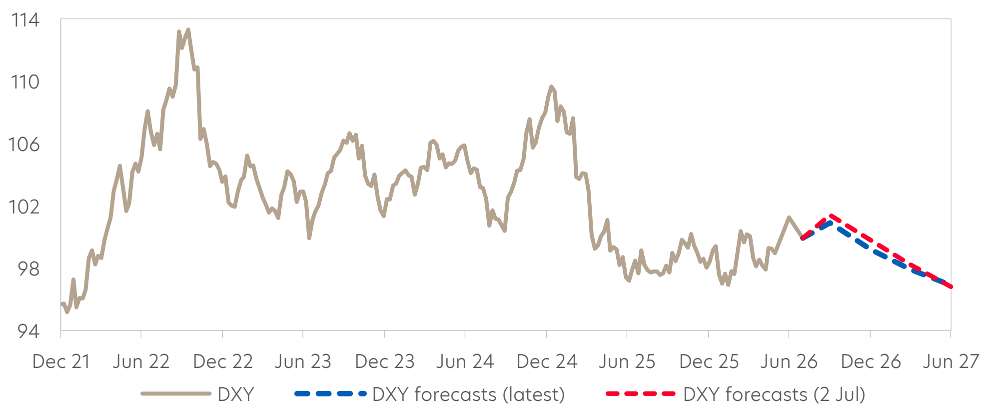


The most consequential data development of the past month was the Jun CPI print, released on 14 Jul. Headline inflation decelerated sharply to 3.5% y/y from 4.2% in May — the first monthly decline in consumer prices in six years — triggering an immediate and sharp unwind of Jul FOMC rate-hike bets and providing temporary validation of our disinflationary impulse thesis. The relief proved short-lived. The subsequent collapse of the US-Iran ceasefire and Brent's brief surge back above $100/bbl reignited inflation concerns, and the hawkish dissent at the Jul FOMC — with 3 regional presidents voting for a rate hike - suggests a growing impatience within the committee with inflation remaining persistently above target. Rate-hike bets for 2H26 as indicated by the swap markets remain live and are likely to continue underpinning the USD through 3Q26.

A notable development in Jul has been the concurrent repricing of rate-hike expectations across other G-10 central banks. We now expect a further 25bps European Central Bank (ECB) hike in Sep, while swap markets have fully priced a maiden Bank of England (BOE) hike by end-2026. Bank of Japan (BOJ) officials have signalled openness to a faster tightening pace than consensus assumes, with yen weakness amplifying domestic inflation risks. To the extent that the ECB, BOE, and BOJ are repricing toward hikes at a broadly comparable pace to the Fed as indicated by the prevailing Fed Fund futures, the USD's relative rate advantage has narrowed at the margin and this placed a ceiling on near-term USD gains even as Fed's rate hike pricing remains significant.

Chart 7: We maintain a medium-term bearish DXY view, with point forecasts little changed from Jul

Source: Bloomberg, UOB Global Economics & Markets Research



On balance, the medium-term bearish USD bias is retained. The thesis is anchored on our expectation of an extended Fed rate pause through the remainder of 2026, with easing resuming in 2H27 — one 25bps cut in 2Q27 and one in 4Q27 — as the transitory component of inflation fades. The resulting compression in US rate differentials, alongside the structural headwinds of twin deficit deterioration and the de-dollarisation trend, is expected to reassert itself as the dominant medium-term force on the USD. The DXY is expected to hold firm relative to G-10 peers through 3Q26 before resuming a gradual weakening trend thereafter. Our updated DXY forecasts remain biased lower: 100.9 in 3Q26, 99.2 in 4Q26, 97.9 in 1Q27, and 96.9 in 2Q27.

EUR/USD

Having declined through May and Jun, EUR/USD rebounded back above 1.15 as markets weighed competing forces: hawkish Fed repricing providing a USD floor, while a softer Jun US CPI print and the concurrent repricing of a Sep ECB hike made EUR/USD dip-buying attractive.

The Jul ECB meeting delivered a unanimous hold at 2.25%, as widely expected, but ECB President Lagarde used the occasion to lay the groundwork for a possible Sep move. ECB officials are said to be prepared to act in Sep unless the eurozone inflation outlook improves markedly. The re-escalation of US-Iran tensions and the resulting rebound in oil prices risk undoing the Jun inflation moderation, potentially tilting the balance of internal ECB debate further toward the hawks. On balance, our macroeconomic team looks for a further 25bps hike in Sep, to be followed by an extended pause, with the deposit rate peaking at 2.50%.

The Jul developments have introduced a more nuanced rate differential dynamic than the one-directional USD-widening that drove EUR/USD's decline through Jun. With the euro-area rate path now repricing upward in parallel with the Fed — rather than diverging from it — the rate differential argument that provided the decisive impulse behind the pair's previous decline has partially stabilised, consistent with EUR/USD's modest rebound. The more consequential question for the EUR/USD trajectory is what comes next: should our expectation of a Fed rate pause in 2H26 materialises and swap markets begin to pare back Fed hike pricing, the resulting compression of US-EU rate differentials would constitute the most direct upside catalyst for further EUR/USD recovery.

In all, we retain the medium-term upward trajectory for EUR/USD. The pace is likely to remain gradual as elevated Fed hike pricing and the current net-short EUR/USD positioning will take time to dissipate Overall, our updated EUR/USD forecasts are 1.14 in 3Q26, 1.16 in 4Q26, 1.18 in 1Q27, and 1.19 in 2Q27.

GBP/USD

GBP/USD has absorbed the Andy Burnham premiership — which commenced on 20 Jul — with relative composure and gained 1.7% to 1.3483, helped by a bout of USD weakness at the end of the month. The initial market unease triggered by Burnham's "flexibility" comments on fiscal rules and the surprise appointment of John Healey as Chancellor proved short-lived. The new Prime Minister walked back a proposal to raise the income tax threshold — a potential unfunded tax cut — after it drew immediate scrutiny from bond markets, signalling an early sensitivity to gilt market discipline. Chancellor Healey subsequently moved to stabilise sentiment with a City of London speech pledging to meet fiscal rules "with a buffer against uncertainty" and committing to "disciplined control" of public finances, partially reversing the initial gilt selloff.

Beyond the political dimension, the combination of a perceived hawkish Fed and a hesitant BOE has anchored GBP/USD at the lower half of its year-to-date range of 1.3140–1.3868. The BOE held the Bank Rate at 3.75% at its 30 Jul meeting in a 6-3 vote, with Catherine Mann joining Megan Greene and Huw Pill in favour of a 25-bps rate hike. Despite the hawkish dissent, we expect the BOE to remain on hold through 2026 and into 2027, as the underlying inflation picture continues to moderate. UK headline CPI decelerated to 2.6% y/y in Jun — below the BOE's own projections and continuing the trend lower from 3.0% in Feb. A BOE survey found that supermarkets now expect food price inflation to peak at a lower level than previously anticipated, as rising fuel costs weigh on household demand and dampen pass-through pressures.

Our GBP/USD trajectory reflect the near-term USD strength and the residual risk premium associated with UK fiscal uncertainty under the new administration, while retaining a gradual recovery profile as the Fed pauses in 2H26 and structural medium-term USD headwinds reassert themselves. The updated GBP/USD forecasts are at 1.32 in 3Q26, 1.35 in 4Q26, 1.36 in 1Q27, and 1.37 in 2Q27.

The primary idiosyncratic GBP downside risk remains the autumn budget in the fall. Whether Burnham opts to formally relax the existing fiscal rules or pursue off-balance-sheet war bond issuance will be the defining test of UK fiscal credibility under the new administration. A disorderly gilt market reaction at that stage would represent a more durable and structurally damaging GBP headwind than the contained episode seen in Jul and would warrant a reassessment of the recovery trajectory embedded in our forecast path.

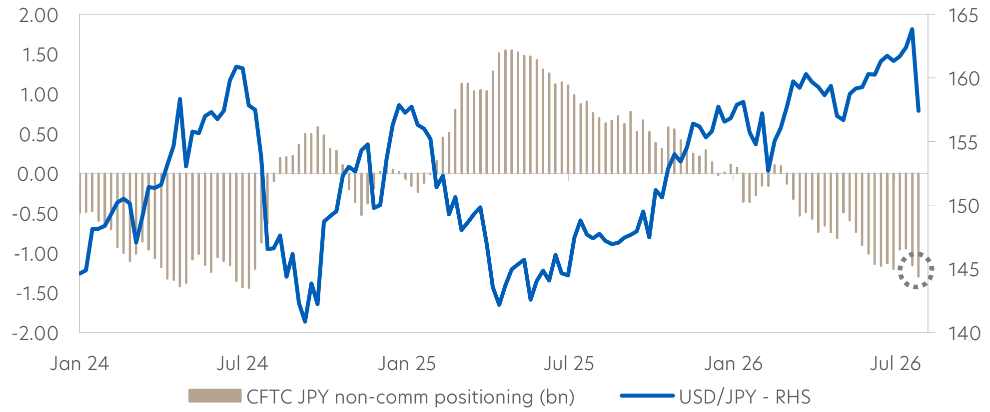
USD/JPY

The gradual grind higher in USD/JPY through Jul – which touched a 40-year high of 163.99 on 24 Jul – was abruptly interrupted by coordinated FX intervention in late Jul. Japan reportedly bought yen on both 30 and 31 Jul, with the 30 Jul operation estimated at a record JPY 8.45 trn (USD 52.8 bn). The New York Fed reportedly sold euros to buy yen on behalf of the US Treasury on 31 Jul – marking the first joint US-Japan intervention since 1998. Continued intervention thereafter ensured that USD/JPY stayed soft, starting the new month of Aug back below 158.

Whether the intervention proves durable is an open question. The short-lived effect of the late-Apr operation remains a salient reference point: USD/JPY retraced the entirety of that move within weeks as the underlying carry trade dynamics reasserted themselves. The joint nature of the current intervention is significant and raises the political stakes and may extend the period of market caution, but it may not materially change the markets' preference of using JPY as a funding currency.

Chart 8: The latest JPY intervention came as speculative yen shorts were at the highest level in two years

Source: Bloomberg, UOB Global Economics & Markets Research



The medium-term case for a lower USD/JPY trajectory rests on monetary policy divergence – the most credible and durable mechanism for reversing the yen's slide. Our baseline – a further 25bps BOJ hike in late 4Q26 followed by a final move to 1.50% in late 2Q27, combined with an eventual Fed pause in 2H26 – should compress rate differentials and erode the attractiveness of yen-funded carry trades over time. BOJ Governor Ueda's signal at the Jul BOJ meeting that the central bank could accelerate the hiking pace if conditions warrant raises the possibility that this timeline is brought forward, shifting the carry calculus more decisively against yen shorts. A Sep BOJ hike is now in play, supported by Japan's CPI accelerating to 1.7% y/y in Jul from 1.5% in Jun.

In the near term, the balance of forces – a hawkish Fed and elevated carry trade demand – argues for USD/JPY remaining elevated through 3Q26 once intervention effects fade. Overall, our updated USD/JPY forecasts are 160 in 3Q26, 157 in 4Q26, 155 in 1Q27, and 152 in 2Q27.

AUD/USD

AUD/USD gained 1.4% to 0.7019 in Jul – a resilient performance given the confluence of a 2Q26 CPI undershoot, a renewed sell-off in AI-related equities, and the re-escalation of US-Iran tensions that weighed on risk sentiment through the month.

Australia's 2Q26 headline CPI cooled more than expected to 3.9% y/y — against a consensus estimate of 4.0% and moderating from 4.0% in 1Q26. The trimmed mean, the RBA's preferred underlying inflation gauge, similarly undershot at 3.6% y/y versus the 3.7% consensus and the RBA's own forecast of 3.8%. As a result, traders have all but abandoned bets for a rate hike in the coming 11 Aug RBA meeting. That said, the RBA has preserved its hawkish optionality. RBA Governor Bullock stated it remains unclear whether this year's rate hikes are sufficient to return inflation to target, leaving the door open to further tightening should the inflation trajectory deteriorate.

The medium-term constructive thesis on AUD/USD remains intact. Even as we expect the RBA to remain on an extended pause through 2026 and into 2027, the AUD retains its status as the highest-yielding G-10 currency at a cash rate of 4.35%. This yield advantage should continue to attract carry-trade demand and provide a structural floor for the pair as global risk sentiment stabilises and the US-Iran geopolitical premium gradually unwinds.

The 3Q26 outlook for AUD/USD remains one of near-term consolidation just below 0.70, reflecting residual USD strength and the compression of the RBA tightening premium. The recovery profile from 4Q26 onward is retained, contingent on a Fed pause compressing US rate differentials and a normalisation of global risk appetite. Our updated AUD/USD forecasts are 0.69 in 3Q26, 0.70 in 4Q26, 0.71 in 1Q27, and 0.72 in 2Q27.

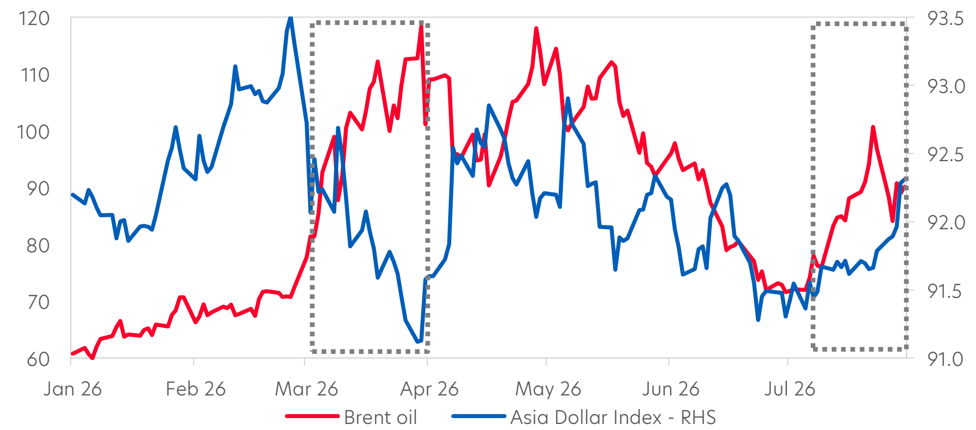
Asia FX Strategy

Geopolitics having a lesser impact on Asia FX, as Jul have proved

Most Asia FX closed mixed against the USD in Jul, driven by idiosyncratic domestic drivers against a broadly softer USD backdrop. The surprise of the past month was the collapse of the US-Iran ceasefire and the subsequent re-escalation of the conflict. Notably, however, the transmission to Asia FX was narrowly concentrated in currencies with the highest oil import sensitivity — INR, THB, and PHP — rather than manifesting as broad-based safe-haven USD demand, a markedly different dynamic from the early stages of the conflict in Mar. The combined effect of elevated near-term Fed rate hike expectations and oil prices staying elevated is likely to sustain regional FX headwinds through the remainder of 3Q26.

Chart 9: The Asia Dollar Index was resilient to Jul's oil shock, as compared to Mar

Source: Bloomberg, UOB Global Economics & Markets Research



The base case for a 4Q26 Asia FX recovery remains intact, though the events of Jul have raised the bar for its materialisation. The thesis rests on a disinflationary impulse from moderating oil prices – with Brent forecast at $80/bbl by end-2026 – affording the Fed sufficient cover to hold rates through the remainder of the year. **A compression of the US rate advantage would be the primary catalyst for a resumption of regional portfolio inflows and Asia FX appreciation from 4Q26.** The ceasefire collapse, Brent's brief breach of $100/bbl, and the hawkish dissent at the July FOMC have collectively weakened, but not derailed, this base case. The primary upside risk to the USD – and downside risk to Asia FX – remains a scenario in which the Fed follows through on the hike path currently priced by swap markets.

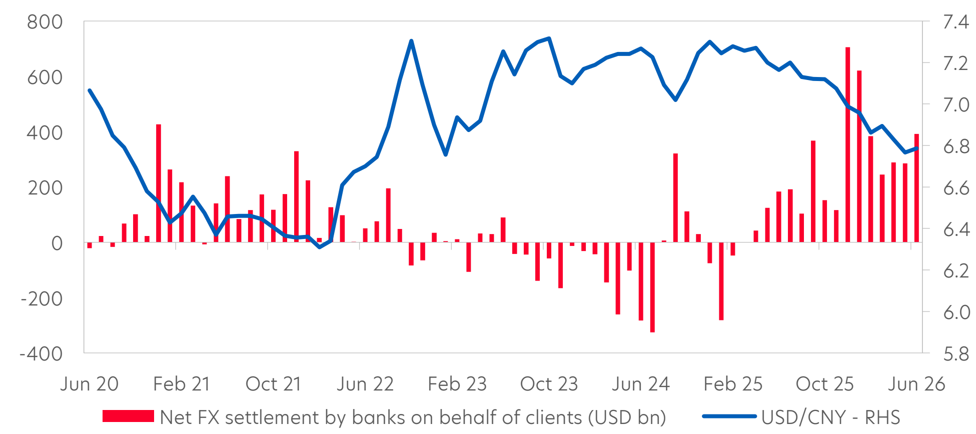
Within the region, the performance divergence that characterised Jul is expected to persist into 3Q26. CNY, MYR, and SGD are expected to remain relatively resilient, supported by stronger macro buffers – consistent with their outperformance through 1H26. The KRW's 7.7% appreciation in Jul is unlikely to be sustained at the same pace given the headwind from equity outflows. The net energy importers – PHP, INR, and THB – are likely to continue underperforming in the near term, as the oil shock will take time to fully dissipate. IDR is expected to remain the regional laggard on idiosyncratic domestic concerns, though further Bank Indonesia (BI)'s rate hikes should limit the immediate downside.

USD/CNY

Anchored by a progressively stronger PBOC fixing, CNY has retraced the entirety of the Jun FOMC-driven selloff, resuming its recovery towards its 3-year high against the USD near 6.75. This was built on a pickup in net FX settlement by banks on behalf of clients in Jun, a key proxy for Chinese exporters' USD conversion activity.

Chart 10: A pick up in Chinese exporters' USD conversion in Jun continues to underpin USD/CNY downtrend

Source: Bloomberg, UOB Global Economics & Markets Research



The pace of appreciation, however, may not be sustained. The PBOC's latest guidance to "maintain yuan exchange rate flexibility, strengthen expectations management" suggests the PBOC will lean against rapid CNY gains via the fixing mechanism and support state bank selling of CNH. Other factors that may slow down the pace of future CNY gains include a widening US-China rate differential that reduces the incentive for Chinese exporters to convert USD proceeds, and residual USD strength from near-term Fed rate hike repricing.

The medium-term gradual appreciation path for CNY is retained, albeit at a gradual pace. A Fed pause in 2H26 — our base case — would reduce the rate differential headwind for the yuan, while the structural internationalisation agenda and China's persistent trade surplus continue to provide underlying support. Overall, our updated USD/CNY forecasts are 6.78 in 3Q26, 6.73 in 4Q26, 6.68 in 1Q27, and 6.64 in 2Q27.

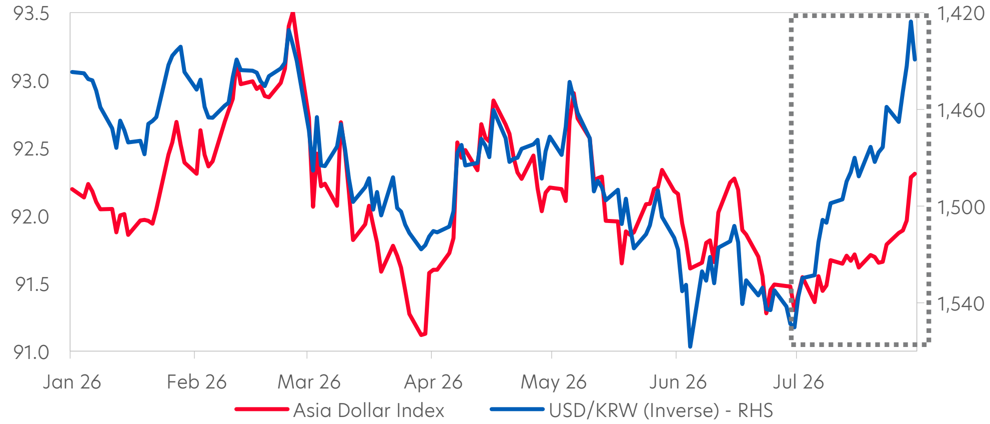
USD/KRW

The KRW bucked the regional weakness and staged a dramatic 7.7% rally in Jul to 1,439 /USD. The move was driven overwhelmingly by a confluence of idiosyncratic factors. The primary catalyst for the won's most aggressive appreciation leg was the substantial dollar repatriation inflow in Korean FX market from the ADR listing of a South Korea's memory chip maker which raised USD 26.5 bn. Reported dollar-selling of exporters' proceeds through the month also capped any nascent USD/KRW rebounds. Structural FX reforms that expand the investor base and improve market access - 24-hour won trading launched on 7 Jul, and South Korea announcing full won convertibility for overseas investors from Jan 2027 — constitute medium-term KRW positive tailwinds.

However, this outsized pace of appreciation in Jul is unlikely to be sustained. The ADR related inflow was a one-off event which is now largely absorbed. The Kospi's 22% Jul decline - steepest fall since 2008 Global Financial Crisis - and global institutional investors' reluctance to re-enter amid extreme volatility is likely to keep the outflow pressure on the KRW. Furthermore, the broader Asia FX backdrop — a hawkish Fed hold and renewed US-Iran tensions — remains challenging. As such, we expect some paring back of Jul's strong KRW gains in the remainder of 3Q26, before the medium-term KRW appreciation thesis - anchored on Fed pause and Bank of Korea rate hikes in 3Q26 and 4Q26 - reasserts itself. Overall, our updated USD/KRW forecasts are at 1,480 in 3Q26, 1,450 in 4Q26, 1,420 in 1Q27, and 1,400 in 2Q27.

Chart 11: The KRW led gains within the Asia FX complex in Jul

Source: Bloomberg, UOB Global Economics & Markets Research



USD/TWD

In contrast to the KRW's dramatic Jul reversal, the TWD has been the notable regional underperformer, with TWD falling 1.4% in Jul to 32.3 /USD, its weakest level in over a year. The divergence is striking given that both currencies share the same AI semiconductor export thesis. The TWD lacked a direct, large-scale dollar repatriation event that supported the KRW near term. In its absence, persistent foreign equity outflows - compounded by the ongoing AI-driven tech selloff - overwhelmed the exporters' dollar selling of proceeds. The CBC has been managing the pace of depreciation through FX reserve drawdowns, though the intervention has been calibrated rather than aggressive.

The TWD is likely to remain under pressure through 3Q26. The recovery path beyond 3Q26 remains intact but is now contingent on two conditions: an extended Fed pause in 2H26 and a stabilisation in global technology sentiment. Overall, our updated USD/TWD forecasts are 32.5 in 3Q26, 32.0 in 4Q26, 31.7 in 1Q27, and 31.4 in 2Q27.

USD/SGD

The SGD has retained its status as one of the more resilient performers within the Asia FX complex — and has in fact strengthened through Jul. USD/SGD fell 0.9% in Jul to 1.2828, as the Monetary Authority of Singapore (MAS) delivered a surprise modest tightening and Singapore's macroeconomic outperformance continued to attract inflows.

In a surprise move, the MAS raised the rate of appreciation of the S$NEER policy band "very slightly", by 25 bps to 1.25% p.a according to our estimates, citing the pass-through of elevated global energy prices and a widening positive output gap. The MAS flagged that core inflation is forecast to step up in Jul and remain elevated into early 2027, with a more discernible easing expected only in 2H27. We expect MAS to stay on hold for the rest of 2026 and 2027, although we see risks of a further 25 bps slope steepening to 1.50% p.a. in the Oct 2026 or Jan 2027 MPS should energy prices remain elevated for longer and percolate into the broader CPI basket. For more details, pls refer to Macro Note published on 27 Jul 2026.

Singapore's macroeconomic backdrop continued to stay strong. Our macroeconomic team raised our 2026 GDP growth forecast further to 4.8% (from 4.0% previously, 2027F: 3.0%), following the 1H26 GDP growth outperformance (6.0%). For more details, pls refer to Macro Note published on 27 Jul 2026.

Table 1: S$NEER has room to rise further relative to historical MAS tightening cycles

Duration (yr)	Tightening Cycles	S$NEER - Start value	S$NEER - End value	S$NEER - Change
1.0	10 Oct 2007 to 09 Oct 2008	105.560	108.577	3.018
1.5	14 Apr 2010 to 13 Oct 2011	110.637	113.040	2.403
2.8	13 Apr 2012 to 27 Jan 2015	117.615	122.798	5.182
1.5	13 Apr 2018 to 11 Oct 2019	125.533	127.535	2.002
3.3	13 Oct 2021 to 23 Jan 2025	125.911	139.472	13.560
0.3	14 Apr 2026 to current	141.978	142.178	0.200

Source: Global Economics & Markets Research

The SGD's resilience is now underpinned by both a more hawkish MAS and a stronger growth trajectory — a combination that distinguishes it from most regional peers facing the dual headwind of oil-driven inflation and slowing activity. The S$NEER's proximity to the upper bound of its policy band, reinforced by the slope increase, provides a structural floor for the SGD. The primary risk to this view is a further escalation in Middle East tensions that pushes oil price materially higher, which could simultaneously compress Singapore's terms of trade and complicate the MAS's inflation-growth trade-off.

Consistent with these dynamics and our expectations for SGD to stay resilient, our updated USD/SGD forecasts are at 1.29 in 3Q26, 1.27 in 4Q26, 1.26 in 1Q27, and 1.25 in 2Q27.

USD/MYR

USD/MYR was unchanged in Jul at 4.0855, after Bank Negara Malaysia's (BNM) late-Jun measures to accelerate repatriation of overseas earnings helped stabilise the currency pair from its 7-month high of 4.156. The pair has traded in a tighter range (4.0623 - 4.0977) through Jul, consistent with the MYR's idiosyncratic fundamental support reasserting itself as the initial shock of the hawkish Jun FOMC repricing faded.

The FX impact of both the Johor state election on 11 Jul and the Negeri Sembilan polls on 1 Aug have been contained, as anticipated. An early general election is not our base case, and the FX impact is likely to remain limited absent a material deterioration in coalition cohesion.

MYR's idiosyncratic drivers remain constructive. Exports surged 45.4% year-on-year in Jun — the fastest pace since Aug 2022. Malaysia's 2Q26 GDP also beat estimates, coming in at 5.8% which puts the economy on a firmer footing than we had assumed. However, headline inflation remains benign near 2%, reinforcing our view of BNM staying on hold for the remainder of 2026 and through 2027. We note that the 3-month Klibor has risen to a one-year high of 3.45% — approximately 70 bps above the OPR — as money market conditions tighten in anticipation of a possible rate hike towards the end of 2026.

The medium-term MYR appreciation thesis remains intact. Strong E&E export momentum, a growth trajectory toward the upper end of official forecasts, and BNM's FX inflow measures provide a durable fundamental support. The primary risk is a further oil price escalation that widens the fiscal deficit beyond manageable levels and complicates BNM's policy calculus. Accordingly, we maintain a downward USD/MYR trajectory, with updated forecasts at 4.10 in 3Q26, 4.05 in 4Q26, 4.02 in 1Q27, and 4.00 in 2Q27.

USD/THB

The THB has remained a regional laggard through Jul, with USD/THB rising 0.5% to 33.44. A re-escalation of Middle East tensions and higher oil prices pressured net energy importers like Thailand anew.

Thailand's weakening external position remains the key stress point for the THB. The current account deficit remained an outsized USD 3.47 bn in Jun, though it has recovered from a unprecedented deficit of USD 7.79bn in Apr. Thailand's FX reserves fell about USD 10 bn to USD 272.59 bn as of 31 Jul, the lowest since Nov 2025, suggesting the Bank of Thailand (BOT) has been deploying reserves to manage the pace of THB depreciation. However, BOT Governor Vitai acknowledged that US scrutiny of FX practices materially constrains the BOT's intervention capacity, implicitly reducing the backstop for the THB. Separately, the continued slump in gold prices is yet another headwind for the THB due to their well-documented positive correlation.

The macroeconomic picture appears to be basing out and may help to offset some of the pressures on the THB. The Finance Ministry raised its 2026 GDP forecast to 2.5% from 1.6% on the back of strong exports and government stimulus. In comparison, our macroeconomic team's upgrade of Thailand 2026 GDP forecast is more conservative, at 1.9% from 1.5% previously. We noted that private consumption remains constrained by weak real income growth, elevated household debt, higher energy costs, and tight credit conditions. Tourism receipts also have not yet recovered to the extent suggested by headline arrivals.

Negative real yields may anchor THB's role as a preferred South East Asian funding currency, capping any near-term recovery. The THB is expected to remain under pressure through 3Q26 and to underperform regional peers during any medium-term recovery, as long as the macroeconomic backdrop remains challenged. Accordingly, we revise our USD/THB forecasts to 33.8 in 3Q26, 33.6 in 4Q26, 33.3 in 1Q27, and 33.1 in 2Q27.

USD/IDR

The IDR remained on the defensive through Jul, though the acute stress of May-June has given way to a period of uneasy stalemate. USD/IDR oscillated within a 17,873-18,158 range over the month, reflecting the tension between Bank Indonesia's (BI) stabilisation efforts and a challenging domestic backdrop.

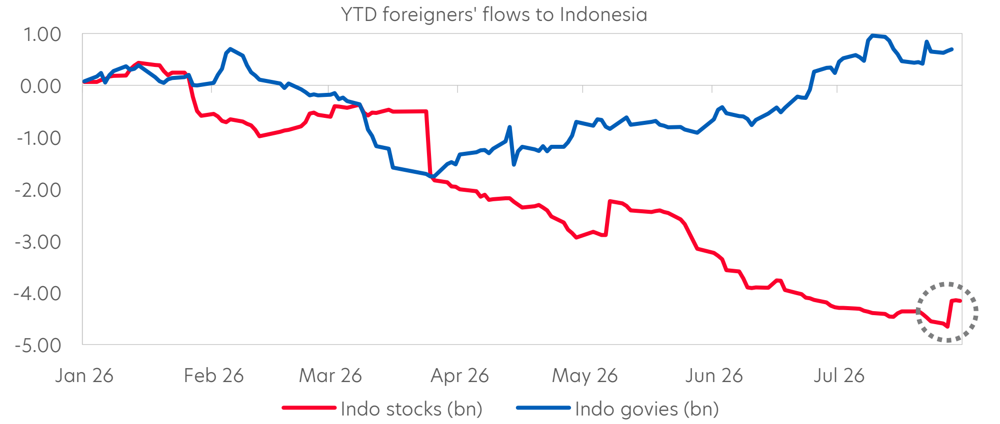
The abrupt resignation of BI Governor Perry Warjiyo on 27 Jul was the most significant new development for the IDR outlook. The immediate market impact has been contained, likely cushioned by a concurrent USD pullback following the Jul FOMC. Acting Governor Destry Damayanti has pledged policy continuity and reiterated BI's commitment to intervening across spot, NDF, and DNDF markets. Uncertainty over the permanent appointment for the subsequent BI Governor is likely to keep investors cautious through the transition. Separately, BI held the BI-Rate at 5.75% at the 22 Jul meeting – pausing after a cumulative 100bps of hikes in May-Jun – and pivoted to investor incentives and macroprudential tools as the primary instruments of rupiah defence.

The structural headwinds have intensified. Indonesia revised its 2026 budget deficit target wider to 2.85% of GDP from 2.68%, with 1H subsidy and compensation spending up 44.4% y/y. Its proximity to the 3% statutory ceiling risks reviving fiscal sustainability concerns. S&P Dow Jones Indices joined a parallel classification review for Indonesian stocks in early Jul, adding to the existing MSCI review overhang that remains open until Nov.

The IDR is expected to remain under pressure through 3Q26, though our macroeconomic team's expectations of a further 75 bps of BI rate hikes by end-2026 may help to limit the rupiah's downside somewhat. Furthermore, we expect IDR to underperform regional peers during any medium-term recovery. Structural domestic headwinds remain intact, and the restoration of investor confidence – particularly following the Warjiyo departure – is the key challenge. Our updated USD/IDR forecasts are at 18,200 in 3Q26, 18,100 in 4Q26, 18,000 in 1Q27, and 17,900 in 2Q27.

Chart 12: Outflows from Indonesia's stock market may have stabilised while foreigners continue to pile into Indonesia government bonds due to its attractive yield

Source: Bloomberg, UOB Global Economics & Markets Research



USD/VND

The VND has demonstrated exceptional resilience to the Fed repricing since Jun FOMC. USD/VND was little changed in Jul at around 26,300, as the State Bank of Vietnam's (SBV) managed exchange rate framework continued to absorb depreciation pressures without triggering disorderly moves.

Latest incoming data continue to suggest strengthening macroeconomic fundamentals. Vietnam's 2Q26 GDP accelerated to 8.39% y/y from 7.94% in 1Q26, driven by robust electronics exports and sustained investment inflows. With the stronger-than-expected 1H26 performance, firm AI-related manufacturing momentum, and easing energy prices, we have raised our 2026 GDP growth forecast to 8.5%, from 7.0% previously. FDI momentum has also accelerated: 1H26 disbursed FDI rose 11.2% y/y to USD 13.03 bn, while pledged FDI surged 61% y/y to USD 34.65 bn — underscoring Vietnam's continued attractiveness as a manufacturing hub. We expect the SBV to maintain its policy rate at 4.5% through 2026 as well.

The medium-term outlook for a broadly stable VND remains intact, underpinned by strong growth momentum, robust FDI inflows, and the SBV's continued management of USD/VND within its trading band. The primary risk is a sustained oil price elevation that widens the current account deficit beyond manageable levels. Our updated USD/VND forecasts are at 26,500 in 3Q26, 26,400 in 4Q26, 26,300 in 1Q27, and 26,100 in 2Q27.

Rates Strategy

Global rates held hostage by renewed rise in oil price

US Rates: A much milder Jun CPI print was unable to suppress yields amid surging oil price in Jul, lack of forward guidance, and fiscal concerns

In Jul, three key developments impacted the US rates market:

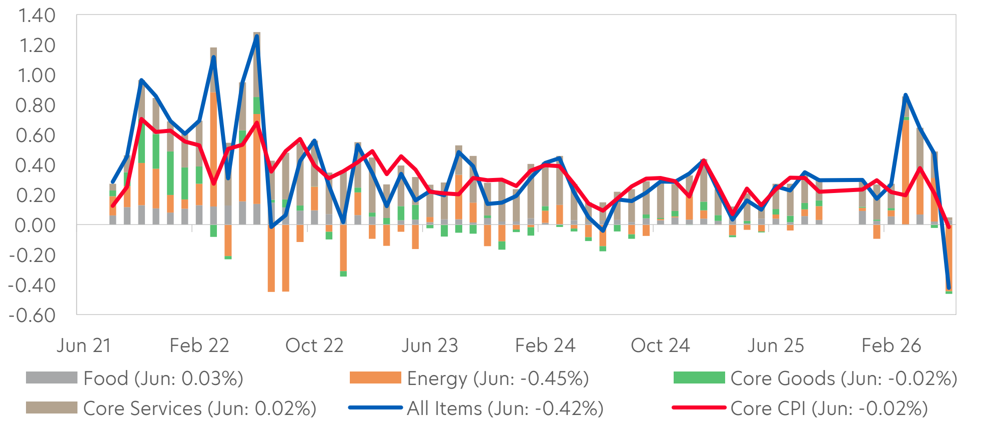
1. Softer-than-expected Jun CPI and PPI prints initially reduced the need for Fed tightening,
2. Renewed US-Iran escalation drove oil prices higher and restricted transit flows through the Strait of Hormuz,
3. Jul FOMC showed a divided Fed and Warsh's cagey press conference left the market baffled while introducing policy uncertainty.

Jun US inflation eased more than expected, driven by a sharp reversal in energy prices and softer core inflation. Headline CPI fell by 0.4% m/m and slowed to 3.5% y/y (from 4.2% in May), marking the largest monthly decline since Apr 2020. The key driver was a 5.7% m/m drop in energy prices, including a 9.7%m/m decline in gasoline. Core CPI also surprised on the downside at 0.0% m/m and 2.6% y/y, reflecting broad-based moderation in inflation pressures. For more details on CPI, refer to Macro Note dated 15 Jul.

Similarly, Jun PPI was also weaker than expected: declining by 0.3%, below expectations. Energy prices decreased sharply in Jun (-6.4%), reflecting the decline in oil prices. Core PPI and PPI excluding food, energy, and trade services increased by 0.2% and 0.1% in Jun, respectively, also below expectations. (Chart 13)

Chart 13: CPI MoM % declined in Jun led by energy prices and broad-based moderation in inflation pressures

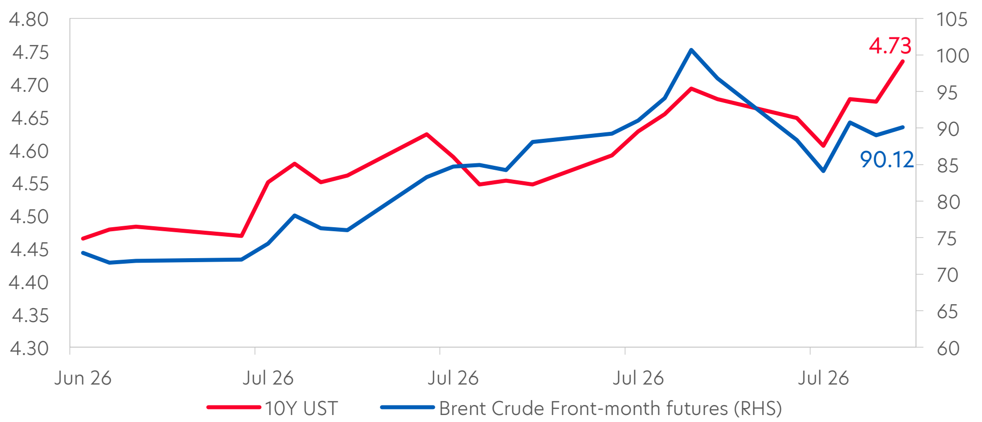
Source: Bloomberg, UOB Global Economics & Markets Research



Nevertheless, the benign Jun CPI and PPI prints were unable to support a sustained decline in US yields as the situation in the Middle East escalated into an active military exchange involving intense airstrikes, regional proxy clashes, and maritime blockades. Front month Brent futures surged from the low USD 70s / bbl at end Jun to about USD 100 / bbl on 23 Jul before a new wave of conciliatory rhetoric from President Trump calmed the oil market somewhat, bringing oil price down to a still elevated USD 90 / bbl. (Chart 14) This renewed surge in energy prices largely offset the initial optimism from benign Jun CPI and PPI prints, which were themselves driven largely by lower energy.

Chart 14: 10Y UST yields broadly tracing rise in Brent

Source: Bloomberg, UOB Global Economics & Markets Research



Taken a step back, the US economy remains on solid footing as claims data fell back to recent lows (Chart 15), and US consumers continue to spend at solid pace with control group retail sales growing 6.36% y/y (Chart 16). Corporate issuance picked up strongly at a pace 41% above 2025 level (Chart 17).

Chart 15: Claims back to recent lows, suggesting healthy labor market

Source: Bloomberg, UOB Global Economics & Markets Research

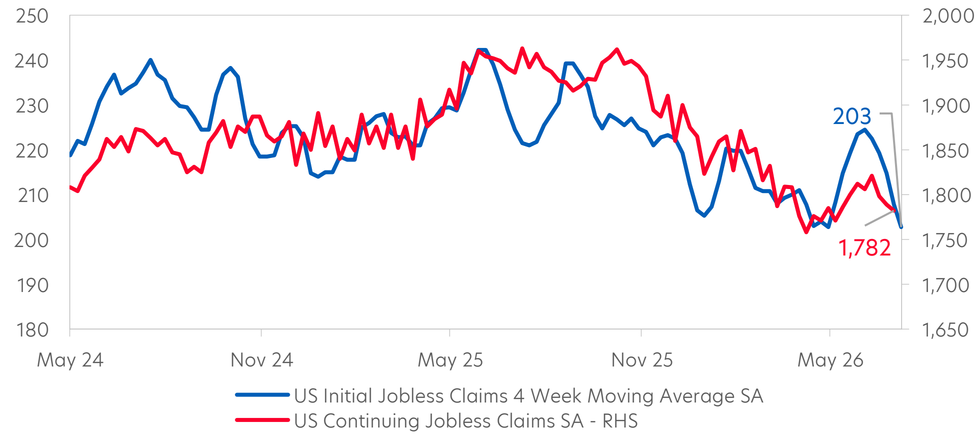


Chart 16: US retail sales y/y growth at a solid pace

Source: Bloomberg, UOB Global Economics & Markets Research

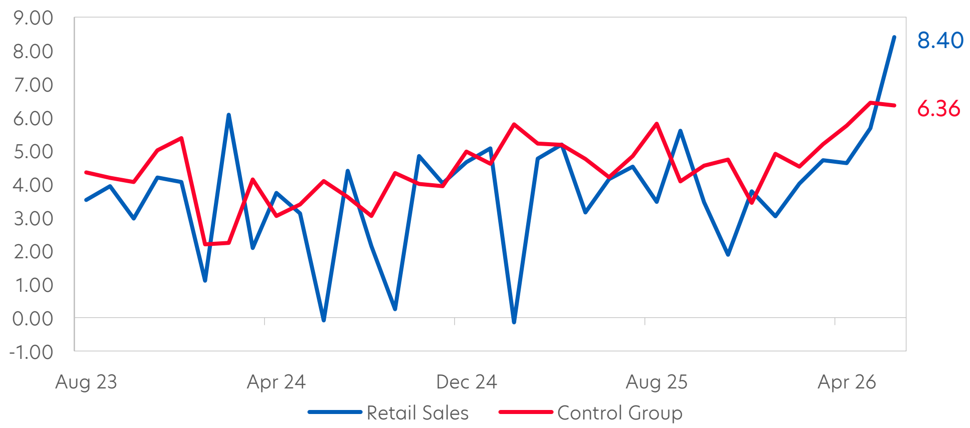
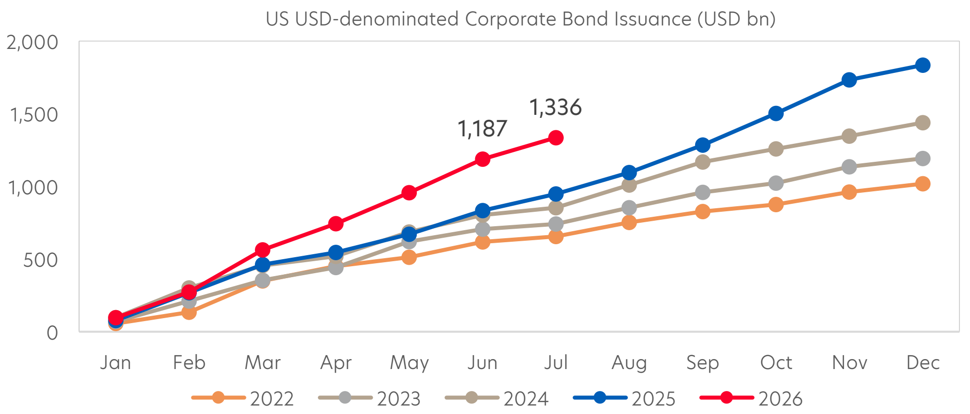


Chart 17: US USD-denominated Corporate Bond Issuance (USD bn) increased at 41% y/y than 2025

Source: Bloomberg, UOB Global Economics & Markets Research



It is therefore no surprise that the market has priced in slightly more than one hike by year-end (Chart 18). Jul FOMC revealed a divided Fed as three regional Fed presidents voted to dissent in favour of rate hikes, and Warsh offered scant information on future rate path during the press conference. Market interpreted Warsh's comments with much skepticism, and his inflation fighting commitment as "mere talks and no action".

Consequently, the longer end UST curve steepened further as 2s10s reached 44bps, 15bps steeper on the month (Chart 19). We think the pressure on longer-end will continue given the increased policy uncertainty and Fed's credibility will be further tested especially when incoming data do not support the current policy stance.

Chart 18: Market Priced in 1.5 hikes by year-end

Source: Bloomberg, UOB Global Economics & Markets Research

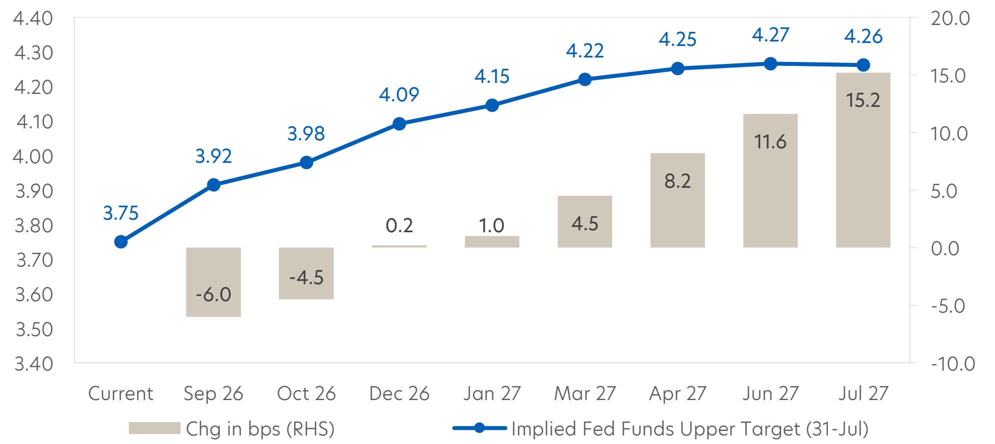
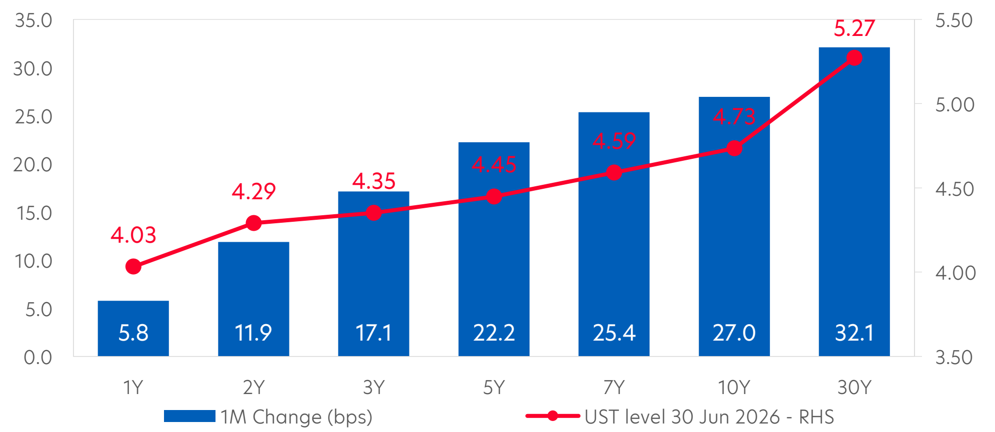


Chart 19: UST Curve steepened aggressively in Jul as Fed credibility under pressure

Source: Bloomberg, UOB Global Economics & Markets Research



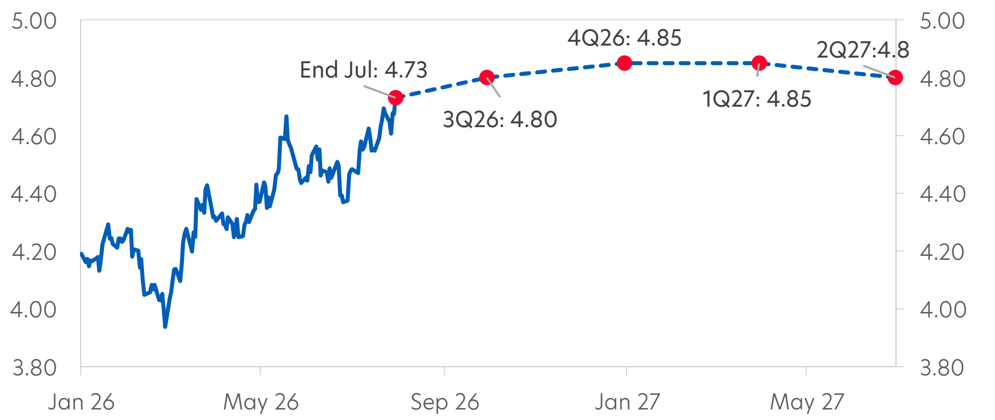
At present, our macroeconomics team expects the Fed to maintain an extended pause through 2026 before resuming easing in 2027, while acknowledging rising risks of renewed tightening (see discussion here). This implies a steady **3M compounded-in-arrears SOFR** projection of **3.64% in 3Q26, 3.65% in 4Q26, 3.65% in 1Q27, and 3.47% in 2Q27**.

Looking ahead, additional upside risks to the longer-end UST yields could come from four fronts: (1) increased fiscal supply, (2) stronger-than-expected macroeconomic data, (3) an unclear Fed commitment to bringing inflation down, and (4) geopolitical uncertainties and developments. We note a near-term potential catalyst in Treasury's quarterly refunding on 5 Aug, where the Treasury could alter its language and signal increased coupon issuance in the future quarter given larger gross borrowing needs. The current guidance states that "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters." On 3 Aug, the Treasury Department projected $739 bn in net borrowing for Jul to Sep, $68 bn higher than the $671 bn estimated in May. Another event to watch in Aug is the Jackson Hole Symposium (27-29 Aug), where Warsh will have another opportunity to shape market expectations and strengthen policy credibility.

Taking all these risk factors into consideration, our updated **10Y UST forecasts are 4.80% for 3Q26, 4.85% for 4Q26, 4.85% for 1Q27, and 4.80% for 2Q27**, versus the end-Jul level of 4.73%. This represents a 15-25bps increase from our previous projections published on 2 Jul and highlights the increased risk of the 10Y UST moving towards the psychologically important 5.0% level. Our 5bps reduction in the 2Q27 forecast reflects a modest transmission effect from the anticipated Fed easing cycle incorporated in our macroeconomists' projections. (Chart 20)

Chart 20: 10Y UST YTD and UOB projection

Source: Bloomberg, UOB Global Economics & Markets Research



SG Rates: MAS calibrated monetary policy with a "very slight" slope steepening; domestic banking condition suggests a stable and rising SORA

MAS surprised the market with a calibrated approach to monetary tightening by increasing the rate of appreciation of the S$NEER policy band "very slightly" while keeping the width and midpoint of the trading band unchanged. We interpret the "very slightly" wording as a 25bps slope steepening to 1.25% p.a. Our macroeconomics team thinks this incremental approach, as opposed to delivering an outright 50bps slope steepening, suggests some degree of caution to avoid an excessively strong S$NEER.

Nevertheless, more resilient-than-expected global economic activity, Singapore's widening positive output gap, and renewed escalation of the conflict in the Middle East are among the reasons justifying the policy decision. For more details, please refer to Macro Note published 27 Jul.

Our macroeconomic team has recently raised the 2026 GDP growth forecast to 4.8% from 4.0% previously, following the 1H26 GDP outperformance (6.0%). For inflation, our macroeconomic team sees upside risks to the 2026 headline and core inflation forecasts at 2.2% (2027F: 2.2%) and 1.9% (2027F: 2.0%), respectively, reflecting the recent surge in energy prices amid renewed escalation of the conflict in the Middle East, as well as upside risks to food prices stemming from a potential Super El Niño.

Under this backdrop, we expect MAS to keep the prevailing S$NEER slope settings (est. 1.25% p.a.) unchanged through 2026 and 2027, although we see risks of a further 25bps slope steepening to 1.50% p.a. in the Oct 2026/Jan 2027 MPS should energy price remain elevated for longer and feed through to the broader CPI basket.

In Jul, overnight SORA traded within a wide 0.95-1.41% range, with the 14-day moving average continuing to show a basing of the SORA. This is supported by tightening backdrop globally triggered by the US-Iran war. The swap market is currently pricing in slightly more than one Fed rate hike in 2H26, while global central banks have shifted from an easing cycle to a tightening cycle to combat inflation. As such, we reiterate our view of a stable but gradually rising SORA, with the upward pull from US and global rates more than offsetting the downward pressure from continued safe-haven non-resident inflows (Chart 21).

We project **3M compounded-in-arrears SORA at 1.20% in 3Q26, 1.37% in 4Q26, 1.53% in 1Q27, and 1.62% in 2Q27**. In fact, we have observed firmer loan growth, outpacing deposit growth in recent months, resulting in a rise in the system loan-to-deposit ratio (LDR) (Chart 22). If loan growth remains robust, it will increase demand for funding and contribute to upside pressure on SORA.

Chart 21: Another strong non-resident deposit increase of S$11.7bn in the month of Jun

Source: MAS, UOB Global Economics & Markets Research

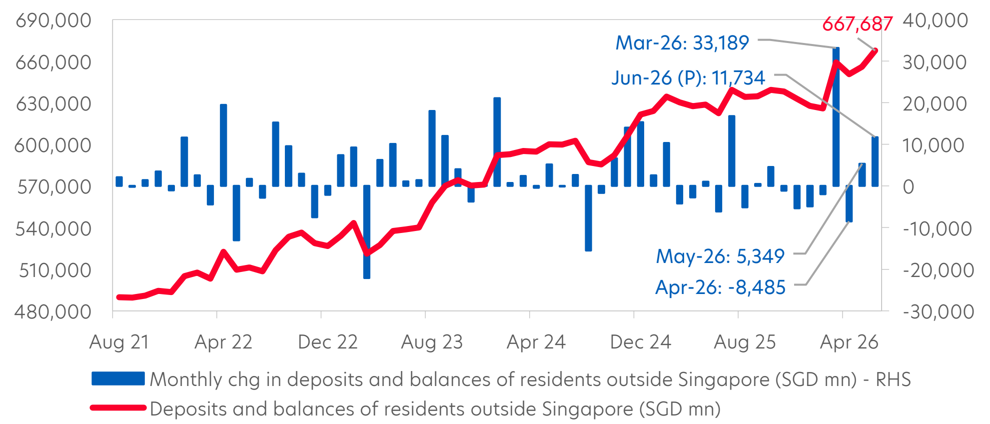
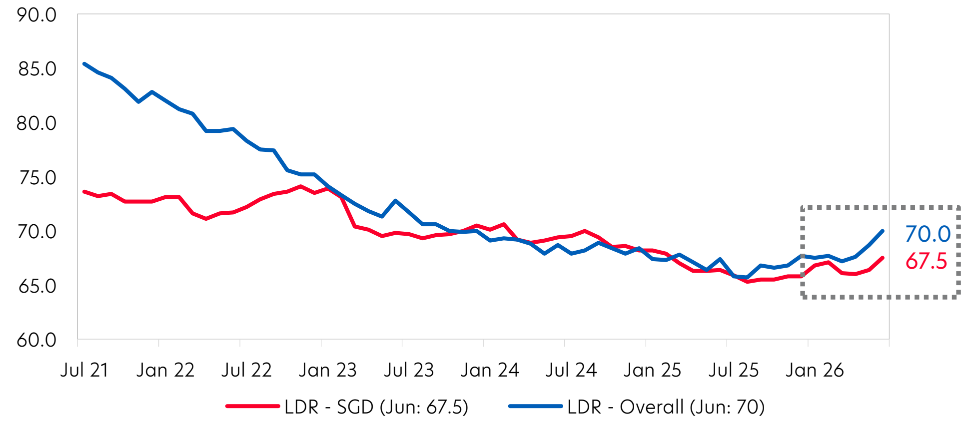


Chart 22: LDR continued to tick up in the month of Jun to 67.5% in SGD and 70.0% in overall banking system

Source: MAS, UOB Global Economics & Markets Research



In Jul, it is noteworthy that SG rates underperformed US rates across a number of tenors (Table 1). We think this normalisation has further room to run because the differential remains wide relative to historical norms (Table 2). The pace of normalisation will likely depend on Fed policy and domestic credit conditions in Singapore.

Table 2: SG rates underperformed US rates in a number of tenors

Curr.Lvl vs End Jun	Bonds	Bonds	Curr.Lvl vs End Jun	SOFR OIS	SORA OIS
	USD	SGD		USD	SGD
2y	4.29 (+12)	1.68 (+13)	2y	4.15 (+13)	1.64 (+16)
5y	4.45 (+22)	1.88 (+21)	5y	4.17 (+23)	2.03 (+22)
10y	4.73 (+27)	2.34 (+32)	10y	4.32 (+28)	2.32 (+25)

Source: Bloomberg, Global Economics & Markets Research

Table 2: SG-US rate differential still at historically extreme level

-	2y SORA-SOFR	5y SORA-SOFR	10y SORA -SOFR	30y SORA -SOFR	2y SGS - UST	5y SGS -UST	10y SGS -UST	30y SGS -UST
31/07/2026	-2.51	-2.14	-2.00	-2.12	-2.58	-2.56	-2.38	-2.82
30/06/2026	-2.55	-2.12	-1.97	-2.09	-2.59	-2.54	-2.43	-2.82
Change (%)	0.035	-0.016	-0.025	-0.023	0.004	-0.019	0.048	0.003
Percentile (End Jul)	0.5%	0.1%	0.0%	0.6%	0.4%	0.1%	3.2%	3.4%
Percentile (End Jun)	0.1%	0.2%	0.3%	0.8%	0.2%	0.2%	1.2%	3.2%

* Percentile calculated based on Jan 1, 2021 till now data
Source: Bloomberg, Global Economics & Markets Research

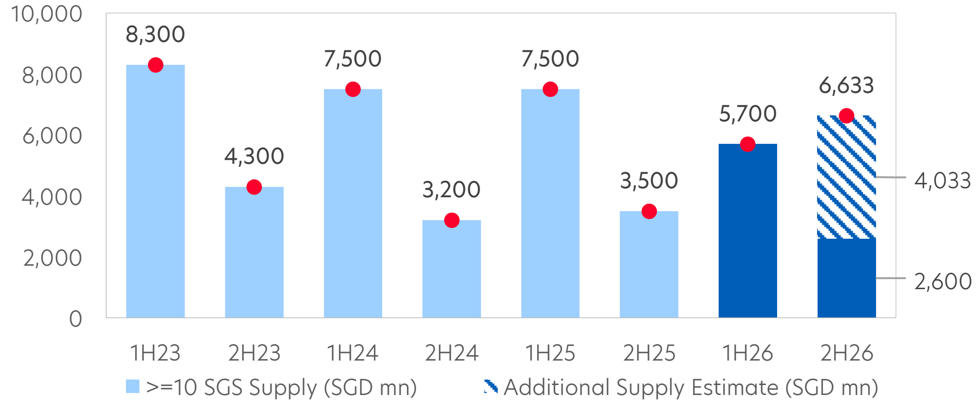
At the long end, 10Y Singapore Government Securities (SGS) yields rose 32bps in Jul, underperforming both US rates and SORA OIS. MAS also announced and issued a new 20-year Green SGS (Infrastructure) maturing in Aug 2046. The S$2.6bn benchmark issuance achieved a 1.83x bid-to-cover ratio, comparable with the 1.85x achieved for the 30Y re-opening in Feb, but significantly weaker than the 2.45x achieved for the new 30Y syndication in May 2024.

Using the average issuance sizes in 2025 and 2026 as a guide, we estimate additional long-end issuance (>10Y) of approximately S$4bn across the 10Y and 15Y tranches in Aug and Sep. This would bring CY2026 long-end issuance to approximately S$12.3bn, representing a S$1.3bn increase versus CY2025 (Chart 24).

In the near term, supply from the Aug and Sep issuance calendar could keep long-end yields elevated. Given that S$10.2bn of N521100V will mature on 1 Nov 2026, the remaining issuance required in 2026 appears to be around S$4.15bn if SGS outstanding growth is maintained at a pace similar to 2025 (3.5% y/y). Refer to the detailed discussion in the box below. Our updated forecasts for the 10Y SGS yield are 2.45% in 3Q26, 2.55% in 4Q26, 2.70% in 1Q27, and 2.75% in 2Q27.

Chart 24: Longer-end (>= 10Y) SGS issuance could step up in 2H26, resulting in $1.3bn increase versus CY2025

Source: MAS, UOB Global Economics & Markets Research estimate



Box: Analysis of the additional SGS supply for the remainder of 2026

In Oct 2025, MAS released the 2026 SGS issuance calendar and guidance that "in 2026, SGS bonds are expected to grow at a similar pace to 2025". From 31 December 2024 to 3 November 2025, the outstanding amount of SGS bonds increased by 3.5%, from S$172.6 billion to S$178.6 billion.

Taking into account the upcoming S$10.1bn maturity of N521100V in Nov 2026, the remaining gross issuance required to achieve a similar 3.5% growth rate in outstanding SGS bonds is approximately S$4.15bn.

Using the average auction sizes over the past two years for comparable tenors as estimates for the remaining three scheduled auctions (10Y in Aug, 15Y in Sep and 5Y in Oct), it appears relatively straightforward to achieve this target growth rate. Alternatively, there could be downside surprises to our issuance assumptions of approximately S$2.5bn for the 10Y, S$1.6bn for the 15Y and S$2.6bn for the 5Y.

Table: SGS issuance estimate for the rest of 2026	
Outstanding SGS Amt (S$ mn) end 2025: **a**	178,600
Maturity of Nov-01, 2026 issue (N521100V): **b**	10,100
Outstanding SGS Amt (S$ mn) end 2026 needed for 3.5% growth rate: **c = a*1.035**	184,851
Current Outstanding Amount (S$ mn) (including recent issuance of 2y, 20y SGS): **d**	190,800
Remaining gross issuance needed (S$ mn) to reach 3.5% growth rate: **e = c-(d-b)**	4,151
Sum of reamining issuance estimate for 5y, 10y, 15y using average 2025, 2026 for similar tenor as guide: **f**	6,617
Upside/ (Downside) risk to issuance (S$ mn): g = e-f	**(2,466)**

Source: MAS, UOB estimate

DM and Asian Rates: The future path remains data-dependent, while renewed geopolitical tensions pose rising inflation risks

Table 3: G10 rates change in Jul

End Jul Lvl vs End Jun	SOFR OIS USD	Euribor IRS EUR	SONIA OIS GBP	IRS AUD	IRS NZD	OIS JPY
2y	4.15 (+13)	3.03 (+32)	4.28 (+26)	4.55 (+11)	3.68 (+35)	1.58 (+16)
5y	4.17 (+23)	3.08 (+35)	4.39 (+32)	4.83 (+20)	4.03 (+38)	2.10 (+11)
10y	4.32 (+28)	3.24 (+33)	4.65 (+31)	5.07 (+21)	4.38 (+38)	2.71 (+18)

Source: Bloomberg, Global Economics & Markets Research

The ECB left all three policy rates unchanged in Jul, in line with our expectations, while maintaining a cautious but hawkish tone amid renewed uncertainty in the Middle East. The policy path remains data-dependent, and the Governing Council indicated that it is closely monitoring not only the intensity and duration of the shock but also any potential indirect and second-round effects on broader inflation dynamics. Our macroeconomic team now **expects a further 25bps hike in Sep**, bringing the deposit rate to 2.50%. For more details, please refer to Macro Note published 24 Jul 2026. The recent re-escalation of tensions in the Middle East has been negative for EUR rates, with 10Y EUR swaps (indexed to 6M Euribor) rising 25bps in Jul. Market expectations continue to be whipsawed by geopolitical developments, with markets pricing in approximately 1.6 hikes by year-end.

In UK, the BOE held rates unchanged at 3.75% on 30 Jul in a 6-3 vote with Catherine Mann joining Megan Greene and Huw Pill in favor of a 25-bps rate hike to 4.00%. Forward guidance was less hawkish than the vote split appeared with the MPC highlighting continued signs of underlying disinflation, a softening labour market and little evidence so far of material second-round effects from higher energy prices. Our macroeconomic team therefore maintains its view that the BOE will keep rates unchanged at 3.75%. For more details, please refer to Macro Note published 31 Jul 2026.

On the political front, Andy Burnham has taken over as Prime Minister. It did not take long before Burnham surprised markets by appointing former Defence Secretary John Healey as Chancellor of the Exchequer. Healey has been a strong advocate of increasing defence spending to above 3% of GDP by 2030. Markets will remain focused on fiscal discipline, particularly as Burnham has stated that he would utilise "flexibility" within the UK's fiscal framework and push borrowing closer to the limits that investors are willing to tolerate. For now, gilts are trading at the highest yields among the G7 countries, with 10Y yield at 5.05%.

In New Zealand, the RBNZ raised the Official Cash Rate (OCR) by 25 bps to 2.50% at its 8 Jul meeting, in line with our view. The latest accompanying media release retained a cautious but unmistakably hawkish tone. Policymakers remain concerned about the persistence of inflation and the risk that recent cost shocks could continue to feed through into broader prices. Latest 2Q26 CPI came in at 4.1% y/y, above the 1%-3% target range, validating the RBNZ's inflation concerns. Nevertheless, we believe inflationary pressures remain concentrated in fuel-related categories. Excluding petrol and diesel, CPI rose a much more modest 0.5% q/q versus the headline increase of 1.5% q/q. Therefore, our macroeconomics team maintains our OCR forecast at 2.50%, while acknowledging the risks of further tightening. For more details, refer to Macro Note dated 23 Jul and 13 Jul.

In Japan, the BOJ paused at its Jul MPM and maintained guidance that future rate increases remain likely, emphasising the need to balance inflation risks against growth concerns. Governor Ueda reinforced this hawkish message by highlighting inflation pressures arising from AI-related investment demand, yen weakness and energy prices, while signalling that rate-hike discussions may become more active from the Sep meeting onwards. Our economist assesses that the next rate hike is more likely in late 4Q26 (60% probability) rather than at the Sep MPM (40% probability). For more details, refer to Macro Note dated 31 Jul.

Asia rates also traded on the back foot amid surging energy prices and moves in global rates. Yield curves generally steepened, reversing several months of flattening. Looking ahead, global macro factors such as energy prices and geopolitical developments will continue to exert a dominant influence on the future path of rates, while local economic dynamics will remain important market-specific drivers.

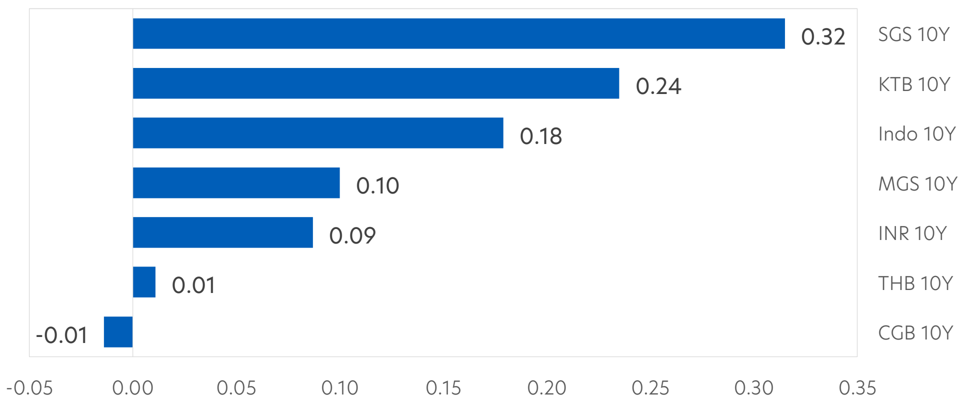
Table 4: Asia rates change in Jul

End Jul Lvl vs End Jun	Onshore IRS	Onshore OIS	SORA OIS	Onshore IRS	Onshore OIS	Onshore IRS	IRS	Onshore IRS	Bonds
	KRW	INR	SGD	MYR	THB	CNY	HKD	TWD	IDR
2y	3.71 (-)	6.11 (+22)	1.64 (+16)	3.56 (+10)	1.33 (+8)	1.42 (-1)	3.57 (+14)	2.06 (+11)	7.00 (-11)
5y	3.96 (+9)	6.41 (+23)	2.03 (+22)	3.62 (+11)	1.74 (+16)	1.50 (-)	3.60 (+26)	2.32 (+11)	7.28 (+22)
10y	4.09 (+16)	6.61 (+23)	2.32 (+25)	3.80 (+11)	2.15 (+16)	1.61 (-2)	3.75 (+30)	2.58 (+26)	7.31 (+18)

Source: Bloomberg, Global Economics & Markets Research

Chart 25: Asia Benchmark 10Y Yield change in Jul (%)

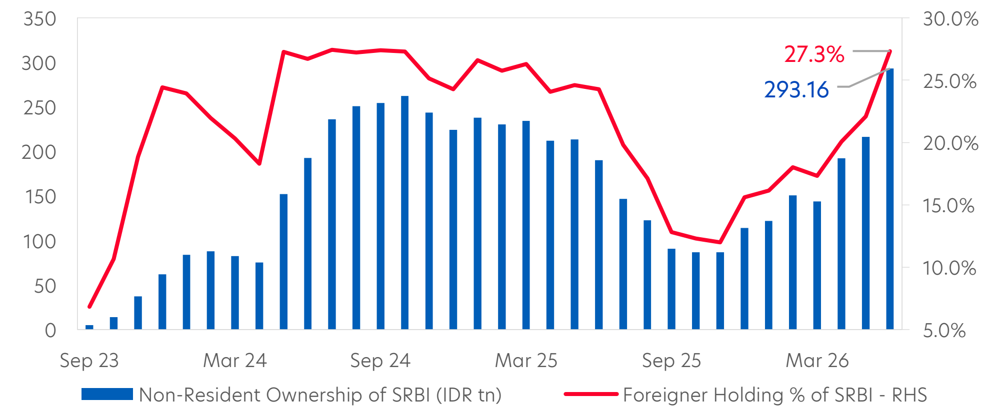
Source: Bloomberg, UOB Global Economics & Markets Research



Bank Indonesia (BI) surprised markets in Jul by maintaining its benchmark policy rate at 5.75%, although the decision was in line with our macroeconomic team's expectations. The decision likely reflected BI's intention to allow the cumulative 100bps of tightening delivered between May and Jun to fully transmit through the economy. Domestically, BI remains confident that inflation will remain within its target range of 2.5% ± 1.0%, while economic growth in 2026 is projected to reach 4.9%-5.7%. Looking ahead, our economist expects two additional 25bps hikes in 3Q26, followed by a final 25bps hike in 4Q26. For more details, please refer to Macro Note published 23 Jul. On 27 Jul, Bank Indonesia Governor Perry Warjiyo resigned for "personal reasons," raising some investor concerns as this came as a surprise amidst macro turbulence. Senior Deputy Governor Destry Damayanti will take over as acting governor, and the president will nominate a replacement who must be vetted and approved by parliament. On the flow side, foreign ownership of SRBI continued to rise, reaching 27.3% in Jun, attracted by rising yields.

Chart 26: Non-resident ownership of SRBI (IDR tn) picked up in recent months

Source: Bloomberg, BI, UOB Global Economics & Markets Research



In Korea, the BOK raised rates to 2.75% in Jul, as expected, citing robust economic growth, persistent inflation above target, and ongoing financial stability concerns. Our macroeconomic team also raised its 2026 GDP forecast to 3.4% from 2.6% following stronger-than-expected 2Q26 GDP growth. Our macroeconomic team's BOK forecast incorporates **one additional 25bps hike in Aug** and another 25bps hike in 4Q26. For more details, please refer to Macro Note published 23 Jul and Macro Note published 16 Jul.

Elsewhere, we expect the Bank of Thailand (BOT), Taiwan Central Bank (CBC), Bank Negara Malaysia (BNM), State Bank of Vietnam (SBV), and Reserve Bank of India (RBI) to maintain policy rates at 1.0%, 2.0%, 2.75%, 4.5%, and 5.25%, respectively, while China is expected to keep its 7-day reverse repo rate unchanged at 1.4%. For the Bangko Sentral ng Pilipinas (BSP), we are expecting one final 25bps hike to 5.00% in 3Q26.

Central Bank Policy Rate Changes: actual so far and UOB forecast ahead

Economy	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
US			-25bp	-50bp						-25bp		-25bp
Euro Area	-50bp	-50bp				+25bp	+25bp					
UK	-25bp	-25bp	-25bp	-25bp								
Japan	+25bp			+25bp		+25bp		+25bp		+25bp		
Australia	-25bp	-25bp	-25bp		+50bp	+25bp						
New Zealand	-50bp	-50bp	-25bp	-75bp			+25bp^					
Singapore*	-50bp	-50bp				+50bp	+25bp^					
Malaysia			-25bp									
Thailand	-25bp	-25bp	-25bp	-25bp	-25bp							
Indonesia	-25bp	-25bp	-75bp			+100bp	+50bp	+25bp				
Philippines		-50bp	-25bp	-50bp	-25bp	+50bp	+25bp					
India	-25bp	-75bp		-25bp								
China		-10bp										
Korea	-25bp	-25bp					+50bp^	+25bp				
Taiwan												
Vietnam												

* Estimated adjustment of SGD NEER slope

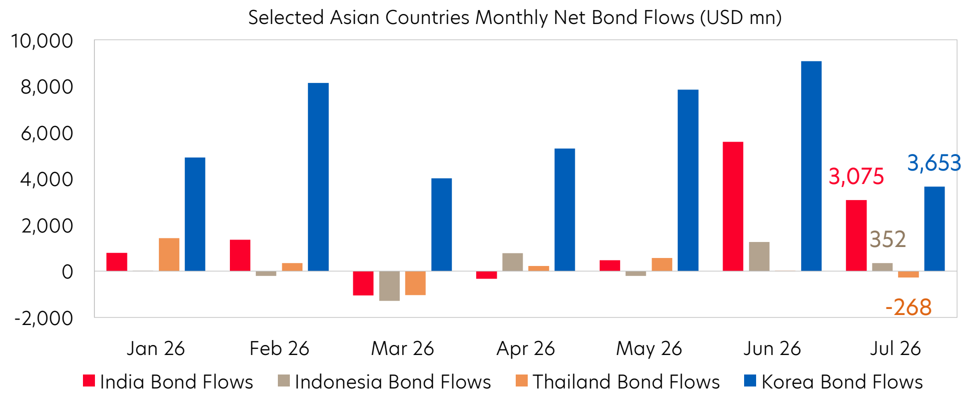
^ BOK hiked 25bps in Jul, RBNZ hiked 25bps in Jul, MAS tightened slope by 25bps in Jul (estimate)

Source: Global Economics & Markets Research

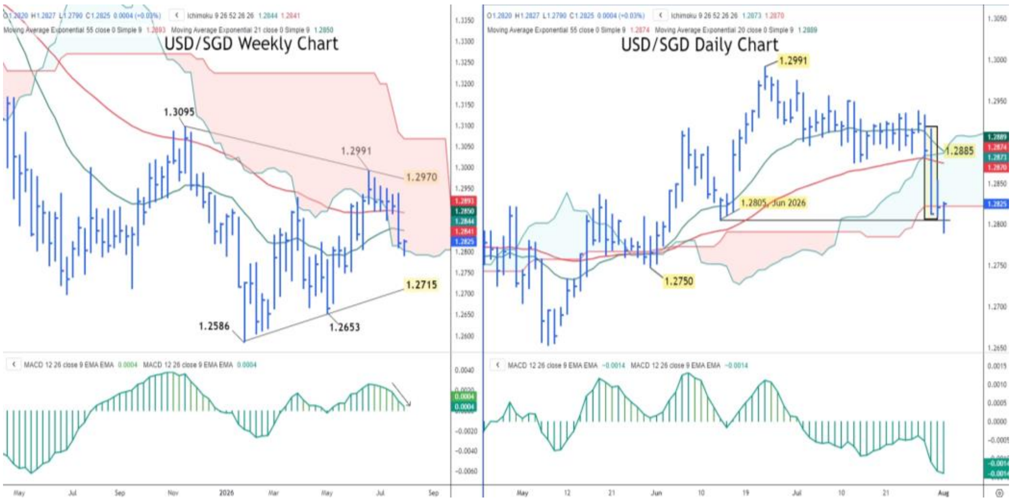
Finally, India recorded a notable USD3bn inflow in Jul following a strong USD5.6bn inflow in Jun. The RBI also disclosed that FCNR deposits attracted USD36.7bn between 8 Jun and 31 Jul, representing a very strong start and suggesting inflows could potentially exceed twice the level seen during the 2013 episode (~USD25bn).

Chart 27: India recorded another strong month of inflows of 3bn USD

Source: Bloomberg, UOB Global Economics & Markets Research



USD/SGD: 1.2825
Downward momentum is building; it is too early to determine whether there is sufficient momentum for USD/SGD to reach the significant support level at 1.2715.



Source: LSEG Workspace, UOB Global Economics & Markets Research

The following are excerpts from our previous Chart of the Day, published on 16 July 2026, when USD/SGD was at 1.2890:

"*USD/SGD subsequently rose to 1.2991 before pulling back below the 21-day EMA. While this pullback appears to be part of a broader corrective phase, a breach of the 55-day EMA (now near 1.2865) could potentially trigger a deeper correction, though not a major reversal.*

That said, with the weekly MACD still comfortably in positive territory, any decline is likely to encounter solid support at June's low of 1.2805. In addition, the base of the daily Ichimoku cloud, currently at 1.2785 but set to move higher in the coming days, is expected to offer solid support as well. On the upside, resistance is at 1.2945, followed by 1.2975."

USD/SGD then drifted sideways until last Thursday, when it plunged abruptly. The sharp decline broke below both the 55-day EMA and the base of the daily Ichimoku cloud. The weekly MACD, though still positive, is heading steadily lower, suggesting downward momentum is building.

However, it is too early to determine whether USD/SGD has sufficient momentum to reach the significant support level at 1.2715. Note that May's low of 1.2750 is expected to provide support as well. To sustain the build-up in downward momentum, USD/SGD must hold below 1.2885.

USD Index: 99.90
Bias for USD index is tilted to the downside; any decline should stay contained within a range of 97.63/101.64.

Source: LSEG Workspace, UOB Global Economics & Markets Research

In our previous Chart of the Day update from 03 July 2026, when the USD index was at 101.39, we highlighted that "*a break above the weekly Ichimoku cloud, then at 103.20, would complete the technical setup and could open the way for further upside in coming months*." We also highlighted that "*a breach of 99.55/60, where the EMAs currently reside, would nullify the positive setup*."

USD index did not break above the weekly Ichimoku cloud. Instead, in a sudden move last week, it plunged and breached the 55-week EMA. The positive setup has been nullified. While the sharp drop has tilted the bias toward the downside, flat EMAs suggest any decline should stay contained within a range of 97.63/101.64. May's low and the base of the weekly Ichimoku cloud are near 97.63, while last week's high and the top of the weekly cloud are both at 101.64.

FX, INTEREST RATES & COMMODITIES
Forecasts

FX	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
USD/JPY*	158	160	157	155	152
EUR/USD*	1.15	1.14	1.16	1.18	1.19
GBP/USD*	1.34	1.32	1.35	1.36	1.37
AUD/USD*	0.70	0.69	0.70	0.71	0.72
NZD/USD*	0.59	0.57	0.58	0.59	0.60
DXY*	100.0	100.9	99.2	97.9	96.9
USD/CNY*	6.76	6.78	6.73	6.68	6.64
USD/HKD*	7.84	7.84	7.82	7.80	7.80
USD/TWD*	32.4	32.5	32.0	31.7	31.4
USD/KRW*	1,425	1,480	1,450	1,420	1,400
USD/PHP	60.9	62.0	61.6	61.3	61.0
USD/MYR	4.10	4.10	4.05	4.02	4.00
USD/IDR*	17,990	18,200	18,100	18,000	17,900
USD/THB*	33.4	33.8	33.6	33.3	33.1
USD/VND	26,283	26,500	26,400	26,300	26,100
USD/INR*	95.3	96.5	96.0	95.5	95.0
USD/SGD*	1.28	1.29	1.27	1.26	1.25
EUR/SGD*	1.48	1.47	1.47	1.49	1.49
GBP/SGD*	1.72	1.70	1.71	1.71	1.71
AUD/SGD*	0.90	0.89	0.89	0.89	0.90
SGD/MYR*	3.19	3.18	3.19	3.19	3.20
SGD/CNY*	5.27	5.26	5.30	5.30	5.31
JPY/SGDx100*	0.81	0.81	0.81	0.81	0.82

POLICY RATES	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
US Fed Funds Rate	3.75	3.75	3.75	3.75	3.50
JPY Policy Rate	1.00	1.00	1.25	1.25	1.50
EUR Refinancing Rate*	2.40	2.65	2.65	2.65	2.65
GBP Repo Rate	3.75	3.75	3.75	3.75	3.75
AUD Official Cash Rate	4.35	4.35	4.35	4.35	4.35
NZD Official Cash Rate	2.50	2.50	2.50	2.50	2.50
CNY 7D Reverse Repo	1.40	1.40	1.40	1.40	1.40
HKD Base Rate	4.00	4.00	4.00	4.00	3.75
TWD Official Discount Rate	2.00	2.00	2.00	2.00	2.00
KRW Base Rate*	2.75	3.00	3.25	3.25	3.25
PHP O/N Reverse Repo	4.75	5.00	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	5.75	6.25	6.50	6.50	6.50
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	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
USD 3M SOFR (compounded)*	3.63	3.64	3.65	3.65	3.47
SGD 3M SORA (compounded)*	1.13	1.20	1.37	1.53	1.62
10Y US Treasuries Yield*	4.68	4.80	4.85	4.85	4.80
SGD 10Y SGS*	2.34	2.45	2.55	2.70	2.75

COMMODITIES	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
Gold (USD/oz)	4,049	3,900	4,300	4,600	4,900
Brent Crude Oil (USD/bbl)	84	85	80	70	70
Copper (USD/mt)	13,870	13,500	13,000	12,500	12,500

Updated as of 04 Aug 2026
* Forecasts updated as compared to previous report dated 02Jul 2026
Source for spot rates: Bloomberg

Disclaimer