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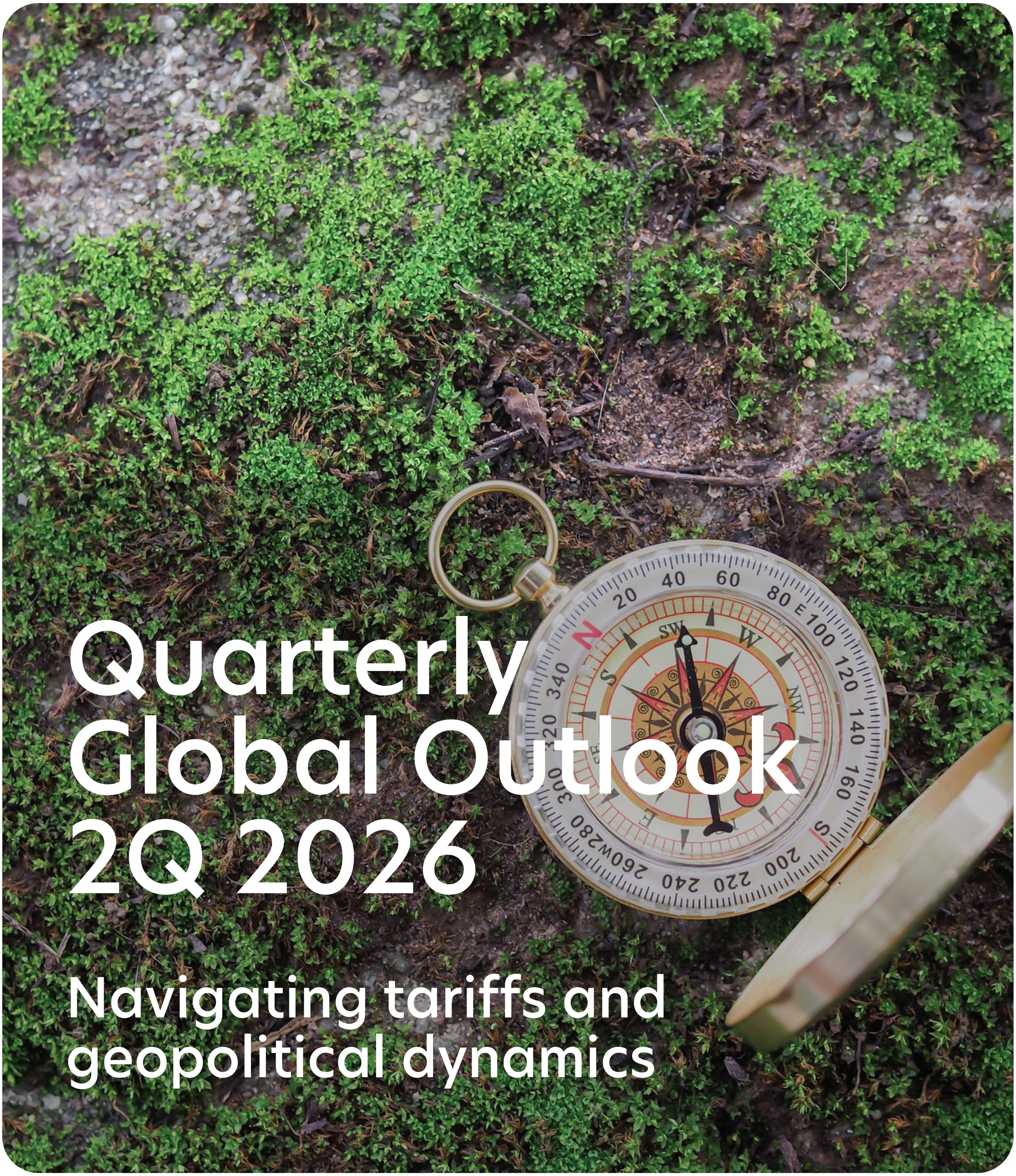

Quarterly Global Outlook 2Q 2026

Navigating tariffs and geopolitical dynamics

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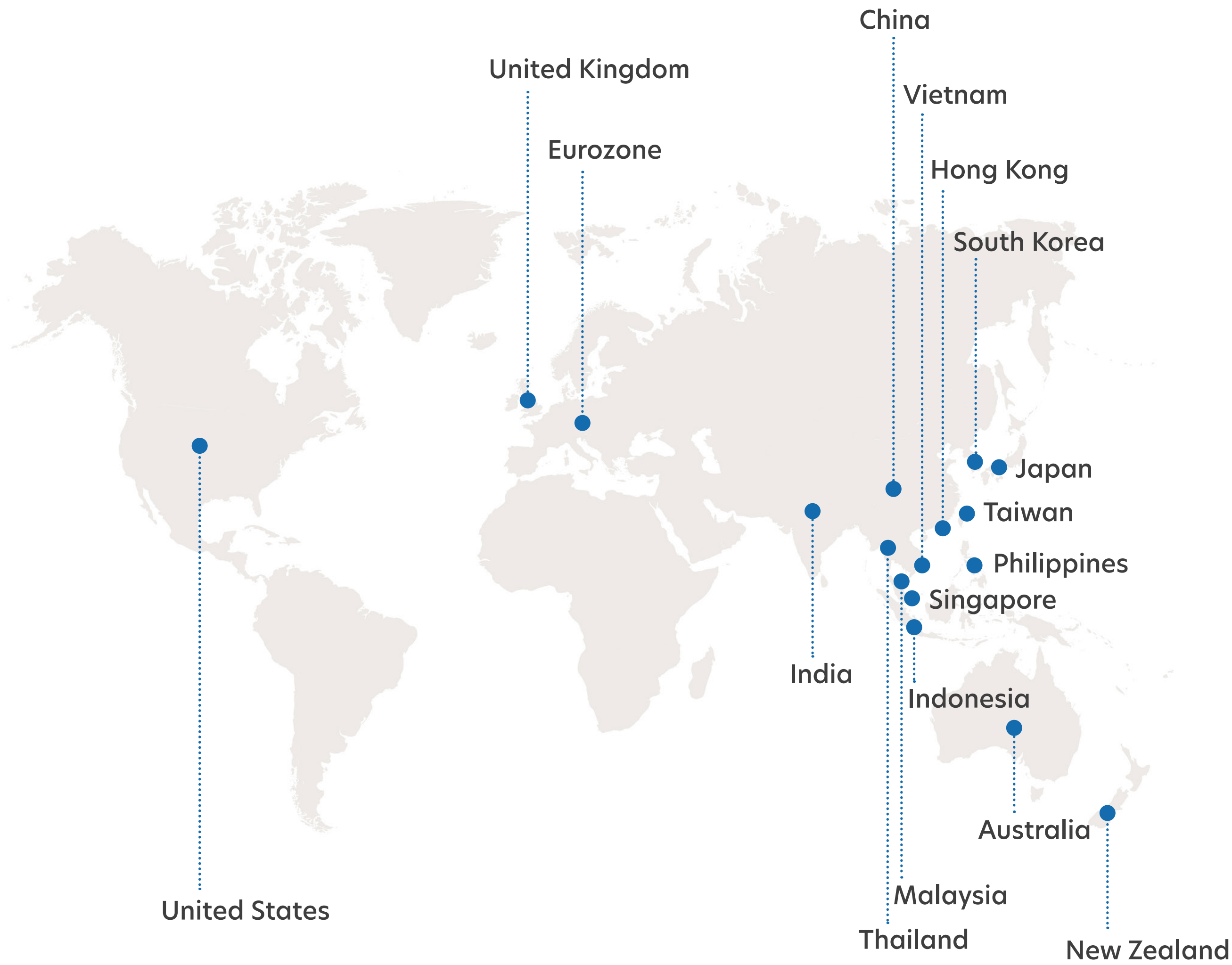
CONTENT

Outlook by Economies

Click on the economy to view insight



Information as of 06 March 2026

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EXECUTIVE SUMMARY

Navigating tariffs and geopolitical dynamics

"There's never been a true war that wasn't fought between two sets of people who were certain they were in the right"
- Neil Gaiman, American Gods (2001)

In an era of US tariffs and military conflicts

1Q of 2026 has ushered in a period of heightened uncertainty, due to aggressive US trade policies coinciding with an outright military conflict with Iran. US President Trump's tariff regime, though recently constrained by the Supreme Court, persists through alternative legal measures that continues to reshape global trade flows. Concurrently, the U.S.-Iran war has escalated into a broader conflict across the Middle East and the direct targeting of energy facilities across the Gulf by Iran has brought shipping across the Strait of Hormuz to a halt, triggering a spike in energy prices and threatening the world's most critical oil chokepoint. These intertwined dynamics of evolving US tariffs, the US war with Iran, and the consequent impact on global oil and key commodity prices, will weigh on Asia's economic stability and growth outlook for the remainder of the year.

Legal landscape of US tariffs may shift, but tariffs are here to stay

Trade tariffs remain a key development to watch in 2026. The US Supreme Court on 20 Feb struck down President Trump's Liberation Day "reciprocal" tariffs, ruling that the International Emergency Economic Powers Act (IEEPA) "does not authorize the President to impose tariffs". Trump immediately pivoted to other legal tools, notably Section 122 of the 1974 Trade Act, to raise global tariffs to 10%, and threatened to raise them further to 15%. US Treasury Secretary Scott Bessent on 4 Mar said that President Trump's plan to increase a broad 10% tariff rate to 15% will likely be implemented by the first week of Mar.

Treasury Secretary Bessent indicated that the new tariff is a 150-day bridge (through late Jul 2026), during which the government will study the use of more durable tariffs under Section 232 (imposed on sectors deemed to be a threat to national security) and Section 301 (imposed against countries which engage in unfair trade practices). At the most extreme and disruptive, Section 338 (of the 1930 trade Act) is rarely used and viewed as last resort - it is effective as a threat or pressure rather than a routine policy tool. The applied rate is high (up to 50%), country-specific and of indefinite duration (conditional) and without need for investigation.

Global trade uncertainty is rising, potentially affecting existing trade deals and placing countries with lower reciprocal tariffs (e.g., Singapore, UK, Australia) at risk of higher US tariffs ...

The quick conclusion is that US trade tariffs are here to stay and uncertainty will reign. The Supreme Court's ruling against IEEPA does not constrain President Trump's ability to impose trade tariffs under other trade measures. Global trade uncertainty is rising, potentially affecting existing trade deals and placing countries with lower reciprocal tariffs (e.g., Singapore, UK, Australia) at risk of higher US tariffs, while Asia/ASEAN may benefit in near-term from a lower tariff rate. Malaysia and Indonesia have trade deals with US that set tariff at 19%. US Trade Representative Jamieson Greer (25 Feb) suggested the higher rate would not be universal (even though it is labelled a "global" tariff). Bloomberg also reported that the European Union expects that it will not be subjected to the 15% duty, given its framework trade agreement with Washington. Goods that are compliant with the US-Mexico-Canada Agreement (USMCA) are exempt from this (although the sectoral tariffs under Section 232 are still in place such as on Canadian steel, aluminum, copper, lumber, and certain automotive parts).

Countries with lower reciprocal tariffs (like Singapore, UK, Australia at 10%) now seem to be at risk of higher US global tariff rate of 15%. Some countries which negotiated deals with the US, such as Malaysia and Indonesia, would certainly want to see their tariff rates of 19% lowered, although it remains to be seen how the US would respond to such requests. China seems to be at a relatively advantage with the 15% rate being lower than their existing tariffs previously imposed under IEEPA which also included a 10% fentanyl tariff. This is expected to improve China's bargaining power at the upcoming Trump-Xi meeting starting 31 Mar.

The bottom line is it should be clear that section 122 is a stopgap measure, and the Trump Administration will use this 150-day window to carry out trade investigations under other authorities, which could lead to more permanent tariffs on products from specific countries and industries, to "rebuild the tariff wall." The other implication is that supply chain diversification into ASEAN will remain in motion — in response to shifting trade and geopolitical realities.

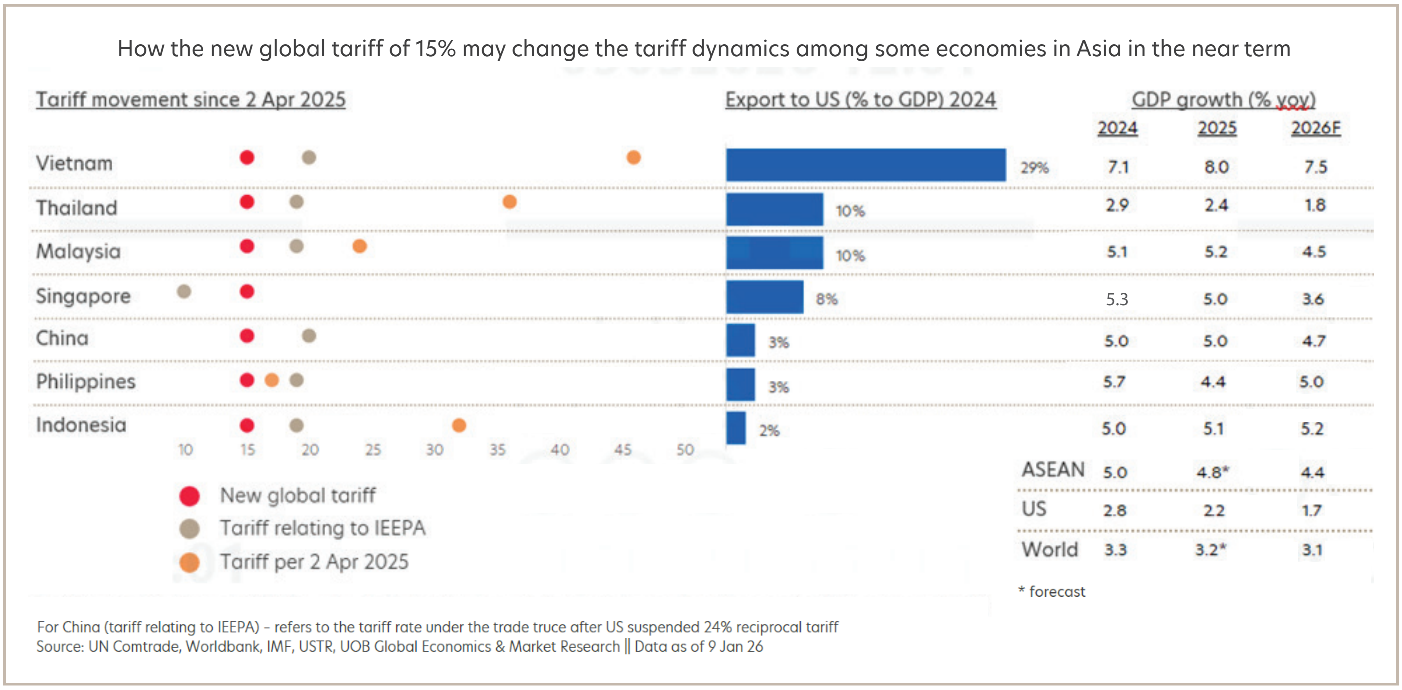
Tariff options available to President Trump after IEEPA-tariffs struck down

Trade act	Measure	Rates	Duration	Scope	Investigation
Section 122	respond to unfair trade practices or to correct significant BOP deficits	up to 15%	maximum 150 days	all imports	nil
Section 201	injury to domestic industries affected by import surges	no statutory cap	up to 4 yrs, can extend to 8 yrs	global	subject to USITC investigation
Section 232	national security threat	no statutory cap; past use up to 25%	indefinite	product or country specific	subject to DOC investigation
Section 301	in response to unfair foreign trade practices	no statutory cap; 7.5% to 25% in practice	indefinite - until modified or removed	country specific	subject to USTR investigation
Section 338	to tackle discrimination against US commerce	up to 50% ad valorem duty	indefinite but conditional	country specific	nil

Section 122, 201 and 301 are of the Trade Act of 1974, Section 232 of the Trade Expansion Act of 1962 and Section 338 of the Trade Act of 1930

USITC - US International Trade Commission
DOC - Department of Commerce
USTR - United States Trade Representative

Source: Congress, USITC, UOB Global Economics & Markets Research



Trump's various tax cuts already significantly outweigh existing tariff collection and the striking down of IEEPA - and the loss of a revenue source - is thus negative for the US fiscal outlook as it will reinforce the worsening budget deficit.

Loss of IEEPA tariffs is negative for US fiscal outlook

Tariffs, under President Trump, have evolved into an important revenue tool. Customs duties have risen sharply, making tariffs fiscally significant rather than just symbolic. A week prior to the Supreme Court ruling, the non-partisan Congressional Budget Office (CBO) projected that higher tariffs (which according to their estimates, 41% of customs duties were imposed in 2025) would reduce federal deficits by nearly USD 3 trn over a decade.

Some estimates suggest that the US government has collected close to USD 175 bn of tariff revenue under IEEPA since Liberation Day. Trump's various tax cuts already significantly outweigh existing tariff collection and the striking down of IEEPA - and the loss of a revenue source - is thus negative for the US fiscal outlook as it will reinforce the worsening budget deficit. Tariff revenue collected under the Liberation Day regime could now face demand from businesses for refund, although the Supreme Court's ruling did not address that area. CBO currently projects that the US budget deficit will grow further to USD 1.85 trn in FY26, from USD 1.77 trn in FY25.

Therefore, the fiscal situation is likely another important reason for Trump to rebuild this "tariff wall" with other measures like Sections 122, 232, and 301 but it remains to be seen whether these will be able to ramp up tariff collection quickly enough to cover the shortfall left by the now-illegal IEEPA tariffs.

US-Iran war - Potential impact on growth, inflation and interest rates outlook

Likely emboldened by the recent success in Venezuela and the lack of significant retaliation in previous episodes (i.e. the assassination of Iranian military leader Qasem Soleimani in 2020 and more recently, the 12-day War in 2025), the US, together with Israel, launched joint strikes against Iran on 28 Feb, and Iran's supreme leader, Ayatollah Ali Khamenei was killed in the joint US-Israel military operations. However, in the subsequent days, the conflict was no longer confined to Iran escalated across the Middle East, and Iran was directly targeting energy facilities across the Gulf while shipping across the crucial Strait of Hormuz grounded to a halt.

These developments have opened up a new trading range in Brent crude oil above USD 80 / bbl and the risks of a short-term spike in Brent crude oil towards USD 100/bbl are now decidedly higher. We have updated our quarterly brent crude forecasts further to USD 90 / bbl in 2Q26, 85 / bbl in 3Q26, 80 / bbl in 4Q26 and 75 / bbl in 1Q27.

Near term risks aside, the longer-term view remains that there is sufficient capacity from OPEC members to restore even more of the production cuts from 2023 if necessary, so as to dampen any excessive spikes in energy prices. In the scheduled OPEC+ meeting on Sun (1 Mar), the group led by Saudi Arabia and Russia decided to raise their oil output by 206,000 bbl/day in Apr (slightly accelerated pace of increase compared to the 137,000 barrels increase made in Dec). The US is also able to draw down from the Strategic Petroleum Reserve (SPR) which currently stands at a fairly substantial 360 mn bbl. Some reports estimate that China's total crude oil reserves (combined strategic and commercial) are at 1.2 billion to 1.5 billion barrels, a buffer of roughly 100 to 200 days of import coverage, although in the latest news (5 Mar), the Chinese government has told the country's top refiners to suspend exports of diesel and gasoline due to the escalating conflict in the Middle East.

The widening Middle East conflict and risks to the Strait of Hormuz are emerging as key macro threats across Asia, primarily through higher oil prices, inflation pressures, weaker currency and softer sentiment.

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The economic impact on Asia depends on how long the pressure persists and the extent of disruption to supply chains. About 20% of global crude oil and LNG supplies flow through the Strait of Hormuz, and nearly 80% of this flow is to meet Asian demand. Higher energy prices would weigh on consumer sentiment, real incomes, and spending as well as industrial margins for some sectors. Net energy importers in ASEAN such as the Philippines, Singapore and Thailand will be the worst hit, while Indonesia and Malaysia may see some offsets linked to their commodities.

Potential impact of a US-Iran War: Macro risks by economy
Vulnerability assessment is primarily based on the % of crude oil import from the Middle East
Legend: High = Red (>60%), Medium = Yellow (40-60%), Low = green (<40%)

Economy	% of crude oil from Middle East	Vulnerability tier	Implications
ASEAN (aggregate)	50-60	Medium	Based on our simulation: a sustained US$10/bbl brent crude oil rise over 6-12 months could lower ASEAN GDP growth by ~0.7ppt over 2-4 quarters, and raise inflation by ~1ppt over 3-4 months — suggesting the impact is manageable at this magnitude.
China	45-50	Medium	Reliance on Middle Eastern crude raises risk of supply disruption; a prolonged energy shock could squeeze manufacturing margins and push inflation above current 2026 forecasts. Stockpiles are said to last for 115 days.
Hong Kong	50-60	Medium	Risks to inflation and business sentiments arising from elevated oil prices and Fed policy uncertainty.
India	45-55	Medium	Growth could be pressured due to heavy trade exposure to the Middle East region. Stockpiles are said to last for 74 days.
Indonesia	20	Low	Moderate, manageable inflation impact depending on the duration and magnitude of oil price spikes. Stockpiles are said to last for 20 days.
Malaysia	60	Medium	Relatively cushioned by LNG exports and subsidies; structural reforms may increase pass-through risks, especially if Strait of Hormuz/Red Sea disruptions persist.
Philippines	95	High	Upside inflation risks via fuel, electricity tariffs, and a weaker PHP.
Singapore	50-55	Medium	Every US$10/bbl rise in oil could add 30-40bps to core inflation even with a firm S$NEER.
South Korea	65-70	High	Vulnerable as a net oil importer; KRW already weakening sharply amid deteriorating portfolio flows.
Taiwan	55-65	High	Inflation subdued for now, but exposed to imported energy shocks that could lift prices.
Thailand	55	Medium	Inflation remains subdued, yet vulnerable to imported energy cost increases. Stockpiles are said to last for 61 days.
Vietnam	85	High	Moderate, manageable inflation impacts depending on the duration and severity of oil price spikes. Stockpiles are said to last for 36 days.

Source: Eurasia, various new sources; UOB Global Economics & Markets Research

However, the duration and the extent of the US-Iran military conflict are hard to ascertain at this point, and this makes the path of oil prices highly uncertain and unpredictable. In the stylized scenarios listed below, our base case (60% probability) is for timeline of 4 weeks (as was first mentioned by President Trump) which suggests a benign downward price trajectory for crude oil prices after a short-term increase towards the USD 80-90 range. We are also cognizant the probability for more pessimistic outcomes remains a material 40%. We have discounted the optimistic scenario of an immediate/near term ceasefire as highly unlikely because it would be viewed as a political loss by the Trump administration. For now, we are keeping our forecasts for GDP growth (possible downside risks) and inflation (possible upside risks) for most Asian economies as we monitor for further clarity of this ongoing and fluid situation.

Three scenarios for the US-Iran War

Scenario	Brent Crude Oil price	Probability
Base case - 4 weeks, US & Israel strikes are successful to neutralize Iran's missile and nuclear programmes, limited attacks on energy structures	USD 80-90/bbl near term, before easing back down to USD 75 / bbl	60%
Bad case - 3 months, Iran's missile and nuclear programmes take longer to neutralize, more material damage to energy structures	USD 90-100/bbl for many weeks before easing to USD 80/bbl	25%
Worst case - 6-12 months, Trump to seek regime change and control of Kharg Island (Iran's primary offshore oil export terminal), significant damage to energy structures in Iran and Gulf states	USD 100 / bbl and above, possibly testing the early 2022 high of USD 130 / bbl for several months	15%

Source: UOB Global Economics & Markets Research

FX Strategy: How tariff drama and geopolitical tensions will alter the USD's path

Major FX Strategy: USD to see temporary support in 2Q26 amid heightened geopolitical risk

While our medium-term bias on the USD remains tilted to the downside, recent geopolitical developments introduce additional uncertainty and may generate episodic FX volatility. The US-Israeli strikes on Iran risk triggering a period of global risk aversion, which could lend near term support to traditional safe-haven currencies, including the USD. If the conflict endures, sustained upward pressure on oil prices could amplify inflation risks, potentially delaying further Fed rate cuts and thereby underpinning the USD.

Overall, we expect the USD to stay relatively well supported against most G10 currencies through 2Q26, before resuming its broader weakening trend as geopolitical risks fade and monetary policy drivers reassert themselves. Our updated DXY forecasts are 99.1 for 2Q26, 97.6 for 3Q26, 96.7 for 4Q26, and 95.8 for 1Q27.

Asian FX Strategy: Near term geopolitics to dominate, medium term fundamentals still intact

Beyond this expected near term pullback, we remain constructive on the medium term trajectory for Asia FX.

Admittedly, the near-term outlook for Asia FX has become more challenging. The likely protracted geopolitical escalation in the Middle East—and the accompanying rise in global risk aversion—is expected to restrain portfolio inflows into EMs, exerting downward pressure on Asia FX through the coming quarter (2Q26). Elevated geopolitical uncertainty is set to dominate short-term trading dynamics and is likely to overshadow the positive impact of the recent reduction in tariff related tail risks following the US Supreme Court's invalidation of key elements of President Trump's IEEPA based tariffs.

Beyond this expected near-term pullback, we remain constructive on the medium-term trajectory for Asia FX. Resilient regional growth, an eventual Fed easing cycle, and continued CNY leadership should collectively support a renewed and more durable recovery once geopolitical risks begin to recede. Our updated USD/CNY forecasts are 6.95 in 2Q26, 6.90 in 3Q26, 6.85 in 4Q26, and 6.80 in 1Q27. Similarly, our updated USD/SGD forecasts are 1.29 in 2Q26, 1.27 in 3Q26, 1.26 in 4Q26 and 1.25 in 1Q27.

Rates Strategy: When Tariffs fluctuate but the rate path doesn't

US Rates: Beyond the tariff drama: fundamentals still dictate the Fed outlook

Our macroeconomic team maintains the view that the Fed will remain on hold in the near term, before delivering two 25 bps cuts in June and 3Q26, bringing the terminal Fed Funds Target Rate down from the existing 3.75% to 3.25%. This path implies a gradual decline in SOFR, with 3M compounded in arrears SOFR projected at 3.64% in 2Q26, 3.36% in 3Q26, 3.23% in 4Q26 and 3.19% in 1Q27 (vs. the prevailing rate of 3.76%). A key risk to this base case is the potential for the Fed to delay cuts—or struggle to cut at all in the second half of the year—should energy prices rise materially and persistently due to spillover effects from the US-Iran conflict. Elevated energy costs would complicate the inflation outlook and could constrain the Fed's ability to ease policy as planned.

The recent escalation of geopolitical tensions in the Middle East has introduced a fresh bout of volatility into the UST market. Markets reassessed that a protracted conflict could fuel higher oil prices and reinforce inflationary pressures, weighing on longer duration Treasuries. Overall, these developments reinforce our existing view of a gradual upward trajectory in the UST 10 year yield. Our updated forecasts stand at 4.00% for 2Q26, 4.10% for 3Q26, 4.20% for 4Q26, and 4.30% for 1Q27.

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SG Rates: New tariffs, same story: Singapore's macro resilience anchors rates view

Local SG interest rates have seen minimal spillovers from the tariff headlines. Overnight SORA continues to trade within its familiar 0.8%-1.4% range, with the moving average of the inherently volatile series holding above the psychological 1% level. We reiterate our view that SORA-SOFR spreads will continue to normalize this year, contributing to a modestly higher SORA trajectory. Our updated 3M compounded in arrears SORA forecasts are 1.26% in 2Q26, 1.30% in 3Q26, 1.37% in 4Q26 and 1.48% in 1Q27.

At the longer end, 10Y Singapore Government Securities (SGS) yields declined from 2.06% to 1.93% through Feb, tracking the move lower in 10Y UST yields. Looking ahead, we continue to expect a gradual rebound in 10Y SGS yields as UST yields recover and the yield differential narrows further. Overall, our updated forecasts for 10Y SGS yield are 1.90% in 2Q26, 2.10% in 3Q26, 2.30% in 4Q26 and 2.50% in 1Q27.

Commodities Strategy: Will Brent Crude Oil now play catch up with the strong metals rally?

Gold: Robust safe haven demand to push gold up to USD 6,000 / oz by 1Q26

The wild swings in gold across Jan has squeezed its 1M implied volatility all the way up to "crisis level" high of above 30%. Such high volatility for gold is a concern and does not befit gold's traditional role as a "non-risky asset" and a portfolio diversifier of risk. Nonetheless, despite the elevated volatility, the outlook for gold remains decidedly positive. There is strong on-going safe haven demand for physical gold and central bank purchases remain robust. Overall, we maintain our positive long term view for gold and reiterate our updated forecasts for USD 5,400 / oz in 2Q26, USD 5,600 / oz in 3Q26, USD 5,800 / oz in 4Q26 and USD 6,000 / oz in 1Q27.

This has resulted in the spike in Brent crude oil above USD 80 / bbl. The risk of a short term spike in Brent crude oil towards USD 100/ bbl is now decidedly higher. Near term risks aside, the longer term view remains that there is ample dry powder from OPEC to return even more of the production cuts from 2023 back to markets if necessary, so as to dampen any excessive spikes in energy prices.

Brent: Brent lifted above USD 80 / bbl after Iran targeted Gulf energy facilities

Amidst the latest escalation of conflict with Iran, the red line now appears to be crossed after Iran repeatedly targets energy facilities across the Gulf and shipping across the Strait of Hormuz has ground to halt. This has resulted in the spike in Brent crude oil above USD 80 / bbl. The risk of a short term spike in Brent crude oil towards USD 100/ bbl is now decidedly higher. Near term risks aside, the longer term view remains that there is ample dry powder from OPEC to return even more of the production cuts from 2023 back to markets if necessary, so as to dampen any excessive spikes in energy prices. Overall, we update our quarterly forecasts further to USD 90 / bbl in 2Q26, USD 85 / bbl in 3Q26, USD 80 / bbl in 4Q26 and USD 75 / bbl in 1Q27.

LME Copper: Persistent "competitive" stockpiling keeps prices elevated for now

It is clear that the current strength in LME Copper price around USD 13,000 / MT is mainly due to "competitive" stockpiling of inventories. Despite the recent US Supreme Court struck-down of IEEPA related tariffs, there remains fear of import tariffs on refined Copper from the US. Hence, global inventories on Copper continue to climb strongly across major metals exchanges, i.e. LME, SHFE and COMEX. Questions are now being asked as to what will happen to Copper prices should this "competitive" stockpiling of inventory stop? The escalation of tensions in Iran and Middle East may well weigh down on global growth and Copper demand going forward. As such, we maintain our modestly cautious outlook for LME Copper and update our quarterly forecasts to USD 13, 000 / MT in 2Q26, USD 12,500 / MT in 3Q26 and USD 12,000 / MT in 4Q26 and 1Q27.

Global FX

USD/JPY: In the near term (2Q26), we expect USD/JPY to remain elevated, supported by broad USD strength in the wake of renewed geopolitical tensions in the Middle East. Concurrently, the sharp rise in crude prices has weighed on the JPY, given Japan's status as a net oil importer, and has muted the currency's traditional safe-haven characteristics.

Looking further ahead, as geopolitical risks ebb, we continue to anticipate a gradual moderation in USD/JPY toward levels more consistent with narrowing US-Japan interest-rate differentials. Policy divergence remains substantial: we forecast two additional Fed cuts this year, while BOJ is projected to deliver a 25-bp hike to a terminal policy rate of 1% in 3Q26, after assessing yet another potentially strong round of wage increase in this year's spring wage negotiations. Our updated forecasts stand at 159 in 2Q26, 156 in 3Q26, 154 in 4Q26, and 152 in 1Q27.

EUR/USD: Despite this near-term consolidation, we retain a constructive medium-term view on EUR/USD, underpinned by the prospect of narrowing rate differentials. The Fed remains firmly on a dovish trajectory, whereas the ECB appears to have concluded its easing cycle. Our macro team expects the ECB to leave rates unchanged through 2026, while the Fed is not anticipated to reach its terminal rate until 3Q26.

Taken together, we continue to look for EUR/USD to grind higher through 2026, though geopolitical risks in the Middle East may introduce periodic bouts of volatility. Our updated forecasts are 1.16 for 2Q26, 1.18 for 3Q26, 1.19 for 4Q26, and 1.20 for 1Q27.

GBP/USD: Looking ahead, our constructive albeit measured outlook for GBP/USD remains intact. We expect the pair to edge higher through 2026, supported primarily by broad-based USD weakness and a modestly favourable rate differential. Historical patterns also suggest that political-related GBP weakness tends to fade once uncertainty stabilizes. Overall, our updated projections place GBP/USD at 1.32 in 2Q26, 1.34 in 3Q26, 1.36 in 4Q26, and 1.38 in 1Q27.

AUD/USD: Looking ahead, the AUD should continue to draw support from the market's hawkish repricing of the RBA's policy path following Feb's lift-off. That said, the recent resurgence in global risk aversion amid heightened geopolitical tensions may exert downward pressure on the currency through 2Q26. Beyond this period, we retain a constructive outlook on AUD/USD, with updated projections of 0.69 in 2Q26, 0.71 in 3Q26, 0.72 in 4Q26, and 0.73 in 1Q27.

NZD/USD: In the near term, NZD is expected to remain on the back foot. Elevated geopolitical tensions should continue to support safe-haven demand for the USD, reinforcing our expectation of additional downside pressure on NZD/USD through the coming quarter (2Q26). Further ahead, we expect NZD's underlying fundamentals to reassert themselves once the oil price shocks ease and global risk sentiment steadies. Our base case incorporates two additional Fed rate cuts this year, while the RBNZ is likely to remain on hold—an outlook that should provide a constructive medium-term backdrop for the NZD.

Overall, we maintain an upward trajectory for NZD/USD over the medium term, with updated forecasts at 0.58 in 2Q26, 0.59 in 3Q26, 0.60 in 4Q26, and 0.61 in 1Q27.

Asian FX

USD/CNY: Looking ahead, the combination of this policy adjustment and heightened market sensitivity to geopolitical risks suggests that the CNY is likely to enter a consolidation phase in the near term. Further gains are expected to proceed at a more measured pace, as domestic fundamentals offer limited support. Our macroeconomic team forecasts China's GDP growth to moderate to 4.7% in 2026 from 5.0% in 2025, while monetary policy is expected to remain "moderately loose," reinforcing a more restrained CNY trajectory. In line with these dynamics, our updated USD/CNY forecasts are 6.95 in 2Q26, 6.90 in 3Q26, 6.85 in 4Q26, and 6.80 in 1Q27.

USD/SGD: USD/SGD appears to have carved out a near-term base around 1.26 over the past month, with heightened geopolitical tensions in the Middle East serving as a catalyst for a rebound. Even so, the SGD's status as a regional safe-haven, alongside market expectations for the MAS to tighten policy at the Apr meeting—potentially via a 50bps steepening of the slope to an estimated 1.0% p.a.—should help cap losses on the SGD in 2Q26.

Once geopolitical risks begin to subside, we expect USD/SGD to resume its downward trajectory, in line with a broader softening of the USD as attention shifts back to forthcoming Fed rate cuts. Our updated USD/SGD forecasts are 1.29 in 2Q26, 1.27 in 3Q26, 1.26 in 4Q26 and 1.25 in 1Q27.

USD/HKD: USD/HKD extended its upward drift from 7.78 to 7.82 through Jan and Feb, in tandem with a gradual widening of rate differentials. The sharp escalation in geopolitical tensions in early Mar prompted a modest unwinding of USD/HKD carry positions, resulting in a brief pullback toward 7.80 on 3 Mar..

At this stage, both FX and rates market adjustments appear orderly, indicating limited risk of the pair testing the extremes of the HKD trading band. Against this backdrop, we continue to expect USD/HKD to hover close to 7.80 through 2026.

USD/TWD: In line with broader Asia FX dynamics, the TWD is likely to remain biased weaker into 2Q26 against a fragile global risk backdrop. Nonetheless, Taiwan's robust economic fundamentals—underpinned by strong AI-driven demand for semiconductor exports—should reassert themselves once geopolitical uncertainties subside. This is expected to provide a foundation for currency stabilisation and a gradual recovery later in the year. Overall, our updated USD/TWD forecasts are 32.0 in 2Q26, 31.5 in 3Q26 and 31.0 in 4Q26 and 30.5 in 1Q27.

USD/KRW: Looking ahead to 2Q26, we expect the KRW to remain under pressure in line with our call for a broad USD rebound amid elevated global risk aversion. As geopolitical uncertainty gradually eases, market focus is likely to rotate back toward monetary policy dynamics, which should help anchor the currency. Further Fed rate cuts in 2026, alongside a steady BOK policy stance, are expected to create a more USD-negative backdrop that could facilitate a recovery in the KRW. In addition, the scheduled inclusion of Korean government bonds in the WGBI in Apr 2026 may drive bond inflows and underpin the KRW. Overall, we revise our USD/KRW forecasts to 1,490 in 2Q26, 1,460 in 3Q26, 1,430 in 4Q26, and 1,410 in 1Q27.

USD/MYR: In the near term (2Q26), we expect some unwinding of the MYR's strong rally from its Nov 2025 level of 4.20/USD, as investors lock in gains after several months of outperformance. As geopolitical risks fade, Malaysia's favorable idiosyncratic factors should reassert themselves. We continue to expect inflation to remain stable at 2.0% and the OPR to stay unchanged at 2.75%, with the resulting narrowing of the US-Malaysia rate differential providing an additional layer of support for the currency. Overall, our updated USD/MYR forecasts are 3.98 in 2Q26, 3.94 in 3Q26, 3.90 in 4Q26, and 3.85 in 1Q27.

USD/IDR: Looking ahead, we expect the IDR to remain under pressure in 2Q26, broadly in line with regional peers, as risk aversion becomes more entrenched. Nonetheless, BI is likely to remain vigilant and intervene in the FX market when necessary to smooth excessive volatility. As geopolitical tensions eventually subside, renewed expectations of additional Fed rate cuts in 2026 should exert downward pressure on the USD and offer cyclical support to EM Asia FX, including the IDR. Even so, BI's dovish policy stance is expected to keep the currency trailing its regional counterparts. Our expectations of a further 50 bps of easing over the next two quarters will likely cap the IDR's ability to fully benefit from a softer USD environment.

Overall, our updated USD/IDR forecasts are at 17,000 in 2Q26, 16,900 in 3Q26, and 16,800 in both 4Q26 and 1Q27.

USD/THB: We expect a period of consolidation in 2Q26 as investors reassess regional risk dynamics. This pause in THB appreciation is likely to be viewed favorably by policymakers and exporters, following the currency's strong and largely unidirectional 8.2% gain in 2025.

Further ahead, renewed USD softness as markets revert to a Fed-easing narrative, coupled with the THB's historical correlation with rising gold prices, should keep USD/THB biased lower. That said, Thailand's tighter regulations on speculative retail gold trading, which took effect on 1 Mar, may temper the pace of further THB appreciation. Overall, our revised USD/THB forecasts are 32.0 for 2Q26, 31.6 in 3Q26, 31.3 in 4Q26 and 31.0 in 1Q27.

USD/PHP: In the near term, the PHP is likely to retain a defensive bias based on a confluence of factors: (i) Narrowing yield differentials with the US-Philippine policy rate gap compressing to a record low 50bps presently; (ii) Fiscal constraints, which partially offset the tailwinds from an anticipated broad-based USD softening; (iii) Heightened external risks, including broader Middle East conflicts and renewed global tariff tensions that could weigh on risk sentiment and trade flows; and (iv) Weak foreign investment inflows following the public works corruption scandal and ongoing political uncertainty, which could limit near-term FX support.

Thus, we now expect a more modest appreciation trajectory for the PHP. Our updated USD/PHP forecasts are 59.0 in 2Q26, 58.5 in 3Q26, 58.2 in 4Q26, and 57.8 in 1Q27.

USD/VND: Looking beyond the immediate geopolitical overhang, our medium-term outlook for the VND remains broadly stable. Key supportive factors include Vietnam's firm macroeconomic trajectory — reflected in our robust 2026 GDP growth forecast of 7.5% — alongside resilient FDI inflows, expectations that the SBV will keep its policy rate on hold at 4.5% through 2026, and the prospective reclassification of Vietnam to Emerging Market status in Sep 2026.

Our updated USD/VND forecasts are at 26,400 in 2Q26, 26,200 in 3Q, 26,100 in 4Q26, and 26,000 in 1Q27.

USD/INR: With geopolitical risks elevated and oil prices volatile, we expect the INR to remain on the back foot through 2Q26. Beyond the near term, a clearer geopolitical environment and the anticipated resumption of the Fed's rate-cut cycle should guide USD/INR gradually lower. However, we still see the INR underperforming its regional peers this year. Overall, our updated USD/INR forecasts are at 92.2 in 2Q26, 91.8 in 3Q26, 91.4 in 4Q26, and 91.0 in 1Q27.

01. FORECAST: REAL GDP GROWTH TRAJECTORY

y/y% change	2025	2026F	2027F	1Q25	2Q25	3Q25	4Q25	1Q26F	2Q26F	3Q26F	4Q26F
China	5.0	4.7	4.6	5.4	5.2	4.8	4.5	4.6	4.7	4.7	4.7
Hong Kong	3.5	3.0	2.9	3.1	3.2	3.7	3.8	3.5	3.3	3.0	2.2
India (FY)	7.1	7.6	6.8	7.5	6.6	7.4	7.0	6.7	8.4	7.8	7.4
Indonesia	5.1	5.2	5.4	4.9	5.1	5.0	5.4	5.2	5.1	5.3	5.2
Japan	1.1	1.3	1.5	1.6	2.0	0.6	0.1	0.6	0.6	1.7	2.2
Malaysia	5.2	4.5	4.6	4.4	4.4	5.4	6.3	5.0	4.4	4.4	4.3
Philippines	4.4	5.0	5.3	5.4	5.5	3.9	3.0	4.0	4.5	5.5	5.8
Singapore	5.0	3.6	2.0	3.9	4.6	4.6	6.9	8.1	4.9	2.0	0.1
South Korea	1.0	2.0	2.0	0.0	0.6	1.8	1.5	2.1	2.2	1.6	2.2
Taiwan	8.7	7.7	3.8	5.5	7.7	8.4	12.7	11.6	8.9	7.7	3.2
Thailand	2.4	1.8	2.5	3.1	2.8	1.2	2.5	2.2	1.8	2.4	1.0
Vietnam	8.0	7.5	7.0	7.0	8.2	8.3	8.5	7.0	7.5	7.8	7.6
Australia	1.4	1.1	1.4	1.8	1.4	1.2	1.0	0.8	0.9	1.1	1.4
Eurozone	1.5	1.2	1.5	1.6	1.5	1.4	1.3	1.0	1.2	1.3	1.4
New Zealand	0.3	2.4	2.6	-0.7	-1.1	1.3	1.7	1.4	2.9	2.6	2.6
United Kingdom	1.4	1.1	1.4	1.8	1.4	1.2	1.0	0.8	0.9	1.1	1.4
United States (q/q SAAR)	2.2	1.7	2.5	-0.6	3.8	4.4	1.4	-0.2	2.2	1.6	2.0

For India, full-year and quarterly growth are based on its fiscal calendar (Apr-Mar)
Source: Macrobond, UOB Global Economics & Markets Research Forecast

02. FORECAST: FX, RATES & COMMODITIES

FX	06 Mar	2Q26F	3Q26F	4Q26F	1Q27F
USD/JPY	158	159	156	154	152
EUR/USD	1.16	1.16	1.18	1.19	1.20
GBP/USD	1.34	1.32	1.34	1.36	1.38
AUD/USD	0.70	0.69	0.71	0.72	0.73
NZD/USD	0.59	0.58	0.59	0.60	0.61
DXY	99.0	99.1	97.6	96.7	95.8
USD/CNY	6.90	6.95	6.90	6.85	6.80
USD/HKD	7.82	7.80	7.80	7.80	7.80
USD/TWD	31.7	32.0	31.5	31.0	30.5
USD/KRW	1,475	1,490	1,460	1,430	1,410
USD/PHP	58.9	59.0	58.5	58.2	57.8
USD/MYR	3.95	3.98	3.94	3.90	3.85
USD/IDR	16,910	17,000	16,900	16,800	16,800
USD/THB	31.7	32.0	31.6	31.3	31.0
USD/VND	26,211	26,400	26,200	26,100	26,000
USD/INR	91.6	92.2	91.8	91.4	91.0
USD/SGD	1.28	1.29	1.27	1.26	1.25
EUR/SGD	1.48	1.50	1.50	1.50	1.50
GBP/SGD	1.71	1.70	1.70	1.71	1.73
AUD/SGD	0.90	0.89	0.90	0.91	0.91
SGD/MYR	3.09	3.09	3.10	3.10	3.08
SGD/CNY	5.40	5.39	5.43	5.44	5.44
JPY/SGDx100	0.81	0.81	0.81	0.82	0.82

POLICY RATES	06 Mar	2Q26F	3Q26F	4Q26F	1Q27F
US Fed Fund Rate	3.75	3.50	3.25	3.25	3.25
JPY Policy Rate	0.75	0.75	1.00	1.00	1.00
EUR Refinancing Rate	2.15	2.15	2.15	2.15	2.15
GBP Repo Rate	3.75	3.25	3.00	3.00	3.00
AUD Official Cash Rate	3.85	4.10	4.10	4.10	4.10
NZD Official Cash Rate	2.25	2.25	2.25	2.25	2.25
CNY 1Y Loan Prime Rate	3.00	2.90	2.90	2.90	2.90
HKD Base Rate	4.00	3.75	3.50	3.50	3.50
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	4.25	4.25	4.25	4.25	4.25
MYR O/N Policy Rate	2.75	2.75	2.75	2.75	2.75
IDR 7D Reverse Repo	4.75	4.50	4.25	4.25	4.25
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	06 Mar	2Q26F	3Q26F	4Q26F	1Q27F
USD 3M SOFR (compounded)	3.71	3.64	3.36	3.23	3.19
SGD 3M SORA (compounded)	1.12	1.26	1.30	1.37	1.48
US 10Y Treasuries Yield	4.13	4.00	4.10	4.20	4.30
SGD 10Y SGS	1.98	1.90	2.10	2.30	2.50

COMMODITIES	06 Mar	2Q26F	3Q26F	4Q26F	1Q27F
Gold (USD/oz)	5,126	5,400	5,600	5,800	6,000
Brent Crude Oil (USD/bbl)	84	90	85	80	75
LME Copper (USD/mt)	12,902	13,000	12,500	12,000	12,000

Source: UOB Global Economics & Markets Research Estimates

KEY EVENTS: 2Q 2026

APRIL

31 Mar - 02 Apr - US President Trump will make an official visit to Beijing – the first since his last trip there in 2017. This will be the first in-person meeting between President Trump and President Xi since last Oct when the focus was on the trade truce.

13-18 - The 2026 Spring Meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF) will be held in Washington DC. IMF's World Economic Outlook (WEO) will be released on 14 Apr.

In Apr - FTSE Russell will begin including Korean government bonds in the World Government Bond Index (WGBI) over an eight-month period, with completion in Nov 2026.

The schedule for India's Assembly elections in West Bengal, Assam, Tamil Nadu, Kerala, and Puducherry will be announced in mid-Mar, according to officials, with polling likely to take place on different dates in Apr, according to news sources.

MAY

12 - The Australian Federal Budget 2026 marks the first full fiscal plan following Labor's decisive victory in the May 2025 federal election.

28 - New Zealand's Budget 2026 is expected to focus on the delivery of core public services, in particular investment for healthcare, education, defence and law and order protections.

29-31 - IISS Shangri-La Dialogue 2026, to be held in Singapore. The dialogue facilitates discussions on the most pressing regional security issues and the sharing of policy responses. It features plenary debates led by government ministers, as well as important opportunities for bilateral discussions among delegations.

End May - Jerome Powell will step down as FOMC Chair (in mid-May) but his term as Fed Governor ends on 31 Jan 2028.

JUNE

03 - South Korea's local elections. This will be a test of public support for President Lee Jae Myung's administration.

23-25 - World Economic Forum's Annual Meeting of the New Champions (AMNC) or 'Summer Davos' in Dalian. The meeting takes place yearly in China since 2007 and has a focus on entrepreneurship and innovation.

In Jun - China's Lujiazui Forum (17th edition). Annual financial forum for policymakers and business leaders, including the People's Bank of China (PBOC), the National Financial Regulatory Administration (NFRA), and the China Securities Regulatory Commission (CSRC). It is co-hosted with the Shanghai Municipal People's Government.

29 Jun - 01 Jul - The ECB Forum on Central Banking in Sintra, Portugal – This year's theme is "Shaping Europe's future: innovation, growth and stability".

FX STRATEGY

How tariff drama and geopolitical tensions will alter the USD's path

With the Fed expected to be among the last to conclude its easing cycle, the resulting narrowing in interest rate differentials is likely to remain a structural headwind for the USD. However, in the near term, safe-haven flows stemming from the evolving situation in the Middle East are likely to provide support for the greenback, particularly through 2Q26.

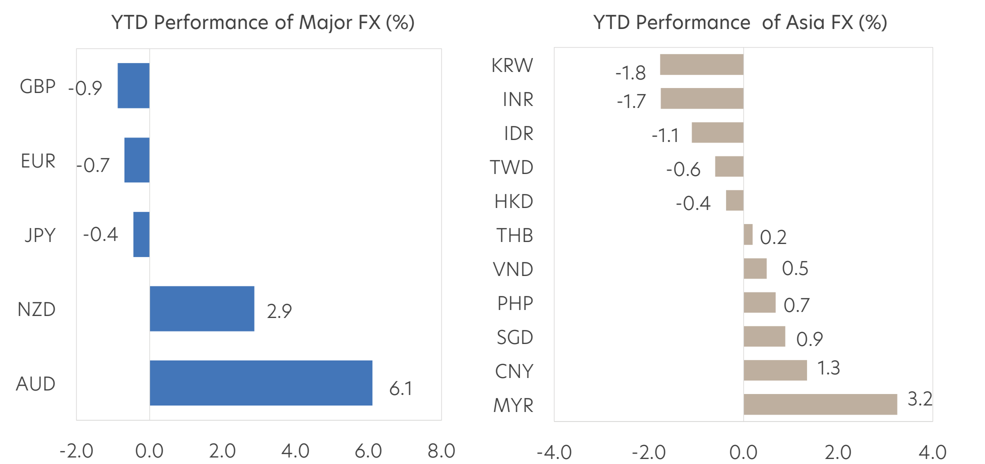
As anticipated, the USD remained on the defensive through the first two months of the year. The US Dollar Index (DXY) briefly dipped below 96 in late Jan, marking a four-year low. Despite the soft tone, the USD displayed pockets of resilience, supported by a hawkish Jan FOMC minutes and emerging evidence of stabilization in the US labour market.

Notably, the latest tariff developments in Feb generated limited spillover into currency markets. Federal Reserve officials—including Governor Waller—have emphasized that monetary policy should "look through" tariff dynamics and remain guided by the dual mandate of price stability and maximum employment.

Beyond expectations of additional rate cuts later this year, the Fed is increasingly perceived as dovish relative to its Developed Markets (DM) peers. The Reserve Bank of Australia (RBA) set an important precedent as the first major central bank to hike policy rates this year, joining the Bank of Japan (BOJ) in policy normalization. With the Fed expected to be among the last to conclude its easing cycle, the resulting narrowing in interest rate differentials is likely to remain a structural headwind for the USD. However, in the near term, safe-haven flows stemming from the evolving situation in the Middle East are likely to provide support for the greenback, particularly through 2Q26.

Chart 1: Geopolitical risks lifted USD; trimmed Major and Asia FX year-to-date gains

Source: Bloomberg, UOB Global Economics & Markets Research



Most Asian currencies posted year-to-date gains against a softer USD backdrop. A firm CNY—trading near a four-year high against the USD and supported by a progressively stronger fixing—helped anchor regional currency stability.

Asia FX initially reacted positively to the US Supreme Court's move to invalidate key elements of President Trump's IEEPA tariffs, as the ruling reduced tail risks associated with prohibitively high tariff rates. For now, markets appear inclined to discount tariff uncertainty, pending clarity on the pace and magnitude of any reinstated measures by the Trump administration.

Looking ahead, we expect resilient regional growth, an eventual Fed easing cycle, and continued CNY leadership to underpin a medium-term recovery in Asia FX. However, in the near term, elevated geopolitical risks are likely to curb portfolio inflows into Emerging Markets (EMs), leaving Asia FX on the defensive in the coming quarter (2Q26).

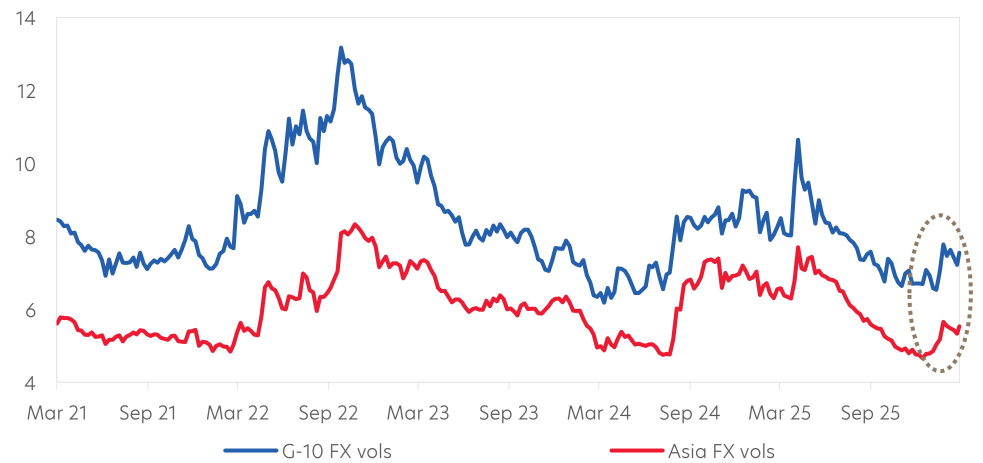
Major FX Strategy

USD to see temporary support in 2Q26 amid heightened geopolitical risk

After the sharp pullback in late Jan, the USD shifted into a period of sideways consolidation through Feb. While expectations of forthcoming Fed rate cuts continue to anchor a broadly softer USD outlook, several offsetting factors have emerged. The minutes of the Jan FOMC meeting revealed a notably divided committee: "several" members viewed further rate cuts as appropriate, "some" preferred to keep policy unchanged for longer, and "some" even advocated for wording that would allow for the possibility of future hikes. In addition, recent data suggests early signs of stabilisation in the US labour market. Jan non-farm payrolls surprised to the upside at 150k (vs. 65k expected), while the three-month average returned to positive jobs growth for the first time since Sep, and the unemployment rate edged down to 4.3% from 4.4%.

Chart 2: FX volatility is rising from multi-year lows

Source: Bloomberg, UOB Global Economics & Markets Research



Following the Jan FOMC minutes, we are increasingly confident in our expectation that the Fed will hold rates steady at its Mar 2026 meeting. Beyond that, we maintain our call for two rate cuts in 2Q and 3Q 2026, anticipating that labour-market softness will become more pronounced in the coming months. With the Fed likely to continue easing while most major central banks remain on hold—or potentially resume tightening—we expect narrowing interest-rate differentials to keep the USD on a downward trajectory.

Overall, we expect the USD to stay relatively well-supported against most G10 currencies through 2Q26, before resuming its broader weakening trend ...

While our medium-term bias on the USD remains tilted to the downside, recent geopolitical developments introduce additional uncertainty and may generate episodic FX volatility. The US-Israeli strikes on Iran risk triggering a period of global risk aversion, which could lend near-term support to traditional safe-haven currencies, including the USD. If the conflict endures, sustained upward pressure on oil prices could amplify inflation risks, potentially delaying further Fed rate cuts and further underpinning the USD. Overall, we expect the USD to stay relatively well-supported against most G10 currencies through 2Q26, before resuming its broader weakening trend as geopolitical risks fade and monetary policy drivers reassert themselves. Our updated DXY forecasts are 99.1 for 2Q26, 97.6 for 3Q26, 96.7 for 4Q26, and 95.8 for 1Q27.

Chart 3: DXY forecasts revised higher amid geopolitical developments

Source: Bloomberg, UOB Global Economics & Markets Research

We expect GBP/USD to edge higher through 2026, supported primarily by broad-based USD weakness and a modestly favourable rate differential. Historical patterns also suggest that political-related GBP weakness tends to fade once uncertainty stabilizes.

EUR/USD eased into a relatively narrow trading band around 1.18 in Feb, as the "Sell America" narrative that dominated Jan—lifting the pair to a high of 1.2081—gradually faded. In addition, European Central Bank (ECB) President Christine Lagarde downplayed the significance of the euro's earlier appreciation, noting that the currency's strengthening since Mar 2025 had already been incorporated into the ECB's projections and remained well within historical norms.

Despite this near-term consolidation, we retain a constructive medium-term view on EUR/USD, underpinned by the prospect of narrowing rate differentials. The Fed remains firmly on a dovish trajectory, whereas the ECB appears to have concluded its easing cycle. Our macro team expects the ECB to leave rates unchanged through 2026, while the Fed is not anticipated to reach its terminal rate until 3Q26.

Taken together, we continue to look for EUR/USD to grind higher through 2026, though geopolitical risks in the Middle East may introduce periodic bouts of volatility. Our updated forecasts are 1.16 for 2Q26, 1.18 for 3Q26, 1.19 for 4Q26, and 1.20 for 1Q27.

GBP/USD retreated from its late-Jan peak of 1.3868—the highest level since Sep 2021—and slipped back under 1.35, roughly where it began the year. Renewed political uncertainty has once again weighed on the GBP, contributing to its underperformance within the G10 complex. UK Prime Minister Keir Starmer's position has become increasingly precarious amid the departure of key advisers and growing calls for his resignation. Sterling faced additional pressure after the BOE came unexpectedly close to cutting rates at its Feb meeting, with a narrow 5-4 vote to keep the Bank Rate unchanged at 3.75%. We continue to expect a 25-bps cut at the upcoming 19 Mar meeting, followed by two further reductions in both 2Q and 3Q26.

Looking ahead, our constructive albeit measured outlook for GBP/USD remains intact. We expect the pair to edge higher through 2026, supported primarily by broad-based USD weakness and a modestly favourable rate differential. Historical patterns also suggest that political-related GBP weakness tends to fade once uncertainty stabilizes. Overall, our updated projections place GBP/USD at 1.32 in 2Q26, 1.34 in 3Q26, 1.36 in 4Q26, and 1.38 in 1Q27.

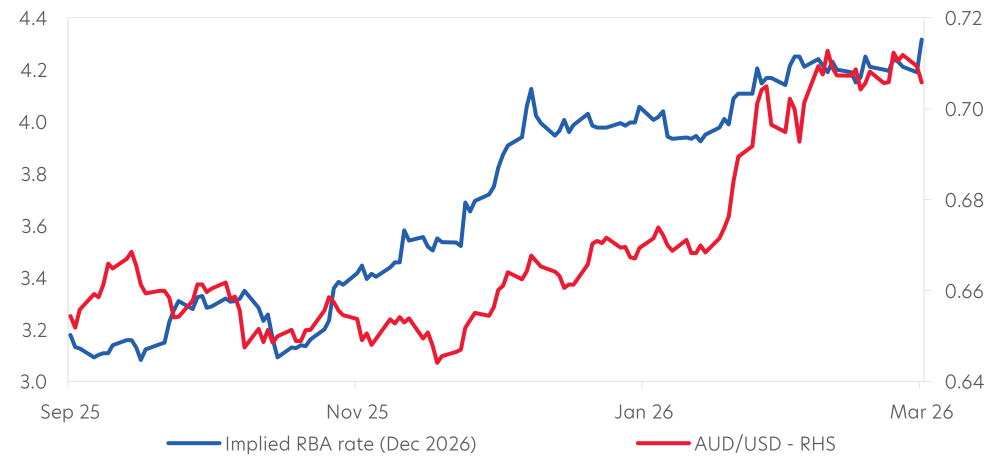
USD/JPY did not extend higher toward 159 as we had expected following the 8 Feb snap election, despite the ruling party's landslide victory under Prime Minister Sanae Takaichi. Instead, the pair declined as much as 3.2% in the week after the election, reaching a low of 152.27. The move was driven by reduced fiscal risk premiums after Takaichi reaffirmed her intent to avoid issuing new bonds to finance a two-year sales-tax cut on food. USD-specific factors subsequently supported a rebound in USD/JPY in the latter half of Feb, aided by a notably hawkish set of FOMC minutes.

In the near term (2Q26), we expect USD/JPY to remain elevated, supported by broad USD strength in the wake of renewed geopolitical tensions in the Middle East. Concurrently, the sharp rise in crude prices has weighed on the JPY, given Japan's status as a net oil importer, and has muted the currency's traditional safe-haven characteristics.

Looking further ahead, as geopolitical risks ebb, we continue to anticipate a gradual moderation in USD/JPY toward levels more consistent with narrowing US–Japan interest-rate differentials. Policy divergence remains substantial: we forecast two additional Fed cuts this year, while the Bank of Japan is projected to deliver a 25-bp hike to a terminal policy rate of 1% in 3Q26, after assessing yet another potentially strong round of wage increase in this year's spring wage negotiations. Our updated forecasts stand at 159 in 2Q26, 156 in 3Q26, 154 in 4Q26, and 152 in 1Q27.

Chart 4: Increasing RBA rate hike expectations cushion AUD despite risk-off sentiment

Source: Bloomberg, UOB Global Economics & Markets Research



Looking ahead, the AUD should continue to draw support from the market's hawkish repricing of the RBA's policy path following February's lift-off. That said, the recent resurgence in global risk aversion amid heightened geopolitical tensions may exert downward pressure on the currency through 2Q26.

The AUD has been the top performer within the G10 complex year-to-date, appreciating more than 6% to 0.71 as the Reserve Bank of Australia (RBA) became the first major central bank to tighten policy this year, raising the Official Cash Rate (OCR) from 3.60% to 3.85% in early Feb. Notably, Australia's policy rate now exceeds that of the US for the first time since 2017, adding to appreciation pressures on AUD/USD. Furthermore, our macro team expects a further 25 bps hike at the 5 May meeting, taking the OCR to 4.10%, as near-term inflation pressures are likely to remain elevated.

Looking ahead, the AUD should continue to draw support from the market's hawkish repricing of the RBA's policy path following February's lift-off. That said, the recent resurgence in global risk aversion amid heightened geopolitical tensions may exert downward pressure on the currency through 2Q26. Beyond this period, we retain a constructive outlook on AUD/USD, with updated projections of 0.69 in 2Q26, 0.71 in 3Q26, 0.72 in 4Q26, and 0.73 in 1Q27.

The near-term outlook for Asia FX has become more challenging. The likely protracted geopolitical escalation in the Middle East—and the accompanying rise in global risk aversion and higher energy prices—is expected to restrain portfolio inflows into EMs, exerting downward pressure on Asia FX through the coming quarter (2Q26).

Asian FX Strategy

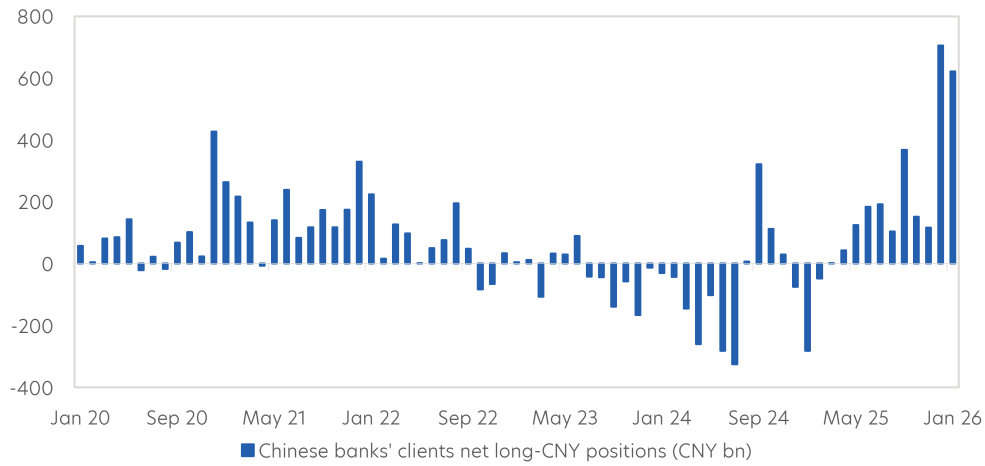
Near-term geopolitics to dominate, medium-term fundamentals still intact

Admittedly, the near-term outlook for Asia FX has become more challenging. The likely protracted geopolitical escalation in the Middle East—and the accompanying rise in global risk aversion and higher energy prices—is expected to restrain portfolio inflows into EMs, exerting downward pressure on Asia FX through the coming quarter (2Q26). Elevated geopolitical uncertainty is set to dominate short-term trading dynamics and is likely to overshadow the positive impact from the recent reduction in tariff-related tail risks following the US Supreme Court's invalidation of key elements of President Trump's IEEPA-based tariffs.

Beyond this expected near-term pullback, we remain constructive on the medium-term trajectory for Asia FX. Resilient regional growth, an eventual Fed easing cycle, and continued CNY leadership should collectively support a renewed and more durable recovery once geopolitical risks begin to recede.

Chart 5: Long-CNY positions have jumped to record in recent months

Source: Bloomberg, UOB Global Economics & Markets Research



The combination of this policy adjustment and heightened market sensitivity to geopolitical risks suggests that the CNY is likely to enter a consolidation phase in the near term. Further gains are expected to proceed at a more measured pace, as domestic fundamentals offer limited support.

The CNY has continued to trade with a firm bias, extending the strengthening trend that began after signs of de-escalation in the US-China trade dispute emerged in Nov. The currency briefly touched a two-year high of 6.8318 /USD in late Feb, consistently holding on the stronger side of the PBOC's daily fixing. According to SAFE data, client positions contributed meaningfully to the supportive tone, with banks' clients holding the second-largest notional long-CNY position on record in Jan (CNY 621.4 bn). In an effort to temper the pace of appreciation, the PBOC reduced the risk-reserve requirement on forward FX sales to zero from 20%, effectively lowering the cost of taking short-CNY positions through derivatives.

Looking ahead, the combination of this policy adjustment and heightened market sensitivity to geopolitical risks suggests that the CNY is likely to enter a consolidation phase in the near term. Further gains are expected to proceed at a more measured pace, as domestic fundamentals offer limited support. Our macroeconomic team forecasts China's GDP growth to moderate to 4.7% in 2026 from 5.0% in 2025, while monetary policy is expected to remain "moderately loose," reinforcing a more restrained CNY trajectory. In line with these dynamics, our updated USD/CNY forecasts are 6.95 in 2Q26, 6.90 in 3Q26, 6.85 in 4Q26, and 6.80 in 1Q27.

The KRW is poised for further near-term weakness following the late-Feb US strike on Iran. As a net oil importer, South Korea is particularly exposed to rising crude prices, which tend to erode the current-account balance. Portfolio flows have also turned adverse, with foreign investors exiting the local equity market at the fastest single-day pace in recent years. Reflecting these pressures, KRW depreciated sharply on 3 Mar, weakening by as much as 2.7% to 1,507/USD, its weakest level since the Global Financial Crisis.

Looking ahead to 2Q26, we expect KRW to remain under pressure in line with our call for a broad USD rebound amid elevated global risk aversion. As geopolitical uncertainty gradually eases, market focus is likely to rotate back toward monetary policy dynamics, which should help anchor the currency. Further Fed rate cuts in 2026, alongside a steady Bank of Korea policy stance, are expected to create a more USD-negative backdrop that could facilitate a recovery in the KRW. In addition, the scheduled inclusion of Korean government bonds in the WGBI in Apr may drive bond inflows and underpin the KRW. Overall, we revise our USD/KRW forecasts to 1,490 in 2Q26, 1,460 in 3Q26, 1,430 in 4Q26, and 1,410 in 1Q27.

Despite solid underlying fundamentals, the TWD was not immune to the recent bout of market volatility, driven by heightened geopolitical tensions and renewed foreign outflows. On 3 Mar, foreign investors sold a net TWD 94.7bn (USD 2.9bn) of Taiwanese equities, recording the largest single-day outflow since Sep 2024. This pressure pushed the TWD weaker to 31.7/USD on 4 Mar, its softest level since May last year.

In line with broader Asia FX dynamics, the TWD is likely to remain biased weaker into 2Q26 against a fragile global risk backdrop. Nonetheless, Taiwan's robust economic fundamentals—underpinned by strong AI-driven demand for semiconductor exports—should reassert themselves once geopolitical uncertainties subside. This is expected to provide a foundation for currency stabilisation and a gradual recovery later in the year. Overall, our updated USD/TWD forecasts are 32.0 in 2Q26, 31.5 in 3Q26 and 31.0 in 4Q26 and 30.5 in 1Q27.

USD/SGD appears to have carved out a near-term base around 1.26 over the past month, with heightened geopolitical tensions in the Middle East serving as a catalyst for a rebound.

USD/SGD appears to have carved out a near-term base around 1.26 over the past month, with heightened geopolitical tensions in the Middle East serving as a catalyst for a rebound. Even so, the SGD's status as a regional safe-haven, alongside market expectations for the Monetary Authority of Singapore (MAS) to tighten policy at the Apr meeting—potentially via a 50bps steepening of the slope to an estimated 1.0% p.a.—should help cap losses on the SGD in 2Q26.

Once geopolitical risks begin to subside, we expect USD/SGD to resume its downward trajectory, in line with a broader softening of the USD as attention shifts back to forthcoming Fed rate cuts. Our updated USD/SGD forecasts are 1.29 in 2Q26, 1.27 in 3Q26, 1.26 in 4Q26 and 1.25 in 1Q27.

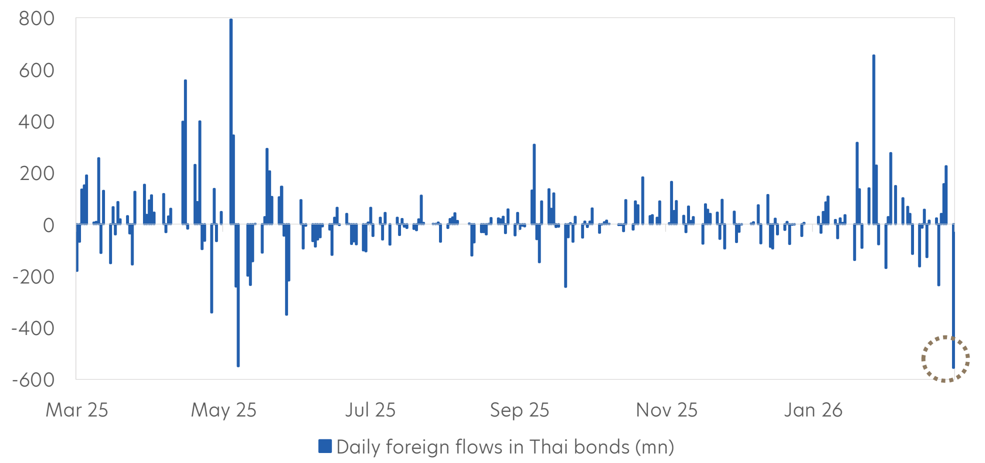
In addition, the persistence of the S$NEER near the top of the policy band since the start of the year, together with SGD's potential for outperformance amid a fragile global backdrop, underpins our view of a modest recovery across key SGD crosses in 2026. SGD/MYR appears to have found a floor at 3.07 in late Feb, with scope to grind higher toward 3.10 by year-end. Likewise, we look for SGD/CNY to edge up to 5.44 by end-2026 from current levels near 5.41.

Malaysia's solid macro underpinnings — including a firm GDP trajectory, progressive fiscal reforms and a consistently positive current-account position — should help buffer the MYR against the recent surge in crude prices triggered by escalating Middle East tensions. Nevertheless, in line with regional peers, the currency is unlikely to be fully insulated from shifts in portfolio flows as global risk appetite undergoes a reassessment.

In the near term (2Q26), we expect some unwinding of the MYR's strong rally from its Nov level of 4.20/USD, as investors lock in gains after several months of outperformance. As geopolitical risks fade, Malaysia's favourable idiosyncratic factors should reassert themselves. We continue to expect inflation to remain stable at 2.0% and the OPR to stay unchanged at 2.75%, with the resulting narrowing of the US-Malaysia rate differential providing an additional layer of support for the currency. Overall, our updated USD/MYR forecasts are 3.98 in 2Q26, 3.94 in 3Q26, 3.90 in 4Q26, and 3.85 in 1Q27.

Chart 6: Thailand's bond market experienced the largest single-day net foreign outflow in nearly ten months

Source: Bloomberg, UOB Global Economics & Markets Research



USD/THB appears to be finding a bottom around the 31.0 level which marked a four-year low. The latest geopolitical escalation may provide the catalyst for a near-term lift in the pair, driven by broad-based USD safe-haven demand. On the domestic front, the THB remains under pressure after Thailand's bond market experienced the largest single-day net foreign outflow in nearly ten months on 2 Mar. We expect a period of consolidation in 2Q26 as investors reassess regional risk dynamics. This pause in THB appreciation is likely to be viewed favourably by policymakers and exporters, following the currency's strong and largely unidirectional 8.2% gain in 2025.

Further ahead, renewed USD softness as markets revert to a Fed-easing narrative, coupled with the THB's historical correlation with rising gold prices, should keep USD/THB biased lower.

Further ahead, renewed USD softness as markets revert to a Fed-easing narrative, coupled with the THB's historical correlation with rising gold prices, should keep USD/THB biased lower. That said, Thailand's tighter regulations on speculative retail gold trading, which took effect on 1 Mar, may temper the pace of further THB appreciation. Overall, our revised USD/THB forecasts are 32.0 for 2Q26, 31.6 in 3Q26, 31.3 in 4Q26 and 31.0 in 1Q27.

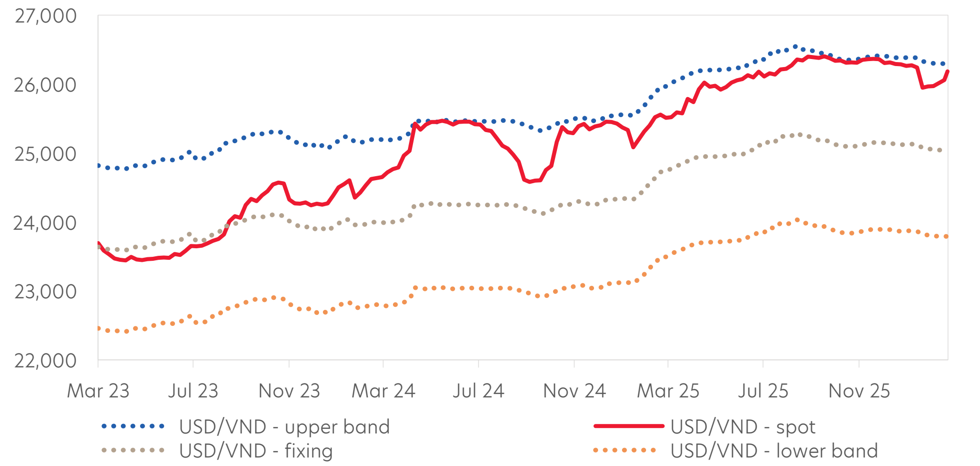
The IDR is likely to remain an underperformer within the Asia FX complex as the fragile global risk backdrop—exacerbated by the intensifying geopolitical conflict in the Middle East—adds to an already challenging domestic environment. Notably, S&P Global Ratings cautioned in late Feb that rising fiscal pressures, particularly higher debt-servicing costs, have increased downside risks to Indonesia's sovereign credit profile and could prompt negative rating action.

As geopolitical tensions eventually subside, renewed expectations of additional Fed rate cuts in 2026 should exert downward pressure on the USD and offer cyclical support to EM Asia FX, including the IDR.

Looking ahead, we expect the IDR to remain under pressure in 2Q26, broadly in line with regional peers, as risk aversion becomes more entrenched. Nonetheless, Bank Indonesia (BI) is likely to remain vigilant and intervene in the FX market when necessary to smooth excessive volatility. As geopolitical tensions eventually subside, renewed expectations of additional Fed rate cuts in 2026 should exert downward pressure on the USD and offer cyclical support to EM Asia FX, including the IDR. Even so, BI's dovish policy stance is expected to keep the currency trailing its regional counterparts. Our macro team continues to project a further 50 bps of easing over the next two quarters, bringing the policy rate to 4.25%—a trajectory that will likely cap the IDR's ability to fully benefit from a softer USD environment. Overall, our updated USD/IDR forecasts are at 17,000 in 2Q26, 16,900 in 3Q26, and 16,800 in both 4Q26 and 1Q27.

Chart 7: VND downside limited as it trades near the weak end of its band

Source: Bloomberg, UOB Global Economics & Markets Research



The VND has retraced part of its Jan gains amid a pickup in geopolitical tensions, with USD/VND reverting higher toward 26,200 as of 3 Mar from a recent trough of 25,900 on 10 Feb. In line with broader regional trends, the prevailing global risk-off tone is expected to keep the VND on the defensive in the near term. That said, additional downside appears contained, as the currency is already trading close to the weak end of the State Band of Vietnam (SBV)'s permissible band.

Looking beyond the immediate geopolitical overhang, our medium-term outlook for the VND remains broadly stable. Key supportive factors include Vietnam's firm macroeconomic trajectory—reflected in our recent upward revision of the 2026 GDP growth forecast to 7.5% from 7.0%—alongside resilient FDI inflows, expectations that the SBV will keep its policy rate on hold at 4.5% through 2026, and the prospective reclassification of Vietnam to Emerging Market status in Sep 2026.Our updated USD/VND forecasts are at 26,400 in 2Q26, 26,200 in 3Q26, 26,100 in 4Q26, and 26,000 in 1Q27.

RATES STRATEGY

When tariffs fluctuate but the rate path doesn't

US Rates: Beyond the tariff drama: fundamentals still dictate the Fed outlook

The recent US Supreme Court decision to overturn a substantial portion of President Trump's tariff actions is unlikely to materially shift market expectations for Federal Reserve (Fed) rate cuts. The near-term implications of the ruling remain difficult to quantify, given uncertainties around the timing and magnitude of any tariff reinstatement by the Trump administration and the corresponding response from importers. Moreover, Fed officials—including Governor Waller—have reiterated that monetary policy should "look through" tariff developments and remain anchored to the dual mandate of employment and inflation.

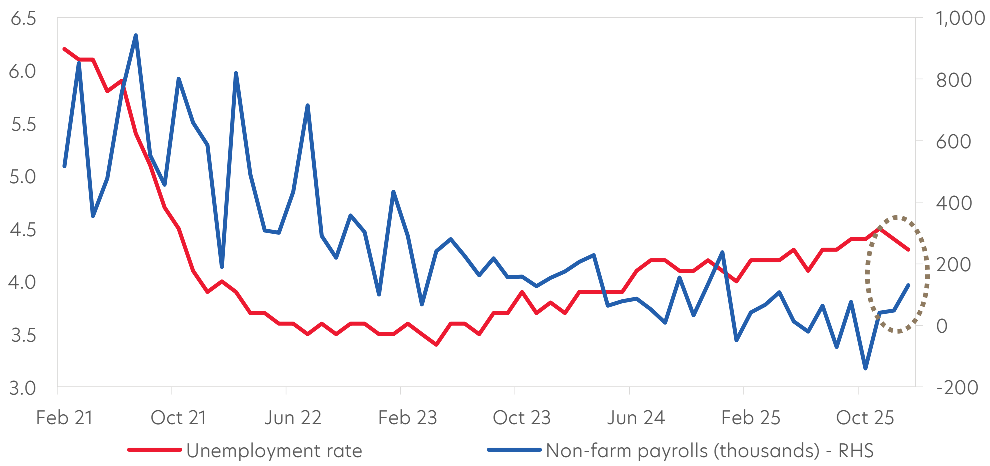
The hawkish tilt to the Jan FOMC minutes, alongside signs of stabilisation in labour market data, reinforces the Fed's wait-and-see stance in the coming months. Policymakers are expected to seek clearer evidence of inflation converging toward the 2% target or renewed labour market weakness before contemplating further cuts. Market attention will focus on the Mar FOMC's updated dot plot for insights into the Committee's evolving rate expectations.

Our macroeconomic team maintains the view that the Fed will remain on hold in the near term, before delivering two 25 bps cuts in June and 3Q26, bringing the terminal Fed Funds Target Rate down from the existing 3.75% to 3.25%. This path implies a gradual decline in SOFR, with 3M compounded in arrears SOFR projected at 3.64% in 2Q26, 3.36% in 3Q26, 3.23% in 4Q26 and 3.19% in 1Q27 (vs. the prevailing rate of 3.76%).

A key risk to this base case is the potential for the Fed to delay cuts—or struggle to cut at all in the second half of the year—should energy prices rise materially and persistently due to spillover effects from the US-Iran conflict. Elevated energy costs would complicate the inflation outlook and could constrain the Fed's ability to ease policy as planned.

Chart 1: The US labour market is showing signs of stabilisation

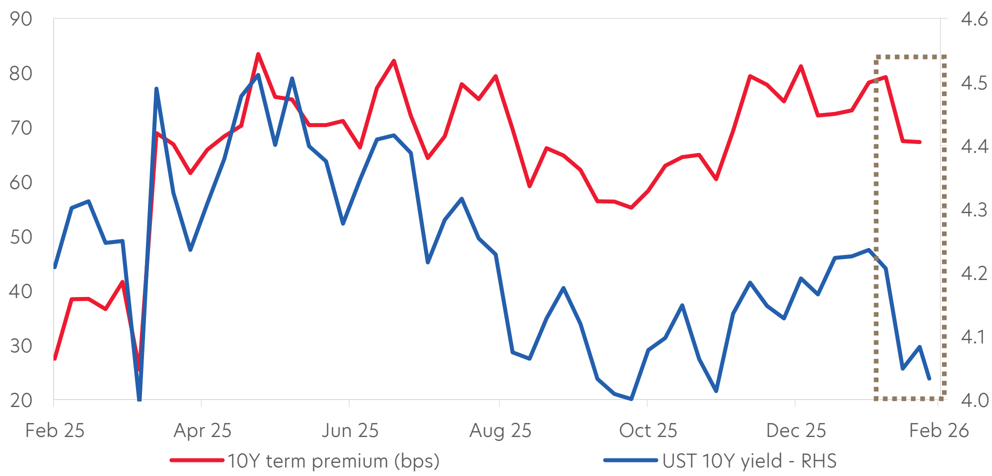
Source: Bloomberg, UOB Global Economics & Markets Research



Meanwhile, the Fed's ongoing "technical purchases" of Treasury bills to address reserve scarcity continue to ease funding-market tightness. Since the program commenced in Dec, the SOFR-IORB spread has narrowed to nearly zero, down from roughly 30 bps in late Oct. These purchases are expected to continue at approximately USD 40bn per month through the Apr tax season, before tapering to an estimated USD 20-25bn per month thereafter.

Chart 2: The decline in the UST 10Y yield in Feb has been driven primarily by falling term premium

Source: Bloomberg, UOB Global Economics & Markets Research



Overall, these developments reinforce our existing view of a gradual upward trajectory in the UST 10-year yield. Even if geopolitical risks dissipate, other underlying drivers—including persistent concerns over the US fiscal deficit and late-cycle dynamics—are likely to support a modest re-steepening of the yield curve.

In longer-dated rates, the decline in the UST 10Y yield—from its early-Feb peak of 4.30% to around 4.09% currently—has been driven primarily by falling term premium rather than a meaningful shift in Fed expectations. Investor concerns about AI-related spending pressures and potential equity-market volatility have increased demand for duration, compressing term premium.

The recent escalation of geopolitical tensions in the Middle East has introduced a fresh bout of volatility into the UST market. The 10-year yield initially fell to a 10-month low of 3.93%, reflecting a strong flight-to-quality bid as US and Israeli military actions against Iran prompted investors to rotate into haven assets. However, this move proved short-lived, with yields retracing higher as inflation concerns resurfaced. Markets reassessed that a protracted conflict could fuel higher oil prices and reinforce inflationary pressures, weighing on longer-duration Treasuries.

Overall, these developments reinforce our existing view of a gradual upward trajectory in the UST 10-year yield. Our updated forecasts stand at 4.00% for 2Q26, 4.10% for 3Q26, 4.20% for 4Q26, and 4.30% for 1Q27. Even if geopolitical risks dissipate, other underlying drivers—including persistent concerns over the US fiscal deficit and late-cycle dynamics—are likely to support a modest re-steepening of the yield curve.

SG Rates: New tariffs, same story: Singapore's macro resilience anchors rates view

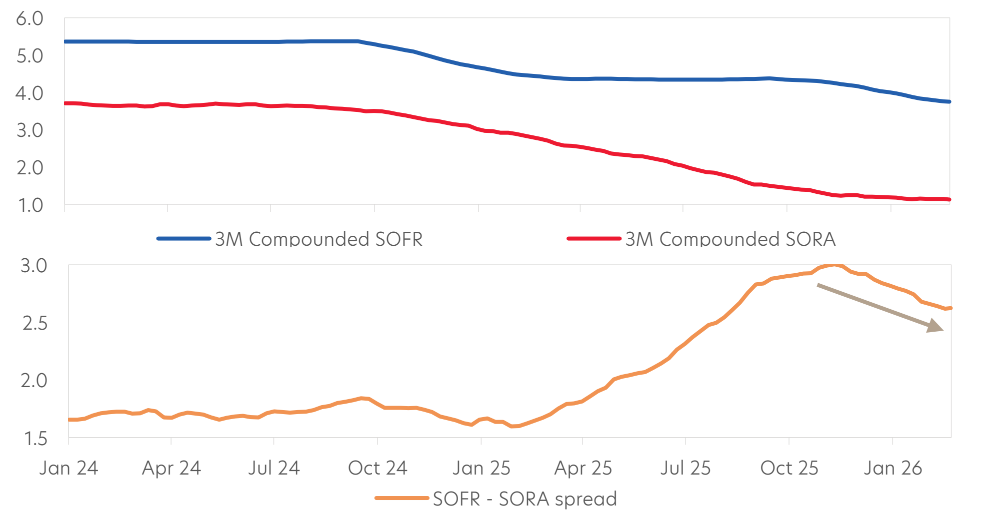
The introduction of a new 15% global tariff regime is incrementally negative for highly open economies such as Singapore—previously subject to a baseline 10% rate—but it remains premature to assess whether the shift will be consequential enough to alter our constructive growth outlook or our expectation of a modest SORA recovery this year.

Prior to the recent tariff developments, our macroeconomic team had already adopted a more upbeat view on Singapore's growth trajectory. Supported by sustained AI and semiconductor related momentum and a strong 4Q25 GDP outturn, we revised our 2026 GDP growth forecast higher to 3.6% from 2.6% previously, with risks still skewed to the upside even after the substantial upgrade. A positive output gap of 1.0% in 2026 (2025: 1.2%) also underpins our baseline call for a 50-bps steepening of the S$NEER slope to 1.0% per annum at the coming Apr 2026 MPS. For more details, kindly refer to Macro Note published 10 Feb 2026.

In the interim, Singapore authorities continue to engage their US counterparts to seek clarity on the implementation of the new tariff structure. DPM Gan Kim Yong noted that the government has not revised its official growth forecast while monitoring developments closely and stands ready to implement additional support measures if needed.

Chart 3: The SOFR-SORA spread continues its gradual normalisation

Source: Bloomberg, UOB Global Economics & Markets Research



We reiterate our view that SORA-SOFR spreads will continue to normalise this year, contributing to a modestly higher SORA trajectory—assuming current events do not trigger a renewed surge in safe-haven inflows similar to those observed in 2025.

Local interest rates have seen minimal spillovers from the tariff headlines. Overnight SORA continues to trade within its familiar 0.8%-1.4% range, with the moving average of the inherently volatile series holding above the psychological 1% level. We reiterate our view that SORA-SOFR spreads will continue to normalise this year, contributing to a modestly higher SORA trajectory—assuming current events do not trigger a renewed surge in safe-haven inflows similar to those observed in 2025. Our updated 3M compounded in arrears SORA forecasts are 1.26% in 2Q26, 1.30% in 3Q26, 1.37% in 4Q26 and 1.48% in 1Q27.

At the longer end, 10Y Singapore Government Securities (SGS) yields declined from 2.06% to 1.93% through Feb, tracking the move lower in 10Y UST yields. Looking ahead, we continue to expect a gradual rebound in 10Y SGS yields as UST yields recover and the yield differential narrows further. Overall, our updated forecasts for 10Y SGS yield are 1.90% in 2Q26, 2.10% in 3Q26, 2.30% in 4Q26 and 2.50% in 1Q27.

DM and Asian Rates: Central banks break rank with the Fed

As highlighted in our previous update, the global policy backdrop continues to shift toward a more hawkish stance outside of the Fed.

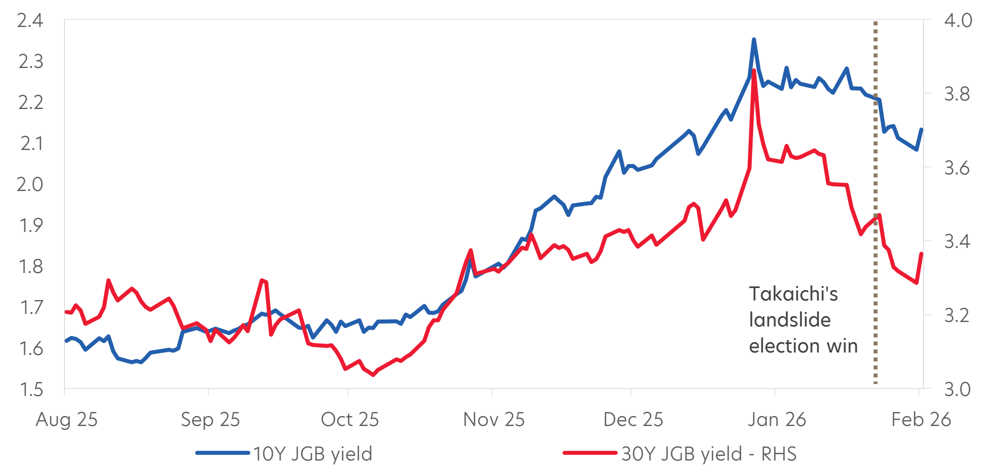
In developed markets, the Reserve Bank of Australia (RBA) set a key milestone by becoming the first major central bank to raise rates this year, lifting the Official Cash Rate (OCR) from 3.60% to 3.85% in early Feb. This partially reversed last year's easing cycle, during which the OCR was cut from 4.35% to 3.60% via three 25-bps reductions. Notably, Australia's policy rate now stands above that of the US for the first time since 2017. Governor Michele Bullock reiterated that the RBA remains prepared to tighten further should inflation prove persistent, stressing that inflation "with a three in front of it" is unacceptable. Going forward, our macro team anticipates a follow-up 25 bps rate increase at the 5 May meeting, taking the cash rate to 4.10% as inflation pressures are expected to remain elevated in the near term. For more details, kindly refer to Macro Note published 26 Feb 2026.

We now expect the European Central Bank (ECB) to keep its refinancing rate steady at 2.15% through 2026, revising our earlier projection for a final 25-bps cut in 1Q26. Similarly, the Reserve Bank of New Zealand (RBNZ) is expected to remain on hold with the cash rate at 2.25%.

The Bank of England (BOE) stands out as the only major DM central bank besides the Fed likely to extend its easing cycle. Softening labour-market conditions and expectations for UK inflation to return to around 2% by spring support this view. Governor Andrew Bailey has indicated that he could back another cut at the Mar meeting. Our macro team forecasts three additional cuts this year, bringing the policy rate from 3.75% to 3.0% by 3Q26.

Chart 4: JGB yields pulled back after Takaichi's landslide election win as investors' fiscal sustainability concerns eased

Source: Bloomberg, UOB Global Economics & Markets Research



Markets pared back Bank of Japan (BOJ) rate hike expectations after Japan's government nominated two reflationist academics, Ayano Sato and Toichiro Asada, to join the Bank of Japan policy board. The nominations strengthened expectations that the Takaichi administration – which won a landslide election in early Feb – will be cautious about the BOJ raising interest rates quickly. Nevertheless, we continue to expect one more 25-bps hike in 3Q26 to a terminal rate of 1.00%, supported by positive momentum in spring wage negotiations that is likely to feed through to underlying inflation and sustain the BOJ's normalisation path. In the Japan Government Bond (JGB) market, yields retraced post-election as concerns over fiscal sustainability eased. However, we expect the upward trend to resume in the coming quarters as the government advances additional fiscal stimulus measures.

Across Asia, the outlook for rates is decidedly stickier with most central banks now expected to remain on hold this year. We look for the Taiwan Central Bank (CBC), Bank of Korea (BOK), Bank Negara Malaysia (BNM), State Bank of Vietnam (SBV), Reserve Bank of India (RBI) to maintain benchmark rates at 2.0%, 2.5%, 2.75% and 4.5% respectively.

We no longer anticipate further easing from the Bangko Sentral ng Pilipinas (BSP) as well following its 25-bps cut in Feb, which lowered the Reverse Repurchase Rate to 4.25% to support confidence and growth momentum. For more details, kindly refer to Macro Note published 20 Feb 2026. The Bank of Thailand is also expected to hold its policy rate steady at 1% after delivering a 25-bps cut in late Feb. For more details, kindly refer to Macro Note published 26 Feb 2026. In China, we anticipate the People's Bank of China (PBOC) to lower the 1Y Loan Prime Rate marginally from 3.0% to 2.9% in 1H26 following the annual National People's Congress (NPC) in Mar. However, this may be delayed to 2H26 due to the uncertainties from the Middle East conflict.

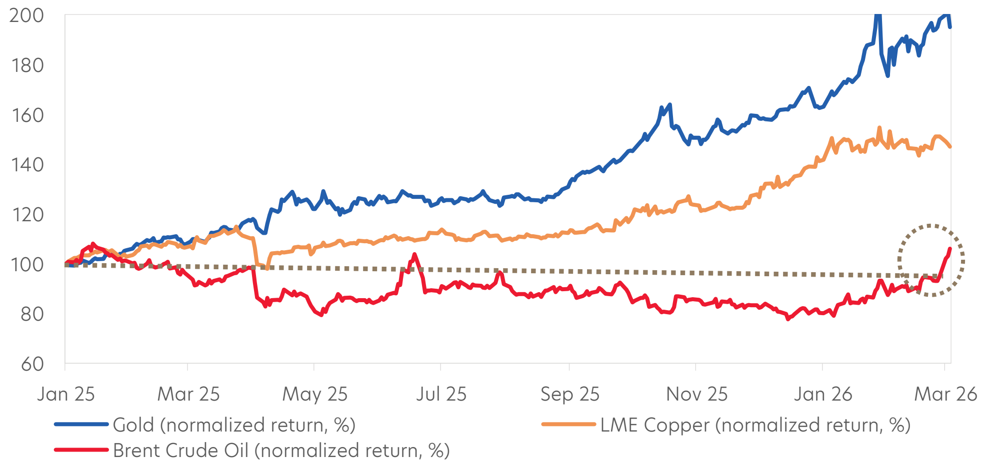
For Indonesia, our macro team has pushed back the expected timing of rate cuts after Bank Indonesia (BI) kept rates unchanged in Feb. BI is likely to remain cautious and data-dependent, with an eye on maintaining rupiah stability relative to Fed policy. We now expect two 25-bps cuts in 2Q and 3Q26—rather than 1Q and 2Q previously—bringing the 7-day reverse repo rate from 4.75% to 4.25% by 3Q26. For more details, kindly refer to Macro Note published 19 Feb 2026.

COMMODITIES STRATEGY

Will Brent Crude Oil now play catch up with the strong metals rally?

Will Brent Crude Oil now play catch up with the strong metals rally?

Source: Bloomberg, UOB Global Economics & Markets Research



2026 started on a rather volatile note for gold. After rallying past the headline USD 5,000 / oz level, gold prices swiftly jumped above USD 5,500 / oz in a matter of days, before collapsing back down towards USD 4,400 / oz by end Jan. Since then, gold has been consolidating around the USD 5,000 / oz level across most of Feb before pushing back up above USD 5,300 / oz upon the onset of the latest round of Iran conflict. Many would still agree that the long term safe haven demand for gold remains very robust, due to on-going geopolitical risk and deteriorating fiscal outlook across the world especially in the US and developed economies. But the near term speculative trading contributed to the elevated volatility in gold that we witnessed of late does not befit gold's traditional role as a portfolio diversifier of risk. What's next for gold?

Outside of the precious metals space, LME Copper has been able to sustain its strong rally from last year and continues to stay at elevated level around the USD 13,000 / MT level, within a broader trading range from USD 12,500 / MT to USD 13,500 / MT across Jan and Feb. One of the key near term driver for this strength in Copper price is the persistent fear of possible import tariffs on Copper from the US, leading to large stockpiling of inventories especially on COMEX. Given the latest sharp rise in crude oil prices, global growth may be pressured going forward. As such, demand for Copper may top out and questions are now being asked as to what will happen to Copper prices should this strong inventory stockpiling stop or slow down?

Finally, Brent crude oil was left out of the strong price performance by gold and LME Copper over the past year. However, with the latest escalation in Iran and Middle East conflict, Brent crude oil jumped from USD 70 / bbl to above USD 80 / bbl. Will Brent crude oil prices climb further going forward?

GOLD

Robust safe haven demand to push gold up to USD 6,000 / oz by 1Q27

UOB's Forecast	2Q26	3Q26	4Q26	1Q27
Gold (USD/oz)	5,400	5,600	5,800	6,000

By all accounts, gold has had a wild start to 2026. From USD 4,400 / oz at the start of Jan, gold climbed steadily to above USD 5,000 / oz by late Jan. Within just a few days thereafter, gold added another USD 500 / oz to above USD 5,500 / oz. Then on 30th Jan the rally stalled and gold collapsed back down to the intra-day low of just above USD 4,400 / oz on 2nd Feb. Thereafter, gold spent the bulk of Feb consolidating around the USD 5,000 / oz level. And now gold is back up near USD 5,400 / oz in early Mar on renewed conflict in Iran.

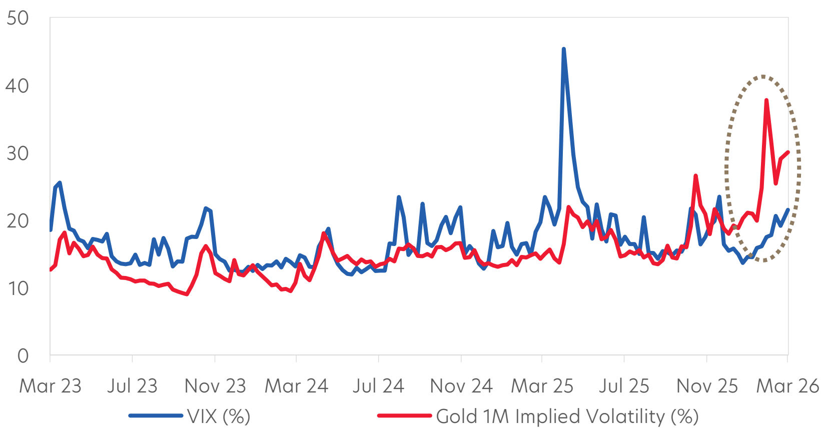
The wild swings in gold across Jan has squeezed its 1M implied volatility all the way up to "crisis level" high of above 30%. As such, gold's volatility is now significantly higher than VIX at about 20%. Strictly speaking, such high volatility for gold is a concern and does not befit gold's traditional role as a "non-risky asset" and a portfolio diversifier of risk.

Nonetheless, despite the elevated volatility, the outlook for gold remains decidedly positive. There is strong on-going safe haven demand for physical gold and central bank purchases remain robust. Specifically, the People's Bank of China (PBOC) has lifted its allocation of gold to a new high of 11% of reserves. The normalizing of COMEX gold futures positioning after the series of steep margin hikes implies that volatile speculative trading interests may have exited the field.

Overall, we reiterate our positive long term view for gold and reiterate our updated forecasts for USD 5,400 / oz in 2Q26, USD 5,600 / oz in 3Q26, USD 5,800 / oz in 4Q26 and USD 6,000 / oz in 1Q27.

Gold's 1M implied volatlity is now signficantly in excess of VIX

Source: Bloomberg, UOB Global Economics & Markets Research

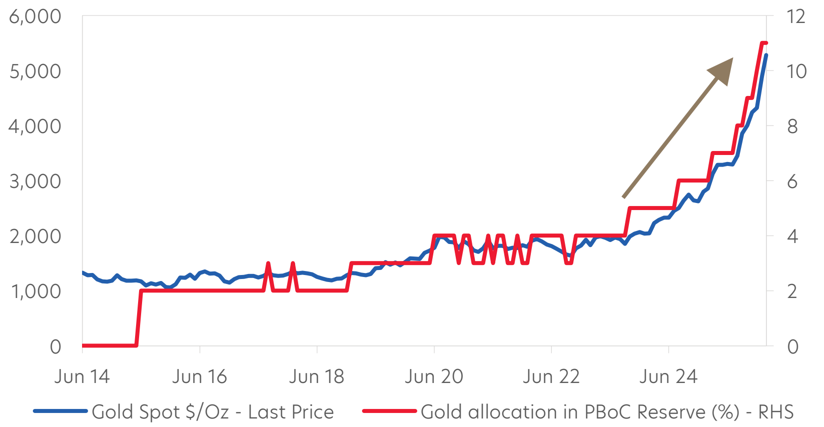


Speculative Positioning COMEX gold futures has reset back to historical low after series of margin hikes

Source: Bloomberg, UOB Global Economics & Markets Research

PBOC continues to load up on gold to 11% of reserves

Source: Bloomberg, UOB Global Economics & Markets Research



BRENT CRUDE OIL

Brent lifted above USD 80 / bbl after Iran targeted Gulf energy facilities

UOB's Forecast	2Q26	3Q26	4Q26	1Q27
Brent crude oil (USD/bbl)	90	85	80	75

Brent crude oil spiked at the start of Mar and jumped from USD 73 / bbl to above USD 80 / bbl after the latest round of renewed conflict with Iran and the Middle East.

As we have highlighted in our latest commodity strategy note titled "Iran crisis lifts Brent crude oil towards the USD 80 / bbl handle. Premature to expect USD 100 / bbl" dated 02 Mar, the Rubicon to watch out for global energy markets is the consequential red line where Iran starts targeting energy infrastructure across the Middle East and attacks oil tankers plying the Strait of Hormuz.

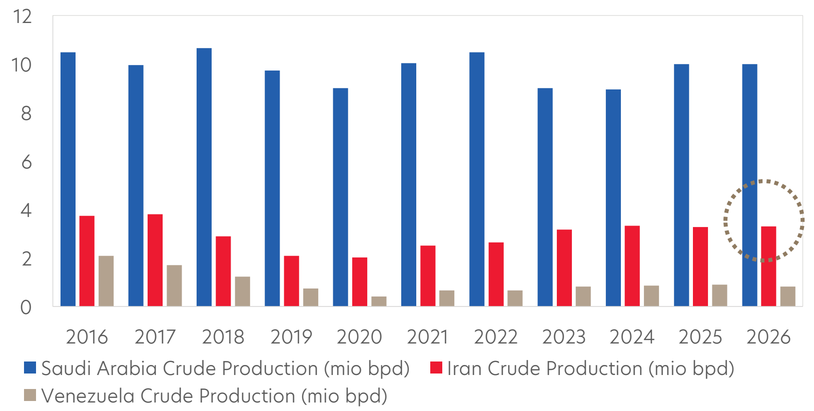
This Rubicon now appears to be crossed as Iran now repeatedly targets energy facilities across the Gulf and shipping across the Strait of Hormuz has ground to halt.

Near term risks aside, the longer term view remains that there is ample dry powder from OPEC to return even more of the production cuts from 2023 back to markets if necessary, so as to dampen any excessive spikes in energy prices. The US is still able to draw down from Strategic Petroleum Reserve (SPR) which currently stands at a fairly substantial 360 mio bbl.

Overall, with the escalating conflict across the Middle East and the direct targeting of energy facilities across the Gulf by Iran, this opens up a new trading range in Brent crude oil above USD 80 / bbl. Needless to say, the risk of a short term spike in Brent crude oil towards USD 100/ bbl is now decidedly higher. We update our quarterly forecasts further to USD 90 / bbl in 2Q26, USD 85 / bbl in 3Q26, USD 80 / bbl in 4Q26 and USD 75 / bbl in 1Q27.

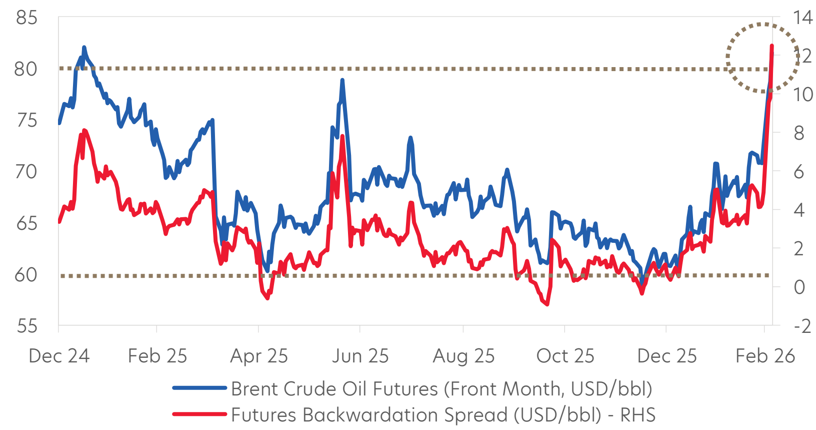
Iran carries a much bigger risk to global oil supply disruption

Source: Bloomberg, UOB Global Economics & Markets Research



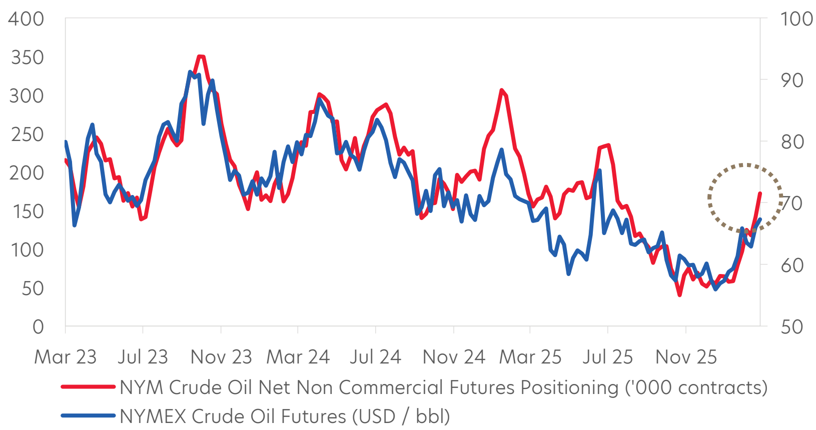
Brent crude oil futures backwardation spread rises alongside spike in futures price towards USD 80 / bbl

Source: Bloomberg, UOB Global Economics & Markets Research



NYMEX Futures Net Non-Commerical Open Positioning has much room to rise further

Source: Bloomberg, UOB Global Economics & Markets Research



COPPER

Persistent "competitive" stockpiling keeps prices elevated for now

UOB's Forecast	2Q26	3Q26	4Q26	1Q27
LME Copper (USD/mt)	13,000	12,500	12,000	12,000

Across Jan and Feb, LME Copper has managed to sustain its gains from the strong rally across last year to stay at elevated price level of around USD 13,000 / MT, within a trading range of around USD 12,500 / MT to USD 13,500 / MT.

Much has been debated about the upcoming long term structural deficit in copper supply from aging copper mines amidst increasing near term industrial demand for key electrical connectivity and wiring from data centers.

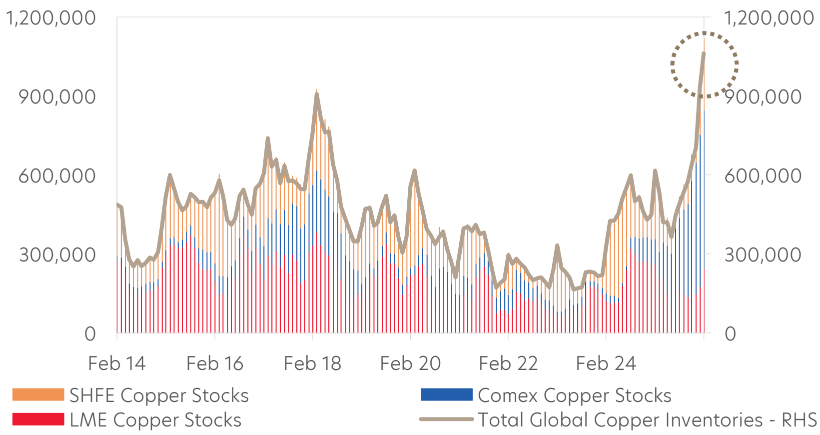
It is clear that this strength in LME Copper price around USD 13,000 / MT is mainly due to "competitive" stockpiling of inventories. Despite the recent US Supreme Court struck-down of IEEPA related tariffs, there remains fear of import tariffs on refined Copper from the US. Hence, global inventories on Copper continue to climb across major metals exchanges, i.e. LME, SHFE and COMEX. The climb in inventory on COMEX was particularly spectacular, tripling last June's levels.

Questions are now being asked as to what will happen to Copper prices should this "competitive" stockpiling of inventory stop? The escalation of tensions in Iran and Middle East may well weigh down on global growth and Copper demand going forward.

Overall, we continue to highlight the risk that current strength in LME Copper price is inconsistent with various moderate macroeconomic indicators like soft industrial and electricity demand from China as well as rising conflict in Middle East. We maintain our modestly cautious outlook for LME Copper and update our quarterly forecasts to USD 13, 000 / MT in 2Q26, USD 12,500 / MT in 3Q26 and USD 12,000 / MT in 4Q26 and 1Q27.

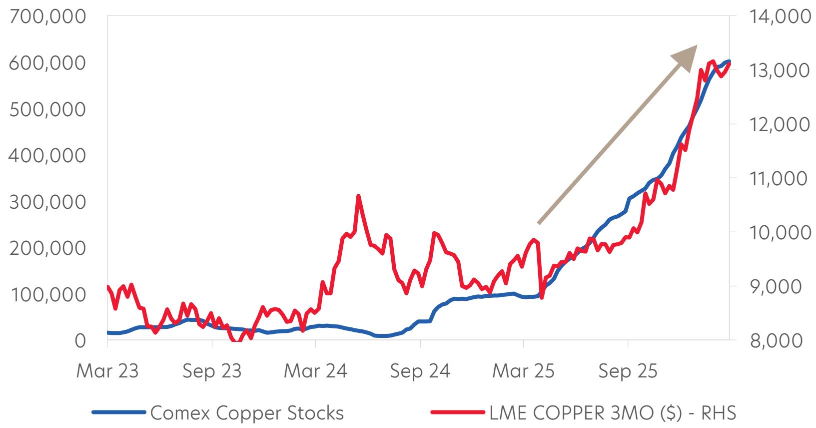
Copper prices rise further with more Comex inventory accumulation

Source: Bloomberg, UOB Global Economics & Markets Research



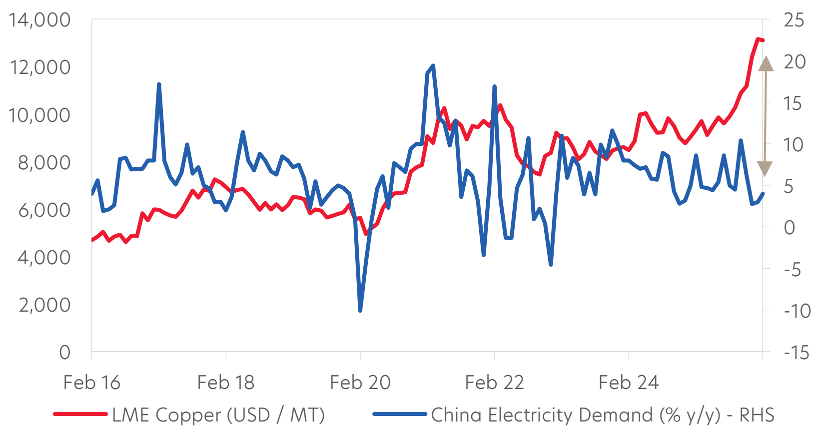
COMEX Copper inventory build keeps Copper price elevated

Source: Bloomberg, UOB Global Economics & Markets Research



Strength in Copper price not in line with muted electricity demand from China

Source: Bloomberg, UOB Global Economics & Markets Research



CHINA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/CNY	6.95	6.90	6.85	6.80
CNY 1Y Loan Prime Rate	2.90	2.90	2.90	2.90
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.0	5.0	4.7	4.6
CPI (avg y/y %)	0.2	0.0	0.9	1.1
Unemployment Rate (%)	5.1	5.1	5.2	5.2
Current Account (% of GDP)	2.3	3.8	2.9	2.5
Fiscal Balance (% of GDP)	-4.8	-5.1	-5.8	-5.5

ECONOMY

Growth to moderate to 4.7% in 2026

China's real GDP growth moderated to 4.5% y/y in 4Q25 from 4.8% y/y in 3Q25. The full year growth of 5.0% in 2025 was in line with the official target and on par with 2024. Latest data indicates that growth remains skewed toward exports and industrial production while private consumption and investment continue to face downward pressure. Protracted declines in property prices and weaker employment outlook continue to shape the fragile consumer confidence.

Despite new rounds of US tariffs, China's foreign trade rose to a new record high of US$6.35 tn in 2025 with its annual trade surplus crossing US$1 tn for the first time to US$1.19 tn. The resilience stems from the diversification of its exports to non-US markets. US' share of China's exports dropped to 11.1% in 2025 (2024: 14.6%) while markets such as ASEAN and EU saw an increase in their share to 17.6% (2024: 16.4%) and 14.8% (2024: 14.4%) respectively. With the trade truce extended to 10 Nov, the risk of tensions re-escalating is relatively low. The near-term focus is President Trump's official visit to Beijing on 31 Mar- 2 Apr, the first since his last trip there in 2017. With the cancellation of Trump's IEEPA-tariffs, the US will pivot to other trade tools but this is unlikely to derail negotiations.

Property market pressures are likely to persist in 2026-27 with Chinese developers' debt issues remaining unresolved and significant supply glut particularly in lower-tier cities. China's National Bureau of Statistics (NBS) data showed that the stock of vacant homes increased to 402 mn square metres at end-2025 from 391 mn square metres end-2024. Meanwhile, Shanghai-based E-House China R&D Institute estimates the average time to sell all the existing new home inventory in 100 major cities was around 27.4 months (Nov 2025). Authorities have reportedly dropped the "three red lines" policy in Jan but the outlook has remained cautious.

The widening war in the Middle East has threatened the closure of Strait of Hormuz, important for global oil trade. The Middle East accounts for around 44% of China's oil imports . Immediate risk is mitigated by China's large reserves, but it remains to be seen whether China can swiftly diversify supply toward alternative sources (e.g. Russia, which already accounts for 20% share) and at what cost (if supply mix shifts to higher-priced, non-sanctioned crude in the medium/long term). An energy shock is expected to be a significant hit to China's manufacturing industries as producers' margins will be compressed. The higher energy prices would also weigh on consumer sentiment, real incomes, and spending. We have expected a modest reflation in 2026 with the headline CPI rising to 0.9% from 0% in 2025 while PPI turns around from three years of deflation to +0.2% in 2026 (2025: -2.6%). The Middle East war poses upside risks to our inflation forecasts and downside risks to growth outlook. The impact is dependent on the scale of disruption to global commodities and supply chains.

This year, to stabilise growth, China has rolled out support measures including a 25-bps cut to its structural monetary facilities (15 Jan), and loan guarantee facility and loan interest subsidy (20 Jan). The 15th Five-Year Plan (2026-2030) will see continued efforts in the industrial upgrade, technology self-reliance and building a strong domestic market as China re-balances its economy toward consumption and services. The NPC has set a national growth target of 4.5-5.0% for 2026, moderately lower compared to ~5% targets in the past three years. We forecast China's real GDP growth to slow to 4.7% in 2026. Despite our expectation for slower real GDP growth, nominal growth may pick up as deflation eases.

CENTRAL BANK

Policy support to stay incremental

China continues to maintain a restrained tone on stimulus as the priority remains on targeted policy levers instead of broad-based easing. Barring a sharp economic slowdown, our base case assumption remains for a 10-bps policy rate cut and a 50-bps reserve requirement ratio (RRR) cut this year, similar to 2025. However, this may be delayed to 2H26 due to the uncertainties from the war in the Middle East.

CURRENCY

CNY strength pauses in 2Q26

The CNY has continued to trade with a firm bias, extending the strengthening trend that began after signs of de-escalation in the US-China trade dispute emerged in Nov. The currency briefly touched a two-year high of 6.8318 /USD in late Feb, consistently holding on the stronger side of the PBOC's daily fixing. According to SAFE data, client positions contributed meaningfully to the supportive tone, with banks' clients holding the second-largest notional long-CNY position on record in Jan (CNY 621.4 bn). In an effort to temper the pace of appreciation, the PBOC reduced the risk-reserve requirement on forward FX sales to zero from 20%, effectively lowering the cost of taking short-CNY positions through derivatives.

Looking ahead, the combination of this policy adjustment and heightened market sensitivity to geopolitical risks suggests that the CNY is likely to enter a consolidation phase in the near term. Further gains are expected to proceed at a more measured pace, as domestic fundamentals offer limited support. Our macroeconomic team forecasts China's GDP growth to moderate to 4.7% in 2026 from 5.0% in 2025, while monetary policy is expected to remain "moderately loose," reinforcing a more restrained CNY trajectory. In line with these dynamics, our updated USD/CNY forecasts are 6.95 in 2Q26, 6.90 in 3Q26, 6.85 in 4Q26, and 6.80 in 1Q27.

HONG KONG

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/HKD	7.80	7.80	7.80	7.80
HKD Base Rate	3.75	3.50	3.50	3.50
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	2.6	3.5	3.0	2.9
CPI (avg y/y %)	1.7	1.4	1.7	1.9
Unemployment Rate (%)	3.1	3.8	3.5	3.5
Current Account (% of GDP)	13.1	12.8	11.2	11.0
Fiscal Balance (% of GDP)	-2.5	0.1	0.6	0.2

ECONOMY

Broad-based recovery in 2025

Hong Kong's economy grew at its fastest pace in two years by 3.8% y/y in 4Q25, up from 3.7% y/y in 3Q25. The economic momentum accelerated with the q/q SA growth strengthening to 1.0% from 0.9% in 3Q25. 2025 marked the third consecutive year of GDP growth, which rebounded to 3.5% from 2.6% in 2024. Hong Kong's economic recovery was broad-based in 2025. The external sector was buoyed by sustained export demand for electronic-related products and strong regional trade flows. Services exports stayed firm amid continued recovery in inbound tourism and strong cross-border financial market activities. The improving economic outlook also lifted investment growth while private consumption turned positive from a contraction in 2024.

Total tourist arrivals rose 12.1% to reach 49.89 mn last year from 44.50 mn in 2024; mainland tourists accounted for three quarters of the total arrivals. The ongoing rebound in visitor numbers has supported the recovery in retail sales, which has been firmly underway since mid-2025. We see room for further recovery given that the tourist arrivals were still far below the pre-pandemic 3-year average of 59.84 mn.

Financial services were bolstered by strong equities and IPO activities. In 2025, IPOs in Hong Kong raised HK$285.8 bn (US$37 bn) from 119 new listings, more than three times that in 2024. The outlook has remained positive this year given a strong pipeline of more than 300 listing applications.

The residential property market has bottomed out in 2025. Prices were up 3.3% (2024: -7.1%) after falling in the three preceding years. Lower interest rates and rental recovery will be positive for the outlook along with some recovery in demand from mainland buyers.

However, the unemployment rate climbed to 3.9% in Jan from 3.1% a year ago, reflecting ongoing economic restructuring while corporate hiring sentiment was also likely affected by external uncertainties. In 2025, total employment fell by 20k to 3.667 mn but nominal wages continued to rise, albeit at a slower pace.

Hong Kong's economic outlook remains broadly positive this year, supported by partial easing of US-China trade tensions, resilient demand for technology-related goods, anticipated recovery in inbound tourism and domestic residential property market. The city is also expected to continue to benefit from the mainland's domestic consumption policies and strong investment in its tech sector which are expected to drive demand as well as capital market activities in Hong Kong. We forecast two rate cuts in the US this year, which should help ease domestic financial conditions and provide additional support to the asset markets, supporting consumer confidence and business sentiment. On the other hand, widening conflicts in the Middle East pose risks to inflation and business sentiments as well as our Fed call. Until we get greater clarity, we keep our 2026 forecast for Hong Kong's GDP growth at 3.0%, at the mid-point of the official growth outlook of 2.5–3.5%.

Budget FY2026/27 is strongly focused on innovation, technology and R&D, including a strong push for AI adoption across sectors as well as strengthening Hong Kong's position as a global financial and wealth management centre and as a hub for trade and logistics. The Northern Metropolis (NM) megaproject will be a new growth engine as it drives greater integration with the mainland economy. The city will proactively align with China's 15th Five-Year Plan, focusing on strengthening its role in the modernization of China's industrial system and technological self-reliance, high-level two-way opening up and attraction of international talent.

The increase in domestic cost pressures from rentals and wages is still expected to be moderate while the extent of the oil shock depends on developments in the ongoing US-Iran war. In the meantime, we maintain our forecast for headline inflation at 1.7% in 2026. The underlying inflation is expected to pick up to 1.7% from 1.1% in the past two years.

CENTRAL BANK

Hibors came off in early-2026

Improving funding conditions pushed Hibor lower across the curve since the start of the year. Looking ahead, energy-driven inflation risks could temper Fed rate cut expectations, providing support to the Hibor. Consequently, our forecast for the 3M Hibor is at 2.55% end-2Q26, 2.40% end-3Q26, 2.55% end-4Q26, and 2.60% end-1Q27.

CURRENCY

Status quo at 7.80

USD/HKD extended its upward drift from 7.78 to 7.82 through Jan and Feb, in tandem with a gradual widening of rate differentials. The sharp escalation in geopolitical tensions in early Mar prompted a modest unwinding of USD/HKD carry positions, resulting in a brief pullback toward 7.80 on 3 Mar.

At this stage, both FX and rates market adjustments appear orderly, indicating limited risk of the pair testing the extremes of the HKD trading band. Against this backdrop, we continue to expect USD/HKD to hover close to 7.80 through 2026.

INDIA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/INR	92.2	91.8	91.4	91.0
INR Repo Rate	5.25	5.25	5.25	5.25
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP, FY (%)	7.2	7.1	7.6	6.8
CPI, FY (avg y/y %)	5.4	4.6	2.1	3.6
Current Account, FY (% of GDP)	-0.7	-0.6	-1.0	-1.2
Fiscal Balance, FY (% of GDP)	-5.6	-4.8	-4.4	-4.3

ECONOMY

Second advance estimates for FY26 GDP nudged higher to 7.6%

India's MOSPI released the new GDP series with base year 2022-2023 alongside the 3QFY26 GDP figures, which showed growth moderating to 7.8% y/y from 8.4% in 2Q. The still robust growth outturn was driven largely by an acceleration in private consumption (3Q: 8.7% y/y; 2Q: 8.0%) amid year-end festivities, while GFCF remained resilient (3Q: 7.8% y/y; 2Q: 8.4%). In contrast, government spending was a notable drag (3Q: 4.7% y/y; 2Q: 6.6%). By industry, real GVA eased to 7.8% y/y (2Q: 8.6%), with agriculture softening to a low of 1.4% y/y (2Q: 2.3%). This was partly offset by an ongoing upturn in manufacturing (3Q: 13.3% y/y; 2Q: 13.2%), while services remained robust (3Q: 9.5% y/y; 2Q: 9.3%), led by trade/hotels/transport and communication (3Q: 11.0% y/y; 2Q: 10.4%) and the financial/real estate/IT/ professional services clusters (3Q: 11.2% y/y; 2Q: 9.9%).

The second advance estimates for FY26 GDP were revised slightly higher to 7.6% (from 7.4% in the first advance estimates). Under the latest US-India trade negotiations in early Feb (see White House factsheet), the Trump administration agreed to remove the additional 25% tariff on India's imports due to Russian oil purchases and reduced the reciprocal tariff rate to 18% from 25% previously. With the recent US IEEPA ruling, India is likely to be one of the key beneficiaries, as the headline tariff rate was (temporarily) narrowed further from 18% to 10%, effectively reducing the previously wide tariff differential faced by India relative to other Asian economies—broadly positive for India's export competitiveness.

However, given the recent conflicts in the Middle East, we see downside risks to our FY27 GDP growth projection of 6.8%, should the situation escalate or become prolonged. A sustained disruption could weigh on net exports, given India's meaningful exposure to the region—exports to key Middle Eastern economies accounted for around 14%-15% of total exports in 2024, while imports made up an even larger share at roughly 20%-21%, with around half of India's crude oil sourced from the Middle East.

CENTRAL BANK

RBI to stand pat through 2026/2027, focus on liquidity support

Similarly, a revised inflation series was released with a new base year of 2024=100, which unsurprisingly saw the weight of Food & Beverages revised down substantially to 36.75% from 45.86% previously. Data for the new CPI series was published for Jan 2025 to Jan 2026, with y/y inflation rising to 2.7% in Jan 2026 (compared to 1.3% in Dec 2025 under the old series). The sharpest increase was recorded in the personal care, social protection, and miscellaneous goods and services cluster (19% y/y), likely reflecting the jump in gold prices. This was accompanied by a strong m/m pickup in recreation, sport & culture, resulting in a modest increase of 2.32% y/y. We project FY26 inflation to average 2.1% before picking up to 3.6% in FY27, partly due to low base effects. However, inflation faces upside risks from elevated Brent crude oil prices. According to a relatively recent paper by RBI staffers, a 10% increase in crude oil prices could add around 20bps to headline inflation (Business Standard, 24 Jul 2025), although we acknowledge sensitivity estimates could differ with the revised CPI series.

Through Feb, liquidity has remained broadly in surplus, pushing the weighted average call rate (WACR) briefly below the floor of the interest rate corridor. We maintain our view that there will be no further policy repo rate cuts through 2026 and 2027, with the focus instead on strengthening the transmission of the cumulative 125bps of rate cuts this cycle into various market yields via liquidity measures.

CURRENCY

Weighed by Middle East tensions and oil shock

The INR extended its decline amid intensifying Middle East tensions, slipping to a fresh record low of 92.3/USD on 4 Mar. The sharp rise in crude oil prices has amplified pressure on the currency, given India's significant dependence on imported energy, and is likely to exacerbate the country's trade deficit in the coming months. The RBI acted to temper the sell-off, intervening through spot dollar sales to stabilise the INR. The central bank also adjusted the maturity profile of its short-USD forwards, reducing near-term delivery obligations to create more flexibility for defending the INR.

With geopolitical risks elevated and oil prices volatile, we expect the INR to remain on the back foot through 2Q26. Beyond the near term, a clearer geopolitical environment and the anticipated resumption of the Fed's rate-cut cycle should guide USD/INR gradually lower. However, we still see the INR underperforming its regional peers this year.

Overall, our updated USD/INR forecasts are at 92.2 in 2Q26, 91.8 in 3Q26, 91.4 in 4Q26, and 91.0 in 1Q27.

INDONESIA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/IDR	17,000	16,900	16,800	16,800
IDR 7D Reverse Repo	4.50	4.25	4.25	4.25
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.0	5.1	5.2	5.4
CPI (avg y/y %)	2.3	1.9	2.5	2.6
Unemployment Rate (%)	4.8	4.9	5.2	5.1
Current Account (% of GDP)	-0.6	-0.1	-1.0	-1.8
Fiscal Balance (% of GDP)	-2.5	-2.9	-2.8	-2.9

ECONOMY

2025 growth beating expectation, improving 2026 outlook

GDP grew 5.1%, higher than our forecast of just 4.9%, supported by robust 4Q performance at 5.4% (1Q-3Q growth at 4.9%, 5.1%, and 5%). Growth in 4Q25 was supported by steady household consumption and strong investment expenditure. Consumption grew 5.1% y/y in 4Q25, supported by government stimulus packages in 2H25, stronger consumer confidence that underpinned household consumption. Moreover, investment rose 6.1% y/y in 4Q25, reflecting Indonesia's push towards higher value-added production and sustained foreign direct investment. Total direct investment reached IDR1,931tn (+12.7% YoY), slightly above target (101.3%), with 46.6% coming in from FDI flows. Around 30% of investment was directed towards the down-streaming efforts, underscoring the country's long-term steady commitment to bring about higher value-added economic activities. Government spending also helped in supporting growth momentum via four stimulus packages worth IDR110.7tn that targeted vulnerable groups to steady their livelihood and keep the consumption engine going. We expect growth engines of household consumption together with steady investment and higher government fiscal spending to bring about higher growth for this year. Our forecast for 2026 GDP growth remains at 5.2%, which is in line with the official target range of 4.9-5.7%.

Indonesia's inflation in Feb stood at 4.8% y/y, above BI's target range (1.50% - 3.50%) due to low base effects on electricity subsidy early last year and also amid strong demand for jewelry and rising food prices during the Ramadhan fasting period. Administered prices surged +12.7% y/y, energy inflation +22.2%, and food inflation at 4%, which has been consistently elevated since Jul'25. Core inflation remained stable at 2.6% y/y. We forecast inflation rate to average higher in 2026 at 2.5% after registering a sub 2% average last year. There is, however some upside risks to our forecast amid recent military aggression in Iran and the Middle East. Based on our upgraded Brent crude oil forecast of roughly around 27% average over the next 3 quarters ahead, and assuming it is sustained, we estimated the pass-through impact of around 0.56ppt to the overall inflation. As such, our inflation forecast could average higher to around 3.1-3.2% this year, which is still within BI's target range, though closer to its upper end of the forecast range.

Indonesia's current account slipped back into a deficit of USD2.54bn in 4Q25, reversing from a surplus of USD4.01bn in 3Q25. It was driven by persistent deficits in services and primary income, which outweighed surpluses primarily in goods account. From the financial side in 4Q25, performance was strong with higher portfolio inflows, direct investment remained in surplus, and other investments turned positive. That said, 2025 saw the financial account registering a significant outflow of USD4.54bn due to heightened global volatility and risk off preference for emerging markets. But direct investment still recorded a favorable growth, aligned with national strategic programs from the government. From a 0.1% current account deficit (CAD) over GDP, we expect the CAD to widen to 1% this year, driven by higher imports and wider primary income deficit.

CENTRAL BANK

Room for rate cut remains

BI maintained its policy rate at 4.75% in Feb, with the deposit facility and lending facility also kept unchanged at 3.75% and 5.50%. The decision was aimed at anchoring the rupiah stability as BI reiterated its strategy to adopt a cautious and data-dependent approach to future rate decisions. BI will also use its macroprudential policies to strengthen the effectiveness of existing accommodative and pro-market monetary policy while keeping the room for rate reductions open to support growth. Based on Feb's MPC, we pushed back our rate cut expectation of 25bps now in each 2Q26 and 3Q26 respectively to bring the benchmark's terminal rate to 4.25%.

CURRENCY

IDR continues to underperform

The IDR is likely to remain an underperformer within the Asia FX complex as the fragile global risk backdrop—exacerbated by the intensifying geopolitical conflict in the Middle East—adds to an already challenging domestic environment. Notably, S&P Global Ratings cautioned in late Feb that rising fiscal pressures, particularly higher debt-servicing costs, have increased downside risks to Indonesia's sovereign credit profile and could prompt negative rating action.

Looking ahead, we expect the IDR to remain under pressure in 2Q26, broadly in line with regional peers, as risk aversion becomes more entrenched. Nonetheless, BI is likely to remain vigilant and intervene in the FX market when necessary to smooth excessive volatility. As geopolitical tensions eventually subside, renewed expectations of additional Fed rate cuts in 2026 should exert downward pressure on the USD and offer cyclical support to EM Asia FX, including the IDR. Even so, BI's dovish policy stance is expected to keep the currency trailing its regional counterparts. Our expectations of a further 50 bps of easing over the next two quarters will likely cap the IDR's ability to fully benefit from a softer USD environment.

Overall, our updated USD/IDR forecasts are at 17,000 in 2Q26, 16,900 in 3Q26, and 16,800 in both 4Q26 and 1Q27.

JAPAN

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/JPY	159	156	154	152
JPY Policy Rate	0.75	1.00	1.00	1.00
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	-0.2	1.1	1.3	1.5
CPI (avg y/y %)	2.8	3.2	2.0	2.0
Unemployment Rate (%)	2.5	2.6	2.8	2.8
Current Account (% of GDP)	4.8	4.0	4.5	4.5
Fiscal Balance, FY (% of GDP)	-7.1	-4.8	-4.5	-4.5

ECONOMY

2026 growth may edge higher despite rising uncertainties

Despite global trade tensions and an uneven recovery, the economy expanded by a modest 1.1% for 2025, an improvement from the 0.2% contraction in 2024. The growth outlook for 2026 remains one of guarded optimism, with risks becoming more pronounced in recent weeks. Within domestic demand, business spending (capex) is expected to rise (2-3%) in 2026 which includes accelerated investments in AI-related and semiconductor technology, supporting growth this year and bodes well for Japan's long-term potential. Meanwhile, private consumption may get a boost from the spring wage negotiations ("Shuntō"), which are expected to result in robust pay increases (similar to 2025), allowing real wage growth to turn positive this year, after 4 years of decline.

Following her historic landslide election victory in Feb, PM Takaichi will take a bolder stance in pursuing expansionary fiscal policies, including a JPY 21.3 tn stimulus package and the proposal to temporarily suspend the consumption tax on food. Together with higher defense spending, fiscal challenges are expected to persist, and have manifested in JGB yields hitting record highs. The escalation of the US-Iran conflict has become a precarious risk that may complicate Japan's growth and inflation outlook. Japan is a major oil importer, and over 90% of its crude oil comes from the Middle East. The risk of persistently higher crude oil prices could push Japan's inflation up while ballooning the import bill, weighing on growth. We keep our 2026 growth forecast unchanged at 1.3% (2025: 1.1%), with downside risks from weak private consumption and elevated crude oil prices.

After staying elevated in most of 2025, Japan's CPI inflation eased to 1.5% y/y in Jan, falling below the Bank of Japan's (BOJ) 2.0% target for the first time since Mar 2022. Core inflation (which excludes fresh food), also eased to 2.0% in Jan (from 2.4% in Dec), but matched the BOJ's target, while core-core inflation (which excludes fresh food and energy), came in at 2.6% y/y, from 2.9% in Dec, but well above the BOJ's target, implying demand driven price pressures are still present. We keep our overall CPI inflation forecast intact, looking for an average of 2.0% in 2026 (from 3.2% in 2025), but with the upside risks to headline inflation due to uncertain energy prices in the months ahead..

CENTRAL BANK

Keeping our call for a final 25-bps rate hike in 2026, but rising risks of a longer pause

Markets have pared back BOJ rate hike expectations after Japan's government nominated two reflationary economics academics, Ayano Sato and Toichiro Asada, to join the BOJ policy board. The nominations strengthened expectations that the Takaichi administration will be cautious about the BOJ raising interest rates quickly. Nevertheless, we continue to expect one more 25-bps hike in 3Q26 to a terminal rate of 1.00%, supported by positive momentum in spring wage negotiations that is likely to feed through to underlying inflation and sustain the BOJ's normalisation path. Following the outbreak of the US-Iran conflict, market lowered their expectations for Mar and Apr BOJ hikes. In our view, the BOJ's decision to resume hikes will hinge on domestic data (especially the outcome of the spring wage negotiations) and external factors (crude oil price movements). Governor Ueda has indicated that if wage growth results are stronger than expected, the timeline for sustainably achieving the 2% inflation target could be brought forward. For now, we still expect the BOJ to enter a period of pause before the subsequent hike to the terminal rate of 1.00% in 3Q26, provided the global situation stabilizes. Admittedly, the current developments point to a more cautious approach, i.e. a longer pause.

CURRENCY

USD/JPY stays high for a while longer

USD/JPY did not extend higher toward 159 as we had expected following the 8 Feb snap election, despite the ruling party's landslide victory under PM Takaichi. Instead, the pair declined as much as 3.2% in the week after the election, reaching a low of 152.27. The move was driven by reduced fiscal risk premiums after Takaichi reaffirmed her intent to avoid issuing new bonds to finance a two-year sales-tax cut on food. USD-specific factors subsequently supported a rebound in USD/JPY in the latter half of Feb, aided by a notably hawkish set of FOMC minutes. In the near term (2Q26), we expect USD/JPY to remain elevated, supported by broad USD strength in the wake of renewed geopolitical tensions in the Middle East. Concurrently, the sharp rise in crude prices has weighed on the JPY, given Japan's status as a net oil importer, and has muted the currency's traditional safe-haven characteristics.

Looking further ahead, as geopolitical risks ebb, we continue to anticipate a gradual moderation in USD/JPY toward levels more consistent with narrowing US–Japan interest-rate differentials. Policy divergence remains substantial: we forecast two additional Fed cuts this year, while BOJ is projected to deliver a 25-bp hike to a terminal policy rate of 1% in 3Q26, after assessing yet another potentially strong round of wage increase in this year's spring wage negotiations. Our updated forecasts stand at 159 in 2Q26, 156 in 3Q26, 154 in 4Q26, and 152 in 1Q27.

MALAYSIA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/MYR	3.98	3.94	3.90	3.85
MYR O/N Policy Rate	2.75	2.75	2.75	2.75
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.1	5.2	4.5	4.6
CPI (avg y/y %)	1.8	1.4	2.0	2.0
Unemployment Rate (%)	3.2	2.9	2.9	2.9
Current Account (% of GDP)	1.4	1.6	1.8	1.8
Fiscal Balance (% of GDP)	-4.1	-3.7	-3.5	-3.3

ECONOMY

Strongest growth since 2022

Malaysia's economy outperformed expectations with 6.3% y/y growth in 4Q25, bringing full-year expansion to a three-year high of 5.2% in 2025 that surpassed official estimates of 4.0%-4.8% and advance estimates of 4.9%. Monthly GDP rose sharply to 7.2% in Dec (Nov: +5.4%; Oct: +6.3%), reflecting robust seasonal demand and export strength.

Growth was supported by income-support measures that lifted private consumption, along with strong investment activity, particularly in data centres & related infrastructure. Services and manufacturing sectors remained key contributors, while the agriculture sector benefited from higher palm oil output. Construction sector continued to post double-digit gains, supported by non-residential and special trades. However, the mining sector moderated in the final quarter due to softer oil and LNG output.

Noteworthy are higher FDI inflows to a fresh record of MYR27.8bn in 4Q25 (3Q: +MYR8.5bn), driven largely by Singapore, Hong Kong and China. For the whole year of 2025, FDI inflows totaled MYR53.5bn (2024: +MYR51.5bn). This coupled with strong investment approvals of MYR285bn in Jan-Sep 2025 and the rollout of catalytic projects under the national masterplans reinforce a positive investment outlook.

Further policy catalysts are expected in the coming months including: (i) the New Investment Incentive Framework (NIIF), to be fully implemented for manufacturing in 1Q26 and extended to services in 2Q26; and (ii) the Johor-Singapore Special Economic Zone (JS-SEZ) blueprint, which is slated for release on 30 Mar.

We kept our real GDP growth forecast of 4.5% for 2026 (official est: 4.0%-4.5%, 2025: 5.2%) with upside potential from the services components particularly information and communication as well as manufacturing related services. Domestic demand should remain the key anchor, supported by persistent government policy measures inclusive of civil servant pay hikes, stronger tourism flows in conjunction with Visit Malaysia Year 2026 and ongoing AI related capex.

Pending further details on latest global tariff rate of 10% imposed on all countries exporting to US, we gather that it is still favorable for Malaysia relative to previous rate of 19% that was negotiated (but not ratified yet) under the Agreement of Reciprocal Tariff (ART) with US.

The macro-outlook for Malaysia is also barring effects from broader Middle East conflict. Malaysia is less energy price sensitive than many peers thanks to sizable LNG exports and targeted subsidies to cushion the effect on households. But compared with previous Middle East flare-ups, the domestic policy mix including reforms now mechanically passes through more of a fuel shock to firms and higher usage households, while trade/logistics frictions are broader (Hormuz + Red Sea) and could be more persistent. Our base case assumes oil remains contained and moderates later in 2026. We retain our baseline forecasts with risks skewed to downside if the shock lasts beyond 2-3 months.

CENTRAL BANK

OPR likely to stay on hold

Despite the GDP strength and upside growth momentum, we continue to expect the OPR to remain at 2.75% through 2026. BNM's monetary policy guidance continues to signal a neutral stance amid moderate inflation and persistent global risks stemming from geopolitical tensions and renewed tariff uncertainties. The government stated that it will try to maintain the price of RON95 petrol for Malaysians at the current level of MYR1.99/ litre despite global market uncertainty due to the conflict in the Middle East. This will help anchor domestic inflation in the near term while the MYR strength since last year helps cushion imported costs.

Assuming a stable growth trajectory and Middle East conflict of less than 3 months, we expect BNM to keep the key policy rate on hold at 2.75% for now. However, anything longer would change the inflation and growth dynamics as global growth comes under pressure. Guided by BNM, government policy responses, wage and consumption effects, and any deferred investment plans, we would then reassess forecasts as needed. The next Monetary Policy Committee decision is scheduled for 7 May.

CURRENCY

MYR resilience intact despite near-term pullback

Malaysia's solid macro underpinnings — including a firm GDP trajectory, progressive fiscal reforms and a consistently positive current-account position — should help buffer the MYR against the recent surge in crude oil prices triggered by escalating Middle East tensions. Nevertheless, in line with regional peers, the currency is unlikely to be fully insulated from shifts in portfolio flows as global risk appetite undergoes a reassessment.

In the near term (2Q26), we expect some unwinding of the MYR's strong rally from its Nov 2025 level of 4.20/ USD, as investors lock in gains after several months of outperformance. As geopolitical risks fade, Malaysia's favorable idiosyncratic factors should reassert themselves. We continue to expect inflation to remain stable at 2.0% and the OPR to stay unchanged at 2.75%, with the resulting narrowing of the US-Malaysia rate differential providing an additional layer of support for the currency.

Overall, our updated USD/MYR forecasts are 3.98 in 2Q26, 3.94 in 3Q26, 3.90 in 4Q26, and 3.85 in 1Q27.

PHILIPPINES

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/PHP	59.0	58.5	58.2	57.8
PHP O/N Reverse Repo	4.25	4.25	4.25	4.25
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.7	4.4	5.0	5.3
CPI (avg y/y %)	3.2	1.7	3.0	3.0
Unemployment Rate (%)	3.8	4.2	4.2	4.1
Current Account (% of GDP)	-4.0	-3.2	-3.2	-3.0
Fiscal Balance (% of GDP)	-5.7	-5.6	-5.3	-5.0

ECONOMY

Restoring confidence and integrity in 2026

The Philippine economy grew 3.0% y/y in 4Q25 (3Q: +3.9%), the slowest pace since 1Q21. On a seasonally adjusted basis, however, growth improved to 0.6%, doubling from 0.3% in the prior quarter and signalling a gradual recovery in underlying activity, led by services.

The public works corruption scandal remained the primary drag on annual growth in 4Q25, weighing on consumer and investor sentiment. This resulted in sharp contractions in construction (-7.1% y/y) and investment (-7.2%), alongside softer household (+3.8%) and government (+3.7%) spending.

Sector performance was mixed, with steady gains in mining (+5.3%), services (+5.2%), and manufacturing (+1.6%) sectors, offsetting weaker agriculture (+1.0%) and utilities (-1.6%) activities. External demand strengthened, delivering the strongest net trade contribution since 4Q20 (+1.9ppts) despite continued inventory drawdowns (-0.8ppt).

For the full year of 2025, real GDP rose 4.4%, the weakest in five years (2024: 5.7%). Looking ahead, we maintain a forecast of 5.0% growth for 2026 (official est: 5.0%-6.0%), supported by the ASEAN chairmanship, an accommodative monetary policy stance, manageable inflation, persistent global trade flows, and the ongoing AI-driven upcycle.

Nevertheless, restoring integrity and rebuilding momentum in the national infrastructure programme remain essential to safeguarding the growth outlook amid ongoing external uncertainties. Persistently weak investment, domestic political or governance setbacks, renewed global tariff risks, and spillovers from global financial and geopolitical volatility are key downside risks to growth.

BSP Governor noted that the lower global tariff of 10% (from 19%), following the US Supreme Court's ruling on President Trump's reciprocal tariff policy, is a welcome development. He added that the impact of US tariffs on the Philippines has so far been limited, and the BSP does not expect this to materially change moving forward.

Finance Secretary indicated that the current Middle East tensions are likely to have only a modest and temporary effect on the country's economy. In our view, the situation remains fluid, and any sustained escalation would primarily impact the Philippines' inflation and PHP through direct price and currency channels. As such, it remains too early to assess the overall impact.

CENTRAL BANK

Greater policy openness to data-driven adjustments

The BSP delivered another 25bps cut to its Target RRP Rate to 4.25% on 19 Feb, primarily due to weaker-than-expected 4Q25 GDP amid a benign inflation environment. This marks the ninth reduction since the easing cycle began in Aug 2024, bringing cumulative rate cuts to 225bps.

The Feb Monetary Policy Statement (MPS) maintained a cautiously accommodative stance. While inflation forecasts were revised slightly higher due to temporary supply-side pressures, BSP continues to see inflation as manageable. It now projects inflation at 3.6% in 2026 (previous: 3.2%; UOB est: 3.0%; 2025: 1.7%) before easing to 3.2% in 2027 (previous: 3.0%; UOB est: 3.0%). We assess risks to remain tilted to the upside, driven by potential electricity tariff adjustments, higher rice import duties, volatile commodity prices, adverse weather conditions, and base effects. A prolonged Middle East conflict could further push energy costs higher and weaken PHP, amplifying domestic inflationary pressures in the months ahead.

In the Feb MPS, BSP also highlighted early signs of a growth recovery in 2H26 and removed its earlier indication that the current easing cycle was nearing completion. Given this shift alongside expectations of a rising inflation path, narrowing US-Philippines rate differentials, and global policy signals, we reckon that BSP has brought forward its rate cut to Feb to help restore confidence and support growth. We therefore expect no further policy rate moves for the rest of the year, barring a material change in global conditions or a further deterioration in 1Q26 GDP (due 7 May).

CURRENCY

PHP to stay defensive

The positive start to the year for the PHP (+2% YTD through Feb) was offset with the sudden conflict in the Middle East which saw USD/PHP propelling higher from a low of 57.45 in late Feb to 58.60 as of 4 Mar.

In the near term, the PHP is likely to retain a defensive bias based on a confluence of factors: (i) Narrowing yield differentials with the US-Philippine policy rate gap compressing to a record low 50bps presently; (ii) Fiscal constraints, which partially offset the tailwinds from an anticipated broad-based USD softening; (iii) Heightened external risks, including broader Middle East conflicts and renewed global tariff tensions that could weigh on risk sentiment and trade flows; and (iv) Weak foreign investment inflows following the public works corruption scandal and ongoing political uncertainty, which could limit near-term FX support.

Thus, we now expect a more modest appreciation trajectory for the PHP. Our updated USD/PHP forecasts are 59.0 in 2Q26, 58.5 in 3Q26, 58.2 in 4Q26, and 57.8 in 1Q27.

SINGAPORE

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/SGD	1.29	1.27	1.26	1.25
SGD 3M SORA (compounded)	1.26	1.30	1.37	1.48
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.3	5.0	3.6	2.0
Core CPI (avg y/y %)	2.8	0.7	1.5	1.4
Unemployment Rate, eop (%)	1.9	2.0	2.2	2.0
Current Account (% of GDP)	17.2	16.7	17.0	17.2
Fiscal Balance, FY (% of GDP)	0.8	1.9	1.0	0.8

ECONOMY

Output gap to remain modestly positive in 2026

We assess that AI-related tailwinds could persist at least through 1H26, supported by recent data such as the uptick in Singapore's electronics PMI (Feb: 51.3; Jan: 51.1), driven by improvements in the new export orders (Feb: 51.4; Jan: 51.2) and future business (Feb: 51.3; Jan: 51.1) sub-indices. These indicators point to firm demand momentum for electronics and semiconductors in the months ahead. Elsewhere in Asia, Taiwan's tech exports to the US continued to accelerate in Jan 2026, while South Korea's semiconductor exports rose to another record high in Feb. According to calculations in the Jan 2026 MAS MR, capital expenditure by major technology companies is expected to expand by a still-robust ~30% in 2026, although moderating from the strong 50% increase in 2025.

We have recently raised our 2026 GDP growth forecast to 3.6% (from 2.6% prev), with risks likely still tilted to the upside even after the sharp revision. MTI's Composite Leading Index (CLI) strengthened further in 4Q25 (3.7% q/q; 3Q: 3.2%), signalling a potentially stronger q/q sa GDP expansion in 1Q26. Our growth projections remain somewhat conservative, assuming a robust q/q sa expansion in 1Q26 (albeit softer than in 4Q25), a technical pullback in 2Q26, and very modest q/q sa increases across 3Q-4Q26. We continue to adopt a data-dependent approach and will revise our forecasts as new information becomes available. Under our baseline projections, we assess that the output gap is likely to remain significantly positive in 2026 (1.0%; 2025: 1.2%), broadly in line with MAS' estimate in the Jan 2026 MR.

CENTRAL BANK

MAS to steepen the S$NEER band slope by 50bps to 1.0% p.a. in the Apr 2026 MPS, with risks of delay to Jul 2026

Singapore's core CPI surprised meaningfully on the downside in Jan, registering a 0.3% m/m nsa decline (Dec: +0.4%), translating into a weaker 1.0% y/y print (Bloomberg est: 1.5%) compared to Dec (1.2%) despite low base effects kicking in. The weaker-than-expected core inflation outturn was driven by: [1] a sharper m/m fall in education costs; [2] a third consecutive m/m decline in recreation, sport and culture CPI on softer hotel and chalet fees and package holiday expenses; and [3] some sequential pullback in airfares CPI. See note.

We project core inflation to rise to 1.5% in 2026 (from 0.7% in 2025), driven partly by low base effects associated with the sub-1% core readings recorded in Jan-Sep 2025. Given recent conflicts in the Middle East, we estimate that a US$10/bbl increase in Brent crude oil prices from the baseline could lift Singapore's core inflation by 30-40bps. As such, upside risks to inflation could stem from a more protracted conflict in the Middle East. Meanwhile, the ongoing gradual appreciation of the S$NEER will continue to keep imported inflation contained, while any wage-cost pressures are likely to be partly offset by productivity gains from AI adoption—especially with the latest Budget 2026 push (see note)—which should limit ULC growth.

We expect MAS to steepen the slope of the S$NEER policy band by 50bps to 1.0% p.a. at the upcoming Apr 2026 MPS, but there is a risk that policy normalization may be delayed to the Jul 2026 MPS. The steepening should be seen as a one-off adjustment to align the S$REER closer to equilibrium levels, rather than the start of a sequence of tightening moves.

CURRENCY

Temporary lift in USD/SGD, downtrend intact

USD/SGD appears to have carved out a near-term base around 1.26 over the past month, with heightened geopolitical tensions in the Middle East serving as a catalyst for a rebound. Even so, the SGD's status as a regional safe-haven, alongside market expectations for the MAS to tighten policy at the Apr meeting—potentially via a 50bps steepening of the slope to an estimated 1.0% p.a.—should help cap losses on the SGD in 2Q26.

Once geopolitical risks begin to subside, we expect USD/SGD to resume its downward trajectory, in line with a broader softening of the USD as attention shifts back to forthcoming Fed rate cuts. Our updated USD/SGD forecasts are 1.29 in 2Q26, 1.27 in 3Q26, 1.26 in 4Q26 and 1.25 in 1Q27.

In addition, the persistence of the S$NEER near the top of the policy band since the start of the year, together with SGD's potential for outperformance amid a fragile global backdrop, underpins our view of a modest recovery across key SGD crosses in 2026. SGD/MYR appears to have found a floor at 3.07 in late Feb, with scope to grind higher toward 3.10 by year-end. Likewise, we look for SGD/CNY to edge up to 5.44 by end-2026 from current levels near 5.41.

SOUTH KOREA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/KRW	1,490	1,460	1,430	1,410
KRW Base Rate	2.50	2.50	2.50	2.50
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	2.0	1.0	2.0	2.0
CPI (avg y/y %)	2.3	2.1	2.3	2.1
Unemployment Rate (%)	3.1	3.3	3.2	3.2
Current Account (% of GDP)	5.3	6.5	5.3	4.6
Fiscal Balance (% of GDP)	-3.6	-4.2	-4.0	-4.1

ECONOMY

GDP slipped in 4Q25 but outlook stays firm

South Korea's advance 4Q25 GDP unexpectedly contracted by -0.3% q/q SA. Compared to a year ago, the GDP growth moderated to 1.5% y/y from 1.8% y/y in 3Q25. The momentum slowed broadly across the economy in 4Q25 as the effect of the fiscal boost from two earlier supplementary budgets in 2025 tapered off and curbs in the property market may have tempered consumer sentiment.

The government doubled down its campaign to curb real estate speculation in 2025, including tightening the loan-to-value (LTV) caps, mortgage limits in Seoul and regulated areas as well as restricting foreign home buying. In Jan this year, the BOK rolled out higher risk weights on banks' home loans. Further property price gains will also face headwinds from the ramp-up in new home supply in Seoul and the expiry in May of the temporary capital gains tax exemption for multiple-home owners (up to 75%).

For the full year of 2025, South Korea's economy expanded by a modest 1.0%, held back by a weak first half. Exports remained the primary engine of growth as the anticipated drag from US tariff measures was muted. Firms accelerated shipments ahead of implementation while the global tech upcycle further buoyed US demand for Korean exports, offsetting any tariff headwinds. For now, the reset of President Trump's IEEPA tariffs is assessed to have limited impact for the growth and export outlook, given that South Korea's tariff rates are expected to remain unchanged under the US' temporary measures.

The positive outlook for 2026 is contributed by both the robust AI-driven tech demand and recovery in consumption despite a sluggish outlook for construction investment. Exports surged 31.3% y/y in Jan-Feb led by 131.1% y/y gains in semiconductors shipments while the consumer sentiment index strengthened further in Feb. Government funded job program has underpinned the low unemployment rate which stayed at around 2.7%-2.8% for most part of 2025. Nonetheless, the relatively high youth unemployment remains of concern. There is no concrete plan yet for a supplementary budget even as President Lee Jae Myung has hinted at an extra budget to support the culture and arts sector, and to boost the broader economy.

The financial market has performed strongly in 2025 and early-2026, driven by policy measures to enhance corporate governance, shareholder rights, and stock valuations ("Korea Discount"), including the amendments to the Commercial Act and the "one-strike-out" rule against unfair trading. The MoF has also introduced temporary capital gains tax exemptions to encourage capital repatriation. In Apr 2026, FTSE Russell will commence to include Korean government bonds in the World Government Bond Index (WGBI), over an eight-month period, which is also expected to drive stronger foreign inflows.

CENTRAL BANK

BOK on an extended pause

The BOK maintained its rate freeze for a sixth consecutive meeting in Feb. The decision considered an improving growth outlook and persistent financial stability risks including the housing market, household debt and FX, while inflation is projected to stay near to the BOK's 2% target.

Earlier in Feb, the BOK forecast 2026 headline CPI at 2.2% and core CPI at 2.1% (2025: 1.9%), noting higher cost pressures on electronic devices due to higher semiconductor prices. Domestic demand remained largely contained but risks are now skewed further to the upside due to higher oil prices and potential disruption to the supply chains including semiconductor manufacturing. We raise our forecast for the headline CPI to 2.3% from 2.1% for 2026 while risk is still tilted to the upside. As the world's fourth-largest crude importer (70% from Middle East) and the third-largest importer of LNG, South Korea will be one of the most vulnerable economies to an inflation spike.

The BOK's Feb "dot-plot" shows the medium forecast for the base rate at 2.50% in the next six months. We maintain our call for the BOK to stay pat through 2026 as we monitor the situation in the Middle East and the impact on domestic growth and inflation.

CURRENCY

Near-term KRW vulnerability amid oil shock and risk aversion

The KRW is poised for further near-term weakness following the late-Feb US strike on Iran. As a net oil importer, South Korea is particularly exposed to rising crude oil prices, which tend to erode the current-account balance. Portfolio flows have also turned adverse, with foreign investors exiting the local equity market at the fastest single-day pace in recent years. Reflecting these pressures, the KRW depreciated sharply on 3 Mar, weakening by as much as 2.7% to 1,507/USD, its weakest since the Global Financial Crisis.

Looking ahead to 2Q26, we expect the KRW to remain under pressure in line with our call for a broad USD rebound amid elevated global risk aversion. As geopolitical uncertainty gradually eases, market focus is likely to rotate back toward monetary policy dynamics, which should help anchor the currency. Further Fed rate cuts in 2026, alongside a steady BOK policy stance, are expected to create a more USD-negative backdrop that could facilitate a recovery in the KRW. In addition, the scheduled inclusion of Korean government bonds in the WGBI in Apr 2026 may drive bond inflows and underpin the KRW. Overall, we revise our USD/KRW forecasts to 1,490 in 2Q26, 1,460 in 3Q26, 1,430 in 4Q26, and 1,410 in 1Q27.

TAIWAN

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/TWD	32.0	31.5	31.0	30.5
TWD Official Discount Rate	2.00	2.00	2.00	2.00
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	5.3	8.7	7.7	3.8
CPI (avg y/y %)	2.2	1.7	1.9	2.0
Unemployment Rate (%)	3.4	3.4	3.3	3.3
Current Account (% of GDP)	14.1	19.6	16.8	15.0
Fiscal Balance (% of GDP)	0.4	-1.2	-1.0	-0.5

ECONOMY

AI driving broad and sustained structural growth in Taiwan's exports

Taiwan's real GDP expanded by 12.65% y/y in 4Q25 – its fastest since 3Q87 – while 3Q25 growth was revised higher to 8.42% from 8.21%. For the whole of 2025, the GDP grew 8.68%, the fastest pace since 2010 (10.25%). The robust economic performance underscored strong global demand for Taiwan's electronic components and ICT exports due to the rapid increase in AI applications and infrastructure building. Net exports were the dominant growth driver in 2025, contributing 6.66ppt. Private consumption and government consumption contributed 0.68ppt and 0.16ppt respectively. Contribution from gross fixed capital formation was 2.72ppt while inventory reduction was a drag of -1.54ppt to the growth rate in 2025.

The outlook for Taiwan's exports remains positive this year. Taiwan and the US signed a trade agreement on 12 Feb which lowered tariffs on Taiwanese goods to 15% from 20% and exempted more goods from "reciprocal" duties. Taiwan will receive preferential tariff treatment under Section 232 for semiconductors and their derivative products, with zero tariffs within quota limits. In return, Taiwan will increase purchases from the US including LNG and crude oil, power equipment, and aircraft and engines while boosting market access for US products. Taiwan also committed to US$250 bn in new direct investment in the US semiconductor and technology enterprises, and US$250 bn in credit guarantees by Taiwan's government for additional investments. While Trump's IEEPA-tariffs were thrown out, the US administration will likely seek to maintain the original terms. Risks stemming from US trade policy are expected to recede in 2026.

Taiwan's economy could continue to outperform this year with likely stronger spillovers into the broader economy from the export-led growth. Export orders rose by 60.1% y/y in Jan – the fastest pace since 2010 (partially lifted by seasonality). This was driven by strong global demand for Taiwan's information & communication products (102.0% y/y) and electronics exports (78.6% y/y), which accounted for 3/4 of its export orders. Robust corporate earnings are in turn expected to drive wage increases while gains in the stock market boost wealth effect. Private consumption will be supported by higher income and booming outbound tourism. The investment outlook is anchored by tech companies boosting capacity and increased R&D spending. In Feb, Taiwan lifted its official growth forecast for 2026 sharply higher to 7.71% from 3.54%. Real exports of goods and services are projected to grow 12.68% in 2026 compared to 31.82% in 2025. We are also more bullish as we factor in a GDP growth of 11.6% y/y in 1Q26 and 8.9% y/y in 2Q26 followed by a moderation to around 5.5% in 2H26. We revise our forecast for 2026 GDP growth to 7.7% (from 3.5%), in line with the official outlook.

Inflation remains subdued. Headline CPI stayed below the central bank's 2% target for the ninth consecutive month in Jan. Owing to seasonal factors and a higher base arising from last year's different Lunar New Year timing, both headline and core inflation softened to 0.69% y/y and 1.24% y/y, respectively, in Jan. With an expected rebound in Feb and subsequent months, we project headline CPI to average 1.9% in 2026, slightly higher than the 1.7% in 2025. The war in the Middle East presents notable upside risks, given Taiwan's heavy reliance on imported energy. These pressures may materialise gradually, however, as delayed hikes in electricity prices slow some of the pass-through to consumer prices.

CENTRAL BANK

Monetary policy space is present

The CBC has maintained an extended pause since its last rate hike in Mar 2024 with the strong economic growth the main constraint for monetary policy easing. The property market has softened following the selective credit controls and CBC's monitoring of the real estate lending concentration. According to the Department of Land Administration, Taipei's residential price index has fallen since May, registering a 1.2% drop in 2025 as of Nov. While the risks from the real estate market have eased, the prospect of persistently higher energy costs will likely continue to keep CBC on hold. Given the strong economic fundamentals, the CBC will have room to tighten monetary policy if inflation rises substantially and persistently above 2% due to the Middle East conflicts. Based on our current inflation projection, we reiterate our call for the CBC to stay on hold at 2.00% through 2026.

CURRENCY

Soft patch now, macro tailwinds later

Despite solid underlying fundamentals, the TWD was not immune to the recent bout of market volatility, driven by heightened geopolitical tensions and renewed foreign outflows. On 3 Mar, foreign investors sold a net TWD 94.7bn (USD 2.9bn) of Taiwanese equities, recording the largest single-day outflow since Sep 2024. This pressure pushed the TWD weaker to 31.7/USD on 4 Mar, its softest level since May last year.

In line with broader Asia FX dynamics, the TWD is likely to remain biased weaker into 2Q26 against a fragile global risk backdrop. Nonetheless, Taiwan's robust economic fundamentals—underpinned by strong AI-driven demand for semiconductor exports—should reassert themselves once geopolitical uncertainties subside. This is expected to provide a foundation for currency stabilisation and a gradual recovery later in the year. Overall, our updated USD/TWD forecasts are 32.0 in 2Q26, 31.5 in 3Q26 and 31.0 in 4Q26 and 30.5 in 1Q27.

THAILAND

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/THB	32.0	31.6	31.3	31.0
THB 1D Repo	1.00	1.00	1.00	1.00
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	2.9	2.4	1.8	2.5
CPI (avg y/y %)	0.4	-0.1	-0.3	0.4
Unemployment Rate (%)	1.0	0.8	1.0	1.0
Current Account (% of GDP)	2.2	3.1	1.6	1.9
Fiscal Balance (% of GDP)	-1.3	-2.2	-2.3	-2.0

ECONOMY

Growth is likely to slow in 2026

4Q25 GDP surprised to the upside, with growth accelerating to +2.5% y/y (+1.9% q/q sa), lifting full-year 2025 growth to +2.4%, led by domestic demand. Looking ahead, we continue to see 2026 as the cyclical trough and keep our 2026 GDP forecast at +1.8% (vs. the NESDC's 1.5-2.5% range), as late-2025 tailwinds fade, and consumption normalizes after earlier front-loading in durables and autos. Domestic spending and a gradual recovery in tourism should cushion the slowdown, though growth is likely to remain below potential and uneven across sectors.

Key signposts for 1H26 include the extent of any payback in auto and durable-goods spending, the pace of FY2026 budget disbursements, whether private capex can broaden beyond tech-linked sectors, and a more meaningful recovery in services export receipts. A renewed escalation involving Iran and the wider Middle East adds a further near-term downside risk. Upside risks are more concentrated in 2H26: a new government could deliver a larger-than-assumed fiscal impulse through additional stimulus and faster execution of public spending, while exports could outperform if the electronics upcycle proves more durable—despite trade-policy uncertainty and tariff headwinds.

Beyond the near-term cycle, the key to reaching a better outcome is increasingly about execution and the extent of incoming FDI. BOI promotion certificates were issued for THB 1.15trn of investment in 2025 (+36% y/y), implying that a portion of the pipeline could materialize over the next 1-2 years, led by digital/data centers and electronics. Policy initiatives such as the BOI Fast Pass seek to speed up project conversion by streamlining permits—targeting 20-50% faster approval/permit timelines—and easing binding constraints, including grid connections, clean power access, land-use/urban planning, and EIA processes. We see the BOI pipeline as a medium-term catalyst rather than an immediate 2026 growth engine, with the pace of conversion the key swing factor.

Price pressures remain subdued, and external buffers are intact. Given the still-subpar growth outlook, we maintain our forecast for Thailand's headline CPI at −0.3% in 2026, with a gradual rebound to +0.4% in 2027. That said, renewed escalation of military conflict in Iran and the broader Middle East highlights Thailand's vulnerability to oil-price shocks: energy accounts for a high share of the CPI basket, and Thailand remains a net energy importer. The Oil Fuel Fund could help smooth near-term pass-through, but a sustained rise in oil prices would likely lift inflation and pull Thailand out of deflation. While it is still early to tell, we expect impact of oil price spike to be limited on Thailand's inflation and growth prospects.

On the external front, the current account surplus widened to 3.1% of GDP in 2025 (USD 17.7bn), supported by a larger trade surplus (USD 23.3bn). While the surplus is expected to narrow in 2026 (NESDC: +2.4% of GDP), it still provides a stronger starting point for the THB and helps preserve external buffers.

CENTRAL BANK

Terminal at 1.0% – pivot to targeted measures

Following the rate cut at its 25 Feb meeting, the BOT indicated that the current stance is sufficiently accommodative to support the economy. We therefore expect the policy rate to remain at 1.00% through 2026-27. With the BOT emphasizing that policy space is limited, and the need to monitor risks, maintaining an extended low-rate environment could heighten medium-term financial imbalances—particularly as credit continues to contract and borrowing costs for higher-risk SMEs remain elevated despite earlier easing. As a result, we expect the next phase of support to rely more on targeted, non-rate measures to improve transmission and relieve debt constraints, including retail NPL workout initiatives and risk-sharing/guarantee mechanisms such as the SME Credit Boost, alongside closer monitoring of baht appreciation and non-fundamental FX pressures.

CURRENCY

USD/THB finds a near-term floor at 31.0

USD/THB appears to be finding a bottom around the 31.0 level which marked a four-year low. The latest geopolitical escalation may provide the catalyst for a near-term lift in the pair, driven by broad-based USD safe-haven demand.

On the domestic front, the THB remains under pressure after Thailand's bond market experienced the largest single-day net foreign outflow in nearly ten months on 2 Mar, following the eruption of military conflict in the Middle East. We expect a period of consolidation in 2Q26 as investors reassess regional risk dynamics. This pause in THB appreciation is likely to be viewed favorably by policymakers and exporters, following the currency's strong and largely unidirectional 8.2% gain in 2025.

Further ahead, renewed USD softness as markets revert to a Fed-easing narrative, coupled with the THB's historical correlation with rising gold prices, should keep USD/THB biased lower. That said, Thailand's tighter regulations on speculative retail gold trading, which took effect on 1 Mar, may temper the pace of further THB appreciation. Overall, our revised USD/THB forecasts are 32.0 for 2Q26, 31.6 in 3Q26, 31.3 in 4Q26 and 31.0 in 1Q27.

VIETNAM

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
USD/VND	26,400	26,200	26,100	26,000
VND Refinancing Rate	4.50	4.50	4.50	4.50
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	7.1	8.0	7.5	7.0
CPI (avg y/y %)	3.6	3.3	3.8	4.2
Current Account (% of GDP)	3.0	4.0	4.0	4.4
Fiscal Balance (% of GDP)	-2.5	-3.3	-4.0	-4.0

ECONOMY

A strong end to the year and solid start to 2026

Vietnam's real GDP surged by 8.46% y/y in 4Q25 from 8.25% y/y in 3Q25, supported by robust export performance and production despite US tariffs. The outcome exceeded Bloomberg est of 7.7% and our forecast of 7.2%, marking the strongest quarterly performance since 2009 (excluding Covid-19 distortions). For 2025 as a whole, Vietnam's economy expanded 8.02%, above our call of 7.7% but slightly below the government's target of 8.3-8.5%, which would have required an extraordinary pace of 9.7-10.5% in 4Q25.

Vietnam's outsized performance in 4Q25 was again driven by exports, which surged 19% y/y during the quarter, extending the 18.2% gain in 3Q25, despite tariff headwinds. Total exports in 2025 rose about 17% to a record high of USD 473 bn from just about USD 400 bn in 2024, though the 19% increase in imports reduced full-year trade surplus to USD 19 bn (vs USD 24 bn in 2024).

Manufacturing production saw a broad-based increase, rising 11.3% y/y in 4Q25, a faster pace compared to the 10% rise in the same period of 2024. In 2025, manufacturing output jumped by 10.5%, extending the 9.5% increase in 2024, registering its best annual performance since 2018. Data so far in 1Q26 look promising for a solid start in the year. Manufacturing Purchasing Managers' Index (PMI) rose to 54.3 points in Feb, up from 52.5 points in Jan to reach a four-month-high. In Jan 2026, Vietnam's exports rose 29.7% y/y to USD 43.2 bn, faster than expectations of 25.5% growth. Imports gained 49.2% y/y to USD 45 bn, beating the 35.5% estimate.

The trade deficit widened in Jan to USD 1.78 bn, while trade surplus with the US surged by 29% to USD 12 bn. The US remained Vietnam's biggest market in Jan 2026, accounting for 32% of its exports. Back in Oct 2025, the US and Vietnam negotiated a trade framework of 20% tariff, with Vietnam agreeing to provide preferential market access for almost all US industrial and agricultural exports to Vietnam, while the US would offer zero tariffs on some selected products. The recent US Supreme Court's decision to strike down the IEEPA-based reciprocal tariffs (link) suggests that a lower tariff of 10% would prevail instead, thus a positive development for Vietnam's exporters, at least for the next 150 days.

Outlook: Vietnam's 8.02% expansion in 2025 underlines resilient fundamentals heading into 2026. We maintain our 2026 growth forecast of 7.5% for now (projection for 1Q26: 7%), while noting risks from a high base, uncertainty around the US tariff regime (given the Supreme Court ruling and the proposed 10% global tariff), and geopolitical tensions in the Middle East that could affect oil and logistics.

CENTRAL BANK

SBV to hold rates steady amid resilient economic growth

Vietnam's consumer prices eased to 2.53% y/y in Jan 2026, from 3.48% in Dec 2025 and less than analyst estimates of 3.10%. The main drivers of price increases include food, housing-related items, and education.

With crude oil prices moving higher on Middle East tensions, alongside solid domestic growth prospects and ongoing VND softness, the SBV is likely to keep its refinancing rate at 4.50% for now.

That said, the duration of the Middle East military conflict and oil path are highly uncertain and unpredictable. Our base case assumes Brent crude rising to USD 90/bbl in 2Q26, before moderating toward USD 80 by end-2026. Under that scenario, the impact on Vietnam's inflation and growth should be limited. Drawing on experience from early 2022 – when crude oil prices surged to as high as USD 128/bbl after the Russia-Ukraine conflict - we estimate that every USD10 increase in Brent price added about 0.3-0.4ppt to Vietnam's headline CPI, with a transmission lag of about 2-3 months. For GDP growth, the estimated drag was about 0.6 to 0.9ppt, with a lag 2-4 quarters. Given the uncertain and complexity of the geopolitical environment, the SBV is likely to maintain a cautious stance pending clearer signals and incoming data.

CURRENCY

VND weakness limited as SBV band nears

The VND has retraced part of its Jan gains amid a pickup in geopolitical tensions, with USD/VND reverting higher toward 26,200 as of 3 Mar from a recent trough of 25,900 on 10 Feb. In line with broader regional trends, the prevailing global risk-off tone is expected to keep the VND on the defensive in the near term. That said, additional downside appears contained, as the currency is already trading close to the weak end of the SBV's permissible band.

Looking beyond the immediate geopolitical overhang, our medium-term outlook for the VND remains broadly stable. Key supportive factors include Vietnam's firm macroeconomic trajectory — reflected in our robust 2026 GDP growth forecast of 7.5% — alongside resilient FDI inflows, expectations that the SBV will keep its policy rate on hold at 4.5% through 2026, and the prospective reclassification of Vietnam to Emerging Market status in Sep 2026. Our updated USD/VND forecasts are at 26,400 in 2Q26, 26,200 in 3Q26, 26,100 in 4Q26, and 26,000 in 1Q27.

AUSTRALIA

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
AUD/USD	0.69	0.71	0.72	0.73
AUD Official Cash Rate	4.10	4.10	4.10	4.10
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	1.0	1.9	2.2	2.2
CPI (avg y/y %)	3.2	2.8	3.3	2.7
Unemployment Rate (%)	4.0	4.2	4.4	4.4
Current Account (% of GDP)	-2.2	-2.3	-2.3	-2.3
Fiscal Balance, FY (% of GDP)	-4.0	-2.7	-1.5	-1.2

ECONOMY

Recovery to remain uneven

GDP rose 0.8% q/q in 4Q25, in line with expectations, and up from a revised 0.5% q/q expansion in 3Q25 (0.4% q/q previously). From a year earlier, the economy expanded by 2.6% y/y, higher than expectations for a 2.3% y/y print, and above 3Q25's print of 2.1% y/y. This is the fastest growth rate in almost three years.

Overall, we expect the Australian economy to remain supported by lingering resilience in household spending and stronger than expected private demand carried over from late 2025. That said, elevated inflation and a cautious monetary policy backdrop will shape a gradual and uneven recovery ahead, particularly as higher interest rate expectations begin to restrain activity. These dynamics also unfold against the backdrop of the conflict in the Middle East, which is likely to add further upward pressure on inflation.

Even before the latest conflict, inflation indicators had remained uncomfortably high. Annual CPI held at 3.8% y/y in Jan, unchanged from Dec but above the consensus estimate of 3.7%. Seasonally adjusted headline CPI rose 0.5% m/m in Jan, accelerating from 0.2% m/m in Dec. On an annualized basis, headline inflation stood at 4.0% on a three month basis and 3.7% on a six month basis. More concerning for policymakers, trimmed mean inflation edged up to 3.4% y/y from 3.3% y/y, exceeding expectations and reaching its highest level since 3Q24. Core inflation has now remained at or above 3.0% since Jul 2025—clearly outside the RBA's 2%-3% target band.

Domestically, the two factors causing the sticky housing inflation include very high housing rents relative to reported numbers along with a rise in wages and material costs in the sector. Expansionary financial conditions, including rising housing prices, have also added to the persistent inflation. Although we see inflation gradually easing back towards target, inflation pressures are expected to remain elevated in the near term, and we do not expect underlying inflation to fall below 3.0% for some time.

Employment rose 17.8k in Jan, following an upwardly revised 68.5k surge in Dec. The jobless rate held at 4.1%, undershooting the consensus estimate of 4.2%. The latest labour market readings offer little comfort for policymakers. Conditions remain tight, with a slowing decline in participation limiting growth in labour supply. Still, this recent uptick does not alter the wider picture. Employment growth remains muted and continues to lag behind the expansion of the working age population. We expect unemployment to edge up in the second half of this year as economic momentum softens.

CENTRAL BANK

Persistent inflation bolsters rate hike bets

Against this backdrop, the RBA raised the cash rate target by 25bps from 3.60% to 3.85% on 3 Feb, marking its first hike in more than two years and making it the first major developed central bank to tighten policy this year.

In the accompanying statement, the RBA noted that "while inflation has fallen substantially since its peak in 2022, it picked up materially in the second half of 2025. The Board has been closely monitoring the economy and judged that some of the increases in inflation reflects greater capacity pressures. As a result, the Board considers that inflation is likely to remain above target for some time".

At the AFR Business Summit on 2 Mar, RBA Governor Michele Bullock stressed that a rate hike at the upcoming 17 Mar meeting remains "live," citing elevated inflation and a tight labour market. However, she also cautioned that it is too early to assess the economic implications of the ongoing Middle East conflict for Australia's inflation outlook.

Although the risk of a back-to-back hike has increased on the back of persistent underlying inflation and recent commentary from Bullock; we maintain the expectation that the RBA will stay on hold in Mar and wait for the next quarterly inflation report on 29 Apr, with the next rate move at the 5 May meeting.

CURRENCY

AUD outperforms as RBA turns hawkish

The AUD has been the top performer within the G10 complex year-to-date, appreciating more than 6% to 0.71 as the RBA became the first major central bank to tighten policy this year, raising the cash rate target from 3.60% to 3.85% in early Feb. Notably, Australia's policy rate now exceeds that of the US for the first time since 2017, adding to appreciation pressures on AUD/USD. Furthermore, our macro team expects a further 25-bps hike at the 5 May meeting, taking the policy rate to 4.10%, as near-term inflation pressures are likely to remain elevated.

Looking ahead, the AUD should continue to draw support from the market's hawkish repricing of the RBA's policy path following Feb's lift-off. That said, the recent resurgence in global risk aversion amid heightened geopolitical tensions may exert downward pressure on the currency through 2Q26. Beyond this period, we retain a constructive outlook on AUD/USD, with updated projections of 0.69 in 2Q26, 0.71 in 3Q26, 0.72 in 4Q26, and 0.73 in 1Q27.

EUROZONE

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
EUR/USD	1.16	1.18	1.19	1.20
EUR Refinancing Rate	2.15	2.15	2.15	2.15
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	0.9	1.5	1.2	1.5
CPI (avg y/y %)	2.4	2.1	1.8	1.9
Unemployment Rate (%)	6.4	6.3	6.3	6.2
Current Account (% of GDP)	2.7	2.6	2.0	1.9
Fiscal Balance, FY (% of GDP)	-3.1	-3.2	-3.4	-3.4

ECONOMY

Fragile recovery

The Eurozone economy expanded by 0.3% q/q in 4Q25, matching the pace in 3Q25, and confirming Eurostat's flash estimate. This steady outturn underscores the bloc's resilience despite ongoing headwinds from tighter financial conditions and external trade frictions, particularly US tariffs on EU exports. Growth was supported by a broadly positive performance across major member states: Spain led with a robust 0.8% q/q expansion, buoyed by strong household consumption and investment. Germany and Italy both posted growth of 0.3%, aligning with the Eurozone average, whereas France lagged modestly at 0.2%, reflecting softer domestic demand. On a year on year basis, Eurozone GDP grew 1.3%, slightly easing from 1.4% y/y in 3Q25, while full year 2025 growth reached 1.5%, a notable improvement from 0.9% in 2024.

Meanwhile, preliminary figures showed Euro area HICP inflation picking up pace to 1.9% y/y in Feb, from 1.7% in Jan. The latest figure lies just below the ECB's target of 2.0%. Core inflation, excluding volatile food and energy costs, also accelerated to 2.4% y/y, from 2.2% y/y in Jan. The closely watched services gauge rose to 3.4% from 3.2%, likely driven by the hosting of the Winter Olympic Games in Milan, specifically by hotels and restaurants prices in the country. The cost of restaurant and accommodation services alone jumped 6.1%.

The US-Israeli conflict with Iran is disrupting oil and gas markets, surpassing assumptions in earlier ECB forecasts and clouding the outlook. Europe's benchmark gas price (Dutch TTF) has already jumped above EUR60/MWh. Although Europe has reduced its reliance on Russian pipeline gas by shifting to seaborne LNG, this has increased its exposure to global shipping routes, spot cargoes and import terminals — all vulnerable to geopolitical shocks. With over 20% of global oil and a substantial share of LNG transiting the now-disrupted Strait of Hormuz, the risk of Europe facing its most severe energy shock since 2022 has risen sharply. The economic impact will depend on how high prices climb and how long they stay elevated, but the conflict clearly deepens the downside risks to an already fragile Euro-area recovery.

The region also faces renewed US-EU trade tensions after President Trump imposed a new 15% global tariff under Section 122, following a US Supreme Court ruling on 20 Feb that invalidated many earlier IEEPA-based tariffs. The move has cast doubt on the 2025 US-EU trade deal, leading the European Parliament to delay ratification until the US confirms it will maintain the agreed 15% tariff cap. EU officials warn the surcharge may violate the Turnberry/2025 framework, with sectors such as autos, lumber, pharmaceuticals, agriculture, cheese, and plastics at risk of tariffs above the ceiling.

CENTRAL BANK

ECB holding the line

The ECB kept interest rates unchanged in Feb, marking the fifth consecutive meeting that the ECB has kept interest rates on hold, after having cut by a cumulative 200 bps between Jun 2024 and Jun 2025. Guidance remained unchanged, with the ECB reiterating that policy decisions will follow a "data-dependent and meeting-by-meeting" approach. At her press conference, ECB President Christine Lagarde offered no material shift from the initial statement. She noted that a stronger euro could mitigate on inflation risks but emphasised that recent currency movements remain in line with ECB assumptions and are not yet a concern.

The ECB will update its forecasts at its next meeting on 19 Mar. Recent communication, upward inflation revisions, and Lagarde's view that policy is in a "good place" support the likelihood of rates staying on hold for some time. That said, if energy prices were to drive inflation noticeably higher this year, the ECB may not only keep rates unchanged for longer but could even be prompted to consider a rate hike, especially if the shock proves persistent and threatens to lift medium term inflation expectations.

CURRENCY

Euro rally pauses

EUR/USD eased into a relatively narrow trading band around 1.18 in Feb, as the "Sell America" narrative that dominated Jan — lifting the pair to a high of 1.2081 — gradually faded. In addition, Lagarde downplayed the significance of the euro's earlier appreciation, noting that the currency's strengthening since Mar 2025 had already been incorporated into the ECB's projections and remained well within historical norms. Despite this near-term consolidation, we retain a constructive medium-term view on EUR/USD, underpinned by the prospect of narrowing rate differentials. The Fed remains firmly on a dovish trajectory, whereas the ECB appears to have concluded its easing cycle. Our macro team expects the ECB to leave rates unchanged through 2026, while the Fed is not anticipated to reach its terminal rate until 3Q26.

Taken together, we continue to look for EUR/USD to grind higher through 2026, though geopolitical risks in the Middle East may introduce periodic bouts of volatility. Our updated forecasts are 1.16 for 2Q26, 1.18 for 3Q26, 1.19 for 4Q26, and 1.20 for 1Q27.

NEW ZEALAND

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
NZD/USD	0.58	0.59	0.60	0.61
NZD Official Cash Rate	2.25	2.25	2.25	2.25
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	-0.3	0.3	2.4	2.6
CPI (avg y/y %)	2.9	2.8	2.3	2.1
Unemployment Rate (%)	4.8	5.3	5.0	4.7
Current Account (% of GDP)	-5.3	-3.8	-3.3	-3.4
Fiscal Balance, FY (% of GDP)	-3.2	-0.2	-2.8	-1.9

ECONOMY
Gradual recovery

The New Zealand economy gained clear traction in the final quarter of 2025, with multiple indicators pointing to a strengthening upswing in activity. Similarly, the RBNZ observed an ongoing recovery, supported by earlier OCR reductions and firm export prices, signalling that output was turning decisively upward as the year came to a close. By early 2026, the economy had moved onto a firmer footing, underpinned by improving growth momentum, easing inflationary pressures, and continued monetary support.

CPI inflation was up 3.1% y/y in 4Q25 from 3.0% in 3Q25, the highest since 2Q24. The outcome was stronger than consensus estimate of 3.0% and lies above the top of the RBNZ's 1.0%-3.0% target band. The uptick was driven heavily by components like food, local authority rates, utilities, cultural services, and insurance - accounting for over half of total inflation despite representing less than 30% of the CPI basket. Food alone contributed a significant share, though price pressures have begun easing as quarterly food prices fell, even though annual increases in meat, dairy, and fruit remain elevated due to global commodity spikes. Crucially, inflation is set to face renewed upward pressures as the Middle East conflict drives oil prices higher. This should see the RBNZ navigating a difficult mix of supply driven inflation and demand softening.

Employment strengthened in 4Q25, rising 0.5%, outperforming both expectations and consensus, and aligning with earlier signals from high frequency labour indicators. Employment levels also exceeded the RBNZ's Nov projection by 0.2%. At the same time, the unemployment rate increased to 5.4%, the highest since 3Q15, driven not by job losses but by a jump in labour force participation. Had participation remained steady, the unemployment rate would have instead fallen to 5.1%, highlighting underlying labour market resilience despite the headline uptick. We expect unemployment to fall below 5% in the second half of 2026 as hiring indicators continue to improve.

While 4Q25 GDP figures will only be due on 19 Mar, the combination of improving confidence, stronger export performance, and accommodative monetary conditions points to a firmer recovering pace. We project GDP to gradually recover from around 0.3% in 2025 to 2.4% in 2026.

CENTRAL BANK
RBNZ on hold for now

As expected, the RBNZ kept the policy rate unchanged at 2.25% in Feb. The focus was also on the RBNZ's new OCR track. The updated OCR projection suggests that a rate increase by year end is a possibility. It shows the OCR rising to 2.38% by Dec and continuing to climb through 2027, peaking at 3.00%, slightly above the 2.90% forecast in the Nov 2025 Monetary Policy Statement. RBNZ Governor Anna Breman stated that while the OCR projection "suggests the possibility of a rate increase before year end; this is not fully reflected in current market pricing". She noted that "the latest data indicates that the economy is in the early stages of recovery. Our intention is to maintain the OCR at its current level to support this recovery while ensuring that inflation continues to return to target. We do not anticipate raising the OCR until there is clearer evidence of increased inflationary pressures and a more robust economic outlook".

Overall, the latest policy announcement, tone and updated OCR track were broadly in line with our expectations. While there were indications that the next policy move is more likely to be a rate increase, the RBNZ showed no urgency to move. If anything, the statement carried a mildly dovish tone, with the projected OCR ending the year slightly below earlier expectations and peaking at 3.00%. The RBNZ continues to balance elevated starting point inflation and rising pricing intentions against the risk of tightening too early in a recovery that is still at an early and fragile stage.

CURRENCY
NZD stumbles now, climbs later

NZD/USD has retreated from its late-Jan five-month peak of 0.6093 to around 0.5940 as of 5 Mar, as renewed conflict in the Middle East spurred broad-based risk aversion and weighed on high-beta currencies such as the NZD.

In the near term, NZD is expected to remain on the back foot. Elevated geopolitical tensions should continue to support safe-haven demand for the USD, reinforcing our expectation of additional downside pressure on NZD/USD through the coming quarter (2Q26). Further ahead, we expect NZD's underlying fundamentals to reassert themselves once the oil price shocks ease and global risk sentiment steadies. Our base case incorporates two additional Fed rate cuts this year, while the RBNZ is likely to remain on hold—an outlook that should provide a constructive medium-term backdrop for the NZD.

Overall, we maintain an upward trajectory for NZD/USD over the medium term, with updated forecasts at 0.58 in 2Q26, 0.59 in 3Q26, 0.60 in 4Q26, and 0.61 in 1Q27.

UNITED KINGDOM

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
GBP/USD	1.32	1.34	1.36	1.38
GBP Repo Rate	3.25	3.00	3.00	3.00
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	1.1	1.4	1.1	1.4
CPI (avg y/y %)	2.5	3.4	2.5	2.2
Unemployment Rate (%)	4.3	4.8	5.2	5.0
Current Account (% of GDP)	-3.0	-1.8	-2.3	-2.4
Fiscal Balance, FY (% of GDP)	-5.3	-4.5	-3.8	-3.2

ECONOMY

Subdued momentum

Chancellor of the Exchequer Rachel Reeves delivered a low key Spring Budget Statement with no major tax or spending changes, emphasising stability amid the latest economic and fiscal outlook from the Office for Budget Responsibility (OBR). The OBR now forecasts growth of 1.1% in 2026 (down from the Nov forecast of 1.4%) but had slightly increased its 2027 and 2028 forecasts to 1.6%. Inflation is seen falling faster than previously thought, to 2.3% in 2026, before reaching the BOE's 2.0% target in 2027.

The UK economy expanded by 0.1% q/q in 4Q25, at a similar pace vs 3Q25. This was a tad below the consensus estimate of 0.2%, and the BOE's forecast for 0.2%. Household spending (+0.2% q/q) and government consumption (+0.4% q/q) were the main drivers of growth. There were no revisions to the quarterly path of GDP – the economy expanded by 1.3% in 2025, a touch faster than the 1.1% recorded in 2024. Separately, CPI inflation eased to 3.0% y/y in Jan from 3.4% in Dec. In its Feb forecast, the BOE said it expected a drop to 2.9%. Core inflation, meanwhile, eased to 3.1% y/y from 3.2% y/y. That was above the consensus view of 3.0% and the BOE's forecast of 2.9%. Services inflation, a crude measure of domestically generated inflation that constitutes about half the UK CPI basket, acted as a source of downward pressure. It softened to 4.4%, from 4.5%, versus the BOE's expectation of 4.1%.

Regular pay growth in the private sector, the measure most closely tracked by the BOE, eased to 3.4% in the three months to Dec, from 3.6% in Nov. On a three-month-on-three-month annualized basis, private sector regular wage growth ticked up to 3.3%, from 2.8% previously. Meanwhile, the number of employees on payrolls dropped by 11,000 in Jan. That reflected an estimated fall of more than 6,00 in the private sector and more than 4,000 in the public sector. Probably more worryingly for the BOE, the unemployment rate rose to 5.2% in the three months to Dec - above consensus and its forecast for a print of 5.1%. The labour market is set to soften further, with unemployment expected to remain elevated at current levels, reflecting slower hiring, weaker demand, and structural shifts in key sectors.

Overall, the UK economy is expected to post modest but fragile growth, constrained by the current Middle East war. Disruptions near the Strait of Hormuz have already driven oil prices sharply higher, with a $10 rise in oil prices typically adding around 0.2ppts to inflation, and further gas market disruption, given the UK's reliance on LNG imports from Qatar and other Gulf states involved in the conflict. BOE policymakers have warned that the economic impact is uncertain but likely to constrain monetary easing. Overall, the war amplifies downside risks to an already subdued UK growth profile for 2026. Our full-year GDP forecast for 2026 is 2.5%.

CENTRAL BANK

Dovish signals point to more rate cuts by BOE

At its first meeting of the year (5 Feb), the BOE's nine-member committee voted 5-4 to keep rates unchanged at 3.75%, narrower than the expected 7-2 split. There was a slight tweak in the forward guidance as reflected in the accompanying Monetary Policy Summary and Minutes. The BOE highlighted that the "Bank Rate is likely to be reduced further", as compared to "Bank Rate is likely to continue on a gradual downward path", reflected back in Dec. In all, the BOE stuck a dovish tone on several fronts. This includes the voting outcome, downward revisions to its growth and inflation projections, and the shift in language, which may be intended to preserve flexibility for faster policy easing, should it become necessary.

At this juncture, we anticipate the BOE to ease again at the next monetary policy meeting on 19 Mar. However, the ongoing US-Iran conflict adds fresh upside risks to inflation and complicates the policy outlook. Given the heightened geopolitical uncertainty and energy related price pressures, the BOE is likely to remain cautious and data dependent. We still anticipate a cumulative 50 bps of easing this year, taking the bank rate to 3.00%, though elevated inflation expectations amid the conflict may delay or limit rate cuts.

CURRENCY

Politics and BOE's dovish tilt to weigh on GBP

GBP/USD retreated from its late-Jan peak of 1.3868 – the highest level since Sep 2021 – and slipped back under 1.35, roughly where it began the year. Renewed political uncertainty has once again weighed on the GBP, contributing to its underperformance within the G10 complex. UK Prime Minister Keir Starmer's position has become increasingly precarious amid the departure of key advisers and growing calls for his resignation. Sterling faced additional pressure after the BOE came unexpectedly close to cutting rates at its Feb meeting, with a narrow 5-4 vote to keep the Bank Rate unchanged at 3.75%. We continue to expect a 25-bps cut at the upcoming 19 Mar meeting, followed by two further reductions in both 2Q and 3Q26.

Looking ahead, our constructive albeit measured outlook for GBP/USD remains intact. We expect the pair to edge higher through 2026, supported primarily by broad-based USD weakness and a modestly favourable rate differential. Historical patterns also suggest that political-related GBP weakness tends to fade once uncertainty stabilizes. Overall, our updated projections place GBP/USD at 1.32 in 2Q26, 1.34 in 3Q26, 1.36 in 4Q26, and 1.38 in 1Q27.

UNITED STATES

FX & Rates	2Q26F	3Q26F	4Q26F	1Q27F
DXY	99.1	97.6	96.7	95.8
US Fed Funds Rate	3.50	3.25	3.25	3.25
Economic Indicator	**2024**	**2025**	**2026F**	**2027F**
GDP (%)	2.8	2.2	1.7	2.5
CPI (avg y/y %)	3.0	2.7	2.6	2.0
Unemployment Rate (%)	4.1	4.4	4.5	4.3
Current Account (% of GDP)	-3.9	-3.7	-3.6	-3.5
Fiscal Balance, FY (% of GDP)	-6.9	-6.2	-6.4	-6.0

ECONOMY

Uneven growth amidst trade and geopolitical dynamics

The US economy continued to expand in 4Q25, albeit at a much slower 2.3% q/q SAAR (from 4.4% in 3Q), reflecting the impact of the record 6-week (43 days) US government shutdown during the quarter, which saw Federal spending tumble -16.6%, subtracting 1.15ppt from headline growth in 4Q. Despite the 4Q weakness, the US economy showed remarkable resilience in 2025, with growth much stronger than expected despite the trade tariff volatility and the government shutdown. US GDP economy expanded by 2.2% in 2025 (from 2.8% in 2024), supported by consumer spending and investment thanks to robust capex on artificial intelligence data centers. Going forward, we believe US economic growth will stay positive but ease to 1.7% for 2026. The US growth profile is seen as K-shaped, with higher-income groups and corporates benefiting from tax policies, deregulation while AI-related investments continue. In comparison, there is growing weakness in the lower-income groups, facing rising costs (inflation), cooling labour markets compounded by on-going immigration policies (i.e. deportations cut labor supply and negatively affect demand) and limited wealth effects.

While the US government is largely funded till Sep (2026), funding for the Department of Homeland Security (DHS) has lapsed since 13 Feb, leading to a partial government shutdown with no end in sight as lawmakers are unable to agree on a deal to reform Immigration and Customs Enforcement (ICE). A prolonged partial shutdown will have consequences for the real economy such as the aviation industry. Our base case remains that there will be no US recession (probability at 35%). Trade policy developments will remain a key area to watch. Despite the IEEPA setback, we assume the Trump Administration will rebuild the tariff wall with the temporary 150-day measure under Section 122, accompanied by accelerated investigations under Sections 232 and 301, to eventually achieve tariff revenue similar to that in 2025 albeit with a time lag. Despite Trump's tariffs, total US trade deficits increased to US$1.23 tn in 2025 from US$1.20 tn in 2024 and US$870 bn in 2018.

Jan non-farm payrolls (NFP) came in at a robust 130,000 jobs, the best since Dec 2024 while prior 2-month revisions were just -17,000. Unemployment rate also unexpectedly eased to 4.3% in Jan (Dec: 4.4%). However, 2025's data saw a sharp downward revision, implying employment increase of just 181,000 in 2025 or 15,000 per month (from the initially reported 49,000 per month, versus 2024's revised 122,000), an affirmation of Fed's decision to resume rate cuts in late 2025. Unemployment rate is expected to edge higher to 4.5% and stay around that level for 2026.

CPI inflation will continue to face the impact from Trump's tariffs but remain largely contained. CPI inflation data for Jan was in line or slightly below market expectations, so inflation is still benign and is seen as positive for Fed rate cut expectations. Headline CPI eased markedly to 2.4% y/y in Jan (vs. 2.7% in Dec) partly due to weaker energy prices while core CPI also edged lower to 2.5% y/y (vs. 2.6% in Dec). We continue to assume the tariff-driven inflation to be a one-time spike in prices, and our 2026 headline inflation and core forecasts are both at 2.6% (from 2.7% and 2.9% in 2025 respectively), above the long term 2% target but within tolerable ranges. That said, the risk to CPI in 2026 is on the upside. First, after peaking at 69.8 last Apr (2025) and easing to below 60 in 4Q, the ISM sub-index of prices paid for inputs by manufacturers unexpectedly jumped to 70.5 in Feb, highest since 2022, threatening a more material pass-through effect. The second risk is on the international front, specifically the war in the Middle East. This is not expected to be profoundly negative to the US growth outlook, unless it becomes prolonged (> 4 weeks) and more widespread (i.e. drawing in the rest of the Gulf states and major Middle East countries). If crude oil prices stay above US$80 for a protracted period, it will be a double-edged sword for the US economy: it can drive gasoline prices higher, and thus push up CPI inflation but at the same time, US is a major energy exporter and will benefit from higher crude prices.

CENTRAL BANK

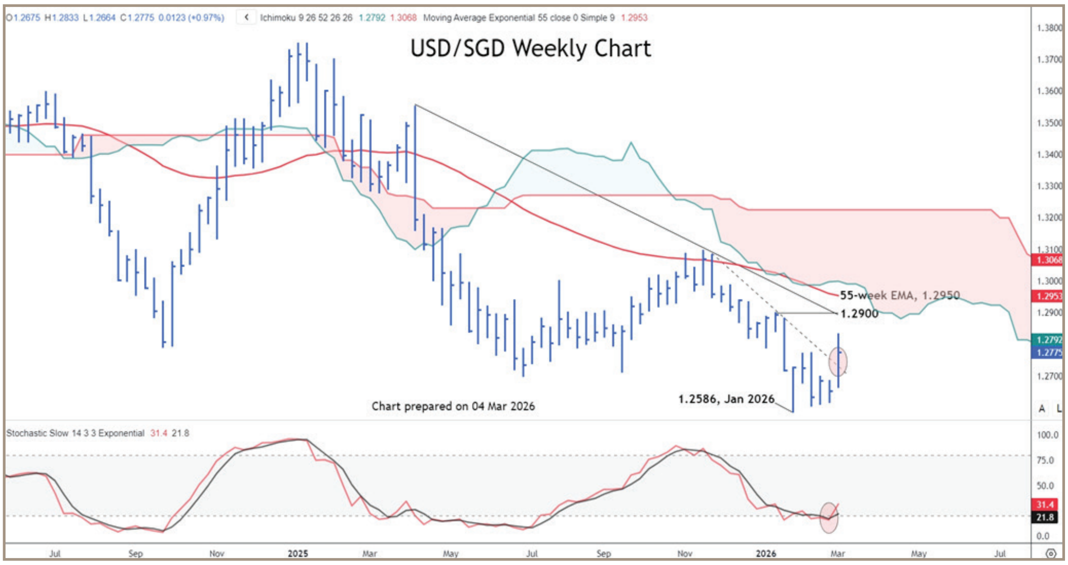
Still expecting pause before resuming with cuts in 2026

The Fed, as widely expected, kept its Fed Funds Target Rate (FFTR) range unchanged in the range of 3.50-3.75% at its first meeting of 2026, following three consecutive quarter percentage point reductions in late 2025. While FOMC Chair Powell left the door open for cuts in the future, he also made clear that the Fed is in no rush to reduce interest rates further. President Trump's Fed Chair nominee Kevin Warsh – a former Fed Governor from 2006-2011 – in our view, is likely to pursue further rate cuts but less aggressively than other nominees thus supportive of the USD. However, his push for Quantitative Tightening (QT)/ reducing Fed's balance sheet may pressure long-term rates higher. We continue to expect a period of pause in early 2026 followed by two rate reductions in 2Q and 3Q 2026, with weakness in the labour market to emerge in the months ahead. This would bring the terminal FFTR to 3.25% by year-end 2026, consistent with our view of a gradual normalization path. That said, investors will be on heightened lookout for risk of either further delay in Fed rate cut timing or even increasing difficulty for the Fed to cut in the second half of the year, if energy prices rise substantially on a prolonged basis due to spillover from the US-Iran conflict.

FX TECHNICALS

USD/SGD: 1.2775

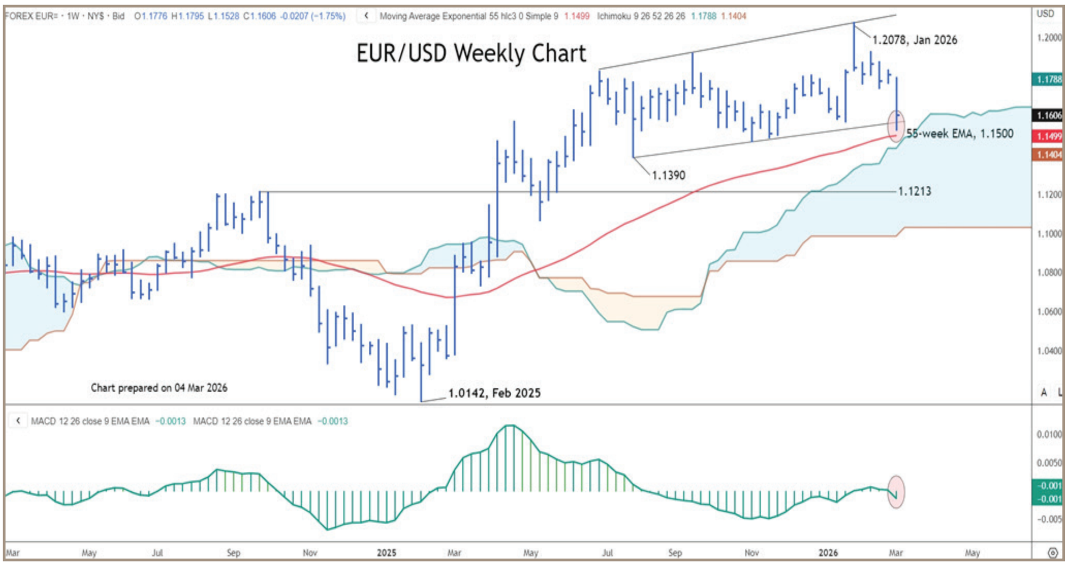
Risk is tilted toward a recovery in USD/SGD; any advance is expected to face significant resistance at 1.2900 and 1.2950.



As of early March, USD/SGD has broken above the minor declining weekly trendline near 1.2755, indicating that the late-January low of 1.2586 may have been a near-term low. The breach of the trendline resistance, combined with the weekly slow stochastic turning higher from oversold territory, suggests that the risk is tilted toward a recovery in USD/SGD in the second quarter. However, it is premature to expect a major reversal, as any advance is expected to face significant resistance at 1.2900 (major declining weekly trendline) and 1.2950 (55-week EMA). For the expected recovery to materialise, USD/SGD must hold above the 1.2586 low, with near-term support at 1.2660.

EUR/USD: 1.1610

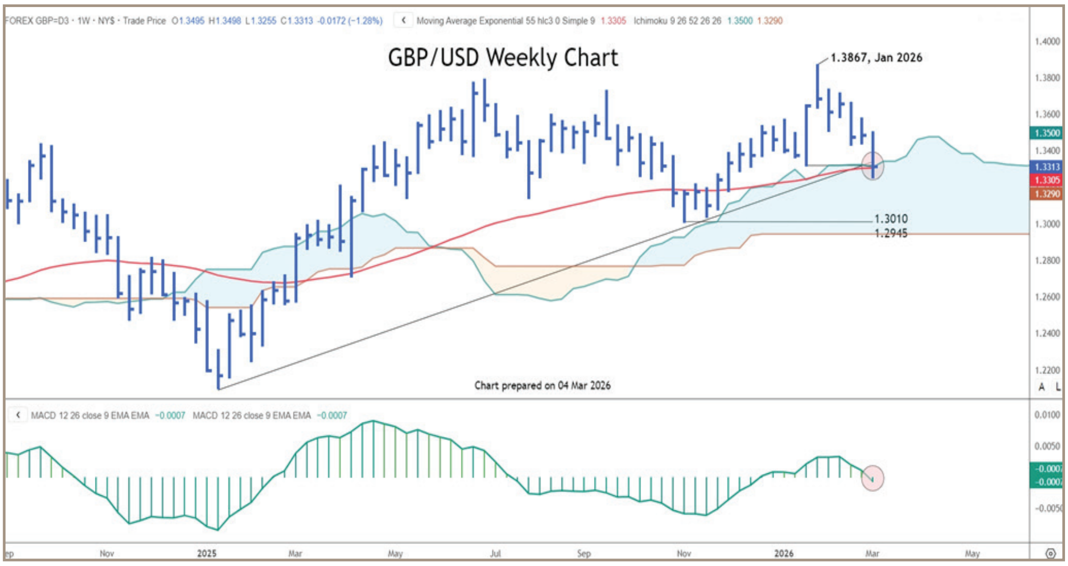
Emerging reversal signs suggest that EUR/USD could break the 55-week EMA (now at 1.1500) and test 1.1390.



In late January, EUR/USD rose and tested the upper boundary of what appeared to be an expanding wedge formation. EUR/USD retreated quickly and sharply from the high, closing near the bottom of the weekly bar. The price action formed what appeared to be a reversal bar. As of the first week of March, EUR/USD has dropped below the lower boundary of the expanding wedge. Additionally, the weekly MACD is turning negative. The emerging reversal signs suggest that a break of the 55-EMA support — now at 1.1500 — would not be surprising and could lead to a test of 1.1390. The next support level below 1.1390 is at 1.1213. Resistance is at 1.1800; a move above 1.1900 would suggest that EUR/USD could range-trade instead of heading lower.

GBP/USD: 1.3310

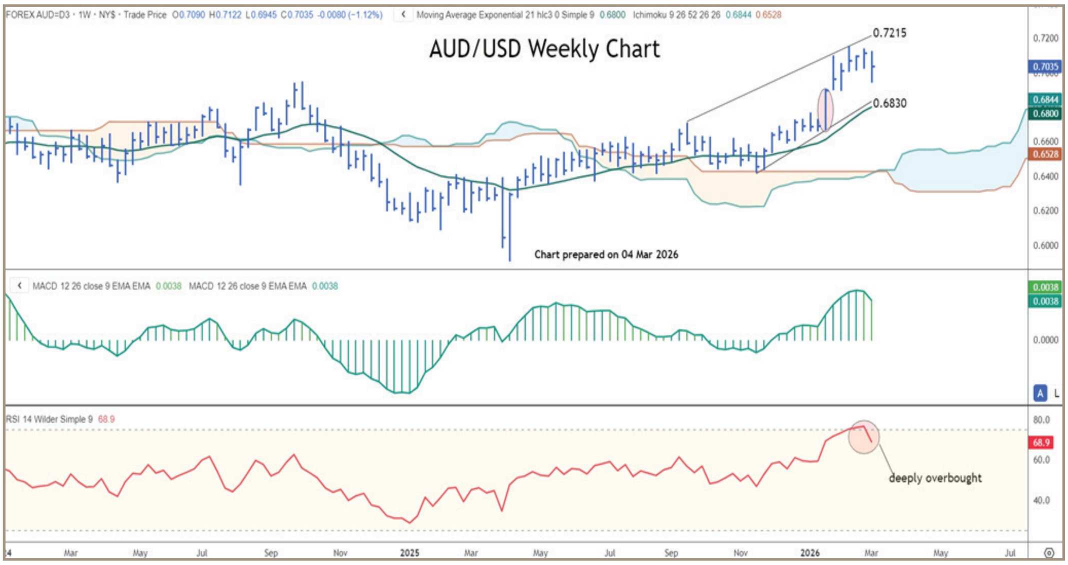
A weekly close below the key support at 1.3300 could trigger a decline toward the major support zone at 1.2945/1.3010.



At the time of writing in early March, GBP/USD has broken below the key support level just above 1.3300. The confluence of the mid-January low, rising weekly trendline, top of the weekly Ichimoku cloud, and the 55-week EMA underscores 1.3300 as a key support level. The breach of the key support, combined with the weekly MACD entering negative territory, suggests that downward momentum is building. Looking ahead, a weekly close below the key support level could trigger a move to the major support zone at 1.2945/1.3010. However, given the thickness of the weekly cloud, any weakness may be uneven. To sustain the build-up in downward momentum, GBP/USD must hold below the near-term resistance level at 1.3620.

AUD/USD: 0.7035

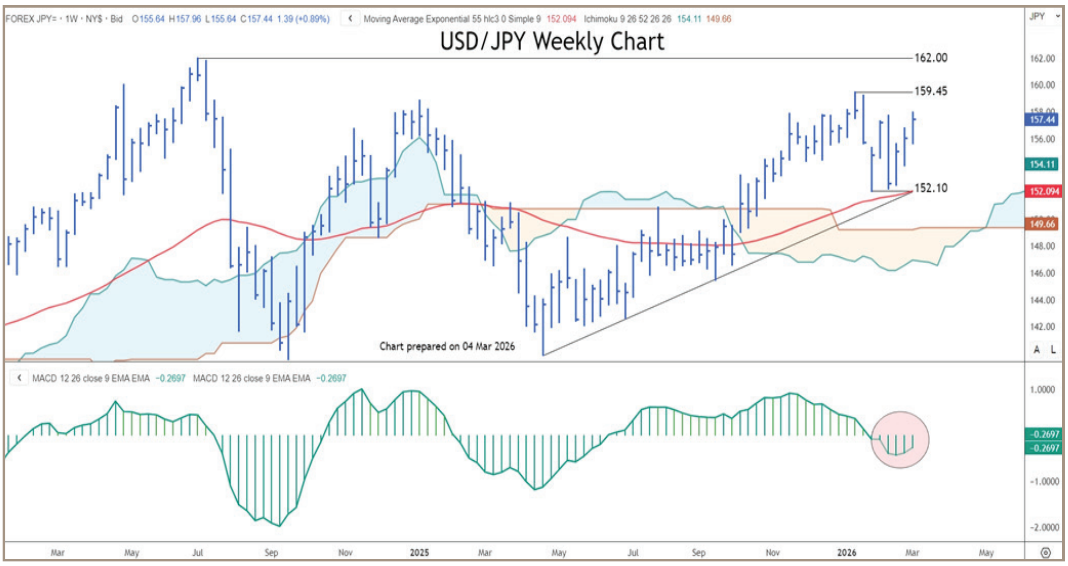
AUD/USD is likely to trade within the rising wedge between 0.6830 and 0.7215; deeply overbought conditions tilt the risk toward the lower end of the wedge.



AUD/USD jumped in mid-January and has continued to rise sharply. While further advances are not ruled out, the weekly RSI is at its most overbought level in a long time. Going into the second quarter, AUD/USD is expected to trade within the rising wedge between 0.6830 and 0.7215. However, the deeply overbought conditions tilt the risk toward the lower end of the wedge. Note that the 21-week EMA is also near 0.6830.

USD/JPY: 157.45

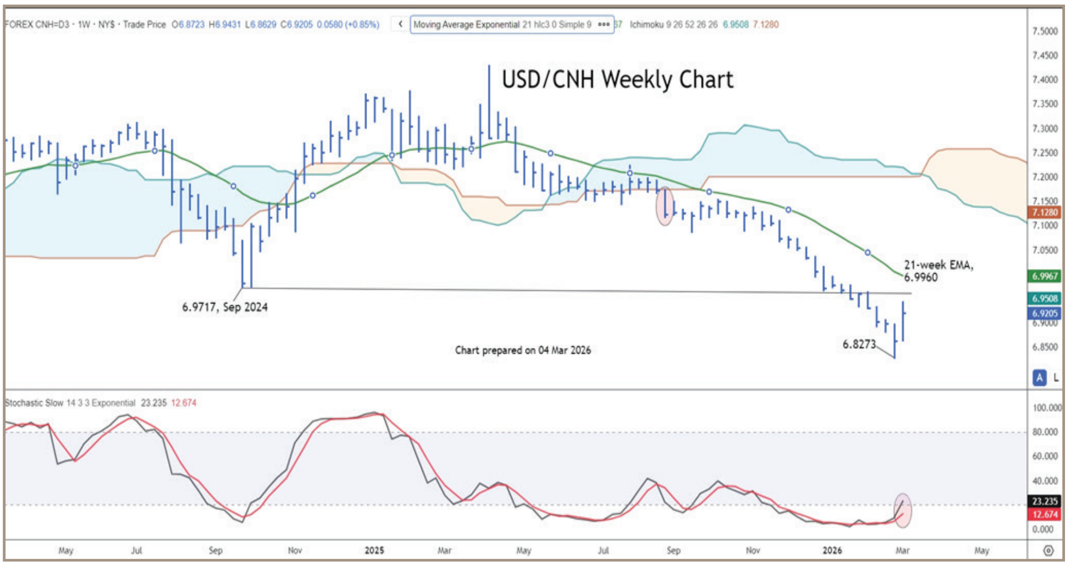
There is a chance for USD/JPY to rise above 159.45; based on the lackluster upward momentum, any further advance is unlikely to threaten the 2024 high of 162.00.



The uptrend in USD/JPY from the low in May last year touched a high of 159.45 in mid-January this year. USD/JPY then pulled back sharply to a low of 152.10. While USD/JPY subsequently recovered from the low, the advance lacks momentum (note that weekly MACD remains in negative territory despite the recovery). However, as long as the key support at 152.10 (low in January, 55-week EMA and rising weekly trendline) remains intact, there is a chance for USD/JPY to rise above 159.45. Based on the lackluster upward momentum, any further advance is unlikely to threaten the 2024 high of 162.00.

USD/CNH: 6.9205

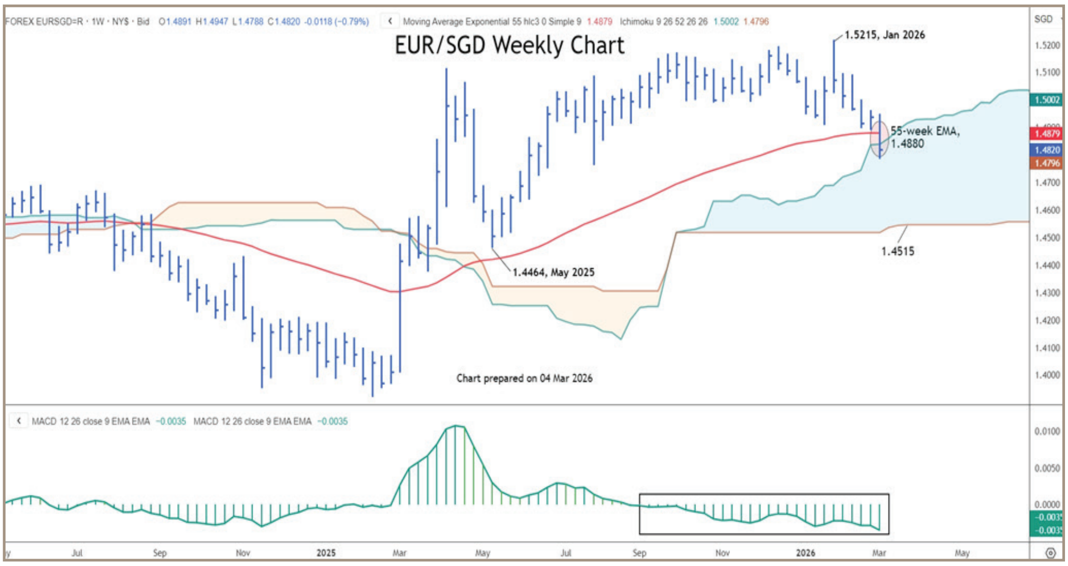
Rebound in USD/CNH has scope to break above 6.9720; any further advance is likely to face strong resistance at 6.9960.



After breaking below the base of the weekly Ichimoku cloud in September last year, USD/CNH has broadly trended lower with no meaningful recovery. However, after touching a low of 6.8273 in late February, USD/CNH rebounded strongly. With the weekly slow stochastic turning higher from deeply oversold conditions, there is scope for the rebound to extend and test the September 2024 low, near 6.9720. A break above this level is not ruled out, but any further advance is expected to face strong resistance at 6.9960 (21-week EMA). To continue to rebound, USD/CNH must hold above 6.8273. Near-term, 6.8600 is already a strong support level.

EUR/SGD: 1.4820

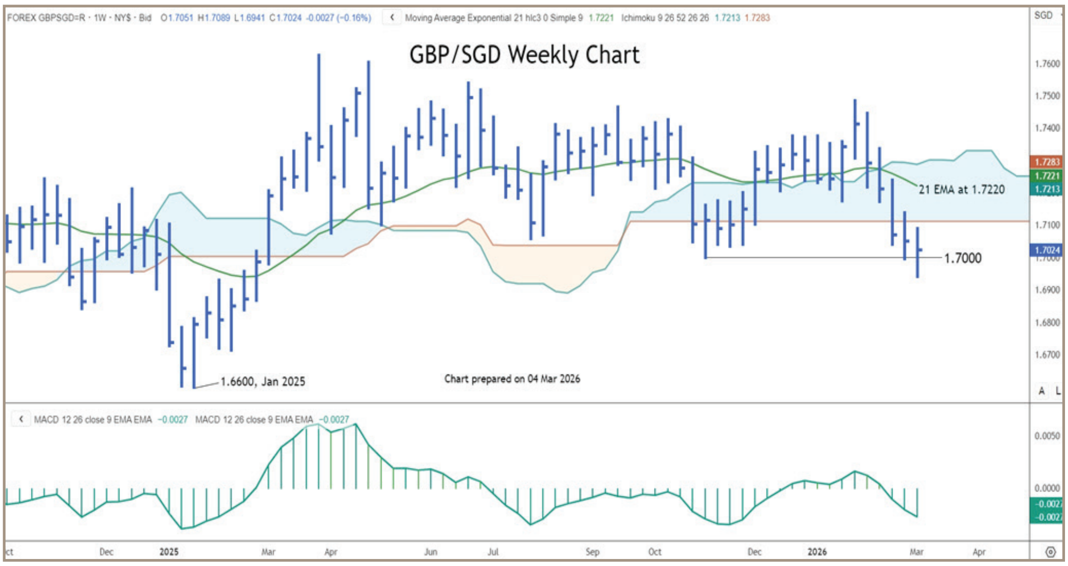
EUR/SGD is likely to weaken into the second quarter; any decline could be uneven, and the base of the weekly Ichimoku cloud at 1.4515 may not be tested.



While EUR/SGD has traded broadly sideways with a slight upward bias since September last year, the weekly MACD has remained negative. As of early March, EUR/SGD dropped sharply and has traded below the 55-week EMA for the first time in a year. The break below the 55-week EMA suggests that the late January high of 1.5215 may be a near-term top. While EUR/SGD is likely to weaken into the second quarter of the year, the thick Ichimoku cloud suggests any decline could be uneven, and the base of the cloud at 1.4515 may not be tested. On the upside, resistance levels are at 1.5000 and 1.5080.

GBP/SGD: 1.7025

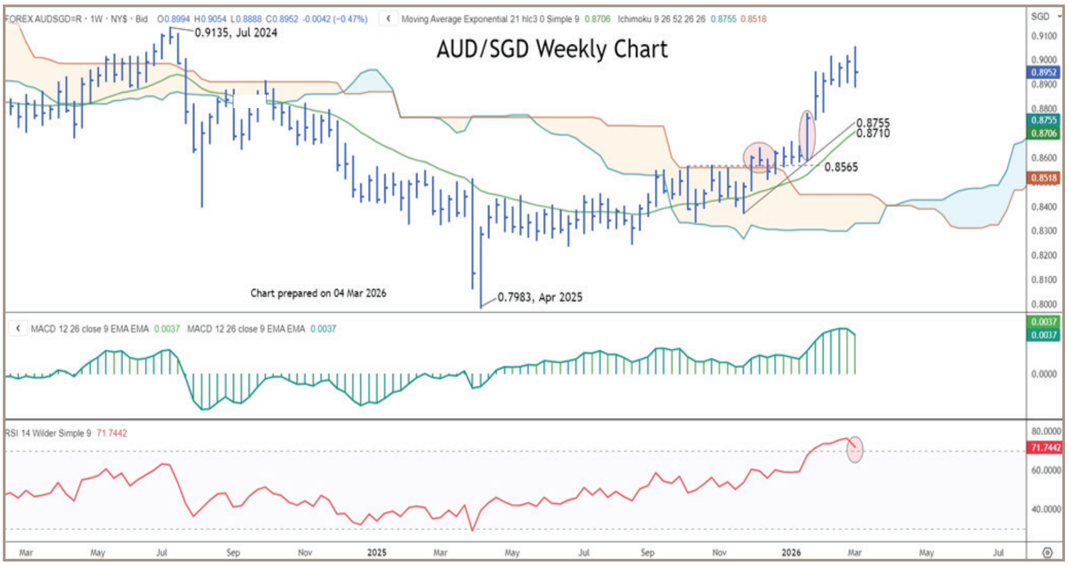
Increasing downward momentum suggests that GBP/SGD could drop to 1.6800; it is too early to tell whether 1.6600 will come into view.



As of early March, GBP/SGD has fallen clearly below the key support level at 1.7000. Not only has GBP/SGD broken below 1.7000, but it also appears poised to close lower for the fifth consecutive week. Increasing downward momentum suggests GBP/SGD could drop to 1.6800, but currently, it is too early to tell whether the early January low of 1.6600 will come into view in the next few months. To keep the momentum going, GBP/SGD must hold below the 21-week EMA at 1.7220.

AUD/SGD: 0.8950

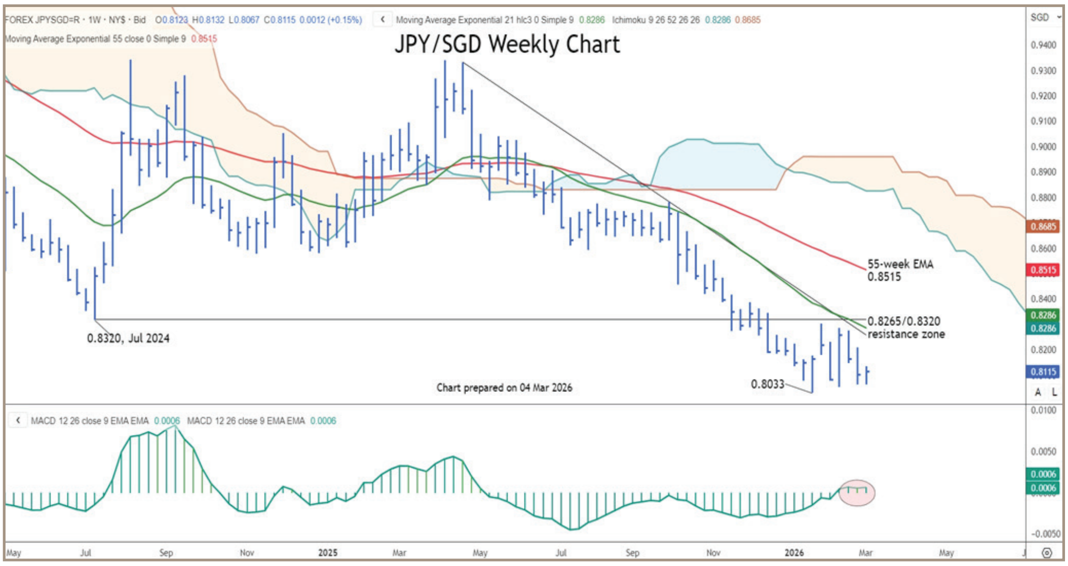
As long as the major support zone at 0.8710/0.8755 holds, AUD/SGD could rise but 0.9135 is likely out of reach.



AUD/SGD broke above the strong resistance level at the top of the weekly Ichimoku cloud (near 0.8565) in early December last year. Although the subsequent price action was relatively constrained, AUD/SGD surged in mid-January. The rapid rise is deeply overbought, but as long as the major support zone at 0.8710/0.8755 (trendline support and 21-week EMA) holds, AUD/SGD could continue to rise. Given the overbought conditions, the significant resistance at 0.9135 (the July 2024 high) is likely out of reach within the second quarter of the year.

JPY/SGD: 0.8115

There is scope for JPY/SGD to test the significant support level at 0.8000; a continued decline below this level is unlikely.



The downtrend in JPY/SGD touched a low of 0.8033 in mid-January before recovering. The recovery lacks momentum — note that while the weekly MACD is positive, it is not strong. Overall, as long as the key resistance zone between 0.8265 and 0.8320 remains in place, there is scope for JPY/SGD to test the significant support at 0.8000 before a more sustained recovery can be expected. Based on the current momentum, a continued decline below this level is unlikely. Looking ahead, should JPY/SGD break clearly above the 0.8265/0.8320 resistance zone (declining trendline, 21-week EMA, and the July 2024 low), it could trigger a recovery toward the 55-week EMA (now at 0.8515).

CNH/SGD: 0.1849

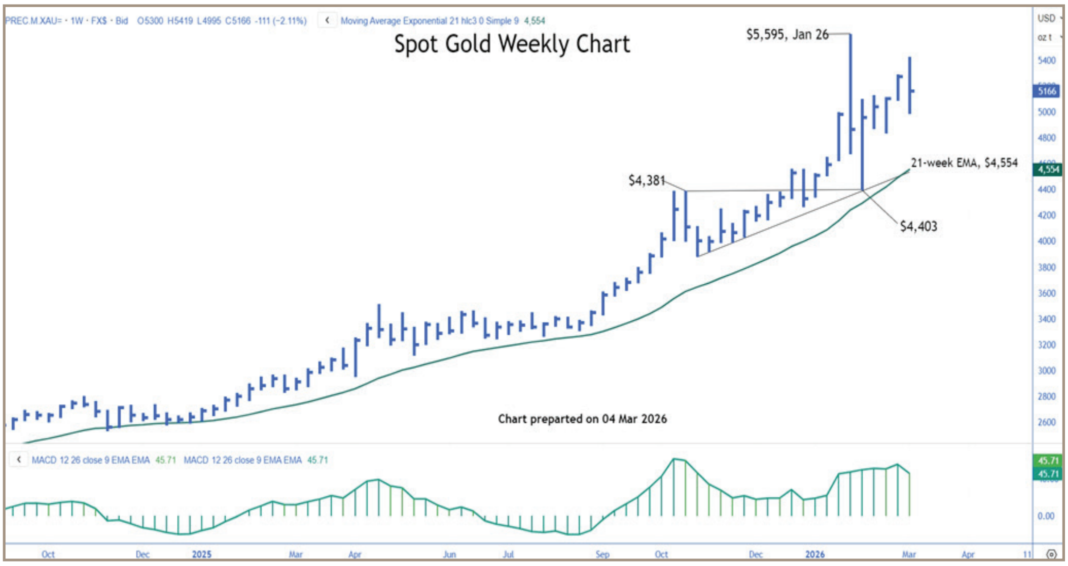
Upward momentum is building; a clear break above 0.1851 could lead to a continued advance; resistance level is at 0.1870.

CNH/SGD tested the 0.1851 resistance level in mid-January but failed to break above. After retreating sharply to a low of 0.1813, CNH/SGD rebounded, and by early March, it is approaching the 0.1851 level again. Upward momentum is building (note that the weekly MACD is turning positive), and a clear break above 0.1851 could lead to a continued advance in the coming months. The next major resistance above 0.1851 is 0.1870. To maintain the build-up in momentum, CNH/SGD must hold above 0.1822.

COMMODITIES TECHNICALS

Spot Gold
5,166/oz

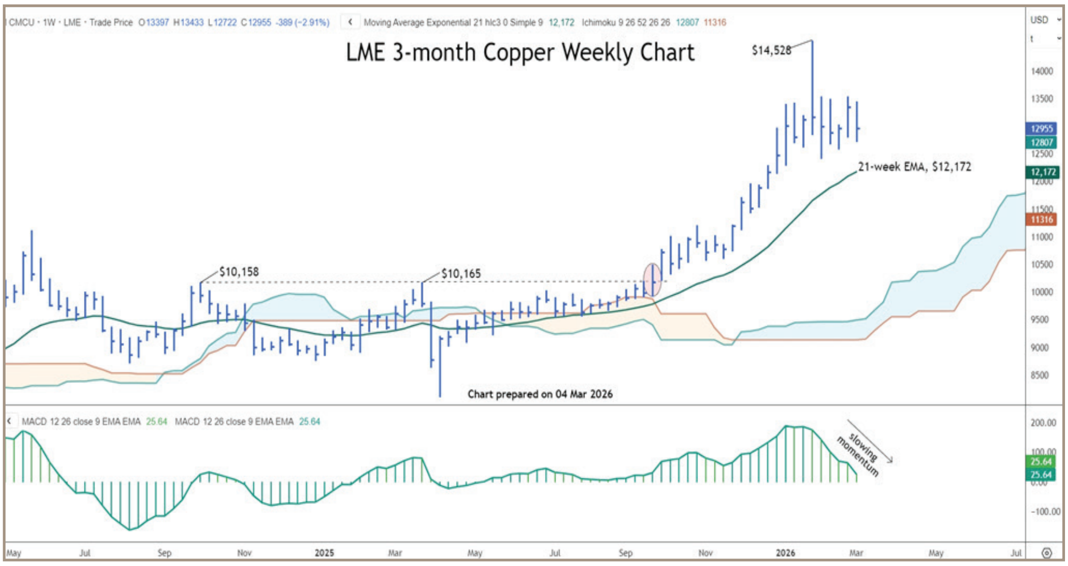
Spot gold could potentially retest the record high of $5,595; it is too early to tell whether it can maintain a foothold above this level.



Spot gold surged to a record high of $5,595 in late January this year and then plummeted. The steep selloff dropped toward last October's high near $4,381 before recovering. At the time of writing in early March, the recovery appears to be gathering pace. Going into the second quarter of the year, spot gold could continue to push higher and potentially retest the record high of $5,595. A break above $5,595 is not ruled out, but it is too early to determine whether gold can maintain a foothold above this level. On the downside, the near-term support level is at $4,810. However, the key support level is near $4,554. Both the 21-week EMA and the minor trendline support are near $4, 554.

LME 3-mth Copper
$13,108/mt

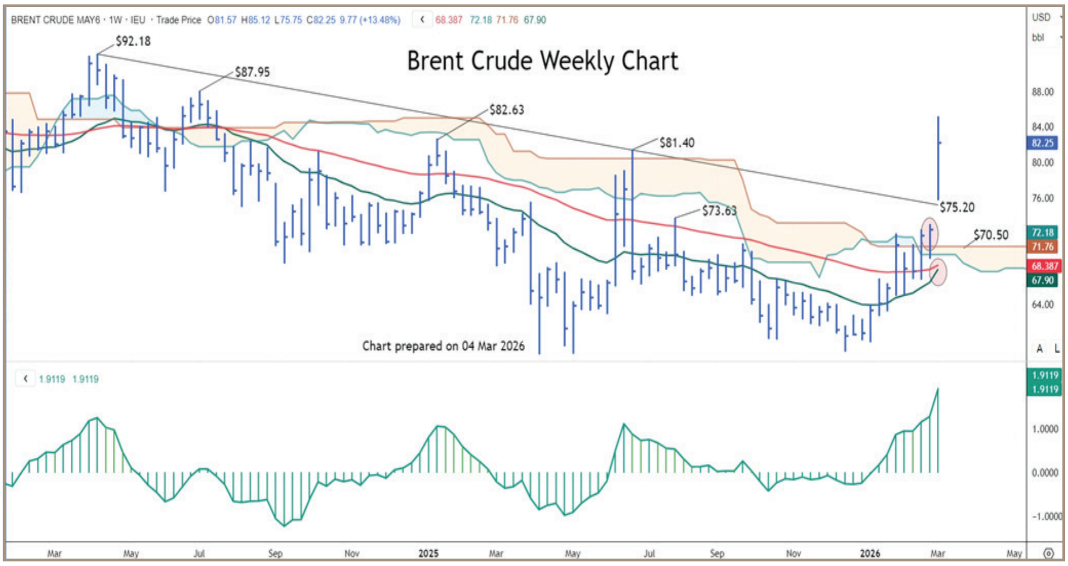
Copper could edge lower and test the 21-week EMA, currently at $12,172.



After breaking above the significant resistance zone between $10,158 and $10,165 in September last year, the 3-month LME copper rallied sharply and reached a record high of $14,528 in January this year. Copper pulled back sharply from the high and has since traded mostly sideways. Upward momentum is slowing, suggesting that $14,528 is likely to remain the record high. Overall, as long as $14,528 is not breached, copper could edge lower and test the 21-week EMA, currently at $12,172.

Brent Crude
$82.10/bbl

A close above the weekly trendline at $75.20 would indicate a bullish breakout, setting the stage for further Brent strength in the coming months.



On the first Monday of March, Brent opened with a gap above the declining weekly trendline at $75.20 and surged. While at the time of writing, the week has yet to conclude, a weekly close above the trendline appears likely. A weekly close above the trendline would confirm a bullish breakout and set the stage for an extension of Brent's advance in the months ahead. Additionally, the 21-week EMA is on the verge of crossing above the 55-week EMA, adding further weight to the bullish outlook. At the time of writing, Brent has tested the $85 level. The levels to watch above $85 are $87.95 (high in July 2024), $90 (round-number resistance), and the 2024 high of $92.19. On the downside, support levels are at $75.20 (trendline breakout) and $70.50 (top of the weekly Ichimoku cloud).

GLOSSARY

BI	Bank Indonesia
BNM	Bank Negara Malaysia
BOE	Bank of England
BOJ	Bank of Japan
BOK	Bank of Korea
BOT	Bank of Thailand
BSP	Bangko Sentral ng Pilipinas
CBC	The Central Bank of the Republic of China (Taiwan)
ECB	European Central Bank
FOMC	Federal Open Market Committee
HKMA	Hong Kong Monetary Authority
MAS	Monetary Authority of Singapore
PBOC	The People's Bank of China
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RBNZ	Reserve Bank of New Zealand
SBV	State Bank of Vietnam

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