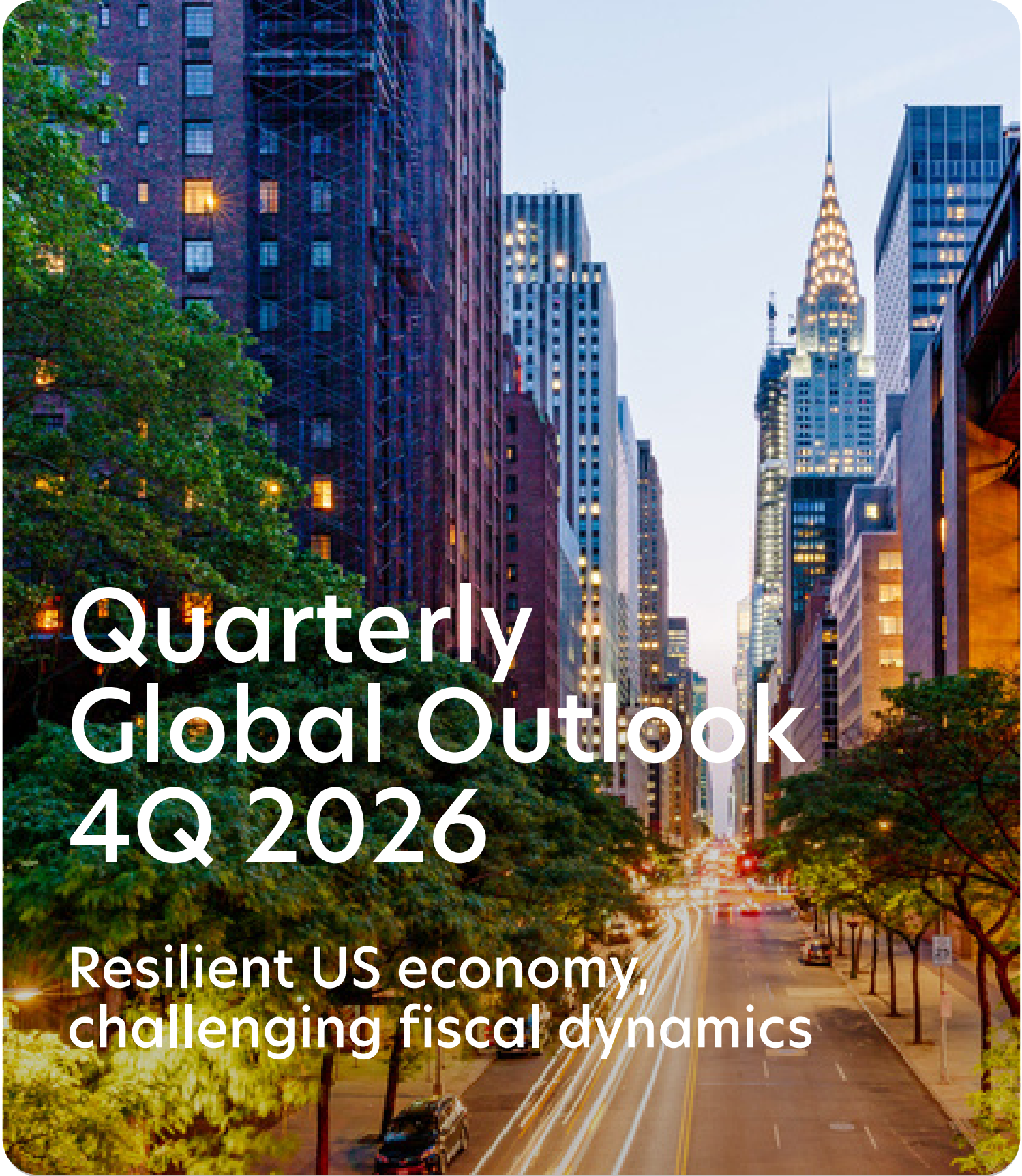




Quarterly Global Outlook 4Q 2026

Resilient US economy,
challenging fiscal dynamics

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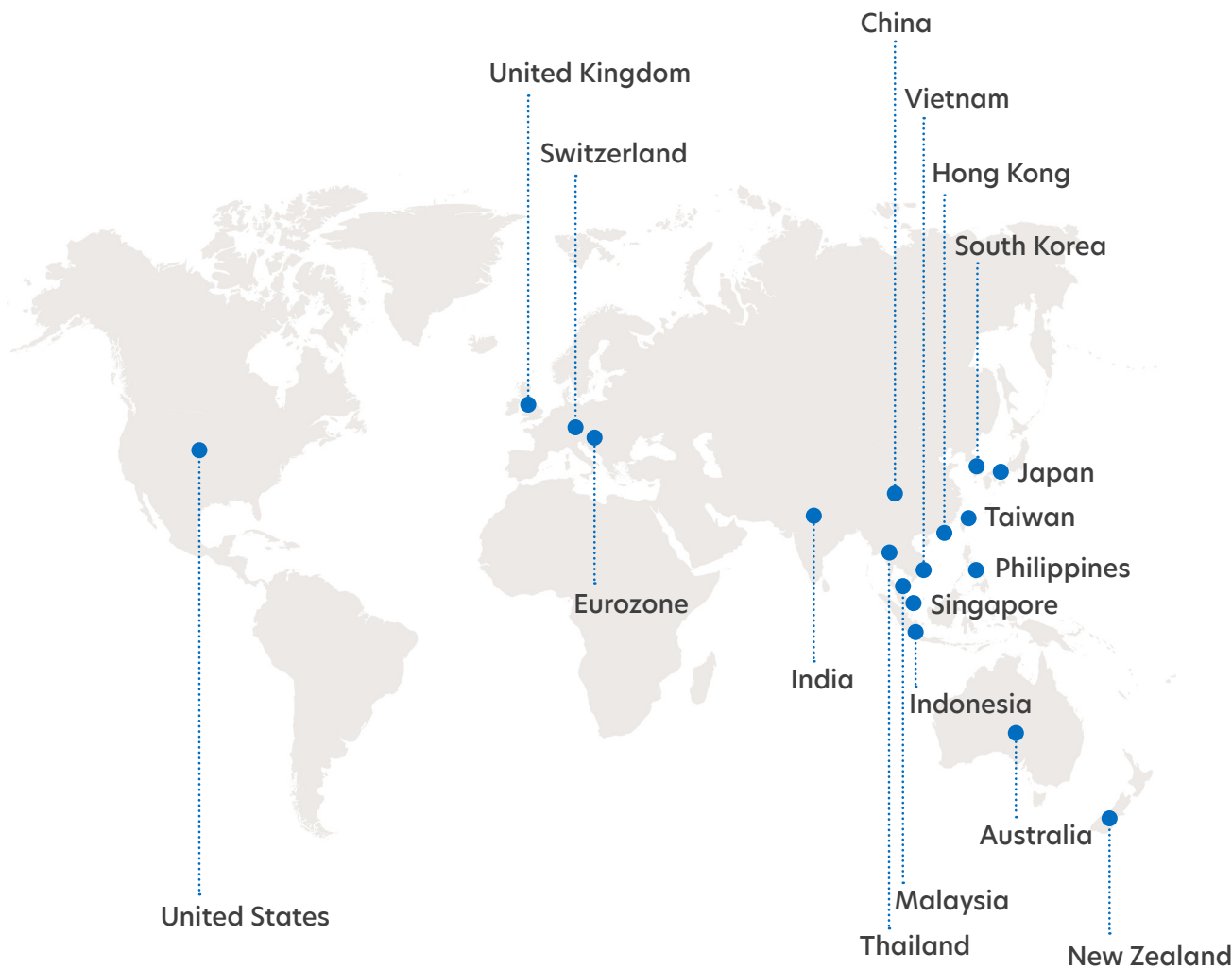
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EXECUTIVE SUMMARY

Resilient US economy, challenging fiscal dynamics

"We don't have a trillion-dollar debt because we haven't taxed enough; we have a trillion-dollar debt because we spend too much"

- Ronald Reagan

Economic resilience holds

The US economy continued to demonstrate underlying resilience heading into the final four months of 2026, defying persistent headwinds from elevated interest rates, trade policy uncertainty, high energy prices and a sluggish global backdrop. While the pace of expansion was below expectations at 1.5% q/q SAAR in 2Q, it was still a fifth consecutive quarter of growth anchored by private consumption and business spending, driven overwhelmingly by AI-related investments. Net exports remained a significant drag as imports continued to surge (in part due to the Trump Administration's tariffs) overtaking the gains in exports.

We expect the positive growth momentum to continue into 2H this year, albeit at a slower pace although the latest Atlanta Fed GDPNOW is projecting a materially better growth of 4.7% in 3Q (as of 3 Sep). And while the US economy remained resilient, it is increasingly bifurcated. Our more conservative outlook is premised on softer domestic demand as lower-income households face mounting pressure from elevated energy-induced inflation and spending challenges amidst lingering tariff effects. On the other hand, higher-income households and corporates continue to benefit from tax policies, deregulation and strong equity-linked wealth effects while corporate profits rose sharply by US\$ 400.9 bn in 2Q from US\$ 74.4 bn in 1Q with AI-driven capex providing a structural tailwind.

Even as job creation has slowed in 2026 (compared to last year), the US labor market remains a key pillar of resilience. While Jul saw a surprise job loss of 23,000, the unemployment rate held at 4.1%, historically low by any measure, and unemployment claims hover near multi-decade lows. Jul also recorded a drop in unemployed persons which was matched with an even bigger dip in the labor force, sending participation rate lower to 61.4%, lowest since Feb 2021, and well below the pre-pandemic peak of 63.3%. And though the Bureau of Labor Statistics' annual benchmark revision confirmed that job creation over the Apr 2025 to Mar 2026 period was modestly weaker by -79,000 than initially reported, this was a much smaller revision compared to the two prior years (2025: -911,000, 2024: -818,000). Overall, it continued to paint a picture of a "low-hire, low-fire" labor market where job creation has slowed but layoffs remain contained.

Our more conservative outlook is premised on softer domestic demand as lower-income households face mounting pressure from elevated energy-induced inflation and spending challenges amidst lingering tariff effects.



While headline and core inflation continue to move lower and are consistent with softer domestic demand conditions and easing tariff effects, both remain above the Fed's 2% target.

US headline CPI inflation has cooled in Jun and Jul (3.5% y/y and 3.4% y/y) following the energy-driven spike during Mar-May (3.3%, 3.8%, 4.2%), although it remained elevated and well above the Fed's 2% inflation objective. Continued shelter disinflation and easing wage growth suggest that the broad easing inflation trend remained intact. Even as the inflation outlook has improved, we are cognizant upside price risks remain, largely linked to energy prices and geopolitical developments: While headline and core inflation continue to move lower and are consistent with softer domestic demand conditions and easing tariff effects, both remain above the Fed's 2% target. Energy prices were still elevated (14.7% y/y in Jul) and re-escalating geopolitical tensions in the Middle East could quickly reverse recent disinflation progress, driving oil prices higher again which is what we are seeing in early Sep.

Fed Chairman Warsh's recent Jackson Hole speech (28 Aug) reinforced the message from the Jul FOMC minutes that inflation remains the dominant policy concern amid generally favourable growth and labour market conditions, and importantly, he reassured that the Fed's price-stability objective of 2% is "firm, fixed target". But it was also notable that Warsh (expectedly) stopped short of providing explicit guidance regarding future rate decisions, as well as the absence of mention of the on-going Middle East tensions/US-Iran War driving volatility in energy prices or the higher US Treasury yields. Warsh repeatedly emphasized persistent inflation pressures, broad-based price increases (of which he highlighted that nearly half of the components within the PCE basket continue to register annualized inflation rates above 3%) and the Fed's responsibility to restore price stability but left out what the Fed would do to address these challenges.

At the same time, Warsh's constructive assessment of business investment, consumer spending, financial conditions and labour market resilience suggests the Fed sees limited urgency to provide policy support to growth. Taking it all together with the ongoing review of the 5 task forces on key aspects of the Fed's monetary policy framework by the end of the year, which could continue to "buy" time for the FOMC to decide on the rate trajectory, we thus, continue to maintain our base case the Fed will remain on hold through 2026 before resuming gradual rate cuts in 2027 as the transitory inflation (due to oil prices) fades. But of course, the emphasis on inflation risks, together with Warsh's explicit commitment to achieving price stability and his reluctance to pre-commit to future policy actions, reinforces the elevated risks of policy tightening this year, with markets increasing the probability of a Sep FOMC rate increase at nearly 67% (as of 2 Sep) versus 36% prior to Warsh's speech. The Aug jobs report (4 Sep) and the Aug CPI (11 Sep) will likely have an outsized influence to shaping rate hike expectations in the Sep FOMC. Despite the elevated risk of a Sep rate hike, our view on balance remains an extended period of rate pause for the rest of 2026 before resuming easing next year (1 cut in late-2Q 2027, and 1 cut in late-4Q 2027).

US fiscal dynamics: A worsening trajectory

While the economic picture remains constructive, the fiscal backdrop has become increasingly challenging. US fiscal sustainability has moved from a background noise to a forefront market theme...

While the economic picture remains constructive, the fiscal backdrop has become increasingly challenging. US fiscal sustainability has moved from a background noise to a forefront market theme, as reflected in the recent upward pressure on Treasury yields (with the 10-year UST yield heading above 4.8% as of 2 Sep). The other headline that captured market attention was that total US public debt outstanding surpassed US\$40 trillion as of 19 Aug 2026, in contrast to an earlier forecast by the Congressional Budget Office (CBO) of US\$39.4 trillion by the end of 2026.



Three key trends characterize the current environment. First, fiscal deficits appear structurally entrenched at around 6% of GDP, with no credible bipartisan effort to meaningfully narrow them despite an economy operating near full employment, a period during which deficits would historically be expected to decline rather than widen. Second, federal debt is continuing on an unsustainable trajectory. The total debt held by the public is projected to rise from 101% of GDP in 2026 to 120% by 2036, surpassing the post-World War II record, with the previous peak likely to be breached as early as 2030. In nominal terms, outstanding federal debt is expected to increase by roughly 65%, from US\$34 trillion in 2027 to US\$56.4 trillion by 2036. Third, financial markets are gradually repricing US sovereign risk, as reflected in a higher Treasury term premium, periodic US dollar weakness, and persistent demand for gold. While these signals do not indicate an imminent funding crisis, they suggest investors are assigning greater weight to long-term fiscal risks.

According to the CBO's February 2026 Budget and Economic Outlook, the US fiscal trajectory is expected to deteriorate further over the coming decade. The federal deficit is projected at US\$1.9 trillion, or 5.8% of GDP, in FY2026, nearly double the 50-year average of 3.0% of GDP. By 2036, the deficit is forecast to widen to US\$3.1 trillion, or 6.7% of GDP, resulting in a cumulative deficit of US\$24.4 trillion between 2027 and 2036. Public debt is projected to reach 120% of GDP by 2036 and approximately 175% by the mid-2050s under the CBO's extended baseline. At the same time, net interest costs are expected to double from US\$1.0 trillion (about 13.9% of total outlays) in 2026 to US\$2.1 trillion (or 18.8% of total outlays) by 2036, exceeding defense expenditure and eventually approaching the scale of total discretionary spending. Adding to longer-term fiscal pressures, the Social Security Old-Age and Survivors Insurance Trust Fund is now projected to be exhausted in 2032, one year earlier than previously estimated.

Importantly, the fiscal challenge is primarily a spending issue rather than a revenue shortfall.

Importantly, the fiscal challenge is primarily a spending issue rather than a revenue shortfall. Federal revenue is projected to remain broadly in line with historical norms, rising modestly from 17.5% of GDP in 2026 to 17.8% by 2036, compared with a 50-year average of 17.3%. In contrast, federal outlays are expected to remain elevated at 23.3% of GDP in 2026 and at 24.2% by 2036, well above the historical average of 21.2%, driven by mandatory entitlement programmes and rapidly increasing interest expenses. Interest payments alone are projected to more than double over the next decade, highlighting the growing burden of debt servicing and the difficult policy choices that may ultimately be required between higher taxation, stronger nominal growth, inflation, or politically challenging spending reforms.

The outlook has worsened relative to a year ago.

The outlook has worsened relative to a year ago. The 2025 reconciliation legislation, known as the One Big Beautiful Bill Act (OBBBA), is estimated to increase cumulative deficits by approximately US\$1.4 trillion relative to the January 2025 baseline after accounting for offsetting tariff revenues and lower immigration-related tax receipts. Fiscal performance has also tracked at or above this already higher baseline, with cumulative borrowing during the first nine months of FY2026 exceeding the corresponding period in FY2025.

While markets are not yet reacting in a disorderly manner, the continued rise in debt levels, interest costs and fiscal deficits is consistent with the gradual repricing of US sovereign risk. Reserve-currency transitions could take decades to unfold and the deteriorations in the US fiscal and debt conditions could very well be the catalysts of such evolution.



The divided control of Congress and the White House may be viewed positively by the markets as it will provide policy certainty. But it will also mean that any fiscal consolidation policy is unlikely under a divided Congress and the risks of another government shutdown post-11 Dec and the next debt ceiling fight will be more imminent.

Mid-term elections: For better or for worse?

The 3 Nov 2026 midterm elections will determine control of both chambers of Congress. While Republicans currently hold narrow majorities in the House of Representatives and Senate, surveys indicate that Democrats are favored to re-take control of the House and it remains a close call for the control of the Senate. This makes the contests highly consequential for the remainder of President Trump's second term. The divided control of Congress and the White House may be viewed positively by the markets as it will provide policy certainty (and the reduction of risk of "bad" policies being pushed through legislation due to single-party control). But it will also mean that any fiscal consolidation policy is unlikely under a divided Congress and the risks of another government shutdown post-11 Dec and the next debt ceiling fight will be more imminent. On the other hand, there are worries that if they gain control of the House, the Democrats may launch multiple investigations into President Trump and his administration, and this will stop or roll back deregulation from the Trump administration. Viewed from this point, a divided House can potentially be viewed negatively for the economy and risky assets.

Hereafter is a brief synopsis of our key FX and Rates views.



FX Strategy: Treasuries buyback plan compounds USD headwinds

Major FX Strategy: Potential Fed rate hike may derail bearish USD baseline

The Treasury's 19 Aug announcement to at least double long-end buyback operations in Sep has added a structural dimension to USD weakness, reviving the USD debasement trade and compounding the existing headwinds from the perception of the Fed falling behind the curve. The concurrent hawkish repricing of G-10 central bank rate expectations (ECB, BOE, BOJ and RBA) has intensified through Aug, further eroding the USD's relative rate advantage, reinforcing our base case of USD weakness. With the sharper than expected pullback in USD through Aug, several 4Q26 Major FX forecasts have been reached ahead of schedule. Updated DXY forecasts are revised modestly lower across the curve: 98.6 in 4Q26 (from 99.2), 97.6 in 1Q27 (from 97.9), 96.8 in 2Q27 (96.9), and 95.2 in 3Q27 (from 95.4).

The primary risk to our negative USD view remains a Fed hike at the Sep FOMC – currently priced at about two-third chance according to the swap market as of 2 Sep. Recent hawkish commentary by Fed officials and Brent back above USD 90 /bbl suggest the risk of a hike is not negligible. This scenario may well trigger renewed USD strength in the remainder of 2026 and into early 2027 as investors fret if that is the start of a renewed hiking cycle. More importantly, it would warrant a reassessment of our negative USD base case.

Asian FX Strategy: Stay constructive over medium term contingent on Fed pause

Our constructive medium-term Asia FX view is intact. Regional currencies delivered a more resilient-than-expected performance in 3Q26, with most posting gains against the USD even as Fed rate-hike expectations built through the quarter. Net bond inflows into most regional economies – a welcome development as geopolitical risks abate – have helped underpin Asia FX. The Treasury buyback programme was a surprise Asia FX tailwind in Aug, reviving the USD debasement trade, though its impact is likely secondary to Fed policy direction. The primary upside risk to the USD – and downside risk to Asia FX – remains a scenario in which the Fed follows through on the hike path currently priced by swap markets. Warsh's hawkish Jackson Hole remarks, which rekindled Fed rate hike expectations at the upcoming 15/16 Sep FOMC, represent a material near-term risk to this base case.

Finally, within the region, the year-to-date performance remains sharply bifurcated, and the divergence is expected to persist into 4Q26. KRW, TWD, CNY, MYR, and SGD are expected to outperform and keep YTD gains against the USD supported by stronger macro buffers. In comparison, the net energy importers – PHP, INR, and THB – are likely to remain underperformers, as the oil shock will take time to fully dissipate. IDR stays defensive on idiosyncratic domestic concerns, though the tentative stabilisation across Aug is encouraging.

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Rates Strategy: Long term UST yield climb to uncomfortably elevated levels

US Rates: Elections, buybacks, macro data, geopolitics... no shortage of uncertainty

Our macroeconomic team expects the Fed to remain on an extended pause throughout 2026 before resuming easing in 2027, as recent softer economic data may provide Warsh with sufficient room to "buy time" while the five task forces complete their review of the Fed's monetary policy framework and the FOMC determines the appropriate policy path. Consistent with this view, we forecast 3M compounded-in-arrears SOFR at 3.65% in 4Q26, 3.64% in 1Q27, 3.47% in 2Q27, and 3.41% in 3Q27. Prevailing 3M compounded-in-arrears SOFR is 3.64%.

The risk remains for the 10Y UST yield to test the psychologically important 5.0% threshold earlier than our expectations. This could occur under the scenarios of further rise in oil prices, higher inflation pressures, and a rate hike at Sep FOMC against our macroeconomic view.

Long-end UST became the focus of investors' attention after the US Treasury Secretary Scott Bessent announced on 19 Aug a plan to at least double the long-end buyback, raising questions as to whether the true intent of such measures extends beyond supporting market liquidity and instead aims to cap yields. Targeting yield levels would address the symptom rather than the underlying causes of higher yields. Temporary suppression of yield levels could backfire if markets begin to question the credibility of such measures. We therefore believe that the more appropriate and sustainable approach is to address the root causes of elevated yields by bringing inflation back to target, maintaining policy credibility and implementing a credible fiscal consolidation plan. Our 10Y UST forecasts remain unchanged from our Aug projections, at 4.85% for 4Q26, 4.85% for 1Q27, 4.80% for 2Q27, and 4.80% for 3Q27. The risk remains for the 10Y UST yield to test the psychologically important 5.0% threshold earlier than our expectations. This could occur under the scenarios of further rise in oil prices, higher inflation pressures, and a rate hike at Sep FOMC against our macroeconomic view. Our 5bps reduction in the 2Q27 forecast reflects a modest transmission of the anticipated Fed easing cycle incorporated in our macroeconomists' projections.

SG Rates: Strong SG GDP growth and modest inflation outlook suggest a slower normalization path for SG rates

For SORA, factors that could support a higher path for rates include: (1) a nascent increase in the banking system's loan-to-deposit ratio (LDR); (2) spillover effects from higher global and US yields; and (3) a gradual firming in overnight SORA fixings. That said, we acknowledge that the normalisation of SORA-SOFR spreads across tenors from their historically wide discounts has been slower than we had previously anticipated. Nevertheless, we still view current SORA-SOFR spreads as excessively wide and expect them to normalise over time, albeit at a materially slower pace than previously projected. We therefore forecast 3M compounded-in-arrears SORA at 1.35% in 4Q26, 1.41% in 1Q27, 1.44% in 2Q27, and 1.48% in 3Q27. This represents a 2-24bp downward revision relative to our previous forecasts published on 4 August, reflecting our expectation of a slower normalisation in SORA-SOFR spreads.

In particular, investors should monitor the Fed's policy trajectory, US Treasury long-end buyback operations, and broader movements in US Treasury yields to assess the likely direction of long-end Singapore rates.

Looking ahead to 4Q26, we expect developments in global and US rates markets to continue exerting a significant influence on the long end of the SGD curve, potentially pulling it higher. In particular, investors should monitor the Fed's policy trajectory, US Treasury long-end buyback operations, and broader movements in US Treasury yields to assess the likely direction of long-end Singapore rates. Our forecasts continue to imply higher SGS yields over the projection horizon, driven by the expected normalisation of Singapore-US interest rate differentials. However, we have revised the normalisation pace slower in the current forecast round. We now forecast the 10Y SGS yield at 2.40% in 4Q26, 2.45% in 1Q27, 2.45% in 2Q27, and 2.50% in 3Q27. These forecasts represent a 15-35bp downward revision relative to our previous projections, reflecting our expectation of a more gradual normalisation in the 10Y SGS-10Y UST yield spread.



Commodities Strategy: Renewed climb in Brent crude oil limit Gold's near-term recovery

Over the near term, the most direct negative driver against gold remains that of US interest rate outlook amidst increasingly opaque Fed monetary policy bias.

Overall, Brent crude oil is not out of the woods yet in terms of supply disruption. Especially when a peace deal remains elusive.

Gold: A tentative bottom around USD 4,000 / oz

Barring renewed intense escalation of the Iran War, it is likely that central banks, especially those in Emerging Markets and Asia will likely revert back strong allocation into gold. Case to point, the People's Bank of China has been ramping up its gold purchases across Q2 amidst the price correction to USD 4,000 / oz. The increasing concerns over US fiscal malfeasance will likely be another long-term positive driver. Over the near term, the most direct negative driver against gold remains that of US interest rate outlook amidst increasingly opaque Fed monetary policy bias. The further climb in US Treasuries yield risk dampening any strong rebound in gold. A "live" FOMC in Sep also weighs down on gold. Overall, we stay positive on gold and it is indeed likely that we have seen a tentative bottom around 4,000 / oz. Going forward we forecast gold at USD 4,500 / oz in 4Q26, USD 4,800 / oz in 1Q27, USD 5,100 / oz in 2Q27 and USD 5,400 / oz in 3Q27.

Brent Crude Oil: Increasing worries about inventory tightness and distillate disruption

There are increasing worries that the world has drawn down excessively oil and energy inventory. That inventory drawdown has played a key role in mitigating the energy supply crunch in 2Q26 but this inventory buffer is increasingly thin. Specifically, the excessive drawdown of crude oil inventory in the US has seen its commercial inventory at Cushing, Oklahoma down to about 20 mio bbl and pushed its Strategic Petroleum Reserve (SPR) below the critical 300 mio bbl level. The distillate market is increasingly volatile and tight as well. Jet fuel prices have bounced back up, recovering about half of its correction, US diesel prices stay elevated after a modest correction and Asian LNG prices rally further to new heights. The sharp spike in US 3-2-1 crack spread is a warning sign of dangerous tightening in distillate market. Overall, Brent crude oil is not out of the woods yet in terms of supply disruption. Especially when a peace deal remains elusive. Compared to our previous quarterly forecast, we raise our forecasts by USD 10 / bbl across the board to USD 90 / bbl in 4Q26, USD 85 / bbl in 1Q27 and USD 80 / bbl in 2Q and 3Q27. A further climb in Brent crude oil towards USD 100 / bbl could not be ruled out.

LME Copper: US Tariff fears are back

A key driver for Copper's strong price action across the mid-year appears to be the large accumulation of inventory into the US. Specifically, Copper inventory on COMEX has jumped by half this year from just under 500 kT to 758kT. This strong demand in the US resulted in the on-going drawdown in Copper inventory outside of the US, leading to drop in Copper inventory on LME to just about 200 kT and on the SHFE to the perilously low level of just 70 kt. Effectively, COMEX now accounts for an outsized $\frac{3}{4}$ of global Copper inventory. This strong demand in Copper from the US has also driven up near term physical premium, pushing the LME Copper's cash vs 3M premium to a record above USD 400 / MT in mid-August. The key culprit appears to be renewed investor fears that the US may well impose import tariffs on refined Copper. Markets experienced such an episode of tariff fears last year, before the Trump administration denied any such plans. Overall, unless the Trump administration does impose import tariffs on refined Copper, we reiterate that near-term strong price action is irrational. We maintain our price forecast for USD 13,500 / MT in 4Q26, USD 13,000 / MT in 1Q27 and USD 12,500 in 2Q and 3Q27.



Global FX

USD/JPY: The medium-term case for a lower USD/JPY still rests on monetary policy divergence. Our baseline — a further 25 bps BOJ hike in Sep, a final move to 1.50% in late 2Q27, a Fed pause in 2H26, and two Fed cuts in 2027 — should compress rate differentials and structurally erode carry attractiveness over time. Overall, our updated USD/JPY forecasts are 155 in 4Q26, 153 in 1Q27, 151 in 2Q27, and 149 in 3Q27.

EUR/USD: Rate differentials have also become more supportive of the euro. With ECB and Fed expectations repricing higher in tandem and safe-haven USD demand easing, the widening US-EU rate gap that drove EUR/USD lower through Jun has stabilised. If the Fed pauses in 2H26 while the ECB remains hawkish after Sep, further compression in rate differentials should support EUR/USD gains, though the pace of recovery is likely to remain gradual as Fed Chair Kevin Warsh's warning at Jackson Hole keeps the USD floor intact while the current net-short EUR/USD positioning will take time to dissipate. Our updated EUR/USD forecasts are 1.17 in 4Q26, 1.18 in 1Q27, 1.19 in 2Q27, and 1.21 in 3Q27.

GBP/USD: A modest upward bias in GBP/USD is retained even as an on-hold BOE offers limited support. The key driver of recovery remains a Fed pause in 2H26 and the reassertion of structural medium-term USD headwinds. Overall, our updated GBP/USD forecasts are at 1.35 in 4Q26, 1.36 in 1Q27, 1.37 in 2Q27, and 1.39 in 3Q27.

USD/CHF: From current levels, we see limited room for further CHF depreciation against the dollar. An extended Fed pause in 2H26 and additional Fed rate cuts in 2027 are expected to sustain broad USD weakness, capping any meaningful USD/CHF upside. Switzerland's placement on the US Treasury currency monitoring watch list since Jun 2025 adds a further constraint on SNB intervention, particularly on the USD/CHF channel.

At the same time, we expect CHF to underperform relative to G10 peers in any recovery against the USD. With the SNB policy rate at 0.00% — the lowest in the G10 — and little scope for rate hikes in the medium term, the franc is becoming a more attractive funding currency. This is particularly relevant relative to the JPY, where funding costs are expected to rise and BOJ intervention risks to support the yen remain elevated.

On balance, we expect a largely stable USD/CHF over the next four quarters, trading within the year-to-date range. We initiate coverage with the following point forecasts: 0.81 in 4Q26, 0.80 in 1Q27 and 2Q27, and 0.79 in 3Q27.

AUD/USD: The constructive medium-term view on AUD/USD remains intact, underpinned by our expectations of a further 25 bps RBA hike in Sep. At 4.35% currently, the AUD retains its position as the highest yielding G-10 currency, sustaining structural carry-trade demand. The pair's stronger-than-forecast 3Q26 trajectory — already trading above the 0.70 consolidation range anticipated for the quarter — reinforces the bullish path. A Fed pause compressing US rate differentials and a gradual unwinding of the US-Iran geopolitical risk premium remain the key catalysts for further appreciation. Overall, our updated AUD/USD forecasts are 0.72 in 4Q26, 0.73 in 1Q27, 0.74 in 2Q27, and 0.75 in 3Q27.

NZD/USD: Going forward, we maintain a constructive medium-term view on NZD/USD. This is largely anchored on our expectations of an extended Fed rate pause for the remainder of 2026 and constructive global risk sentiment. Consistent with these dynamics, our updated NZD/USD forecasts are at 0.59 in 4Q26, 0.60 in 1Q27, 0.61 in 2Q27, and 0.62 in 3Q27. Key downside risks to this view include a more intense bout of global risk aversion brought about either by a significant escalation in the Strait of Hormuz or a deeper correction in global equities.



Asian FX

USD/CNY: The medium-term gradual appreciation path is retained. The PBOC's 2026–2030 five-year plan reaffirms yuan stability and internationalisation as structural priorities, while China's persistent trade surplus provides firm support. A Fed pause in 2H26 – our base case – would further ease the rate differential headwind for CNY. Overall, our updated USD/CNY forecasts are 6.70 in 4Q26, 6.68 in 1Q27, 6.64 in 2Q27, and 6.62 in 3Q27.

USD/SGD: The SGD's structural support remains intact – a hawkish MAS stance combined with an AI-driven growth upgrade distinguishes Singapore from most regional peers contending with oil-driven inflation and softening activity. The country's reputation for stability is providing an additional tailwind for the SGD, evidenced by a steady increase in non-resident deposits.

Consistent with these dynamics and our expectations for SGD to stay resilient, our updated USD/SGD forecasts are at 1.27 in 4Q26, 1.26 in 1Q27, 1.25 in 2Q27, and 1.24 in 3Q27.

USD/HKD: The case for a near-term USD/HKD move toward the mid-point of the band has weakened, given the re-escalation of the Middle East conflict, elevated Hibor and renewed pricings for near-term Fed rate hike. As such, USD/HKD may be biased higher for longer. The glide path toward 7.80 retained but is now contingent on a credible and durable geopolitical de-escalation – a higher bar than previously assumed. Accordingly, our updated USD/HKD forecasts are at 7.84 in 4Q26, 7.82 in 1Q27, and 7.80 in 2Q27 and 3Q27.

USD/TWD: Going forth, the TWD continues to draw strength from its compelling medium-term fundamental backdrop and a hawkish CBC. The case for a 12.5bps CBC rate hike at the Sep/Dec meeting is strengthening. A hike, if delivered, would provide an additional near-term TWD tailwind. Overall, our updated USD/TWD forecasts are 31.5 in 4Q26, 31.3 in 1Q27, 31.0 in 2Q27, and 30.8 in 3Q27, reflecting a gradual TWD strengthening path contingent on continued AI-driven export momentum and Fed policy remaining on hold.

USD/KRW: While the pace of appreciation may moderate from current levels, resilient fundamentals continue to support further KRW gains over coming quarters. One additional 25bp BOK hike is expected in 4Q26, which would further enhance the KRW's carry appeal. However, deeply oversold conditions may generate two-way volatility in the near term. Overall, our updated USD/KRW forecasts are at 1,360 in 4Q26, 1,340 in 1Q27, 1,330 in 2Q27, and 1,320 in 3Q27.

USD/MYR: Going forward, the MYR is expected to strengthen anew, albeit at a more gradual pace, as supportive domestic fundamentals may be partially offset by persistent external uncertainties. While Malaysia's growth outlook remains resilient, underpinned by continued AI- and data centre-related investments, a sustained current account surplus, and hawkish BNM pivot, sentiment towards emerging market currencies will continue to be influenced by shifts in Fed policy expectations and global risk appetite.

Consistent with these dynamics, our updated USD/MYR forecasts are at 4.02 in 4Q26, 4.00 in 1Q27, 3.98 in 2Q27, and 3.95 in 3Q27.



USD/IDR: On the other hand, structural pressures have intensified. Indonesia's current account deficit widened to a record USD 12.5 bn in 2Q26, driven by elevated oil import costs amid Middle East tensions. BI's concurrent pivot away from high SRBI yields – previously a key tool to attract foreign bond inflows – toward hedging incentives risks partially offsetting the rate support from further BI hikes. Taken together, these dynamics are expected to keep the IDR underperforming regional peers through any medium-term recovery.

Overall, our updated USD/IDR forecasts are at 17,900 in 4Q26, 17,800 in 1Q27, 17,700 in 2Q27, and 17,600 in 3Q27.

USD/THB: The Aug recovery was driven by broad-based USD softness alongside a sustained improvement in Thailand's external position. The current account deficit has narrowed materially from a record USD 7.79bn in Apr to USD 1.56bn in Jul, and FX reserves have partially rebuilt to USD 284.73bn as of 21 Aug, easing near-term pressure on the baht. Gold prices, which share a well-documented positive correlation with the THB, also rallied by about 10% in Aug, providing an additional tailwind. On the other hand, negative real yields continue to anchor the THB's role as a preferred regional funding currency, capping meaningful appreciation. The THB is expected to underperform regional peers during any medium-term recovery while macroeconomic fundamentals remain challenged, and the oil shock persists. Accordingly, our updated USD/THB forecasts are 33.1 in 4Q26, 33.0 in 1Q27, 32.9 in 2Q27, and 32.8 in 3Q27.

USD/PHP: Looking ahead, we see limited catalysts for a strong recovery in the PHP. External headwinds, including lingering Middle East tensions and a higher-for-longer US interest rate environment, are likely to keep the USD well supported. Domestically, political and policy uncertainties, coupled with persistent macroeconomic imbalances, could continue to weigh on investor sentiment. The Philippines is expected to sustain sizeable twin deficits while the risk of a sovereign credit rating downgrade by Fitch and ongoing external financing needs remain key constraints on the PHP outlook.

Therefore, we expect the PHP to underperform other regional currencies in a broader recovery against the USD. We forecast USD/PHP at 62.9 in 4Q26 before easing marginally to 62.7 in 1Q27, 62.5 in 2Q27, and 62.4 in 3Q27.

USD/VND: Beyond the near term, the case for a broadly stable VND remains intact, underpinned by strong growth momentum, robust FDI inflows (1H26 pledged FDI: +61% y/y to USD34.65bn), and SBV's active management of USD/VND. The primary risks are a sustained widening of the trade deficit and any further hawkish repricing of Fed policy expectations. Our updated USD/VND forecasts are at 26,200 in 4Q26, 26,100 in 1Q27, 26,000 in 2Q27, 25,900 in 3Q27.

USD/INR: A hawkish RBI pivot, periodic RBI dollar sales, and bond inflows helped offset part of the pressure on the INR. FCNR attracted strong inflows exceeding USD 100 bn, helping boost the RBI's war chest to intervene in the FX market and support the rupee. Looking ahead, we maintain a cautious view on the INR and expect the rupee to underperform regional peers due to the spillover of higher oil prices. Our updated USD/INR forecasts are 95.0 in 4Q26, 94.6 in 1Q27, 94.4 in 2Q27, and 94.2 in 3Q27.



01. FORECAST: REAL GDP GROWTH TRAJECTORY

y/y% change	2025	2026F	2027F	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F
China	5.0	4.5	4.5	5.4	5.2	4.8	4.5	5.0	4.3	4.3	4.5
Hong Kong	3.6	3.9	2.4	3.2	3.3	3.8	4.0	5.9	4.3	3.0	2.6
India (FY)	7.2	7.8	7.2	7.5	7.3	7.4	6.6	6.9	8.1	7.7	8.6
Indonesia	5.1	5.2	5.4	4.9	5.1	5.0	5.4	5.6	5.3	5.1	5.0
Japan	1.2	0.7	1.0	1.5	2.1	0.6	0.4	0.5	0.7	1.0	0.9
Malaysia	5.2	5.0	4.6	4.4	4.6	5.3	6.2	5.4	6.0	4.5	4.1
Philippines	4.4	3.2	5.0	5.4	5.4	4.0	3.0	2.8	2.3	3.5	4.1
Singapore	5.0	5.0	3.2	4.5	5.4	4.5	5.7	6.3	5.9	4.3	3.6
South Korea	1.1	3.4	2.9	0.2	0.7	2.1	1.6	3.8	3.7	2.9	3.3
Taiwan	8.8	11.0	6.0	5.5	7.7	8.4	13.0	15.4	12.9	11.3	5.7
Thailand	2.4	1.9	2.0	3.1	2.8	1.2	2.5	2.8	1.9	1.8	1.2
Vietnam	8.0	8.5	8.4	7.0	8.2	8.3	8.5	7.9	8.4	9.0	8.5
Australia	2.0	1.9	1.6	1.3	1.9	2.1	2.6	2.5	2.1	1.8	1.2
Eurozone	1.3	0.8	1.2	1.6	1.4	1.2	1.1	0.5	1.0	0.8	0.9
New Zealand	0.2	1.6	2.2	-0.7	-1.0	1.1	1.5	1.5	2.0	1.5	1.6
Switzerland	1.4	1.0	1.4	2.6	1.4	0.7	1.0	0.5	0.8	1.4	1.4
United Kingdom	1.3	1.1	1.1	1.8	1.4	1.2	0.9	0.9	1.2	1.1	1.2
United States (q/q SAAR)	2.1	1.9	2.0	-0.6	3.8	4.4	0.5	2.1	1.5	1.4	1.0

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	04 Sep	4Q26F	1Q27F	2Q27F	3Q27F
EUR/USD	1.16	1.17	1.18	1.19	1.21
GBP/USD	1.35	1.35	1.36	1.37	1.39
USD/JPY	156	155	153	151	149
USD/CHF	0.81	0.81	0.80	0.80	0.79
AUD/USD	0.72	0.72	0.73	0.74	0.75
NZD/USD	0.59	0.59	0.60	0.61	0.62
DXY	99.0	98.6	97.6	96.8	95.2
USD/CNY	6.72	6.70	6.68	6.64	6.62
USD/HKD	7.84	7.84	7.82	7.80	7.80
USD/TWD	31.8	31.5	31.3	31.0	30.8
USD/KRW	1,358	1,360	1,340	1,330	1,320
USD/PHP	62.5	62.9	62.7	62.5	62.4
USD/MYR	4.04	4.02	4.00	3.98	3.95
USD/IDR	17,660	17,900	17,800	17,700	17,600
USD/THB	32.9	33.1	33.0	32.9	32.8
USD/VND	26,095	26,200	26,100	26,000	25,900
USD/INR	94.5	95.0	94.6	94.4	94.2
USD/SGD	1.27	1.27	1.26	1.25	1.24
EUR/SGD	1.47	1.49	1.49	1.49	1.50
GBP/SGD	1.71	1.71	1.71	1.71	1.72
AUD/SGD	0.91	0.91	0.92	0.93	0.93
SGD/MYR	3.19	3.17	3.17	3.18	3.19
SGD/CNY	5.30	5.28	5.30	5.31	5.34
JPY/SGDx100	0.81	0.82	0.82	0.83	0.83

POLICY RATES	04 Sep	4Q26F	1Q27F	2Q27F	3Q27F
US Fed Funds Rate	3.75	3.75	3.75	3.50	3.50
EUR Refinancing Rate	2.40	2.65	2.65	2.65	2.65
GBP Repo Rate	3.75	3.75	3.75	3.75	3.75
JPY Policy Rate	1.00	1.25	1.25	1.50	1.50
CHF Policy Rate	0.00	0.00	0.00	0.00	0.00
AUD Official Cash Rate	4.35	4.60	4.60	4.60	4.60
NZD Official Cash Rate	2.75	2.75	2.75	2.75	2.75
CNY 7D Reverse Repo	1.40	1.40	1.40	1.40	1.40
HKD Base Rate	4.00	4.00	4.00	3.75	3.75
TWD Official Discount Rate	2.00	2.13	2.25	2.25	2.25
KRW Base Rate	3.00	3.25	3.25	3.25	3.25
PHP O/N Reverse Repo	5.00	5.00	5.00	5.00	5.00
MYR O/N Policy Rate	2.75	3.00	3.00	3.00	3.00
IDR 7D Reverse Repo	5.75	6.25	6.25	6.25	6.00
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	5.50	5.75	5.75	5.75
INTEREST RATES	04 Sep	4Q26F	1Q27F	2Q27F	3Q27F
USD 3M SOFR (compounded)	3.65	3.65	3.64	3.47	3.41
SGD 3M SORA (compounded)	1.19	1.35	1.41	1.44	1.48
US 10Y Treasuries Yield	4.76	4.85	4.85	4.80	4.80
SGD 10Y SGS	2.38	2.40	2.45	2.45	2.50
COMMODITIES	04 Sep	4Q26F	1Q27F	2Q27F	3Q27F
Gold (USD/oz)	4,484	4,500	4,800	5,100	5,400
Brent Crude Oil (USD/bbl)	96	90	85	80	80
LME Copper (USD/mt)	14,334	13,500	13,000	12,500	12,500

Source: UOB Global Economics & Markets Research Estimates



KEY EVENTS: 4Q 2026

OCTOBER

01 - Reserve Bank of Australia Financial Stability Review – a semi-annual update on household leverage, housing risks and financial system resilience.

09 - Malaysia's Budget 2027 is expected to focus on strengthening economic resilience, alleviating cost-of-living pressures, enhancing growth potential and productivity, advancing fiscal reforms, and improving public sector efficiency.

12-18 - The Annual Meetings of the International Monetary Fund and the World Bank Group will take place in Thailand.

28 - The UK Autumn Budget / Fiscal Statement - the first major fiscal event under Prime Minister Andy Burnham's government.

Oct - China will hold the fifth plenary session of the Communist Party's 20th Central Committee. The focus is party governance and political succession ahead of the 21st Party Congress in late 2027 where President Xi is expected to secure a fourth term.

NOVEMBER

03 - US mid-term elections: All 435 seats in the House of Representatives and 35 of the 100 seats in the Senate will be contested. 39 state and territorial gubernatorial elections, attorney GE, and numerous state & local elections.

07 - New Zealand election – a pivotal contest between the incumbent National-led coalition's economic stewardship and a Labour-led opposition seeking a change in direction amid ongoing cost-of-living and growth challenges.

09 - 178 product exclusions from [Section 301 tariffs](#) on Chinese goods are set to expire at 11:59 pm. After which, the underlying 25% Section 301 tariffs will immediately return on these goods starting 10 Nov. Another item expiring on 9 Nov is the [investigation](#) on Chinese maritime, logistics, and shipbuilding sectors.

18-19 - The 33rd Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting 2026 will be held in Shenzhen, China. Possible attendees include US President Trump and Russian President Putin.

28 - Taiwan to hold its nine-in-one local elections, covering city and county mayoral posts, local council seats and other local public offices.

DECEMBER

Dec - The annual Central Economic Work Conference (CEWC) will take stock of the economy and set the policy priorities for 2027. The key targets including growth will be announced at the National People's Congress (NPC) in Mar next year.

The US Treasury Department will likely release its semiannual Report on "Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States" to the Congress.

22nd Joint Council for Bilateral Cooperation (JCBC) – Scheduled to be hosted by Singapore in 2026, the JCBC is the annual apex bilateral platform between Singapore and China. It serves as a key forum for reviewing ongoing cooperation and identifying future areas for partnership.

The Johor-Singapore Special Economic Zone (JS-SEZ) master plan is scheduled to be officially launched in conjunction with the Annual Malaysia-Singapore Leaders' Retreat.



FX STRATEGY

Treasuries buyback plan compounds USD headwinds

The USD softness that emerged in Jul has extended through Aug. The DXY has declined 1.8% quarter-to-date, trading at 99.4 as of 1 Sep and on track for its first quarterly loss since 2Q25. The drivers remain largely unchanged: softer-than-expected inflation and payrolls data have capped near-term Fed rate-hike repricing, while the perception that the Fed is falling behind the curve — having held rates at 3.75% for a seventh consecutive FOMC in Jul — continues to weigh on sentiment. The late-Jul coordinated JPY intervention by Japanese and US authorities added further volatility. Notably, renewed US-Iran tensions over the past two months have failed to generate meaningful safe-haven USD demand — a marked departure from the early stages of the conflict in Mar, and evidence of a cleaner structural break in the USD's traditional geopolitical role.

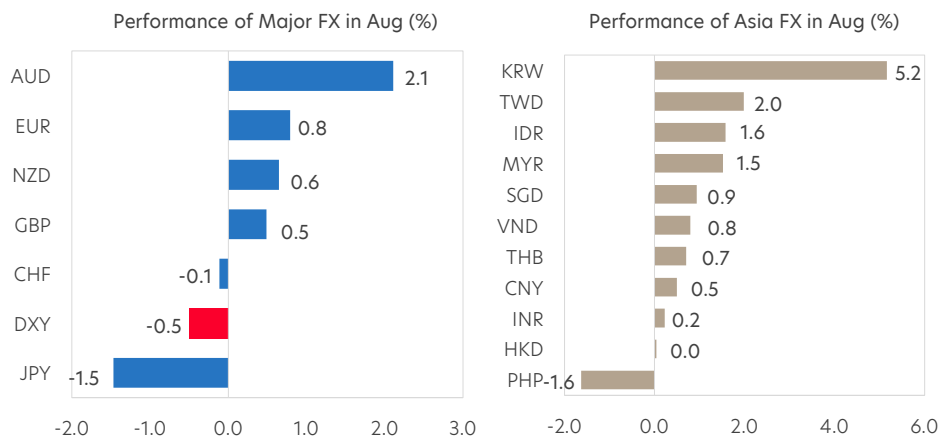
The most consequential market development of late has been US Treasury Secretary Scott Bessent's surprise announcement on 19 Aug to at least double the size of its long-end liquidity support buyback operations — raising the cap from \$2bn to at least \$4bn per operation for 10-to-30-year nominal coupon securities, effective 9 Sep through 4 Nov.

Active steps to suppress long-end yields have revived the USD debasement trade: investors are reducing exposure to USD and USD-denominated assets on the view that structural fiscal deterioration will erode the dollar's long-run purchasing power. The buyback plan compounds existing USD headwinds rather than offsetting them. Against this backdrop, several of our 4Q26 Major FX forecasts have been reached ahead of schedule; this report updates them accordingly. We also initiate coverage on CHF in this report.

Active steps to suppress long-end yields have revived the USD debasement trade: investors are reducing exposure to USD and USD-denominated assets on the view that structural fiscal deterioration will erode the dollar's long-run purchasing power.

Chart 1: USD fell against most G-10 and Asia FX in Aug

Source: Bloomberg, UOB Global Economics & Markets Research



The combined tailwinds of deferred Fed rate hike expectations and the buyback-driven USD selloff lifted the Asia Dollar Index to 93.48 – its highest level since the onset of the US-Iran conflict in late Feb.

Most Asia FX currencies gained against the USD in Aug and are on track to close 3Q26 on a positive note. The combined tailwinds of deferred Fed rate hike expectations and the buyback-driven USD selloff lifted the Asia Dollar Index to 93.48 – its highest level since the onset of the US-Iran conflict in late Feb. The KRW led the regional recovery for a second consecutive month, appreciating a further 5.2% in Aug following an outsized 7.1% gain in Jul. The CNY strengthened to its strongest level against the USD in over three years, guided by a steadily appreciating PBOC fixing rate. Currencies with the highest oil import sensitivity – INR, THB, and PHP – are showing early signs of stabilisation despite Brent climbing back above the \$90/bbl. The IDR posted its first monthly gain in ten months as domestic risk sentiment improved.

As stated in previous reports, our constructive 4Q26 Asia FX thesis rests on three conditions: consolidating oil prices that affords the Fed sufficient cover to hold rates through year-end, a narrowing US rate advantage, and a resumption of regional portfolio inflows. Against the developments in the past month particularly the surprise Treasury buyback programme, we reassess whether the 4Q26 recovery baseline remains intact, or whether a more defensively positioned regional FX stance is warranted given that Fed rate hike expectations have increased post Jackson Hole.

Major FX Strategy

Potential Fed rate hike may derail bearish USD baseline

Aug marked another leg lower in the USD, extending the decisive selloff that followed the Jul FOMC and the coordinated JPY intervention by Japanese and US authorities at end-July. The DXY was largely pinned below the 100 handle through the month, trading in a wide 98.56-100.08 range, before closing Aug at 99.4. The intra-month narrative was a tug-of-war between two narratives: the Treasury's surprise buyback announcement on 19 Aug drove the DXY to a 3-month low of 98.56 on 20 Aug, before Fed Chair Warsh's hawkish Jackson Hole speech on 28 Aug reversed the bulk of those losses.

The macro backdrop has shifted materially since our last update in the monthly FXRM on 4 Aug. The Jul non-farm payrolls (NFP) print, came in at -23,000, the first negative monthly payrolls reading since Feb. The subsequent Jul CPI print (3.4% y/y) extended the deceleration from 4.2% in May, providing further validation of the disinflationary impulse thesis as energy supply disruption from the Middle East conflict eased. Together, these prints have tentatively par back Fed rate-hike repricing, though the persistence of elevated oil prices and Warsh's displeasure with inflation not slowing meaningfully kept the Fed rate hike risk alive. Sep rate hike pricings receded from about 25 bps at end-Jul to as low as 8 bps after the softer data before rebounding to 17 bps after Jackson Hole. The Aug NFP and CPI prints – the next key data releases – will be the primary determinants of Sep and Dec FOMC pricing.

The key driver of USD direction is likely still to be the rate differentials between the USD and its Major FX peers.

The Treasury's 19 Aug announcement to at least double long-end buyback operations in Sep has added a structural dimension to USD weakness, reviving the USD debasement trade and compounding the existing headwinds from the perception of the Fed falling behind the curve and the late-Jul US-Japan joint JPY intervention. That said, the program is likely to be balance-sheet neutral by design (selling short-term Treasuries to fund long-term purchases), meaning it will not expand the Treasury supply, hence limiting its direct FX impact. The key driver of USD direction is likely still to be the rate differentials between the USD and its Major FX peers.

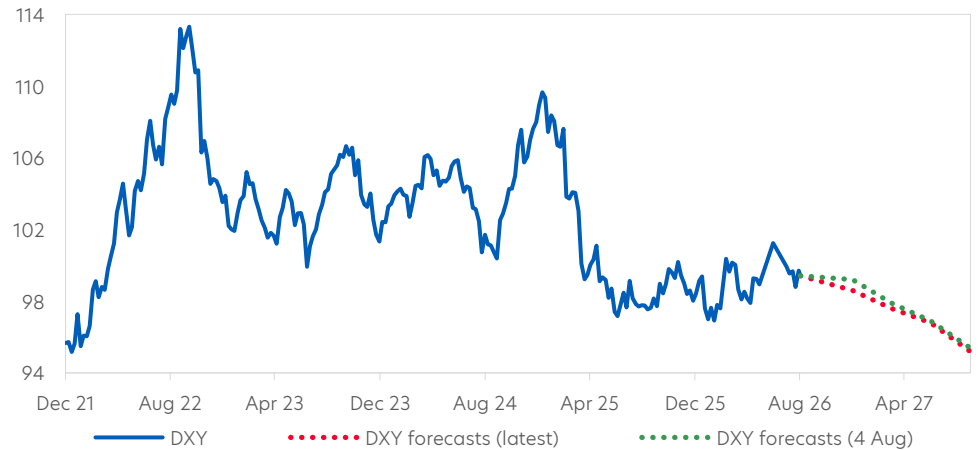
The concurrent hawkish repricing of G-10 central bank rate expectations has intensified through Aug, further eroding the USD's relative rate advantage. A Sep hike by the European Central Bank (ECB) is now the markets' base case, consistent with our macroeconomic team's expectations. The swap markets have fully priced a maiden Bank of England (BOE) hike by end-2026. The most significant repricing has occurred in Japan. Markets now price a greater than 90% probability – from about 50% in early Aug – of a Bank of Japan (BOJ) hike at the 18 Sep meeting. Our macroeconomic team has also moved forward its BOJ rate hike expectation to Sep from Oct previously. We also now factor in a further 25 bps rate hike by the Reserve Bank of Australia (RBA) in Sep following stronger than expected Jul inflation and 2Q26 GDP data.



To the extent that the ECB, BOE, BOJ and RBA are repricing toward hikes at a quicker near-term pace compared to the Fed as indicated by the prevailing Fed Fund futures, the USD's relative rate advantage has narrowed at the margin and this placed a ceiling on near-term USD gains even as Fed's rate hike pricing remains significant.

Chart 2: We maintain a medium-term bearish DXY view, with point forecasts marked modestly lower from 4 Aug

Source: Bloomberg, UOB Global Economics & Markets Research



On balance, the medium-term bearish USD bias is retained. The thesis is anchored on our expectation of an extended Fed rate pause through the remainder of 2026, with easing resuming in 2H27 – one 25bps cut in 2Q27 and one in 4Q27 – as the transitory component of inflation fades. Admittedly, with the rising hawkish rhetoric within the Fed and elevated oil prices, our 2H26 Fed rate pause view is getting increasingly challenging.

With the sharper than expected pullback in USD through Aug, several 4Q26 Major FX forecasts have been reached ahead of schedule. Updated DXY forecasts are revised modestly lower across the curve: 98.6 in 4Q26 (from 99.2), 97.6 in 1Q27 (from 97.9), 96.8 in 2Q27 (96.9), and 95.2 in 3Q27 (from 95.4).

This scenario may well trigger renewed USD strength in the remainder of 2026 and into early 2027 as investors fret if that is the start of a renewed hiking cycle. More importantly, it would warrant a reassessment of our negative USD base case.

The primary risk to our negative USD view remains a Fed hike at the Sep FOMC – currently priced at about two-third chance according to the swap market as of 2 Sep. Recent hawkish commentary by Fed officials and Brent back above USD 90 /bbl suggest the risk of a hike is not negligible. This scenario may well trigger renewed USD strength in the remainder of 2026 and into early 2027 as investors fret if that is the start of a renewed hiking cycle. More importantly, it would warrant a reassessment of our negative USD base case.

EUR/USD

The year-long weakness in euro may be drawing to a close, consistent with our expectation of an EUR/USD rebound into year-end. The pair rose 0.8% in Aug to 1.1618 after stabilising at 1.14 – a key support – through Jul, supported by a partial unwinding of Fed hike pricing and, more recently, Treasury Secretary Bessent's bond buyback announcement.

The ECB's hawkish tilt provides additional support for the euro. President Lagarde used the Jul press conference to signal optionality for Sep, and the tone within the Governing Council (GC) has since firmed. Executive Board member Schnabel flagged upside inflation risks from the prolonged Middle East conflict and a resilient euro-area economy, while GC member Primoz Dolenc stated at Jackson Hole that "the arguments are there" for a Sep hike, citing elevated energy costs and above-trend growth. The published ECB account also noted that some members saw a case for mildly restrictive rates. Our macroeconomic team continues to look for a 25bp hike in Sep, bringing the deposit rate to 2.50%, followed by an extended pause.



The more consequential question for the EUR/USD trajectory is what comes next: should our expectation of a Fed rate pause in 2H26 materialises and the ECB stays hawkish post the expected Sep rate hike, the resulting compression of US-EU rate differentials would sustain further gains in EUR/USD.

The rate differential picture has grown more nuanced since Jun. With the ECB's rate expectations now repricing upward in parallel with the Fed – and with USD safe-haven demand easing – the one-directional USD-widening that drove EUR/USD lower through Jun has partially stabilised, consistent with the pair's recent rebound. The more consequential question for the EUR/USD trajectory is what comes next: should our expectation of a Fed rate pause in 2H26 materialises and the ECB stays hawkish post the expected Sep rate hike, the resulting compression of US-EU rate differentials would sustain further gains in EUR/USD.

In all, we retain the medium-term upward trajectory for EUR/USD. The pace of recovery is likely to remain gradual as Warsh's warning in Jackson Hole keeps the USD floor intact while the current net-short EUR/USD positioning will take time to dissipate. Overall, our updated EUR/USD forecasts are 1.17 in 4Q26, 1.18 in 1Q27, 1.19 in 2Q27, and 1.21 in 3Q27.

GBP/USD

GBP/USD rose 0.5% in Aug to 1.3549 on the back of a broadening USD selloff and a paring of net short-GBP positioning. The initial political risk premium associated with the Burnham administration has continued to fade. Chancellor Healey reaffirmed at Jackson Hole on 28 Aug that fiscal discipline is "the bedrock" of the government, and that both he and the Prime Minister are "determined" to remain within the fiscal rules at the 28 Oct budget. That said, a surprise UK deficit of GBP 1.8 bn in Jul underscored the fragile state of the public finances and narrows Healey's room for manoeuvre heading into the autumn budget.

The gilt market remains a key source of risk for the GBP. The 30-year gilt yield touched 5.89% on 1 Sep, the highest as global yield curves steepen and Brent crude hovers above \$90/bbl. A disorderly gilt market reaction at the autumn budget would represent a more durable and structurally damaging GBP headwind than the contained episode seen in Jul.

Despite the hawkish dissent in the Jul meeting, we expect the BOE to remain on hold through 2026 and into 2027, given soft labour market dynamics and limited second-round effects from higher energy prices. The BOE projects CPI to peak at 3.2% in 4Q26, modestly lower than the 3.3% print recorded in Mar at the height of the Middle East conflict.

A modest upward bias in GBP/USD is retained even as an on-hold BOE offers limited rate support for sterling. The key driver of recovery remains a Fed pause in 2H26 and the reassertion of structural medium-term USD headwinds. Overall, our updated GBP/USD forecasts are at 1.35 in 4Q26, 1.36 in 1Q27, 1.37 in 2Q27, and 1.39 in 3Q27.

The primary downside risk for GBP remains the 28 Oct autumn budget. Whether Healey can credibly fund PM Burnham's spending commitments within the existing fiscal rules – against a backdrop of a surprise Jul deficit and elevated long-end gilt yields – will be the defining test of UK fiscal credibility under the new administration.

USD/JPY

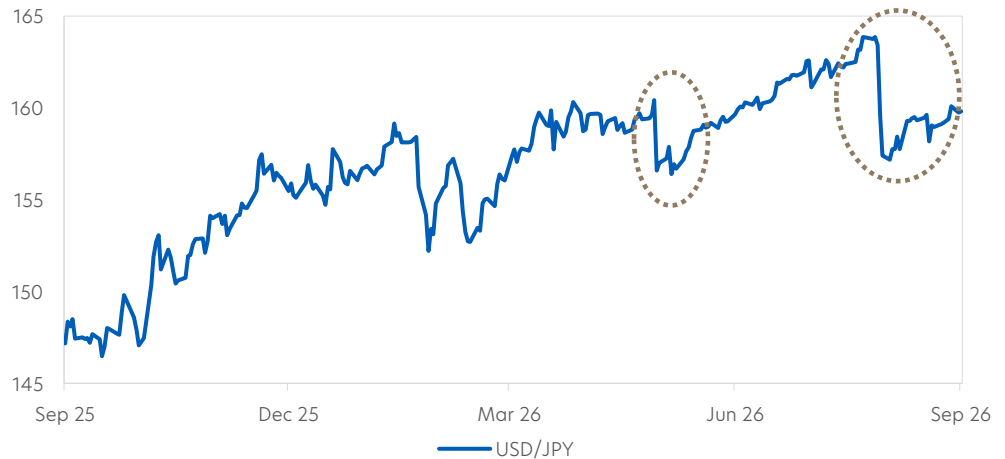
Despite unprecedented scale – the first joint US-Japan operation since 1998 and a record JPY 15.4 trn (~USD 96 bn) deployed from 30 Jul through 26 Aug – the intervention effect has proven short-lived. USD/JPY troughed at 155.23 on 3 Aug before retracing sharply, breaching 160 again on 28 Aug for the first time since 31 Jul and erasing more than half of its intervention-driven decline. Speculative yen shorts have been rebuilt, with CFTC data through 25 Aug confirming a second consecutive week of net short-JPY additions.



The pattern mirrors the late-Apr operation, which was similarly retraced in full within weeks. Each intervention round continues to be exploited by carry traders as a re-entry opportunity. The structural driver is unchanged: a 275 bps rate differential between the Fed funds rate (3.75%) and the BOJ policy rate (1.00%, following the June +25 bps hike) is still deemed attractive for carry traders. The joint nature of the Jul operation raised political stakes and likely extended the period of market caution relative to unilateral action, but has not materially shifted the market's preference for JPY as a funding currency.

Chart 3: USD/JPY traders staying calm and "carrying on"

Source: Bloomberg, UOB Global Economics & Markets Research



The medium-term case for a lower USD/JPY still rests on monetary policy divergence.

The medium-term case for a lower USD/JPY still rests on monetary policy divergence. Our baseline — a further 25 bps BOJ hike in Sep, a final move to 1.50% in late 2Q27, a Fed pause in 2H26, and two Fed cuts in 2027 — should compress rate differentials and structurally erode carry attractiveness over time.

Overall, our updated USD/JPY forecasts are 155 in 4Q26, 153 in 1Q27, 151 in 2Q27, and 149 in 3Q27.

AUD/USD

AUD/USD gained 2.1% in Aug to 0.7167, reclaiming the key 0.70 handle in early Aug and emerged as the best-performing G-10 currency for the month. Gains were underpinned by a hotter-than-expected domestic inflation print that rekindled RBA tightening expectations, alongside broad-based USD weakness.

Australia's trimmed mean CPI held at 3.6% y/y in Jul — above the 3.5% consensus — while headline CPI printed at 3.5% y/y. Core inflation's monthly momentum also re-accelerated, with prices rising 0.5% m/m in Jul versus 0.3% in Jun, underscoring persistent underlying price pressures. The swap markets have fully priced in another RBA hike by Nov, up from slightly less than a coin-toss before the CPI release. While the RBA held rates in a unanimous decision in Aug, the minutes revealed that "several" members judging that upside risks might require further tightening.



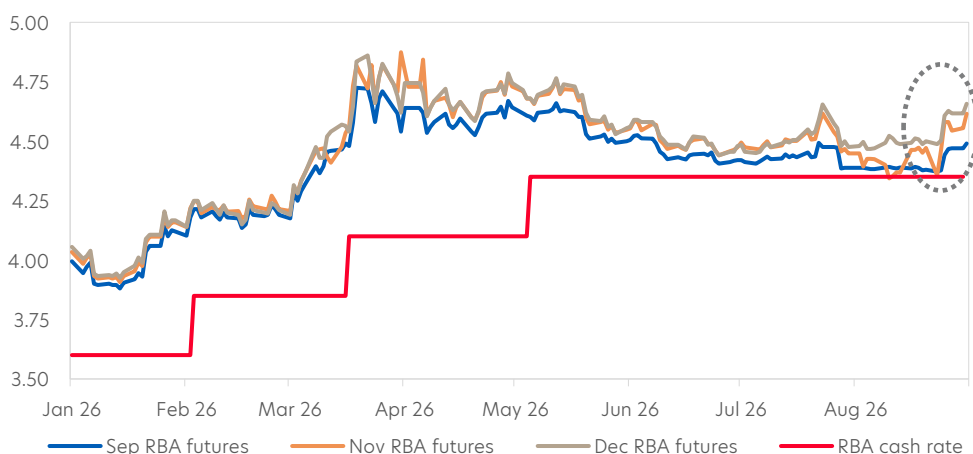
The constructive medium-term view on AUD/USD remains intact, underpinned by our expectations of a further 25 bps RBA hike in Sep. At 4.35% currently, the AUD retains its position as the highest yielding G-10 currency, sustaining structural carry-trade demand.

The constructive medium-term view on AUD/USD remains intact, underpinned by our expectations of a further 25 bps RBA hike in Sep. At 4.35% currently, the AUD retains its position as the highest yielding G-10 currency, sustaining structural carry-trade demand. The pair's stronger-than-forecast 3Q26 trajectory – already trading above the 0.70 consolidation range anticipated for the quarter – reinforces the bullish path. A Fed pause compressing US rate differentials and a gradual unwinding of the US-Iran geopolitical risk premium remain the key catalysts for further appreciation.

Overall, our updated AUD/USD forecasts are 0.72 in 4Q26, 0.73 in 1Q27, 0.74 in 2Q27, and 0.75 in 3Q27.

Chart 4: RBA rate hike expectations have rekindled after a hotter than expected Jul CPI print

Source: Bloomberg, UOB Global Economics & Markets Research



USD/CHF

Trading in the CHF this year has been largely defined by both verbal and actual Swiss National Bank (SNB) intervention to curb the franc's strength. The outbreak of the Iran war in late Feb was the initial catalyst, triggering a sharp surge in safe haven demand for the CHF. The SNB confirmed it sold francs worth CHF 3.9 bn in 1Q26 to arrest the currency's appreciation and reiterated its "increased" willingness to sell the franc at the Jun 2026 meeting – a line used repeatedly since the Iran war broke out. With the policy rate at 0% and a very high bar to return to negative rates, FX intervention remains the primary tool to fend off deflation risks stemming from a strong franc.

The SNB's efforts appear to have had some success. USD/CHF has risen 2% year-to-date to 0.8080, while EUR/CHF is up around 0.8% to 0.9385. The Swiss real effective exchange rate (REER) has also peaked around 104 in Mar that historically preceded meaningful CHF declines.



Chart 5: Switzerland REER (by BIS) has turned lower again after hitting 104

Source: Bloomberg, UOB Global Economics & Markets Research



We expect CHF to underperform relative to G10 peers in any recovery against the USD. With the SNB policy rate at 0% – the lowest among the G10 – and little scope for rate hikes in the medium term, the franc is becoming a more attractive funding currency.

From current levels, we see limited room for further CHF depreciation against the dollar. An extended Fed pause in 2H26 and additional Fed rate cuts in 2027 are expected to sustain broad USD weakness, capping any meaningful USD/CHF upside. Switzerland's placement on the US Treasury currency manipulator watch list since Jun 2025 adds a further constraint on SNB intervention, particularly on the USD/CHF channel.

At the same time, we expect CHF to underperform relative to G10 peers in any recovery against the USD. With the SNB policy rate at 0% – the lowest among the G10 – and little scope for rate hikes in the medium term, the franc is becoming a more attractive funding currency. This is particularly relevant relative to the JPY, where funding costs are expected to rise and BOJ intervention risks to support the yen remain elevated.

On balance, we expect a largely stable USD/CHF over the next four quarters, trading within the year-to-date range. We initiate coverage with the following point forecasts: 0.81 in 4Q26, 0.80 in 1Q27 and 2Q27, and 0.79 in 3Q27.

Asian FX Strategy

Stay constructive over medium term contingent on Fed pause

Most Asia FX currencies gained against the USD in Aug and are on track to close 3Q26 on a positive note. The combined tailwinds of deferred Fed rate hike expectations and the buyback-driven USD selloff lifted the Asia Dollar Index to 93.44 – its highest level since the onset of the US-Iran conflict in late Feb. The KRW led the regional recovery for a second consecutive month, appreciating a further 5.2% in Aug following an outsized 7.1% gain in Jul. The CNY strengthened to its strongest level against the USD over last three years, guided by a steadily appreciating PBOC fixing. Currencies with the highest oil import sensitivity – INR, THB, and PHP – are showing early signs of stabilisation despite Brent remaining near \$90/bbl. The IDR posted its first monthly gain in ten months as domestic risk sentiment improved.

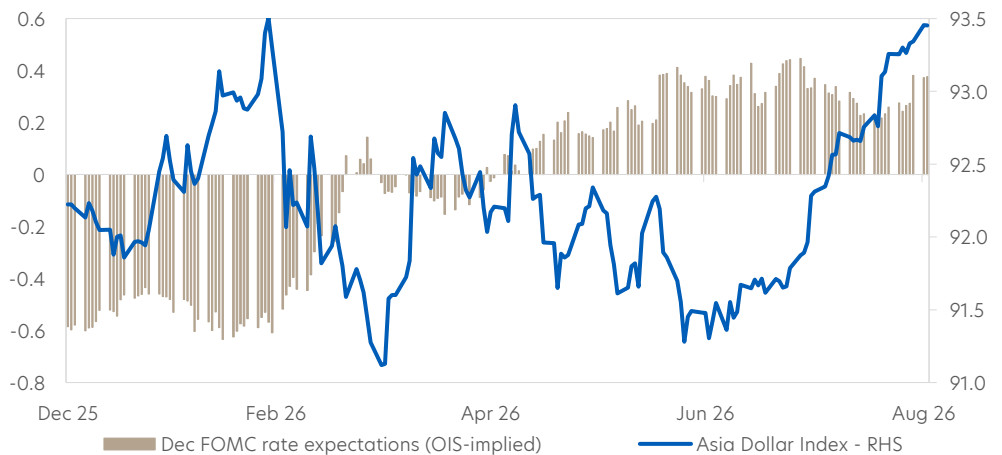
Our constructive medium term Asia FX view is intact. Regional currencies delivered a more resilient-than-expected performance in 3Q26, with most posting gains against the USD even as Fed rate-hike expectations built through the quarter. Net bond inflows into most regional economies – a welcome development as geopolitical risks abate – have helped underpin Asia FX.



To sustain further Asia FX gains, our view of a Fed rate pause for the remainder of this year is a key driver. The Treasury buyback programme was a surprise Asia FX tailwind in Aug, reviving the USD debasement trade, though its impact is likely secondary to Fed policy direction. The primary upside risk to the USD – and downside risk to Asia FX – remains a scenario in which the Fed follows through on the hike path currently priced by swap markets. Warsh's hawkish Jackson Hole remarks, which rekindled Fed rate hike expectations at the upcoming 15/16 Sep FOMC, represent a material near-term risk to this base case.

Chart 6: The Asia Dollar Index was resilient in recent months despite rising Fed rate hike expectations

Source: Bloomberg, UOB Global Economics & Markets Research



CNY, MYR, and SGD are expected to outperform and keep YTD gains against the USD supported by stronger macro buffers. The net energy importers – PHP, INR, and THB – are likely to remain underperformers, as the oil shock will take time to fully dissipate. IDR stays defensive on idiosyncratic domestic concerns...

Within the region, the year-to-date performance remains sharply bifurcated, and the divergence is expected to persist into 4Q26. Riding on the AI narrative, KRW is a strong contender for the best performing currency this year. CNY, MYR, and SGD are expected to outperform and keep YTD gains against the USD supported by stronger macro buffers. The net energy importers – PHP, INR, and THB – are likely to remain underperformers, as the oil shock will take time to fully dissipate. IDR stays defensive on idiosyncratic domestic concerns, though the tentative stabilisation in Aug – the first monthly gain in ten months – and the record Indonesian bond inflows are welcome developments.

USD/CNY

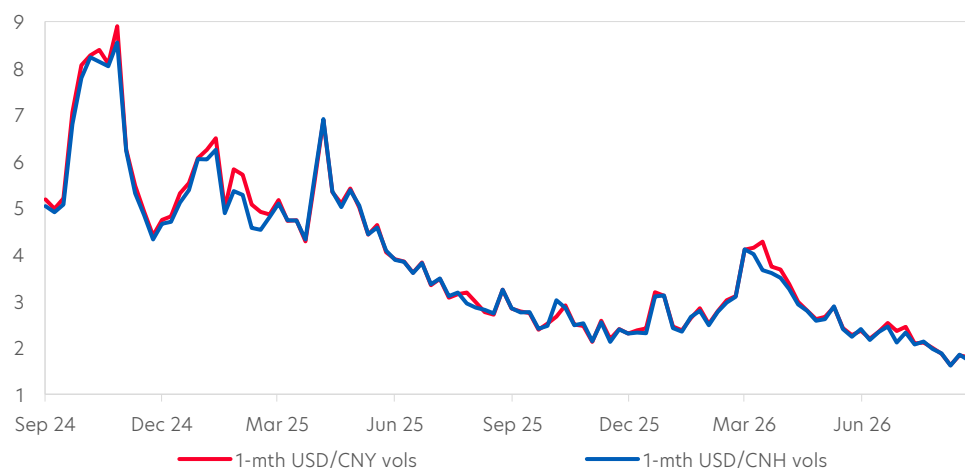
CNY extended its strong run through Aug, with USD/CNY reaching 6.7190 at month-end – its strongest level since early 2023. The move was underpinned by broad-based USD weakness and China's robust export growth, which continues to generate structural conversion flows.

The People's Bank of China (PBOC) has pushed back against the pace of appreciation via the fixing mechanism, setting the reference rate near 6.78 in late Aug – approximately 600 pips weaker than consensus survey estimates, the largest gap since Feb – signalling a preference for a more orderly, gradual move. Near-term implied volatility in both CNY and CNH remains subdued, suggesting markets are largely looking through growing US threats of sanctions over China's ties to Iran.



Chart 7: Subdued CNY and CNH vols suggest markets are largely looking through sanctions risks

Source: Bloomberg, UOB Global Economics & Markets Research



The medium-term gradual appreciation path is retained. The PBOC's 2026–2030 five-year plan reaffirms yuan stability and internationalisation as structural priorities, while China's persistent trade surplus provides an enduring support. A Fed pause in 2H26 – our base case – would further ease the rate differential headwind for CNY. Overall, our updated USD/CNY forecasts are 6.70 in 4Q26, 6.68 in 1Q27, 6.64 in 2Q27, and 6.62 in 3Q27.

USD/KRW

The KRW's 7.7% rally in Jul to 1,439/USD – which bucked broad regional weakness – has extended further into Aug, with USD/KRW touching a one-year low of 1,366 on 31 Aug. The appreciation has been driven by a broadening set of tailwinds beyond the original Jul catalysts of substantial dollar repatriation inflow from the ADR listing of South Korea's leading memory chip maker, exporters dollar sales, and structural FX reforms that expand the investor base and improve market access.

Additional KRW-supportive factors have emerged over Aug include a back-to-back 25bp rate hike by Bank of Korea (BOK) to 3.0% in the month, accompanied by an upgraded growth forecast. Also, two major Korean semiconductor firms announced shareholder return plans. To the extent these firms fund payouts by selling dollars, this constitutes an additional near-term KRW positive. The KOSPI appears to have found a floor following its sharp 22% Jul decline, which may ease outflow pressure – though institutional re-entry remains tentative.

While the pace of appreciation may moderate from current levels, resilient fundamentals continue to support further KRW gains over coming quarters. One additional 25bp BOK hike is expected in 4Q26, which would further enhance the KRW's carry appeal. However, deeply oversold conditions may generate two-way volatility in the near term. Overall, our updated USD/KRW forecasts are at 1,360 in 4Q26, 1,340 in 1Q27, 1,330 in 2Q27, and 1,320 in 3Q27.

USD/TWD

The TWD staged a turnaround in Aug, with USD/TWD retracing from a late-Jul peak of about 32.5 – the weakest level since Apr 2025 – to 31.68 by end-Aug, capping five consecutive weeks of gains. The rebound was underpinned by a broad-based Asia FX recovery, CBC intervention in Jul that helped stabilise sentiment, and a decisive turn in foreign equity flows. Foreign investors poured a net ~\$9.5bn into Taiwanese stocks in Aug, drawn by renewed optimism over the AI tech sector and Taiwan's superior earnings trajectory relative to regional peers.

One additional 25bp BOK hike is expected in 4Q26, which would further enhance the KRW's carry appeal. However, deeply oversold conditions may generate two-way volatility in the near term.



The medium-term fundamental backdrop remains compelling. Taiwan's government raised its 2026 GDP growth forecast to 11.05% in Aug – which would be the first double-digit expansion since 2010 – driven by AI-related export demand. Jul export orders surged 61.9% y/y to USD 97.9bn, with US demand hitting a record high. On monetary policy, the case for a 12.5 bps CBC rate hike at the Sep meeting is strengthening. CPI has exceeded the CBC's alert level of 2% for three consecutive months, while two board members dissented in favour of a hike at the Jun meeting. A hike, if delivered, would provide an additional near-term TWD tailwind.

Overall, our updated USD/TWD forecasts are 31.5 in 4Q26, 31.3 in 1Q27, 31.0 in 2Q27, and 30.8 in 3Q27, reflecting a gradual TWD strengthening path contingent on continued AI-driven export momentum and Fed policy remaining on hold.

USD/SGD

The SGD maintains its status as a consistent outperformer in the Asia FX complex this year. USD/SGD grinded lower by a further 0.7% in Aug to 1.2709, extending the Jul's 0.9% decline. The SGD's year-to-date resilience is well-established, underpinned by a more hawkish Monetary Authority of Singapore (MAS) and an increasingly robust growth backdrop.

Our base case remains MAS on hold through the remainder of 2026 and 2027 after its surprise back-to-back tightening at its 27 Jul meeting, raising the rate of appreciation of the S\$NEER policy band "very slightly" – estimated at +25 bps to 1.25% p.a. That said, we do not rule out a further 25 bps slope steepening to 1.50% p.a. in the Oct 2026 or Jan 2027 MPS should energy prices remain elevated for longer and percolate into the broader CPI basket.

Singapore's macroeconomic outperformance has continued to strengthen since our last update in early Aug. The Ministry of Trade and Industry raised its 2026 GDP growth forecast range substantially to 4.5%-5.5% from 2.0%-4.0% previously, as AI-related demand continues to lift trade and electronics manufacturing. Similarly, our macroeconomic team also upgraded the 2026 GDP growth forecast slightly to 5.0% from 4.8% previously.

The SGD's structural support remains intact – a hawkish MAS stance combined with an AI-driven growth upgrade distinguishes Singapore from most regional peers contending with oil-driven inflation and softening activity. The country's reputation for stability is providing an additional tailwind for the SGD, evidenced by a steady increase in non-resident deposits.

Consistent with these dynamics and our expectations for SGD to stay resilient, our updated USD/SGD forecasts are at 1.27 in 4Q26, 1.26 in 1Q27, 1.25 in 2Q27, and 1.24 in 3Q27.

USD/MYR

USD/MYR has trended lower through 3Q26, with the pair reaching 4.0270 as of 31 Aug from with a high of 4.1557 in Jun. The move was largely driven by a moderation in Fed rate hike expectations following softer US inflation in recent months. BNM's late-Jun measures to accelerate repatriation of overseas earnings provided structural support.

Going forward, the MYR is expected to strengthen anew, albeit at a more gradual pace, as supportive domestic fundamentals may be partially offset by persistent external uncertainties. While Malaysia's growth outlook remains resilient, underpinned by continued AI- and data centre-related investments, a sustained current account surplus, and hawkish BNM pivot, sentiment towards emerging market currencies will continue to be influenced by shifts in Fed policy expectations and global risk appetite.

The SGD's structural support remains intact – a hawkish MAS stance combined with an AI-driven growth upgrade distinguishes Singapore from most regional peers contending with oil-driven inflation and softening activity. The country's reputation for stability is providing an additional tailwind for the SGD...



At the same time, lingering geopolitical tensions, evolving global trade dynamics, and potential domestic political uncertainties ahead of the next general election could limit further gains in the MYR. Investors are also expected to remain focused on policy continuity and fiscal discipline.

Consistent with these dynamics, our updated USD/MYR forecasts are at 4.02 in 4Q26, 4.00 in 1Q27, 3.98 in 2Q27, and 3.95 in 3Q27.

USD/THB

The THB has staged a modest recovery through Aug, with USD/THB declining about 0.7% over the past month to 33.15. Year-to-date, the baht remains a regional laggard, falling 5% against the dollar, weighed by elevated oil prices stemming from the ongoing Middle East conflict – a persistent drag on net energy importers such as Thailand.

The Aug recovery was driven by broad-based USD softness alongside a sustained improvement in Thailand's external position. The current account deficit has narrowed materially from its record of USD 7.79bn in Apr to USD 1.56bn in Jul, and FX reserves have partially rebuilt to USD 284.73bn as of 21 Aug, relieving near-term pressure on the baht. Gold prices, which share a well-documented positive correlation with the THB, have also rallied about 10% in Aug, providing an additional tailwind.

On the other hand, negative real yields continue to anchor the THB's role as a preferred regional funding currency, capping meaningful appreciation. The THB is expected to underperform regional peers during any medium-term recovery while macroeconomic fundamentals remain challenged and the oil shock persists. Accordingly, our updated USD/THB forecasts are 33.1 in 4Q26, 33.0 in 1Q27, 32.9 in 2Q27, and 32.8 in 3Q27.

USD/IDR

The IDR posted its first monthly gain in ten months in Aug, appreciating 1.6% to 17,722 /USD – a meaningful reversal from its record low of 18,209 /USD touched in Jun. The recovery reflects three concurrent tailwinds: broad USD weakness, a resolution of Bank Indonesia (BI) governorship transition uncertainty, and a record single-day foreign bond inflow of \$656.7 million on 20 Aug.

Concerns over the BI governorship transition— triggered by Perry Warjiyo's shock resignation on 27 Jul – have largely receded. Sole candidate Destry Damayanti (formerly BI deputy governor) passed her parliamentary fit-and-proper test and received lawmakers' approval for a full five-year term (2026-2031). Destry's early meetings with the Finance Minister also signalled a closer alignment between monetary and fiscal policy.

On the other hand, structural pressures have intensified. Indonesia's current account deficit widened to a record USD 12.5 bn in 2Q26, driven by elevated oil import costs amid Middle East tensions. BI's concurrent pivot away from high SRBI yields – previously a key tool to attract foreign bond inflows – toward hedging incentives risks partially offsetting the rate support from further BI hikes. Taken together, these dynamics are expected to keep the IDR underperforming regional peers through any medium-term recovery.

Overall, our updated USD/IDR forecasts are at 17,900 in 4Q26, 17,800 in 1Q27, 17,700 in 2Q27, and 17,600 in 3Q27.

Negative real yields continue to anchor the THB's role as a preferred regional funding currency, capping meaningful appreciation. The THB is expected to underperform regional peers during any medium-term recovery while macroeconomic fundamentals remain challenged and the oil shock persists.

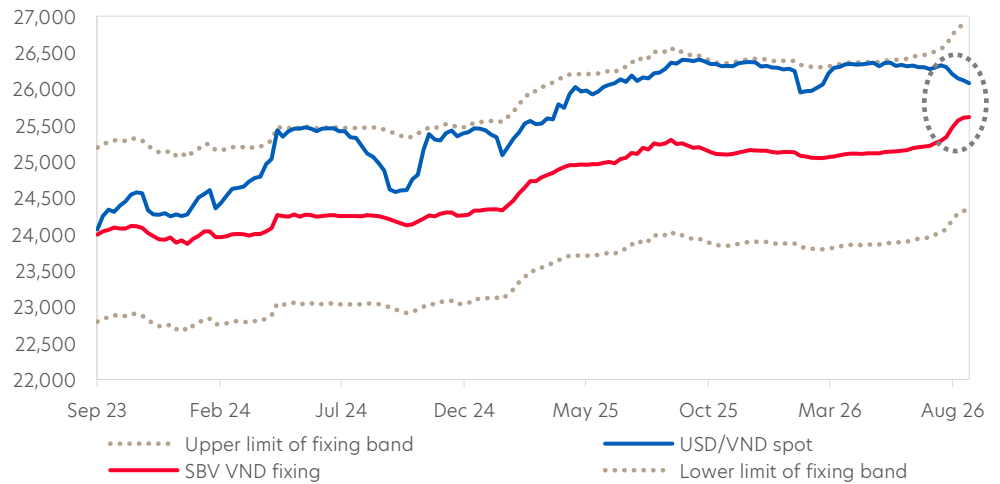


USD/VND

The VND appreciated alongside other Asian peers in Aug, by 0.8% to 26,073 /USD as it continued to demonstrate exceptional resilience to the hawkish Fed repricing since Jun FOMC. Notably, this recovery occurred even as the State Bank of Vietnam (SBV) set its daily fixing at a record low of 25,610 as of end-Aug – a divergence from spot that historically resolves via spot normalising toward the fixing level. This dynamic supports a modest near-term softening bias for the VND heading into 4Q26.

Chart 8: VND rebounded in Aug despite SBV setting its daily fix at a record low

Source: Bloomberg, UOB Global Economics & Markets Research



Vietnam posted its eighth consecutive monthly trade deficit in Jul, at USD 3.59 bn as imports surged 41.4% y/y against export growth of 25% y/y. The persistent trade deficit through 2026 represents a modest but growing headwind for the VND, particularly if import demand remains elevated as manufacturing capacity continues to ramp up.

Beyond the near-term, the case for a broadly stable VND remains intact, underpinned by strong growth momentum (2Q26 GDP: 8.39% y/y), robust FDI inflows (1H26 pledged FDI +61% y/y to USD 34.65 bn), and the SBV's active management of USD/VND within its trading band. The primary risks are a sustained widening of the trade deficit and any further hawkish repricing of Fed expectations. Our updated USD/VND forecasts are at 26,200 in 4Q26, 26,100 in 1Q27, 26,000 in 2Q27, 25,900 in 3Q27.



RATES STRATEGY

Long term UST yield climb to uncomfortably elevated levels

US Rates

Elections, buybacks, data, geopolitics... no shortage of uncertainty

Long-end UST became the focus of investors' attention after the US Treasury Secretary Scott Bessent announced on 19 Aug a plan to at least double the long-end buyback (for maturities beyond 10y tenors) from 9 Sep onward. This came against the backdrop of 30Y UST trading above 5.30% level on 18 Aug, its highest level in 20 years, raising questions as to whether the true intent of such measures extends beyond supporting market liquidity and instead aims to cap yields.

Targeting yield levels would address the symptom rather than the underlying causes of higher yields. Temporary suppression of yield levels could backfire if markets begin to question the credibility of such measures. Even if successful, it could produce unintended side effects for the USD and broader financial stability. We therefore believe that the more appropriate and sustainable approach is to address the root causes of elevated yields by bringing inflation back to target, maintaining policy credibility, implementing a credible fiscal consolidation plan, and supporting industries that can generate long-term productive growth. On the US fiscal trajectory, our macroeconomic team recently released a [note](#) outlining our views. In short, our macroeconomic team sees a gradual, not disorderly, repricing of the fiscal premium as the base case.

On the data front, inflation has been somewhat softer than market expectations, with Jul CPI broadly in line with consensus and PPI coming in below expectations. Underlying inflation pressures remained broadly contained, with super-core services inflation (excluding housing and energy) easing further to 2.84% y/y, compared with headline CPI inflation of 3.4% y/y and core CPI inflation of 2.5% y/y. Our macroeconomic team is of the view that inflation may have peaked in 2Q26 and expects headline inflation to average around 3.5% in 2026, while core CPI inflation averages around 2.8%. For more details, refer to [Macro Note](#) dated 13 Aug 2026.

We therefore believe that the more appropriate and sustainable approach is to address the root causes of elevated yields by bringing inflation back to target, maintaining policy credibility, implementing a credible fiscal consolidation plan, and supporting industries that can generate long-term productive growth.

Chart 1: US Inflation may have peaked in 2Q

Source: Bloomberg, UOB Global Economics & Markets Research

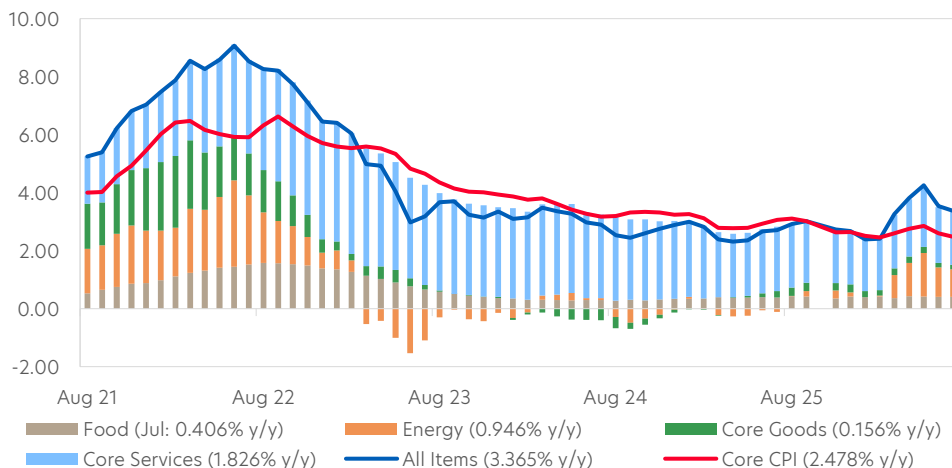
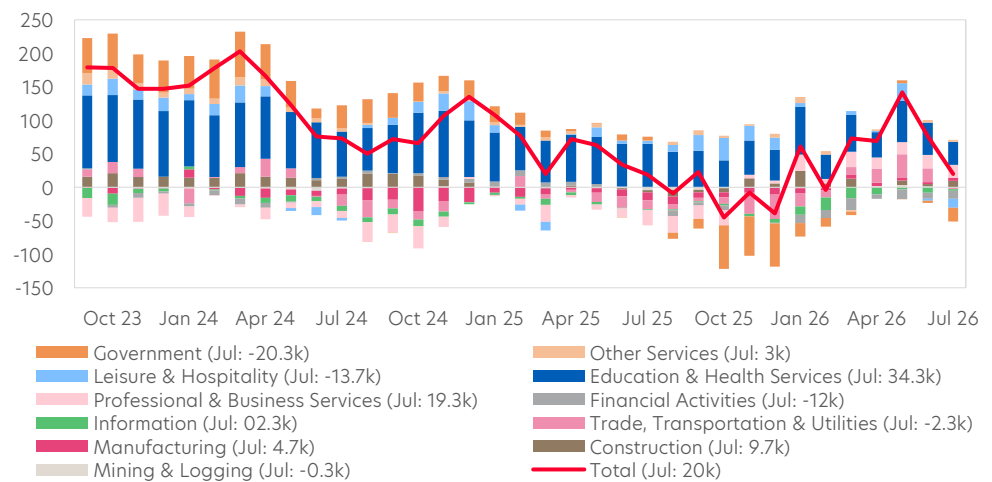


Chart 2: US Non-Farm Payrolls 3 Month moving average drops to 20k after the negative Jul payrolls

Source: Bloomberg, UOB Global Economics & Markets Research



Taking stock of the Jul inflation and labour market data alone, there appears to be less justification for FOMC Chairman Warsh to support a Sep rate hike. Markets acknowledged these developments and priced out some near-term tightening risk, with the probability of a Sep rate hike falling to 36% on 27 Aug from 72% on 31 Jul. However, market pricing shifted significantly following Warsh's hawkish Jackson Hole speech on 28 Aug, which helped restore some of the credibility lost during the Jul FOMC press conference. As of 31 Aug, markets were pricing a 65% probability of a 25bp hike at the Sep meeting, placing greater emphasis on upcoming Aug inflation releases (PPI on 10 Sep and CPI on 11 Sep) ahead of the FOMC meeting on 16 Sep. For our economist's take on Jackson Hole speech, please refer to Macro Note dated 31 Aug.

Another source of uncertainty is the upcoming midterm election. Given the proximity of the Sep FOMC meeting to the 3 Nov midterm election, we examine historical instances of Fed policy actions around midterm elections in Box 1 below. We note that historical episodes of rate hikes during midterm-election periods generally occurred when inflation remained persistently above target and the labour market was on solid footing. Our macroeconomic team expects the Fed to remain on an extended pause throughout 2026 before resuming easing in 2027, as recent softer economic data may provide Warsh with sufficient room to "buy time" while the five task forces complete their review of the Fed's monetary policy framework and the FOMC determines the appropriate policy path. (Marco Note: 20 Aug 2026) Consistent with this view, we forecast **3M compounded-in-arrears SOFR at 3.65% in 4Q26, 3.64% in 1Q27, 3.47% in 2Q27, and 3.41% in 3Q27**. Prevailing 3M compounded-in-arrears SOFR is 3.64%.



Box 1 - Historical context of Fed policies in midterm election years

In the two tables below, we examine Fed policy actions during midterm election years, breaking the analysis into three periods: pre-midterm (1 Jan to 31 Aug), midterm period (1 Sep to 30 Nov), and post-midterm (1 Dec to 31 Dec). We also present prevailing headline CPI inflation and unemployment data from Jul to Oct for each midterm-election year.

Contrary to common perception, the Fed has changed policy rates in three instances during the Sep-Nov period of midterm-election years. In historical instances of rate hikes during midterm periods (1994, 2018, and 2022), headline inflation was generally above 2%, while labour market conditions remained resilient. Compared with these historical episodes, current conditions suggest that the risk of additional tightening cannot be dismissed.

Fed policy in mid-term election years since Clinton Administration					
Midterm election year	Sitting president	Midterm election date	Fed Fund Rate chg 01 Jan - 31 Aug, midterm year	Fed Fund Rate chg 01 Sep - 30 Nov, midterm year	Fed Fund Rate chg 01 Dec - 31 Dec, midterm year
1994	Bill Clinton	08-Nov-94	175 bps hike	75 bps hike on Nov 15 25 bps cut on Oct 15 (inter-meeting)	No Change
1998	Bill Clinton	03-Nov-98	No Change	25 bps cut on Nov 17 25 bps cut on Dec 23	No Change
2002	George W. Bush	05-Nov-02	No Change	50 bps cut on Nov 6	No Change
2006	George W. Bush	07-Nov-06	100 bps hike	No Change	No Change
2010	Barack Obama	02-Nov-10	No Change	No Change	No Change
2014	Barack Obama	04-Nov-14	No Change	No Change	No Change
2018	Donald Trump	06-Nov-18	50 bps hike	25 bps hike on Sep 26	25 bps hike
2022	Joe Biden	08-Nov-22	225 bps hike	75 bps hike on Sep 21 75 bps hike on Nov 2	50 bps hike
2026	Donald Trump	03-Nov-26	No Change		

Source: Bloomberg, UOB Global Economics & Markets Research

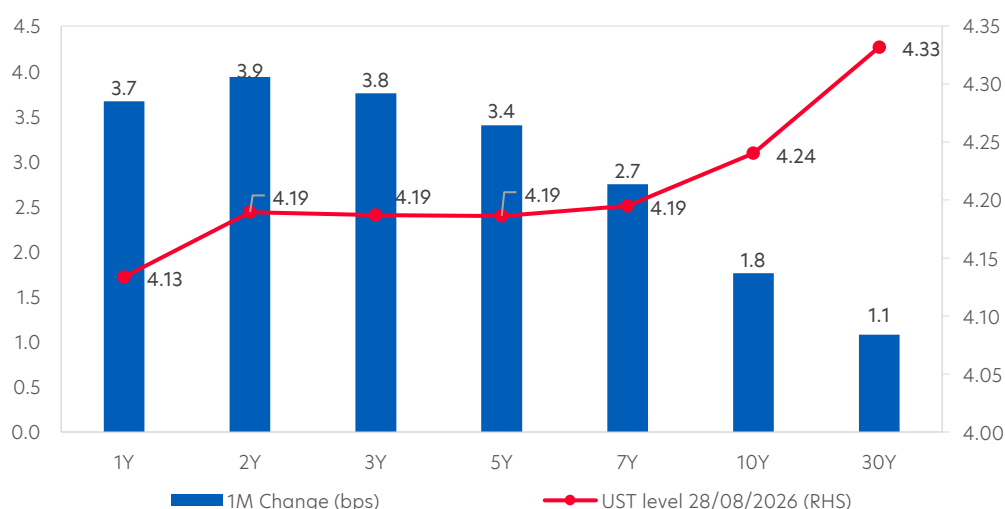
Jul-Oct headline CPI and unemployment rate during mid-term election years since Clinton Administration									
Midterm election year	Sitting president	CPI				Unemployment rate			
		Jul	Aug	Sep	Oct	Jul	Aug	Sep	Oct
1994	Bill Clinton	2.8%	2.9%	3.0%	2.6%	6.1%	6.0%	5.9%	5.8%
1998	Bill Clinton	1.7%	1.6%	1.5%	1.5%	4.5%	4.5%	4.6%	4.5%
2002	George W. Bush	1.5%	1.8%	1.5%	2.0%	5.8%	5.7%	5.7%	5.7%
2006	George W. Bush	4.1%	3.8%	2.1%	1.3%	4.7%	4.7%	4.5%	4.4%
2010	Barack Obama	1.2%	1.1%	1.1%	1.2%	9.4%	9.5%	9.5%	9.4%
2014	Barack Obama	2.0%	1.7%	1.7%	1.7%	6.2%	6.1%	5.9%	5.7%
2018	Donald Trump	2.9%	2.7%	2.3%	2.5%	3.8%	3.8%	3.7%	3.8%
2022	Joe Biden	8.5%	8.3%	8.2%	7.7%	3.5%	3.6%	3.5%	3.6%
2026	Donald Trump	3.4%				4.1%			

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



Chart 3: UST Curve flattened in Aug as long-end yields supported by Treasury Twist

Source: Bloomberg, UOB Global Economics & Markets Research



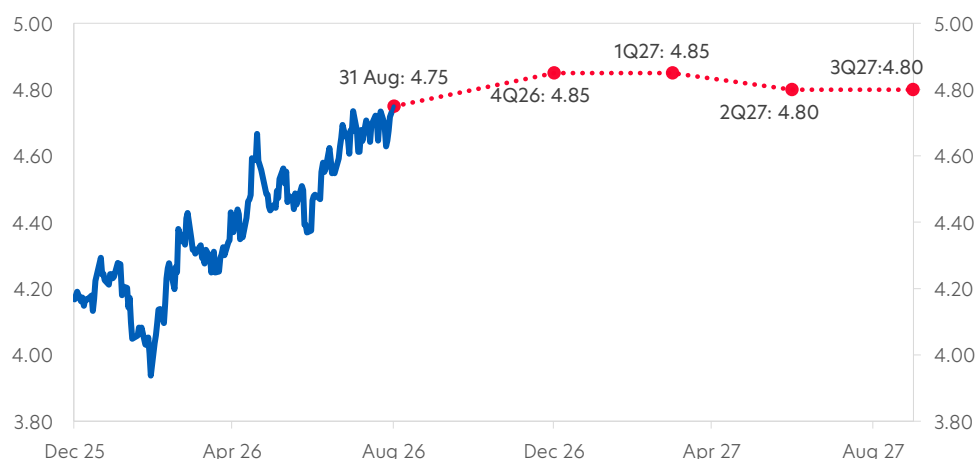
At the long end, despite Treasury's attempts to influence market sentiment through increased buybacks, we expect underlying fundamentals, including economic data and the fiscal outlook, will ultimately outweigh temporary policy measures. Between 9 Sep (the effective date of the expanded buyback programme) and 4 Nov (the next refunding announcement), seven long-end buyback operations are scheduled. The resulting incremental demand will amount to at least USD14bn, equivalent to approximately one standard 20Y UST auction. Markets will closely monitor the first buyback operation on 10 Sep in the 10-20 year sector, and may test the Treasury's commitment to support the long end of the curve.

Taking all these risk factors into consideration, our updated **10Y UST forecasts** remain unchanged from our Aug projections, at **4.85% for 4Q26, 4.85% for 1Q27, 4.80% for 2Q27, and 4.80% for 3Q27**. The risk remains for the 10Y UST yield to test the psychologically important 5.0% threshold earlier than our expectations. This could occur under the scenario of further rise in oil prices, higher inflation pressures, a rate hike at Sep FOMC against our macroeconomic view or backfire in Treasury's effort in capping long-end yield. Our 5bps reduction in the 2Q27 forecast reflects a modest transmission of the anticipated Fed easing cycle incorporated in our macroeconomists' projections.

The risk remains for the 10Y UST yield to test the psychologically important 5.0% threshold earlier than our expectations. This could occur under the scenario of further rise in oil prices, higher inflation pressures, a rate hike at Sep FOMC against our macroeconomic view or backfire in Treasury's effort in capping long-end yield.

Chart 4: 10Y UST ytd and UOB projection

Source: Bloomberg, UOB Global Economics & Markets Research



SG Rates

Strong SG GDP growth and modest inflation outlook suggest a slower normalization path for SG rates

The overall inflation and growth backdrop in Singapore remains relatively supportive and should allow the MAS to keep monetary policy settings unchanged going forward after two S\$NEER tightening exercises in Apr and Jul.

Growth remains robust, with 2Q GDP revised up to 5.9% y/y and the Ministry of Trade and Industry (MTI) upgrading its full-year 2026 GDP growth forecast range to 4.5%-5.5%, from the previous 2.0%-4.0% range. Our macroeconomic team has slightly raised its 2026 GDP growth forecast to 5.0% from 4.8% previously, as AI-related tailwinds are expected to continue supporting economic activity in 2H26. We find supporting evidence in the Jul NODX release, where electronics NODX increased 11.6% m/m (NSA). For more details, refer to Macro Note released [11 Aug](#) and [17 Aug](#).

Inflation has continued to surprise on the downside relative to market expectations, with core CPI accelerating modestly to 2.0% y/y in Jul, compared with market consensus expectations of 2.2% y/y. The downside surprise was largely driven by more intense price competition among telecommunications providers, resulting in a fourth consecutive month of seasonally unadjusted month-on-month declines in the information and communications component. As a result, our economist team has revised down its 2026 core and headline inflation forecasts to 1.7% and 2.0%, respectively, from 1.9% and 2.2% previously. For more details, refer to Macro Note released [24 Aug](#).

Against this backdrop, we expect the MAS to maintain the prevailing S\$NEER slope setting (estimated at 1.25% per annum) throughout 2026 and 2027.

For SORA, factors that could support a higher path for rates include: (1) a nascent increase in the banking system's loan-to-deposit ratio (LDR); (2) spillover effects from higher global and US yields; and (3) a gradual firming in overnight SORA fixings.

Conversely, factors that could exert downward pressure on SORA include: (1) continued growth in non-resident deposits, which adds liquidity to the banking system (although there was sizable outflow in Jul); and (2) recent MAS bill operations, where net issuance has been negative and therefore equivalent to a liquidity injection.

On balance, we believe the factors lifting SORA higher are likely to prevail. Recent empirical evidence suggests that despite liquidity injections arising from non-resident inflows (although Jul recorded a SGD15.5bn net outflow) and negative net MAS bill issuance, a moving average of SORA fixings has continued to drift higher, albeit in a gradual fashion.

That said, we acknowledge that the normalisation of SORA-SOFR spreads across tenors from their historically wide discounts has been slower than we had previously anticipated. After all, the US continues to face elevated fiscal and debt-related challenges, while Singapore maintains one of the strongest sovereign balance sheets globally. This structural divergence between the two economies may justify a persistently **wider SORA-SOFR spread for longer compared to historical precedents**. Nevertheless, we still view current SORA-SOFR spreads as excessively wide and expect them to normalise over time, **albeit at a materially slower pace than previously projected**.

We therefore forecast **3M compounded-in-arrears SORA at 1.35% in 4Q26, 1.41% in 1Q27, 1.44% in 2Q27, and 1.48% in 3Q27**. This represents a 2-24bp downward revision relative to our previous forecasts published on 4 August, reflecting our expectation of a slower normalisation in SORA-SOFR spreads.

Recent empirical evidence suggests that despite liquidity injections arising from non-resident inflows (although Jul recorded a SGD15.5bn net outflow) and negative net MAS bill issuance, a moving average of SORA fixings has continued to drift higher, albeit in a gradual fashion.



Chart 5: July's 15.5bn SGD outflow in non-resident deposit could be one of the reasons for the recent uptick in SORA

Source: MAS, UOB Global Economics & Markets Research

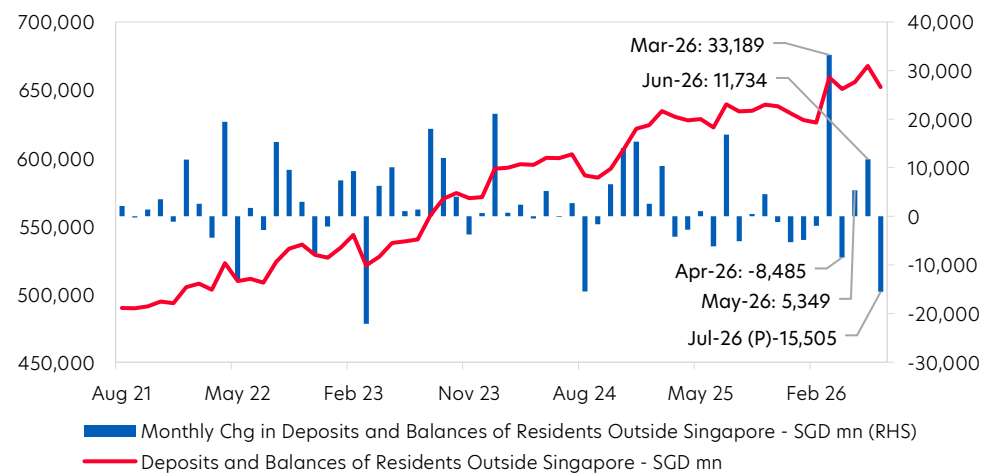
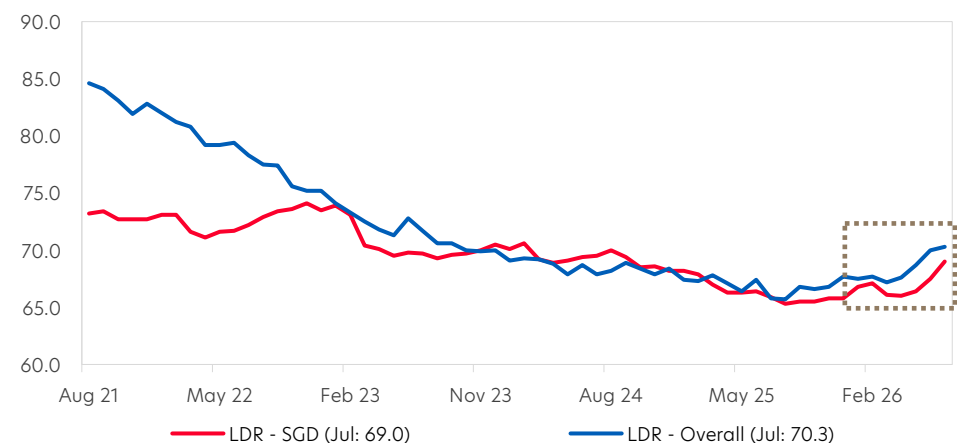


Chart 6: Loan-to-deposit ratio continues the recent climb in Jul

Source: MAS, UOB Global Economics & Markets Research



Our forecasts continue to imply higher SGS yields over the projection horizon, driven by the expected normalisation of Singapore-US interest rate differentials. However, we have revised the normalisation pace slower in the current forecast round.

At the long end, the SGD1.8bn 10Y Singapore Government Securities (SGS) auction cleared at a cut-off yield of 2.30% with a bid-to-cover ratio of 1.88x. While these metrics were broadly in line with recent auction averages, they were not particularly strong given the relatively modest issuance size. Looking ahead to 4Q26, we expect developments in global and US rates markets to continue exerting a significant influence on the long end of the SGD curve. In particular, investors should monitor the Fed's policy trajectory, US Treasury long-end buyback operations, and broader movements in US Treasury yields to assess the likely direction of long-end Singapore rates.

Our forecasts continue to imply higher SGS yields over the projection horizon, driven by the expected normalisation of Singapore-US interest rate differentials. However, we have **revised the normalisation pace slower in the current forecast round**. We now forecast the **10Y SGS yield at 2.40% in 4Q26, 2.45% in 1Q27, 2.45% in 2Q27, and 2.50% in 3Q27**. These forecasts represent a 15-35bp downward revision relative to our previous projections, reflecting our expectation of a **more gradual normalisation in the 10Y SGS-10Y UST yield spread**.



DM and Asia Rates

Not done with hiking

In G10 rates, our macroeconomic team projects a 25bp rate hike by the ECB in Sep and a 25bp rate hike by the BOJ in 4Q26, while no further policy changes are currently expected from the other major G10 central banks through the remainder of 2026. The Reserve Bank of New Zealand hiked its Official Cash Rate (OCR) by a further 25bp to 2.75% in Sep and we expect an extended hold from here.

Table 1: G10 rates change in Aug

End Aug level vs end Jul	SOFR OIS	Euribor IRS	SONIA OIS	IRS	IRS	OIS
	USD	EUR	GBP	AUD	NZD	JPY
2y	4.21 (+6)	3.14 (+12)	4.32 (+4)	4.68 (+13)	3.74 (+6)	1.79 (+20)
5y	4.23 (+6)	3.21 (+12)	4.42 (+3)	4.95 (+12)	4.09 (+6)	2.27 (+7)
10y	4.37 (+5)	3.35 (+11)	4.68 (+4)	5.18 (+11)	4.46 (+8)	2.83 (+12)

Source: Bloomberg, UOB Global Economics and Markets Research

For Japan, 2Q GDP undershot expectations, rising 0.3% q/q versus market expectations of 0.5%, amid stagnant private consumption and weaker business investment. As a result, our macroeconomic team has revised down Japan's 2026 GDP growth forecast to 0.7% y/y from 1.0% previously. Despite the 2Q GDP disappointment, recent higher inflation outturns (both national and Tokyo CPI) have supported the expectations for earlier hikes. Reports in mid-Aug suggested that Prime Minister Takaichi's government is supportive of a near-term rate hike by the Bank of Japan (BOJ), while adding that the BOJ's fears over yen weakness driving up prices and the government's desire to strengthen the impact of the Aug US-Japan currency intervention are aligning them on the need for a near-term policy move. Importantly, during the recent G20 Finance Ministers and Central Bank Governors summit in US, pressure from US Treasury Bessent to BOJ "to do the right thing" and the subsequent hawkish hints from BOJ Gov Ueda, led us to believe another hike is imminent. As such, our macroeconomic team now expect the BOJ to resume monetary policy normalisation, with another 25bps hike to 1.25% in Sep (instead of the previous forecast of an Oct move). Thereafter, we project another 25bps hike in late 2Q27 to 1.50%, which we believe will be the terminal rate. The risk is for the latter hike to be brought forward to 1Q27 or even 4Q26.

In Australia, despite headline inflation easing to 3.5% y/y in Jul from 3.8% y/y in Jun, underlying inflation remains persistent, with trimmed mean inflation unchanged at 3.6% y/y. Adding to the inflation concerns, 2Q GDP also beats estimates, advancing 0.4% q/q and 2.1% y/y. Against this backdrop, our economist team thinks the case for an additional 25bp hike is stronger and hence changes our RBA rate call for a 25bp hike in the upcoming Sep monetary policy meeting. For more details, refer to Macro Note released 26 Aug and [Macro Note](#) released 2 Sep.

As for the Swiss National Bank (SNB), our macroeconomic team has initiated coverage and expects the policy rate to remain unchanged at 0.00%.

Across Asia, rates generally outperformed their G10 counterparts in Aug, with Indonesia standing out as one of the strongest performers. Our macroeconomic team also revised several policy-rate forecasts across Indonesia, Korea, Taiwan and India.



Table 2: Asia rates change in Aug

End Aug. level vs. end Jul	Onshore IRS	Onshore OIS	SORA OIS	Onshore IRS	Onshore OIS	Onshore IRS	IRS	Onshore IRS	Bonds
	KRW	INR	SGD	MYR	THB	CNY	HKD	TWD	IDR
2y	3.76 (+5)	6.19 (+8)	1.73 (+9)	3.63 (+7)	1.27 (-5)	1.42 (+1)	3.67 (+10)	2.08 (+7)	6.61 (-38)
5y	3.97 (+1)	6.48 (+7)	2.10 (+7)	3.69 (+7)	1.67 (-6)	1.51 (+1)	3.71 (+11)	2.35 (+7)	6.84 (-44)
10y	4.08 (-1)	6.69 (+8)	2.38 (+6)	3.88 (+7)	2.11 (-4)	1.63 (+1)	3.85 (+9)	2.65 (+7)	6.99 (-32)

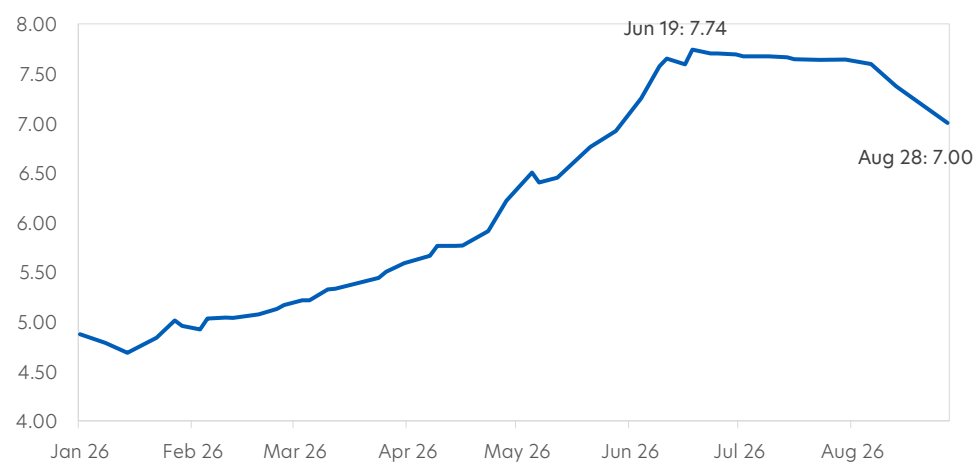
Source: Bloomberg, UOB Global Economics and Markets Research

Bank Indonesia (BI) kept the BI Rate unchanged at 5.75% at its Aug monetary policy meeting, marking Destry Damayanti's first meeting as Acting Governor. More recently, Indonesia's parliament approved Damayanti as BI Governor for the 2026-2031 term. The appointment has been viewed positively by markets, with the new governor widely regarded as a credible and market-friendly policymaker. Against the backdrop of unchanged policy rates, the appointment of a market-friendly governor, and broader USD weakness during August, Indonesian government bonds (IndoGBs) rallied sharply, with yields declining by approximately 30-50bp across the curve.

At the short end, the SRBI auction yield fell to 7.00% on 28 Aug, down 74bp from its 19 Jun peak. Looking ahead, our macroeconomic team now expects a more gradual tightening cycle than previously forecast, comprising two additional 25bp rate hikes in 4Q26, taking the terminal policy rate to 6.25% by end-2026. For more details, please refer to [Macro Note](#) published 19 Aug.

Chart 7: 12 Month SRBI auction yield dropped precipitously in Aug

Source: Bloomberg, UOB Global Economics & Markets Research



In Korea, the BOK raised rates by 25bp to 3.00% in Aug, broadly in line with our economists' expectations, in a 6-1 split decision. The BOK also upgraded its GDP growth forecasts to 3.3% for 2026 (from 2.6% previously) and 2.9% for 2027 (from 2.1%), broadly consistent with our macroeconomic team's 3.4% GDP growth forecast for 2026.

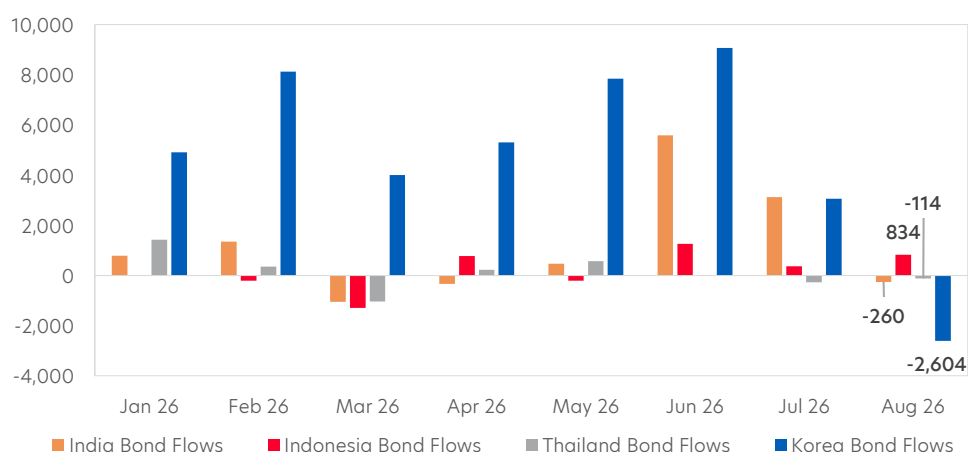
The updated six-month-ahead conditional Base Rate projections suggest a median expectation for a 25bp hike to 3.25% (10 out of 21 board projections). The probability of a further move to 3.50% (6/21) and a hold at 3.00% (5/21) appears relatively balanced. Our macroeconomic team's BOK forecast remains unchanged following the meeting, with one final 25bp rate hike expected in 4Q26. For more details, please refer to [Macro Note](#) published 27 Aug.



Finally investor flow data for Aug showed a surprising USD2.6bn foreign bond outflow from Korea, suggesting that position unwinds by active investors may have more than offset the gradual passive inflows associated with Korea's inclusion in the FTSE Russell World Government Bond Index (WGBI).

Chart 8: Korea clocked a surprising 2.6bn bond outflow in Aug as of 31 Aug

Source: Bloomberg, UOB Global Economics & Markets Research



Elsewhere, we expect the Bank of Thailand (BOT), and State Bank of Vietnam (SBV) to maintain policy rates at 1.00%, and 4.50%, respectively, while the People's Bank of China (PBOC) is expected to keep its 7-day reverse repo rate unchanged at 1.40%.

For Bank Negara Malaysia (BNM), we now expect a policy normalisation in Nov, raising the Overnight Policy Rate (OPR) by 25bp to 3.00%. This change from our previous policy hold call reflects the more constructive growth outlook and central bank's vigilance in guarding against potential pass through of cost pressures to inflation in its Sep MPS.

For the Bangko Sentral ng Pilipinas (BSP), the target reverse repurchase (RRP) rate was raised by 25bp to 5.00% in August, in line with our expectations. Our macroeconomic team interpreted forward guidance from both the latest Monetary Policy Statement and the post-meeting briefing as indicating that the tightening cycle has concluded, with the BSP expected to remain on hold through 2027. For more details, please refer to [Macro Note](#) published 27 Aug.

For Taiwan's Central Bank (CBC), our macroeconomic team now incorporates 25bp of cumulative tightening, delivered via two 12.5bp rate hikes in 4Q26 and 1Q27, into this quarterly outlook.

In India, our macroeconomic team has raised its FY2027 GDP growth forecast to 7.2% from 6.8% previously, following the stronger-than-expected 1QFY27 GDP growth of 7.8%. The team has also revised its FY2027 headline inflation forecast higher to 5.2% from 5.0% previously. The combination of a stronger growth outlook, firmer inflation pressures, and the potential for negative real policy rates under our baseline scenario has led our economists to forecast two consecutive 25bp rate hikes beginning with the Dec 2026 MPC meeting. For more details, refer to [Macro Note](#) produced 01 Sep.



Table 3: Central bank policy rate changes: actual so far and UOB forecast ahead

Start	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26F	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
US	-	-	-25bp	-50bp	-	-	-	-	-	-25bp	-	-25bp
Euro Area	-50bp	-50bp	-	-	-	+25bp	+25bp	-	-	-	-	-
UK	-25bp	-25bp	-25bp	-25bp	-	-	-	-	-	-	-	-
Japan	+25bp	-	-	+25bp	-	+25bp	+25bp	-	-	+25bp	-	-
Australia	-25bp	-25bp	-25bp	-	+50bp	+25bp	+25bp	-	-	-	-	-
New Zealand	-50bp	-50bp	-25bp	-75bp	-	-	+50bp^	-	-	-	-	-
Singapore*	-50bp	-50bp	-	-	-	+50bp	+25bp^	-	-	-	-	-
Malaysia	-	-	-25bp	-	-	-	-	+25bp	-	-	-	-
Thailand	-25bp	-25bp	-25bp	-25bp	-25bp	-	-	-	-	-	-	-
Indonesia	-25bp	-25bp	-75bp	-	-	+100bp	-	+50bp	-	-	-25bp	-25bp
Philippines	-	-50bp	-25bp	-50bp	-25bp	+50bp	+25bp^	-	-	-	-	-
India	-25bp	-75bp	-	-25bp	-	-	-	+25bp	+25bp	-	-	-
China	-	-10bp	-	-	-	-	-	-	-	-	-	-
Korea	-25bp	-25bp	-	-	-	-	+50bp^	+25bp	-	-	-	-
Taiwan	-	-	-	-	-	-	-	+12.5bp	+12.5bp	-	-	-
Vietnam	-	-	-	-	-	-	-	-	-	-	-	-
Switzerland	-	-	-	-	-	-	-	-	-	-	-	-

* Estimated adjustment of SGD NEER slope

^ BOK hiked 25bps in Jul, another 25bps in Aug; RBNZ hiked 25bps in Jul, another 25bps in Sep; MAS tightened slope by 25bps in Jul (estimate); BSP hiked 25bps in Aug

Source: UOB Global Economics and Markets Research

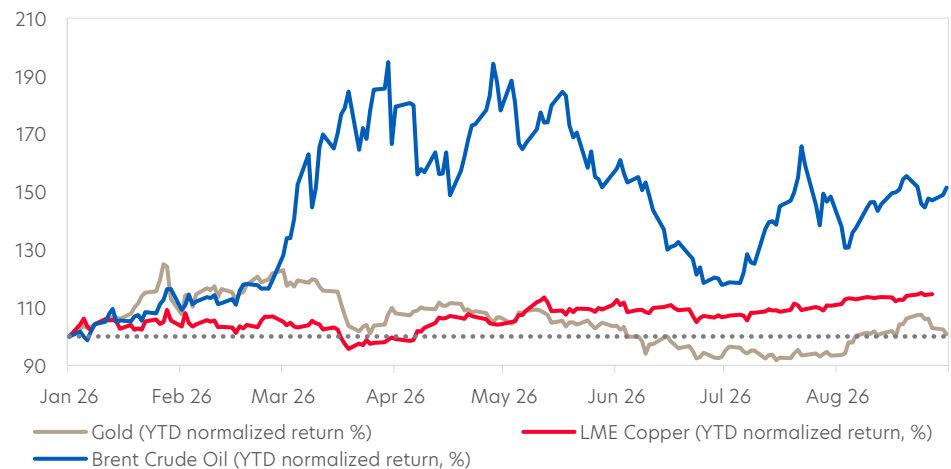


COMMODITIES STRATEGY

Renewed climb in Brent crude oil limit
Gold's near-term recovery

On-going geopolitical risk in Middle East keeps Brent crude oil at elevated level

Source: Bloomberg, UOB Global Economics & Markets Research



While things have calmed down somewhat, developments in the Middle East stay highly fluid as the US-Iran peace deal remains elusive. As such, it is no surprise that after its recent correction below USD 80 / bbl in the middle of the year, Brent crude oil promptly climbed back up to above USD 90 / bbl at the moment of writing in early Sep. There is much uncertainty about energy outlook going forward. Should peace prevail and the Strait of Hormuz reopen effectively, we can certainly expect a renewed sell-off in Brent crude oil back down to the pre-war level of USD 70 / bbl or lower. However, as the stalemate drags on, global inventory buffers get drawn down further and disruption in distillate supply intensifies, a further climb in Brent crude oil towards USD 100 / bbl or higher cannot be ruled out.

Amidst the abovementioned uncertainty in energy outlook, gold seems to have built a tentative base around the USD 4,000 / oz level. Subsequent news by US Treasury Secretary to expand Treasuries buyback triggered an explosive rally in gold all the way up to USD 4,600 / oz in late Aug. But renewed climb in US Treasuries yield in early Sep pushed gold back down to USD 4,400 / oz. Will further central bank allocation, especially disciplined buying from China extend gold's recovery? Or will gold succumb to the further climb in US Treasuries yield amidst the increasing uncertainty around US fiscal and Fed monetary policy outlook?

Finally, LME Copper continues its grind higher to a new high above USD 14,000 / MT. Once again, this further climb in Copper price is not in line with the further slowdown in industrial activity and broadening economic slowdown in China. Will irrational fears of potential import tariffs on Copper into the US continue to squeeze prices to further high?



GOLD

A tentative bottom around USD 4,000 / oz

UOB's Forecast 4Q26 1Q27 2Q27 3Q27

Gold (USD/oz)	4Q26	1Q27	2Q27	3Q27
	4,500	4,800	5,100	5,400

Across Jun and Jul, gold had struggled around the USD 4,000 / oz level, dropping temporarily below that key support on multiple occasions. Then in late Aug, gold staged an explosive rally to USD 4,600/oz following the news by US Treasury Secretary Scott Bessent to expand Treasury repurchases. But by early Sep, gold pulled back below USD 4,400/oz as UST yield climbed anew.

On hindsight, there were two key negative drivers for gold's sharp correction from its USD 5,500 / oz high in Jan. First was the pricking of the retail FOMO bubble. Chinese authorities did their part by shutting down various excessive on-line speculative schemes, removing a key demand for gold. Second was the onset of the Iran war, which diverted many central banks attention away from gold accumulation to provision of emergency liquidity amidst energy supply dislocation.

Looking ahead, barring a renewed intense escalation of the Iran War, it is likely that central banks, especially those in Emerging Markets and Asia will likely revert back strong allocation into gold. Case to point, the People's Bank of China has been ramping up its gold purchases across Q2 amidst the price correction to USD 4,000 / oz. The increasing concerns over US fiscal malfeasance is likely to be another long-term positive driver.

Over the near term, the most direct negative driver against gold remains that of US interest rate outlook amidst increasingly opaque Fed monetary policy bias. The further climb in US Treasuries yield risk dampening any strong rebound in gold. A "live" FOMC in Sep also weighs down on gold.

Overall, we stay positive on gold and it is indeed likely that we have seen a tentative bottom around 4,000 / oz. Going forward, we forecast gold at USD 4,500 / oz in 4Q26, USD 4,800 / oz in 1Q27, USD 5,100 / oz in 2Q27 and USD 5,400 / oz in 3Q27.

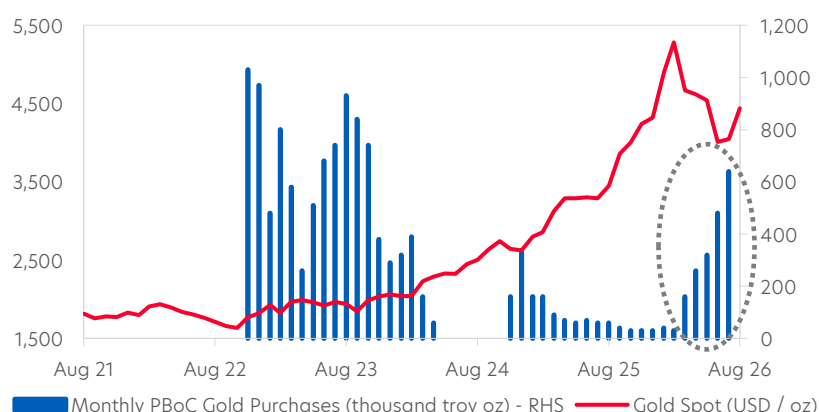
Gold remains hostage to the gyrations of 2Y US Treasuries yield

Source: Bloomberg, UOB Global Economics & Markets Research



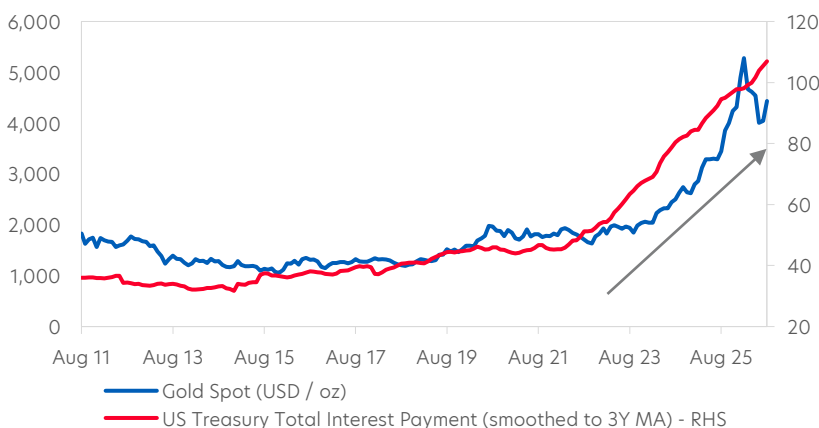
PBOC ramped up gold purchases in 2Q26 after the gold price correction

Source: Bloomberg, UOB Global Economics & Markets Research



Gold is a key long term hedge for increasing US fiscal risk

Source: Bloomberg, UOB Global Economics & Markets Research



BRENT CRUDE OIL

Increasing worries about inventory tightness and distillate disruption

UOB's Forecast 4Q26 1Q27 2Q27 3Q27

Brent crude oil (USD/bbl)	90	85	80	80

On the surface, financial markets seem to have adjusted well to the on-going closure of Hormuz. Hostilities between US and Iran have somewhat cooled down and unconfirmed industry reports suggest that various contingency and creative solutions helped to ship as much as 10 mio bpd of crude oil out of the Persian Gulf. Thus, Brent crude oil is "deceptively calm" as it climbed "only" USD 10 / bbl across Aug to USD 90 / bbl. The easing backwardation and normalization of dated Brent also suggests that some normalcy has returned.

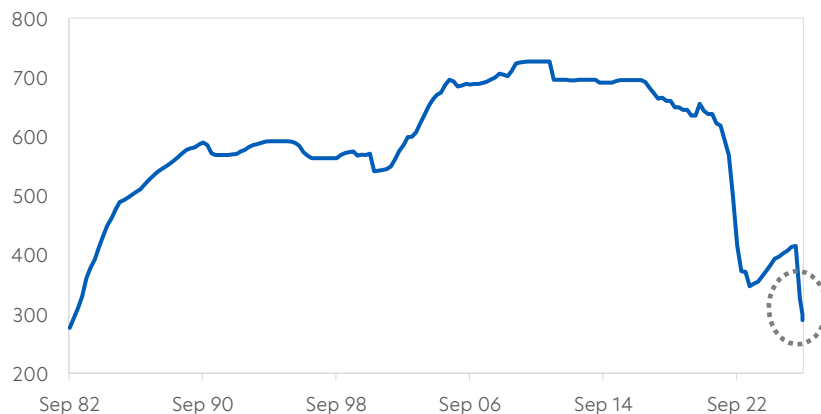
However, beneath the surface, not all is well. There are increasing worries that the world has drawn down excessive oil and energy inventory. That inventory drawdown has played a key role in mitigating the energy supply crunch in 2Q26 but this inventory buffer is increasingly thin. Specifically, the excessive drawdown of crude oil inventory in the US has seen its commercial inventory at Cushing, Oklahoma down to about 20 mio bbl and pushed its Strategic Petroleum Reserve (SPR) below the critical 300 mio bbl level.

The distillate market is increasingly volatile and tight. Jet fuel prices have bounced back up, recovering about half of its correction, US diesel prices stay elevated after a modest correction and Asian LNG prices rally further to new heights. The sharp spike in US 3-2-1 crack spread is a warning sign of dangerous tightening in distillate market.

Overall, Brent crude oil is not out of the woods yet in terms of supply disruption, especially when a peace deal remains elusive. Compared to our previous quarterly forecast, we raise our forecasts by USD 10 / bbl across the board to USD 90 / bbl in 4Q26, USD 85 / bbl in 1Q27 and USD 80 / bbl in 2Q and 3Q27. A further climb in Brent crude oil towards USD 100 / bbl could not be ruled out.

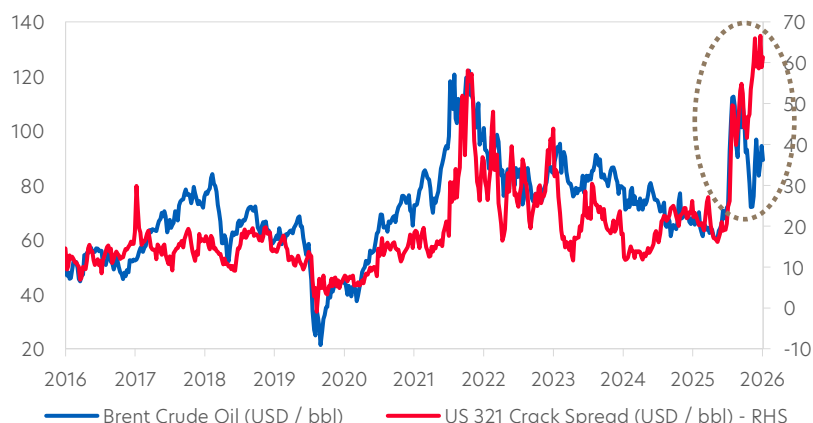
US SPR has now dropped below the critical 300 mio bbl level

Source: Bloomberg, UOB Global Economics & Markets Research



US 321 crack spread continues to push higher, indicative of tight distillate market

Source: Bloomberg, UOB Global Economics & Markets Research



US Cushing Oklahoma commercial ending stocks continue to struggle near 20 mio bbl

Source: Bloomberg, UOB Global Economics & Markets Research



COPPER

US tariff fears are back

UOB's Forecast 4Q26 1Q27 2Q27 3Q27

LME Copper (USD/mt) 13,500 13,000 12,500 12,500

LME Copper continued to surprise with its strong price action. From its mid-year low of about USD 13,000 / MT, prices climbed further to trade above USD 14,000 / MT. Once again, this strong price action appears to be in sharp contrast with the broadening slowdown in China's economy. The latest macro figures for China were weaker than consensus as manufacturing PMI fell back below the expansionary 50 level to 49.8 in Aug and the contraction in Fixed Asset Investment (FAI) intensified as well to -6.7% y/y in Jul.

Beyond China's slowdown, a key driver for Copper's strong price action across the mid-year appears to be the large accumulation of inventory into the US. Specifically, Copper inventory on COMEX has jumped by half this year from just under 500 kT to 758kT. This strong demand in the US resulted in the on-going drawdown in Copper inventory outside of the US, leading to drop in Copper inventory on LME to just about 200 kT and on the SHFE to the perilously low level of just 70 kt. Effectively, COMEX now accounts for an outsized ¾ of global Copper inventory.

This strong demand in Copper from the US has also driven up near term physical premium, pushing the LME Copper's cash vs 3M premium to a record above USD 400 / MT in mid-August. The key culprit appears to be renewed investor fears that the US may well impose import tariffs on refined Copper. Markets experienced such a previous episode of tariff fears last year, before the Trump administration denied any such plans.

Overall, unless the Trump administration does impose import tariffs on refined Copper, we reiterate that near term strong price action is irrational and is likely to normalise. We maintain our price forecast for USD 13,500 / MT in 4Q26, USD 13,000 / MT in 1Q27 and USD 12,500 in 2Q and 3Q27.

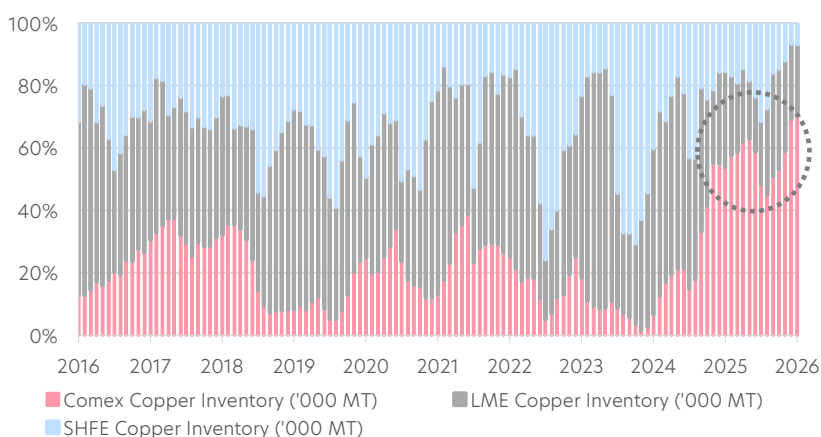
On-going jump in Copper price not in line with weak activity indicators from China

Source: Bloomberg, UOB Global Economics & Markets Research



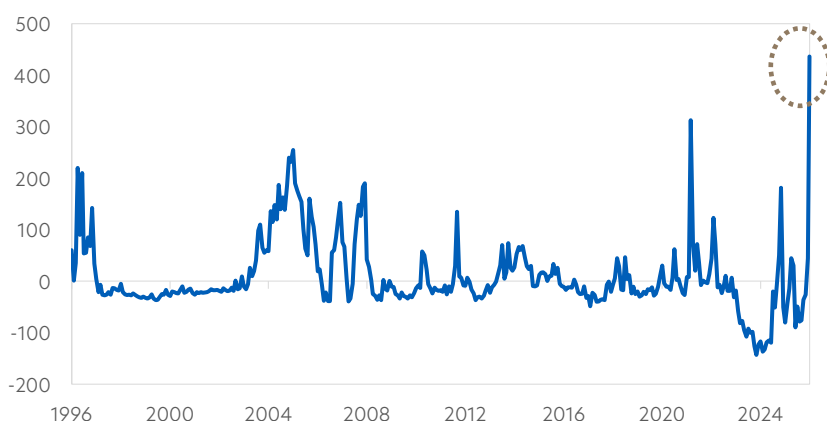
COMEX continues to soak up the most of the world's copper inventory

Source: Bloomberg, UOB Global Economics & Markets Research



LME Cash vs 3M Spread blew wide open as physical market tightened further

Source: Bloomberg, UOB Global Economics & Markets Research



CHINA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/CNY	6.70	6.68	6.64	6.62
CNY 7D Reverse Repo	1.40	1.40	1.40	1.40
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	5.0	5.0	4.5	4.5
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)	2.5	3.8	3.8	3.5
Fiscal Balance (% of GDP)	-4.8	-5.1	-5.8	-5.5

ECONOMY

Further loss of momentum in 3Q26

China's real GDP growth slowed more than expected to 4.3% y/y in 2Q26 from 5.0% y/y in 1Q26 with growth averaging 4.7% in 1H26. The slower roll-out of fiscal expenditure in 2Q26 likely contributed to the weaker growth. In 2Q26, growth contributions from final consumption expenditure (1.9ppt, 1Q26: 2.3ppt) and gross capital formation (1.5ppt, 1Q26: 1.9ppt) eased while net exports (0.9ppt, 1Q26: 0.8ppt) remained strong.

The economy had further lost traction in Jul with key economic data falling well short of estimates while both the official manufacturing and non-manufacturing PMIs remained in contraction for a second consecutive month in Aug. While industrial production and export activity are likely to be held up by global AI-related capex growth, domestic demand will remain a significant drag. Adverse weather conditions have also contributed to the weakness in the construction sector. The recent data suggests that GDP growth likely weakened from its 2Q26 pace. Accordingly, we have revised our GDP growth forecasts lower to 4.3% in 3Q (from 4.7%) and 4.5% in 4Q (from 4.6%) with the full-year 2026 GDP growth projection at 4.5% (from 4.7%).

Markets expect further policy easing given 3Q26 GDP growth is likely to miss China's 4.5%-5.0% target for a second straight quarter. On 28 Aug, China introduced a broad real estate support package, signalling stronger measures to stabilise growth. Key changes include extending the maximum mortgage term from 30 to 40 years and requiring developers to sell completed homes instead of pre-sales. These measures should help reduce housing oversupply and improve buyer confidence. Any further policy easing is expected to be driven mainly through fiscal rather than monetary measures. In particular, the government is likely to step up bond issuance to finance public-sector investment, with projects under the "six networks" receiving priority. To date, approximately 60% of this year's CNY11.9tn bond issuance quota has been utilised. Several buffers also remain in place. Global AI-related demand continues to underpin high-tech manufacturing. In addition, US-China relations have stabilised following the May summit which signaled a shift toward managed competition, even as bilateral tensions persist. The US is considering an additional 7.5% tariff on Chinese goods linked to concerns over structural overcapacity in manufacturing, on top of the

existing 12.5% tariff associated with forced-labour import restrictions. This would raise new replacement tariffs on affected Chinese imports to around 20% - China's cited threshold. Traders are also keeping a close watch on the 178 Section 301 tariff exclusions from President Trump's first term, which are set to lapse in Nov. Upcoming Trump-Xi meeting on 24 Sep is likely to extend the one-year trade truce inked in Oct 2025.

In Jan-Jul 2026, PPI rose 1.8% y/y. Headline and core CPI averaged 0.9% y/y and 1.1% y/y, respectively. We forecast 2026 PPI inflation at 2.5% and headline CPI inflation at 0.9%. We think the headline CPI and PPI inflation have peaked. We expect the former to track at around 1.0% or lower for the rest of the year as weak consumer demand continues to constrain pricing power. On the producer side, PPI will be influenced largely by developments in the Middle East and their implications for global oil and commodity prices.

CENTRAL BANK

Policy stays accommodative

Following the Politburo meeting on 30 Jul, the PBOC reaffirmed its pledge to maintaining a moderately loose monetary policy in 2H26, with an emphasis on strengthening counter-cyclical support. The focus is on maximizing the effectiveness of existing measures rather than introducing broad-based new stimulus. Credit demand has stayed weak with total social financing rising at a record-low pace of 7.4% y/y in Jul. New bank loans contracted by CNY0.34tn in Jul, as loan repayments exceeded new borrowing, reflecting subdued investment activity, cautious consumer sentiment, and ongoing deleveraging. We continue to expect the PBOC to keep its benchmark 7-day reverse repo rate unchanged at 1.40% through 2026 while we see room for a 25bps-50bps reduction in banks' reserve requirement ratio (RRR).

CURRENCY

Steady appreciation pace

CNY extended its strong run through Aug, with USD/CNY reaching 6.7190 at month-end — its strongest level since early 2023. The move was underpinned by broad-based USD weakness and China's robust export growth, which continues to generate structural conversion flows.

The PBOC has pushed back against the pace of appreciation via the fixing mechanism, setting the reference rate near 6.78 in late Aug — approximately 600 pips weaker than Bloomberg survey estimates, the largest gap since Feb — signalling a preference for a more orderly, gradual move. Near-term implied volatility in both CNY and CNH remains subdued, suggesting markets are largely looking through growing US threats of sanctions over China's ties to Iran. The medium-term gradual appreciation path is retained. The PBOC's 2026-2030 five-year plan reaffirms yuan stability and internationalisation as structural priorities, while China's persistent trade surplus provides firm support. A Fed pause in 2H26 — our base case — would further ease the rate differential headwind for CNY. Overall, our updated USD/CNY forecasts are 6.70 in 4Q26, 6.68 in 1Q27, 6.64 in 2Q27, and 6.62 in 3Q27.



HONG KONG

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/HKD	7.84	7.82	7.80	7.80
HKD Base Rate	4.00	4.00	3.75	3.75
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	2.6	3.6	3.9	2.4
CPI (avg y/y %)	1.7	1.4	2.5	2.0
Unemployment Rate (%)	3.1	3.9	3.6	3.5
Current Account (% of GDP)	13.1	12.3	9.2	8.6
Fiscal Balance (% of GDP)	-2.5	0.1	0.6	0.2

ECONOMY

Momentum slowed after a robust start

Real GDP growth moderated to 4.3% y/y in 2Q26 from 5.9% y/y in 1Q26. On a seasonally adjusted q/q basis, GDP contracted by 0.6% after the 2.9% surge in 1Q26, marking the first decline since 4Q22 and primarily due to a sequential slowdown in government consumption. We expect the sequential contraction to ease or turn around in 3Q26. However, as base effects become less favourable, we forecast growth to further moderate to 2.8% y/y in 2H26 from 5.1% y/y in 1H26. We maintain our 2026 GDP growth forecast at 3.9%, in line with the updated official 3.5%-4.5% outlook.

Hong Kong's role as a critical gateway for China's semiconductors trade and the broader global AI supply chain has become increasingly significant despite its small industrial base (manufacturing accounts for less than 1% of GDP). According to the Census and Statistics Department, China routed around one-third of its integrated circuit exports through Hong Kong. AI-related products account for about 70% of Hong Kong's total merchandise exports with the export growth accelerating from 41.5% in 1Q26 to 63.7% in 2Q26. The AI capex cycle is expected to provide continued support for Hong Kong's export performance through the remainder of 2026. Increased funding requirements has also driven IPOs in the city with the funds raised during the first seven months of 2026 surging 154% y/y.

Domestic consumption has remained relatively resilient. Retail sales by value recorded a 15th consecutive month of growth in Jul, supported by demand for consumer durable goods such as electronics as well as gold jewelry. Consumer spending has been underpinned by improving sentiment and a recovery in tourism, with visitor arrivals rising 11.4% y/y in Jan-Jul. Nonetheless, labour market conditions continued to be relatively soft, as the unemployment rate stayed at 3.7% in Jul and total employment fell from 3.666mn in Jan to 3.648mn. The residential property market remains in recovery. Prices gained 7.3% YTD through Jul, doubling the 3.6% increase for the whole of 2025 and residential transactions rose 45,272 - up 30.4% y/y. Support came from stronger Mainland demand, tighter supply, and a firmer rental market, though higher interest rates may curb the momentum.

Inflation remained moderate, with soft food, clothing and housing prices offsetting higher energy and services costs.

Composite and underlying inflation averaged 1.7% and 1.6% YTD through Jul. Given elevated oil prices and Middle East uncertainty, we maintain our inflation forecasts at 2.5% for 2026 and 2.0% for 2027.

In Jul, the PBOC announced several measures to support the development of Hong Kong's fixed income and FX market as well as the offshore RMB business. These are structurally positive for Hong Kong's role as a financial hub – deepening liquidity, broadening the investor base, and building the offshore RMB ecosystem. Near-term market impact is likely to be gradual while macro headwinds from Fed policy and tighter controls over mainland capital outflows (State Council's Decree No. 837) as well as potential mainland tax measures on offshore investment create offsetting pressures.

The domestic focus will be Hong Kong's First Five-Year Plan for Economic and Social Development (2026-2030) and Chief Executive John Lee's Policy Address on 16 Sep, as the city seeks to further harness its competitive strengths. These include its standing as a leading international centre for finance, maritime services, and trade, as well as its growing role as an international innovation and technology (I&T) hub and accelerate the Northern Metropolis development for greater integration with the Mainland.

CENTRAL BANK

Hibor driven mainly by US rates

The 3M Hibor rebounded from 2.36% at end-Mar to 3.02% at end-Aug. The recent rise in HIBOR fixings and Hong Kong swap rates appears to be driven primarily by the repricing of US interest rates and a more hawkish reassessment of the Fed's policy path. Domestic factors have likely played a secondary but supportive role through an improving residential property market, seasonal half-year-end funding pressures, and buoyant IPO activity. We expect US rates to remain the dominant driver of front-end HK rates. For the 3M HIBOR, our projection is at 3.00% in 4Q26 and 1Q27, 2.80% in 2Q27 and 2.85% in 3Q27.

CURRENCY

USD/HKD higher for longer

USD/HKD has continued to trade in a narrow range in the last few months, averaging 7.840 over the Jun-Aug period and briefly touching a high of 7.847 in mid-Aug before retracing to ~7.839 at end-Aug. The pair remains firmly in the upper half of the currency band, consistent with modest demand for the USD/HKD carry trade and lingering safe haven USD demand as the US-Iran peace deal broke down in Jul and hostilities returned. The case for a near-term USD/HKD move toward the mid-point of the band has weakened, given the re-escalation of the Middle East conflict, elevated Hibor and renewed pricings for near-term Fed rate hike. As such, USD/HKD may be biased higher for longer. The glide path toward 7.80 retained but is now contingent on a credible and durable geopolitical de-escalation – a higher bar than previously assumed. Accordingly, our updated USD/HKD forecasts are at 7.84 in 4Q26, 7.82 in 1Q27, and 7.80 in 2Q27 and 3Q27.



INDIA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/INR	95.0	94.6	94.4	94.2
INR Repo Rate	5.50	5.75	5.75	5.75
Economic Indicator	2024	2025	2026F	2027F
GDP, FY (%)	7.3	7.2	7.8	7.2
CPI, FY (avg y/y %)	5.4	4.6	2.1	5.2
Current Account, FY (% of GDP)	-0.7	-0.6	-0.6	-0.9
Fiscal Balance, FY (% of GDP)	-5.6	-4.8	-4.4	-4.3

ECONOMY

GDP growth set to exceed 7% in FY27

We raise our FY27 GDP growth forecast to 7.2% (from 6.8% previously) following the strong 1QFY27 outturn (7.8% y/y; Bloomberg: 7.3%, 4Q: 8.6%). The robust 1QFY27 GDP growth was driven by a sustained acceleration in GFCF (11.9% y/y; 4Q: 10.5%), alongside stronger net exports. Exports surged 12.0% y/y (4Q: 3.9%), while imports contracted slightly (1Q: -1.1% y/y; 4Q: 0.8%). Private consumption remained resilient (7.1% y/y; 4Q: 7.5%), although this was partly offset by slower government spending (4.3% y/y; 4Q: 7.7%). On the production side, real GVA continued to expand at a strong pace (8.2% y/y; 4Q: 8.7%). The services sector recorded a third consecutive quarter of double-digit growth (10.0% y/y; 4Q: 11.5%), led by the financial, real estate and IT services segment (12.1% y/y; 4Q: 12.3%). Meanwhile, growth in the trade, hotels, transport & communications segment slowed sharply to 8.5% y/y (4Q: 12.9%), likely reflecting disruptions related to Middle East tensions. Agricultural production remained steady (3.6% y/y; 4Q: 3.9%), while mining & quarrying output contracted (-2.4% y/y; 4Q: -2.9%), reflecting a high comparison base.

We raise our FY27 headline inflation forecast to 5.2% (from 5.0% previously). India's headline CPI recorded three consecutive months of robust m/m nsa increases (Jul: 0.88%, Jun: 1.03%, May: 0.75%), largely driven by strengthening food inflation momentum. Price pressures were also seen in recreation, sport & culture (Jul: 0.98% m/m, Jun: 1.24%) and education services (Jul: 1.09% m/m, Jun: 1.41%), although partly offset by declines in personal care & effects (Jul: -0.95% m/m, Jun: -0.66%), reflecting the fall in gold prices. Momentum has also been strengthening in the electricity, gas & other fuels component since the intensification of the Middle East conflict in late Feb, although the extent of the increase remains constrained by fuel subsidies and other price-stabilisation measures. In our baseline projections, we pencil in several months of stronger m/m increases reflecting the impact of adverse weather-related events on food supply, although this is partly mitigated by comfortable levels of public foodgrain stocks.

CENTRAL BANK

RBI likely to commence rate hikes from Dec 2026 MPC meeting

We expect the RBI to deliver two back-to-back 25bps rate hikes starting from the Dec 2026 MPC meeting. Under our baseline inflation projections, headline inflation could breach the upper bound of the RBI's 2%-6% tolerance band by 3QFY27 (Oct-Dec 2026) and remain above 6% until early 1QFY28, implying negative (ex post) real rates that may necessitate tighter monetary conditions to constrain demand-driven inflationary pressures. While price pressures remain highly concentrated in the food component for now, in our view the RBI cannot entirely look past this, given the relatively high frequency of food consumption and its potential influence on households' inflation expectations, which have strengthened meaningfully since the start of 2026.

Furthermore, the minutes of the Aug RBI MPC meeting tilted hawkish in our assessment, with several MPC members foreshadowing rate hikes on the horizon by mentioning that they are adopting a wait-and-see approach before recalibrating the policy rate. In particular, Dr Poonam Gupta further characterised the best course of action as waiting and watching a bit more.

RBI surprised markets by announcing on 14 Aug an early closure of its FCNR(B) swap window, bringing forward the closure by one month. The move appeared to be a policy U-turn, coming just days after the RBI stated during the post-MPC meeting press conference that closing the swap window prematurely was not under consideration. We think the move was likely in response to the costs of maintaining the hedging facility amid larger-than-expected inflows, with RBI Governor Sanjay Malhotra expecting at least USD80bn (including via OFCBs and ECBs). On 2 Sep, RBI disclosed that total inflows amounted to US\$136bn. We think excess liquidity resulting from these inflows can be gradually managed through the RBI's VRRR mechanism.

CURRENCY

INR to underperform in regional recovery

USD/INR was largely consolidative in 3Q26 to date, between 94.60 and 96.67 across Jul and Aug, a welcome break from the one-way INR depreciation in 1H26. The same structural INR headwinds remain: elevated energy import costs, residual USD safe-haven demand, and Fed rate-hike expectations.

However, a hawkish RBI pivot, periodic RBI dollar sales, and bond inflows helped offset part of the pressure on the INR. FCNR attracted strong inflows exceeding USD 100 bn, helping boost the RBI's war chest to intervene in the FX market and support the rupee. Looking ahead, we maintain a cautious view on the INR and expect the rupee to underperform regional peers due to the spillover of higher oil prices. Our updated USD/INR forecasts are 95.0 in 4Q26, 94.6 in 1Q27, 94.4 in 2Q27, and 94.2 in 3Q27.



INDONESIA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/IDR	17,900	17,800	17,700	17,600
IDR 7D Reverse Repo	6.25	6.25	6.25	6.00
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	3.0
Unemployment Rate (%)	4.8	4.9	5.2	5.1
Current Account (% of GDP)	-0.6	-0.1	-2.2	-2.5
Fiscal Balance (% of GDP)	-2.5	-2.9	-2.8	-2.9

ECONOMY

Growth to moderate in 2H26 but remain resilient

Indonesia's economy grew by 5.29% y/y in 2Q26, above market expectations of 5.14%, supported by holiday-related consumption, stronger government spending, and resilient investment. Net exports weighed on growth as imports outpaced exports. However, much of the increase reflected demand for capital goods and raw materials, which should support future productive capacity. Government spending rose by 15.97% y/y, providing a further boost through flagship social programs and downstream industrialization initiatives.

Growth may moderate in 2H26 amid slower provincial activity and rising fiscal commitments. Nevertheless, the outlook remains supported by investment and fiscal spending. We maintain our 2026 GDP growth forecast at 5.2%.

Headline inflation rose to 3.19% YoY in Aug, approaching the upper end of BI's target range. Food and transportation costs remain the main drivers of inflation, while core inflation indicates resilient domestic demand. We expect inflation to average around 2.5% in 2026 and strengthen to 3.0% in 2027, driven by firmer domestic demand, stronger economic activity, and the normalization of administered and service-sector prices.

The current account deficit widened to USD12.5bn, or 3.3% of GDP, in 2Q26, from USD3.6bn, or 1.0% of GDP in 1Q26. BI attributed the deterioration mainly to temporary rather than structural factors.

The oil and gas deficit increased due to elevated global oil prices and stronger domestic energy demand, underscoring Indonesia's vulnerability as a net energy importer. Non-oil imports also rose alongside resilient domestic activity and an expansionary fiscal stance. While this narrowed the non-oil trade surplus, the increase partly reflected healthy investment and consumption demand. Meanwhile, the primary income deficit widened due to higher dividend payments, profit repatriation, and interest payments, which are typically elevated in the second quarter.

We raise our 2026 current account deficit forecast to 2.2% of GDP from 1.5%, reflecting greater downside risks from high oil prices, external macroeconomic pressures, and geopolitical tensions.

CENTRAL BANK

Future rate decisions will remain data-dependent

BI kept the BI Rate unchanged at 5.75% at its Aug policy meeting. The Deposit Facility and Lending Facility rates were also maintained at 4.75% and 6.50%, respectively. At her first policy meeting as Acting Governor, Damayanti emphasized that preserving rupiah stability amid heightened global financial-market volatility remains the central bank's priority, alongside keeping inflation within the 2.5% $\pm$ 1.0% target range in 2026–2027. BI will continue to calibrate its policy mix to sustain growth, with future interest-rate decisions remaining data-dependent.

Given persistent external uncertainty and the risk of higher energy prices, we continue to view the decision as a pause. However, the rupiah's relative stability in recent weeks has reduced the need for more aggressive tightening. We, therefore, scale back our forecast to two additional 25bp rate increases in 4Q26, which would bring the BI Rate to a terminal level of 6.25% by end-2026.

CURRENCY

IDR may have stabilised but still likely to underperform

The IDR posted its first monthly gain in ten months in Aug, appreciating 1.6% to 17,722 /USD — a meaningful reversal from its record low of 18,209 /USD touched in Jun. The recovery reflects three concurrent tailwinds: broad USD weakness, a resolution of BI governorship transition uncertainty, and a record single-day foreign bond inflow of \$656.7 million on 20 Aug.

Concerns over the BI governorship transition— triggered by Perry Warjiyo's shock resignation on 27 Jul — have largely receded. Sole candidate Destry Damayanti (formerly BI deputy governor) passed her parliamentary fit-and-proper test and received lawmakers' approval for a full five-year term (2026–2031). Destry's early meetings with the Finance Minister also signaled a closer alignment between monetary and fiscal policy.

On the other hand, structural pressures have intensified. Indonesia's current account deficit widened to a record USD 12.5 bn in 2Q26, driven by elevated oil import costs amid Middle East tensions. BI's concurrent pivot away from high SRBI yields — previously a key tool to attract foreign bond inflows — toward hedging incentives risks partially offsetting the rate support from further BI hikes. Taken together, these dynamics are expected to keep the IDR underperforming regional peers through any medium-term recovery.

Overall, our updated USD/IDR forecasts are at 17,900 in 4Q26, 17,800 in 1Q27, 17,700 in 2Q27, and 17,600 in 3Q27.



JAPAN

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/JPY	155	153	151	149
JPY Policy Rate	1.25	1.25	1.50	1.50
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	-0.2	1.1	0.7	1.0
CPI (avg y/y %)	2.8	3.2	2.0	2.1
Unemployment Rate (%)	2.5	2.6	2.8	2.8
Current Account (% of GDP)	4.5	4.7	4.5	4.5
Fiscal Balance, FY (% of GDP)	-7.1	-4.8	-4.5	-4.5

ECONOMY

2026 outlook still clouded by Middle East uncertainties

Japan's economy expanded for a third consecutive quarter in 2Q26, but growth disappointed expectations: GDP rose 0.3% q/q (1.1% annualized), as private consumption stalled and business investment contracted for a second straight quarter. Nevertheless, GDP reached a record high of JPY598.3tn, supported by net exports, government spending, and inventory accumulation. Domestic demand remained weak despite positive external contributions: Private consumption was flat amid persistent inflationary pressures, and household spending has been contracting since last Dec, while business spending fell 1.2% q/q due to higher costs and ongoing uncertainty linked to the Middle East conflict. In contrast, government consumption grew strongly (+1.6% q/q), while net exports were the largest growth driver, benefiting from AI-related demand and yen weakness. It is likely the on-going Middle East (US-Iran) conflict and the resulting volatile and higher energy prices were the key reasons for the 2Q26 weakness.

Japan's growth outlook for 2026 still points to modest expansion amid a challenging environment. While the economy continues to benefit from structural tailwinds such as sustained wage growth, AI-related capital expenditure, corporate governance reforms, and supportive fiscal policies, these positives are offset by higher energy costs stemming from the Middle East conflict, the Bank of Japan's monetary tightening cycle, and weak external demand. As a result of the weaker growth trajectory, our 2026 GDP growth forecast is now lowered to 0.7% (previous: 1.0%; 2025: 1.2%). Risks remain tilted to the downside, with the duration and severity of the Middle East conflict and the pace of BOJ rate hikes, the key variables to monitor in 2026.

Japan's CPI inflation re-accelerated in Jul with headline CPI higher at 1.9% y/y (Jun: 1.6%), while core inflation (which excludes fresh food), also rose to 1.8% (Jun: 1.6%), and core-core inflation (which excludes fresh food and energy), came in at 1.9% y/y (Jun: 1.7%), just below the BOJ's 2.0% target, partly reflecting higher energy costs, but also underlying demand driven price pressures. Inflation is expected to head above the 2.0% target in 2H26, driven by wage-price dynamics, energy costs, semiconductor demand, and yen depreciation. We keep our overall CPI inflation forecast

unchanged, at 2.0% in 2026 (2025: 3.2%), with upside risks due to elevated energy and goods prices, although government subsidies may help to cushion some of the rise.

CENTRAL BANK

We now expect another BOJ hike in Sep

Despite the 2Q GDP disappointment, recent higher inflation outturns (both national and Tokyo CPI) have supported the expectations for earlier hikes. Reports in mid-Aug suggested that Prime Minister Takaichi's government is supportive of a near-term rate hike by the Bank of Japan (BOJ), while adding that the BOJ's fears over yen weakness driving up prices and the government's desire to strengthen the impact of the Aug US-Japan currency intervention are aligning them on the need for a near-term policy move. Importantly, during the recent G20 Finance Ministers and Central Bank Governors summit in US, pressure from US Treasury Bessent to BOJ "to do the right thing" and the subsequent hawkish hints from BOJ Gov Ueda, led us to believe another hike is imminent. As such, we now expect the BOJ to resume monetary policy normalisation, with another 25bps hike to 1.25% in Sep (instead of the previous forecast of an Oct move). Thereafter, we project another 25bps hike in late 2Q27 to 1.50%, which we believe will be the terminal rate. The risk is for the latter hike to be brought forward to 1Q27 or even 4Q26.

CURRENCY

Intervention efforts fade

Despite unprecedented scale – the first joint US-Japan operation since 1998 and a record JPY 15.4 trn (~USD 96 bn) deployed from 30 Jul through 26 Aug – the intervention effect has proven short-lived. USD/JPY troughed at 155.23 on 3 Aug before retracing sharply, breaching 160 again on 28 Aug for the first time since 31 Jul and erasing more than half of its intervention-driven decline. Speculative yen shorts have been rebuilt, with CFTC data through 25 Aug confirming a second consecutive week of net short-JPY additions. The pattern mirrors the late-Apr operation, which was similarly retraced in full within weeks. Each intervention round continues to be exploited by carry traders as a re-entry opportunity. The structural driver is unchanged: a 275 bps rate differential between the Fed funds rate (3.75%) and the BOJ policy rate (1.00%, following the June +25 bps hike) is still deemed attractive for carry traders. The joint nature of the Jul operation raised political stakes and likely extended the period of market caution relative to unilateral action but has not materially shifted the market's preference for JPY as a funding currency.

The medium-term case for a lower USD/JPY still rests on monetary policy divergence. Our baseline – a further 25 bps BOJ hike in Sep, a final move to 1.50% in late 2Q27, a Fed pause in 2H26, and two Fed cuts in 2027 – should compress rate differentials and structurally erode carry attractiveness over time. Overall, our updated USD/JPY forecasts are 155 in 4Q26, 153 in 1Q27, 151 in 2Q27, and 149 in 3Q27.



MALAYSIA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/MYR	4.02	4.00	3.98	3.95
MYR O/N Policy Rate	3.00	3.00	3.00	3.00
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	5.2	5.2	5.0	4.6
CPI (avg y/y %)	1.8	1.4	2.0	2.0
Unemployment Rate (%)	3.1	2.9	3.0	3.0
Current Account (% of GDP)	1.4	1.6	2.1	1.8
Fiscal Balance (% of GDP)	-4.1	-3.7	-3.5	-3.3

ECONOMY

Moderate growth in 2H26 amid external headwinds

Malaysia's economy continued to outperform in 2Q26, with real GDP growth accelerating to 6.0% y/y (1Q26: 5.4%), supported by sustained AI- and data centre-related investment expansion, supply chain reconfiguration amid geopolitical tensions, a stable labour market, and contained inflation. Monthly GDP indicators remained firmly above trend, expanding by 7.0% in Apr, 5.4% in May, and 5.6% in Jun, lifting 1H26 growth to 5.7% (1H25: 4.5%).

Sectoral performance was broadly positive, led by a rebound in mining & quarrying (+9.2% y/y vs -2.1% in 1Q), followed by manufacturing (+7.3%), construction (+6.5%), and services (+5.9%) sectors. Import duties remained robust at 19.5% growth, while the agriculture sector contracted by 3.7% (1Q: +2.6%), marking its sharpest decline since 1Q20.

Domestic demand held up its growth momentum at 5.1% y/y, supported by resilient household spending (+4.8%) and stronger government expenditure (+7.6%). Investment activity stayed positive, although private investment growth moderated to 4.3% while public investment increased by 6.3%. Net exports contributed 2.4ppts to GDP growth, the biggest contribution since 2Q21, more than offsetting an inventory drawdown that subtracted 1.3ppts from growth.

Reflecting the stronger 1H26 performance, we have raised our 2026 full-year GDP growth forecast to 5.0% from 4.5% previously (BNM est: 4.0%-5.0%; 2025: 5.2%). This implies a moderation to ~4.3% growth in 2H26, as favourable base effects fade and external headwinds become more pronounced. Risks to the outlook remain tilted to the downside, including a potential escalation of geopolitical tensions in the Middle East, prolonged disruptions to key global shipping and energy routes, evolving El Niño-related weather risks, and heightened financial market volatility.

However, resilient domestic demand with ongoing government policy support, continued AI- and data centre-related investments, higher tourism activities, and benign inflationary pressures should provide important growth buffers. The soon-to-be-unveiled Budget 2027 on 9 Oct will be closely watched for further fiscal support measures, tax policy changes and strategic initiatives aimed at sustaining growth momentum into 2027, particularly

against a backdrop of increasing speculation surrounding the timing of the next general election (GE).

CENTRAL BANK

BNM expected to normalize rates in Nov

BNM left the OPR unchanged at 2.75% for a seventh consecutive meeting in Sep, but the latest monetary policy statement struck a more constructive tone on the growth outlook, signalling stronger confidence that Malaysia's GDP growth will reach around 5% in 2026 and remain resilient in 2027 despite ongoing global and geopolitical uncertainties. At the same time, the central bank adopted a more vigilant stance on inflation, highlighting potential cost pass-through risks from elevated global commodity prices, while acknowledging that inflation has remained well contained due to domestic policy measures and stable demand conditions.

Taken together with the subtle shift in policy language and guidance from the post-Monetary Policy Committee (MPC) briefing, we believe BNM is retaining flexibility to further normalise monetary policy should external uncertainties ease and domestic conditions remain supportive. As such, we now expect BNM to raise the OPR by 25bps to 3.00% at the final MPC meeting of 2026 on 5 Nov, before keeping rates unchanged through 2027 amid resilient growth, benign inflation and a preference for policy stability ahead of the next GE.

CURRENCY

MYR to strengthen modestly

USD/MYR has trended lower through 3Q26, with the pair reaching 4.0270 as of 31 Aug from a high of 4.1557 in Jun. The move was largely driven by a moderation in Fed rate hike expectations following softer US inflation in recent months. The MYR may have also benefited from [BNM's intensified measures announced in late Jun](#), which seek to attract capital inflows and accelerate the repatriation and conversion of overseas earnings by GLCs, GLICs, and corporates.

Going forward, the MYR is expected to strengthen anew, albeit at a more gradual pace, as supportive domestic fundamentals including the recent hawkish BNM pivot may be partially offset by persistent external uncertainties. While Malaysia's growth outlook remains resilient, underpinned by continued AI- and data centre-related investments, and a sustained current account surplus, sentiment towards emerging market currencies will continue to be influenced by shifts in Fed policy expectations and global risk appetite.

At the same time, lingering geopolitical tensions, evolving global trade dynamics, and potential domestic political uncertainties ahead of the next GE could limit further gains in the MYR. Investors are also expected to remain focused on policy continuity and fiscal discipline.

Consistent with these dynamics, our updated USD/MYR forecasts are at 4.02 in 4Q26, 4.00 in 1Q27, 3.98 in 2Q27, and 3.95 in 3Q27.



PHILIPPINES

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/PHP	62.9	62.7	62.5	62.4
PHP O/N Reverse Repo	5.00	5.00	5.00	5.00
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	5.7	4.4	3.2	5.0
CPI (avg y/y %)	3.2	1.7	6.0	4.0
Unemployment Rate (%)	4.3	4.7	5.1	5.1
Current Account (% of GDP)	-4.0	-3.3	-3.6	-3.7
Fiscal Balance (% of GDP)	-5.7	-5.6	-5.4	-5.1

ECONOMY

Gradual recovery expected in 2H26

The Philippines' real GDP growth slowed for a fourth consecutive quarter to 2.3% y/y in 2Q26 (from 2.8% in 1Q26), the weakest since 1Q21. On a seasonally adjusted basis, GDP growth eased to 0.6% q/q (1Q: +0.9%), extending the streak of sub-1.0% quarterly growth to five consecutive quarters and underscoring weak underlying momentum.

The subdued growth was due to softer household consumption (+2.8% y/y) and a deeper contraction in investment (-13.7%) amid persistent inflation pressures, Middle East tensions, and governance-related uncertainties affecting infrastructure projects. Thus, domestic demand subtracted 0.3ppt from overall GDP growth, marking the first negative contribution since 1Q21. It offset the effects of stronger government spending (+8.3%), a rebound in net exports (+1.2ppt), and inventory rebuilding (+1.3ppt).

On the supply side, the construction sector contracted for a fourth consecutive quarter (-13.9%), while services growth eased to a 21-quarter low of 4.5%, led by a slowdown in tourism-related activities. Mining & quarrying sector also contracted by 9.8%, which was partly offset by the improvement in agriculture (+2.7%), manufacturing (+2.6%), and utilities (+4.0%) sectors.

In 1H26, real GDP growth averaged 2.6% while a gradual recovery is expected to emerge in 2H26 and extend into 2027, supported by the phased resumption of infrastructure projects following the graft investigation initiated in Jul 2025, easing inflation, accommodative monetary conditions, sustained overseas remittance inflows, and higher wages. Fiscal policy will also remain supportive, with the proposed PHP7.2tn 2027 budget (equivalent to 21.7% of GDP and +5.9% from 2026's PHP6.8tn allocation) focused on strategic infrastructure development, human capital enhancement, social protection, as well as food and energy security.

Nevertheless, downside risks to the outlook remain, including renewed geopolitical tensions in the Middle East, lingering governance-related challenges, potential weather-related disruptions from a Super El Niño, and the risk of tighter monetary conditions if inflation re-emerges. Taken together, we expect economic activity to improve gradually to ~4.0% in 2H26, bringing 2026 full-year

GDP growth to 3.2%, but below the government's target range of 3.5%-4.5%. Growth is projected to strengthen further to 5.0% in 2027, in line with the lower bound of the government's 5.0%-6.0% target.

CENTRAL BANK

Shifting toward a prolonged rate pause

BSP raised its target RRP rate for the third straight meeting by 25bps to 5.00% on 27 Aug as policymakers remained focused on containing inflationary pressures. Following the recent moderation in consumer price growth, BSP lowered its inflation forecasts to 6.1% for 2026 (from 6.4% previously, UOB est: 6.0%) but revised its 2027 projection higher to 5.4% (from 4.5% previously, UOB est: 4.0%) and 2028 forecast to 3.3% (from 3.1%) as the expected impact of El Niño-related supply pressures and minimum wage hikes could have more pronounced effects into 2027.

With inflation expected to remain on a gradual downtrend and return to BSP's 2.0%-4.0% target range by 2027, while economic activity continues to recover at a modest pace, we expect BSP to pause further rate hikes in the coming months and maintain a prolonged hold thereafter. This would allow policymakers to assess evolving economic conditions while ensuring that the cumulative effects of past monetary tightening continue to transmit through the broader economy.

That said, the policy outlook will remain data dependent. Key swing factors include incoming inflation and growth data, global oil price trends, geopolitical risks, exchange rate movements, and the trajectory of US Fed policy. Any renewed inflationary pressures, external supply shocks, or sharper-than-expected currency depreciation could prompt a recalibration of the monetary policy stance.

CURRENCY

Limited catalysts to support the PHP outlook

The PHP remained under pressure in 3Q26, depreciating by 1.7% quarter-to-date to 62.4 per USD as of 1 Sep and by 5.9% from end-2025 levels. The currency's underperformance largely reflects the Philippines' vulnerability to higher energy prices and supply security given its net oil-importing status, alongside uncertainty over the US Fed's policy trajectory.

Looking ahead, we see limited catalysts for a strong recovery in the PHP. External headwinds, including lingering Middle East tensions and a higher-for-longer US interest rate environment, are likely to keep the USD well supported. Domestically, political and policy uncertainties, coupled with persistent macroeconomic imbalances, could continue to weigh on investor sentiment. The Philippines is expected to sustain sizeable twin deficits while the risk of a sovereign credit rating downgrade by Fitch and ongoing external financing needs remain key constraints on the PHP outlook.

Therefore, we expect the PHP to underperform other regional currencies in a broader recovery against the USD. We forecast USD/PHP at 62.9 in 4Q26 before easing marginally to 62.7 in 1Q27, 62.5 in 2Q27, and 62.4 in 3Q27.



SINGAPORE

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/SGD	1.27	1.26	1.25	1.24
SGD 3M SORA (compounded)	1.35	1.41	1.44	1.48
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	5.3	5.0	5.0	3.2
Core CPI (avg y/y %)	2.8	0.7	1.7	1.9
Unemployment Rate, eop (%)	1.9	2.0	2.2	2.0
Current Account (% of GDP)	17.2	16.7	18.0	17.5
Fiscal Balance, FY (% of GDP)	0.8	1.9	1.0	0.8

ECONOMY

Watching signs of moderating AI-related tailwinds

Following the 2Q26 GDP release on 11 Aug, we revised our 2026 GDP growth forecast higher to 5.0% (from 4.8% prev, 2027F: 3.2%), reflecting the 1H outperformance. Nevertheless, we assess that AI-related tailwinds could moderate in 2H26. The robust 2Q26 GDP outturn continues to be led by AI-related segments with strong seasonally-adjusted sequential expansions recorded in manufacturing (6.3% q/q sa, 1Q: -2.8%) due to electronics and precision engineering, and infocomm services (7.3% q/q sa, 1Q: -7.6%) while tourism-related segments (retail, F&B and accommodation) fared worse, reflecting weaker inbound tourism amidst rising airfares. The finance & insurance sector strengthened 1.1% q/q sa (1Q: 0.6%) supported by strong credit demand as evidenced by the nascent uptrend in the system-wide loan-to-deposit ratio (LDR). In addition, positive wealth effects from strong domestic and overseas equity market performance could bolster consumer sentiment and lift demand for credit.

We see early signs that AI-related tailwinds may be moderating although we require more data to confirm this assessment. In particular, we observe that both semiconductor manufacturing (Jul: -5.3% m/m sa, Jun: -19.7%) and domestic exports of integrated circuits (Jul: -9.9% m/m sa, Jun: -3.7%) recorded two successive months of sequential declines but this may be due to capacity constraints faced by domestic firms given the electronics PMI (Jul: 52.4, Jun: 52.2) continues to point to strengthening end-demand as evidenced by improvements in the new export orders, stock of input purchases and order backlog subindices while the stocks of finished goods subindex (Jul: 49.3, Jun: 49.6) deteriorated, suggesting that firms are drawing down existing inventories to meet demand. This could support electronics IP in the months ahead given the eventual need for inventory replenishment.

CENTRAL BANK

Hurdle for further MAS tightening has likely risen

Following the Jul CPI release on 24 Aug, we lowered our 2026 core and headline inflation forecasts to 1.7% (from 1.9%, 2027F: 1.9%) and 2.0% (from 2.2%, 2027F: 2.1%) respectively, reflecting weaker-than-projected inflation outturns in recent months. Core CPI firmed 0.3% m/m nsa in Jul (Jun: 0.1%) although the increase was almost entirely driven by a 10.9% m/m rise in the electricity component reflecting the announced 17% q/q increase in 3Q26 regulated electricity tariffs. The transmission from the energy price shock into the broader CPI basket continues to progress, albeit at a measured pace. We are closely monitoring risks of strengthening food inflation (Jul: 0.3% m/m nsa, Jun: 0.3%), as adverse weather conditions could weigh on agricultural yields which could in turn lift Singapore's imported food costs. Recent downside surprises in core inflation could also be partly attributed to an idiosyncratic factor: competitive pricing amongst telcos led to four consecutive months of m/m nsa declines in the information & communications CPI.

With the gentler-than-expected core inflation profile, we think the hurdle for further MAS tightening is much higher, with additional tightening likely requiring an explicit upgrade to MAS' core inflation forecast range to 2.0-3.0% (from 1.5-2.5% currently for 2026). However, we cannot rule out the possibility especially if food inflation momentum accelerates due to weather-related supply pressures. We continue to assess that MAS will maintain the current S\$NEER slope settings at an est 1.25% p.a. through 2026 and 2027 as the most probable outcome. Similarly, the likelihood of MAS unwinding the incremental monetary tightening delivered in the Jul MPS is also low given sufficient room within the existing policy band for the S\$NEER to operate at a less restrictive level if necessary, while the steeper S\$NEER slope continues to serve as a buffer against imported inflation pressures.

CURRENCY

USD/SGD still biased lower

The SGD maintains its status as a consistent outperformer in the Asia FX complex this year. USD/SGD grinded lower by a further 0.7% in Aug to 1.2709, extending Jul's 0.9% decline. The SGD's year-to-date resilience is well-established, with the currency eking a 1% gain year-to-date against the USD amidst ongoing Fed rate hike repricing.

The SGD's structural support remains intact — a hawkish MAS stance combined with an AI-driven growth upgrade distinguishes Singapore from most regional peers contending with oil-driven inflation and softening activity. The country's reputation for stability is providing an additional tailwind for the SGD, evidenced by a steady increase in non-resident deposits.

Consistent with these dynamics and our expectations for SGD to stay resilient, our updated USD/SGD forecasts are at 1.27 in 4Q26, 1.26 in 1Q27, 1.25 in 2Q27, and 1.24 in 3Q27.



SOUTH KOREA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/KRW	1,360	1,340	1,330	1,320
KRW Base Rate	3.25	3.25	3.25	3.25
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	2.2	1.1	3.4	2.9
CPI (avg y/y %)	2.3	2.1	2.7	2.2
Unemployment Rate (%)	3.1	3.3	3.0	3.0
Current Account (% of GDP)	5.3	6.5	15.5	13.8
Fiscal Balance (% of GDP)	-3.6	-4.1	-3.9	-0.1

ECONOMY

AI boom fuels economic optimism

South Korea's GDP grew a stronger-than-expected 3.7% y/y in 2Q26, with seasonally adjusted growth moderating to 0.6% q/q from 1.8% in 1Q26. Growth was mainly driven by net exports (+1.6ppt), private consumption (+1.2ppt) and fixed investment (+0.7ppt), with all major expenditure components remaining positive on a q/q basis. Strong AI-driven demand continued to support the economy, with exports rising 68.7% y/y in Aug (Jul: 63.0%). Investment is expected to remain robust, backed by planned capex, including a KRW880tn (USD590bn) investment by South Korea's two largest memory chipmakers under the country's Mega AI infrastructure investment plan. Domestic conditions also improved, with consumer confidence returning to expansion since May and employment increasing by 115,100 in the first seven months of the year driven in large part by the government's job programmes. The unemployment rate stayed stable at 2.7%-2.8% over the past five months.

Surging profits at South Korea's semiconductor manufacturers have generated a significant corporate tax windfall. The expansion of fiscal support is expected to mitigate potential downside risks. In Apr, the government rolled out a KRW26.2tn (0.9% of GDP) supplementary budget to cushion the economy from the energy shock and rising inflation due to the conflict in the Middle East. The Finance Ministry has now proposed a record KRW821tn budget for FY2027, a 12.8% increase from 2026. Excess revenue will also be channelled into longer-term initiatives – KRW162.3tn will be set aside for the Future Response Fund to invest in AI, youth, regional development, and future growth engines, as well as providing a fiscal buffer against swings in tax revenue.

Factoring in 1H26 GDP growth of 3.8%, our forecast for the full-year 2026 growth is at 3.4% with 2H26 growth moderating to around 3.1%. We also lifted the outlook for 2027 to 2.9% from 2.4%. Potential risks include a slowdown in AI-related capex, prolonged conflicts in the Middle East, tightening financial conditions and stock market volatility which may weigh on consumer sentiment.

The headline inflation is expected to remain above the BOK's 2% target for an extended period through 2026 and 2027. We forecast headline CPI to average 2.7% in

4Q26 before moderating to slightly above 2% in 2027. Furthermore, the rise in core inflation (excluding food and energy) to 2.6% y/y in Jul, the highest level since Jan 2024, indicates that underlying price pressures remain resilient. Going forward, the BOK is expected to place greater emphasis on demand-driven inflationary pressures stemming from robust AI-related demand and its potential spillover into stronger domestic wage growth.

CENTRAL BANK

BOK to turn more gradual after back-to-back hikes

The BOK raised its policy rate by 25bps to 3.00% in Aug, marking its second consecutive rate hike. While the decision was widely expected, the vote was not unanimous, as one of the seven Monetary Policy Board members dissented in favor of keeping rates unchanged. The updated six-month ahead conditional base rate projection ("dot-plot") indicates median projection for 25bps hike to 3.25% (odds: 10/21). The prospects for 50bps tightening to 3.50% (odds: 6/21) and hold at 3.00% (odds: 5/21) are roughly balanced. There are two remaining policy meetings this year, scheduled for Oct and Nov. We continue to expect one final 25bps rate hike in 4Q26, which would bring the policy rate to 3.25% and likely mark the peak of the current tightening cycle. This is reinforced by the "dot-plot" and non-unanimous decision in Aug. That said, stronger economic growth may feed into more pronounced demand-driven inflationary pressures, posing upside risks to the BOK's tightening path.

CURRENCY

KRW to close the year on strong note

The KRW's 7.7% rally in Jul to 1,439/USD – which bucked broad regional weakness – has extended further into Aug, with USD/KRW touching a one-year low of 1,366 on 31 Aug. The appreciation has been driven by a broadening set of tailwinds beyond the original Jul catalysts of substantial dollar repatriation inflow from the ADR listing of South Korea's leading memory chip maker, exporters dollar sales, and structural FX reforms that expand the investor base and improve market access.

Additional KRW-supportive factors that emerged over Aug include a back-to-back 25bp rate hike by BOK, accompanied by an upgraded growth forecast. Also, two major Korean semiconductor firms announced shareholder return plans. To the extent these firms fund payouts by selling dollars, this constitutes an additional near-term KRW positive. The KOSPI appears to have found a floor following its sharp 22% Jul decline, which may ease outflow pressure – though institutional re-entry remains tentative.

While the pace of appreciation may moderate from current levels, resilient fundamentals continue to support further KRW gains over coming quarters. One additional 25bp BOK hike is expected in 4Q26, which would further enhance the KRW's carry appeal. However, deeply oversold conditions may generate two-way volatility in the near term. Overall, our updated USD/KRW forecasts are at 1,360 in 4Q26, 1,340 in 1Q27, 1,330 in 2Q27, and 1,320 in 3Q27.



FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/TWD	31.5	31.3	31.0	30.8
TWD Official Discount Rate	2.13	2.25	2.25	2.25
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	5.3	8.8	11.0	6.0
CPI (avg y/y %)	2.2	1.7	2.0	2.0
Unemployment Rate (%)	3.4	3.4	3.3	3.3
Current Account (% of GDP)	14.3	20.0	22.5	22.0
Fiscal Balance (% of GDP)	0.4	-0.8	0.5	0.5

ECONOMY

2026 growth projected at 39-year high

Growth has continued at a double-digit pace for three consecutive quarters. Taiwan's 2Q26 GDP surged by 12.93% y/y while 1Q26 GDP was revised higher to 15.43% y/y, bringing 1H growth to 14.15%. Sequential momentum remained strong with the seasonally adjusted q/q growth at 1.39% versus 2.46% in 1Q26, which extended Taiwan's expansion streak to 13 quarters.

Economic growth became more balanced, with stronger domestic demand complementing continued external sector strength. Net exports remained the largest growth driver, contributing 5.63ppt to 2Q26 growth rate, while investment and private consumption added 3.05ppt and 2.58ppt, respectively. Inventory building and government spending also supported growth, providing a boost of 1.26ppt and 0.40ppt contribution, respectively.

Export orders remained robust, rising 61.9% y/y in Jul, driven mainly by strong demand for electronics and infocom products which made up three quarters of the orders. Ongoing semiconductor capacity expansion points to sustained strength in industrial production and exports. Meanwhile, the benefits of the technology boom are spreading across the economy through higher wages, a resilient labour market, and positive wealth effects from a strong equity market, with the seasonally adjusted unemployment remaining low and stable at 3.33% in Jul.

Improved fiscal conditions have strengthened the government's ability to support domestic demand and broaden the benefits of AI-led growth. The proposed FY2027 budget increases spending by 29% to a record TWD3.93tn, including over TWD1tn for defence, an extension of the universal TWD10,000 cash handout, and greater support for families, technology development, public infrastructure, and increased fiscal transfers to local governments.

Supported by structural tailwinds from AI, high-performance computing (HPC), and cloud data services, we have raised our GDP growth forecasts to 11.0% for 2026 and 6.0% for 2027 (from 4.0%). While risks remain, including Middle East disruptions, global monetary policy uncertainty, and AI ecosystem development, potential impacts from US tariffs appear manageable.

Headline and core CPI (excluding fruits, vegetables, and energy) have both exceeded the CBC's 2% target over the past three months (May-Jul). In Jul, key CPI components, including Education & Entertainment, Transport & Communication, Services, Food, Consumer Goods, and Housing, all recorded y/y increases above 2%, highlighting the broad-based nature of underlying price pressures. Headline inflation is expected to remain above 2% through 1H27 before moderating as the comparison base becomes more elevated. We maintain our inflation forecasts at 2.0% for both 2026 and 2027.

CENTRAL BANK

Factoring in modest rate hikes in 4Q26 and 1Q27

CBC has kept policy rates unchanged since its last rate hike in Mar 2024, while adopting a more hawkish bias since Mar 2026 amid the US-Iran conflict. At 2.00%, the benchmark discount rate remains at its highest level since late 2008. Although the CBC left rates unchanged at its Jun quarterly meeting, the decision was not unanimous, with two of the 15 board members voting in favor of a rate hike. Governor Yang Chin-long maintained a mildly hawkish tone, emphasised that the 2% inflation rate serves as a medium- to long-term target rather than an automatic trigger for policy action.

While growth in real estate lending has moderated, financing demand from the technology sector remains robust, and concerns are growing over rising personal loans linked to stock market activity. Loan growth in the banking sector accelerated to 10.3% y/y in Jul, up from 6.0% in 2025. With GDP growth at double-digit pace, we think it would be appropriate for CBC to act sooner to anchor price and financial stability. We now assign a better-than-even probability to two modest 12.5bps rate hikes, in 4Q26 and 1Q27.

CURRENCY

TWD to strengthen from here

The TWD staged a turnaround in Aug, with USD/TWD retracing from a late-Jul peak of about 32.5 – the weakest level since Apr 2025 – to 31.68 by end-Aug, capping five consecutive weeks of gains. The rebound was underpinned by a broad-based Asia FX recovery, CBC intervention in Jul that helped stabilise sentiment, and a decisive turn in foreign equity flows. Foreign investors poured a net ~USD9.5bn into Taiwanese stocks in Aug, drawn by renewed optimism over the AI tech sector and Taiwan's superior earnings trajectory relative to regional peers.

Going forth, the TWD continues to draw strength from its compelling medium-term fundamental backdrop and a hawkish CBC. The case for a 12.5bps CBC rate hike at the Sep/Dec meeting is strengthening. A hike, if delivered, would provide an additional near-term TWD tailwind. Overall, our updated USD/TWD forecasts are 31.5 in 4Q26, 31.3 in 1Q27, 31.0 in 2Q27, and 30.8 in 3Q27, reflecting a gradual TWD strengthening path contingent on continued AI-driven export momentum and Fed policy remaining on hold.



THAILAND

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/THB	33.1	33.0	32.9	32.8
THB 1D Repo	1.00	1.00	1.00	1.00
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	2.9	2.4	1.9	2.0
CPI (avg y/y %)	0.4	-0.1	2.8	1.4
Unemployment Rate (%)	1.0	0.8	1.0	1.0
Current Account (% of GDP)	2.2	3.1	0.3	1.3
Fiscal Balance (% of GDP)	-1.3	-2.2	-3.3	-3.5

ECONOMY

Investment to drive 4Q growth; domestic spillovers remain limited

Thailand's 2Q26 GDP print beat expectations but suggested waning momentum. Growth expanded by 1.9% y/y, down from 2.8% y/y in 1Q, and contracted 0.2% q/q sa; 1H26 growth was 2.4% y/y. Private investment surged 13.4% y/y—the strongest in 54 quarters—led by machinery, computers and software. Yet private consumption slowed to 1.9% y/y, government consumption to 0.2% y/y, and public investment fell 1.6% y/y. Real exports rose 12.5% y/y, while real imports jumped 24.2% y/y. Merchandise trade and current account balances posted deficits of USD12.1bn and USD17.7bn—equivalent to about 8.2% and 12.0% of 2Q26 nominal GDP, respectively.

Looking ahead, we expect the expansion to remain narrow and K-shaped. Electronics, AI/data-center demand, and the BOI pipeline should support exports and capex; applications reached THB1.47tn in 1H26, with roughly three-quarters concentrated in digital infrastructure. Tourism receipts and farm income should cushion activity. However, manufacturing grew 0.1% in 2Q, capacity utilization fell to 57.5%, and household and SME credit remained weak. The key test is whether investment lifts local sourcing, traditional manufacturing, employment, and productivity. We retain 2026 and 2027 growth forecasts at 1.9% and 2.0%, with modest upside risk to 2026.

Price pressures remain supply-led. Headline CPI eased to 1.95% y/y in Jul while core inflation rose to 1.34% y/y; PPI remained high at 7.3% y/y, signaling selective pass-through, margin compression, and working-capital needs rather than broad overheating. We maintain our inflation forecast at 2.8% in 2026 and 1.4% in 2027, although Jul's undershoot leaves the 2026 forecast skewed to the downside. The external flow position has weakened, but reserve adequacy remains strong by conventional metrics: gross reserves remained ample at USD280.9bn in mid-Aug, while the 2Q deficit reflected investment-related imports and a terms-of-trade shock rather than overheating. The outturn creates clear downside risk to our 0.3% of GDP current-account surplus forecast. The deficit is also less concerning if today's imports generate future export capacity and are financed by stable FDI.

Upside risks come from stronger technology demand, faster BOI conversion into real investment, a sustained public investment rebound, improved tourism receipts, and lower oil prices. Downside risks include fading export front-loading, wider US tariff coverage, weaker Chinese and technology demand, renewed energy and shipping disruption, El Niño, and persistent household and SME stress.

CENTRAL BANK

Prolonged hold at 1.00%; targeted measures to do the heavy lifting

The BOT kept the policy rate unchanged at 1.00% on 26 Aug, as expected. We expect the rate to remain at 1.00% through the end of 2027. In our view, the setting is appropriately accommodative: output remains below potential, 2Q26 momentum weakened, and the recovery is narrow. Jul headline inflation returned to the 1-3% target range, core inflation remained contained, and medium-term expectations remained anchored.

Holding at 1.00% therefore keeps financial conditions accommodative while shifting the marginal policy impulse to pre-emptive debt restructuring, targeted guarantees, risk-sharing facilities and temporary repayment relief for viable borrowers. This division of labor is broadly aligned with the BOT Governor's emphasis on a policy mix in which targeted measures complement, rather than replace, monetary policy.

CURRENCY

THB recovery underpinned by rising gold prices

The THB has staged a modest recovery through Aug, with USD/THB declining about 0.7% over the past month to 33.15 Year-to-date, the baht remains a regional laggard, falling 5% against the dollar, weighed by elevated oil prices stemming from the ongoing Middle East conflict – a persistent drag on net energy importers such as Thailand.

The Aug recovery was driven by broad-based USD softness alongside a sustained improvement in Thailand's external position. The current account deficit has narrowed materially from a record USD 7.79bn in Apr to USD 1.56bn in Jul, and FX reserves have partially rebuilt to USD 284.73bn as of 21 Aug, easing near-term pressure on the baht. Gold prices, which share a well-documented positive correlation with the THB, also rallied by about 10% in Aug, providing an additional tailwind. On the other hand, negative real yields continue to anchor the THB's role as a preferred regional funding currency, capping meaningful appreciation. The THB is expected to underperform regional peers during any medium-term recovery while macroeconomic fundamentals remain challenged, and the oil shock persists. Accordingly, our updated USD/THB forecasts are 33.1 in 4Q26, 33.0 in 1Q27, 32.9 in 2Q27, and 32.8 in 3Q27.



VIETNAM

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/VND	26,200	26,100	26,000	25,900
VND Refinancing Rate	4.50	4.50	4.50	4.50
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	7.1	8.0	8.5	8.4
CPI (avg y/y %)	3.6	3.3	4.1	4.5
Current Account (% of GDP)	6.6	6.7	3.0	3.4
Fiscal Balance (% of GDP)	-2.5	-3.3	-4.0	-3.8

ECONOMY

Momentum holds, but the external account is the weak link

Vietnam's GDP growth accelerated to 8.39% y/y in 2Q26 from 7.94% in 1Q26, the strongest second-quarter pace since 2011, lifting 1H26 growth to 8.18%. Industry and construction expanded 10.51% y/y, services 7.87% and agriculture 4.06%, while stepped-up public investment drove a 15.2% surge in gross fixed capital formation. The outturn far exceeded our earlier 7.0% forecast, prompting us to raise our 2026 growth projection to 8.5% in Jul.

Latest data suggest momentum has extended into 3Q26. Industrial production and retail sales both rose 14.5% y/y in Jul, while the manufacturing PMI climbed to 52.9 from 51.8 in Jun, its highest since Feb. Export orders grew at the fastest pace since Jul 2024. Exports increased 21.7% y/y to USD319.5bn in 7M26, led by electronics, computers and components at over USD85bn, underscoring Vietnam's growing exposure to the global AI build-out.

Middle East tensions are straining Vietnam's external account. Imports surged 34.8% to USD340.1bn, swinging the 7M26 trade balance to a USD20.5bn deficit from a USD10.4bn surplus a year earlier and exceeding the previous record annual shortfall of USD18bn in 2008. Energy is the main driver, with refined fuel import volumes up 6% in Jan-Jul but their value surging 67.6%, while infrastructure-related capital goods accounted for much of the rest. Even if lower oil prices narrow the deficit, the current account surplus will be a fraction of 2025's level.

Policy has turned structural. Resolution 19-NQ/TW (28 Jul) reframes the growth model around productivity and technology, targeting average growth of 10% in 2026-2030 and GDP per capita of USD8,500 by 2030. The National Assembly's extraordinary session (3-24 Aug) also advanced amendments to the Land, Housing and Real Estate Business Laws. However, execution remains the binding constraint, with investment disbursement reaching only 39.0% of the record VND1.08 quadrillion budget in 7M26.

Trade policy remains an overhang. The 10% Section 122 tariff lapsed on 24 Jul and was replaced by a Section 301 forced-labour tariff. Vietnam is in the 12.5% tier, while the 40% transshipment penalty remains.

Our revised 2026 growth forecast of 8.5% implies about 8.8% growth in 2H26. The official 10% target would require nearly 11.9% in 2H26 and remains beyond reach. FTSE Russell's reclassification to Secondary Emerging Market status from 21 Sep should support investment inflows. Key risks include energy price spikes, a harsher US tariff outcome and delays in public investment execution.

CENTRAL BANK

SBV stays on hold, with liquidity the pressure point

Inflation softened, with headline CPI easing to 4.45% y/y in Jul from 4.69% in Jun and 5% in Apr-May. It averaged 4.4% in 7M26, just below the SBV's 4.5% ceiling. Lower fuel prices, aided by the petrol tax freeze, drove the easing.

Outstanding credit exceeded VND19.97 quadrillion on 26 Jun, up 7.41% YTD and 18.1% y/y, vs. 15% full-year target, while deposits lagged. Deposit rates for Six- to 12-month tenors reached 6.5%-7.8%. The SBV has relied on open market operations to manage liquidity, while excluding social housing and industrial park loans from real estate credit growth and easing the LDR calculation (Circular 25/2026). These imbalances have kept liquidity tight, causing intermittent interbank rate spikes.

Tightening would do little to curb supply-driven inflation, while cuts are hard to justify with inflation near the ceiling, credit outpacing deposits and the trade balance in deficit. We expect the SBV to hold the refinancing rate at 4.50% through 2026 and into 2027.

CURRENCY

VND to remain broadly stable

The VND appreciated alongside other Asian peers in Aug, by 0.8% to 26,073/USD as it continued to demonstrate exceptional resilience to the hawkish Fed since Jun FOMC. This recovery occurred even as the SBV set its daily fixing at a record low of 25,610 at end-Aug, a divergence that historically resolves via spot normalising. This dynamic supports a modest near-term softening bias for the VND heading into 4Q26.

Vietnam recorded its eighth consecutive monthly trade deficit in Jul at USD3.59bn, as imports surged 41.4% y/y against 25% export growth. The persistent deficit is a growing headwind for the VND, particularly if imports remain elevated as manufacturing capacity expands.

Beyond the near term, the case for a broadly stable VND remains intact, underpinned by strong growth momentum, robust FDI inflows (1H26 pledged FDI: +61% y/y to USD34.65bn), and SBV's active management of USD/VND. The primary risks are a sustained widening of the trade deficit and any further hawkish repricing of Fed policy expectations. Our updated USD/VND forecasts are at 26,200 in 4Q26, 26,100 in 1Q27, 26,000 in 2Q27, 25,900 in 3Q27.



AUSTRALIA

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
AUD/USD	0.72	0.73	0.74	0.75
AUD Official Cash Rate	4.60	4.60	4.60	4.60
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	1.0	2.0	1.9	1.6
CPI (avg y/y %)	3.2	2.8	4.0	2.9
Unemployment Rate (%)	4.0	4.2	4.4	4.7
Current Account (% of GDP)	-2.3	-2.7	-2.9	-3.0
Fiscal Balance, FY (% of GDP)	-4.0	-2.7	-1.1	-1.3

ECONOMY

Growth set to moderate amid sticky inflation and labour market softening

Australia's economy grew 0.4% q/q in 2Q26, up slightly from 0.3% in 1Q26, although annual GDP growth slowed to 2.1% y/y from 2.5%, indicating softer momentum. Household consumption rose 0.4% q/q as consumers remained cautious amid high living costs and tight monetary conditions. Higher fuel prices linked to the Middle East conflict dampened fuel use and travel, although motor vehicle purchases surged 10.3% as EV adoption increased. Business investment fell 0.5% q/q due to weaker machinery and equipment spending after strong data-centre related investment earlier. Exports rebounded 0.8%, helping net trade contribute 0.1 percentage point to GDP growth.

Looking ahead, we expect growth to remain moderate over the remainder of 2026 as the cumulative effects of tighter monetary policy continue to weigh on household spending and business activity. While higher borrowing costs and elevated living expenses are likely to constrain discretionary consumption, household income continues to be supported by wage growth. Business investment should remain underpinned by structural spending in areas such as data centres, digital infrastructure and energy-related projects, while external demand for Australian commodities could provide additional support.

Inflation has moderated further but underlying price pressures remain sticky. Headline CPI slowed to 3.5% y/y in Jul from 3.8% in Jun and is now well below the 4.6% peak reached in Mar, helped largely by easing housing inflation. Housing costs slowed sharply to 5.0% y/y from 6.8%, although they remain the largest contributor to overall inflation. However, underlying inflation remains more persistent, with trimmed mean CPI unchanged at 3.6% y/y, highlighting continued domestic price pressures, particularly across services sectors.

We expect inflation to ease only gradually as softer domestic demand and moderating housing costs are partly offset by sticky services inflation and energy-related risks. As such, inflation is likely to remain above the RBA's 2-3% target range through year-end, with risks still tilted modestly to the upside.

Labour market conditions continue to soften, reinforcing signs of easing labour demand. Employment fell by 15,800

in Jul following a strong gain in Jun, while the unemployment rate edged up to 4.5% from 4.4%. Labour utilisation also weakened, with the employment-to-population ratio slipping to 63.9%, participation easing to 66.9%, and hours worked declining 0.6% m/m. Broader measures of slack remain elevated, with underemployment at 6.4% and trend underutilisation rising to 10.8%.

While trend employment growth remains positive, labour supply continues to outpace job creation, indicating a gradual shift away from the very tight labour market conditions of recent years. We expect labour market conditions to soften further, with unemployment trending towards 4.6%-4.8% over coming quarters.

CENTRAL BANK

RBA seen hiking again in Sep

The RBA left the cash rate unchanged for a second consecutive meeting at 4.35% in Aug, following three rate hikes between Feb and May. While policymakers acknowledged that financial conditions have tightened significantly and economic growth is slowing, they maintained a hawkish bias, reiterating that inflation remains too high and warning that further policy tightening may be required if price pressures prove more persistent than expected.

The economy has remained resilient despite the cumulative 75 bps increase in rates this year, restrictive financial conditions, and higher energy prices linked to Middle East tensions. Economic activity has held up better than expected, while inflation remains above target and underlying price pressures continue to be elevated. Productivity challenges and capacity constraints also remain key concerns for policymakers. We therefore revise our forecast and now expect the RBA to raise the cash rate by 25 bps to 4.60% at the upcoming Sep meeting, reinforcing its commitment to returning inflation sustainably to the 2-3% target range over the medium term.

CURRENCY

AUD supported by RBA hikes

AUD/USD gained 2.1% in Aug to close at 0.7167, reclaiming the key 0.7000 level in early Aug and emerged as the best-performing G-10 currency for the month. Gains were underpinned by a hotter-than-expected domestic inflation print that rekindled RBA tightening expectations, alongside broad-based USD weakness.

The constructive medium-term view on AUD/USD remains intact, underpinned by our expectations of a further 25 bps RBA hike in Sep. At 4.35% currently, the AUD retains its position as the highest yielding G-10 currency, sustaining structural carry-trade demand. The pair's stronger-than-forecast 3Q26 trajectory — already trading above the 0.70 consolidation range anticipated for the quarter — reinforces the bullish path. A Fed pause compressing US rate differentials and a gradual unwinding of the US-Iran geopolitical risk premium remain the key catalysts for further appreciation. Overall, our updated AUD/USD forecasts are 0.72 in 4Q26, 0.73 in 1Q27, 0.74 in 2Q27, and 0.75 in 3Q27.



EUROZONE

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
EUR/USD	1.17	1.18	1.19	1.21
EUR Refinancing Rate	2.65	2.65	2.65	2.65
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	1.0	1.3	0.8	1.2
CPI (avg y/y %)	2.4	2.1	2.9	2.1
Unemployment Rate (%)	6.3	6.3	6.3	6.2
Current Account (% of GDP)	2.7	2.6	1.5	1.7
Fiscal Balance, FY (% of GDP)	-3.0	-2.9	-3.4	-3.4

ECONOMY

Resilient growth amid energy-driven inflation

The Eurozone economy proved more resilient than expected in 2Q26, with real GDP expanding by 0.4% q/q and 1.0% y/y, exceeding market expectations despite continued headwinds from elevated energy prices and geopolitical uncertainty. Growth was supported by resilient household spending, continued government expenditure and rising investment in AI and digital infrastructure, while several member states outperformed expectations. Manufacturing activity also held up better than anticipated, aided by inventory rebuilding and increased defence-related spending, although underlying business sentiment remained cautious amid persistent energy market volatility and weak external demand. Labour market conditions remained relatively stable, helping to sustain domestic demand even as export-oriented sectors continued to face competitiveness challenges.

The Eurozone economy is expected to continue expanding at a modest pace going into 4Q26, supported by domestic demand and gradually improving investment activity. However, growth is likely to remain below potential as elevated energy costs, weak competitiveness and subdued external demand continue to weigh on the outlook. While fiscal spending and resilient labour markets should provide a buffer against a sharper slowdown, risks remain tilted to the downside. Our full-year GDP projections remain at 0.8% in 2026 and 1.2% in 2027.

Euro area inflation remained elevated through 3Q26, with headline HICP inflation rising from 2.8% y/y in Jun to 2.9% y/y in Jul and 3.3% y/y in Aug, largely reflecting a renewed acceleration in energy prices. Energy inflation surged to 14.3% y/y in Aug from 10.3% y/y in Jul, underscoring the pass-through of higher energy costs amid ongoing geopolitical and supply-side uncertainties. At the same time, underlying price pressures showed signs of moderation, with core inflation easing to 2.4% y/y from 2.5% y/y and services inflation slowing to 3.0% y/y from 3.3% y/y. Overall, the latest data suggest that while headline inflation remains vulnerable to energy-related shocks, the broader disinflation process in domestic price components is continuing.

Looking ahead, headline inflation is expected to remain above the ECB's 2.0% medium-term target, supported by elevated energy prices and geopolitical risks. Nevertheless,

underlying inflation should continue moderating as soft economic activity, easing labour market tightness and weaker demand help contain services-sector price pressures. While the recent rise in headline inflation increases the risk of second-round effects, easing core inflation suggests underlying price dynamics remain consistent with a gradual return towards target over the medium term. As such, inflation is likely to decline slowly through the remainder of the year, with upside risks should energy markets face renewed disruptions or geopolitical tensions intensify.

CENTRAL BANK

ECB waiting for greater clarity

The ECB kept policy rates unchanged at its Jul meeting following the 25-bps hike delivered in Jun, and reiterated its commitment to ensuring inflation returns sustainably to the 2.0% medium-term target, while acknowledging elevated uncertainty in the outlook. Although the moderation in core and services inflation provides some reassurance that underlying price pressures are not accelerating, the renewed rise in headline inflation, driven by a further surge in energy costs, will likely reinforce concerns over upside inflation risks.

This strengthens our view for a 25 bps rate hike at the 10 Sep meeting, which would bring the deposit rate to 2.50%. Thereafter, we expect the ECB to pause while recognising that future policy decisions will remain highly dependent on whether energy-driven inflation begins to spill over more materially into core price dynamics and wage-setting behaviour.

CURRENCY

EUR underpinned by Sep ECB hike

The euro's year-long decline may be nearing an end. We expect a gradual EUR/USD recovery into year-end. EUR/USD rose 0.8% in Aug to 1.1618 after holding key support at 1.14 through Jul, supported by a partial unwinding of Fed hike expectations and US Treasury Secretary Scott Bessent's bond buyback announcement.

The ECB's tightening stance should provide further support. President Lagarde signaled policy optionality for Sep, while policymakers including Isabel Schnabel and Primoz Dolenc highlighted upside inflation risks from higher energy prices, the Middle East conflict, and resilient euro-area growth. The ECB accounts also showed some support for mildly restrictive policy.

Rate differentials have also become more supportive of the euro. With ECB and Fed expectations repricing higher in tandem and safe-haven USD demand easing, the widening US-EU rate gap that drove EUR/USD lower through Jun has stabilised. If the Fed pauses in 2H26 while the ECB remains hawkish after Sep, further compression in rate differentials should support EUR/USD gains, though the pace of recovery is likely to remain gradual as Fed Chair Kevin Warsh's warning at Jackson Hole keeps the USD floor intact while the current net-short EUR/USD positioning will take time to dissipate. Our updated EUR/USD forecasts are 1.17 in 4Q26, 1.18 in 1Q27, 1.19 in 2Q27, and 1.21 in 3Q27.



NEW ZEALAND

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
NZD/USD	0.59	0.60	0.61	0.62
NZD Official Cash Rate	2.75	2.75	2.75	2.75
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	-0.3	0.2	1.6	2.2
CPI (avg y/y %)	2.9	2.8	3.6	2.3
Unemployment Rate (%)	4.8	5.3	5.3	5.0
Current Account (% of GDP)	-5.3	-3.8	-3.8	-3.7
Fiscal Balance, FY (% of GDP)	-3.9	-0.2	-3.2	-2.5

ECONOMY

Recovery intact but momentum remains uneven

GDP rose 0.8% q/q in 1Q26 following an upwardly revised 0.5% increase in 4Q25, supported by a relatively broad-based expansion across manufacturing, wholesale trade and business services, suggesting that domestic demand was gradually stabilising after a prolonged period of weakness. Looking ahead to 4Q26, growth should gradually regain momentum as the drag from earlier energy price shocks fades, lower interest rates continue to support domestic demand, and improving business confidence feeds through to activity. Nevertheless, the recovery is likely to remain uneven, with household spending constrained by still-elevated living costs and firms remaining cautious amid lingering global uncertainties. As such, while the recovery trajectory remains intact, growth is expected to remain below trend through the remainder of 2026, with spare capacity continuing to constrain the pace of expansion.

Inflation pressures have intensified more than previously expected. CPI inflation accelerated to 4.1% y/y in 2Q26 from 3.1% in 1Q26, driven largely by higher energy prices, with petrol costs accounting for a significant share of the increase. While imported cost pressures have led the surge in inflation, domestic price pressures remain elevated, underscoring the risk that inflation could prove more persistent than anticipated. Nevertheless, with oil prices no longer rising at the pace seen earlier in the year and demand conditions still relatively soft, inflation is likely nearing its peak. We expect headline inflation to remain elevated in the near term before gradually easing in 2027, though the path lower is likely to be slower than previously envisaged.

Labour market conditions remain soft despite tentative signs of improvement in employment. Employment rose by 0.5% q/q in 2Q26, exceeding expectations, but stronger labour force participation resulted in the unemployment rate rising to 5.6%, its highest level in more than a decade. Broader measures of labour market slack also remain elevated, suggesting that firms continue to exercise caution amid an uncertain operating environment. Wage growth has stabilised at levels consistent with medium-term inflation returning towards target, while weakness in hours worked points to ongoing spare capacity. We expect labour market

conditions to improve only gradually over the coming quarters, with unemployment likely remaining elevated even as economic activity recovers, thereby helping to contain underlying inflation pressures.

CENTRAL BANK

RBNZ retains tightening bias

The RBNZ raised the OCR by 25bps to 2.75% at its Sep meeting, extending the tightening cycle resumed in Jul. While policymakers acknowledged that the recent rise in inflation was largely driven by higher fuel prices following the Middle East conflict, they stressed the need to prevent these energy-related shocks from feeding into broader inflation expectations and price-setting behaviour. The accompanying statement remained hawkish as the RBNZ retained a tightening bias and signalled that further rate hikes remain possible. Policymakers indicated that the OCR may need to increase further under the central bank's outlook, arguing that gradual tightening now would reduce the risk of having to raise rates more aggressively later.

That said, we believe the RBNZ will prefer to assess incoming inflation, wage and activity data before deciding whether additional tightening is warranted. Ahead of the next monetary policy meeting on 28 Oct, policymakers will receive two key data releases: 2Q26 GDP on 17 Sep and 3Q26 CPI inflation on 22 Oct. These reports will provide important signals on whether the recent rise in inflation is becoming more broad-based and persistent, as well as the extent to which domestic economic activity remains resilient in the face of still-soft labour market conditions. We therefore maintain our forecast for the OCR to remain at 2.75% over the forecast horizon for now. However, we will reassess and update our policy view should the balance of growth and inflation risks shift materially.

CURRENCY

NZD to push above 0.60

NZD/USD rebounded close to 4% in 3Q26 to date to about 0.59, driven largely by the RBNZ following through on its hawkish pivot, raising rates in Jul and Sep. Softer US inflation and employment numbers during the same period also kept Fed rate hike expectations in check, dampening the USD. Interestingly, the ongoing volatility in AI-related equities and the breakdown in US-Iran peace deal in Jul had limited spillover to the kiwi.

Going forward, we maintain a constructive medium-term view on NZD/USD. This is largely anchored on our expectations of an extended Fed rate pause for the remainder of 2026 and constructive global risk sentiment. Consistent with these dynamics, our updated NZD/USD forecasts are at 0.59 in 4Q26, 0.60 in 1Q27, 0.61 in 2Q27, and 0.62 in 3Q27. Key downside risks to this view include a more intense bout of global risk aversion brought about either by a significant escalation in the Strait of Hormuz or a deeper correction in global equities.



SWITZERLAND

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
USD/CHF	0.81	0.80	0.80	0.79
CHF Policy Rate	0.00	0.00	0.00	0.00
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	1.4	1.4	1.0	1.4
CPI (avg y/y %)	1.1	0.2	0.5	0.7
Unemployment Rate (%)	2.4	2.8	3.1	3.0
Current Account (% of GDP)	8.9	6.7	6.8	7.1
Fiscal Balance, FY (% of GDP)	0.5	0.5	0.2	0.3

ECONOMY

Recovery gathers pace

Final 2Q26 GDP data confirmed the Swiss economy's strong momentum, with growth accelerating to 1.5% q/q, the fastest pace since 2021. Expansion was driven mainly by the chemicals and pharmaceuticals sector, while stronger services activity pointed to a broader-based recovery. The robust outturn underscores Switzerland's resilience despite persistent global trade uncertainty and tariff-related risks. Looking ahead, growth should remain supported by resilient household consumption, low inflation and a stable labour market. However, soft external demand, a strong Swiss franc and US trade tariff policies are likely to weigh on exports and business investment. Overall, we expect Swiss GDP growth of around 1.0% in 2026, before improving to 1.4% in 2027 as external conditions gradually stabilise.

Inflation accelerated to 0.8% y/y in Aug from 0.4% in Jul, the fastest pace since Sep 2024, though it remains low relative to European peers. The rise was driven mainly by higher housing rents and firmer energy prices, including petrol, diesel and heating oil, while higher hospital service charges also contributed. These increases were partly offset by lower prices for package holidays, car rentals and accommodation. Underlying inflation remained subdued, with core inflation edging up to 0.4% from 0.3%, its first increase this year. Overall, the data suggest a modest firming in price pressures rather than a sustained inflation trend, with inflation likely to remain well contained through 2027.

The labour market showed modest softening in Jul, with the unemployment rate edging up to 3.0% from 2.9%, while the seasonally adjusted rate held steady at 3.1%, suggesting limited underlying weakness. Registered unemployment and job seekers rose 7.8% and 8.5% y/y respectively, pointing to some moderation in labour demand. However, lower short-time work and higher job vacancies than a year ago indicate hiring conditions remain relatively resilient. Looking ahead, the labour market should stay broadly stable, supported by domestic demand and a recovery in manufacturing, although external headwinds could lead to a gradual rise in unemployment.

CENTRAL BANK

SNB's extended pause

Having cut rates aggressively from a peak of 1.75% to 0.00%, the SNB kept policy unchanged in recent meetings,

arguing that medium-term inflation pressures remain subdued and consistent with its definition of price stability. Inflation remains low, with the SNB projecting consumer price growth of around 0.6% in both 2026 and 2027, rising only marginally to 0.7% in 2028. At the same time, economic growth is expected to remain moderate, with GDP forecast at around 1.0% in 2026 and 1.5% in 2027. Against this backdrop, we expect the SNB to maintain its policy rate at 0.00% over the coming quarters. While inflation remains subdued, deflation risks have diminished, reducing the case for further monetary easing. Moreover, the SNB is likely to remain cautious about reintroducing negative interest rates given concerns about their effects on banks' margins, savers, and broader financial market functioning.

CURRENCY

Stable USD/CHF

Trading in the CHF this year has been largely defined by both verbal and actual SNB intervention to curb the franc's strength. The outbreak of the Iran war in late Feb was the initial catalyst, triggering a sharp surge in safe haven demand for the CHF. The SNB confirmed it sold francs worth CHF 3.9 bn in 1Q26 to arrest the currency's appreciation and reiterated its "increased" willingness to intervene in the FX market at the Jun 2026 meeting – a line used repeatedly since the Iran war broke out. With the policy rate at 0% and a very high bar to return to negative rates, FX intervention remains the primary tool to fend off deflation risks stemming from a strong franc.

The SNB's efforts appear to have had some success. USD/CHF has risen 2% year-to-date to 0.8080, while EUR/CHF is up around 0.8% to 0.9385. The Swiss real effective exchange rate (REER) also peaked around 104 in Mar that historically preceded meaningful CHF declines.

From current levels, we see limited room for further CHF depreciation against the dollar. An extended Fed pause in 2H26 and additional Fed rate cuts in 2027 are expected to sustain broad USD weakness, capping any meaningful USD/CHF upside. Switzerland's placement on the US Treasury currency monitoring watch list since Jun 2025 adds a further constraint on SNB intervention, particularly on the USD/CHF channel.

At the same time, we expect CHF to underperform relative to G10 peers in any recovery against the USD. With the SNB policy rate at 0.00% – the lowest in the G10 – and little scope for rate hikes in the medium term, the franc is becoming a more attractive funding currency. This is particularly relevant relative to the JPY, where funding costs are expected to rise and BOJ intervention risks to support the yen remain elevated.

On balance, we expect a largely stable USD/CHF over the next four quarters, trading within the year-to-date range. We initiate coverage with the following point forecasts: 0.81 in 4Q26, 0.80 in 1Q27 and 2Q27, and 0.79 in 3Q27.



UNITED KINGDOM

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
GBP/USD	1.35	1.36	1.37	1.39
GBP Repo Rate	3.75	3.75	3.75	3.75
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	1.1	1.3	1.1	1.1
CPI (avg y/y %)	2.5	3.4	3.1	2.6
Unemployment Rate (%)	4.3	4.8	5.1	5.2
Current Account (% of GDP)	-3.0	-3.1	-2.9	-3.0
Fiscal Balance, FY (% of GDP)	-5.3	-4.9	-3.8	-3.3

ECONOMY

Growth moderates; inflation remains sticky

The UK economy expanded by 0.4% q/q in 2Q26, slowing from 0.6% in 1Q26 but broadly in line with expectations. Growth was driven mainly by services output (+0.5% q/q), while construction rose 0.3% and production was flat. Monthly GDP increased 0.3% in Jun after flat growth in May and a 0.1% contraction in Apr. Business investment rose a solid 1.7% q/q, indicating some resilience in corporate spending despite an uncertain economic backdrop.

However, underlying growth driver remains less robust than headline figures suggest. Household demand continues to face pressure from elevated borrowing costs, a softer labour market and ongoing fiscal constraints, while business sentiment remains vulnerable to geopolitical uncertainty and weaker external demand. In addition, higher energy prices linked to developments in the Middle East are likely to weigh on consumer purchasing power and corporate profit margins in the coming quarters. Although activity has been more resilient than expected in the first half of the year, growth momentum is likely to soften towards year-end as tight financial conditions and weaker domestic demand increasingly constrain activity. We therefore continue to expect subdued UK growth, with GDP forecast at 1.1% for 2026.

Inflation remains a key challenge. CPI inflation rose to 2.9% y/y in Jul from 2.6% in Jun, marking the first increase since Mar. The rise was largely driven by higher housing and household services costs following an increase in regulated energy tariffs, while furniture and household goods prices also contributed. Softer transport inflation, reflecting lower fuel prices, partially offset these increases. Encouragingly, underlying inflation pressures continued to ease. Core CPI remained unchanged at 2.6% y/y, while services inflation slowed to 3.4% from 3.6%, suggesting domestic price and wage pressures are gradually moderating.

Nevertheless, inflation is likely to remain sticky. While softer consumer demand, tighter financial conditions and a gradually cooling labour market should help curb underlying demand-pulled inflation, the UK remains vulnerable to external energy shocks given its reliance on energy imports. Wage growth also remains elevated relative to productivity trends, while supply-side constraints and a higher-cost environment are likely to slow inflation progress back to target. As a result, inflation is expected to remain above the

BOE's 2.0% target through much of 2027, limiting the scope for aggressive monetary easing despite a softer growth outlook.

CENTRAL BANK

BOE to stay cautious

The BOE left the Bank Rate unchanged at 3.75% in Jul. However, the vote split turned more hawkish, with the decision passing 6-3 after Catherine Mann joined Megan Greene and Huw Pill in favour of a 25-bps rate hike. Despite this shift, the overall policy message remained balanced, with most policymakers highlighting continued progress on disinflation and signs of cooling in the labour market.

Recent inflation data are unlikely to justify a return to policy tightening. Although headline CPI rose to 2.9% y/y in Jul, the increase was largely driven by higher household energy costs, a supply-driven shock. At the same time, services inflation eased and core inflation remained stable, suggesting underlying demand-driven domestic price pressures continue to moderate.

We expect the BOE to remain on hold in the near term while assessing whether higher energy costs feed through into wages, inflation expectations and broader pricing behaviour. Policymakers remain focused on the risk of persistent second-round effects rather than temporary increases in headline inflation. So far, evidence of such spillovers remains limited, while softer labour market conditions and weaker domestic demand should help contain underlying price pressures. Consequently, we expect the MPC to maintain a restrictive policy stance, with the hurdle for further rate hikes remaining high. Future policy decisions are likely to depend mainly on developments in services inflation, wage growth and inflation expectations.

CURRENCY

Gilt market remains a key source of risk for the GBP

GBP/USD rose 0.5% in Aug to 1.3549 on the back of a broadening USD selloff and a paring of net short-GBP positioning. The initial political risk premium associated with the Burnham administration has continued to fade. Political risk premiums linked to the Burnham administration have continued to fade, helped by Chancellor Healey's reaffirmation at Jackson Hole that fiscal discipline remains central and that the government remains committed to its fiscal rules ahead of the 28 Oct budget. However, a surprise GBP1.8bn fiscal deficit in Jul highlighted ongoing pressures on public finances and limited fiscal flexibility.

The gilt market remains the main risk for sterling. The 30-year gilt yield closed Aug at 5.78%, close to May's peak of 5.86%, the highest level since 1998. Rising yields have been driven by global yield curve steepening and elevated oil prices. Any disorderly market reaction to the autumn budget could pose a more significant and lasting headwind for GBP than the volatility experienced in Jul. A modest upward bias in GBP/USD is retained even as an on-hold BOE offers limited support. The key driver of recovery remains a Fed pause in 2H26 and the reassertion of structural medium-term USD headwinds. Overall, our updated GBP/USD forecasts are at 1.35 in 4Q26, 1.36 in 1Q27, 1.37 in 2Q27, and 1.39 in 3Q27.



UNITED STATES

FX & Rates	4Q26F	1Q27F	2Q27F	3Q27F
DXY	98.6	97.6	96.8	95.2
US Fed Funds Rate	3.75	3.75	3.50	3.50
Economic Indicator	2024	2025	2026F	2027F
GDP (%)	2.8	2.1	1.9	2.0
CPI (avg y/y %)	3.0	2.7	3.5	2.0
Unemployment Rate (%)	4.1	4.4	4.2	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

Resilient growth, but inflation & geopolitics complicate

The US economy continued to expand in 2Q26, albeit below expectations at 1.5% q/q SAAR (unchanged from prelim. est.) from 2.1% in 1Q. Upward revisions to consumer spending (3.4%, 2.3 ppts from prelim 3.2%, and from 0.5%, 0.4ppt in 1Q) were offset by stronger imports, leaving headline growth unchanged. Real final sales to private domestic purchasers were revised up to 4.2% (from prelim 3.9%), indicating resilient underlying domestic demand while corporate profits rose sharply by US\$ 400.9 bn (from US\$ 74.4 bn in 1Q). Government spending retreated -4.2% in 2Q following a strong 1Q (9.4%, 0.6ppt), which reflected the mechanical payback from the government shutdown (4Q25 - 1Q26). Non-residential investment continued to rise, to 8.5% (1.2ppts) from 10.6% (1.4 ppts) in 1Q, driven overwhelmingly by AI-related equipment, software, and data-centre capex. Residential investment rebounded (1.3%, 0.05ppt), after three quarters of declines, but did not make a material increase to GDP. Net exports remained a significant drag, subtracting around 1.14ppt from growth, as imports continued to surge (12.5%), overwhelming exports (4.6%).

The US economy remained resilient through 1H 2026, and we expect the positive growth momentum to continue into 2H, albeit at a slower pace although the latest Atlanta Fed GDPNOW is projecting a materially better outcome of 4.7% in 3Q (as of 3 Sep). Our more conservative outlook is premised on softer domestic demand as lower-income households face mounting pressure from elevated energy-induced inflation and spending challenges amidst lingering tariff effects. On the other hand, higher-income households and corporates continue to benefit from tax policies, deregulation and strong equity-linked wealth effects while AI-driven investments & related-productivity gains provide support and a structural tailwind amidst dissipating fiscal impulse. For 2026, we continue to expect positive, moderating momentum but with a slight upward revision to 1.9% (previous forecast: 1.7%, 2025: 2.1%). Our base case remains no US recession, though recession risk is not fully ruled out (at 25% risk versus 35% previously), reflecting the bifurcated nature (or K-shaped) of US growth with energy prices weighing on US consumers and businesses.

Even as job creation has slowed in 2026 and Jul saw a surprise job loss of 23,000, the unemployment rate held at 4.1%, historically low by any measure, and unemployment claims hover near multi-decade lows. Jul also recorded a drop in unemployed persons which was matched with an even bigger dip in the labor force, sending participation rate lower to 61.4%, lowest since Feb 2021, and well below the pre-pandemic peak of 63.3%. And though the Bureau of Labor Statistics' annual benchmark revision confirmed that job creation over the Apr 2025 to Mar 2026 period was modestly weaker by -79,000 than initially reported, this was a much smaller revision compared to the two prior years (2025: -911,000, 2024: -818,000). Overall, it continued to paint a picture of a "low-hire, low-fire" labor market where job creation has slowed but layoffs remain contained. We now expect unemployment rate to end at 4.2% for 2026 (Previous: 4.5%). As for prices, US headline CPI inflation has cooled in Jun and Jul (3.5% y/y and 3.4% y/y) following the energy-driven spike during Mar-May (3.3%, 3.8%, 4.2%), although it remained elevated and well above the Fed's 2% inflation objective. Continued shelter disinflation and easing wage growth suggest that the broad easing inflation trend remained intact. Even as the inflation outlook has improved, we are cognizant upside-price risks remain, largely linked to energy prices and geopolitical developments. We keep a balanced near-term inflation outlook, expecting CPI to average around 3.5% and core CPI around 2.8% in 2026. While both measures remain above the Fed's 2% target, we expect inflation to ease towards 2% in 2027 provided energy prices remain contained and shelter inflation continues to normalise.

CENTRAL BANK

A prolonged pause in 2026 before resuming cuts in 2027, but higher risks of a near-term hike

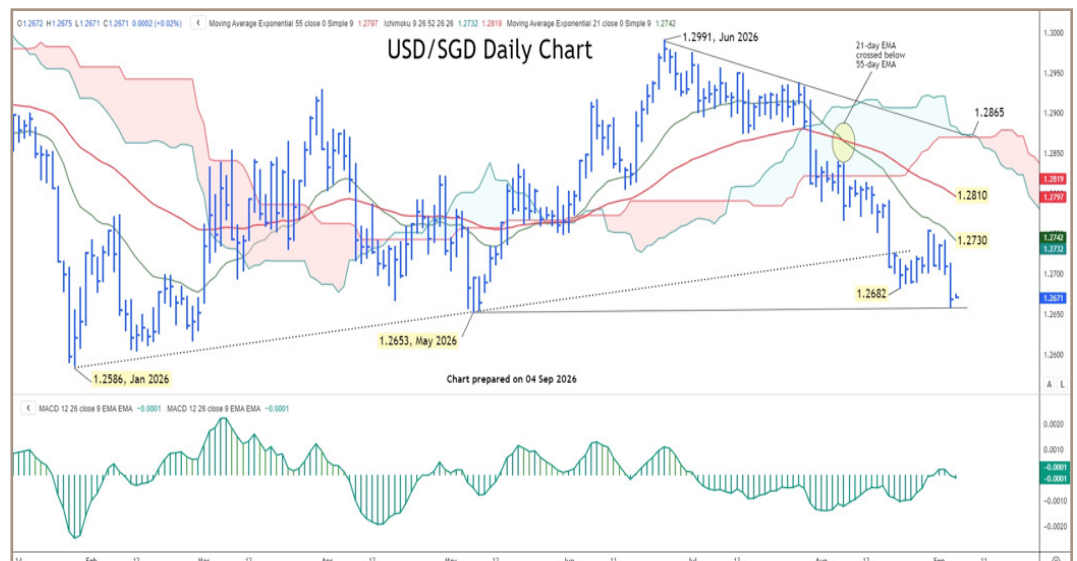
The Fed kept its current Fed Funds Target Rate (FFTR) unchanged in the range of 3.50-3.75% at its first 5 meetings of 2026, following three consecutive 25-bps reductions in late 2025. Fed Chairman Warsh's recent Jackson Hole speech (28 Aug) reinforced the message from the Jul FOMC minutes that inflation remains the dominant policy concern amid generally favourable growth and labour market conditions, and importantly, he reassured that the Fed's price-stability objective of 2% is "firm, fixed target". We continue to maintain our base case the Fed will remain on hold through 2026 before resuming gradual rate cuts in 2027 as the transitory inflation (due to oil prices) fades. But the emphasis on inflation risks, together with Warsh's explicit commitment to achieving price stability and his reluctance to pre-commit to future policy actions, reinforces the elevated risks of policy tightening this year, with markets increasing the probability of a Sep FOMC rate increase to nearly 67% (as of 2 Sep) versus 36% prior to Warsh's speech.



FX TECHNICALS

USD/SGD: 1.2670

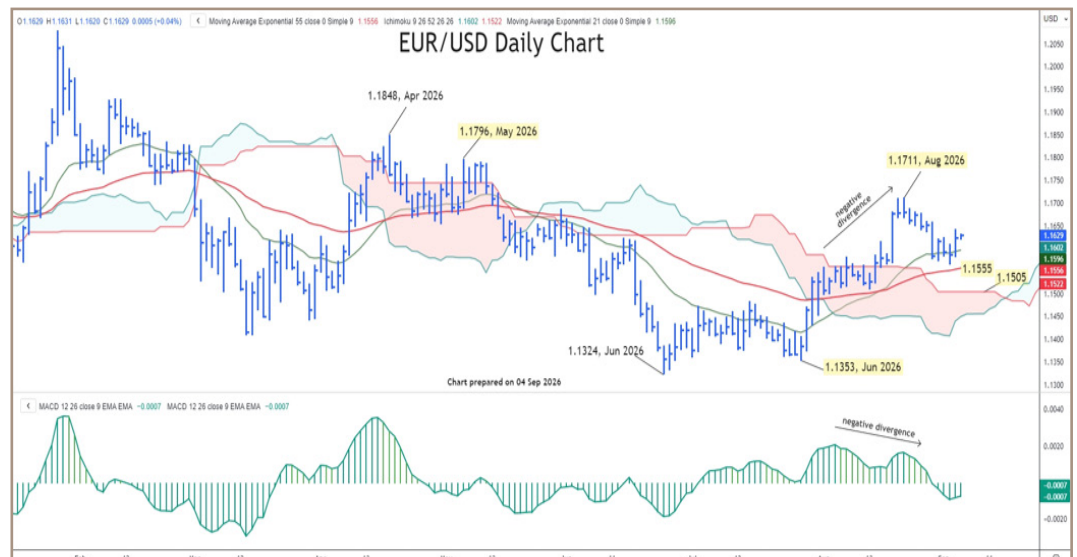
A break of the May low of 1.2653 will shift the focus to the year-to-date low of 1.2586.



In early August, USD/SGD broke below the lower boundary of the daily Ichimoku cloud as the 21-day EMA crossed below the 55-day EMA. USD/SGD declined to a low of 1.2682 before rebounding. As of early September, USD/SGD has broken below the 1.2682 low and is now approaching the May low of 1.2653. Downward momentum is building again, and a break of 1.2653 will shift the focus to the year-to-date low of 1.2586. On the upside, resistance is at 1.2730 (21-day EMA), but only a breach of 1.2810 (55-day EMA) would indicate that downward momentum has eased.

EUR/USD: 1.1620

Near-term downward pressure in EUR/USD; prevailing momentum suggests it may struggle to break below 1.1505.

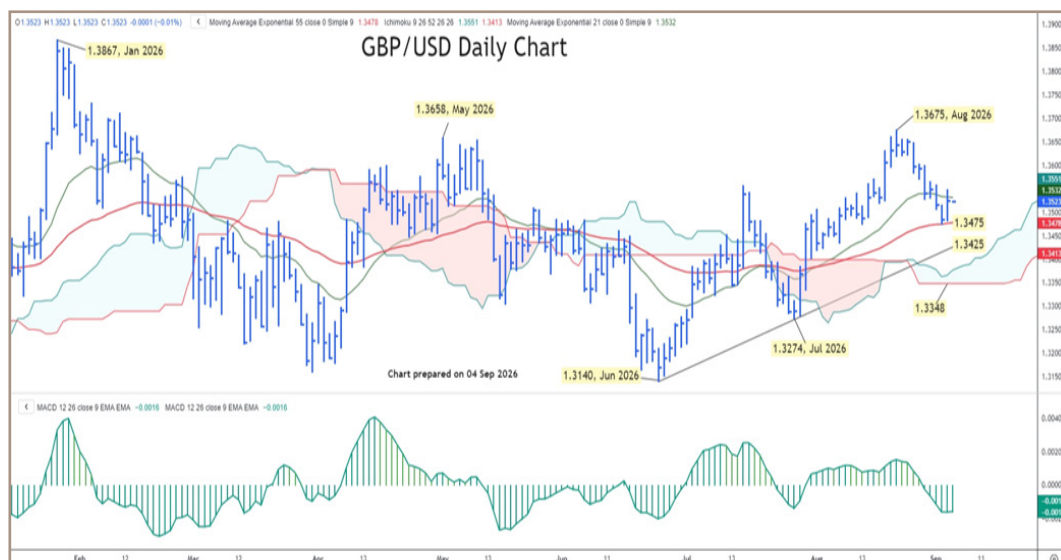


Amid negative divergence on the daily MACD, EUR/USD tested the 1.1710 level twice in August before pulling back. The MACD has since turned negative, indicating near-term downward pressure, although prevailing momentum suggests EUR/USD may struggle to break below 1.1505, the upper boundary of the daily Ichimoku cloud. The 55-day EMA at 1.1555 is likely to offer support as well. Even if EUR/USD were to break below the Ichimoku cloud, the 1.1353 level is unlikely to come under threat over the next one to two months. On the upside, EUR/USD must break and hold above 1.1710 before a move to 1.1795 can be expected.



GBP/USD: 1.3520

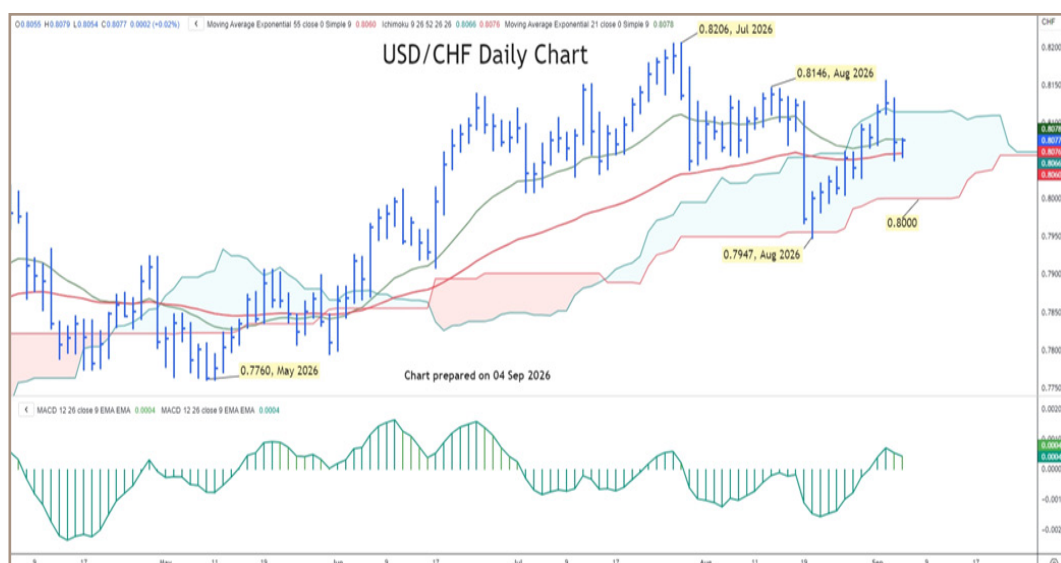
The rapid pullback in GBP/USD has scope to extend below the 55-day EMA at 1.3475 and potentially test the ascending daily trendline near 1.3410.



From a low of 1.3274 in July this year, GBP/USD rallied strongly and briefly surpassed the May high of 1.3658, reaching a peak of 1.3675 in mid-August. The rapid pullback from 1.3675 has scope to extend below the 55-day EMA at 1.3475 and potentially test the ascending daily trendline near 1.3425. Should GBP/USD break below the ascending trendline, the lower boundary of the daily Ichimoku cloud at 1.3348 is expected to provide solid support. The 1.3675 high is now acting as major resistance, but even if GBP/USD were to break above this level, the year-to-date high of 1.3867 is unlikely to come under threat in the next one to two months.

USD/CHF: 0.8075

USD/CHF could continue to rebound, but it does not appear to have sufficient momentum to revisit the July peak of 0.8206.

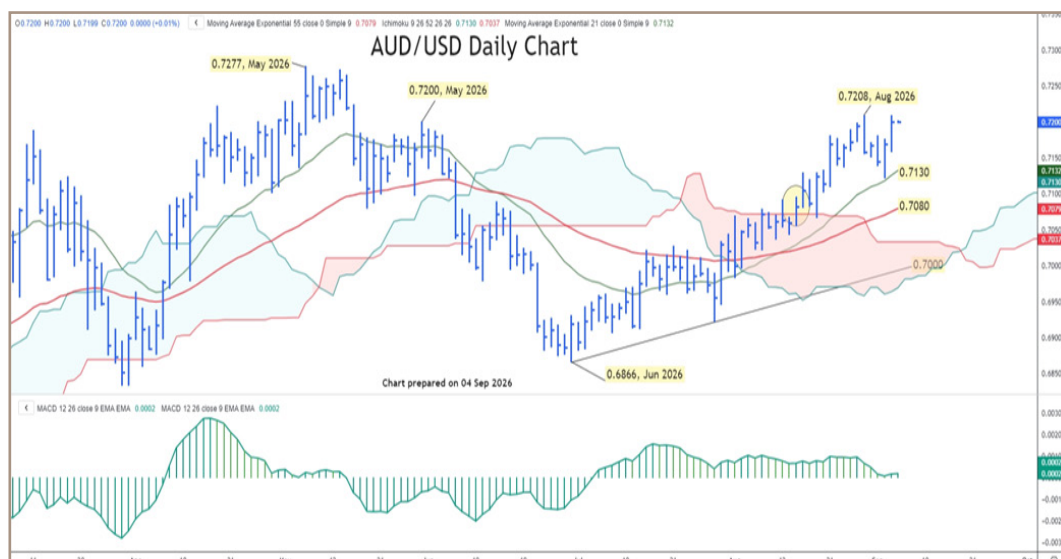


The choppy advance in USD/CHF from the May low of 0.7760 appears to have peaked at 0.8206 in July. USD/CHF then pulled back sharply, testing the lower boundary of the daily Ichimoku cloud near 0.7950, before rebounding. While USD/CHF is likely to rebound above the August high of 0.8146, it does not appear to have sufficient momentum to revisit the 0.8206 high. On the downside, a break below the lower boundary of the cloud, now at 0.8000, would increase the likelihood of USD/CHF revisiting and potentially breaking below the 0.7947 low.



AUD/USD: 0.7200

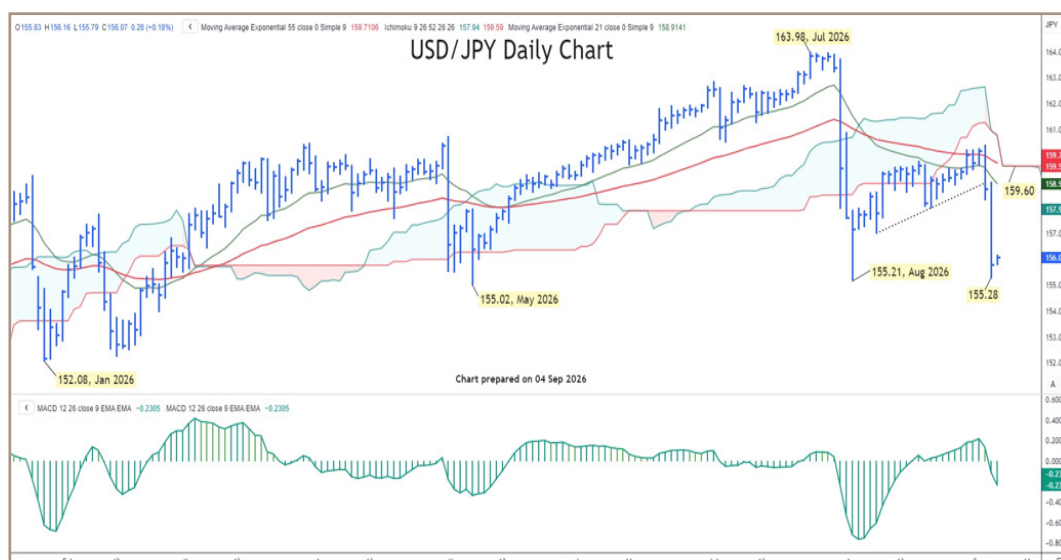
AUD/USD could continue to rise; it remains to be seen if it can revisit the year-to-date high of 0.7277.



AUD/USD declined to a low of 0.6866 in late June before recovering. Although the recovery was initially tentative, it gained traction after AUD/USD broke above the daily Ichimoku cloud in mid-August. In late August, AUD/USD broke above the May high of 0.7200 and rose to 0.7208 before pulling back. As long as the pullback holds above the 55-day EMA, now at 0.7080, AUD/USD could continue to rise. Near-term the 21-day EMA at 0.7130 is expected to offer support as well. That said, with no significant increase in upward momentum, it remains to be seen whether AUD/USD can revisit the year-to-date high of 0.7277.

USD/JPY: 156.10

Rapid increase in downward momentum suggests further USD/JPY weakness; it is too early to determine whether any further decline can reach the January low of 152.08.

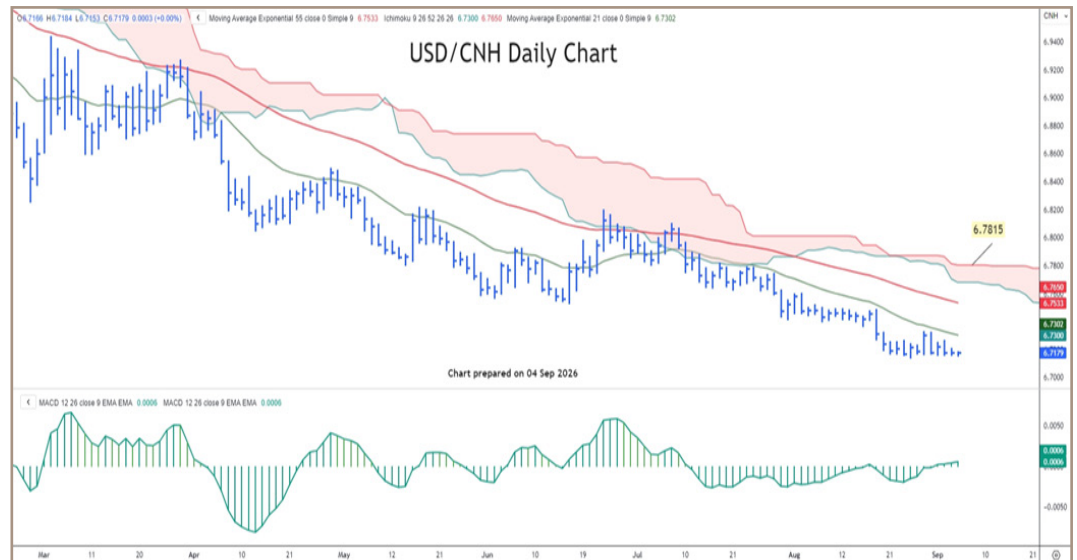


USD/JPY edged up to a high of 163.98 in July before staging a sharp selloff that briefly reached a low of 155.21 in August. USD/JPY subsequently staged an uneven recovery, only to plunge to a low of 155.28 in early September. The rapid increase in downward momentum suggests further USD/JPY weakness and a break of the May low of 155.02 would not be surprising. Currently, it is too early to determine whether any further decline can reach the January low of 152.08. On the upside, resistance is at 159.60.



USD/CNH: 6.7180

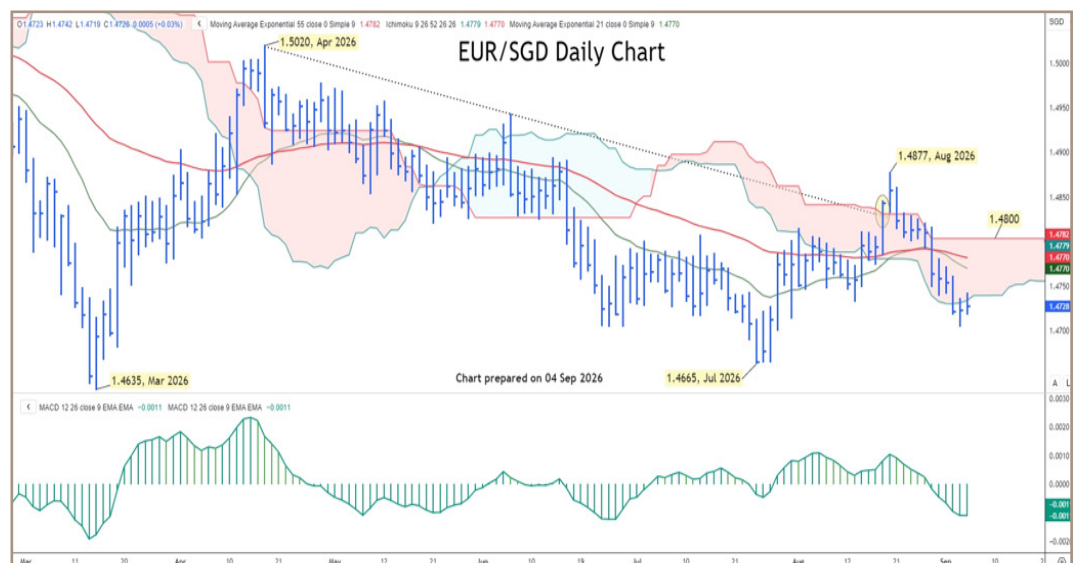
USD/CNH is likely to continue edging lower as long as it remains below the upper boundary of the cloud, now near 6.7815.



USD/CNH has been trending lower for most of this year. Throughout the decline, it has remained below the upper boundary of the daily Ichimoku cloud. Although downward momentum is not strong, USD/CNH is likely to continue edging lower as long as it remains below the upper boundary of the cloud, now near 6.7815. Support is at 6.7000, followed by 6.6800.

EUR/SGD: 1.4730

EUR/SGD appears to have entered a range-trading phase between 1.4665 and 1.4877.

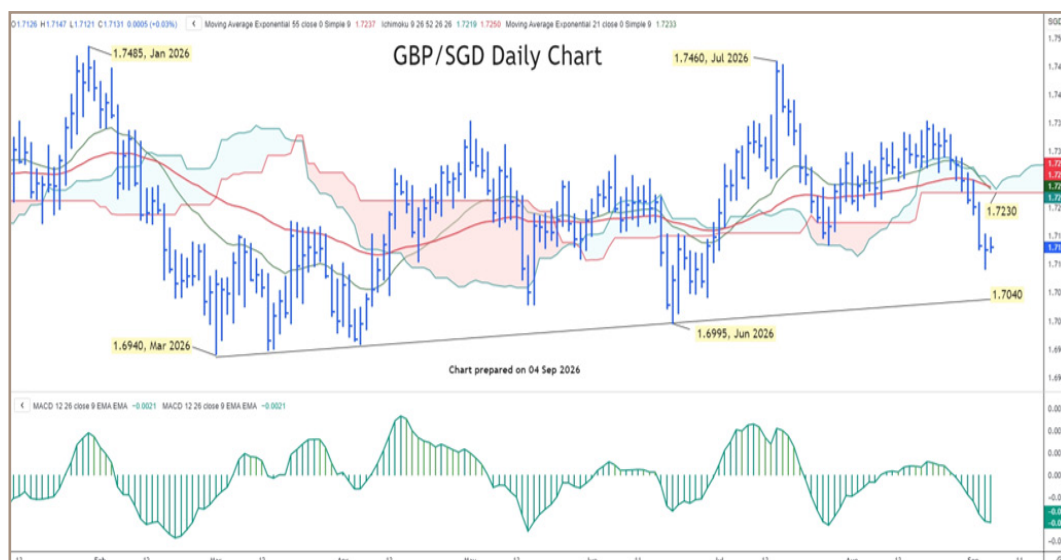


EUR/SGD recovered from its July low of 1.4664 and broke above both the declining trendline from the April high and the upper boundary of the daily Ichimoku cloud in August. Despite the break above these strong resistance levels, EUR/SGD quickly lost momentum after reaching 1.4877 and pulled back sharply. EUR/SGD appears to have entered a range-trading phase, and it is likely to trade between 1.4665 and 1.4877 in the next couple of months. Near-term, resistance is at 1.4800, ahead of 1.4877.



GBP/SGD: 1.7130

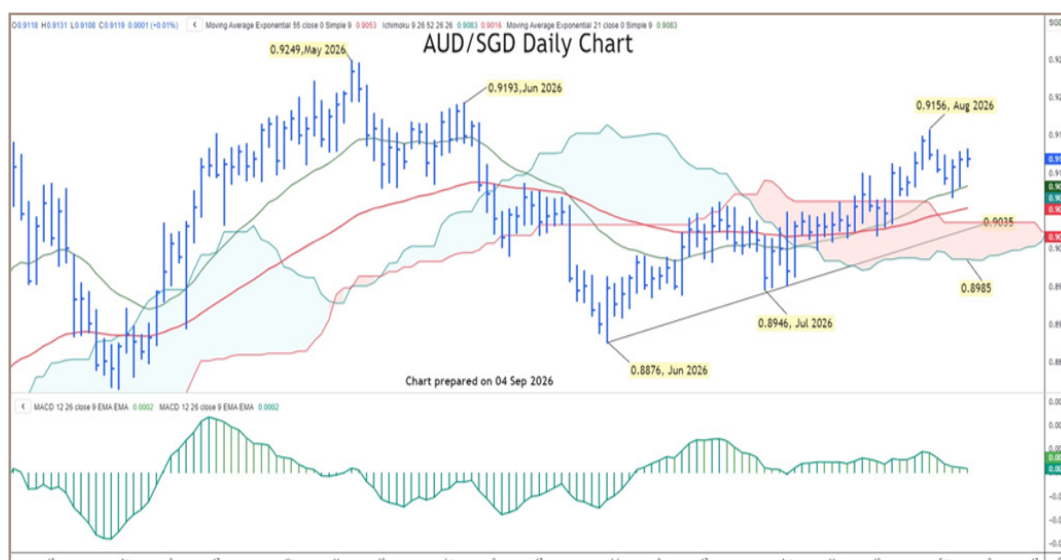
There is no clear directional bias; GBP/SGD is likely to continue trading sideways between 1.6940 and 1.7485.



GBP/SGD has been trading in a broad sideways range between 1.6940 and 1.7485 since the start of this year. There is no clear directional bias, and GBP/SGD is likely to continue trading sideways between these two levels in the next few months. Near-term, increasing downward momentum could lead to a test of the ascending trendline. While a break of this level is not ruled out, prevailing momentum suggests any further decline is unlikely to threaten the June low of 1.6995. On the upside, resistance is at 1.7230.

AUD/SGD: 0.9120

Upward momentum is slowing, but as long as 0.9035 is not breached, AUD/SGD could rise further, but the June high of 0.9193 could be out of reach.

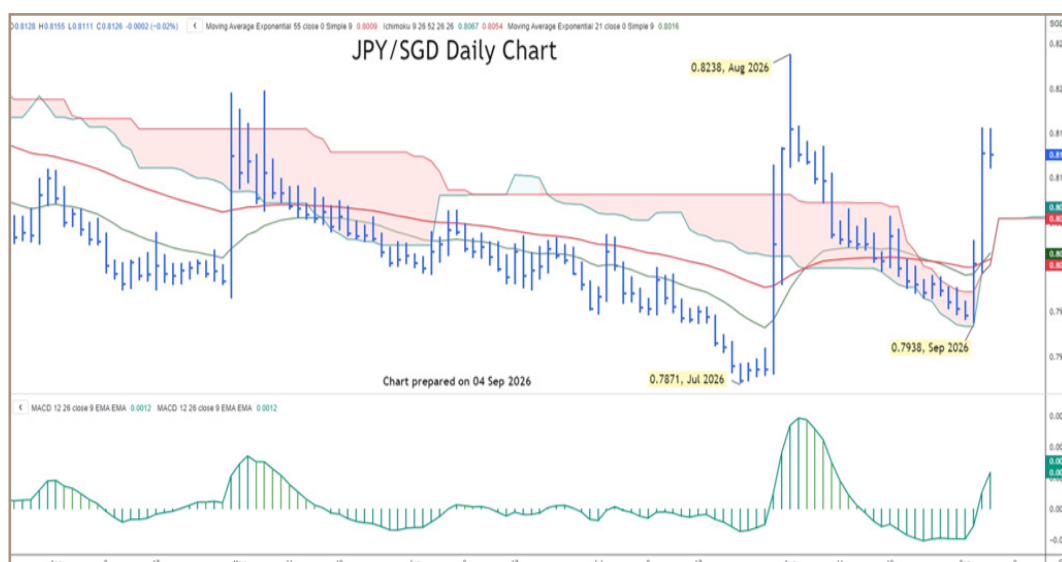


AUD/SGD rose to a high of 0.9156 in late August before easing. Although upward momentum has slowed, as long as the key support at 0.9035 is not breached, AUD/SGD could rise further. However, given the slowing momentum, any further advance is unlikely to reach the June high of 0.9193. Currently, the likelihood of AUD/SGD revisiting the May high of 0.9249 is low.



JPY/SGD: 0.8125

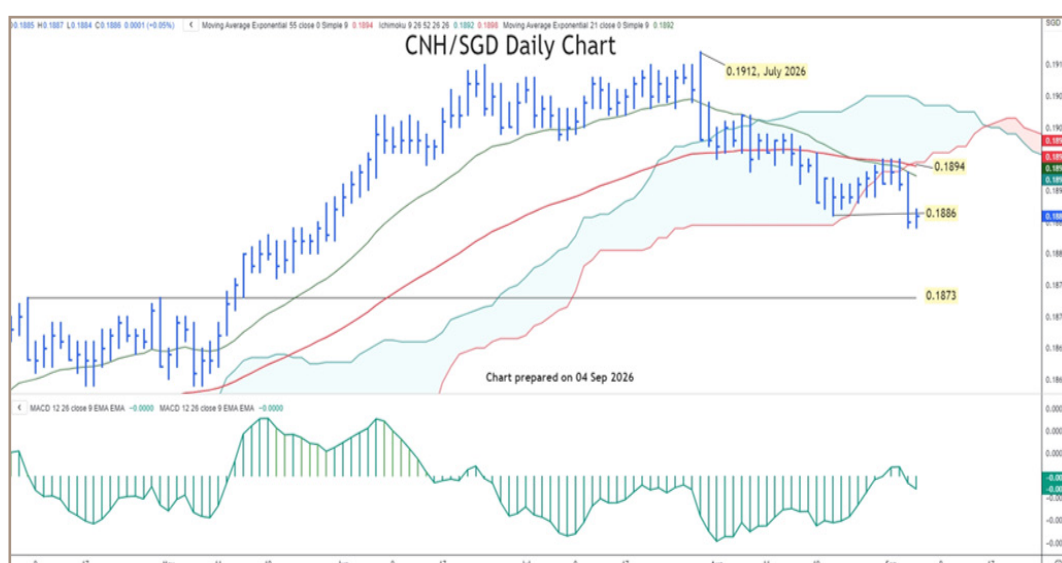
Immediate risk for JPY/SGD remains to the upside; it is too early to determine whether it can retest the August high of 0.8238.



JPY/SGD declined to a low of 0.7871 in late July before rallying sharply to a high of 0.8238 within a matter of days. JPY/SGD subsequently ground lower and tested the lower boundary of the Ichimoku cloud before staging another sharp rally in early September. While the immediate risk remains to the upside, it is too early to determine whether JPY/SGD can retest the 0.8238 high. On the downside, 0.7938 is acting as a solid support now.

CNH/SGD: 0.1886

CNH/SGD could continue to pull back; the nearest support level of note is at 0.1873.



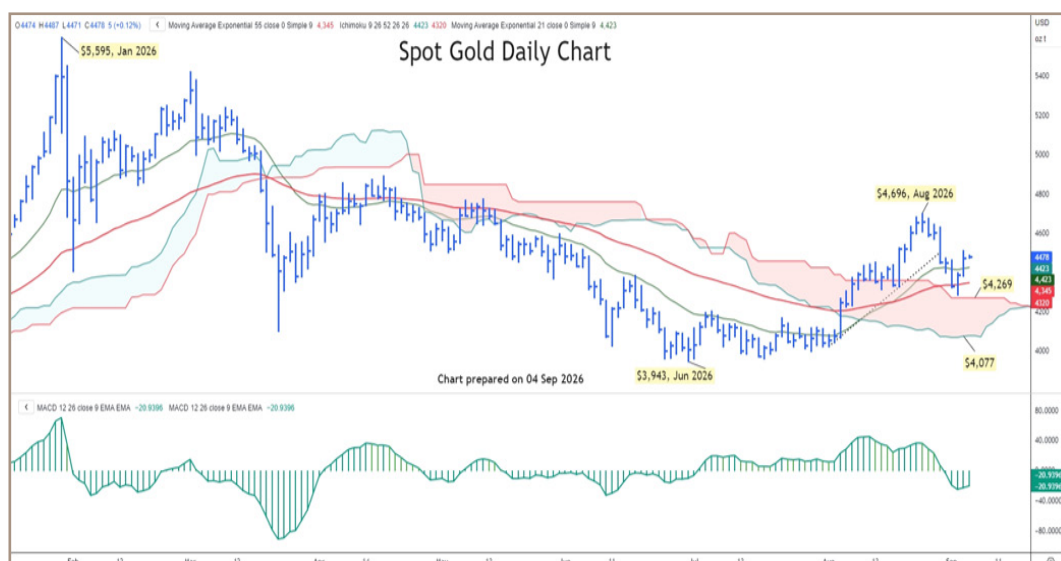
The uptrend in CNH/SGD has likely peaked in late July at 0.1912. The pullback from the high to the August low of 0.1886 is likely part of a broader corrective phase. Having broken below the 0.1886 low in early September, CNH/SGD could continue to pull back in the next couple of months. The nearest support level of note is at 0.1873. On the upside, if CNH/SGD breaks above 0.1894, it would mean that it is more likely to trade in a range rather than continuing to pull back.



COMMODITIES TECHNICALS

Spot Gold \$4,478/oz

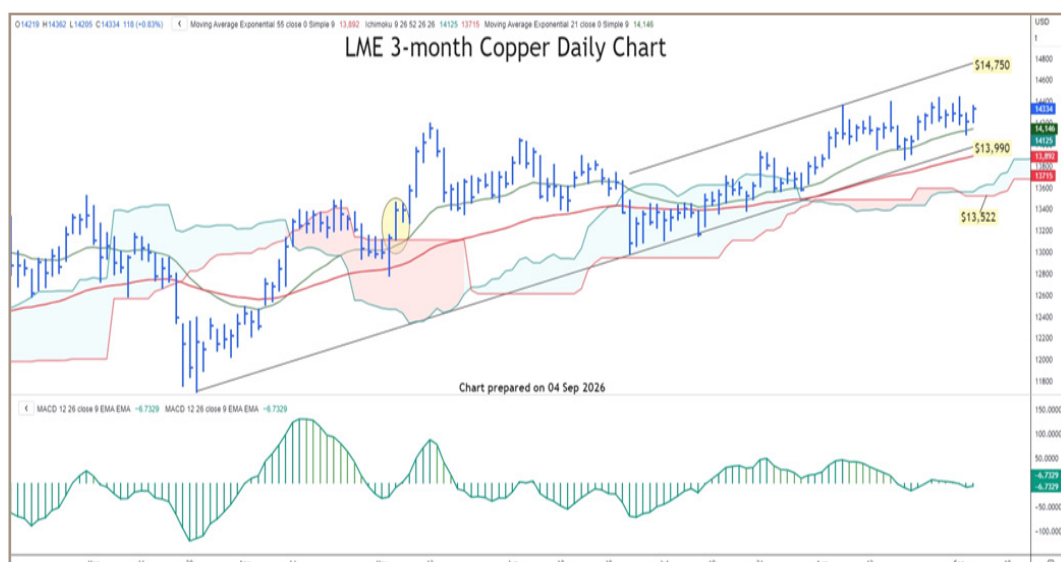
As long as spot gold holds above \$4,269, it could revisit the August high of \$4,696.



After soaring to a record high of \$5,595 in late January, spot gold staged a multi-month decline that reached a low of \$3,943 in June. The recovery from the low broke above the upper boundary of the daily Ichimoku cloud as the 21-day EMA crossed above the 55-day EMA. While the breach of the key resistance levels triggered a rise to \$4,696, gold was unable to hold on to its gains and subsequently pulled back. As long as the pullback holds above the upper boundary of the daily Ichimoku cloud, now at \$4,269, it could revisit the August high of \$4,696. Looking ahead, should gold break below \$4,269, it could potentially trigger a deeper pullback.

LME 3-mth Copper \$14,335/mt

Copper could continue to edge higher toward \$14,750 as long as the ascending trendline support at \$13,990 holds.

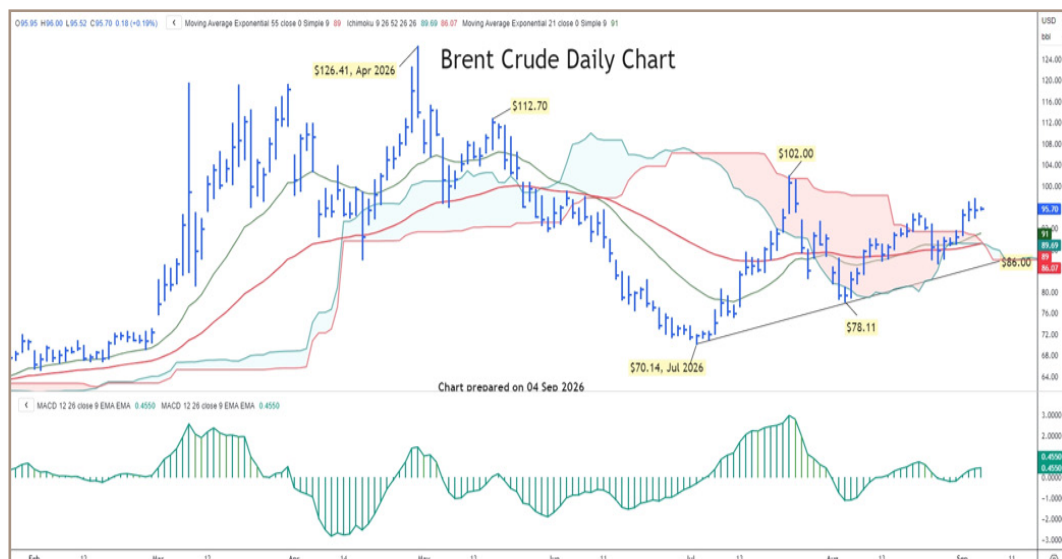


After breaking above the upper boundary of the daily Ichimoku cloud in May, the 3-month LME copper contract has been ratcheting higher, holding above the lower boundary of the cloud. Although upward momentum is starting to slow, copper could continue to edge higher toward \$14,750. On the downside, a break of the ascending trendline support at \$13,910 would increase the odds of copper breaking below the lower boundary of the Ichimoku cloud, now at \$13,522.



Brent Crude \$95.70/bbl

Largely flat EMAs suggest sideways trading, but the bias could eventually shift to the upside.



Having declined to a low of \$70.14 in July, Brent rebounded to \$102.00 and subsequently traded in a choppy sideways range. The largely flat 21-day EMA and 55-day EMA suggest further sideways trading. However, as long as \$86.00 holds, the bias could eventually shift to the upside, especially if Brent breaks above \$102.00. Notably, both the ascending daily trendline and the daily Ichimoku cloud are converging near \$86.00. Above \$102.00, the next significant daily resistance is at \$112.70.



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
SNB	Swiss National Bank

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