

04 July 2025

Global Markets Research

Currency Outlook for the Week Ahead



Source: Bloomberg

1-Week Outlook – USD/ SGD Neutral-to-Slightly Bullish

SGD was weaker against the USD in trading this week, inching lower by 0.1% to close Thursday at 1.2753 (prior: +1.0% w/w) from 1.2741 the prior week, amidst an uptick in the official PMI and Electronic Sector index for June versus the month before. Against the other G10 pairs, the SGD was mixed for the week, but versus major regional currencies, the SGD was generally weaker across the board, with the exception of against the KRW (+0.7%). We are **Neutral-to-Slightly Bullish** on the USD/SGD for the coming week, foreseeing a possible trading range of 1.2625 – 1.2900. The week ahead brings the retail sales figures for May, and also brings us into the start of the window for the possible release of advanced Singapore 2Q GDP.

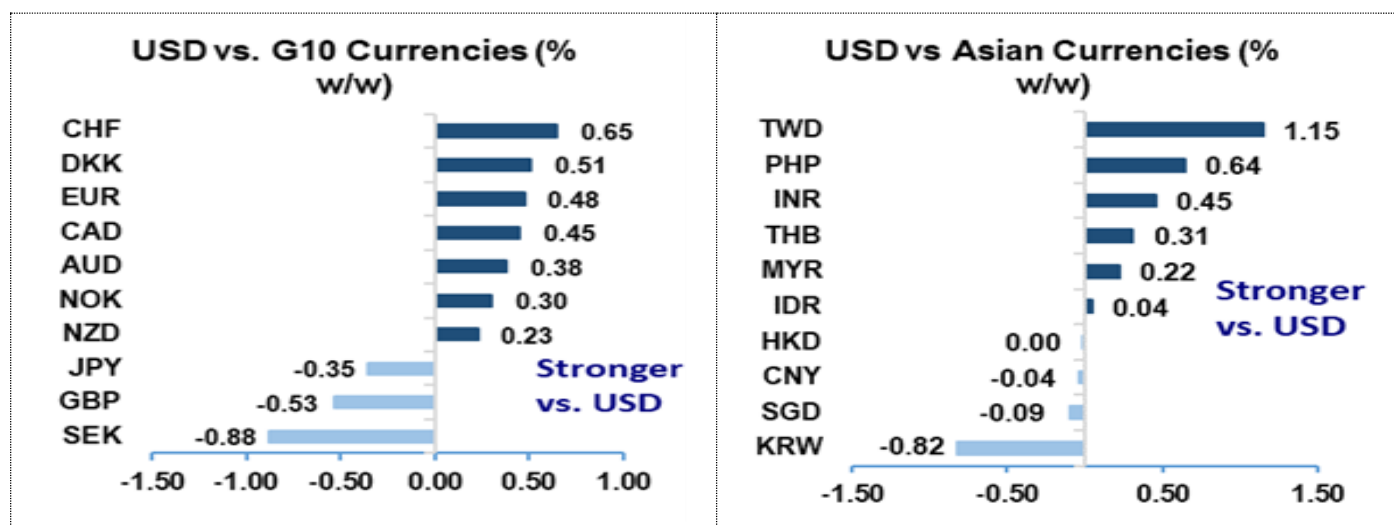
1-Month Outlook – USD/ SGD Neutral

The USD/SGD outlook is neutral in our view. The USD has been weakening of late, with EM currencies outperforming on growing hopes for a continued de-escalation in the tariff situation after the US and China agreed to talk. The Fed held its ground again at the June FOMC meet, stressing that they are not in a hurry to cut rates amidst heightened uncertainty and elevated risks for both growth and inflation. Expectations are for the Fed to resume reducing its policy rate in due course with about two 25bps reductions priced for 2025. US economic data has been more mixed recently, with the labour market continuing to defy expectations of a cooling, but personal income and spending for May both unexpectedly registered monthly contractions. Inflation indicators were also mixed, with core CPI surprising on the downside in May while core PCE surprised a touch on the upside. On the domestic front, MAS continued to ease policy in its April meeting by reducing the slope of the SGD NEER band. Headline inflation held steady in May and core CPI inched lower as expected, while export growth for the month unexpectedly contracted, led by a marked decline in electronic exports, suggesting that the tariff related front-loading of exports may have run its course. As such, 2Q growth is likely to see a moderation, and we expect MAS to ease policy again at their two remaining quarterly meetings for the year.

	S2	S1	Prev. Close	R1	R2
USD/SGD	1.2638	1.2710	1.2753	1.2825	1.2905

Weekly Look Ahead

USD: The USD was little changed in trading this week, with the DXY edging up to close at 97.18 (prior: -1.8% w/w) from 97.15 the week before, amidst the monthly employment report coming in stronger than expected, and a surprising monthly decline of personal income and spending in May. We are **Neutral-to-Slightly Bullish** on the USD for the week ahead, eyeing a probable trading range of 95.75 – 98.75 for the DXY. The coming week is a quieter one on the economic data front, but no less eventful with the US fiscal bill likely to be signed off by President Trump soon, the FOMC due to release the minutes of the Jun 18 meeting, and the upcoming expiry of the 90-day pause in reciprocal tariffs on Jul 09, with only 3 countries thus far (UK, China and Vietnam) successfully inking some form of trade deals with the US.



Source: Bloomberg, HL Bank

EUR: EUR rose in trading against the greenback this week for a second straight week, advancing by 0.5% to 1.1757 (prior: +1.8% w/w) from 1.1701 the prior week, amidst mixed economic data domestically, with the economic confidence for June registering a decline compared to the month before and the unemployment rate for May unexpectedly rising, but the final June PMIs were revised upwards from their flash readings. Inflation data was as expected, with the preliminary June CPI figures all matching their estimates. We are **Neutral** on the EUR/USD for the coming week, looking at a likely trading range of 1.16 – 1.19. The week ahead sees the release of retail sales figures and PPI for May, as well as the latest monthly Sentix investor confidence index.

GBP: GBP was softer in trading this week against the USD, declining by 0.5% w/w to 1.3655 (prior: +2.0% w/w) from 1.3728 the week before, amidst growing concerns that UK Chancellor Rachel Reeves may not stay in her position, leading to a questioning of the UK's fiscal position. Economic data was mixed, with June house prices unexpectedly registering a monthly decline, while the final composite UK PMI was revised higher by quite a bit versus the initial flash estimate, driven by an upgrade in the outlook for the services sector. We are **Neutral-to-Slightly Bearish** on the Cable for the week ahead, foreseeing a possible trading range of 1.3475 – 1.3800. The coming week is a quiet one in terms of economic data, with only the RICS House Price balance due for release ahead of next Friday's monthly GDP and manufacturing production figures for May, and there will also be scheduled speeches from Bank of England officials, including from Governor Andrew Bailey.

JPY: JPY was weaker against the USD for the week, falling by 0.4% to 144.93 (prior: +0.7% w/w) from 144.42 the prior week, amidst downside surprises in retail sales and industrial production for May, as well as Tokyo CPI for June. The much watched Tankan survey for 2Q came in stronger than expected on the manufacturing side of things, which the non-manufacturing numbers were more mixed. We are **Neutral** on USD/ JPY for the coming week, eyeing a probable trading range of 142.50 – 147.50 for the pair. The week ahead sees the release of the labour earnings numbers for May, which will play into the Bank of Japan's thinking as they look to continue to embark on policy normalisation, while PPI for June is also scheduled for release.

AUD: AUD gained ground against the USD this week for a second consecutive week, climbing by 0.4% to 0.6571 (prior: +1.0% w/w) from 0.6546 the week before, amidst both Australian retail sales and building approvals growing by less than expected in May. We are **Neutral-to-Slightly Bearish** on AUD/USD for the week ahead, looking at a likely trading range of 0.6425 – 0.6700 for the currency pair. The coming week sees the Reserve Bank of Australia's policy meeting, where they are expected to reduce the cash rate by 25bps to 3.60%. The futures markets have fully priced in this move, and two further 25bps reductions are expected by the markets before the year is up.

MYR: MYR was firmer against the USD this week for a second week running, inching up by 0.2% to 4.2215 (prior: +0.7% w/w) from 4.2308 the week before, amidst the manufacturing PMI for June improving from the reading in May. Against the rest of the G10 and other major currencies, the MYR was mixed for the week. For the coming week, we are **Neutral-to-Slightly Bullish** on USD/MYR, foreseeing a possible trading range of 4.19 – 4.26. Industrial production figures for May are due in the week ahead, but the highlight of the week will be the BNM MPC decision on Jul 09, with the market still divided about whether the central bank will ease policy this time round. We think that on balance, the odds of a cut have increased with the fall in exports and the surprising dip in inflation for May, so a precautionary reduction of 25bps in the overnight rate may well be on the cards.

House View and Forecasts

FX	2Q-25	3Q-25	4Q-25	1Q-26
DXY	99.36	98.60	97.69	96.58
USD/CAD	1.38	1.38	1.39	1.40
EUR/USD	1.14	1.16	1.18	1.19
GBP/USD	1.34	1.34	1.35	1.36
AUD/USD	0.65	0.65	0.65	0.66
NZD/USD	0.60	0.60	0.59	0.60
USD/JPY	144	146	145	142
USD/MYR	4.20	4.24	4.24	4.20
USD/SGD	1.28	1.30	1.31	1.30
USD/CNY	7.06	7.13	7.17	7.10

Policy Rate (%)	2Q-25	3Q-25	4Q-25	1Q-26
Fed	4.25-4.50	4.00-4.25	3.75-4.00	3.50-3.75
BOC	2.75	2.50	2.25	2.25
ECB	2.00	2.00	2.00	2.00
BOE	4.25	4.00	3.75	3.50
RBA	3.85	3.60	3.35	3.10
RBNZ	3.25	3.00	2.75	2.75
BOJ	0.50	0.50	0.75	0.75
BNM	3.00	2.75	2.75	2.75
MAS	Ease	Ease	Ease	Hold
PBOC	Ease	Ease	Ease	Hold

2025 Central Bank Meetings/Announcements

Central Bank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Federal Reserve (FOMC)	29		19		7	18	30		17	29		10
Bank of Canada (BOC)	29		12	16		4	30		17	29		10
European Central Bank (ECB)	30		6	17		5	24		11	30		18
Bank of England (BOE)		6	20		8	19		7	18		6	18
Reserve Bank of Australia (RBA)		18		1	20		8	12	30		4	9
Reserve Bank of New Zealand (RBNZ)		19		9	28		9	20		8	26	
Bank of Japan (BOJ)	24		19		1	17	31		19	30		19
Bank Negara Malaysia (BNM)	22		6		8		9		4		6	
Monetary Authority of Singapore (MAS)	Jan			Apr			Jul			Oct		

Source: Bloomberg, HL Bank

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