Maybank

Macro | FX Research & Strategy

Global

FX Monthly

2025, Issue 7: Navigating US Exceptionalism, Divergence, and Defensive Demand

What Has Changed This Month?

- Several pairs were revised to account as we saw certain idiosyncratic headwinds amid a resurgent USD. We revised USDVND higher as SBV continues to set the VND reference rate on a weakening bias. USDPHP forecasts were revised higher as net equity-related inflows waned. USDINR forecasts were revised higher as India gets a raw trade deal. GBPUSD forecasts were revised lower on lingering fiscal risks, tepid growth and some potential tensions between the Treasury and BOE.

Our Strategies and Views

- The USD was about to stage the strongest weekly rebound since 2022 in the last week of Jul before the softer labour report brought it lower. Even though the White House had just released an eagerly anticipated list of modified reciprocal tariffs that would take effect on 7 Aug, it is apparent that the greenback was less driven by tariff-related headlines and more by US data itself. Investors have shifted focus from trade uncertainties to the impact of the tariffs that have been in place for a while. The Jul NFP had lent credence to the two Governors who dissented against the Fed Chair. US labour market conditions show signs of softening. The hawkish repricing was unwound – the USD weakened while VIX shot up. For now, the greenback may be caught in a tug of war between growth and inflation concern that could leave it range-bound. Medium-term, the US economy remains on track for a slowdown and a resumption of Fed easing cycle could extend the USD downtrend.

- In the meantime, we see room for AUDNZD to head higher on RBA-RBNZ policy divergence. CAD and the CHF could also remain an underperformer due to outsized tariffs imposed on the respective sovereigns by the US. We see a chance that the JPY might have adjusted for Ueda's hesitance on monetary policy to some extent.

- Over in ASEAN, the US has set the tariff levels at 19% for Indonesia, Philippines, Malaysia and Thailand whilst Singapore is at 10%. Attention now turns to global easing trends and the strength of the U.S. dollar. Softer economic conditions support policy easing, which could attract bond flows and lift local currencies—though this depends heavily on USD movements, given their impact on returns and EM bond appetite. USD strength can also affect the trade balances of the Philippines. Near term, ASEAN FX may be under pressure from USD strength, but we expect this to fade and the broader trend of structural USD weakness resumes. As such, we view USDASEAN as a sell on rallies.

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Top 3 Currency Plays for Aug

Short USD on Rallies
Short CHF, CAD Against the JPY
Buy AUDNZD

Key Events for the Month Ahead

Date	Event
Aug	Indonesia 2026 State Budget

USD: Triaging Exceptionalism, Divergence and Defensive Demand

USD DXY	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	99.26 (98.99)	98.09 (98.00)	97.13 (97.09)	96.15 (96.15)

Previous Forecasts in Parentheses

Motivation: USD DXY retraced its 2% loss in June and strengthened around 3.1% in Jul. Our USD DXY forecasts revised slightly higher due to revisions to our GBP forecast lower on concerns of tensions between BOE and Treasury, fiscal concerns and tepid growth. During the month, the USD saw some support from resilient economic and labour data and the certainty from the trade deals following the release of the letters from the Trump administration. However, the USD softened from mid-July on concerns of Fed Chair Powell being removed by Trump and issues surrounding the Fed renovations. Since then dollar has strengthened back again following the announcement of a trade deal between US and Eurozone in the last week of July. Our house view of 2 more Fed rate cuts and expected US macro softness on the back of the effects from the higher tariffs is expected to continue to weigh mildly on the USD. We hold the view that kneejerk reactions to trade deals tend to be brief and better global growth prospects vis-à-vis the US would drive USD lower. At the same time, European and UK defense renaissance factors, signs of China's strong signals to use fiscal, credit and monetary policies to support growth, as well the positive developments in terms of possible extension of the US tariff deadlines beyond Aug, will continue to support the euro, GBP, CNY and EM FX vis-à-vis USD.

Fed left its policy target band unchanged at 4.25%-4.50%. The statement accompanying the decision seemed rather dovish at first, noting that growth had moderated in 1H 2025. "Uncertainty about the economic outlook remains elevated" and for the first time since 1993, there were two Governors who dissented against the policy decision – Michelle Bowman and Christopher Waller who voted to lower the target range for the federal funds rate by 25bps. The presser on the other hand, was arguably hawkish with Powell mentioning that most of the committee is supportive of "modestly restrictive policy" at the moment. He mentioned that one can argue that the Fed is looking through goods inflation by not raising rates and the impact of tariff on prices is expected to be one-off and the Fed has the tools to ensure that it does not become inflationary. Fed Fund futures now imply a 40% probability to a rate cut on Sep, down from 60% seen this time yesterday. Futures also imply 36bps cut by the end of the year. Chair Powell's highlighted the softer growth pace in the first half of the year, noted that the labor market remains solid but said multiple times that it faces "downside risks," and said that inflation is most of the way back to 2% and that a "reasonable base case" is that tariffs will have only a one-time impact on the price level. Overall, easing is a possibility still but may not be very pertinent it seems. There will be two more rounds of employment and inflation data still to come before the September meeting. Our economists continue to forecast two more 25bp rate cuts this year sometime in Sep, Oct, and Dec.

Our economists maintain 2025 FFR cut outlook for -50bps cuts to 3.75%-4.00% (-75bps cuts to 3.50%-3.75% previously) and forecast of -50bps cuts for 2026 i.e. revised end-2026 FFR to 3.25%-3.50% from 3.00%-3.25% previously. Fed's latest "dot plot" reiterates median -50bps cuts in 2025, but signal -25bps (vs -50bps) in 2026, followed by another -25bps (unchanged) in 2027, as well as projects long-run FFR of 3.00%. The latest FOMC statement, the post-FOMC press conference and "dot plot" indicate to us the Fed is in no rush to cut FFR.

US real GDP rose 3.0% annualized in 2Q, slightly above consensus. 1H 2025, US GDP growth numbers were influenced by several special factors, including 1) swings in net exports, inventories, and equipment investment as a result of frontloading ahead of tariff increases, 2) election-related distortions to consumption, and 3) federal government spending cuts. Consumer spending increased 1.4% annualized in Q2, in line with expectations. Excluding the drag on consumer spending from lower nonprofit spending in the aftermath of the 2024 presidential election, consumer spending rose about 1.3% on average in H1. Averaging over the first half of 2025, real private domestic final sales rose 1.6% annualized, or about 1.1% excluding the import boost to equipment investment and the election-related drag on consumer spending. Core PCE prices increased by more than expected in Q2. Following today's report, we boosted our June sequential core and headline PCE inflation estimates by 3bp each to 0.28% and 0.31%, corresponding to year-over-year rates of 2.81% and 2.60%, respectively. We will launch Q3 GDP tracking following tomorrow's personal income and spending details. According to the ADP report, private sector employment rose by 104k in July, somewhat above expectations, and employment in June was revised up. We left our forecast for July nonfarm payroll growth unchanged at +100k (vs. +102k consensus) ahead of Friday's release.

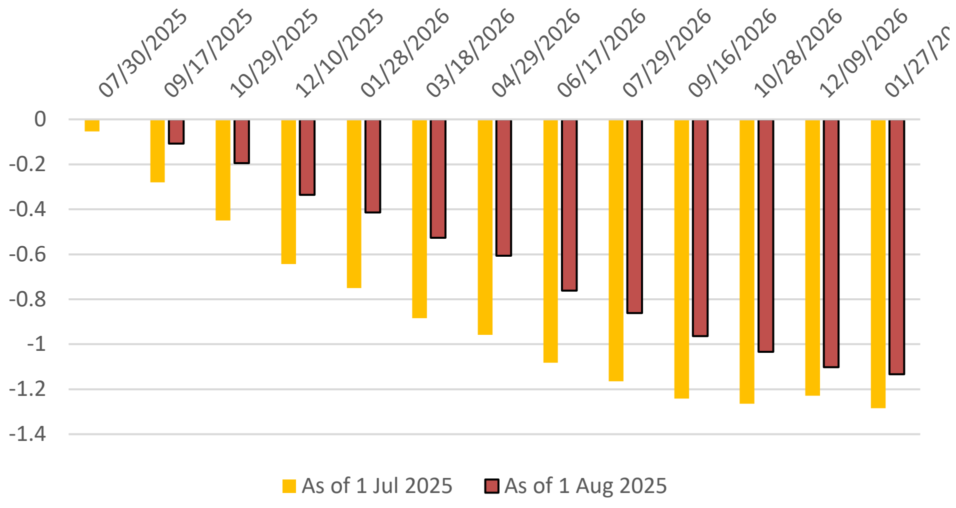
U.S. real GDP expanded at an annualized rate of 3.0% in the second quarter, modestly above consensus expectations. Growth in the first half of 2025 was shaped by several transitory factors: (1) Trade and Investment Dynamics: Volatility in net exports, inventories, and equipment investment, largely driven by frontloading activity ahead of anticipated tariff increases; (2) Election-Related Consumption Distortions: Shifts in consumer behavior associated with the 2024 presidential election cycle; (3) Federal Fiscal Consolidation: Reductions in government spending that exerted downward pressure on overall growth.

Consumer spending rose by 1.4% annualized in 2Q, broadly in line with expectations. Adjusting for the decline in non-profit outlays following the election, average consumer spending growth in 1H was approximately 1.3%. Real private domestic final sales increased by 1.6% annualized in 1H, or roughly 1.1% when excluding the import-related boost to equipment investment and the election-driven drag on consumption. Core PCE inflation exceeded expectations in 2Q. Following the latest data release, June sequential estimates for core and headline PCE were revised upward by 3 basis points to 0.28% and 0.31%, respectively. These revisions correspond to year-over-year rates of 2.81% (core) and 2.60% (headline). The July ADP report indicated private sector employment growth of 104,000, slightly above expectations. June figures were also revised higher.

Although US data shows resilience, we recognize that the current environment is highly uncertain and volatile. There are certainly scenarios where a USD rebound could play out. However, we still maintain, softness in the USD could still be there with eventual Fed easing and growth slowdown and if global investors have truly lost faith in the USD, then it may ultimately be extremely difficult for such faith to be restored. That is not our current baseline. The USD-smile theory could be at play, where the USD finds support in a time of a deep global or US recession, but current base case expectations suggest that this is unlikely and if risks emerge to indicate inflationary pressures have emerged strongly, pivots in the Fed policy could lead to USD support. Going forward, expectations for more monetary easing by the Fed still remains albeit with some trepidation, along with abating geopolitical tensions, have boosted sentiment and may support the USD.

Key Data/Events in Aug 2025: ISM Manuf (1 Aug), Factory Orders, Durable Goods Orders (4 Aug), Jul ISM, Svcs/Comp PMIs (5 Aug), Jun Trade Balance (5 Aug), NFP (1 Aug), Jul CPI (12 Aug), Jul Retail Sales, PPI, Empire Manufacturing, Industrial Production (15 Aug), Jul Housing Starts, P U Mich Indices (19 Aug), FOMC (18 Sep), 2QS GDP (28 Aug), Core PCE Price Index (29 Aug), FOMC Meeting Minutes (21 Aug).

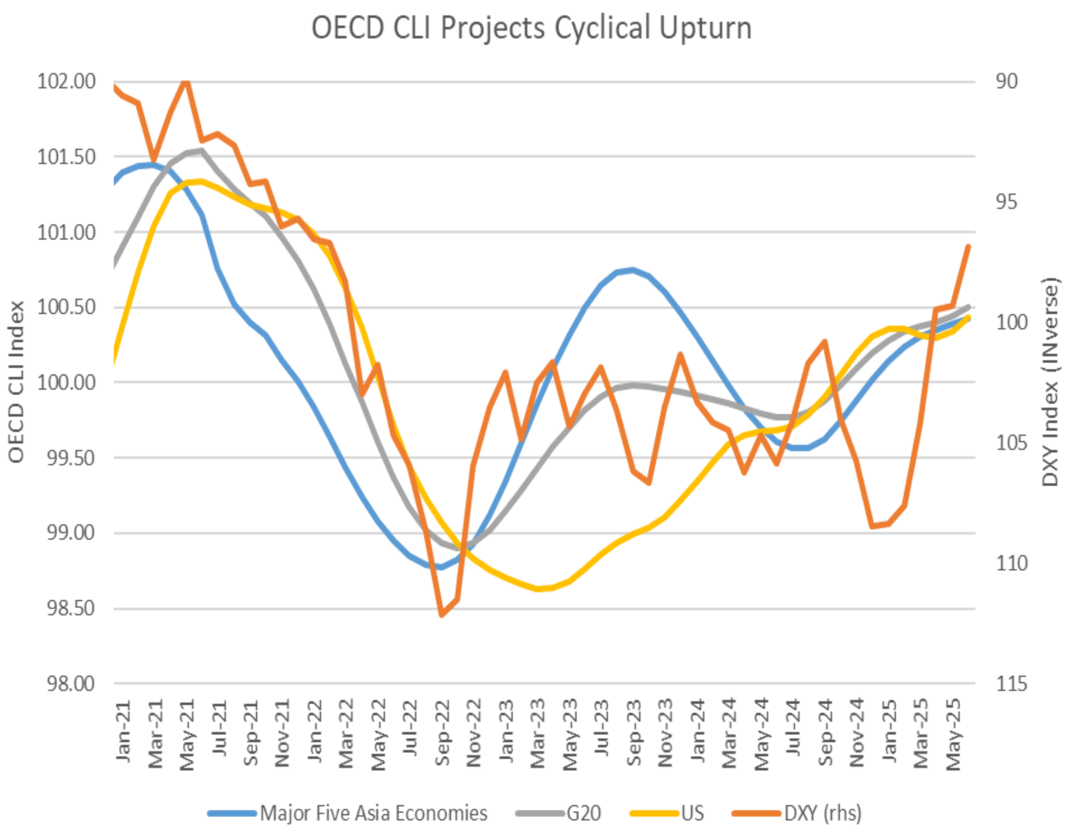
Near-term, Jul FOMC Presser Spurs Hawkish Repricing



Source: Bloomberg, Maybank FX Research & Strategy

Note: Cumulative Implied Policy Rate moves implied from Fed Fund Futures as of 1 Jul and 1 Aug 2025.

Global Growth Recovery Could Bring USD Lower



Note: Major five Asia economies include China, Japan, India, South Korea, Indonesia
Source: OECD Composite Leading Indicators, Maybank FX Research & Strategy

EUR: A Deal Is Agreed

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
EUR/USD	1.1400 (--)	1.1500 (--)	1.1600 (--)	1.1700 (--)

No Change to Previous Forecasts

Motivation: We maintain our EURUSD forecasts amid an expected retracement of the pair closer to our forecasts. We continue to believe that the pair could exhibit volatility, although we could be done with US trade policy and tariffs, especially as the EU-US trade deal was agreed earlier on 27 Jul. Earlier themes of increased defence spending and fiscal expansion continue to be at play. There has been a reversal of EUR strength in Jul amid a resurgent USD. We still see positive factors for the EUR as earlier headwinds such as (1) political uncertainty in Germany and France, (2) tepid growth prospects which are likely to worsen as (3) potential Trump trade policies weigh on exports (especially of cars) abate and are offset by better growth and sentiment. We remain positive on the EUR as a credible alternative to the USD, although some volatility in FX is likely to linger and a rebound in the USD amid a squeeze of overextended USD shorts could be at play.

EURUSD traded in a 1.1401 to 1.1829 range in Jul, broadly higher than the 1.1341 to 1.1753 range in Jun, albeit on a sharp downward trajectory on the last few trading days of the month. The flight to quality narrative and emergence of the EUR as a legitimate alternative to the USD is evident as the correlation between yields and currencies broke down. Bunds rallied and EUR strengthened as USTs sold off and USD weakened. The increased fiscal spending (for defence) narrative continues to be at play which should offset some negative impact from trade. EURUSD was last seen below the 1.15 handle at 1.1450 levels after a relatively sharp decline of more than three big figures from 1.18 levels at the end of Jul. We cautioned for a pullback in our last monthly, which has since materialized and we expect some consolidation around current levels ahead.

We expect no further cuts and for the ECB deposit facility rate to end 2025 at 2.00%. The ECB will not deviate from their data-dependent approach and will continue to reiterate this. As we suggested, ECB dovishness that was priced is now turning into support for the EUR as ECB policymakers signal a possible end to cuts. ECB stood pat on 24 Jul and signalled the need to observe a fluid environment going forward. Lagarde in particular, expressed confidence that the earlier inflationary shock was “behind” the ECB. The fiscal spending narrative could challenge the ECB rate cut outlook although we expect the ECB to remain supportive. A cut is priced on 11 Sep at 10.4% and roughly 13bps of further cuts are priced for the rest of 2025. Market expectations are moving more in line with our house view of no further cuts in 2025. The potential for support from an ECB that has already cut is in line with our annual theme of “Snooze in 2024, Lose in 2025”. In other words, as other central banks still look for further cuts or have yet to cut, there could be some support for the EUR as ECB has already cut.

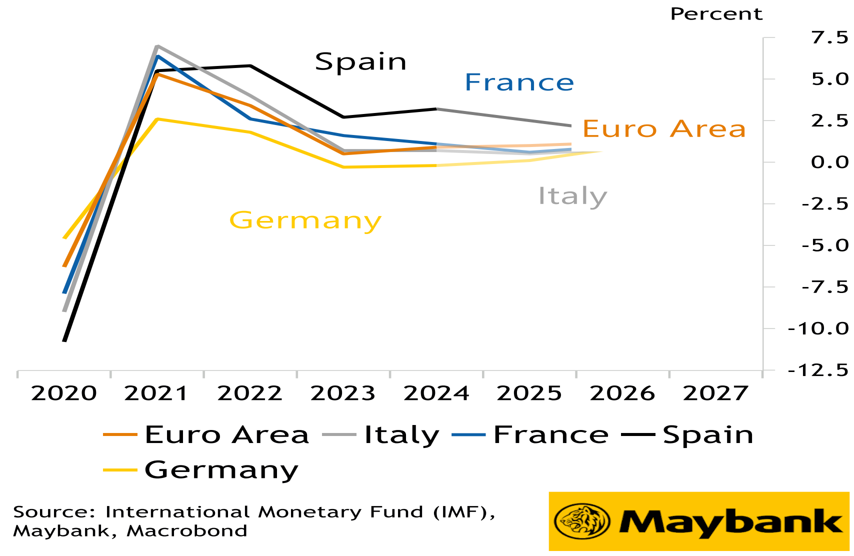
Eurozone growth has been tepid with significant downside risks from potential Trump trade policies and political issues in Germany and France. However, we expect that the fiscal expansion from defence spending narrative should provide some offset for the downside risks and anchor future growth. 2QA GDP estimates showed the Eurozone growth slipped to 1.4% SA YoY (exp: 1.2%; prev: 1.5%) and 0.1% SAS QoQ (exp: 0.0%; prev: 0.6%). Eurozone recession probability is estimated at 30% (prev: 30.0%) and Germany’s is at 40.0% (prev: 50.0%). There are some debates and posturing going on about who is the winner of the EU-US trade deal. The answer is more nuanced than some suggest, but we should consider that a 15% tariff on the Eurozone is a better outcome than the 30% that Trump threatened and earlier numbers that suggested higher tariffs. Over time, should a diversification away from the US towards Europe and the Eurozone happen, a future pick-up to growth could be expected.

The worst has been avoided on political woes in the Eurozone. Moreover, the defence spending plan should provide some improvement to sentiment and the deal with the UK signifies a step closer to the reset of the UK-Eurozone relationship bloc. We suggest that this could provide further tailwinds for the EUR and make it an even more credible alternative to the USD. Nevertheless, we recognize the risks on the fiscal front as France runs budget deficits that have been flagged as contravening the fiscal rules. The broader question on which countries may be able to realistically fund a fiscal expansion could therefore be asked. Spain has flat out refused to meet Trump’s suggested 5% military spend and that could be a dangerous precedent. As a baseline however, Germany as the largest economy and one of the more prudent borrowers, seems to be well-equipped to provide fiscal support.

Risks to our view: An early resolution to the Ukraine war should provide the EUR with a boost although this could then call the defence spending narrative into question. Further escalations in the Ukraine war should weigh on the EUR. US trade policy creates an extremely uncertain and challenging external environment and there is the potential for the EU as a bloc to be singled out by Trump for further tariffs. As such, risks to the downside on this front still exist. Moreover, borrowing challenges and potential rating downgrades could also challenge the outlook for fiscal spending optimism.

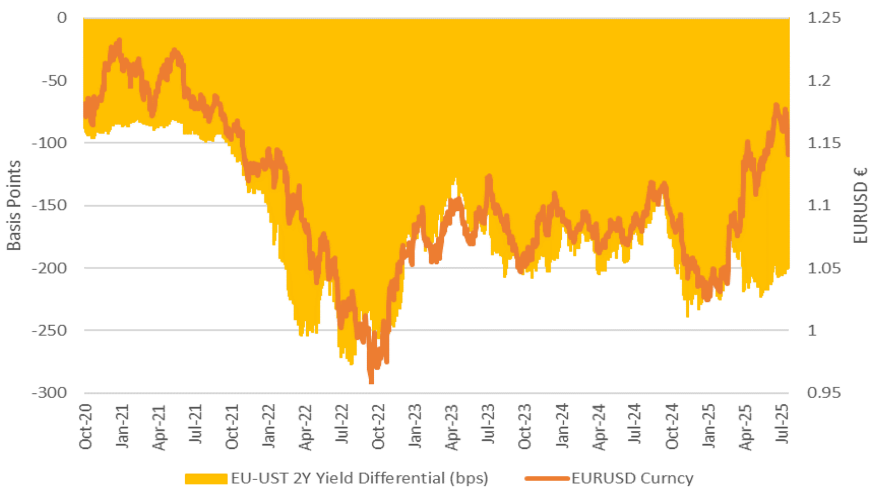
Key data/events: Jul EC Mfg PMI, Jul CPI (1 Aug), Jul Svcs/Comp PMIs, Jun PPI (5 Aug), Jun Retail Sales (6 Aug), ECB Economic Bulletin (7 Aug), Aug ZEW Survey (12 Aug), 2QS GDP, Jun Industrial Production, 2Q Employment (14 Aug), Jun Trade Balance (18 Aug), ECB Current Account (19 Aug), Jul F CPI (20 Aug), Aug P PMIs (21 Aug), Confidence Indices (28 Aug), Jul 1Y/3Y ECB CPI Expectations (29 Aug).

German Growth is Lagging



Source: Macrobond, Maybank FX Research & Strategy

Disconnect Between Yields and EURUSD Widens



Source: Bloomberg, Maybank FX Research & Strategy

GBP: Lingering Risks

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
GBP/USD	1.3400 (1.3550)	1.3500 (1.3600)	1.3600 (1.3650)	1.3700 (--)

Previous Forecasts in Parentheses

Motivation: We lower our GBPUSD forecasts amid an increase in fiscal risks, tepid growth and a tension between the BOE and the Treasury. We earlier highlighted the waning bullishness and a potential for a correction in cable, which has since materialized as the USD made broad gains in Jul. We still think that the earlier deals (US, EU, India) should continue to provide tailwinds for the GBP, and the EU deal in particular we believe is significant as it truly represents a meaningful reset of relations after Brexit and increases cooperation between the UK and the EU. Concerns could be building if UK growth continues to be tepid and the external environment remains highly uncertain and challenging, which could weigh on a high-beta currency like the GBP. In addition, earlier fiscal concerns have reemerged with the U-turn in welfare policy and there have been public disagreements between Chancellor Reeves and BOE Governor Bailey over de-regulation (or being business/growth accommodative) against maintaining regulatory standards.

GBPUSD traded in a 1.3186 to 1.3789 range in Jul versus a 1.3371 to 1.3771 range in Jun. As a high-beta currency, the GBP cannot escape unscathed if sentiment is poor. As the focus of markets shifts away from trade policy, then the earlier resilience of the GBP could also fade. Towards the end of Jul, the resurgence of the USD weighed on the GBP, although there were likely other factors such as heightened fiscal risks and a tension between the Treasury and BOE that could have weighed on the cable. Nevertheless, the increased defence spending narrative and improved relations with the EU should remain supportive of the GBP. While we think that there could be further cable weakness in the short-term, as reflected in our downward revisions, we remain broadly positive on our medium- to long-term outlook on the cable.

We see the BOE cutting by 25bps more in 2025. We think the BOE should cut by 25bp on 7 Aug 2025. This should bring the policy rate to 4.00% which is slightly more hawkish than current market pricing of 3.76%. We think the BOE continues to be more cautious as set out at the 20 Mar meeting where Bailey espoused a "gradual and careful approach" to cutting rates. Inflation prints have come in a tad firmer than expected and show some bumpiness in the disinflation outlook although risks to growth are now balanced with the fiscal spending narrative and deal with the UK. This should enable the BOE be a tad more cautious when setting rates. There is potential risk of more BOE cuts in 2025 that we closely watch. While there was no mention of the expected increases in defence spending, we think that policymakers would have considered the potential implications.

UK growth could perform worse than initially expected in 2025, but growth prospects for years ahead looks promising. Probability of a UK recession is 30.0% (prev: 32.5%) although UK economic data has generally been better than expected. The prospects for a services-oriented economy are also likely better than for goods-oriented economies against a backdrop of tariffs and potential escalation in trade tensions. As a close ally of the US, the UK is also unlikely to be flagged by the Trump administration for further trade measures. Consensus forecasts for real GDP growth are at 1.1% in 2025 and 1.2% in 2026. The Office for Budget Responsibility (OBR) made a downward revision to the growth outlook in 2025 to 1% (prev: 2%). Forecasts for 2026 to 2029 (end of this term of parliament) were revised upwards by 0.1 to 0.3 percentage points each.

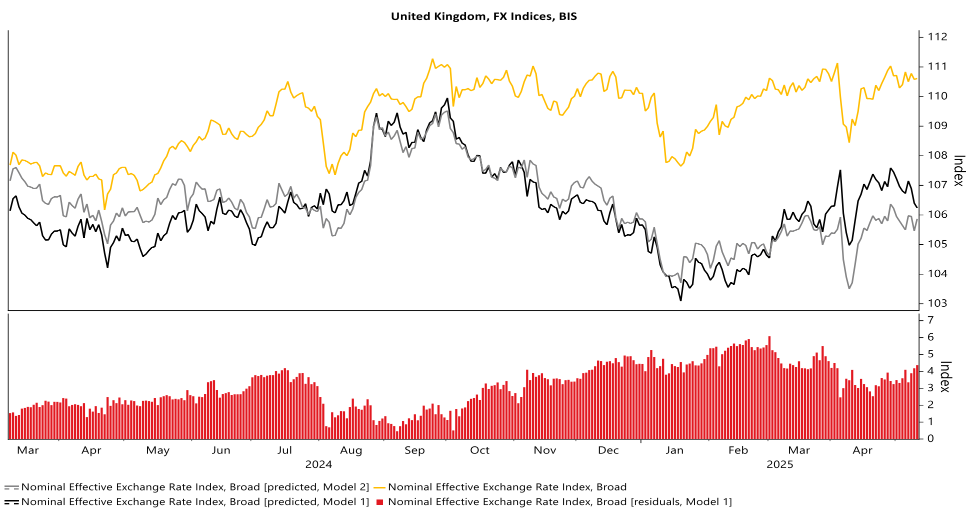
The Starmer government is committed towards fiscal discipline and has improved relations with the EU, which should be positive GBP. However, risks on the fiscal front are emerging over the recent U-turn in welfare policy. UK fiscal deficits are expected to narrow to 4.1% of GDP in 2025 and 3.5% of GDP in 2026. We earlier expected reduced fiscal deficits to be better for the GBP. However, one could question how the increase in defence spending is going to be funded with fiscal tightening. Closer ties to the EU should provide tailwinds for the GBP, however, markets attention seems to be changing focus from trade policy to data and central bank decisions, two fronts on which risks for the GBP could be to the downside.

Risk sentiment improving should result in GBP outperformance, conversely a hit to risk sentiment should weigh on the GBP as a high-beta currency. US trade policies are a major focal point in 2025, and the uncertainty over what and how these policies may be implemented should be worse for the GBP as opposed to safe-havens or other lower beta currencies. However, we also note that there remains room for GBP outperformance to return (recall how GBP was the standout performer for the better part of 2024) should greater clarity on trade policies be supportive of a global growth environment. Conversely, the GBP could also underperform should there be sufficiently large drags to global growth from a more isolationist US.

Risks to our view: GBP remains a high beta currency that is susceptible to changes in the global economic outlook. More specifically, if Trump's policies threaten a soft landing for the global economy and threaten the resilient economic outlook for the UK, that could weigh on the GBP and lead to a return to USD safe haven support. An early end to the Ukraine war should also be GBP positive. Fiscal discipline could also be threatened by domestic politics, although this remains unlikely. Risks to the defence spending narrative could also jeopardize confidence in the UK and the GP (recall Liz Truss).

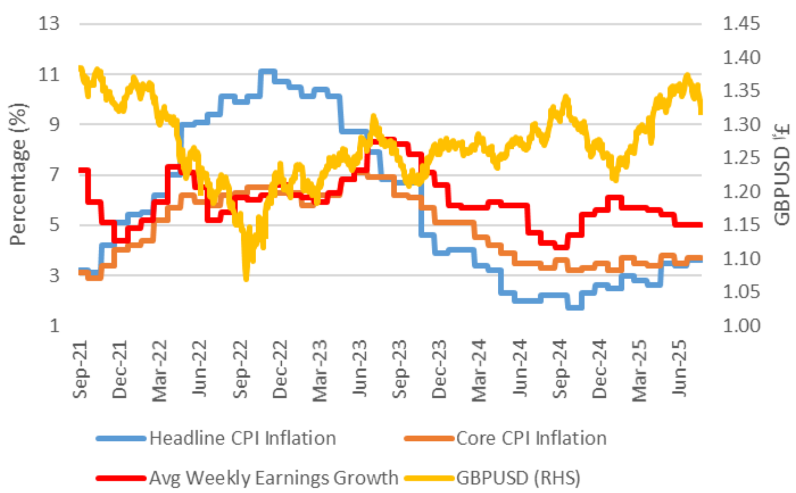
Key data/events: Jul Nationwide House Px, Jul Mfg PMI (1 Aug), Jul Svcs/Comp PMI (5 Aug), Jul Construction PMI (6 Aug), **BOE Policy Decision,** Jul DMP 3M Output Price/1Y CPI Expectations (7 Aug), UK Jobs Report (8 Aug), Jun ILO Unemployment, Jun Average Weekly Earnings, Jul Jobless Claims (12 Aug), 2QP GDP, Jun Industrial/Manufacturing Production, Jun Trade balance (14 Aug), Jul CPI/RPI (20 Aug), Jul Public Finances, Aug P PMIs (21 Aug), Jul Retail Sales (22 Aug).

Room for GBP NEER to Correct



Source: BIS, Macrobond, Maybank FX Research & Strategy

GBP Dips As Inflation and Earnings Stabilize



Source: Bloomberg, Maybank FX Research & Strategy

CHF: The True Safe Haven

USD/CHF	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	0.8250	0.8200	0.8150	0.8100
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our USDCHF forecasts as a resurgent USD moves the pair closer to our forecasts. As a true safe haven, the CHF should remain well supported in times of uncertainty. However, we also recognize that there are intervention risks that linger as inflation in Switzerland are at the lower bound of SNB's target band and this factors into our forecasts. We view EURCHF at 0.92 as a potential intervention trigger for the SNB. We maintain that the SNB has expressed a preference for a weaker CHF and could cut rates into negative territory should deflation become a real threat for Switzerland. The SNB has cut rates to a point where the CHF has become cheaper than the JPY on an overnight basis. However, it maintains its resilience with its strong fundamentals such as its AAA rating, strong net reserves position and gold holdings. In times of heightened volatility such as these, it has also yet to become the funding currency of choice to fund carry trades. Given the divergence between the SNB and BOJ, we expect that it is a matter of time where that pivot is crossed and when it is we would expect significant pressures on CHF and more specifically on the CHFJPY cross.

USDCHF traded in a 0.7872 to 0.8151 range in Jul versus the 0.7930 to 0.8250 range in Jun. USDCHF traded below Jun lows at the start of Jul, but rose broadly through the month and more sharply towards the end of Jul as USD strength resurfaced. CHF remains better supported by its safe-haven allure than other currencies and as such remains resilient on a REER and NEER basis amid a resurgent USD. We could see some further retracement in the pair as the attention of markets turns away from trade policies and towards data and central bank decisions. Nevertheless, we expect the risk of intervention and safe-haven properties of the CHF to remain intact amid highly uncertain and volatile US trade and foreign policy.

In line with our view, the SNB cut rates by 25bps more to bring its policy rate to 0% on 19 Jun 2025. Inflation levels are benign in Switzerland, while growth prospects are tepid. The SNB should continue to remain dovish as the tepid Swiss economy could potentially be threatened by Trump tariffs. SNB President Schlegel has acknowledged that Switzerland would be vulnerable to Trump's tariffs and hinted that the SNB could intervene to control disorderly CHF movement, and we think that this would necessarily place a cap on CHF strength. Schlegel has also added that a move to negative rates would only happen if inflation were to go out of the 0% to 2% target band. Latest Jun Swiss CPI showed that inflation was at 0.1% YoY. The Swiss REERs and NEERs remain at elevated levels, and while EUR and GBP are concomitantly stronger, the risk of a sustained stint below target band is now elevated. Nevertheless, our base case is that the SNB will stand pat at 0% and not move to negative rates at this juncture.

Economic growth in Switzerland is tepid. While probability of a recession is relatively low at 20.0% (prev: 22.5%), growth is expected to print at 1.1% in 2025 and 1.4% in 2026 (prev 2025: 1.1%; prev 2026: 1.4%). 1QF GDP print (sport event adjusted) came in slightly above expectations at 0.8% QoQ (exp: 0.7%; prev: 0.7%). 1Q headline GDP stood at 2.0% YoY (exp: 1.6%; prev: 1.6%). Risks to the growth outlook are to the downside given the uncertainty over Trump's trade policies and the potential impact on demand for luxury goods (watches). The CHF is expected to remain resilient given its safe-haven status, but a strong CHF would also make Swiss exports relatively expensive and unattractive.

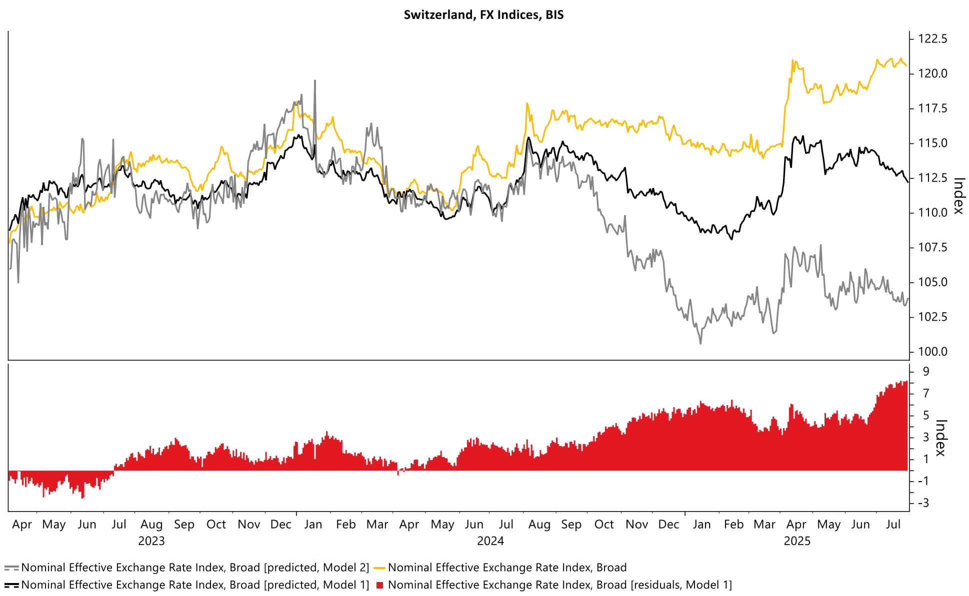
With BOJ expected to hike and SNB expected to ease, we approach a potential pivot where CHF could replace JPY as the funding currency of choice. BOJ overnight rate is now at 0.50% and SNB is at 0.00%. BOJ is also expected to hike further while SNB should stand pat and there are risks of them heading into negative territory. For now, there is market chatter that long GBPCHF carry trades are being funded via the CHF and this could be the start of the phenomenon that we expect. Should the conditions for carry trades be favourable i.e. if volatility turns low, that could weigh heavily on the CHF if it does indeed become the preferred funding currency of choice. Nevertheless, safe-haven flows should keep USDCHF relatively supported and the CHFJPY cross could be more directly affected.

Tariffs levied on Switzerland are higher than initially mooted at 39% (prev: 31%). The US is focusing on the bilateral deficit (US$38.5b in 2024, just out of the top 10 bilateral deficits the US has) and potentially on the exports of luxury goods (watches) and pharmaceuticals to the US. The Swiss have also yet to strike a deal before the 1 Aug deadline that Trump set and were likely levied with a higher than earlier mooted tariff because of that.

Risks to our view: The chance that the BOJ turns dovish and chooses not to hike rates, that could result in CHF's status as the preferred safe-haven currency persisting and a more prolonged period of relative CHF strength. A more rapid escalation of geopolitical tensions that expected could also result in demand for CHF and be more supportive of the CHF that we initially anticipated.

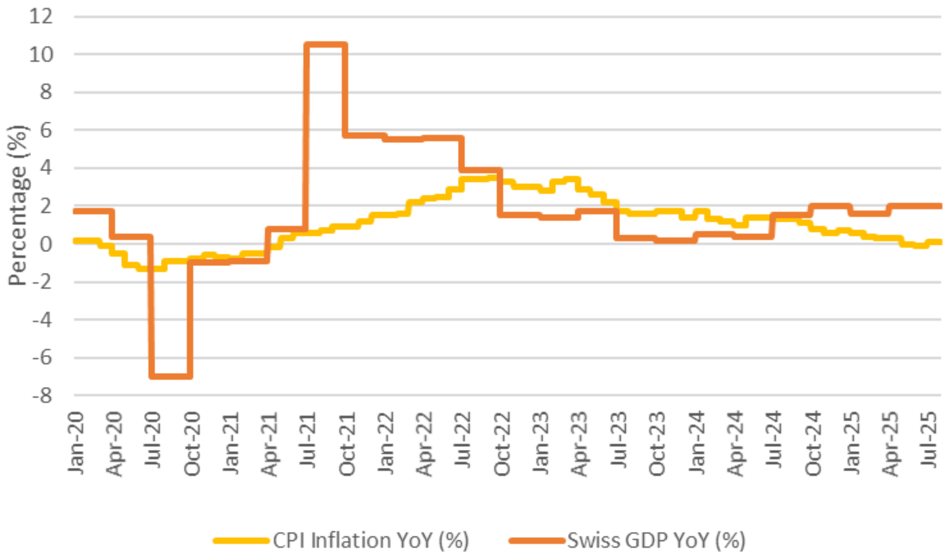
Key data/events: Jul CPI, Jul Mfg/Svcs PMI (4 Aug), Jull Unemployment Rate, Jul FX Reserves (7 Aug), Jul SECO Consumer Confidence (8 Aug), Jul Producer & Import Prices (14 Aug), 2QP GDP (15 Aug), Jul Exports/Imports, Jul Money Supply (21 Aug), Aug UBS Survey Expectationds, 2Q GDP (28 Aug).

Swiss NEER Remains Elevated



Source: BIS, Macrobond, Maybank FX Research & Strategy

Inflation Rises and Edges Above the Zero-Bound



Source: Bloomberg, Maybank FX Research & Strategy

AUD: The Most Seasonally Bearish Months Ahead

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
AUD/USD	0.6400	0.6400	0.6500	0.6600
	(--)	(--)	(--)	(--)

No Change in Forecasts

Motivation: We are heading into the most seasonally bearish months for AUD – Aug and Sep based on how AUD has moved against the USD in the past ten years. AUD had fallen in eight out of ten months since 2015 as well as six out of ten September. This corresponds with the behaviour of the VIX. The metric for equity volatility tends to spike after a lull period that stretches from May – Jun and once again, we are seeing cross-asset volatilities drifting to year lows amid the summer lull. Drivers that would send the AUD lower can come in different forms – including signs of price pressure building in the US that could reduce rate cut expectations and lift the thoroughly punished USD higher. A labour report that suggests a faster deterioration in the labour market conditions at home and spur further dovish bets. A combination of these two factors along with potentially disinflationary pressure US tariff settings are raised from 1 Aug onwards could bring the AUDUSD towards the 0.6300 at some point in Aug.

Medium-Term Positive: Beyond the near-term, we see some chance that the AUDUSD may continue to grind higher. With trade deals being announced, a final rate for 150 countries being determined and some negotiations still underway, we could be coming to a state of tentative closure for Trump's trade conflict from 1 Aug onwards. The business world may move on cautiously from here, adapting to the new normal. The wait-and-see phase triggered by the Liberation Day could be over. We could see some payback after a period of exports front-loading but supply chains will start to adapt. Investment decisions could start to resume cautiously. AUD may continue to remain on a slow grind higher as the worst case scenario is likely behind us and the risk of a more severe global downturn that everyone feared has waned.

Aug Cut – Well Priced In. RBA surprised markets (and ourselves) by keeping cash target rate unchanged at 3.85% (6 in favour, 3 against). This was surprising as RBA had contemplated cutting 50bps in May and a back-to-back cut of another 25bps is also supported by the surprising fall in net employment in May. Bullock said that the decision to hold is largely due to the fact that inflation had not been falling as fast as expected. She also assured that a rate cut is a matter of timing. As such, OIS had fully priced in a rate cut in Aug.

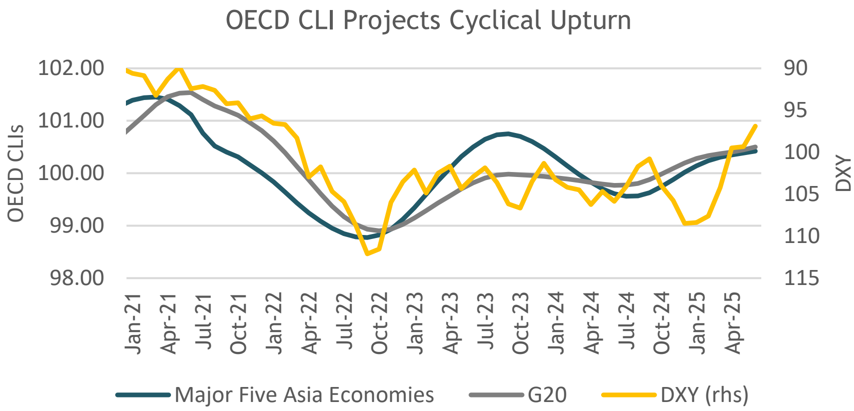
The latest set of data suggests that conditions could be right for a rate cut in Aug. Underlying inflation moderated to 2.7%y/y from previous 2.9%. Headline inflation has also slowed to 2.1% from previous 2.4%. In addition, net employment added in Jun was rather meagre at +2.0k, allowing the jobless rate to jump to 4.3% from prev. 4.0%. We suspect that a rate cut will not do much damage to the AUD. Despite the jump in jobless rate, it is still at a historically low rate. Retail sales had surprised to the upside in Jun along with the improvement in consumer confidence, Jul Mfg, Services PMI. As such, there are still signs that household spending is still holding up and with the worst of the global trade conflict likely behind us, RBA may choose to remain on a data-dependant mode. Australia's REER had been on a slow and gradual creep higher but it is nowhere near 2024 high and as such, unlikely to affect Australia's export competitiveness much. We look for RBA to cut cash target rate by 25bps and to keep a neutral tone on the 12th Aug.

Beyond the Aug meeting, we look for only one more cut to take cash target rate to 3.35% this year. it is likely to happen in Nov and that could bring RBA to the bottom of this easing cycle, barring an unexpected shock to demand. Household consumption had been on the recovery as net incomes rise. Labour market remains remarkably resilient. There is still some uncertainty on how the exports downturn would pan out in the 2H of the year. A more severe one would require RBA to cut more.

Risks to the AUD Forecast: (1) US inflation and concomitant policy trajectory is key for USD direction and a stickier-than-expected US inflation could exert some downward pressure on the AUD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the AUD. (3) Export downturn in the rest of the world would be negative for the AUD.

Key Data/Events: M-I inflation gauge for Jul [4 Aug]; Jun household spending [5 Aug]; Jun trade [7 Aug]; NAB business survey for Jul, **RBA policy decision**, **SOMP** [12 Aug]; Jul labour report [14 Aug]; Westpac consumer confidence for Jul [26 Aug]; Minutes of the Aug policy

OECD CLI Projects Cyclical Upturn That Could Portend Lower DXY



Note: Major five Asia economies include China, Japan, India, South Korea, Indonesia
Source: OECD Composite Leading Indicators (CLI), Maybank FX Research & Strategy

AUD's Most Seasonally Bearish Months Are Here - Aug-Sep

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
10 Yr Avg	-.43	-.85	-.13	-.09	-.46	.57	.01	-.84	-.92	-.54	.71	.71
2025	.48	-.14	.61	2.48	.45	2.33	-1.26					
2024	-3.58	-1.08	.37	-.74	2.78	.26	-1.92	3.41	2.19	-4.79	-1.06	-4.98
2023	3.55	-4.62	-.65	-1.05	-1.69	2.48	.80	-3.47	-.76	-1.52	4.23	3.13
2022	-2.70	2.77	3.02	-5.63	1.64	-3.82	1.19	-2.05	-6.46	-.02	6.08	.37
2021	-.65	.81	-1.40	1.55	.23	-3.05	-2.05	-.38	-1.22	4.03	-5.20	1.91
2020	-4.69	-2.64	-5.89	6.21	2.38	3.54	3.48	3.26	-2.90	-1.87	4.50	4.77
2019	3.18	-2.46	.03	-.68	-1.56	1.18	-2.49	-1.64	.25	2.13	-1.90	3.81
2018	3.15	-3.64	-1.07	-1.94	.50	-2.15	.26	-3.17	.49	-2.09	3.29	-3.52
2017	5.23	.95	-.37	-1.85	-.77	3.49	4.08	-.70	-1.42	-2.27	-1.18	3.21
2016	-2.77	.80	7.23	-.71	-4.85	3.00	1.95	-1.04	1.96	-.72	-2.94	-2.40
2015	-5.05	.59	-2.57	3.92	-3.29	.81	-5.18	-2.67	-1.34	1.71	1.25	.82

-6.46 7.23

Source: Bloomberg, Maybank FX Research & Strategy

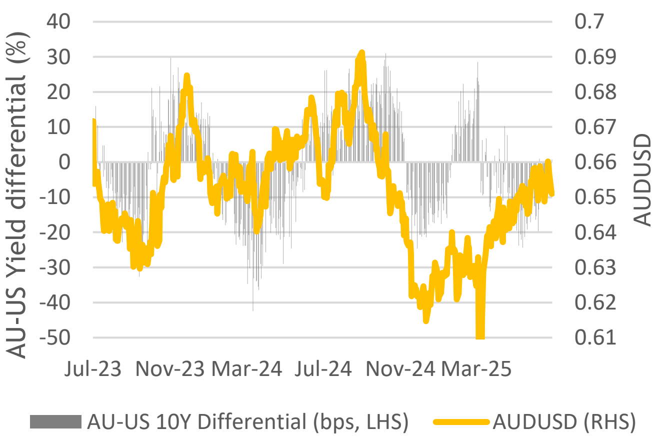
VIX Tends to Spike After the May - Jul Lull

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
9 Yr Avg	12.81	18.24	-9.39	.26	-3.19	-1.21	-4.88	5.01	7.97	14.47	-11.12	6.34
2025	-5.30	19.48	13.50	10.86	-24.82	-9.91	-5.14					
2024	15.26	-6.62	-2.91	20.29	-17.44	-3.72	31.51	-8.31	11.53	38.43	-41.67	28.42
2023	-10.48	6.70	-9.66	-15.61	13.69	-24.25	.29	-.44	29.11	3.54	-28.78	-3.64
2022	44.19	21.43	-31.81	62.45	-21.59	9.62	-25.71	21.28	22.23	-18.15	-20.48	5.30
2021	45.45	-15.53	-30.59	-4.07	-9.94	-5.55	15.22	-9.65	40.41	-29.73	67.22	-36.67
2020	36.72	112.90	33.48	-36.22	-19.44	10.61	-19.62	7.97	-.15	44.18	-45.90	10.60
2019	-34.82	-10.80	-7.24	-4.30	42.61	-19.40	6.90	17.74	-14.44	-18.60	-4.54	9.19
2018	22.64	46.60	.60	-20.23	-3.14	4.28	-20.26	.23	-5.75	75.17	-14.88	40.68
2017	-14.60	7.76	-4.26	-12.53	-3.79	7.40	-8.23	3.22	-10.20	7.05	10.81	-2.13
2016	10.93	1.73	-32.12	12.54	-9.62	10.15	-24.06	13.06	-.97	28.37	-21.86	5.33

9 Year Trailing Average

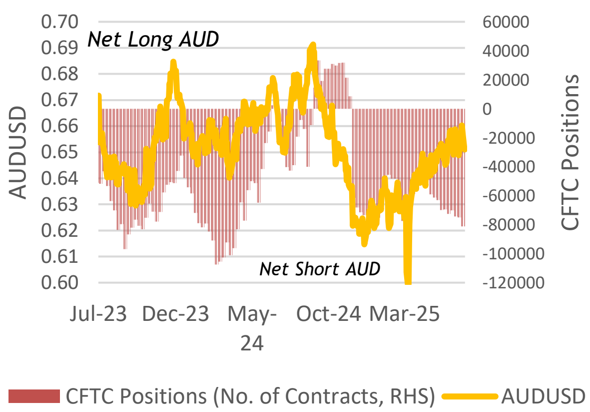
-45.90 112.90

With RBA likely To Cut, AUD may not get much Interim Support from AU-US Yield Differential



Source: Bloomberg, Maybank FX Research & Strategy

Net Short AUD Positions Are Increasingly Stretched



NZD: Bearish Risks

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
NZD/USD	0.6000 (--)	0.6100 (--)	0.6100 (--)	0.6200 (--)

No Change to Previous Forecasts

Motivation: We could be in for a month of more turbulence compared to Jun and NZD should come under pressure as the USD stages a rebound. Monetary policy wise, the RBNZ may have found it hard to ease as dairy products (especially butter) continue to drive the higher cost in food prices. However, that could be the only hurdle before a cut. RBNZ Chief Economist Conway has recently committed to cutting rates further if the outlook for price pressures continue to soften as expected as US tariffs are expected to weaken economic growth and inflation. We look for RBNZ to cut rates on 20 Aug, barring another pick-up in food prices and that would take the OCR to 3.00%. OIS priced in a 84% probability of a rate cut and a total of 43bps cut by next Feb, over the next four meetings.

Dairy demand remains supportive but outlook softens. According to the Federated Farmers survey, fewer farmers see improving economic conditions for the next 12 months even though sentiments about the current conditions are kept sanguine by falling borrowing costs, stronger commodity prices for dairy and meat. A net 6% see improving conditions for 1 year ahead, down from 23% in Jan. That said, optimism over current business conditions are at eight year high. There are also some signs that the strong demand for cheese and coffee that could also be boosting dairy demand this year. Dairy auction prices have remained elevated as well, keeping the NZD supported via its terms of trade but gains seem to have stalled. We continue to monitor this source of support for the NZD.

Inflation is the hurdle for RBNZ to Cut. The strong dairy demand and prices have also in turn, resulted in stronger food prices at home. Food prices accelerated to 1.2%m/m from 0.5%. The CPI inflation picked up pace to 2.7%y/y in 2Q from previous 2.5%. On a quarterly basis, CPI eased to 0.5% from previous 0.9%. Both tradeable and non-tradeable inflation eased to 0.3% and 0.7% from +0.8% and +1.1% respectively. RBNZ noted that this year-on-year pick up in inflation was in line with expectations, thus hinting that a rate cut is also near.

Data suggests that the recovery remains weak – business confidence, activity outlook improved but were still in contraction. Mfg PMI for Jun rose but still in contraction as well. ANZ commodity price for Jun actually fell -2.3%, dragged by export prices of meat, skins and wool, horticultural and forestry.

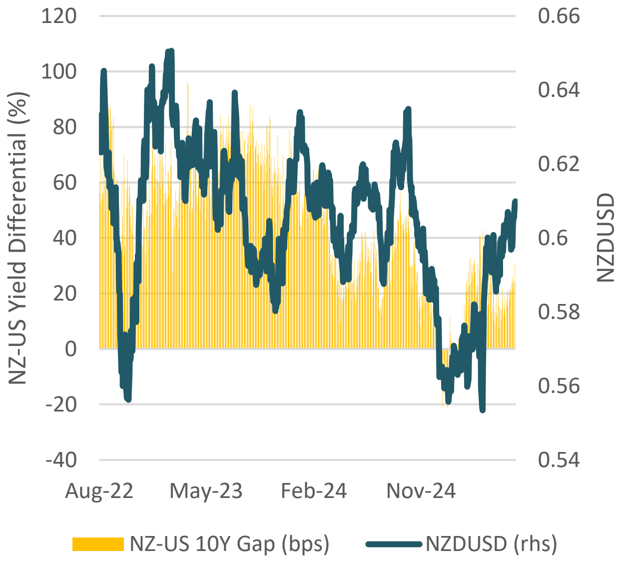
Trade. 12m rolling trade deficit widened to -NZ$4.4bn in Jun from prev. -NZ$3.9bn Export fell -8.8%y/y, underscoring weakening external demand, notwithstanding the strong trend in dairy demand. With US tariffs adjusted higher, external demand is at risk of weakening further.

RBA-RBNZ Policy Divergence To Play Out via AUDNZD gains near-term. For Aug, we expect RBNZ to cut OCR to 3.00% as growth recovery seems weak thus far even after the OCR was cut 225bps. With growth recovery still lacking momentum, inflation potentially easing (watch food prices), there is a good chance for RBNZ to cut the OCR to 3.00% in Aug and another 25bps by the end of the year.

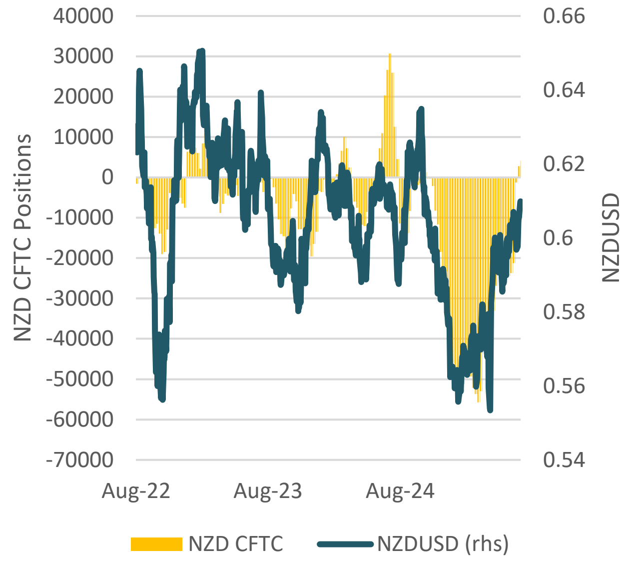
Risks: 1) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a sharper than expected global recession is negative for the NZD via the sentiment as well as the trade channel; 2) Stronger price pressure in the US that can bring the NZDUSD lower in the near term; 3) The NZ economy still looks a tad fragile and any downgrade to growth outlook will be negative for the NZD and warrant more aggressive rate cuts by the RBNZ.

Key Data: Cotality Jul Home value (5 Aug), labour report for 2Q [6 Aug]; 2Y inflation expectation [3Q]; Jul card spending retail [13 Aug]; Jul BusinessNZ mfg PMI, Jun net migration [15 Aug]; Jul performance services [18 Aug]; RBNZ policy decision [20 Aug]; jul trade [21 aug]; 2Q Retail sales [25 Aug]; ANZ business confidence for Aug [28 Aug]; Aug ANZ consumer confidence [29 Aug].

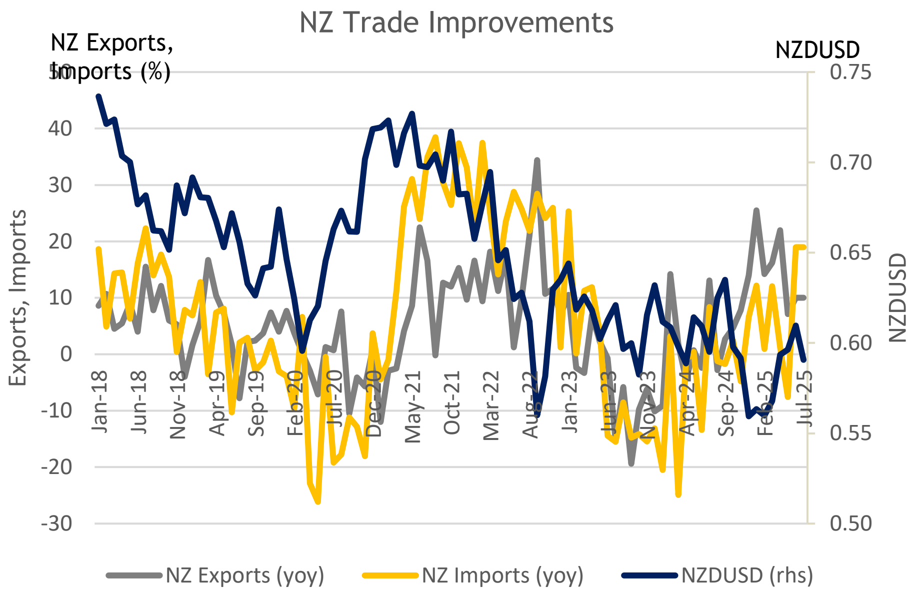
NZ-US Yield Differential Lift the NZDUSD



Net Short NZD Positions Are Correcting, +NZD



Signs of Trade Stabilization Lent Some Support to NZD



Source: Bloomberg, Maybank FX Research & Strategy

CAD: Deal Out of Reach For Now, Sep Rate Cut Underpriced

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
USD/CAD	1.39	1.35	1.34	1.34
	(1.37)	(--)	(--)	(--)

Previous Forecasts in Parenthesis

Motivation: USDCAD rebounded in the last week of Jul, buoyed by a slew of factors – higher anti-dumping duty on softwood lumber imposed by the US, the Fed-BoC divergence in the favour of the USD as well as the confirmation by the White House of its 35% reciprocal tariff on Canada ahead of the 1 Aug deadline. That said, the USMCA exemption still applies. As such, the USDCAD did not get much boost from the final tariff rate. While there was quite a bit of disappointment expressed by the Canadian officials, PM Carney pledged that negotiations will continue. Points of contention include the flow of fentanyl into the US, and Canada's recognition of the Palestinian state. Conservative leader Pierre Poilievre insisted that the Prime Minister should accept nothing short of "zero tariffs on steel, aluminium, softwood, autos, energy, agriculture and everything else". **The imposition of the tariff rate that will take effect on 7 Aug could mean that any further negotiations would be prolonged and Canada's exports could continue to remained crimped by the tariffs.**

Sectoral Tariffs. Earlier this week, US raised its anti-dumping duty on softwood lumber on Canada to 20.56%. Taken together with the countervailing duty, the total tariff on lumber is taken to be almost 35%, doubling the existing rate of 14.54%.

Earlier this year, PM Carney had committed Canada to take military spending to 5% of GDP by 2035. That will require an additional $50-$90bn a year, depending on how much the economy grows. As such, along with plans for infrastructure spending and likely drop in the revenue from slower economic growth, the Department of Finance released an updated debt management strategy – planning to raise gross issuance of Canadian government bonds, treasury bills to C$612bn this fiscal year. This would exceed the previous record set during the pandemic (FY2020-21). This was taken to be a confirmation of the guidance given in Apr.

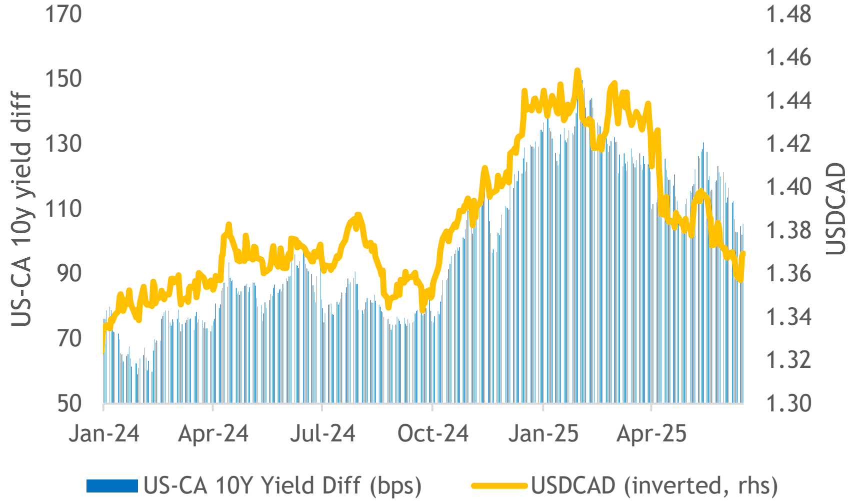
Business sentiment is arguably cautious. The CFIB small business barometer index was higher at 50.9 for Jul vs. 47.5 in Jun. Average change in wages or price plans seem to have soften to 2.7% and 2.1% from 2.9% and 2.2% respectively. That said, we noticed that hiring intentions seem to become more cautious with intentions to increase staffing falling to 11.9 from previous 15.3 while the intention to decrease staffing rose. With no trade deal in sight, somewhat balanced survey could tilt towards more pessimism. Separately, BoC business outlook for survey also showed some deterioration. This was likely due to the fact that there was little news of a deal and speculation of a no-deal seems to be confirmed as we write.

Meanwhile, core CPI hovered around 3.0-3.1%y/y while headline CPI printed a tad higher at 1.9% vs. previous 1.7%. That is why expectation for a rate cut in Sep remains rather low. Meanwhile, hiring seems strong with unemployment rate at 6.9% vs. previous 7.0%. Canada added a net 83.1K in Jun with hourly wage rate slightly softer at 3.2%. However, BoC wants to focus more on the jobless rate which remains on the uptrend, notwithstanding the recent pullback. **BoC Could Take Policy rate 25bps lower from 2.75**% to 2.50% in Sep as Canada has shown no signs of retaliating (which could mitigate inflation risks) and BoC is already expecting inflation to unwind further. This rate cut would be necessary to support business sentiments, investment, growth and employment. Markets are not pricing in this possibility and we see potential CAD weakness coming out of the event.

Risks Ahead: (1) US inflation and concomitant policy trajectory is key for USD direction and any re-accelerations to boost USD against the CAD. (2) Any unexpected headwinds for major economies (China, US, Eurozone) that cause a global recession is negative for the CAD. (3) Focus on the economic and security deal that is in the making between Carney and Trump. 4) Inflation pressures should be monitored.

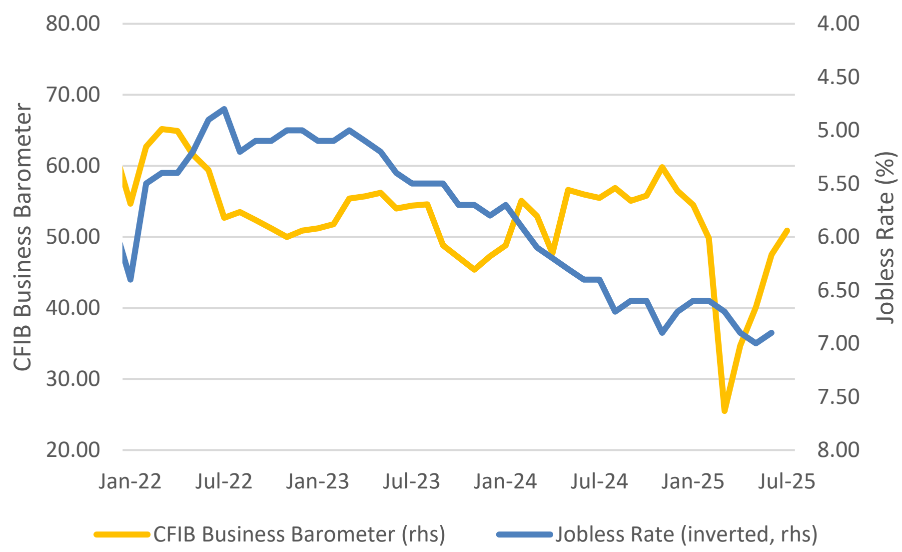
Key Data/Events: S&P Services for Jul F [6 Aug]; Jul labour report [8 Aug]; Jun building permits [12 Aug]; Jul CPI [19 Aug]; CFIB Aug business barometer [21 Aug]; Jun retail sales [22 Aug]; 2Q current account [28 Aug]; Jun GDP [29 Aug].

A US-CA 10y Yield Divergence Could Bring USDCAD Higher



Source: Bloomberg, Maybank FX Research & Strategy

CFIB Small Business Barometer Has been Improving While Jobless Creeps Up



Source: Bloomberg, Maybank FX Research & Strategy

JPY: Political Uncertainty, BOJ Dovishness to Weigh Near Term

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
USD/JPY	142.00 (--)	140.00 (--)	138.00 (--)	135.00 (--)

No Change to Previous Forecasts

Motivation: Despite recent JPY weakness, we continue to stick to our forecasts expecting the currency to end the year stronger albeit only seeing a measured level of appreciation. Recent JPY weakness that has been caused by concerns about the political, fiscal situation and uncertainty about the BOJ's hiking path we believe represents more of an interim challenge to the currency. The BOJ is still on a normalization path of which hikes should eventually come - likely in 25bps in Jan 2026 and Jul 2026. Both the US and Japan have also struck a trade deal – setting tariffs for most goods at 15%, which lead to more certainty for the economy and backs BOJ hikes. The political and fiscal concerns may hold for awhile but clarity on that front would emerge in time and whilst the government may have to provide more support to people, we are still inclined to believe that the fiscal position should stay manageable (as long as LDP – Komeito stays in office). We have also not deviated too from our expectation of a weaker dollar trend and two Fed cuts in 2H 2025, which supports the USDJPY lower. Risks for the JPY though remain including uncertainty that the trade deal can somewhat slowdown the pace of wage increases (unclear how much tariff cost companies can absorb). Sustained oil price increases are another concern given Japan's position as a net oil importer. We are also wary of the political situation deteriorating more than our expectation.

BOJ held rates at 0.50% in the Jul meeting but the central bank's stance still appears to lean somewhat dovish, with no clear sign of a hike coming soon. The interesting thing about the Jul BOJ meeting was that the outlook report looks more hawkish as the language describing global uncertainty was actually toned down – saying it is "highly uncertain" instead of "extremely uncertain". The central bank also sees that risks to prices are balanced (compared to seeing it skewed to the downside previously). Furthermore, the forecasts were adjusted upwards with the median CPI estimates for 2025 being significantly raised higher (median core CPI from 2.2% to 2.7% whilst the median core core number increased from 2.3% to 2.8%). The median core CPI number for 2026 and 2027 and the median core core CPI number for 2026 were also slightly higher. The 2025 median GDP forecast was also just marginally higher at 0.6% compared to 0.5%.

However, at the press conference, Governor Ueda seemed to be expressing a more dovish tilt as he gave no hints on the timing of the next rate hike. Instead, he said that they still needed to carefully check the impact of trade policy without even indicating the time length needed. Crucially, he mentioned that he did not actually see there is a high risk of falling "behind the curve", making the central bank appear like it would still exercise quite some patience in making its next move. He added that the revised FY25 CPI forecast would not impact the policy. Whilst the Governor may have asserted central bank's independence, the rather conflicting nature of the BOJ's communication also does make us wonder if the political uncertainty may be keeping the BOJ at bay. PM Ishiba's future is uncertain as he faces pressure to resign as risks of increased fiscal expenditure remains on the horizon. Given the circumstances, we continue to believe that the central bank may only make its next 25bps hike much further down the road in Jan 2026 with another move of the same magnitude again in Jul 2026. By then, there should be more clarity regarding both the domestic and foreign situation. Expect bonds to be supported but the rates situation is a negative for the currency.

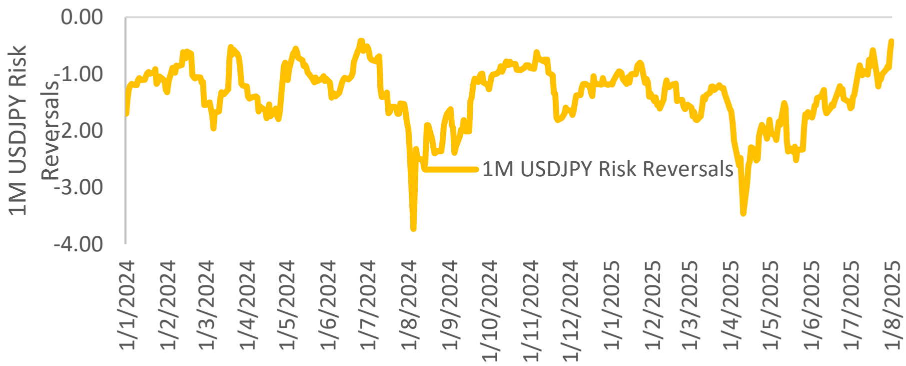
Japan has struck a trade deal with the US whereby tariffs would be set at 15% (much lower than the threatened 25%) whilst Japan has agreed to import more US rice and invest US$550bn into the US. Interestingly, auto exports would also be facing 15% tariffs instead of the 25% levels that the Trump administration had talked about would be separate. The Japanese side has also claimed that other sectorial tariffs such as pharmaceuticals and chips would only be facing the 15% tariff. The 50% tariff on steel and aluminium though would still continue. A FDI fund would be directing the US$550bn pledged investment into the US although details are still scant. The Japanese government is saying that only 1-2% of that amount would be deployed as investment whilst the rest would be disbursed as loans. Profits of the investment would be split between the US and Japan at a ratio of 90-10. The trade deal for now does lead to some relief for sentiment towards Japanese assets given it provides some level of certainty for investors. However, we are wary about the eventual impact that the trade deal can have on the Japanese economy given that it is unclear the extent to which Japanese firms would have to absorb the tariffs costs, which in turn can risk slowing down wage increases.

The LDP - Komeito failed to retain its majority in the upper house election, winning 47 seats, short of the three needed, making both Ishiba's future and the fiscal situation uncertain. Going into the elections, markets somewhat were expecting a worse outcome than the actual result and there was some relief post the election. The JPY appreciated following the election after having been on the decline just before it. Since then, the political situation looks to be weighing on the JPY as Ishiba faces pressure to resign although he has denied would do so. The accompanying fiscal concerns is weighing on both the currency and the bonds given the possibility that the government could look to engage in partial or temporary consumption tax cuts, etc. We expect that this pressure on the JPY could hold in the coming future.

Risks Ahead: Downside risks include any major sustained rebound in the USD or the BOJ reversing its normalization direction entirely. Upside risk for the JPY meanwhile would be a deep US and global recession that would support more safe haven demand for the currency or the BOJ accelerating the pace of hikes.

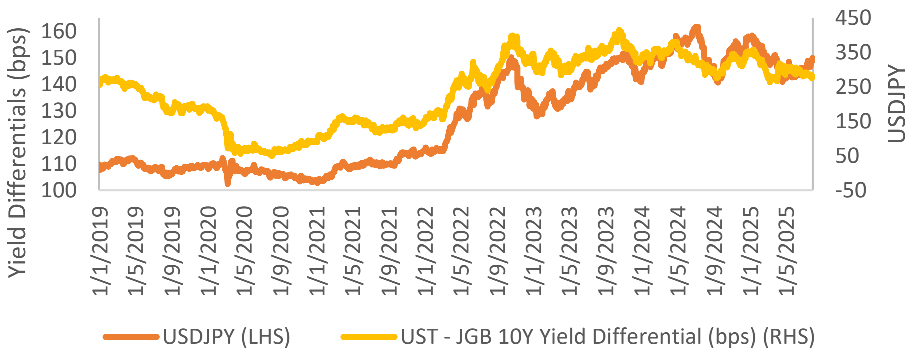
Key Data/Events: Jun jobless rate and job-to-applicant ratio (1 Aug), Jun cash earnings (6 Aug), Jun P coincident/leading index (7 Aug), Jun household spending (8 Aug), Jun BoP CA/trade balance (8 Aug), Jul bank lending (8 Aug), Jul Eco Watchers survey (8 Aug), Jul M2/M3 (12 Aug), Jul P machine tool orders (13 Aug), Jul PPI (13 Aug), 2Q P GDP (15 Aug), Jun capacity utilization/tertiary industry index (15 Aug), Jul nationwide/Tokyo dept sales (18 – 22 Aug), Jul trade data (20 Aug), Jun core machine orders (20 Aug), Aug P S&P Global PMIs (21 Aug), Jul CPI (22 Aug), Jul PPI services (26 Aug), Jul jobless rate and job-to-applicant ratio (29 Aug), Aug Tokyo CPI (29 Aug), Jul P IP (29 Aug), Jul retail sales (29 Aug), Jul dept store/supermarket sales (29 Aug), Jul housing starts (29 Aug) and Aug consumer confidence index (29 Aug).

Risk Reversals Shows Increasing Bullish Option Bets on USDJPY



Source: Bloomberg, Maybank FX Research & Strategy

Yield Differential Diverge From Currency Pair But Near Term Risk That the Differential Can Climb, Closing the Gap



Source: Bloomberg, Maybank FX Research & Strategy

RMB: An Anchor for the Region as a Low Vol Currency

USD/CNY	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	7.20	7.18	7.15	7.15
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: The USDCNH was unremarkable for much of Jul until a resurgence of the USD strength lifted this pair towards the 7.20-figure in the last week of Jul. USDCNY fixes have been keeping the CNY stable. As we have mentioned, the USDCNY and USDCNH have been driven mostly by broader market forces but the pace at which they move remains controlled by the PBoC. In addition, we believe China relishes the ability to be the anchor for regional stability, providing a contrast to the White House which is perceived to be a source of volatility with its unpredictable trade policies. Along with the hawkish repricing and resilient economic data in the US, the USDCNH has a near-term possibility of moving higher towards 7.25 before easing towards 7.15 in the next four quarters. In such an environment, we are also expecting the CNY to strengthen on a basket basis as USD rises and to weaken on a trade-weighted basis as USD resumes its decline by the end of the year.

There is a delicate balance that yuan stability is achieving - an environment that is positive for foreign investors, predictable for importers/exporters and it provides little room for yuan speculation. We are still holding a bearish view on the USD in the medium term – as the US economy eventually slows, Fed cuts and the fact that the rest of the world may potentially outperform current pessimistic expectations.

The ratio of FX settlement by bank customers to foreign-related FX receipts fell 0.6ppt to 60.9% from a month ago according to SAFE. The conversion rate of FX receipts back to yuan seems to have fallen as the USDCNY showed a tad more stability in Jun. That said, the proportion was still higher than the 54.4% seen in Feb. Meanwhile, FX sales ratio was stable in Jun at 62%, still well below the 75% seen in Jan. Clients are still buying 62% of foreign exchange as a proportion of total payment. The demand for foreign exchange seems to be stable as expectations for the USD remains a benign one.

Addressing Involution and Deflation - For many quarters, there have been talks about this concept of excessive competition that has become an unhealthy dynamic for industries. More recently, the Politburo had urged to tighten oversight in competitive manufacturing sectors such as the EVs and solar power. Details were lacking. The State Administration for Market Regulation held a meeting (27-29 Jul) and pledged that it would “regulate enterprises’ low quality, cut-price competition in accordance with laws and regulations” (SCMP). Earlier in mid-Jul, Xi had spoken at a meeting about urban development and questioned whether all provinces have to develop industries in AI, computing power and new energy vehicles. This involution is exacerbating the deflationary pressure at home. PPI fell a steeper -3.6%y/y vs. previous -3.3%.

Demand Outlook remains Subdued. CPI headline rose +0.1%y/y in Jun, declines in goods prices narrowed for the fourth consecutive month. Core inflation was at a healthier +0.7% with fuel cost picking pace at +0.3%m/m but food inflation was dragged by the drop in pork prices. Outlook remains a tad subdued for demand with export frontloading potentially facing payback and there are signs that the effects of the government trade-in subsidies that supported consumption in the 1H of the year could be waning. Deflation remains a significant drag that could undermine investment, consumption at home. **Eyes are on the upcoming batch of fresh graduates that could add to the youth unemployment rate, currently at 14.50%.**

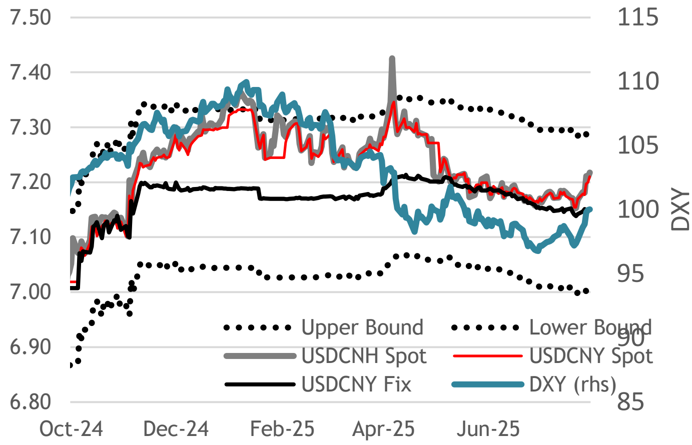
Further capital account liberalisation could probably accelerate "yuan internationalization" but that would require surrendering some control over its currency. China's tolerance for yuan volatility in recent years had been rather low. The countercyclical adjustment factor was significant in times of USD strength in recent years and PBoC seems to prefer to have yuan be an anchor for regional currencies (or even the world) in times of market uncertainty rather than another source of volatility. The central bank had certainly demonstrated finesse in keeping the yuan stable and that in turn provided positive spill-overs for the region.

Monetary Policy is Likely to Have Little Effect. There is little need for monetary policy as monetary policy alone is unable to boost consumer and business confidence. There is little PBoC can do when the trade war is the key drag on the economy. PBoC and CSRC announced a 50bps RRR cut, 10bps to 7-day reverse repo along with other measures to support consumption and stock markets. PBoC CGB 10y yield may not have a lot more room to fall.

USDCNY and USDCNH is still driven by yield differential and further decline in the UST 10y yield should bring both pairing lower.

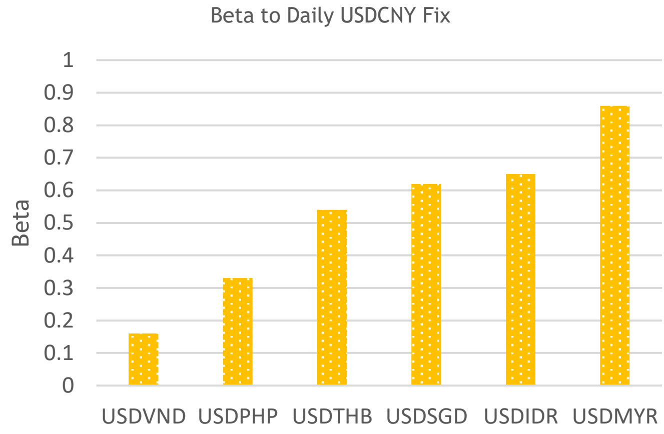
Key Data/Events: S&P Jul Services PMI [1 Aug]; Jul foreign reserves, trade [7 Aug]; 2Q prelim. Current account balance [8 Aug]; Jul CPI, PPI [9 Aug]; Jul credit data [9-15 Aug]; Jul home prices, activity data, property data [15 Aug]; 1Y, 5Y LPR [20 Aug]; Jul industrial profits [27 Aug], NBS Aug mfg, non-mfg PMI [Aug].

USDCNY is Back on the Uptrend, Led by the DXY



Source: Bloomberg, Maybank FX Research & Strategy

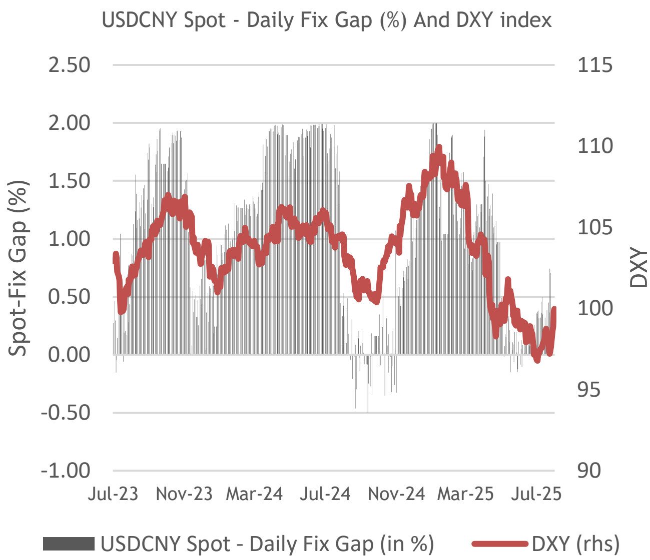
PBoC Ensures That CNY Remains the Regional Anchor



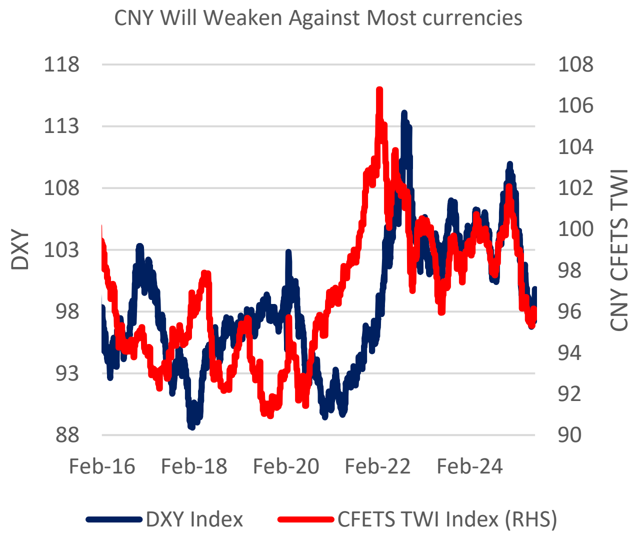
Note: Simple regression conducted on sample of weekly data from Jul 2010-2015.

Source: Bloomberg, Maybank FX Research & Strategy

PBoC is Back to Support the CNY as DXY show Signs of Turning Higher



CNY TWI Has Fallen Alongside the DXY, Finding some Support



Source: Bloomberg, Maybank FX Research & Strategy

KRW: High Beta Woes

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
USD/KRW	1390 (--)	1370 (--)	1360 (--)	1350 (--)

No Change to Previous Forecasts

Motivation: We maintain our USDKRW forecasts on the basis that the KRW can continue to strengthen against the USD, near-term resurgence in the USD notwithstanding. We hold the longer-term view that the USD is likely to broadly weaken on the back of fading US exceptionalism. The resurgence of the USD and the fact that the KRW is a high-beta currency seem to have contributed to recent near-term underperformance in the KRW. A 15% tariff has been levied on South Korea, although there could be some uncertainties with the South Korean administration citing that no agreement has been signed.

USDKRW NDF traded in a 1345.95 to 1395.21 range in Jul, higher than the 1344.65 to 1388.52 range in Jun. The broad resurgence of the USD drove the pair higher towards the end of Jul, in line with Asian currencies and the broader trend. Pair has been rather volatile given the fluctuations in risk sentiment, which we believe is likely to continue moving forward.

We expect the BOK to cut rates by 50bps more in 2025 with the policy rate ending at 2.00%. BOK held steady on 10 Jul at 2.50%, largely in line with expectations. We see a further 50bps of rate cuts by the BOK in 2025 and this is more dovish than the approximately 15bps of cuts implied by market pricing and 35bps of rate cuts forecast by economists. We think that the BOK should continue to pivot towards growth support as inflation eases, although should concerns over KRW weakness arise then they could be more hawkish to be supportive. This remains in line with other central banks pivoting to become more growth supportive as the disinflationary trend gathers steam.

Growth could be hindered by a challenging and uncertain external environment in 2025. Consensus forecasts see 2025 growth moderating to 1.0% (prev: 0.9%; 2024: 2.1%) in real terms, with a 15.0% (prev: 15.0%) probability of a recession. Korea is potentially vulnerable to further US trade measures on semiconductors and pharmaceuticals. Trump has already signalled potential measures on Taiwan for "stealing" US chip business and Korea could also similarly be flagged. Moreover, Korea has a trade surplus with the US and that could be a reason for further trade measures being applied. However, the flip side is that Korea could be viewed as a US strategic ally and be spared from Trump's ire which should support the KRW, which seems to be the case with the reported 15% tariff.

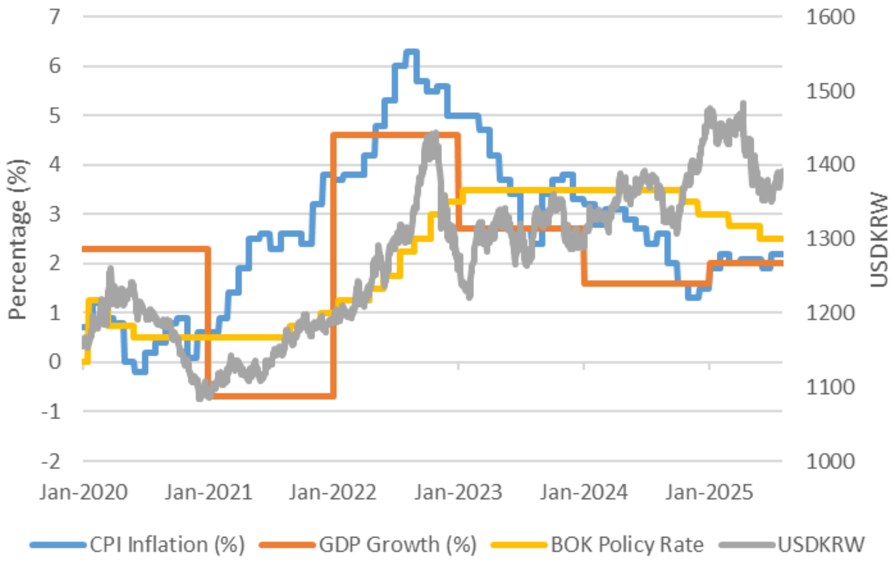
As we expected, political issues have largely resolved after the election. The Presidency has been won by front runner Lee Jae Myung who has set priorities to revitalize the economy, contain a potential debt issue and appropriately addressing the risks of US trade policy on the export-oriented Korean economy. Thus far a second supplementary budget of KRW30.5t to provide support for the Korean economy has been announced, dwarfing the first supplementary budget of 12.2t (introduced in Apr. The new budget includes measures to boost consumption and investment, support SMEs and vulnerable groups and to offset a shortfall in tax revenues.

While the external environment in 2025 remains uncertain and challenging, structural inflows to Korea bonds should continue. Korea was included into major government bond indices and structural inflows are expected to continue into 2025. This should provide some support for the KRW at the margin. The push to diversify away from the USD and USD denominated bonds could also be beneficial for the KRW denominated assets should it continue. We note that the value proposition of Korean debt is quite different from that of say German Bunds and while the latter may be a larger beneficiary of diversification away from the USD and US assets, continued structural inflows from index inclusion should continue to be supportive.

Risks to our view: Extended period of political uncertainty could weigh heavily on confidence on Korea and the KRW. Potential further action from the Trump administration on China or worse yet Korea itself, given sensitivity over chips and pharmaceuticals, could also weigh on the KRW.

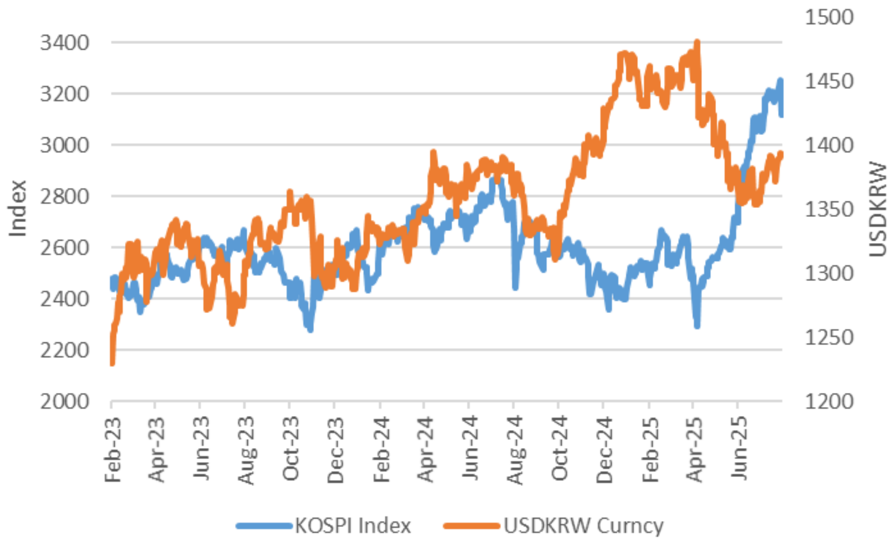
Key data/events: Jul Exports/Imports/Trade Balance, Jull Mfg PMMI (1 Aug) , Jul FX Reserves, Jul CPI (5 Aug), Jun BOP (7 Aug), 10-Days Exports/Imports (11 Aug), Jul Unemployment Rate, Jun Money Supply (13 Aug), 2Q Household Credit (19 Aug), 2Q ST External Debt (20 Aug), Jul PPI, 20-Days Exports/Imports (21 Aug), Jull Retail sales (24 Aug to 31 Aug), **BOK Policy Decision (28 Aug),** Jul Industrial Production (29 Aug).

USDKRW Exhibiting Some Bullish Risks



Source: Bloomberg, Maybank FX Research & Strategy

KOSPI Retreats From Highs and USDKRW Rises



Source: Bloomberg, Maybank FX Research & Strategy

SGD: Resilience from Stability

USD/SGD	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	1.2800	1.2650	1.2600	1.2550
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our USDSGD forecasts in spite of the recent resurgence in the USD and believe that the SGD can continue to appreciate against the USD as US exceptionalism fades and a broad diversification on a flight to quality away from the USD continues. The SGD is a currency that has strong fundamentals and has proven to be a regional safe haven. Therefore, we think that it can continue to benefit against a backdrop of a broadly weaker USD. On a bilateral USDSGD basis, the SGD has also been resilient likely on strong safe-haven demand for SGD assets. We recognize that Singapore is an open economy and trade frictions could negatively impact growth, a bilateral trade deficit with the US is likely to keep it out of Trump's crosshairs and with the lower reciprocal tariff rate of 10% imposed puts in on a better position on a relative basis with others. However, we also suggest that Singapore could benefit from a global re-routing of trade and look for the SGD to retain its appeal as diversifications away from the USD are sought. MAS policy remains supportive at +0.5% per annum appreciation in the SGDNEER and our base case is for no further easing unless there is a recession.

USDSGD traded within a 1.2698 to 1.2991 range in Jul compared to the 1.2709 to 1.2941 range in Jun. SGDNEER was last seen at +1.68% above the mid-point and has stayed above the +1.20% above the mid-point level after MAS' easing on 14 Apr. In fact, the SGDNEER has been above the +1.60% mark on our SGDNEER model since mid-May. Even the recent resurgence of USD strength has not weighed on the SGDNEER strength as much as one would expect. **Note that one-sided SGD appreciation which translates to trade-weighted SGDNEER strength raises the risk of MAS intervention given the current relative close proximity to what we see as the band edge of 2%.** The SGD has the tendency to not be an outlier and therefore a moderate appreciation in line with a broadly weaker USD is our base case expectation.

MAS stood pat on 31 Jul with a balanced statement that we view as a preservation of policy space to react to potential future negative shocks. MAS recognizes downside risks to growth and two-way risks to inflation. This is largely in line with the stance of other central banks globally. Current pace of SGDNEER appreciation (0.5%) is what MAS believes to be appropriate given the balance of risks. **Our economists and us see MAS standing pat for the foreseeable future.** Our Taylor Rule estimates suggests a gentle upward trajectory for the SGDNEER should be appropriate given the expected growth-inflation dynamics, in line with the current stance. MAS has the policy space to react to any future downside shocks by flattening the slope, or re-centering downwards.

Core inflation dipped to 1.8% in 2024, below the historical mean of 2% and is expected to fall further. Growth is expected to remain robust. Jun Core CPI edged lower to 0.6% YoY (exp: 0.7%; prev: 0.6%). Our economists forecast core inflation at +0.5% (prev: +0.8%), headline inflation at 0.8% (prev: 1.0%) and revised real growth up to +3.2% (prev: 2.4%) in 2025. Advance estimates suggest that Singapore avoided a technical recession in 2Q2025 with growth accelerating to +4.3% YoY on a potential frontloading of exports and stronger manufacturing and regional trade activities. Singapore remains a bellwether for the global economy and a slowdown could be reflective on the likely state for the rest of the world.

Budget 2025, the last budget for this term of government was delivered by PM Wong on 18 Feb 2025. The budget was expansionary, and yet a healthy S$6.8b (or 0.9% of GDP) fiscal surplus is still expected. Key budget initiatives included household goodies and social policies and support for businesses as well as setting aside funds for longer-term priorities. Our economists do not expect a surprise at the elections. Similarly, we suggest that the baseline election outcome is not expected to shake confidence in Singapore and the strength of its institutions. It remains the sole AAA rated sovereign in the region and is required by legislation to operate a balanced budget over a term of government. **Few countries would be able to announce an expansionary budget and maintain a healthy fiscal surplus, so Budget 2025 underscores one of the fundamental strengths of the SGD.** In uncertain times, this would make the SGD a relatively attractive currency to hold.

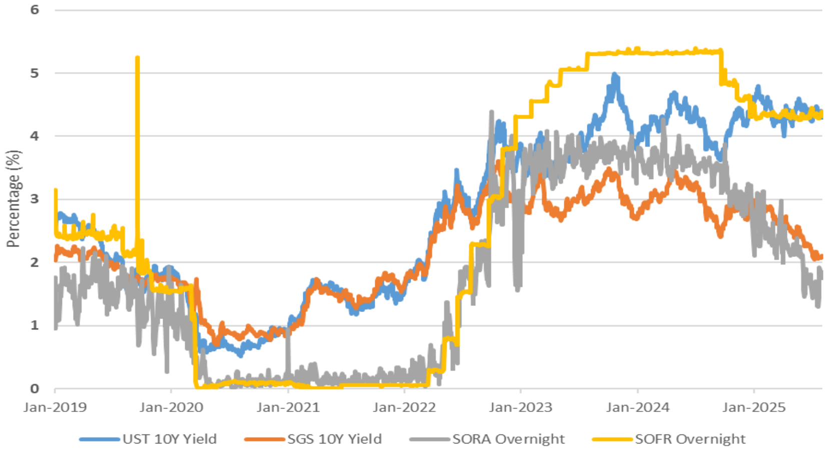
We think that the SGD resilience and support will continue to persist. MAS has assessed that the current stance as appropriate to address the current growth and inflation risks, although the reference to "medium term price stability" was dropped. Within the Asian currency space, the SGD is also one of the most reliable stores of value given Singapore's strong fundamentals. MAS' policy is at worst at no appreciation and is typically at some positive appreciation stance (also alluded to as the R* equivalent by Chief Economist

Robinson in his speech) and this is unlikely to change given the history of MAS policy and the potential negative implications of having a depreciating stance. In an environment of heightened external uncertainty, the SGD is likely to remain resilient relative to its peers.

Risk to our view: Developments that could derail MAS' expected path for inflation to come off or cause growth prospects for Singapore to worsen. These could include oil price shocks or supply chain disruptions that could arise from geopolitical conflicts. In the absence of such developments, our base case expectations for SGD appreciation should hold. We cannot rule out further MAS easing and possibly the need for fiscal policy as part of a macro policy mix, if downside risks to growth or inflation materialize. Pharmaceutical and semi-conductor tariffs could weigh on the growth outlook for Singapore

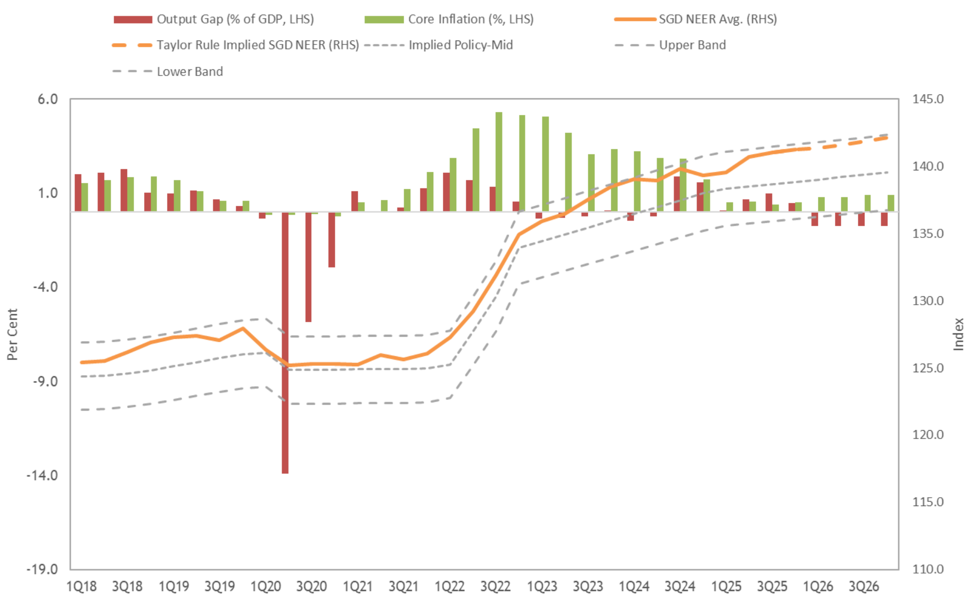
Key data/events: Jul PMI/ESI (1 Aug), Jul Global PMI, Jun Retail Sales (5 Aug), Jul FX Reserves (7 Aug), Jul NODX/Electronics Exports (18 Aug), 2QF GDP (22 to 25 Aug), Jul CPI (25 Aug), Jul Industrial Production (26 Aug), Jul Money Supply (29 Aug).

SG-US Rate Correlation Breaks Down



Source: Bloomberg, Maybank FX Research & Strategy

Taylor Rule Shows SGDNEER Close to Topside of Band



Source: Bloomberg, Maybank FX Research & Strategy

MYR: Managing Tariff Crosswinds, Sustaining Tailwinds

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
USD/MYR	4.20	4.10	4.05	4.00
	(--)	(--)	(--)	(-)

No Change to Previous Forecasts

Motivation: MYR remains one of the top performers in the ASEAN year-to-date, appreciating around 4.9%. In the month of Jul, MYR weakened around 1.6% and saw some swings as USD strengthened on average in Jul and likely will remain supported in Aug too. USDMYR saw a month low of 4.21 on 24 Jul due in part to Fed related concerns. But since then, with the US-Eurozone trade deal being announced and positive US macro data releases, dollar support has led USDMYR higher. Going forward, we do recognize that Malaysia does remain vulnerable to US imposed tariffs especially as negotiations are not straightforward but we do think that any negative impact arising from this can be offset by the positive factors from USD softness, CNY strength and global growth pick up. We maintain our USDMYR forecast (with a downward trajectory intact) to better reflect the conditions that are actually more supportive for the currency. Globally, more recent signs of trade truce between US and China for the next few months, the major economies such as Japan, Eurozone trade deal announcements provide an environment supportive of EM FX and MYR support. Meanwhile, Malaysia has reportedly struck a trade deal with the US whereby tariffs on Malaysian goods by the latter would be set at 19%. This development should bode well for the MYR and Malaysian assets given that it would lead to more certainty on the economic outlook.

2Q 2025 real GDP advance estimate (AE) – based on Apr-May 2025 data – showed the economy posted steady growth of +4.5% YoY (1Q 2025: +4.4% YoY) and rebounded +1.0% QoQ (1Q 2025: -3.5% YoY). This beats our monthly GDP estimates that averaged +4.0% YoY for Apr-May 2025, suggesting domestic tailwinds - namely resilient consumer spending and sustained investment upcycle - are countering external headwinds caused by US tariffs. Actual 2Q 2025 GDP will be out on 15 Aug 2025. Maintained our outlook of Malaysia's 2025 real GDP growth decelerating to +4.1% (2024: +5.1%). After the third consecutive easing in quarterly growth to +4.4% YoY in 1Q25 (4Q24: +4.9% YoY), we expect growth to have moderate further in 2Q 2025 – in part due to the base effect (2Q24: +5.9% YoY) - and the rest of the year, taking cue from the signals coming from the index of leading economic indicators, manufacturing PMI, imports of intermediate goods and our monthly GDP growth estimate. Our growth forecast for this year also factors in the projection of slower global economic growth of +2.5% (2024: +3.3%). Our full-year 2025 growth forecast of +4.1% (1Q25: +4.4% YoY; 2024: +5.1%) implying real GDP growth moderating to the average of around +4.0% YoY per quarter in 2Q-4Q25. Domestic tailwinds will be key in keeping the Malaysian economy on a growth path.

Inflation eased to +1.1% YoY in June (May 2025: +1.2% YoY) while core inflation unchanged at +1.8% YoY (May 2025: +1.8% YoY). With 1H 2025 average inflation rate of +1.4%, our full-year 2025 inflation forecast of +2.0% (2024: +1.8%) implies upside risk to inflation in 2H 2025 as we factor in the impact of the Sales and Services Taxes (SST) SST as well as electricity tariff review (effective 1 July 2025); full compliance in new minimum wage (1 Aug 2025); RON95 petrol subsidy rationalisation (2H 2025); and higher foreign labour costs i.e. EPF contributions (effective Oct 2025). The upside to inflation rate in 2H 2025 may be less than expected following news that the Government is delaying the rollout of RON95 petrol subsidy rationalization to fine-tune the targeted subsidy mechanism. Prolonged delay will result in another year of sub-2% inflation rate. Meanwhile, the 25bps cut in OPR to 2.75% on 9 July 2025 is growth-supportive rather than inflationary, given the benign inflation environment thus far.

June 2025 saw exports fell for the second month to -3.5% YoY (May 2025: -1.2% YoY) while imports slowed to +1.2% YoY (May 2025: +6.6% YoY) amid further decline in intermediate goods imports (Jun 2025: -1.2% YoY, May 2025: -4.3% YoY) but still-robust capital goods imports (Jun 2025: +21.8% YoY, May 2025: +63.2% YoY). 2Q2025 exports and imports grew +3.4% YoY and +9.0% YoY (1Q 2025: +4.3% YoY; +2.8% YoY) giving 1H 2025 growth of +3.8% YoY and +5.9% YoY (2024: +5.8%; +13.1%). External trade data show the crosscurrents of domestic tailwinds – especially investment upcycle - and external headwinds amid the overhangs in US-Malaysia trade talks and tariffs. External trade outlook is dependent on the outcome US-Malaysia trade negotiations ahead of the 1 Aug 2025 deadline when the country-specific 25% reciprocal tariff kicks in, plus the overhangs in product-specific tariffs by US, especially on semiconductors. To also note, Malaysia has tightened certification and oversight on transshipments to prevent trade diversion to bypass US tariffs and export restrictions on US-made AI chips.

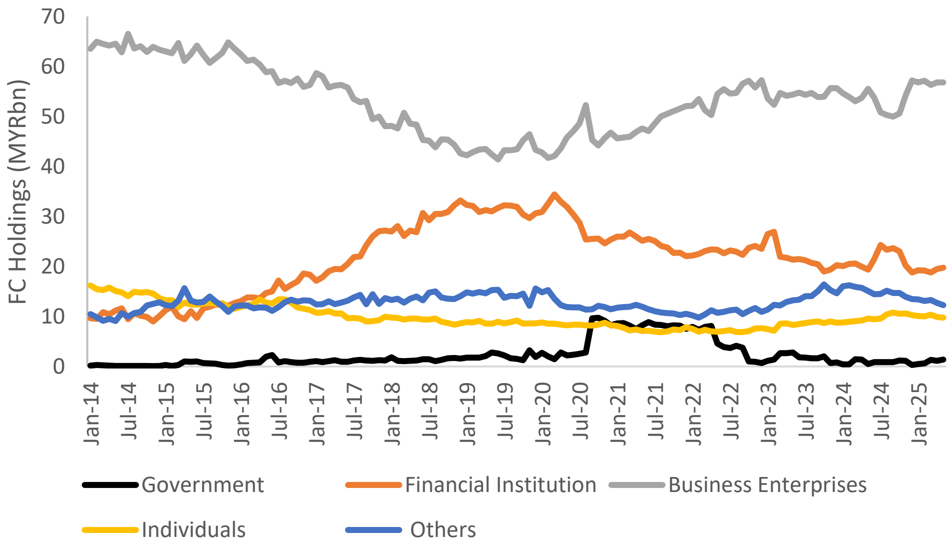
Bank Negara Malaysia (BNM) cut the Overnight Policy Rate (OPR) by 25bps to 2.75% at the 8-9 July 2025 Monetary Policy Committee (MPC) meeting. The move was expected as the hurdle for monetary policy easing is lower - and to pre-empt the downside risk to domestic growth - amid the external headwinds from US tariffs and global trade uncertainties, the currently tame inflation with manageable upside risk, as well as the firmer and stable Ringgit. BNM flags revision to current official growth forecast of 4.5%-5.5% later this month, but it will not be a major markdown. We expect no further OPR cut for the rest of the year. Given the above take on MPS, we expect OPR to remain at 2.75% until the end of the year.

2H25 will also be dominated by domestic policy lookouts. First and foremost will be fiscal policy, pertaining to achieving the 3.8% budget deficit to GDP ratio (2024: +4.1%) amid the expected downward revision to current official growth forecast range of +4.5% to +5.5%; the still pending rollout of targeted RON95 subsidy rationalisation; the slightly delayed review in Sales Tax and broadening of the Services Tax scope; and the adjustment in e-invoice implementation timeline. Budget deficit consolidation and fiscal reforms. Looking at the current trajectory of budget deficit, 1Q/4M 2025 recorded the second lowest as % of GDP and in value (MYRb) since the current period of fiscal consolidation begins in 2022. These provide us with comfort against the risk of "slippage" – at least for now.

Risks to look out for in Aug 2025. Downside risks include surprises from remaining tariff related announcements and geopolitical risks rearing its head again causing concerns about supply chains and affecting global growth. However, upside risks may also materialize such as a more benign trade friction scenario, with US-China trade tensions averted in a sustained way beyond Jul, which could lead to significantly lower USDMYR and a positive deal being made with US. A more dovish or larger than expected easing by the US Fed could also weigh on the USD, leading to lower USDMYR.

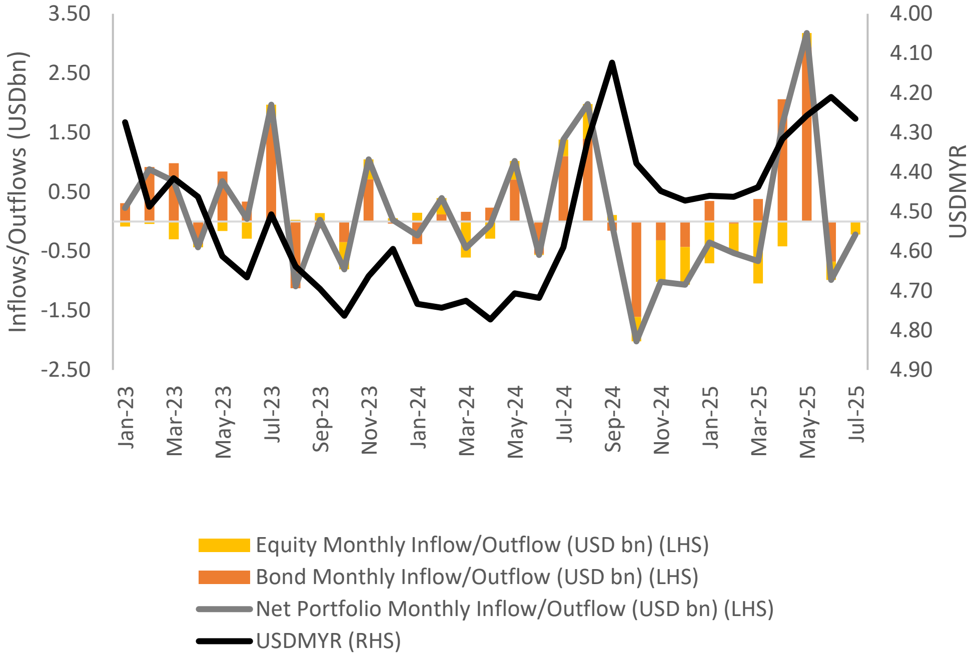
Key domestic events and issues to watch in Aug: S&P Global Malaysia PMI Mfg (1 Aug), Jun IP (7 Aug), Jun mfg sales (7 Aug), GDP 2Q (15 Aug), 31 Jul foreign reserves (7 Aug), Jul trade data (19 Aug), Jul CPI (22 Aug) and 15 Aug foreign reserves (22 Aug), BNM (4 Sep).

Business Enterprises Hold Substantial Foreign Currency, Opening the Way for Greater MYR Appreciation Once Conversion Momentum Picks - Up Strongly



Sources: Bloomberg, Maybank FX Research & Strategy

With More Global Economic and Trade Certainty, Inflows Can Pick - Up in Time



Sources: Bloomberg, Maybank FX Research & Strategy

IDR: Dollar Rebound Weighs In, Medium Term Strength to Hold

	3Q 2025	4Q 2025	1Q 2025	2Q 2026
USD/IDR	16250	16150	16000	16000
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our USDIDR forecasts as we see that the IDR's supportive factors remain in play. The pair is likely to continue to trend lower albeit at a gradual pace. Factors to back this include 1) persistent mild dollar softness and 2) BI easing cycle. Continued structural dollar weakness we believe would still be in play for the rest of 2025 (despite the recent dollar bounce), making EM bonds – Indo GBs more attractive and supporting flows into them. With rate differentials looking to matter less under such conditions, BI should also be in a better position to keep easing as they look to give the economy a lift. This should also provide support to the bonds as our economist is expecting another 50bps of cuts this year with the risk even skewed to more easing than that. Meanwhile, the anxiety on the fiscal front has looked to eased as the Indonesian government should likely keep the deficit below the 3% legal limit. However, even as we do hold a positive outlook for the IDR, we still expect gains to be limited given that investor sentiment towards the currency would take time to strengthen. The trade deal between the US and Indonesia should on its part help to achieve this. Risks to our view include any major fiscal slippage and a sustained USD reversal to an upward trend.

BI cut at the Jul meeting by 25bps to 5.25% in line with our expectations whilst they continued to express a dovish tilt. There was little difference in their tone from the prior month as they continued to emphasize the need to support lending in order to lift growth. This time though they did mention they would have to go "all out' to boost credit growth. They maintained their forecast for lending growth at 8-11% and so too for GDP forecast at 4.6 – 5.4% - the latter of which had already been revised lower at the May meeting. They seem to still be expressing confidence that inflation can come out at 1.5 – 3.5%. At this meeting though, the currency did not hold them back from moving as the USDIDR was remarkably stable. With the need to boost growth and the DXY on a softening trend, our economist is expecting that BI would cut by another 50bps this year with the risk skewed to there being more easing than that. This we believe should keep supporting flows into the country's bonds and in turn lift the IDR. USDIDR forward points have also been falling on possible market expectations of further rate cuts.

Indonesia has successfully struck a trade deal with the US, which we believe in part should help to support investment sentiment and flows into the country. Whilst Indonesia is not a heavily trade exposed country, the deal does lead to some certainty for the country's economy and can support flows into Indonesia. As per the statement on the joint framework between the two countries on a trade agreement, Indonesia would be eliminating 99% of tariffs barriers for US goods whilst the two sides would also work together to address Indonesia's non-tariff barriers. The latter would include exempting US companies and originating goods from the local content requirements, accepting vehicles built to U.S. federal motor vehicle safety and emissions standard, accepting FDA certificates and prior marketing authorizations for medical devices and pharmaceuticals among other items. Indonesia on its part would face a 19% US tariffs on its goods, which is much lower than the 32% that Trump had originally threatened. Meanwhile, Indonesia is also looking to complete trade deals with both the European Union and Canada, which should also help to back sentiment for the country's economy.

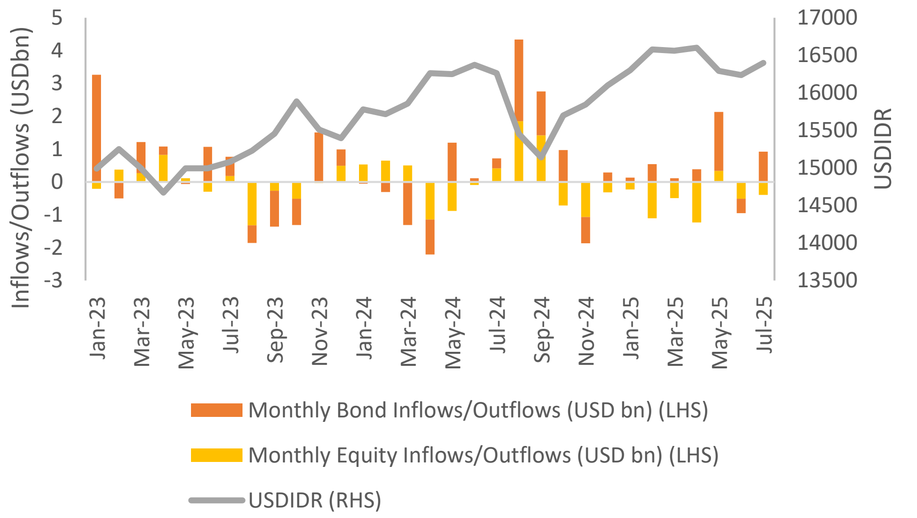
We await the Indonesia 2026 state budget announcement that would be coming in Aug though anxiety on the fiscal situation has receded. Both the government and the House Budget Committee have agreed that the projected 2026 state budget deficit would be between 2.48 – 2.53%. The growth target would at the same time be set at 5.2 – 5.8% with an inflation target of 1.5 – 3.5%. The currency assumption has been set at 16500 – 16900 rupiah. The country's commitment to keep its budget deficit below the 3.00% legal limit is at least providing some relief for investors after the volatility that had engulfed the markets earlier this year when President Prabowo had first taken office. Meanwhile, Finance Minister Sri Mulyani has also recently said that the government is preparing a third stimulus package which is aimed at boosting the economy to maintain its 5% growth. We do believe that this should not substantially overall impact the fiscal budget given the possibility of sufficient space in the existing budget to fund the initiative.

There was positive inflows into bonds for Indonesia at $0.92bn (mtd to 28 Jul) whilst equities saw outflows of $0.40bn (mtd to 29 Jul) - on net that made it a net portfolio inflow of $0.52bn. Bond inflows look to have been driven by expectations of BI cuts, which had materialized in Jul and the potential for more to come. With further easing likely, we expect inflows into bonds to continue the rest of this year and in turn give support to the currency. Equity inflows meanwhile can see some pick-up although maybe sentiment towards may not be as strong as bonds. Further BI rate easing and a global economy that holds up (supporting the ongoing strong global equity markets too) should back equity inflows.

Risks Ahead: Downside risks include significant budget slippage beyond the 3% legal limit or worsening concerns about Danantara, which has not been factored into our forecasts. Other risks include USD climbing back up strongly as appetite returns for US assets or a rise in geopolitical tensions.

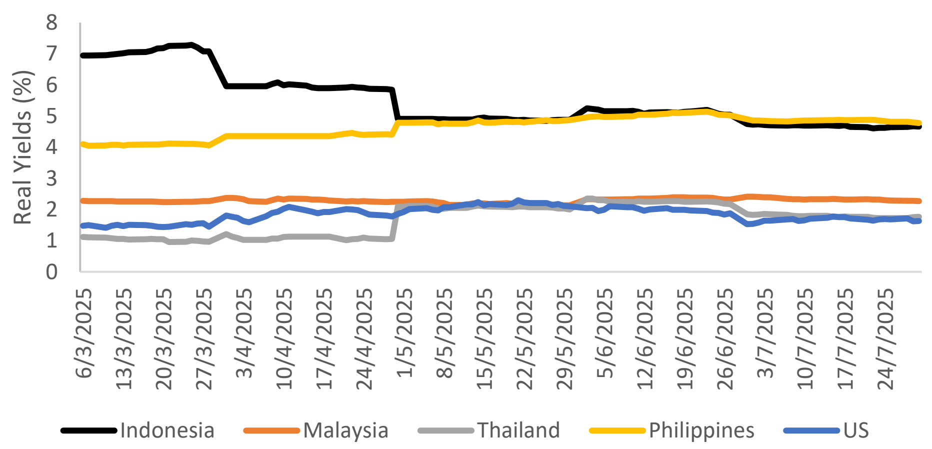
Key Data/Events: Jul S&P Global PMI mfg (1 Aug), Jul CPI (1 Aug), Jun trade data (1 Aug), 2Q GDP (5 Aug), Jul foreign reserves (7 Aug), Jul consumer confidence (8 Aug), Jul local auto sales (11 – 15 Aug), Jun external debt (15 Aug), BI policy decision (20 Aug) and 2Q BoP CA balance (21 Aug).

Positive Inflows into Bonds in Jul Amid Expectations of BI Easing



Source: Bloomberg, Maybank FX Research & Strategy
Note: Jul data for bonds is as of 28 Jul 2025 whilst for equities and USDIDR is as of 29 Jul

Real Yields Remain High for Indonesia



Source: Bloomberg, Maybank FX Research & Strategy

PHP: Interim Oil, Dollar Pressure But Medium Term Strength

	3Q 2025	4Q 2025	1Q 2025	2Q 2026
USD/PHP	56.50 (55.00)	56.00 (54.50)	55.50 (54.00)	55.50 (54.00)

Previous Forecasts in Parentheses

Motivation: We have raised our USDPHP forecasts as the PHP may not appreciate at a pace that we had previously called for. This is mainly due to our initial expectations for greater inflows into the country's not looking to play out as the narrative of the country being a trade shelter may not appeal as much in the current environment of rising tariff and economic certainty (with trade deals being struck). Nonetheless, we see still expect a downward trend for the USDPHP given 1) dollar softeness trend and 2) further BSP easing. Despite the recent rebound, we keep to our expectations for a dollar softness trend to still hold overall in 2H 2025 as we believe the Fed should cut by twice this year whilst growth outside the US should pick up more. The BSP is also expected to ease further with Remolona highlighting the possibility of two more cuts this year. This should support flows into the country's bonds together with the dollar softness. Meanwhile, we stay cognizant of risks related to spiking oil prices weighing on the country's trade position. Concerns of a recent climb in oil prices we believe would not be a sustained threat to the currency and oil prices we believe should average $60 - $70 this year. Near term, expect upside pressure for USDPHP given the dollar strength and the concerns of high oil prices but these pressure should eventually fade. Take note, the Philippines has come to a trade agreement with the US for the tariffs to be at 19% although the Philippines is a less export driven country, making the impact of the deal more limited.

BSP Governor Eli Remolona has highlighted the possibility of two more rate cuts this year with an Aug cut on the table. Our economist's expectations though is for there to only be one further 25bps cut in 2025. Economic data as a whole is backing further easing with inflation being benign as the latest Jun CPI only stood at 1.4% YoY amid signs of softness in the economy. At their last meeting, the BSP even lowered their 2025 inflation forecast from 2.4% to 1.6% although they did marginally raise the 2026 forecast from 3.3 to 3.4% and for 2027 from 3.2% to 3.3%. Given such circumstances of potentially weakening demand, the central bank does look under increasing pressure to provide more support to the economy.

We are aware of the risk of the currency weighing on easing but take note that Remolona has said that they would only be ready to intervene in the currency if it threatens inflation. With subdued inflation, the impact of currency weakness may not necessarily be enough to push CPI readings to a concerning level yet. The governor has also recently reiterated that it would be futile to intervene in the currency in the face of dollar strength. Given his words, his approach towards the currency on its part still seems rather free market in nature. Nonetheless, we are also cognizant that excessive currency weakness may raise some eyebrows. Pin pointing a USDPHP threshold level that could worry the central bank is extremely difficult. We would like to note that BSP easing in the interim is not supportive for sentiment towards the PHP given the current dollar rebound. However, once concerns related to the latter fades, the rate easing should give support to the bonds.

Broad dollar strength and high oil prices are both concerns to the country trade position but we see these as only interim threats to the currency. Given the country's large trade deficit and its dependency on imports, a strong dollar does weigh on the PHP sentiment given that it raises import costs for the country. The currency for that matter has exhibited strong sensitivity to the dollar over the years. High oil prices also do weigh heavily on the PHP given the country is a net oil importer. It is also crucial to note that there is a lack of other compensating flows for the Philippines to help offset these sorts of pressure. However, we continue to believe in a softening dollar trend this year and for oil prices to average $60-$70 this year, implying that these pressures on the PHP should fade in time.

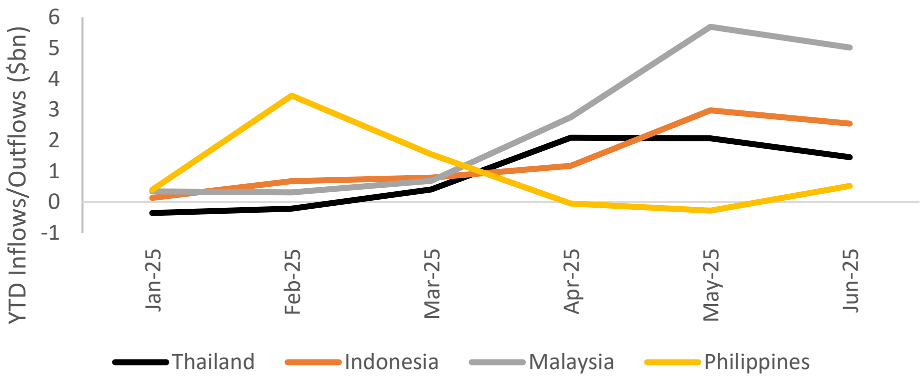
Portfolio inflows may not be as strong as we originally anticipated, limiting the extent of currency appreciation and leading to a revision in our forecasts. Equity flows were more or less flat in Jul at -$0.029bn whilst YTD, there has actually been an overall outflow of -$0.63bn. There are no signs to back a potential pick-up for inflows and we now see that our initial expectations of the Philippines being a trade shelter, supporting its equity markets is not looking to play out. If anything, with trade deals being agreed, there has actually been more global trade and economic certainty, which would make other more liquid and active equity markets favoured over the PSEi. The recent volatility of the currency also works against invigorating appetite for the country's equities. Meanwhile, on the bonds side, there were positive inflows of $0.8bn, which looks to have been driven by expectations of BSP easing. YTD bond inflows also stands positive at $0.5bn. We expect measured inflows into bonds to continue on further BSP easing. Meanwhile, Philippines has come to a trade deal with the US for tariffs at 19% but the impact is limited given the country is not as trade exposed.

OFWR growth in the month of May was weaker than expectations at 2.9% YoY (est. 3.6% YoY, Apr. 4.0% YoY) with the absolute number at $2660m. Broad dollar weakness and a stronger PHP may have impacted the level of OFWR flows. Nonetheless, our economist continues to see that OFWR growth can still be strong in 2025 at 2.9% YoY to $35.5bn as the global PMI should stay in expansion levels of above 50.0. Take note that over the years, we have noticed that OFWR flows have also tended to be stronger during periods of dollar strength and PHP weakness. This has made us come to believe that OFWR flows have mainly played a role to limit PHP weakness during periods of stress. Meanwhile, we are wary of risks to OFWR flows from immigration curbs in the US given the top source of remittances has been the US.

Risks Ahead: Downside risks include any USD sustained rebound (driven by for example geopolitical tensions or the Fed holding rates). Political uncertainty can also impact investor appetite. Upside risks meanwhile would be a Fed rate easing that exceeds our call of two cuts as this would help support EM sentiment overall.

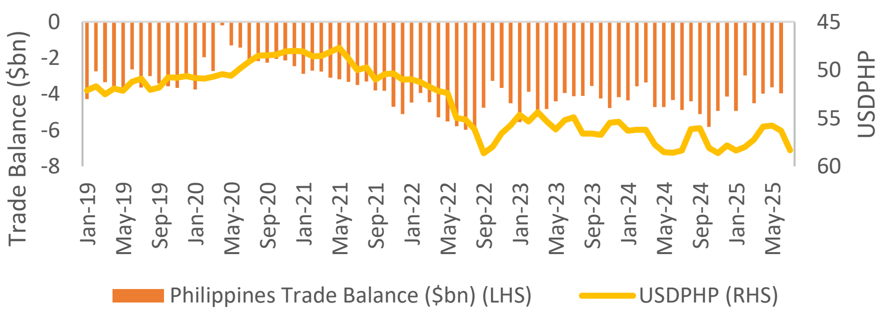
Key Data/Events: Jul S&P Global PMI mfg (1 Aug), Jun bank lending (4 Aug), Jul CPI (5 Aug), Jun unemployment rate (6 Aug), 2Q agriculture output (6 Aug), 2Q GDP (7 Aug), Jul foreign reserves (7 Aug), Jun OFWR (15 Aug), Jul BoP overall (19 Aug), BSP policy decision (28 Aug), Jul budget balance (28 Aug), Jul trade data (29 Aug), Jul bank lending (29 Aug) and Jul M3 money supply (29 Aug).

<u>**Expert Measured Levels of Philippines Bond Inflows as BSP Continues Easing**</u>



Source: Bloomberg, Maybank FX Research & Strategy

<u>**High Oil Prices and Dollar Strength Can Weigh on the Philippines Trade Position**</u>



Source: Bloomberg, Maybank FX Research & Strategy

THB: Moving Focus to Rates, Real Economic Conditions

	3Q 2025	4Q 2025	1Q 2025	2Q 2026
USD/THB	32.00	31.50	31.00	31.00
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We keep to our USDTHB forecast expecting that the pair should continue trending downwards. Factors including 1) softer USD, 2) elevated gold prices and 3) BOT easing and 4) increasing global trade certainty should keep backing the currency's strength. Despite interim rebounds, we still expect the structural dollar trend softness to remain in place for the rest of this year. Gold prices are also likely to stay elevated as demand for safe havens to hedge downside risk should hold up amid global uncertainty. BOT is likely to engage in further easing to support a weakening economy with our economist expecting 50bps more of cuts, giving bonds support. The cabinet has also approved Vitai Ratanakorn as the new BOT Governor who is known to lean dovish. With trade deals also being agreed, it appears that markets are entering a period of increasing tariff certainty which backs sentiment for the THB. Thailand and the US do appear to have also reached some trade arrangement with 19% tariff to apply (much lower than the 36% previously threatened). Fundamentally, the country should also be able to continue to maintain a current account surplus. Meanwhile, we are cognizant regarding the risks related to the Thailand – Cambodia border conflict. A ceasefire has been agreed between the two sides and we are not expecting the conflict to have a sustained impact on the THB unless there is serious escalation. We are also wary of the political situation although for now, there is no clear sign of a change of government.

We expect the BOT to ease by another 50bps this year given the need to support the economy whilst the cabinet has approved a new dovish leaning BOT Governor - Vitai Ratanakorn. Regarding the latter, he was formerly serving as the President and CEO of the Government Savings Bank and he has been known to advocate for rate easing. He has said that "proactive easing is important" as he recognized that the "Thai economy is not doing so well". More specifically, he has even said that the rates needed to be reduced "more deeply" and he believe that it can go "down much further" from the 1.75% level. Finance Minister Pichai Chunhavajira has mentioned that the country's high household debt is an urgent task for the new Governor to address. There has been talk that an AMC or bad bank could be set up to absorb the bad debts in the country. Thailand's economy does face significant downward pressure as private consumption moderates whilst support has mainly come from the frontloading of goods exports, which is looking to fade. Inflation is also subdued with the latest Jun core number standing at only 1.06% YoY amid weak demand. The BOT is expecting that 2025 GDP growth would be at 2.3% (which is an upgrade from the previous 1.3 – 2.0%) though most of the support had already come during 1H 2025 and the second half of the year does look to be softer. Given both a softening economy and further BOT easing, Thai bonds have been rallying with inflows ytd as of 29 Jul 2025 having been strong at $1.4bn. This has likely given the currency a lift and with a dovish BOT outlook, we expect it can persist. Real yields wise, Thailand 10Y is around the same level with the US.

There were clashes between Thailand and Cambodia along the border but we do not expect a sustained impact on the currency unless there is significant escalation. The militaries on both sides had seen some tense fighting, which is coming after a breakdown in relations between the leadership of the two countries. A ceasefire has been agreed to take effect from 29 Jul although the situation remains fragile. However, unless the conflict escalates substantially, we are not expecting any significant or sustained impact on both the economy and the currency. Whilst tourism flows can get disrupted, we would like to note that inflow have already been struggling amid the fall in Chinese visitors. Tourism flows has already not been a support for the THB and neither has it even been a positive factor for our bullish currency forecast. The conflict though did initially create some concerns on whether Thailand can reach a trade deal as Trump had threatened not concluding a trade deal if there was no de-escalation in the fighting. That though is not an issue as it is now.

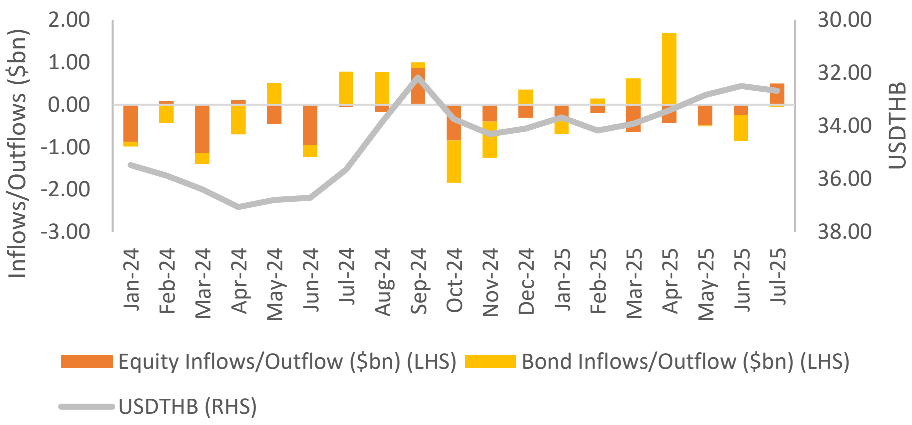
On the trade front, the US has announced that a tariff of 19% would be applied to Thailand, which is much lower than the 36% previously threatened, which adds to some certainty for the economic outlook. Thailand itself does look to be opening its agricultural sector to the US although Finance Minister Pichai Chunhavajira has pointed out that this would be gradual with a transition period and import quotas being implemented at the start. Conditions and quotas may only apply to agriculture products that the country may need more of whilst free access would not be immediately granted to those that they are self-sufficient in. A "very small" market access would be granted for pork whilst the two sides negotiate over the import rules. Thailand overall would be allowing a 0% levy on 10,000 products from the US. The country is also still discussing local content rules with the US though he said a local content of more than 40% should be classified as Thai. The impact of a trade arrangement on the currency and Thai assets are likely to be limited given that markets have already priced it given the expectations for a deal (SET has been rallying in Jul).

Thailand saw mtd as of 29 Jul 2025 equity inflows of $0.49bn whilst bonds on net saw little change in terms of flows at -$0.07bn. The SET has stood among the best performers in Jul. Optimism on a trade deal looks to have supported the rally. However, we have also been noting that there would be some rebound in the SET given the prior selloff had been excessive amid the low valuations, BOT easing cycle and easing of political concerns. Into August, we are not ruling out further inflow although wary of end summer corrections to equities. Bonds on net can see further inflows on BOT easing but it may be measured given the already strong rally for Thai bonds.

Risks Ahead: There can be upside risks for the THB if there is a strong China growth recovery given the trade links between the two. On the downside, a worsening domestic political situation and a sustain USD rebound can weigh on the THB.

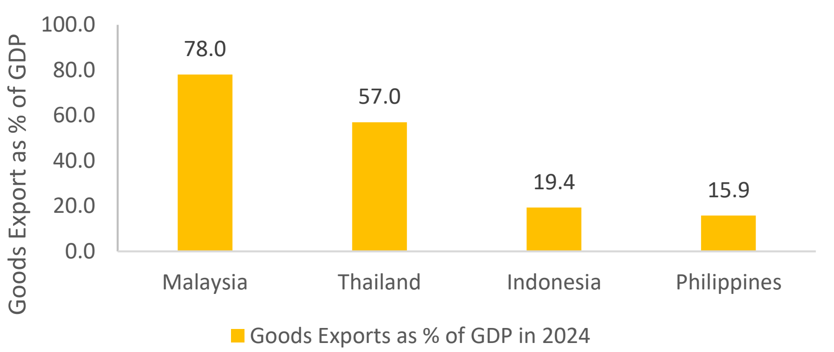
Key Data/Events: Jul S&P Global PMI mfg (1 Aug), Jul business sentiment index (1 Aug), Jul CPI (6 Aug), Jul consumer confidence (7 – 13 Aug), BOT policy decision (13 Aug), 2Q GDP (18 Aug), Jul car sales (18 – 24 Aug), Jul customs trade data (18 – 26 Aug), Jul ISIC capacity utilization and mfg index (26 – 30 Aug), Jul trade data (29 Aug) and Jul BoP overall/CA balance (29 Aug).

Equity Inflows Providing Support for the Currency



Source: Bloomberg, Maybank FX Research & Strategy

Thailand is a More Trade Exposed Country Compared to Peers Making a Trade Deal Crucial



Source: Bloomberg, Maybank FX Research & Strategy

VND: To Remain Soft

USD/VND	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	26200 (25800)	26000 (25600)	25900 (25500)	25800 (25500)

Previous Forecasts in Parenthesis

Motivation: We revised our USDVND forecasts higher, anticipating USDVND to remain rather elevated at around current levels for the rest of the month. Vietnam has successfully clinched a deal with the US, taking its reciprocal tariff rate from 46% to 20%. Any transhipped goods would face a tariff of 40% according to the latest proclamation from the White House. An internal government assessment projected a fall of up to $37bn in export revenue from this tariff and major industries such as electronics, machinery, garments, footwear and furniture would be taking a hit. This figure assumes that the local firms would bear the full cost of the tariffs according to an unknown source cited by Bloomberg and the person went on to elaborate that importers may need to take on some of the burden.

Focus on inflation and dong. Deputy Governor Pham Thanh noted that uncertainties from higher US tariffs are risks to inflation and growth and may even exert pressure on monetary policy and the dong. Central bank will continue to manage the dong in flexible manner and use monetary policy tools to keep the FX market stable. Head of monetary policy at SBV noted that the central bank will “take multiple measures” to manage inflation and lift growth towards the GDP target.

To be clear, spot USDVND has only risen 0.32% (Bloomberg quote), which is considerably small compared with the rise seen in most other USDAsians. Even USDCNY rose +0.5%. However, the reference rate was raised considerably more at 0.79% between 1-31 Jul. This underscores SBV’s intent to keep the VND on a weakening bias against the USD. Even as the USD weakens on a quarterly basis, we suspect the VND gains will be limited. The inflows seen at the start of Jul has waned with equity related outflow of around $113.6mn estimated in the last week of Jul (28-31 Jul), resulting in a net inflow of $297.6mn for the month. Regardless, this hardly correlates with the VND.

Our Vietnam economist upgraded the Vietnam 2025 forecast to 7.3% on brighter outlook, expecting the slowdown in the economy to be moderate. Growth in 2H of the year would probably moderate only to 7% vs. 7.5% in the first half. The forecast takes into consideration the moderation in export and manufacturing growth in light of higher US tariffs and payback from frontloading sales. Notwithstanding some impact from tariff rates, strong FDI is expected to support exports by boosting production capacity and its relatively lower rate compared to China continues to position it as a China+1 destination. The strong FDI will keep the USDVND from rising too much. We revised the USDVND higher but trajectory remains a moderate decline.

Inflation has been on an uptrend with headline CPI at 3.6% in Jun vs. 3.2% in May. Core inflation also pick pace to 3.5% from 3.3%. The SBV target is 4-4.5%. This was driven by housing and construction materials, household electricity prices. Our economist looks for subdued import inflation (due to soft oil prices, deflationary pressures in China).

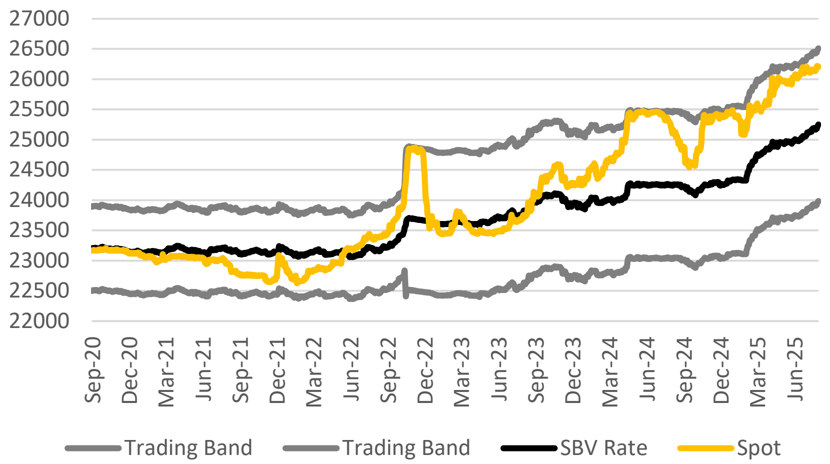
Gold Reform Update: The SBV had submitted a draft decree on the management of gold business activities. License applicants for gold production need to meet certain conditions such as a trading license, minimum charter capital, having no record of administrative violations in gold trading and an internal process for gold bullion production. Feedbacks from banks include a proposal to establish an independent centre for gold quality inspection. Businesses urged SBV to create a legal framework to expand financial instruments and scope of gold trading. Ministry of Public Security proposed to limit the spread between the gold buying and selling prices. Thus far, the domestic-international gold premium widened to around 17%. Higher gold prices tend to undermine the demand for VND. However, there seem to be a negative feedback with elevated gold prices reducing the consumption of gold in 2Q.

The USDVND does take cue from the broader USD and we continue to see the USDVND making a gradual fall in line with our view that the greenback is in for another leg of decline. The gold reform could also aid in supporting the local currency as well. On the other hand, support from its trade surplus could moderate in the 2H along with the export slowdown. USDVND could be allowed to rise in order for Vietnam to cope with the new tariff rates.

Risks to the VND: 1) A re-acceleration of inflation in the US could lift the USD and US rates and lift the USDVND. 2) Growth slowdown of the world becomes a more severe downturn that could weaken Vietnam's external position and the VND. 3) A stronger than expected inflation momentum could be negative for the VND.

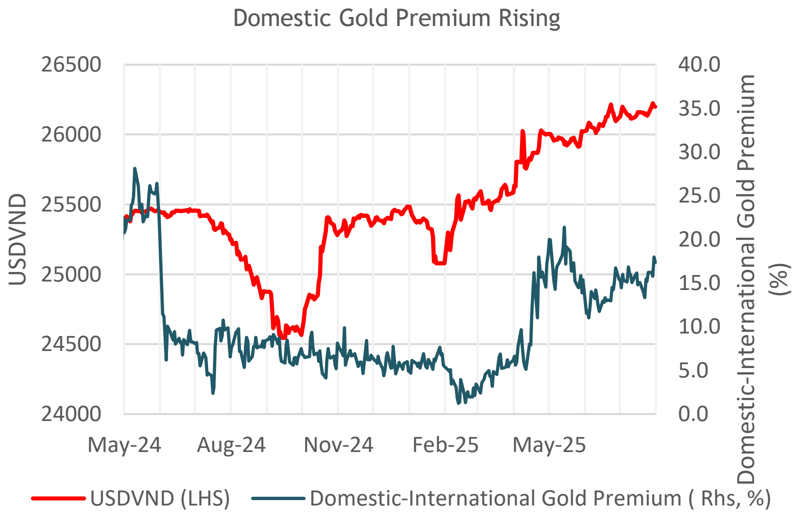
Key Data/Events: Jul PMI [1 Aug]; Jul trade, IP, CPI and retail sales [6 Aug].

USDVND Spot rises within the band. SBV sets Reference Rate Higher



Source: Bloomberg, Maybank FX Research & Strategy

Gold Premium Rises, Support for USDVND



Source: Macrobond, Maybank FX Research & Strategy

INR: Getting A Raw Deal

USD/INR	3Q 2025	4Q 2025	1Q 2026	2Q 2026
	86.00	85.50	85.00	84.75
	(84.25)	(84.00)	(83.75)	(83.50)

Previous Forecasts in Parentheses

Motivation: We revise our USDINR forecasts higher as the INR lags it Asian peers and the US-India trade deal looks to weigh on the rupee with tariffs at 25% plus a penalty for trading with Russia. We maintain the gradual downward trajectory in the USDINR on the longer-term view for a fading USD. Expectations were possibly built up too high with earlier trade talks with the US being broadcast as positive and with potential zero tariffs on certain goods. We look for such optimism to fade on the reality of the current trade deal. While we expect INR to appreciate against the USD, we remain wary that the RBI will continue its stance of leaning against the wind and preferring a stable INR, and this is reflected in the relatively gentle appreciation of the INR in our forecasts.

1M USDINR NDF traded within an 85.31 to 87.66 range in Jul, compared to the 85.35 to 87.02 range in Jun. Upward momentum in the pair was present for most of the month as the INR lagged its Asian peers. As the details of a trade deal remained scarce in spite of the earlier expectations that were set positive, the INR weakened sharply towards the end of the tariff negotiation deadline. As a member of BRICS and a purchaser of Russian energy, India was also hit with penalties for the latter. This shows that India's bargaining power in the space is not as strong as that of China (also BRICS and purchaser of Russian energy), which may have some trump cards e.g. rare earths.

In 2025 we see no further cuts from the RBI and for the policy rate to end the year at 5.50%. RBI has become accommodative and cut rates by 50bps to 6.00% on 6 Jun 2025. Our expectations are largely in line with market pricing (5.58%) and consensus forecasts (5.45%). Risks are tilted to the downside for growth and inflation is expected to ease in the months ahead which should provide RBI with the comfort to embark on their easing cycle and align the policy rate with the accommodative stance. We expect this to moderate INR appreciation, in line with our view in the Annual 2025 highlighting the potential for some catch up for the currencies with central banks that have eased early.

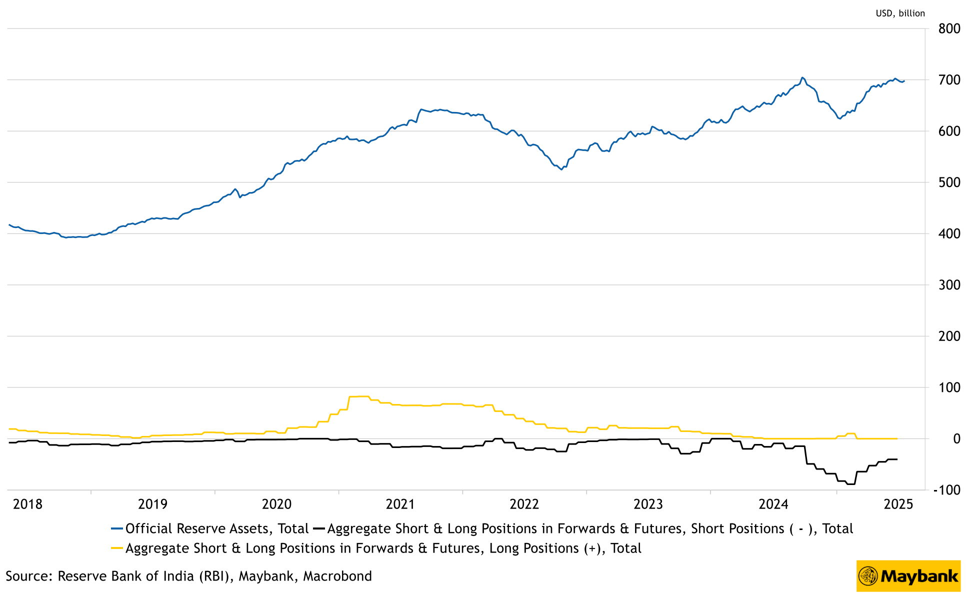
Inflation is expected to ease into 2025 with consensus forecasts suggesting 4.6% YoY. There is an anticipated easing of food costs, which should reduce volatility in consumer prices. **Growth is expected to remain reasonably strong at 6.3% YoY (prev: 6.3%) in real terms, with probability of a recession estimated to be close to 0%.** The fiscal deficit is projected to narrow to 4.8% of GDP in 2025. While these factors are largely supportive of the INR, the RBI and a narrowing yield differential could help to moderate the appreciation of the INR. **India's population dynamics remain favourable for growth.** The population is younger than those of China or the US, with the proportion of Indians who are 65 and older likely to remain under 20% in 2063 and will not approach 30% until 2100 by UN median projections.

India and Indonesia discussed diversifying their trade to improve economic ties. Modi and Prabowo met to discuss "freedom of navigation" and to increase cooperation in defence manufacturing. India could be launching a charm offensive to warm ties with Southeast Asian nations, officially referred to as the "Act East" policy. Following Modi's visit to Singapore in Sep 2024 and a subsequent visit by President Tharman to India in Jan 2025. **Increased trade between India and ASEAN could help to offset some of the negative impact of US trade policies, which should at the margin support the INR.**

Risk to our view: The RBI switching out of its stance to lean against the wind. This could occur as a matter of policy change or if there is too much scrutiny, possibly by the US Treasury. Should a challenging external environment result in higher inflation or poorer growth prospects, that should also challenge our view on the INR. Governor Sanjay has not shown an inclination to ease prematurely and we think that him being a career bureaucrat and a safe pair of hands should mitigate some of these risks.

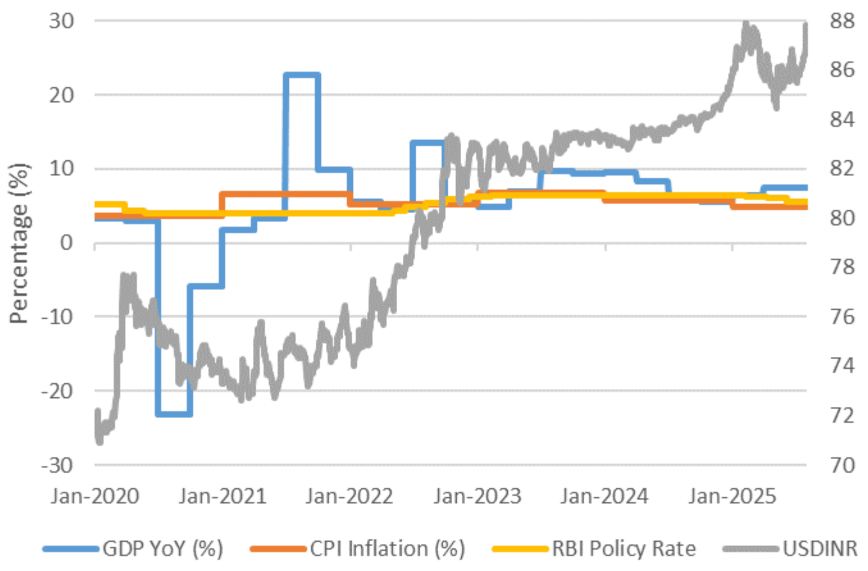
Key data/events: Jul Mfg PMI (1 Aug), Jul Svcs/Comp PMI (5 aug), **RBI Policy Decision (6 Aug),** Jul CPI (12 Aug), Jul Exports/Imports/Trade Balance (13 to 14 aug), Jul Unemployment Rate (18 Aug), Aug P PMIs (21 Aug), Jul Industrial Production (28 Aug), 2Q GDP/GVA, Jul Fiscal Deficit (29 Aug).

Recovery in Reserves Slows



Source: Macrobond, Maybank FX Research & Strategy

USDINR Moves Higher as Growth, Inflation and Policy Stabilize



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Gold: Tentative Closure to Trade War To Cap Gains

	3Q 2025	4Q 2025	1Q 2026	2Q 2026
XAU/USD	**3400**	**3450**	**3500**	**3550**
	(--)	**(--)**	**(--)**	**(--)**

No Change to Previous Forecasts

Motivation: Gold remains range-bound, unable to extend higher as the USD stages a rebound. Trump has announced a list of modified reciprocal tariffs. Some countries got a higher rate as a penalty while many others saw their reciprocal tariff rates lowered to near 15% by the White House. Negotiations can continue (for example, China, Canada, Mexico, Taiwan) and we are still faced with unknown sectoral tariff such as that of pharmaceutical and semiconductors. Regardless, these modified tariffs seem to bring a tentative closure to this phase of the trade conflict. We see smaller gains in the gold from here. Gold had risen around 25% from the start of the year and we are looking for gold to strengthen another 8% over the next few quarters.

We remain constructive on gold. Underpinning factors for the gold remain 1) outlook for real UST yields remain bearish, 2) lingering risks of geopolitical conflicts could still occur that spur safe haven demand, 3) inflation expectations in the US are still elevated due to tariffs, 4) de-dollarization or rather the diversification away from USD or even the fiat currencies may pause but not end. In an environment of rate cuts, growth concerns and inflation fears, gold is likely to remain supported. **However, the cadence of its climb could reduce in 2H of 2025 with the worst of trade uncertainty likely behind us.**

Gold may continue to play a role as an inflation hedge (at least in the US). June inflation data suggests that goods inflation are showing signs of pass through from tariffs. In addition, the Beige Book also show price pressures from tariff-related input costs and insurance, some of which are already passed on to consumers. Inflation is still a concern. However, in other **parts of the world such as China, deflationary pressure has taken hold** and might have reduced demand for the bullion. Investors in China seem to be pivoting from gold-backed ETF into local equities according to Bloomberg which estimated a net outflows of about CNY3.2bn in Jul. Inflation divergence could ensure offsetting demand shifts that keep the gold in range in the near-term.

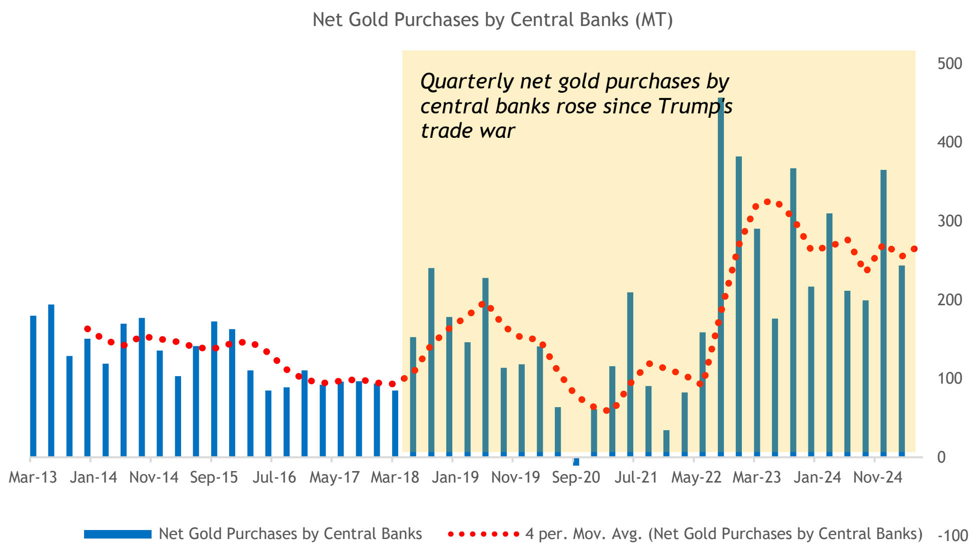
US GDP surprise to the upside for 2Q and that is reflected in the USD rebound of late. Into the end of summer lull, we do not rule out the possibility that the higher tariff rates could raise price pressure in the US and drive UST yields and the USD higher. That would in turn continue to crimp on gold and keep the bullion within well-established ranges. That said, as mentioned in the latest FOMC statement accompanying the Jul decision, the US growth has moderated and uncertainties remain elevated. After taking the Fed Funds Target rate 100bps lower from its peak of 5.25-5.50% last year, the Fed has been on an extended pause and markets are pricing in less than two cuts this year. The balance of risks to real yields is still to the downside in the medium term. We look for gold to continue to remain supported for the rest of 2H 2025.

Meanwhile, the US debt sustainability remains in question as the Senate approved its latest version of the OBBBA and the bill is passed back to House for its approval. The non-partisan CBO had projected that the legislature will add around $3.2trillion of debt added to the US over the next ten years. As debt becomes potentially insurmountable to the US and treasuries' safe haven status could come into question, the alternatives to US Treasures may not be plentiful and gold would be one of them.

Trump's unpredictable policies could keep investors cautious for the rest of his term. We recall that gold had risen around 50% by the end of Trump's first term even with the phase 1 of trade deal inked with China. At this point, gold is up 20% since trump's inauguration.

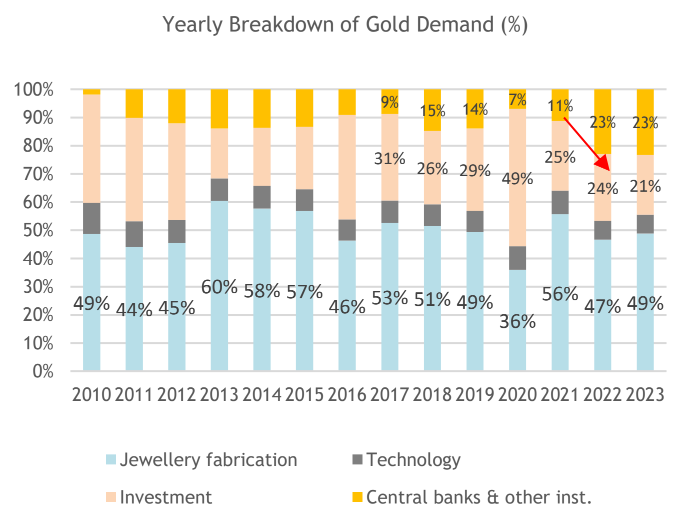
Technical Analysis: Gold was stuck in the $3200-3500 range. Momentum indicators on the weekly chart suggests mild bearish risks with stochastics turning lower from overbought conditions. Support is seen around 3177. Resistance at 3500. Break of the year high would expose next key target at 3750.

Quarterly Net Gold Purchases by Central Banks Have Risen Since First Trade War



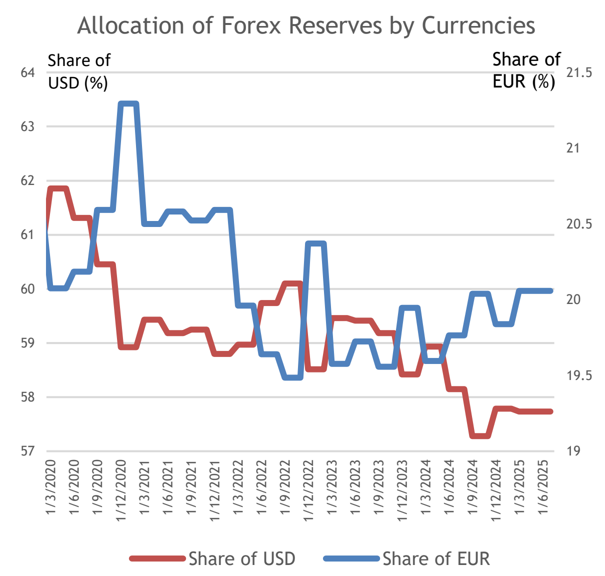
Source: Bloomberg, Univ. of Michigan, Maybank FX research & Strategy

The rise in gold acquisition by central banks…



Source: World Gold Council, Maybank FX Research & Strategy

… Coincides with the drop in USD and EUR forex holdings



Source: Bloomberg, IMF COFER, Maybank FX Research & Strategy

FX Forecast Table

	End Q3-25	End Q4-25	End Q1-26	End Q2-26
USD/JPY	142.00	140.00	138.00	135.00
EUR/USD	1.1400	1.1500	1.1600	1.1700
GBP/USD	1.3400	1.3500	1.3600	1.3700
AUD/USD	0.6400	0.6400	0.6500	0.6600
NZD/USD	0.6000	0.6100	0.6100	0.6200
USD/CAD	1.3900	1.3500	1.3400	1.3400
USD/CHF	0.8250	0.8200	0.8150	0.8100
USD/SGD	1.2800	1.2650	1.2600	1.2550
USD/MYR	4.2000	4.1000	4.0500	4.0000
USD/IDR	16250	16150	16000	16000
USD/THB	32.00	31.50	31.00	31.00
USD/PHP	56.50	56.00	55.50	55.50
USD/CNY	7.20	7.18	7.15	7.15
USD/CNH	7.20	7.18	7.15	7.15
USD/HKD	7.85	7.83	7.80	7.75
USD/TWD	31.60	31.50	31.30	31.00
USD/KRW	1390	1370	1360	1350
USD/INR	86.00	85.50	85.00	84.75
USD/VND	26200	26000	25900	25800
DXY Index	99.26	98.09	97.13	96.15
Gold ($/oz)	3400	3450	3500	3550
	End Q3-25	End Q4-25	End Q1-26	End Q2-26
SGD/MYR	3.28	3.24	3.21	3.19
JPY/SGD	0.90	0.90	0.91	0.93
EUR/SGD	1.46	1.45	1.46	1.47
GBP/SGD	1.72	1.71	1.71	1.72
AUD/SGD	0.82	0.81	0.82	0.83
NZD/SGD	0.77	0.77	0.77	0.78
CAD/SGD	0.92	0.94	0.94	0.94
CHF/SGD	1.55	1.54	1.55	1.55
SGD/IDR	12695	12767	12698	12749
SGD/THB	25.00	24.90	24.60	24.70
SGD/PHP	44.14	44.27	44.05	44.22
SGD/CNY	5.63	5.68	5.67	5.70
SGD/HKD	6.13	6.19	6.19	6.18
SGD/TWD	24.69	24.90	24.84	24.70
SGD/KRW	1086	1083	1079	1076
SGD/INR	67.19	67.59	67.46	67.53
SGD/VND	20469	20553	20556	20558
	End Q3-25	End Q4-25	End Q1-26	End Q2-26
JPY/MYR	2.96	2.93	2.93	2.96
EUR/MYR	4.79	4.72	4.70	4.68
GBP/MYR	5.63	5.54	5.51	5.48
AUD/MYR	2.69	2.62	2.63	2.64
NZD/MYR	2.52	2.50	2.47	2.48
CAD/MYR	3.02	3.04	3.02	2.99
CHF/MYR	5.09	5.00	4.97	4.94
MYR/IDR	3869	3939	3951	4000
MYR/THB	7.62	7.68	7.65	7.75
MYR/PHP	13.45	13.66	13.70	13.88
MYR/CNY	1.71	1.75	1.77	1.79
MYR/HKD	1.87	1.91	1.93	1.94
MYR/TWD	7.52	7.68	7.73	7.75
MYR/KRW	331	334	336	338
MYR/INR	20.48	20.85	20.99	21.19
MYR/VND	6238	6341	6395	6450

*Source: Maybank FX Research as of 1 Aug 2025. *These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.*

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