Maybank

Macro | FX Research & Strategy

Global

FX Monthly

2025, Issue 9: October Cross-Currents – Data, Seasonality & Geopolitics in FX

What Has Changed This Month?

- We made further calibration to EUR, NZD, CHF, CNY, VND, IDR, PHP and gold due to recent market developments, keeping our bearish USD trajectory intact.

Our Strategies and Views

- For the whole of 3Q, the DXY index was stuck within the 96.40-100 range, stabilizing after a period of steep decline in 1H of 2025. The FX market was anything but stable as the NZD, KRW, INR led in losses in the last quarter due to weaker-than-expected growth and trade outturns and disadvantageous tariff treatments. HKD, CNY, THB were on the other end of the spectrum, making moderate gains vs. the greenback. CNY sentiment was bolstered by tech breakthroughs and demand-supportive measures at home while THB benefitted from the gold rally. Taken together, FX drivers have become very much idiosyncratic once USD settles into a range.

- Into 4Q, the DXY index may take a while to break out of the current range as Fed's dual mandate continue to remain in conflict and markets priced in another 100bps cut by end 2026. However, we continue to keep a mildly bearish view of the USD for the medium term. Global growth projections for 2025-2026 remain weak but Fed easing cycle, ongoing fiscal stimulus for China, Europe and cooling price pressure could give the global economy a better chance of a recovery, negative for the countercyclical USD. In addition, the partial shutdown of the US government is another negative USD event with the Sep NFP release potentially delayed. LDP election is on 4 Oct where frontrunners Takaichi and Koizumi are in a tight race. We expect a Koizumi win, which should lift the JPY given he is perceived to support fiscal prudence and respect BOJ independence. A Takaichi victory on the hand can weigh on the JPY due to her backing for looser fiscal policies.

- Within ASEAN, various idiosyncratic developments have impacted individual currencies differently. The MYR has outperformed its peers following the announcement of the RON95 subsidy reform. Meanwhile, the THB initially gained support due to its correlation with gold but later pared back its gains amid government concerns over FX strength. The PHP has been weighed down by the Philippines' thin market liquidity, which has amplified the effects of seasonal factors, oil price pick-ups, and interim dollar rebounds. Movements in the IDR have reflected the country's ongoing policy transition and adjustments. Looking ahead to next month, we remain positive on the MYR, supported by continued government consolidation efforts. The PHP may also recover from its recent weakness as oil prices ease, while the THB faces risks of underperformance given the government's FX concerns. Of late, SGD NEER has eased as the market prices in an MAS easing, which we do not think is likely given the resilience in growth and inflation stability. Prefer to buy the SGD or SGD NEER on dips.

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Top 3 Currency Plays for Oct

Short USDJPY on Rallies
Long- AUD vs. CNH
Long MYR vs. THB

Key Events for the Month Ahead

Date	Event
4 Oct	LDP Leadership Election
10 Oct	Malaysia Budget
20-23 Oct	China's 4th Plenum to Review 5Y Plan

SEE PAGE 41 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

USD: Fed's Employment Pivot - Dollar at the Crossroads

USD DXY	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	97.48	96.54	95.59	94.73
	(98.01)	(97.06)	(96.10)	(--)

Previous Forecasts in Parentheses

Motivation: The USD has continued to soften heading into Oct, supported by concerns from several ongoing drivers including government shutdown, further labor market cooling concerns, dovish Fed communication, and extent of market conviction around additional rate cuts. A 25bps cut in Sep and a more dovish "dot plot" suggest the Fed is moving steadily into easing mode, though inflation and fiscal pressures could limit the extent of weakness. Tariff uncertainty, curve dynamics, and global growth risks pose downside and upside risks alike for DXY. In this volatile setting, modest USD depreciation remains the base case, but positioning for surprise support is prudent.

The US dollar extended its decline in Sep, with the DXY falling another 1.1% before the FOMC, but retraced back losses to end Sep around 98 levels. Dollar weakness was again driven by a combination of softer labor market signals, dovish Fed communication, and continued trade and tariff uncertainty. The Sep non-farm payrolls report showed payrolls rising by just 22K, well below expectations, while job openings from the BLS JOLTS report fell 176K to a ten-month low of 7.18 mn, underscoring a cooling labor market. That was the lowest level since Sep 2024. Job openings have decreased by more than 300K over the past two months. This reinforced market expectations that the Fed would move forward with rate cuts. The USD DXY was adjusted slightly lower to factor in a slightly stronger Euro and CHF.

More recently, the US Senate have rejected the stopgap bills on Tue with a vote of 55-45 and a shutdown is almost certain - (to take effect on 1 Oct). The CBO estimated that as many as 750K federal workers could be at risk of being furloughed and every day of shutdown would come at a cost of $400mn. The threat of a US government shutdown is USD-negative. Perhaps adding to the pressure on the USD was the fall in crude oil prices on news that OPEC+ plans to ramp up its production to claw back market share. Data-wise, JOLTS job openings rose to 7227K from previous 7208K (also revised higher). The quits level has fallen along with layoffs level. This report suggests that the job market is certainly not falling off the cliff. Should there be a government shutdown, we are less certain of the data releases in the days ahead – particularly on the more critical NFP on Fri.

Fed cuts rate after a nine-month pause. Fed cut the fed funds rate (FFR) by -25bps to 4.00%-4.25% at the 16-17 Sep 2025 FOMC meeting. FOMC statement flags downside risk to job market, signaling Fed's policy now focuses on the employment part of its mandate. Our economists have also adjusted end-2025 and end-2026 FFR outlook to 3.50%-3.75% i.e. -75bps cuts (vs -50bps cuts to 3.75%-4.00% previously) and 3.00%-3.25% i.e. -50bps cuts (vs -50bps cuts to 3.25%-3.50% previously).

Fed focusing on "employment" part of its mandate FOMC Statement noted growth has slowed in 1H 2025 and there have been increases in both the "still-low" unemployment rate and the "still elevated" inflation but notably takes the view that the balance of risks have shifted towards weaker job market, signaling its monetary policy is focusing on the "employment" part of its mandate now.

Dot plot and macro forecasts adjusted Fed's latest "dot plot" signals FFR cuts of -75bps for 2025 (to 3.50%-3.75%) vs previous median forecast of -50bps cuts for 2025 (to 3.75%-4.00%), while maintaining the outlook of -25bps cut for both 2026 (to 3.25%-3.50% vs 3.50%-3.75% previously) and 2027 (to 3.00%-3.25% vs 3.25%-3.50% previously), plus no change flagged for 2028. Fed maintains its long-run FFR forecast of 3.00%. Fed's latest Summary of Economic Projection (SEP) raised real GDP growth forecasts for 2025, 2026 and 2027 to +1.6% (from +1.4%), +1.8% (from +1.6%) and 1.9% (from +1.8%) respectively, and introduced +1.8% forecast for 2028.

Expect a bit more cuts by Fed in total for 2025-2026: The -25bps cut in FFR to 4.00%-4.25% is widely expected as concerns mount over the economic outlook, especially pertaining to the "maximum employment" part of Fed's dual mandate. The decision also came amid concerns over Fed's policy-making independence following President Trump's criticism on Fed's policy and threats to remove Fed Chair Powell (note: Powell terms ends on 15 May 2026); attempt to fire Fed Governor Lisa Cook (note: on mortgage fraud allegation, but rejected by US Court of Appeals for the District of Columbia Circuit on Monday although Trump Administration is reportedly preparing to appeal by bringing the case to the Supreme

Court); and US Senate confirmation of the Chair of White House's Council of Economic Advisors, Stephen Miran as the new Fed Governor (note: replacing Adriana Kruger who stepped down earlier vs the end of her term in Jan 2026). Attending his first FOMC meeting as a voting member, Miran "dissented" by voting for a -50bps cut instead. Taking into account all these factors, we adjusted our end-2025 and end2026 FFR outlook to 3.50%-3.75% i.e. -75bps cuts (vs -50bps cuts to 3.75%- 4.00% previously) and 3.00%-3.25% i.e. -50bps cuts (vs -50bps cuts to 3.25%-3.50% previously). Futures markets are pricing in -105bps cuts (as at 1 Oct 2025) more in 2025 and 2026, consistent with our house view of additional –50bps cuts in 2025 and a further –50bps in 2026. Despite the Fed's cautious stance, dissent emerged — Governor Miran voted against the Sep cut, citing still-sticky inflation. This highlights the narrower margin for consensus inside the FOMC, which could add volatility around future meetings. Nonetheless, the broader market takeaway was that the Fed is firmly on an easing trajectory as growth softens.

Tariffs, Trade Policy, and Fiscal Risks: Beyond monetary policy, the USD continues to be buffeted by tariff-related uncertainties. While headline tariffs announced in Aug remain in focus, questions persist about the scope of trans-shipment levies and the possible extension of Section 232 sectoral tariffs. Meanwhile, the US courts are still weighing challenges to President Trump's use of IEEPA emergency powers.

Unresolved trade negotiations with Canada, India, and Brazil, as well as China's bid to secure another 90-day extension beyond 10 Nov, add layers of complexity. The drag from tariffs is evident in softer hiring and weaker confidence indicators. At the same time, tariff revenues have temporarily eased fiscal deficit concerns, helping cap worries about US debt sustainability. But the steepening US yield curve reflects the structural pressures: front-end yields suppressed by Fed cuts while long-end yields remain sticky due to fiscal risks. This curve dynamic continues to suggest mild medium-term USD downside.

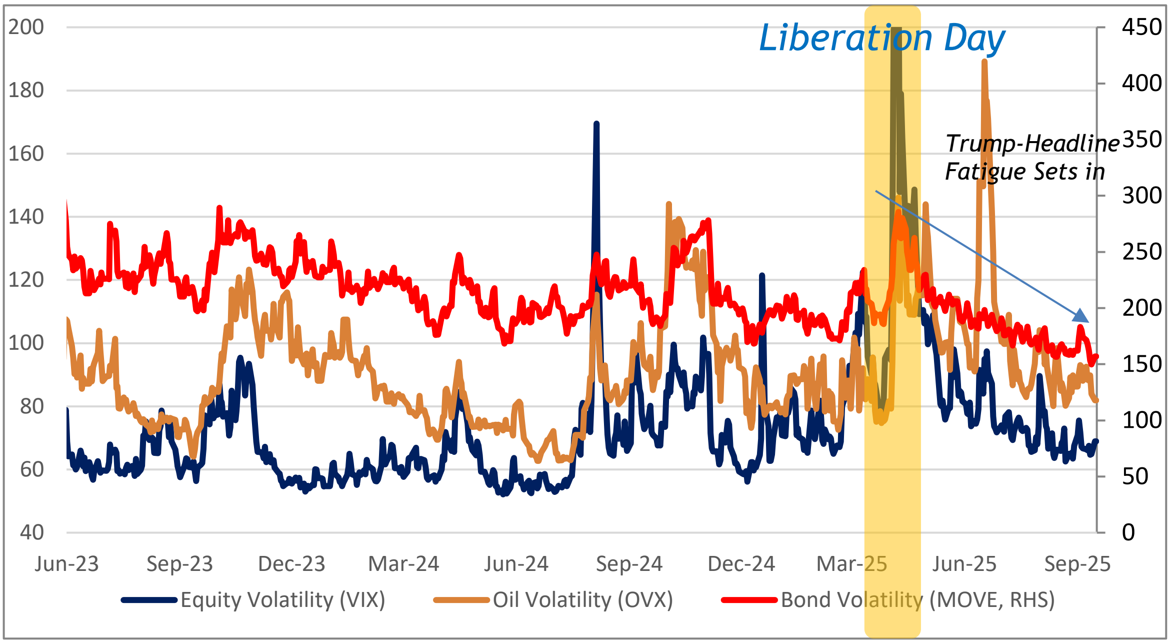
US Data and Growth Outlook: The third BEA estimate of US 2Q GDP, published in late Sep, showed a stronger 3.8% annualised pace, up from earlier estimates, driven by upward revisions to consumption and lower import volumes. In Aug, retail sales rose 0.6% m/m, underscoring consumer resilience even as the labour market cools. Meanwhile, the Aug PCE price index rose 0.3% m/m, with core PCE up 0.2%, bringing annual headline inflation to 2.7% and core to 2.9%. These figures highlight the mixed picture confronting the Fed: headline growth appears robust on paper, but underlying momentum is weakening under tariff drag and labour market softening. We continue to expect growth to decelerate further into 4Q as employment weakens, tariff burdens rise, and consumer spending loses momentum.

Outlook and Risks: Our view remains that the USD is biased weaker in the medium term, with further Fed easing and relative outperformance in other major economies expected to weigh on the dollar. Stronger fiscal, credit, and policy support in China, alongside Europe and the UK's push for a "defence renaissance," should continue to support the euro, GBP, CNY, and EM FX against the USD albeit with some risk of political instability in France weighing on the euro. However, the risk of a USD rebound cannot be dismissed. If global growth falters more sharply due to the second-round effects of tariffs, or if US inflation re-accelerates unexpectedly, safe-haven demand could lift the dollar. The USD-smile theory remains relevant: the dollar weakens when US growth underperforms peers, but strengthens in global crises or deep recessions. On balance, while the Sep FOMC cut has entrenched expectations for continued easing, we emphasise that the Fed is in no rush. Sticky inflation risks and internal dissent suggest a cautious pace. Our baseline is still for further –50bps in 2025, bringing the Fed funds target to 3.75–4.00%, with another –50bps in 2026 toward 3.25–3.50%.

The dollar remains under mild downward pressure as the Fed eases and the labour market softens, but elevated inflation risks, fiscal concerns, and tariff uncertainty could limit the extent of weakness. Near-term support may persist on haven flows, but over the medium to long term, our bias remains for a softer USD as growth slows and yield curve steepening continues to weigh.

Key Data/Events: ISM Manuf (1 Oct), NFP & Unemployment (3 Oct), Aug Trade Balance (7 Oct), FOMC Minutes (8 Oct), Sep CPI & Real Earnings, Beige Book (15 Oct), Sep Retail Sales, PPI, Empire Manufacturing, Philadelphia Fed (16 Oct), Sep Housing Starts & Industrial Production (17 Oct), JOLTS Job Openings (22 Oct), Sep Existing Home Sales (23 Oct), Sep New Home Sales, U. Mich Sentiment (prelim) (24 Oct), Sep Durable Goods Orders (27 Oct), FOMC (28–29 Oct), 3Q Advance GDP & Chain Price Index (30 Oct), Sep Personal Income & Core PCE Price Index (31 Oct).

Trump-Headline Fatigue Sets in - Data Matters More Now



Source: Bloomberg, Maybank FX Research & Strategy

Note: When residuals become deeply negative, the actual observed values are much lower than predicted values from the model. This suggests that the usual drivers of the DXY were less able to explain the USD weakness. A linear estimation of DXY was run on Brent, NASDAQ, UST 2y yield, 10y yield based on daily data from 1 Jan 2005 to 26 Jun 2025.

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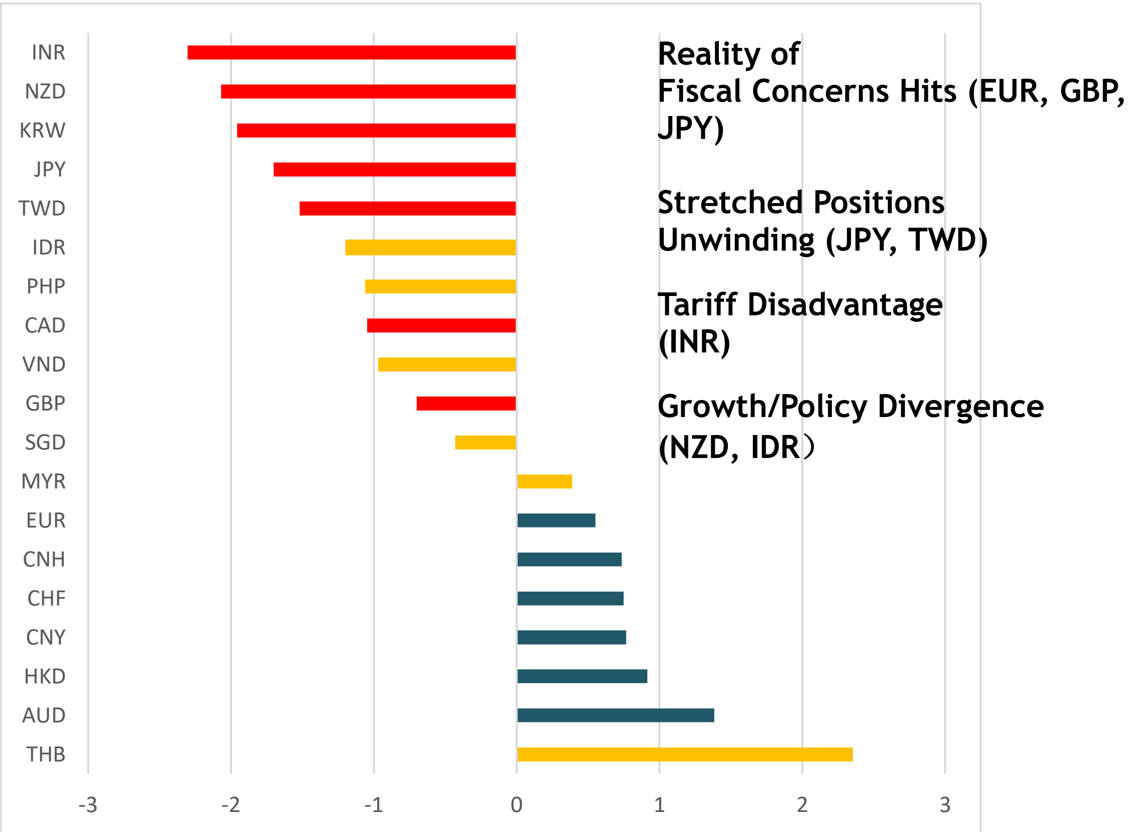
The FX Story into 2H – A Very Mixed Picture for the USD



Note: All values are changes of the respective currencies taken against the USD as of 17 Sep 2025.
Yellow Bars Denote ASEAN-6 FX
Source: Bloomberg, Maybank FX Research & Strategy

EUR: Bullishness to Outweigh Under-Priced Risks

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
EUR/USD	1.1600 (1.1500)	1.1700 (1.1600)	1.1800 (1.1700)	1.1900 (1.1800)

Previous Forecasts in Parentheses

Motivation: We revise our EURUSD forecasts slightly higher and maintain our trajectory for appreciation amid contesting forces of bullishness as the EUR remains a legitimate choice for USD diversification which we believe will outweigh what we see to be under-priced risks. The ECB is expected to stand pat versus a Fed that has started cutting and that should benefit the EUR. In addition, the EUR remains one of the main alternatives to the USD amid potential fiscal support in the form of increased defence spending by member states that could drive the EUR higher. However, we do caution that we see under-priced risks for the EUR in the form of political and fiscal risks (France) and a potential broadening of the Ukrainian conflict with hawkish NATO rhetoric, which could cause some increased volatility for the EUR.

EURUSD traded in a higher 1.1608 to 1.1919 range in Sep compared to the 1.1392 to 1.1743 range in Aug. The pair largely tracked broader developments in the USD which saw pockets of support as a breakout to the topside of the recent 1.14 to 1.18 range was quickly rejected after the Fed moved to cut rates in the middle of the month. Price action suggests that the pair seems to be under-pricing risks as USD-specific factors are the main driver. As we head into the year-end, we expect the broad range that the pair has largely vacillated within to hold with some volatility to be expected.

We maintain that we see no further cuts for the ECB and for the ECB deposit facility rate to end 2025 at 2.00%. The ECB was cautious of potential upside risks to inflation (while recognizing that there are also downside risks) and as such are likely to adopt a wait and see approach, supporting our view for no further ECB cuts. Moreover, current rates are viewed to be broadly within the territory of neutral rates (R*) and the ECB viewed fiscal expansion in the euro area (defence spending) as having the potential to raise neutral rates. Lastly, ECB views recent EUR strength as structural and such structural strength is unlikely to change soon. ECB stood pat on 11 Sep, noting that risks to economic growth were more balanced. While Lagarde stressed that policy settings are “in a good place”, she stopped short of agreeing that the easing cycle is over. A cut is priced for 30 Oct at 2.0% and roughly 3bps of further cuts are priced for the rest of 2025. Market expectations have moved broadly 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.

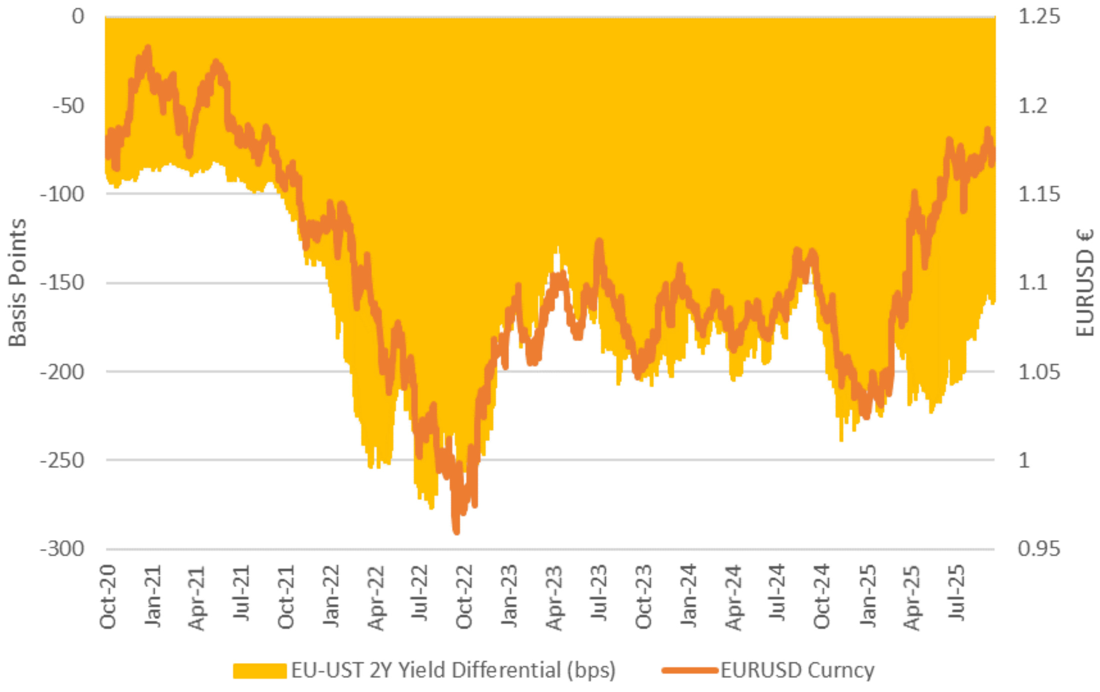
Eurozone growth is showing some signs of picking up, although significant risks from Trump tariffs remain. Pharmaceutical tariffs are at 15% on the Eurozone instead of 100% levied on the rest of the world, and that could provide some relief with Ireland and Germany among the top exporters of pharmaceuticals to the US. We continue to expect that the fiscal expansion from defence spending narrative should provide some offset for the downside risks and anchor future growth. Third reading of 2Q GDP showed the Eurozone growth ticked up tp 1.5% SA YoY (exp: 1.4%; prev: 1.4%) and 0.1% SAS QoQ (exp: 0.1%; prev: 0.1%). Odds of a recession have retreated, with Eurozone recession probability at 25% (prev: 25.0%) and Germany’s at 35.0% (prev: 35.0%). ECB’s earlier rate cuts should provide support for growth, although it is likely that it could take some time for growth to pick up. Separately, Spain has won a double upgrade from Moody’s and Fitch, recognizing the standout growth performance for the peripheral economy in the Eurozone. Ratings were upgraded by a notch to A3 for Moody’s and A for Fitch, bringing Spain’s rating to the highest level since 2012.

While we still think the Eurozone has avoided the worst on the political front, we suggest that French political risks are under-priced by the market. At the same time, 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. The French political situation shows the dire fiscal situation that France is facing, which we have always viewed as a risk to the defence spending narrative. Nevertheless, 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. 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. Downside risks from recurring political themes e.g. French government shutdown should also weigh on the EUR, possible broadening of the Ukraine conflict amid a hawkish NATO response to the Russian airspace incursion could weigh. Moreover, borrowing challenges and potential rating downgrades could also challenge the outlook for fiscal spending optimism. The under-pricing of risks for the EUR could portend more downside volatility going forward.

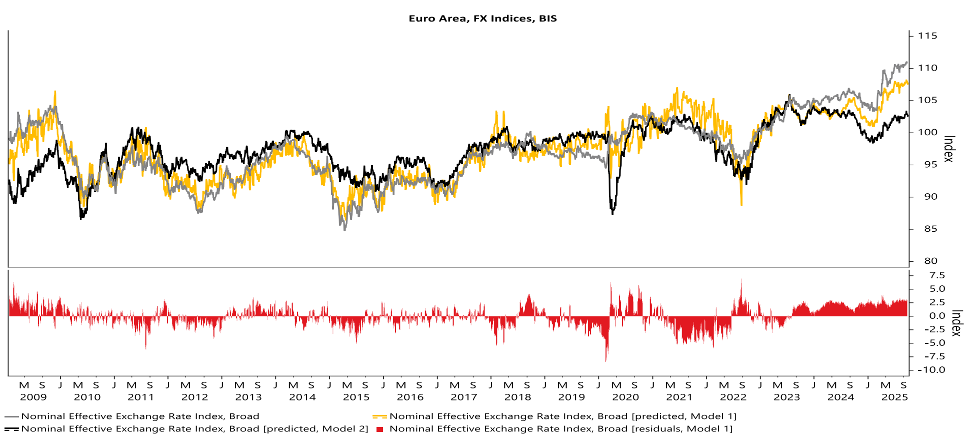
Key Data/Events: Sep Mfg PMI, Sep CPI (1 Oct), Aug Unemployment Rate (2 Oct), Sep Svcs/Comp PMIs, Aug PPI (3 Oct), Oct Sentix Investor Confidence, Aug Retail Sales (7 Oct), Oct ZEW Survey Expectations (14 Oct), Aug Industrial Production (15 Oct), Aug Trade Balance (16 Oct), Sep F CPI (17 Oct), Aug ECB Current Account, Aug Construction Output (20 Oct), 2024F Debt/GDP ratio (21 Oct), Oct P PMIs (24 Oct), Sep ECB 1Y/3Y CPI Expectations, Sep M3 Money Supply (27 Oct), 3Q Negotiated Wages (28 Oct), Oct Confidence Indices, 3QA GDP, Sep Unemployment, **ECB Policy Decision (30 Oct),** Oct P CPI (31 Oct).

Yield Breakdown Narrows But Remains



Source: Bloomberg, Maybank FX Research & Strategy

EUR NEER Could Retrace



Source: Macrobond, Maybank FX Research & Strategy

GBP: Lingering Risks, Watch Autumn Budget

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
GBP/USD	1.3500 (--)	1.3600 (--)	1.3700 (--)	1.3750 (--)

No Change to Previous Forecasts

Motivation: We maintain our GBPUSD forecasts while recognizing the lingering risks for the pair on the fiscal front ahead of the Autumn Budget. We remain positive on the GBP in the medium-term amid Fed rate cuts and fading US exceptionalism. However, 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. The Autumn budget should be closely watched as it remains to be seen how Chancellor Reeves will instill the fiscal rigour that she advocates. Nevertheless, we maintain an appreciating trajectory on the cable given that the BOE-Fed divergence will continue to be supportive of the cable as the USD fades.

GBPUSD traded in a higher 1.3324 to 1.3726 range in Sep compared to the 1.3142 to 1.3595 range in Aug. As the market shifts its attention away from trade policy, then the resilience of the GBP we saw earlier could fade which has indeed been the case. Nevertheless, the increased defence spending narrative and improved relations with the EU should remain supportive of the GBP. We expect cable to remain well within the earlier wide ranges with 1.38 a possible cap to cable strength, although downside risks from lingering fiscal concerns and sentiment deterioration for a high-beta currency like the cable do exist.

We see the BOE holding its policy rate at 4.00% for 2025. In line with consensus and our view, the BOE stood pat at 4.00% on 18 Sep 2025. Market is pricing in 5bps of cuts for the BOE till end-2025, slightly more dovish than we are, although 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 is rather bumpy and relatively sticky services inflation and wage growth could compel the BOE to be a tad more cautious when setting rates. Nevertheless, Deputy Governor Ramsden struck a more dovish tone recently, citing his belief that services inflation and wage growth would continue to ease in the future, potentially enabling the BOE to cut rates.

UK growth could perform worse than initially expected in 2025, but growth prospects for years ahead looks promising. Probability of a UK recession is 32.5% (prev: 30.0%) and consensus forecasts see growth at 1.3% in 2025 and 1.1% in 2026. The prospects for a services-oriented economy are also likely better than for goods-oriented economies against a backdrop of tariffs and potential further 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. However, with pharmaceutical giants such as AstraZeneca, GSK and Hikma based in the UK, pharmaceutical tariffs could also weigh on the GBP. 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. Inflation remains high and relatively sticky, with Aug core inflation at 3.6%, headline inflation at 3.8% and services inflation at 4.7%. Note the BOE’s inflation target is set at 2% by the UK government.

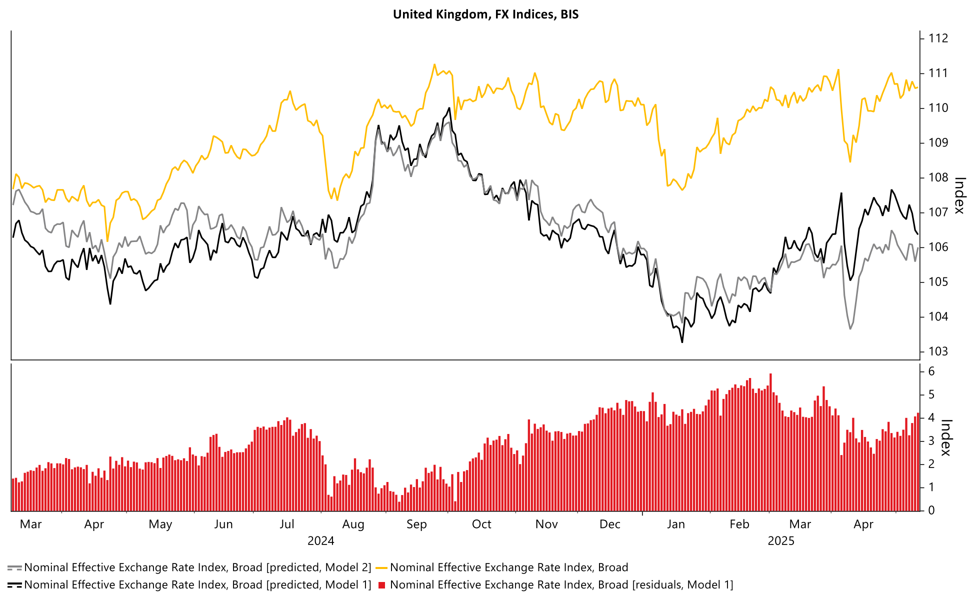
The Starmer government remains committed towards fiscal discipline and has improved relations with the EU, which should be positive GBP. However, risks on the fiscal front are emerging over the recent U-turn in welfare policy. UK fiscal deficits are expected to narrow to 4.2% of GDP in 2025 and 3.6% of GDP in 2026. We earlier expected reduced fiscal deficits to be better for the GBP. However, questions could be asked on how the Labour government intends to get there or how it plans to fund defence spending. Closer ties to the EU should provide tailwinds for the GBP even as markets’ attention changes 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. At the moment, risks to either side look finely balanced. 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 outcome or the growth prospects for the UK 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. Risks to achieving fiscal disciple and the defence spending narrative could also jeopardize confidence in the UK and the GBP (recall Liz Truss).

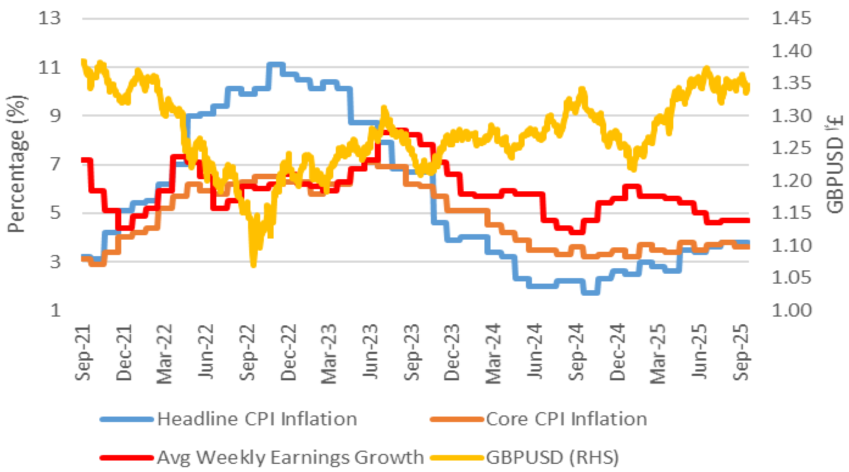
Key Data/Events: Sep Nationwide House Px, Sep Mfg PMI (1 Oct), Sep DMP 3M Output Price/1Y CPI Expectations (2 Oct), Sep Official Reserves Changes, Sep Svcs/Comp PMI (3 Oct), Sep Construction PMI (6 Oct), Sep RICS House Price Balance (9 Oct), REC UK Jobs Report (10 Oct), Sep BRC Sales, Aug Avg Weekly Earnings, Aug ILO Unemployment, Sep Jobless Claims/Claimant Count (14 Oct), Aug Monthly GDP, Aug Industrial/Manufacturing Production, Aug Trade Balance, BOE Liabilities/Credit Conditions Survey (16 Oct), Oct Rightmove House Prices (20 Oct), Sep Public Finances (21 Oct), Sep CPI/RPI/PPI (22 Oct), Oct GfK Consumer Confidence, Sep Retail Sales, Oct P PMIs (24 Oct), Oct BRC Shop Price Index (28 Oct), Sep Mortgage Approvals (29 Oct), Oct Nationwide House Px (30 Oct to 5 Nov), Oct Lloyds Business Barometer/Own Price Expectations (31 Oct).

GBP NEER Has Room to Correct



Source: BIS, Macrobond, Maybank FX Research & Strategy

Inflation and Cable Stabilize



Source: Bloomberg, Maybank FX Research & Strategy

CHF: High Bar for Negative Rates

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
USD/CHF	0.7925 (0.8025)	0.7900 (0.8000)	0.7900 (0.8000)	0.7900 (0.8000)

Previous Forecasts in Parentheses

Motivation: We lower our USDCHF forecasts further on the back of continued safe haven inflows, our view that SNB has a high bar to go to negative rates (confirmed by SNB) and as the EUR and gold move stronger in step with the CHF. Our gentle downward trajectory remains unchanged as intervention would be SNB's first port of call with EURCHF at 0.92 as a potential trigger. CHF has been a proxy for gold and we think that this can continue. 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 broadly lower 0.7829 to 0.8072 range in Sep compared to the 0.7986 to 0.8171 range in Aug. CHF continues to be supported by its safe-haven allure than other currencies and as such remains resilient on a REER and NEER basis. 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 what continues to be a highly uncertain external environment.

In line with our view, the SNB stood pat on 25 Sep 2025 at 0%. Inflation levels are benign in Switzerland (2025 forecast: 0.2%), while growth prospects are tepid (2025 forecasts 1.1%). The SNB should continue to remain neutral at current policy rate levels. 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 effectively place a cap on CHF strength. Schlegel has also added that a move to negative rates would only happen if inflation were to go below the 0% to 2% target band, which does not look likely. Latest Swiss CPI showed that inflation was at 0.2% YoY in Aug. The Swiss REERs and NEERs remain at elevated levels and as such highlight intervention risks. 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. The probability of a recession has risen to 30.0% (prev: 27.5%) and growth is expected to print at 1.1% in 2025 and 1.4% in 2026 (prev 2025: 1.1%; prev 2026: 1.4%). 2Q GDP printed at 1.2% YoY (exp: 1.3%; prev: 1.8%). 1Q headline GDP stood at 0.1% QoQ (sport event adjusted) (exp: 01%; prev: 0.1%). 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) and the pharmaceutical sector. 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.

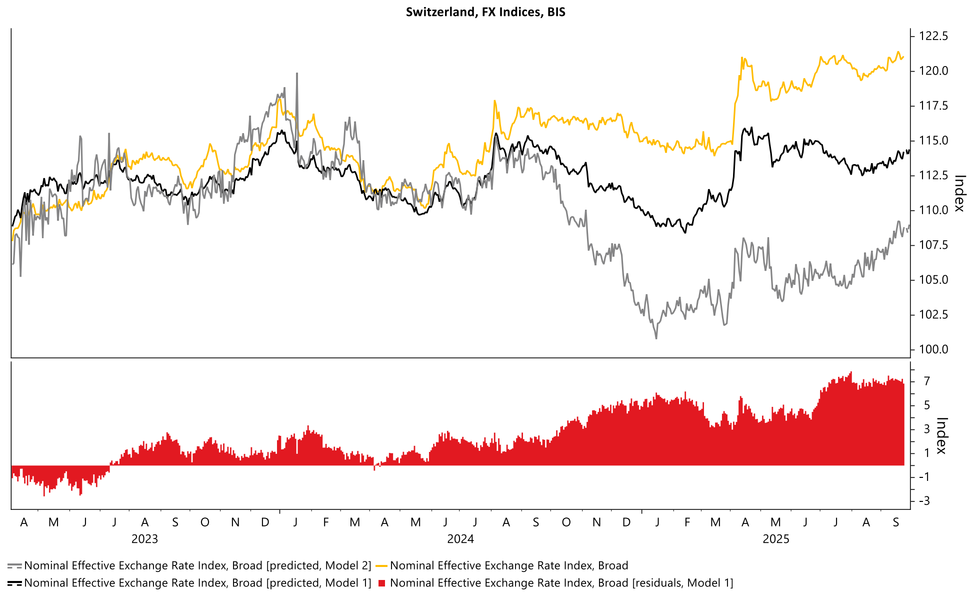
With BOJ expected to hike and SNB expected to ease, we approach a potential pivot where CHF could replace JPY as the funding currency of choice. BOJ overnight rate is now at 0.50% and SNB is at 0.00%. BOJ is also expected to hike further while SNB should stand pat and there are risks of them heading 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 are proposing to invest in the US gold refining industry as part of a deal to reduce tariffs, but there are further risks on the front of pharmaceutical tariffs which Trump announced to be at 100%. Switzerland is the 2nd largest exporter of pharmaceuticals to the US (after Ireland). While the market's attention is turning away from tariffs and trade developments, any negative headlines for Switzerland should weigh on the CHF.

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.

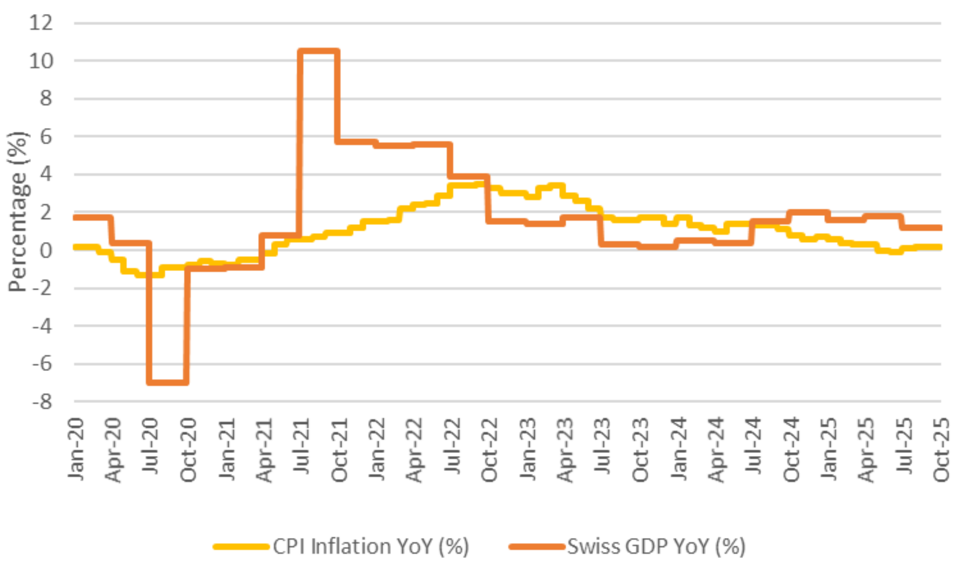
Key Data/Events: Aug Retail Sales, Sep Mfg/Svcs PMI (1 Oct), Sep CPI (2 Oct), Sep Unemployment Rate (6 Oct), Sep FX Reserves (7 Oct), Sep SECO Consumer Confidence (10 Oct), 3Q Real Estate Index family Homes (10 to 16 Oct), Sep Producer & Import Prices (14 Oct), SECO Autumn Economic Forecasts (16 Oct), Sep Exports/Imports, Sep Money Supply (21 Oct), Oct UBS Expectations (29 Oct), Oct KOF Leading Indicator (30 Oct), Sep Retail Sales (30 Oct to 4 Nov).

Swiss NEER Remains Elevated Amid Safe Haven Flows



Source: BIS, Macrobond, Maybank FX Research & Strategy

Inflation Stays Above the Zero-Bound, Growth Tepid



Source: Bloomberg, Maybank FX Research & Strategy

AUD: Grind Higher to Continue

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
AUD/USD	0.6600	0.6700	0.6700	0.6800
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: Sep turned out into a month of two halves – bullish in the first half and an almost complete bearish reversal for the second. We have pointed out that the AUDUSD would be driven mostly by the USD leg but its uptrend would remain intact. These have all played out thus far, despite the RBA's cut and the Fed's resumption of easing cycle. **We continue to remain constructive of the AUDUSD on divergent RBA-Fed policy trajectory, as global economy recover and as global risk sentiment remains mostly buoyant.** We continue to hold the view that RBA is likely to ease only once more this easing cycle. A gradual recovery in global economy into 2026 would also be supportive of this cyclical currency and easier monetary policies around the world should be able to keep most risk assets buoyant. **Risks are skewed to the the upside for our forecast numbers given the possibility that global growth could make a stronger than expected recovery in the backdrop of easier monetary policies. AUD would take off further than we envision.**

Macro Underpinnings – Inflation Trajectory Watched, Growth Surpassed Expectations, Labour Market Still Resilient Despite Signs of Softening. Australia's Aug labour report shocked in Sep and added pressure on the AUD just as the greenback was on the rebound. The country lost a net 5.4K of employment in Aug, the first net loss of employment since Feb this year. The monthly metric is highly volatile and susceptible to sectoral impacts. The unemployment rate has remained rather stable at 4.2%, still rather close to full employment. There was a slight drop in labour force participation rate as well, albeit close to the 67% that it has been swivelling around. Meanwhile, growth remained stronger than expected with household spending also surprising to the upside. Headline inflation has crept higher, not helped the least by the distortion brought about by the electricity rebates present in Aug 2024 but has faded in Aug 2025, affecting the annual rate. That said, breakdown suggests that housing costs, food, clothing costs and communication had also been rising on an annual basis. The inflation ex volatile items quickened to 3.4% from previous 3.2%. Trimmed mean inflation, on the other hand, eased to 2.6% from previous 2.7%. This underscores

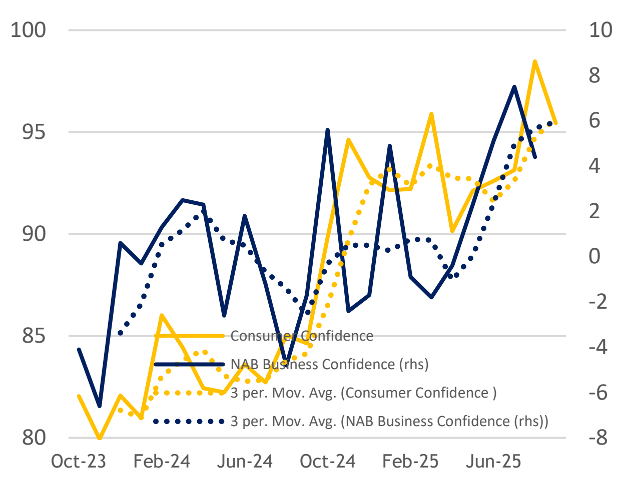
One More Cut To the Trough of this Easing Cycle in Nov. RBA held cash target rate unchanged at 3.6%, in line with expectations including our own. Governor Bullock mentioned that the policy is still a bit restrictive – hinting at room for further cuts but the statement was interpreted as hawkish as officials expect inflation pressures to be likely higher than expected in the Sep quarter. Labour market remain stable. W**e look for only one more cut to take cash target rate to 3.35% this year. We are looking for the next cut 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. Headline inflation showed signs of creeping higher but the trimmed mean trajectory still suggest that the price pressure is not broadening.** Meanwhile, there is still some uncertainty on how the exports downturn would pan out in the 2H of the year. By Nov, RBA may want to give the economy another boost by taking the cash target rate down by another 25bps to 3.35%. A more severe downturn would require RBA to cut more but that is not our base case scenario. There is a possibility that that global growth should bottom out into 2026 and RBA may not need to take the cash target rate lower. The resilience of the labour market is key to our rate call.

Medium-Term AUD Positive: Beyond the near-term, AUDUSD could continue to grind higher. The worst case scenario for trade war has indeed been averted and Trump had likely announced his most aggressive trade policies. Even as there are still loose ends to be tied up (with India, China, Switzerland, etc), sentiment amongst consumers, businesses and possibly investors could be making a cautious recovery locally and potentially, globally.

Risks to the AUD Forecast: (1) US inflation and concomitant policy trajectory is still 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. (4) We also want to monitor the labour market conditions at home as it would determine the trough of the current easing cycle.

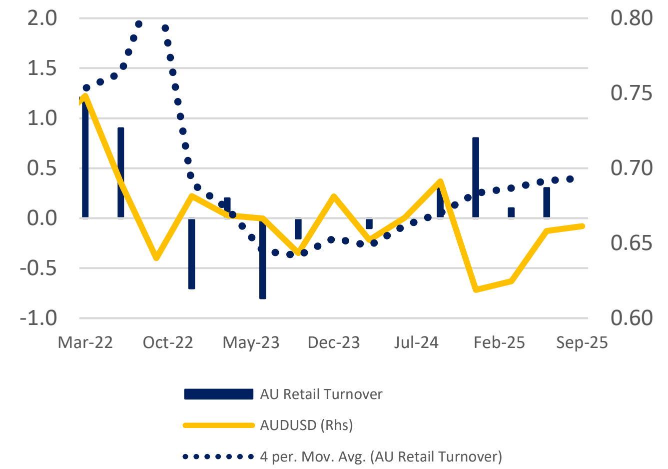
Key Data/Events: Aug trade, household spending [2 Oct], M-I inflation gauge [6 Oct], Westpac Oct consumer confidence [7 Oct], Sep foreign reserves [8 Oct], Oct consumer inflation expectation [9 Oct], NAB Sep business survey and Minutes of the RBA Sep meeting [14 Oct], Sep labour report [16 Oct], 3Q CPI [29 Oct], 3Q PPI [31 Oct].

Chart 1: Recovery in Consumer, Business Confidence



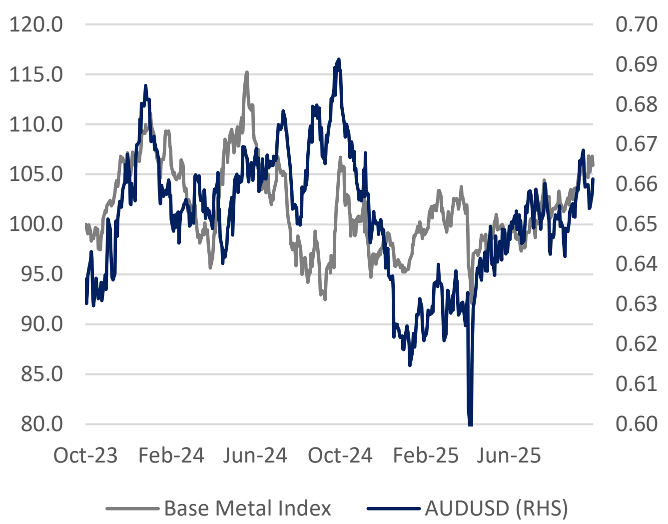
Source: Bloomberg, Maybank FX Research & Strategy

Chart 2: Quarterly Retail Turnover Has Been on a Gentle Recovery



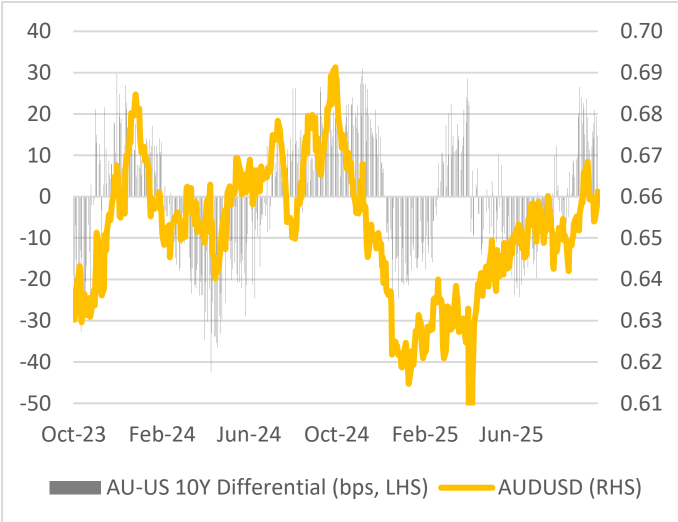
Source: Bloomberg, Maybank FX Research & Strategy

Chart 3: Gradual Recovery in Base Metals (Copper + Iron Ore) To Lead AUD Higher



Source: Bloomberg, Maybank FX Research & Strategy

Chart 4: AU-US Yield Differential Widens and Buoys The AUD



Source: Bloomberg, Maybank FX Research & Strategy

NZD: Weaker, RBNZ to Shift into Accommodative Policy Stance

NZD/USD	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	0.5900	0.6000	0.6200	0.6300
	(0.6100)	(0.6100)	(--)	(--)

Previous Forecasts in Parentheses

Motivation: We shift our forecast due to weaker-than-expected economic recovery that could potentially lead to a lower trough in RBNZ easing cycle. NZD was an underperformer in Sep as New Zealand continues to struggle with its economic recovery. We see a correspondingly slower recovery in the NZD. NZD did not even have much of a brief recovery that we were anticipating. We now expect RBNZ to deliver a larger 50bps cut on 8 Oct – one that likely should have happened in Aug (on hindsight) and the central bank will shift to an accommodative policy stance officially as well that could keep the NZD under pressure into Oct. NZD is at the brink of testing a key level in the near-term, at 0.5720. A break there

A new RBNZ Governor is appointed – First Deputy Governor Dr Anna Breman and she will start on 1 Dec. Given the weak growth momentum, it is likely that the Interim Governor Hawkesby will accomplish most of the heavy lifting before she commences. He will have to oversee two more meetings – 8 Oct, 26 Nov before he leaves.

RBNZ to Cut 50bps in Oct. RBNZ took OCR down by 25bps to 3.00% in Aug, in line with expectations (including ourselves). What surprised was the dovish statement and the fact that a larger 50bps cut was debated. With growth surprising to the downside for the 2Q (-0.9%q/q vs. RBNZ's Aug projection of -0.3%) and high frequency survey data suggesting that business sentiments are deteriorating, there is a stronger case for RBNZ to cut 50bps on 8 Oct. Right now, OIS suggests only 30% probability of a 50bps cut. As such, there is still room for NZD to fall further before a recovery can take place.

Challenging the considerations of RBNZ. In addition, the fresh sectoral tariffs (pharmaceutical, trucks, furniture) announced by Trump could amplify RBNZ's concern that the impact of global policy uncertainty on domestic demand could be self-reinforcing and more persistent. A larger reduction in the OCR may generate a clearer signal to support consumption and investment that a smaller reduction may not be able to provide. Key to note that the central bank has made known that the policy setting is no longer restrictive at the last meeting and we await the outcome of the investigation into the slow transmission of the monetary policy easing thus far. We are also quite sure that the statement will not be as balanced anymore and that would also be another justification for RBNZ to turn accommodative.

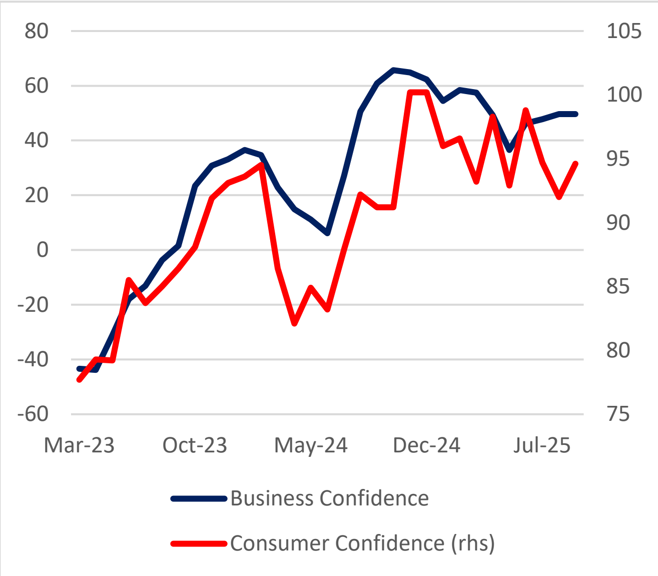
Dairy prices slipped rather sharply recently, down around 12% from its May high. That might have exacerbated the drag on the NZD. NZ 6-monthly farm confidence survey released in the last week of Jul showed that a net 33% of respondents believe conditions are currently good, a rise from 2% seen in Jan due to lower interest rates, strong dairy and meat prices and administrative improvements. On the other hand, there are some expectations that dairy supply growth would peak in late 2025 and moderate into 2026. Two-way risks are likely for dairy prices and the impact on the NZD would also be two-ways as well. Exports and imports fell on a quarterly basis for Aug, resulting in a wider trade deficit of -NZD1.19bn.

What is positive from the dairy industry is the fact that farmers have thus far been able to get a good income from high dairy prices. Fonterra sees farmers paying down their debt, caught up with maintenance and ready to start investing in new plant and machinery. That could potentially raise private investment for New Zealand and allow NZ to capture a larger market share in the global dairy market.

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.

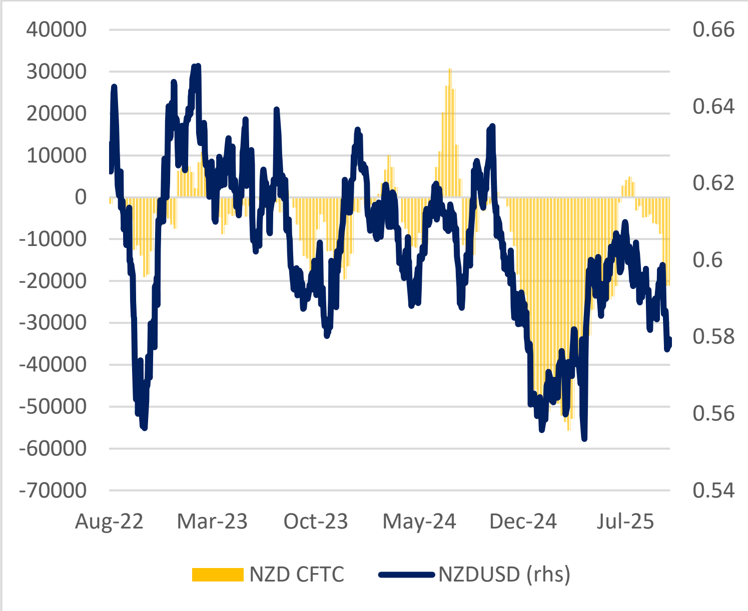
Key Data: Cotality Sep home loan [1-10 Oct], RBNZ OCR decision [8 Oct], BusinessNZ Sep Mfg PMI [10 Oct], Sep Performance services index and Net Migration [13 Oct], Sep card spending [14 Oct], Sep food prices [16 Oct], 3Q CPI [20 Oct], Sep trade [21 Oct], Sep filled jobs [28 Oct], ANZ activity outlook for Oct [30 Oct], ANZ Oct consumer confidence [31 Oct].

Chart 1: Recovery in Consumer, Business Confidence Stalls



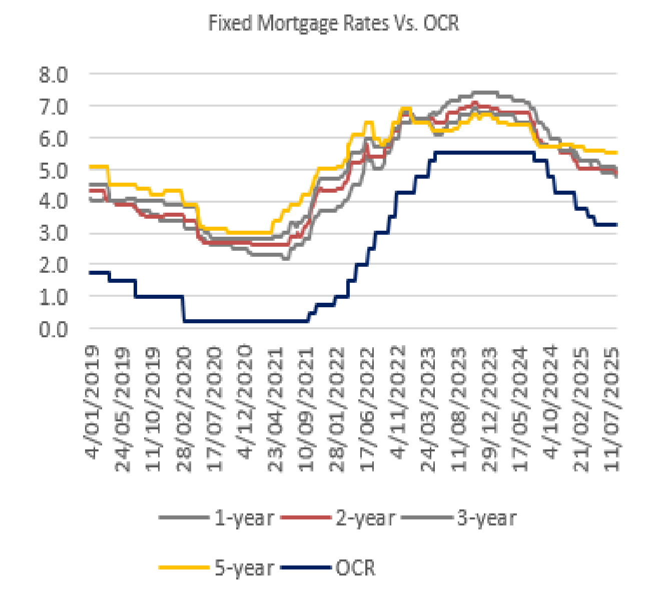
Source: Bloomberg, Maybank FX Research & Strategy

Chart 2: NZ-US Yield Differential Drags on NZDUSD



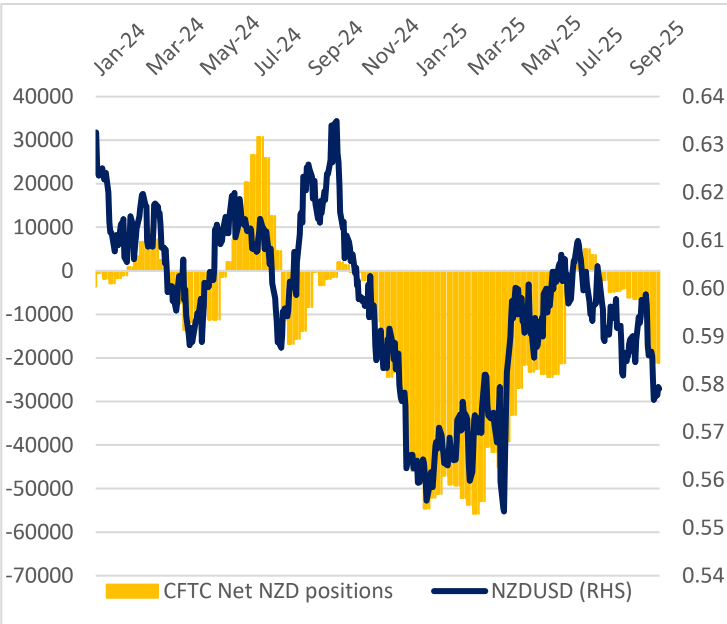
Source: Bloomberg, Maybank FX Research & Strategy

Chart 3: Mortgage Rates Are falling Slowly



Source: RBNZ, Maybank FX Research & Strategy

Chart 4: CFTC Positioning Is Increasingly Negative



Source: Bloomberg, Maybank FX Research & Strategy

CAD: Looking for the Bottom

USD/CAD	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	1.35	1.34	1.34	1.33
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

<u>**Motivation:**</u> Two-way trades continue for the USDCAD for much of 3Q with the pair seemingly on the upswing into the end of the quarter. The USD seems poised to end the quarter on a high as more recent US data releases underscores resilience in the economy. Fed fund futures now only imply 40bps cut by the end of the year, less than two regular 25bps cuts. With markets now seemingly less dovish positioned on the Fed than expected, we see more room for USDCAD to fall on potential upside surprises for Canada data as well as room for the greenback to fall should US labour report continue to show some signs of weakness. We see possibility that USDCAD would hit a peak around 1.39-1.40 before easing back on both weaker USD and bullish CAD fundamental drives. We maintain our view for USDCAD to arrive at 1.35 by the end of the year.

Trade War Updates: Trump announced fresh sectoral tariffs – pharmaceutical, furniture and trucks but impact might be light as furniture are partially covered by USMCA along with trucks and pharmaceutical goods. PM Carney removed majority of his retaliatory tariffs on the US from 1 Sep but reciprocal steel and aluminium duties would remain. **Recall in Jul**, 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%. Now, Carney's willingness to compromise further could potentially warm ties enough to strike a deal with the US but as Trump continues his protectionist measures, we may come to a stalemate. Canada may just have to cope with the new normal.

Fiscally, Canada is looking at spending more in an environment of weaker growth. The budget will be unveiled on 4 Nov. Recall earlier that PM Carney had committed Canada to take military spending to 5% of GDP by 2035 (also a demand from Trump). That will require an additional $50-$90bn a year, depending on how much the economy grows. Carney recently flagged a "substantial" deficit, above the -C$48bn recorded for last year. There were some estimates of around C$70bn. The gap is owed to the ongoing trade war and required spending needed to support the industry, workers and investment. FinMin Champagne pledged to build "the strongest economy in the G7". That said, PM Carney insisted that the budget will encompass "austerity and investment".

BOC had lowered benchmark overnight rate by 25bps to 2.50% earlier this month due to the sluggish economy and the deterioration of the labour market. The cut was well within our expectations. While they have resumed monetary easing, BoC officials want to proceed carefully for future rate decisions. Jul GDP surprised to the upside, rebounding a +0.2%n/n from previous -0.1%. This was above the +0.1%m/m growth expected. This does suggest that the economy could be bottoming out soon and validates BoC's caution that the next few cuts may not come so soon.

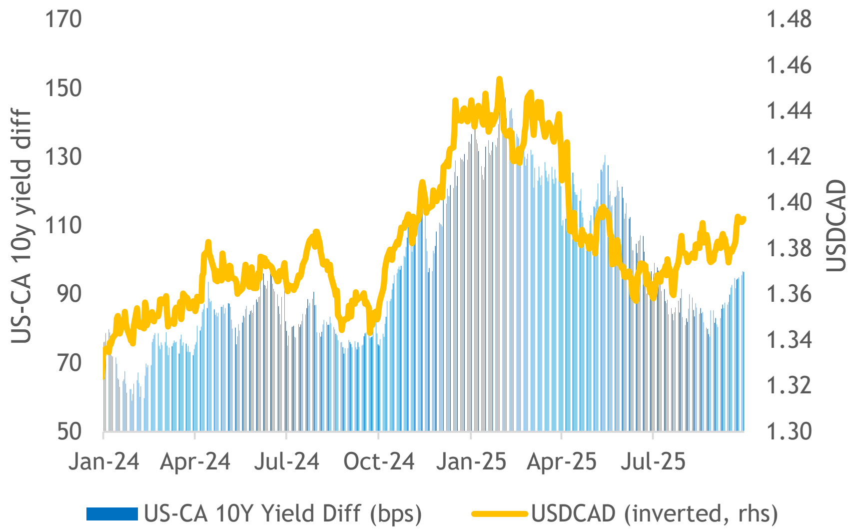
Business sentiment brightens on the headlines. The CFIB small business barometer index rose to 50.2 in Sep from 48.3 in Aug (revised higher). While there are fewer firms reporting intention to increase staffing, the survey suggest that there is no clear skew towards a better or worse business sentiment in Sep. Retail sales fell -0.8%m/m from previous +1.6%. Ex auto, retail sales have also fell -1.2% vs. previous 2.2%. That could portend some recovery in domestic demand.

Inflation Rising A tad. Core CPI hovered around 3.0-3.1%y/y while headline CPI quickened to 1.9%y/y in Aug vs. previous 1.7%. It is likely that the mix of data could keep BoC cautious and a pause is more likely than not on 29 Oct. CFIB business survey did not show significant deterioration. Inflation has quickened a tad and BoC had already flagged a more cautious approach. In addition, there is a possibility that the recent sectoral tariffs are likely the last few tranches of tariff announcements and this tranche did not seem particularly damaging on Canada at this point. BoC will take a wait-and-see approach and keep overnight lending rate at 2.50%.

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.

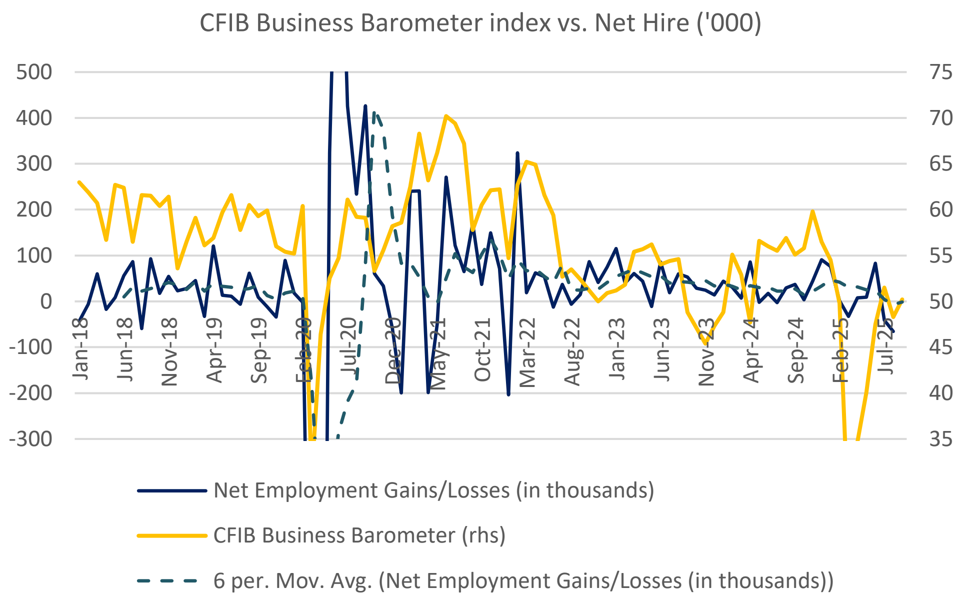
Key Data/Events: Aug trade [7 Oct], Sep labour report [10 Oct]. Oct CFIB business barometer [16 Oct], housing starts [16 Oct], BoC 3Q outlook [20 Oct], Sep CPI [21 Oct], Aug retail sales [23 Oct], BoC decision [29 Oct]. Aug GDP [31 Oct].

A US-CA 10y Yield Convergence Should Bring USDCAD Lower, Watch Catch-Up



Source: Bloomberg, Maybank FX Research & Strategy

CFIB Small Business Barometer As Well As Employment Conditions Are Weak



Source: Bloomberg, Maybank FX Research & Strategy

JPY: Political Clarity to Support More Strength

USD/JPY	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	140.00	138.00	135.00	132.00
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We keep to our forecasts for the USDJPY expecting that the pair should trend downwards on further BOJ tightening, Fed easing and political concerns fading. We expect the BOJ's tightening trajectory should be gradual with the next moves of 25bps each to come in Jan 2026 and Jul 2026 respectively. However, the Fed could cut by an additional 50bps in 2025 and by another 50bps in 2026, which should guide UST yields to move lower. The political concerns that have clouded the JPY should also fade in time. Frontrunners Koizumi and Takaichi are locked in a close race for the leadership of the LDP (and consequently to be PM) but our base case is that Koizumi can come out on top. Koizumi has been seen as more fiscally prudent whilst at the same time he respects BOJ independence. Takaichi on the other hand supports looser fiscal and monetary policy although she has toned down her stance saying that the BOJ should decide policy steps. A Koizumi win should be lift the JPY, given his policies are supportive for the currency. Near term, we are staying cautious of downside risks for the USDJPY. Meanwhile, we also do take note of the risks regarding an Oct hike and that could give the JPY more near term support but would not change our forecast trajectory as the BOJ is still likely to make the tightening gradual. Other risks we take note would weigh on the JPY which include a Takaichi win or the Fed holding off further easing amid inflationary pressures.

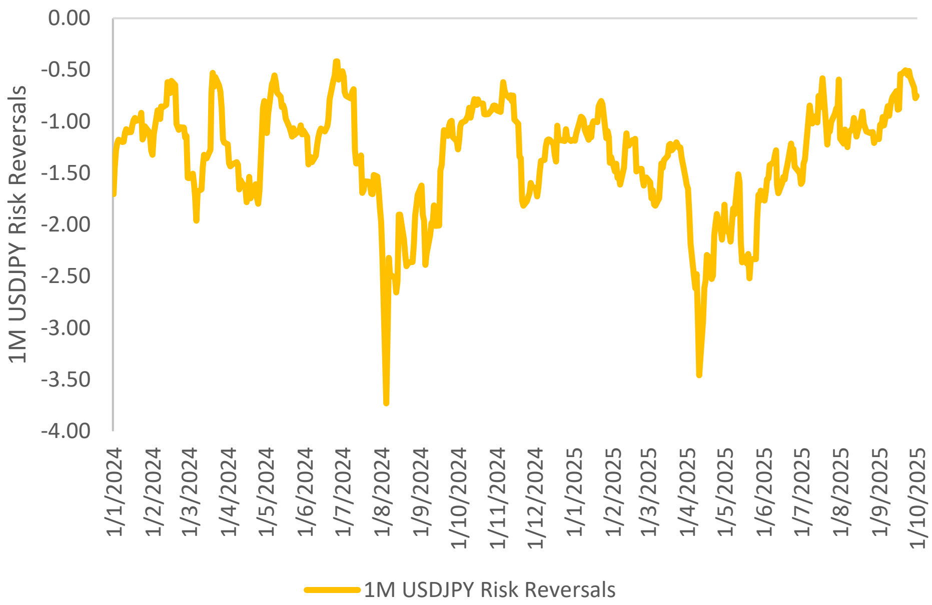
The BOJ held rates at 0.50% at the Sep meeting although there looks to be some cue for further hikes coming soon. There were two dissents at the meeting by Takata and Tamura – the two most hawkish members whilst the summary of opinions actually implied that members had debated about the feasibility of raising rates near term. Traditionally, the BOJ does have a tendency to operate with consensus but the dissent this time can signal some turning point. Even more surprising at the same time was that the BOJ announced that it would be unwinding its 75tn yen program at 620bn yen a year. The move had absolutely not been expected by the market although Ueda mentioned that it would be hard to actually give prior guidance. Whilst the outcome of the meeting seems to be pointing to hikes coming soon, there is also some caution that should be exercised. Ueda at the press conference did not actually sound any more hawkish than previously and highlight the need to see more data in order to assess the impact of US tariffs. He also said that the uncertainty is high on how long it takes to assess the US economy. The unwinding of the ETF at the announced pace would also take more than 100 years to complete. Given this lack of significant shift in the Governor's tone, we keep to the next BOJ hikes in Jan 2026 and Jul 2026 at 25bps each. However, we recognize the risk that there could be an Oct hike. This should not change the trajectory of our USDJPY forecast as the medium term BOJ tightening pace should still be gradual in nature.

The political concerns related to the LDP election should fade and our base case is for Koizumi to win, lifting the JPY. As it is, the race is extremely close with the polls not providing much clarity on who would win. Most polls are close with some showing Takaichi in the lead and other indicating Koizumi ahead. Some polls did show that Koizumi does look to be leading in support among LDP members. Both candidates are quite the opposite of each other and therefore, either winning can lead to differing outcomes for the JPY. Takaichi is more supportive of looser fiscal and monetary policies although she has toned down her stance saying that the BOJ should decide policy steps. Nonetheless, she still mentioned that the JGB market is among the most stable in the world (citing the high domestic ownership) whilst also signalling that the US – Japan trade deal would be reviewed. Koizumi in contrast is perceived as more fiscally prudent and he also respects BOJ's independence. His win can give more support to the JPY whilst a Takaichi victory can weigh on the currency. The election itself would be held on the 4 Oct.

Risks Ahead: We take note as mentioned of the risks regarding an Oct hike and that could give the JPY more near term support but this would not change our forecast trajectory as the BOJ is still likely to make the tightening gradual. Other risks we take note would weigh on the JPY which include a Takaichi win or the Fed holding off further easing amid inflationary pressures.

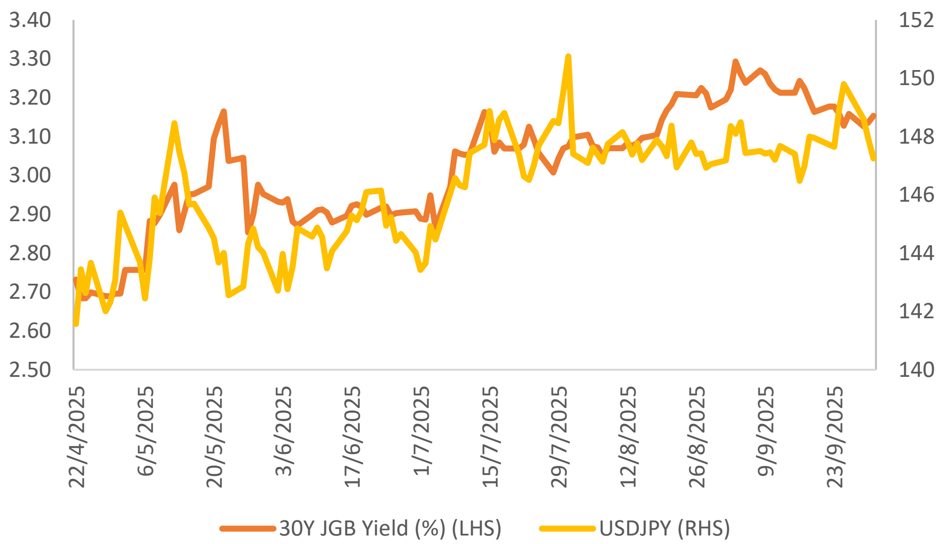
Key Data/Events: Sep monetary base (2 Oct), Aug jobless rates and job-to-applicant ratio (3 Oct), Aug household spending (7 Oct), Aug P leading index/coincident index (7 Oct), Aug cash earnings (8 Oct), Aug BoP balance (8 Oct), Sep Eco Watchers survey (8 Oct), Sep P machine tool orders (9 Oct), Sep PPI (10 Oct), Sep bank lending (10 Oct), M2/M3 (14 Oct), Aug capacity utilization (15 Oct), Aug core machine orders (16 Oct), Aug tertiary industry index (16 Oct), Sep nationwide/Tokyo dept sales (16 – 22 Oct), Sep trade data (22 Oct), Sep CPI (24 Oct), Oct P S&P Global PMI composite/mfg/services (24 Oct), Sep PPI services (27 Oct), Oct consumer confidence index (29 Oct), BOJ policy decision (30 Oct), Sep jobless rate and job-to-applicant ratio (31 Oct), Oct Tokyo CPI (31 Oct), Sep P IP (31 Oct), Sep retail sales and dept store sales (31 Oct) and Sep housing starts (31 Oct).

Risk Reversals Are Implying Some Pullback in Bullish USDJPY Bets



Source: Bloomberg, Maybank FX Research & Strategy

Fading Political Concerns Can Help Bring Some Stability to Long End JGBs



Source: Bloomberg, Maybank FX Research & Strategy

RMB: Range-Trading May Continue

USD/CNY	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	7.07	7.05	7.03	7.02
	(7.11)	(7.08)	(7.06)	(--)

Previous Forecasts in Parentheses

Motivation: There have been quite a series of measures to support consumption that were uplifting for yuan sentiment – (1) the 19 measures to support digital service consumption, cultivate service consumption promotion platform announced on 16 Sep that includes the creation of integrated consumption spaces to combine business, tourism, culture, etc and the expansion of visa-free country list. fiscal spending to support services consumption (first launch economy, emotional consumption). 2) upcoming measures to support the "first-launch economy" – a model in which companies release new products or introduce new business forms, services and technologies to stimulate demand (CSJ). In addition, news flow suggests that China could be making progress to gaining self-sufficiency in chips as Huawei is said to ramp up production of its most advanced AI chips (910C Ascend chip) over the next year according to sources cited by Bloomberg. These have been supportive of local equity markets as well as the RMB.

We continue to look for USDCNY to drift lower in the medium term given the government's pro-growth policies as well as breakthroughs on the technology race. However, the Fed mandates continue to see conflict and that could also mean two-way trades for the USD with any evidence to suggest stronger price pressure to be more supportive of the greenback. Key 7.10-figure has to break lower for the USDCNH and USDCNY to make fresh bearish extension. A break is a matter of time and Nov-Dec is seasonally bullish for the yuan.

Standouts in Technical Chart: The USDCNH-support at 7.1470 that was broken in Aug turned into a formidable resistance level. More recently, the price action for the USDCNH has formed a bullish inverted head and shoulders formation and a break of the 7.1470-neckline would open the way towards 7.1690 (100-dma) before the next at 7.20, potentially widening the range-trade for the USDCNH. Upside risks still viewed as tentative.

USDCNY fixes have been keeping the CNY stable. There were occasions that CNY fixes were unusually strong but these coincides with US-China trade talks and are likely meant to add goodwill in those instances. 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. China relishes the ability to be the anchor for regional stability, providing a contrast to the White House perceived to be a source of volatility with its unpredictable trade policies. **Weak US labour market metrics, increasingly supportive growth measures from the Chinese government have shifted the balance of risks to the downside for the USDCNY.**

Stable demand for Forex. The ratio of FX settlement by bank customers to foreign-related FX receipts fell 2.1ppt to 61.2% from a month ago according to SAFE. The conversion rate of FX receipts back to yuan seems to have fallen. Meanwhile, FX sales ratio rose in Aug to 67.7%, still well below the 75% seen in Jan. Clients are still buying 67% of foreign exchange as a proportion of total foreign-related FX payment. The demand for foreign exchange seems to be stable as expectations for the USD remains a benign one. With the recent drop in the USDCNY and USDCNH, the forex demand seems to be stable.

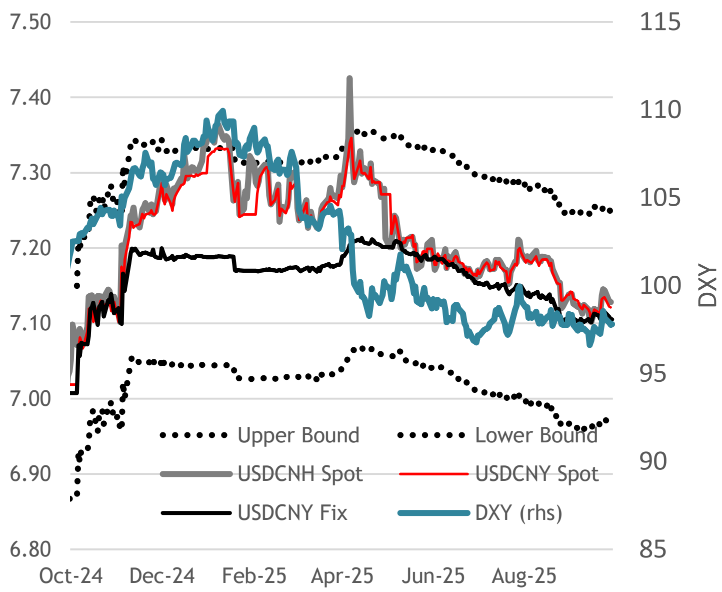
Addressing Involution and Deflation - For many quarters, there have been talks about this concept of excessive competition that has become an unhealthy dynamic for industries. Earlier, the Politburo had urged to tighten oversight in competitive manufacturing sectors such as the EVs and solar power. There have been more details recently (29 Sep) – automakers will ned to get permits to export EVs from the start of 2026, to restrict the export of low quality products, prevent dumping and to ensure companies compete on technology rather than price. This will also support the "healthy development" of the industry and curb involution.

Golden Week is Promising. PMI survey for Sep has been a tad more promising with mfg PMI higher at 49.8 from previous 49.4 while non-mfg PMI fell slightly to 50.0 from previous 50.3. RatingDog Services PMI was rather steady at 52.9 vs. previous 53.0 while mfg PMI was up 51.2 from previous 50.5. Markets would focus on how retail sales would do this Golden Week and this would be a tad longer, lasting from 1-8th Oct vs. last year's 7-day due to the coincidence with Mid-Autumn festival. Our economist expects the "holiday-stringing" effect (where workers apply for three days' vacation for a continuous 12 days break) to bring an exceptional boost to tourism with industry players already reporting a boom in flight bookings, train bookings and a surge in the counts of domestic hotel booking searches compared to this time last year that could portend stronger spending domestically and overseas.

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.

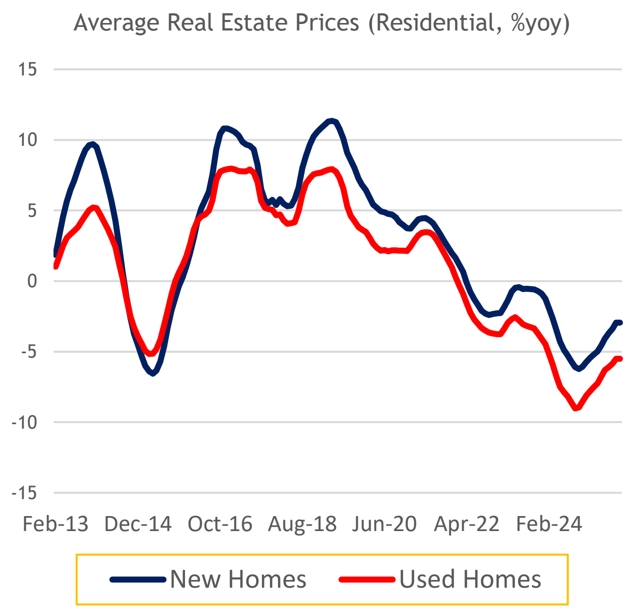
Key Data/Events: Sep foreign reserves [7 Oct], Sep new yuan loans, aggregate financing [9-15 Oct], Sep FDI [11-18 Oct], Sep trade [13 Oct], Sep CPI and PPI [15 Oct], 1, 5Y LPR, 3Q GDP, retail sales, IP, FAI ex rural [20 Oct], FX Net settlement on behalf of clients [22 Oct], Sep industrial profits [27 Oct], NBS Non-Mfg, Mfg Oct PMI [31 Oct].

USDCNY Tracks the DXY Rather Closely, Converges with Fix



Source: Bloomberg, Maybank FX Research & Strategy

Fall in Real Estate Prices Continue but Has Slowed



Source: Bloomberg, Maybank FX Research & Strategy

KRW: There Is a Deal, Isn't There?

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
USD/KRW	1370	1360	1350	1340
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our USDKRW forecasts with the view that the KRW can continue to strengthen against the USD alongside our longer-term view that the USD is likely to broadly weaken on the back of fading US exceptionalism. The high beta KRW has been beleaguered by a series of unfortunate events from domestic political developments to trade tariffs by the Trump administration. However, there are indications that the storm is over. President Lee Jae Myung has assumed office and concerns over the domestic political situation should eventually fade. President Lee has also launched a charm offensive to engage Trump, with the two shaking hands on a trade deal, although a deal has yet to be formalized. The main points of contention in the deal are over the form of the US$350b in agreed investment, which could be weighing on the KRW and creating some volatility.

USDKRW 1M NDF traded in a wider 1369.01 to 1411.92 range in Sep versus the 1373.69 to 1404.50 range in Aug. Fluctuations in sentiment look to be largely responsible for driving movement in the pair which is unsurprising considering its high beta status. While the market has turned its attention and focus away from tariffs, pharmaceutical tariffs of 100% and potential semiconductor tariffs that have yet to be announced could be responsible for the increased volatility in the KRW. In addition, the handshake trade deal between the US and South Korea has yet to be finalized, with the US wanting control over the US$350b of investment and to essentially be paid upfront in cash and South Korea saying that it would not be realistic to expect an upfront cash payment of US$350b. In particular, South Korea is concerned about the impact on the KRW and has requested for a currency swap agreement as a means to stabilize FX.

We expect the BOK to cut rates by 50bps more in 2025 with the policy rate ending at 2.00%. BOK held steady on 28 Aug at 2.50%, largely in line with expectations as the BOK chose to stay their hand with lingering risks on the property front. We see a further 50bps of rate cuts by the BOK in 2025 and this is more dovish than the 2bps of cuts implied by market pricing and 31bps 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 stabilize the KRW. 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: 1.0%; 2024: 1.8%) 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. Pharmaceutical tariffs of 100% have also been announced, although Korean pharmaceutical exports could be exempt if the related companies build manufacturing facilities in the US, which could also help to achieve the US$350b investment pledge. We think the proactive engagement of the US by President Lee could mitigate some of the risks on this front.

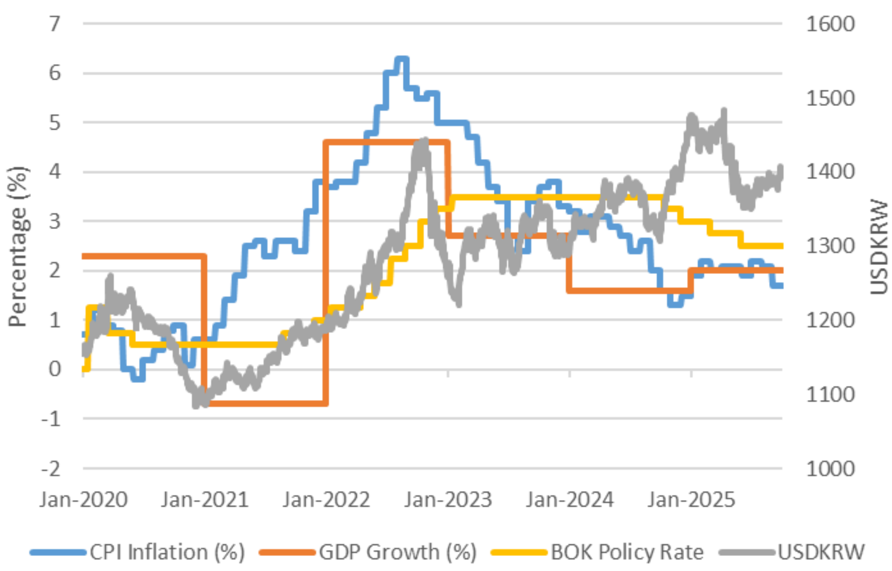
As domestic political issues resolve, we believe the Lee administration's domestic and foreign policies should eventually yield positive results for the KRW. The Lee administrations plans to contain a potential debt issue and appropriately address the risks of US trade policy on the export-oriented Korean 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. On the trade front, a handshake deal has been reached with the US and although said deal has yet to be finalized, the proactive engagement of the Trump administration should be seen as a positive for the KRW.

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: 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. Falling through of the trade deal given the disagreements over the specifics of the US$350b investment commitment.

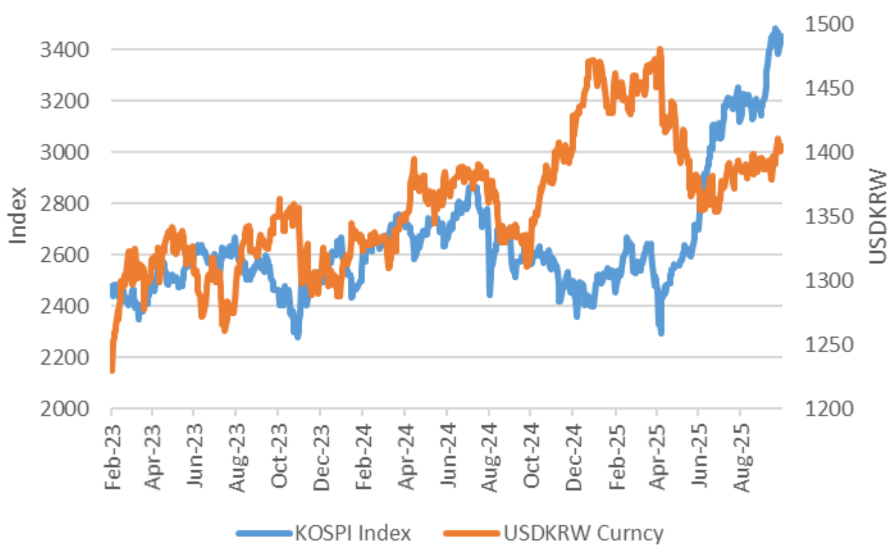
Key Data/Events: Sep Exports/Imports/Trade Balance, Sep Mfg PMI (1 Oct), Aug CA/Goods Balance, Sep CPI (2 Oct), Sep Bank Lending to Household (9 to 16 Oct), Sep FX Reserves (10 Oct), Oct 10-days Exports/Imports (13 Oct), Aug Money Supply (15 Oct), Sep Export/Import Price Index, Sep Unemployment Rate (17 Oct), Oct 20-Days Exports/Imports (21 Oct), Sep PPI (22 Oct), **BOK Policy Decision (23 Oct),** Sep Retail Sales (24 to 31 Oct), Oct Consumer Confidence, 3QA GDP (28 Oct), Oct Composite Business Survey Mfg/Non-Mfg (29 Oct), Sep Industrial Production (31 Oct).

BOK Should Cut as Inflation Falls and Growth Stable



Source: Bloomberg, Maybank FX Research & Strategy

Oddly USDKRW and KOSPI Rise in Tandem



Source: Bloomberg, Maybank FX Research & Strategy

SGD: MAS Hold to Support

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
USD/SGD	1.2650 (--)	1.2600 (--)	1.2550 (--)	1.2500 (--)

No Change to Previous Forecasts

Motivation: We maintain our USDSGD forecasts with the view that 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 be one of the main beneficiaries 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. In addition, the relatively lower tariff rate of 10% imposed puts Singapore in a better position on a relative basis. 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.

USDSGD traded within a 1.2713 to 1.2951 range in Sep, lower than the 1.2788 to 1.3001 range in Aug. SGDNEER outperformance has moderated and was last sighted at 1.27% above the mid-point of the band. This reduces the risk of MAS intervention as we move away from what we see to be the upper 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. Of late, the SGD has underperformed its peers and could be a reflection of market pricing in some chance of an MAS easing in Oct, although we view this as extremely unlikely and think there is an opportunity to sell USD on rally/buy SGD on dips.

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 in Oct (no later than 14th Oct) and for the foreseeable future as inflation stabilizes and growth remains resilient.** Our Taylor Rule estimates still 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. In addition, Singapore also has the fiscal strength to support the economy if required.

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. Aug Core CPI edged lower to 0.3% YoY (exp: 0.5%; prev: 0.5%) largely due to lower travel and healthcare services inflation. Our economists maintain their forecasts for core inflation at +0.5% (prev: +0.5%), headline inflation at 0.8% (prev: 0.8%) and real growth at +3.2% (prev: 3.2%) in 2025. Our economists raise 2026 inflation forecasts to 1.1% (prev: 0.8%) for core and 1.2% (prev: 0.9%) for headline amid falling interest rates, rising private transport costs and a reduction of emission subsidies. Singapore avoided a technical recession in 2Q2025 with growth accelerating to +4.4% YoY on a 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.

Singapore may have a relative tariff advantage, but it would be tricky to benefit from it without any repercussions. As mentioned, Singapore has a current account deficit with the US i.e. it buys more from the US than it sells to the US and this is a reason why it has thus far been given favourable treatment. If exports were to be re-routed through Singapore, the current account balance with the US could swing to a surplus and this may be flagged for future trade talks. Moreover, Singapore's strong governance standards would likely preclude any tariff dodging shenanigans. Pharmaceutical tariffs of 100% could also be negative for Singapore as the 4th largest exporter after Ireland, Switzerland and Germany. DPM Gan Kim Yong clarified that many pharmaceutical companies already have plans to build and invest in the US, but the government's concern remains a longer term impact on the overall investment climate. Nevertheless, we expect the relative tariff advantage to be supportive of the SGD.

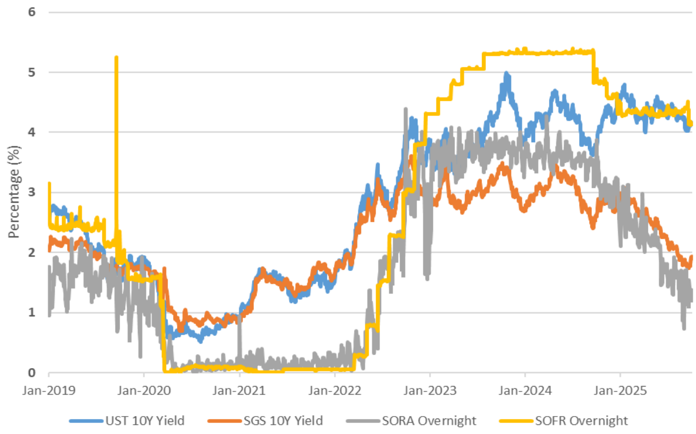
Budget 2025, the last budget for this term of government was delivered by PM Wong on 18 Feb 2025. The budget was expansionary, and yet a healthy S$6.8b (or 0.9% of GDP) fiscal surplus is still expected. Key budget initiatives included household goodies and social policies and support for businesses as 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. Within the Asian currency space, the SGD is 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 or growth. 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. The Singapore Business Federation's (SBF) latest survey also showed that business confidence has waned with a softer outlook for hiring and wages, presenting a downside risk for the SGD.

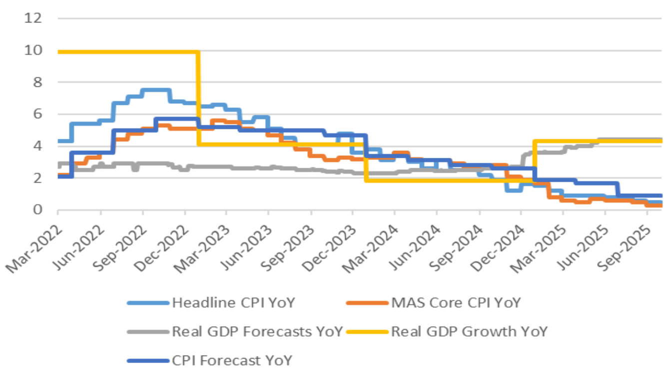
Key Data/Events: 3QP Private Home Prices (1 Oct), **MAS Policy Decision (1 to 14 Oct)**, Sep PMI/ESI (2 Oct), Sep PMI, Aug Retail Sales (3 Oct), Sep FX Reserves (7 Oct), 3QA GDP (10 to 14 Oct), Sep NODX/Electronics Exports (17 Oct), Sep CPI (23 Oct), Sep Industrial Production (24 Oct), Sep Unemployment Rate (30 to 31 Oct), 3QF Private Home Prices, Sep Money Supply (31 Oct).

SORA Finds Support but US-SG Rates Correlation Still Broken



Source: Bloomberg, Maybank FX Research & Strategy

Growth and Inflation Converge to Forecasts



Source: Bloomberg, Maybank FX Research & Strategy

MYR: Trekking with Resilience - RMB Anchoring and USD Vols

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

No Change to Previous Forecasts

Motivation: MYR remains the top performer in the ASEAN year-to-date, appreciating around 6.2%. In the month of Sep, MYR appreciated around 0.4% and saw some swings as USD generally weakened into mid Sep ahead of the FOMC. USDMYR saw a month low of 4.1877 on 17 Sep ahead of concerns from FOMC announcements but has since retraced back to around 4.20 in line with our 3Q forecast level. The USDMYR has been resilient around this level supported by positive factors from USD softness, CNY strength and some level of global growth pick up. We maintain our USDMYR forecast for now given our view that the dollar softening will continue and mild RMB appreciation remains on track. Globally, more recent signs of trade truce between US and China will last for the next few months until Nov and the major economies such as Japan, Eurozone trade deal announcements provide an environment supportive of EM FX and MYR support. For now, this development should bode well for the MYR and Malaysian assets given that it would lead to more certainty on the economic outlook. We maintain our USD/MYR forecast to reflect these factors, in particular the continued CNY strength which will provide some resilience to regional currencies.

Our economists full-year real GDP growth forecast is 4.2% (1H 2025: +4.4%; 2024: +5.1%) and expect steady growth momentum in 2026 at +4.1%. Official 2025 growth forecast is a range of between +4.0% to +4.8%, and 2026 projection will be unveiled at the tabling of Budget 2026 on 10 Oct 2025. "Domestic Tailwinds vs External Headwinds" remains the narrative on growth dynamics. External headwinds on growth remain despite the clarity on US reciprocal tariffs on its trading partners - with the final rate of 19% for Malaysia vs the original 24% in Apr 2025 and the subsequent 25% in early-July 2025. This is due to the uncertainties on product-specific tariffs by US, especially semiconductor tariff. Semiconductor is Malaysia's major exports to US that is currently exempted from the reciprocal tariff. Positively, there are domestic tailwinds keeping the economy on the growth path. Consumer spending is supported by income growth reflecting favourable job market conditions, income-lifting measures (e.g. minimum wage hike; civil service salary and pension revisions; higher cash handouts for lower income individuals/households), 25bps OPR cut by BNM and additional consumer-friendly measures (announced on 23 July 2025). Investment upcycle is sustained by the on-going realization of robust approved private investment since 2021, domestic direct investment by Government-linked investment companies, progress in major infrastructure projects, and impact of strategic initiatives like the Johor-Singapore Special Economic Zone (JS-SEZ).

Inflation inched up to +1.3% YoY in Aug (July 2025: +1.2% YoY). Core inflation also edged higher to +2.0% YoY (July 2025: +1.8%). 8M 2025 inflation averaged +1.4%. We maintain 2025 full year forecast to +1.5% YoY (2024: +1.8%) given the low inflation rate year-to-date, and amid the expected limited impact on monthly inflation for the rest of the year from the states' water tariffs hikes, the targeted RON95 petrol subsidy rationalization starting 30 Sep 2025, and the foreign worker EPF contribution rate of 4% effective Oct 2025.

The Government confirmed the targeted RON95 petrol subsidy officially named "BUDI MADANI RON95 (BUDI95)" – which was announced by the Prime Minister as part of the cost of living relief measures for Malaysians on 23 July 2025, where Malaysians will enjoy a lower subsidized price of MYR1.99 per litre vs MYR2.05 per litre currently - will be rolled out in 3 phases between 27 Sep 2025 and 30 Sep 2025 to "warm up" the system by gradually ramping up the capacity i.e. (1) 27 Sep 2025: BUDI95 will be opened for 300,000 armed and police force personnel. (2) 28 Sep 2025: BUDI95 will be rolled out for recipients of cash handout "Sumbangan Tunai Rahmah (STR)" from the "Bottom-40" (B40) of income group. (3) 30 Sep 2025: BUDI95 will be live for all eligible Malaysians i.e. 16m of above-16 years old with national identity cards (MyKad) and valid/active driving licenses.

We do not expect any major upside to inflation from the rollout of the targeted RON95 petrol subsidy later this month, given what we see as the "generous" monthly quota of 300 litres (vs the average actual consumption of 150-200 litres per month), plus the mix of lower subsidised RON95 petrol price of MYR1.99 per litre (i.e. -2.9% lower than current subsidised price of MYR2.05 per litre that has been in place since end-Feb 2021) which will benefit the majority of consumers and the unchanged subsidised price of MYR2.05 per litre for commercial vehicles in the public transport and logistics sector vs the higher current unsubsidised RON95 price of around MYR2.60 per litre (i.e. +26.8% above current subsidised price and +30.65% above the upcoming new subsidised price) to be paid by noncitizens.

Assuming all eligible Malaysians make full use of the 300 litre per month quota for the lower subsidised RON95 petrol price of MYR1.99 per litre, this will generate expenditure savings – or additional disposable income – of MYR0.9b for 4Q 2025 and MYR3.5b for 2026. If all spent, it could potentially lift 2025 and 2026 real GDP growth by +0.1ppt and +0.3ppt vs our current forecast of +4.2% and +4.1%, ceteris paribus.

In Aug 2025, exports slowed to +1.9% YoY (July 2025: +6.5%) while imports fell -5.9% YoY (July 2025: +0.6%). Choppy monthly external trade numbers this year reflect persistence in US tariff uncertainties which now shift from reciprocal tariff to product-specific tariffs, namely semiconductors. 8M2025 exports and imports grew +3.9% YoY (2024: +5.8%) and +3.6% YoY (2024: +13.1%) giving +MYR86.1b trade surplus (2024: +MYR139b). Our full-year export and import growth forecasts are adjusted to +4.1% (from +4.3%; 2024: +5.8%) and +5.0% (from +6.4%; 2024: +13.1%) respectively while keeping the trade surplus outlook of +MYR133b (2024: +MYR139.1b).

Key highlight of Aug 2025 trade statistics is exports to US which fell for the first time since Dec 2023 as US reciprocal tariff was finalized at 19% at end-July 2025 and came into effect on 7 Aug 2025. We expect the choppy monthly external trade numbers to persist as US tariff uncertainties lingers amid risk of more product-specific tariffs (e.g. semiconductors – a key Malaysia exports to US; pharmaceuticals) which are currently exempted from the reciprocal tariffs. To note, US Commerce Department's investigation under Section 232 of US Trade Act on semiconductor imports and its impact on US national security has been on-going since Apr 2025, pending the submission of report and recommendation to President Trump. US President Trump will attend the 47th ASEAN Summit in Kuala Lumpur on 26-28 Oct 2025, and hope floats for clarity and positive news on semiconductor tariffs.

2Q 2025 current account (CA) surplus narrowed sharply to just +MYR0.3b or +0.1% of GDP (1Q 2025: +MYR16.7b or +3.4% of GDP) on smaller net exports of goods amid transient factors like lower mining exports on maintenance shutdowns and surge in capital goods imports on data centre-related investment, plus reduced services trade and income account deficits. We expect CA surplus of +MYR35b or +1.7% of GDP this year (1H 2025: MYR17b or +1.7% of GDP; 2024: +RM27.7b or +1.4% of GDP).

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 2.75% at the 3-4 Sep 2025 Monetary Policy Committee (MPC). Monetary Policy Statement (MPS) flags stable OPR outlook, thus signaling no change at the next MPC on 5-6 Nov 2025. This is in line with our expectation of OPR remaining at 2.75% for the rest of this year after the -25bps cut at the 8- 9 July 2025 MPC meeting.

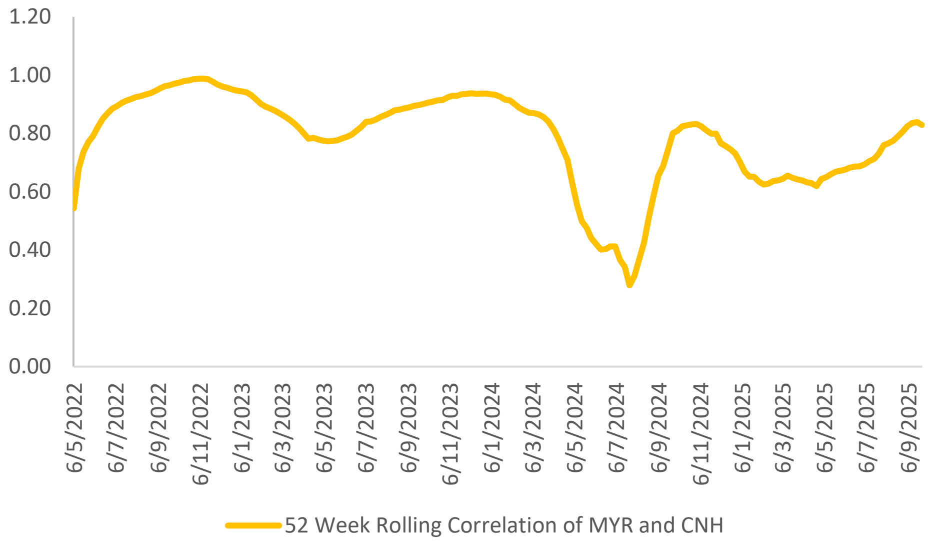
The MPS lingo is consistent with our expectation that OPR will remain at 2.75% until the end of the year after the -25bps cut at the 8-9 July 2025 MPC meeting. Following the revisions in the official 2025 real GDP growth forecast (current: 4.0%-4.8%; previous: 4.5%-5.5%) and inflation outlook (current: 1.5%-2.3%; previous: 2.0%-3.5%), the next key macro outlook event will be the tabling of Budget 2026 where we will get the official economic growth and inflation projections for 2026. Presently, we expect OPR to remain at 2.75% next year on stable economic growth outlook (2026F: 4.1%; 2025F: 4.2%) amid domestic tailwinds from sustained momentum in consumer spending and investment upcycle despite the external headwinds, plus moderate upside to inflation (2026F: 2.0%; 2025F: 1.5%) reflecting the cost-push factors due to fiscal and structural reforms as well as long overdue adjustments i.e. reviews in Sales and Services Taxes (SST) as well as Tenaga electricity tariffs (effective 1 July 2025); higher labour costs from the minimum wage hike (partially effective 1 Feb 2025 and fully effective 1 Aug 2025), foreign workers' EPF contribution (effective Oct 2025) and multi-tier foreign worker levies (2026); increases in local government taxes and state water tariffs (2025-2026); implementation of targeted RON95 petrol subsidy rationalization leading to two-tier - subsidized and unsubsidized - prices (details at end-Sep 2025).

The budget for 2026 to be tabled by PM Anwar Ibrahim in Parliament on Oct 10 is expected to emphasise housing, education and health reform. Finance minister II Amir Hamzah Azizan said the budget was calibrated in alignment with the 13th Malaysia Plan (13MP) and Madani Economy framework. These reforms were also part of the government's agenda to strengthen national development and catapult the nation into high-income status by 2030.

Risks to look out for in Oct 2025. Upside risks may also materialize such as a more benign growth and trade friction scenario, with US-China trade tensions averted in a sustained way until early Nov, 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. Downside risks to MYR could emerge from weaker growth developments and extension of US-China frictions and impact of product specific tariffs on growth and risk of expansion of product tariffs.

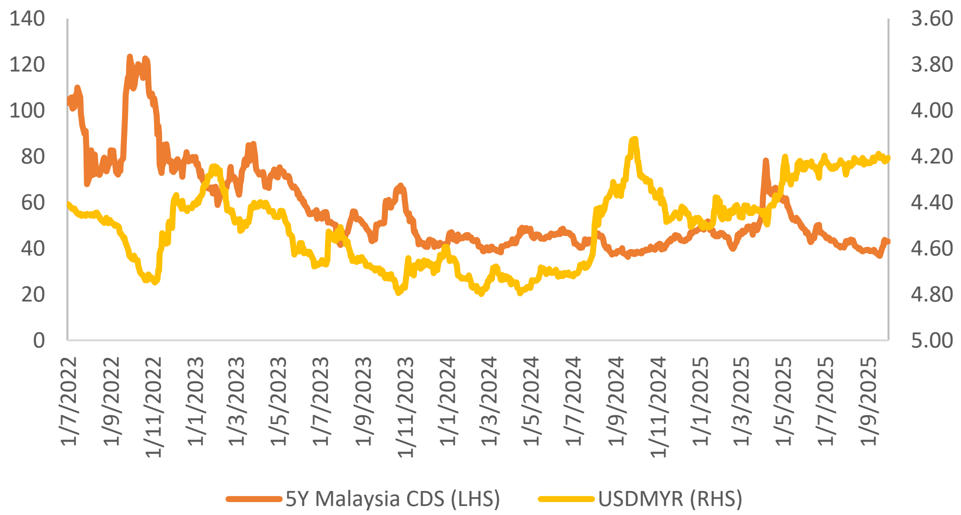
Key Data/Events: S&P Global Malaysia PMI Mfg (1 Oct), BNM policy (6 Nov); Aug mfg sales (10 Oct), 30 Sep foreign reserves (7 Oct), Ind Prodn (10 Oct); Sep trade data (17 Oct); Sep CPI (22 Oct) and 15 Oct foreign reserves (23 Oct); Bugdet 2026 (10 Oct)

Relationship Between MYR and CNY Generally Remains Anchored



Sources: Bloomberg, Maybank FX Research & Strategy

Ongoing Fiscal Consolidation Efforts Should Help Lift the MYR Further



Sources: Bloomberg, Maybank FX Research & Strategy

IDR: Navigating the New Era

USD/IDR	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	16550	16450	16350	16250
	(16150)	(16000)	(16000)	(--)

Previous Forecasts in Parentheses

Motivation: We have raised our USDIDR forecast to better align with current market sentiment, though the pair's overall downward trend remains intact. Over the past month, Indonesia has undergone significant changes, entering a period of transition with new Finance Minister Purbaya Yudhi Sadewa replacing long-time Minister Sri Mulyani. Sadewa is choosing now to pursue a more ambitious growth agenda, targeting 8% GDP growth and promoting the "Sumitronomics" economic plan—named after President Prabowo's father. This plan focuses on three pillars: high economic growth, equitable development distribution, and national stability. As early steps, the government has already injected 200tn rupiah of liquidity via a transfer from the SAL (government cash surplus) deposited at BI to the commercial banks. The central bank has also undertaken a surprise cut of 25bps at the last meeting as they go all out on growth and our economist expects another 50bps of cuts in 2025. Short end rates have come down in reaction although the long end rates have moved much less – therefore guiding a bull steepening. The 2026 budget deficit target has been raised from 2.48% - 2.68% as the government increased allocation of fund transfers to regional administrations. These government support measures do look to be a boon for equity markets as the JCI crossed above the 8000 mark. Although there are foreign net outflows from equities and bonds, investors will likely need more time to fully assess the new environment. This sentiment suggests USDIDR may trade higher than initially expected. However, we continue to expect underlying USD softening, which should ultimately guide USDIDR lower from current levels. Also, a continuing positive trade balance for the country would also be another supportive factor for the IDR.

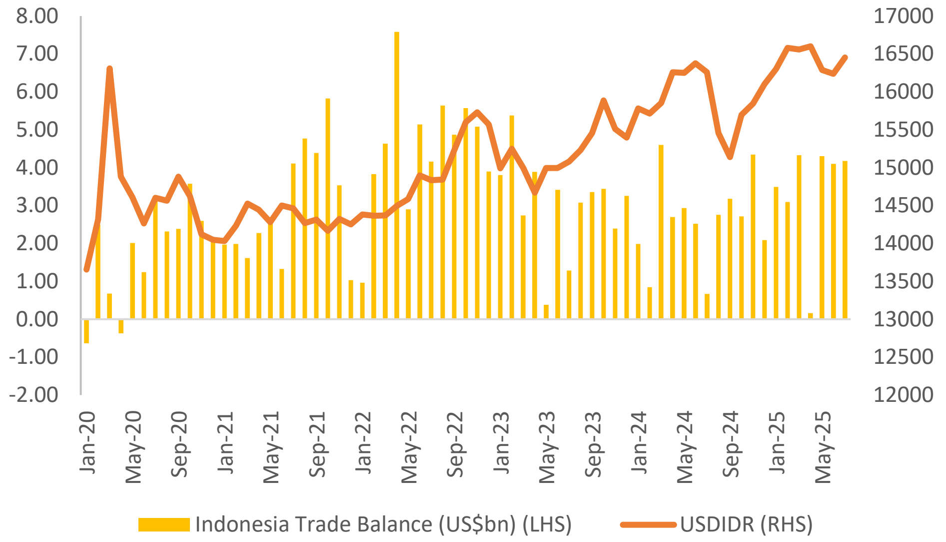
BI undertook a surprise 25bps cut in the Sep meeting to 4.75% as they mentioned that their stance was now to be "all out" pro-growth. The move by the central bank had surprised markets as it had come at a time when there were risks of a DXY rebound. However, the central bank is now looking to prioritize growth as they also noted of the need for interest rates to "immediately" come down. The 25bps cut was not their only action as they actually also widened the rate corridor by lowering the deposit facility rate by a larger 50bp to 3.75%. Both the governor's words this time around plus the actions did mark a much stronger dovish shift to where the central bank had previously stood. BI had also noted that economic growth "needs to be further enhanced to align with the economy's capacity" and that lending levels "needs to be accelerated". Given such a substantial shift in the tone, our economist is expecting that BI would undertake another 50bps of cuts in 2025 with an additional 75bps in 2026. This would bring the rate down to 3.50%, which would be as low as it was during the pandemic. BI moves to lower the benchmark rate was done in tandem with the government transfer of 200tn rupiah of the SAL deposited at BI to commercial banks. No doubt, these measures combined has guided for the overnight rates Indonia to come down. Whilst the SAL money is to be used for lending and strictly not to buy bonds, the transfer does free up liquidity elsewhere, giving shorter maturities a lift. Consequently, short end rates have indeed rallied on the BI and government moves but there were net foreign outflows from bonds at about -$2.2bn mtd as of 24 Sep. Investors are likely still needing more time to assess the new environment. Meanwhile, BI has remained committed to stabilizing the currency as Governor Perry has said they are "boldly" intervening to stabilize by using "all available instruments". The central bank reserves' levels as of Aug 2025 covers 6.3 months of imports.

The government is also boosting fiscal support to the economy as they raised the 2026 target fiscal deficit from 2.48% to 2.68%. State revenue is now expected to grow at an even faster pace than previously expected at 10.1% YoY compared to 9.8% YoY of the initial budget. State expenditure is also being revised upward, with growth now projected at 8.9% YoY, compared to the earlier estimate of 7.3% YoY. In particular, allocation for transfers to regions were raised from the original 650tn rupiah to 693tn rupiah as part of the government attempts to boost support to the economy. GDP assumption was kept at 5.4% and so too was the USDIDR exchange rate level at 16500. The 2.68% does still stand below the 3.00% legal limit and Finance Minister Sadewa has said that he is committed to ensuring that the deficit stays below that ceiling. However, the State Finance Law, which regulates the budget deficit, was added to the 2026 priority legislation list although it is unclear what amendments the government intends to make or the timing when they would discuss the legislation. Interestingly, Sadewa has also said that fiscal limitations "may no longer be fair". Both the fiscal and liquidity measures combined look to be a boon to the equity markets and the JCI has already rallied to cross the 8000 mark. However, there has been a slight net foreign outflow from equities at about -$0.13bn. Similar to bonds, investors may still need more time to assess conditions in the country.

Risks Ahead: Downside risks include a sustained rise in the USD, while upside risks could emerge from increased investor optimism around the new economic environment - an element we have conservatively not fully priced in yet.

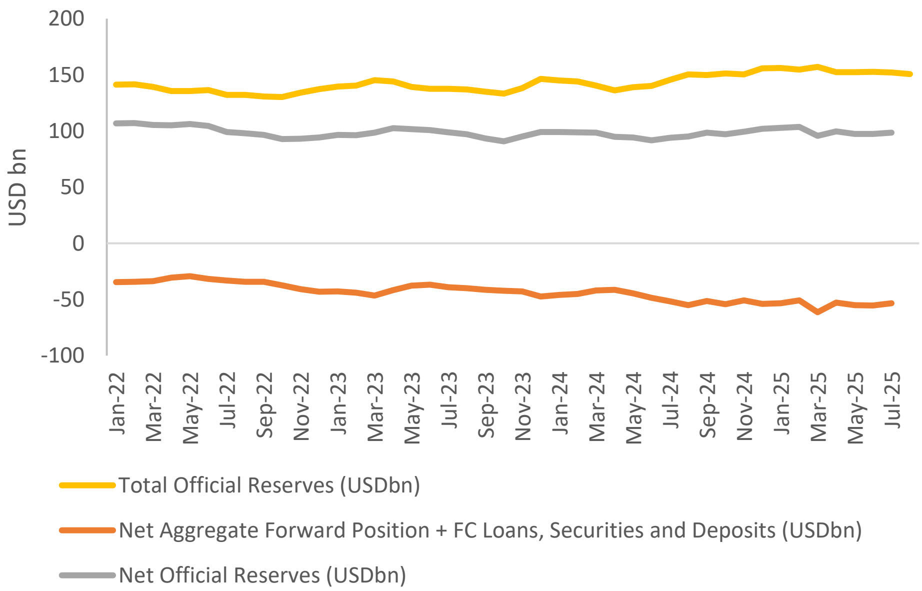
Key Data/Events: Sep S&P Global PMI mfg (1 Oct), Sep CPI (1 Oct), Aug trade data (1 Oct), Sep foreign reserves (7 Oct), Sep consumer confidence (8 Oct), Sep local auto sales (10 – 15 Oct), Aug external debt (15 Oct) and BI policy decision (22 Oct).

A Continuing Trade Surplus has Been a Supportive Factor for the IDR



Source: Macrobond, Bloomberg, Maybank FX Research & Strategy

Bank Indonesia's Official Reserves Levels Remains Sufficient



Source: Bloomberg, Maybank FX Research & Strategy

PHP: Softer USD Directionality Remains Key

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
USD/PHP	57.00	56.50	56.00	55.50
	(56.00)	(55.50)	(55.50)	(--)

Previous Forecasts in Parentheses

Motivation: We have slightly raised our USD/PHP forecast, although we continue to expect the pair to trend lower over the medium term. Previously, we noted the potential for increased foreign inflows into the Philippine equity markets, driven by the country's appeal as a safe haven amid global trade tensions. However, this is now less likely to materialize, as a trade deal has been reached among quite a number of countries, prompting this adjustment in our forecast. That said, our broader expectation for continued USD softness remains intact. Given the PHP's strong sensitivity to the greenback—particularly due to the dollar's impact on import costs for the trade-deficit nation—we believe this will support a gradual appreciation of the PHP over time. OFWR should continue to provide a stable source of support for the currency, especially as the U.S. and global economies are expected to remain resilient into next year. Additionally, the anticipated inclusion of Philippine bonds in the JPM GBI-EM Global Diversified Index could lead to inflows of US$2.0bn – US$2.5bn over time (assuming full inclusion at 1% of index weight and further supporting the PHP. In the near term, expect some volatility as markets react to evolving global economic and political developments. As for risks, on the upside, more aggressive Fed rate cuts than our baseline expectation of 50bps this year could support PHP strength by weighing on the USD. On the downside, any sustained rebound in the USD or a rise in oil prices could pressure the PHP. Overall, while the PHP may trend lower against the USD, it is unlikely to be a regional outperformer due to the relative thinness and low liquidity of the Philippine financial markets.

USD and oil price outlook remain key for the PHP trajectory but expect the medium - term directionality of these assets to be in favor of the PHP. According to our analysis, these two assets have been key in explaining the PHP movement over the last year. The prospect of further Fed rate cuts—potentially totaling another 50bps this year and a similar amount next year—along with the potential for CNH strength, suggests further downside for the USD over time. On the oil front, medium-term supply risks appear tilted to the upside, which could weigh on prices and keep Brent crude averaging between US$60 and $70 over the next 12 months. In such a scenario, the Philippines' energy balance should remain manageable, further easing pressure on the PHP.

We expect the BSP to deliver another 25bps rate cut this year, although this remains conditional on the trajectory of the PHP. At the last meeting, the central bank still noted concerns about the economy (impact of US policies on the global economy), which keeps the door open for further easing. However, its overall tone was less dovish, and they appeared to suggest that the easing cycle may be nearing its end. Governor Remolona has not ruled out an additional cut if there are signs of weakness in the economy but also said that further easing may not actually be needed if current economic conditions persist. As he put it, the BSP has reached a "sweet spot for inflation as well as for output growth," and if policy rates are to be maintained, "the timeframe" they are looking at is "one year". The central bank has forecasted inflation for 2025 at 1.7% (upward revision from 1.6% previously) whilst it would be at 3.3% (lower from 3.4%) and 3.4% (higher from 3.3%) in 2026 and 2027 respectively. Meanwhile, Governor Remolona has reiterated that the BSP does not target a specific USD/PHP level. That said, we remain cautious of the 59.00 level, which could serve as a key threshold beyond which the central bank may become less comfortable and potentially prompt them to intervene and even hold off on any further rate cuts.

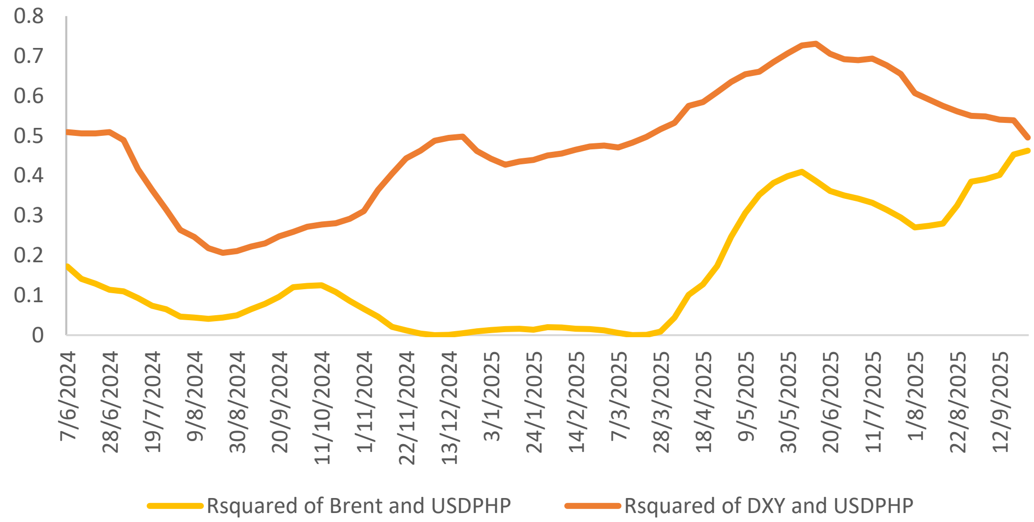
Portfolio inflows should be some support for the PHP. As of 29 Sep, foreign inflows into equities were marginal at just US$0.08 billion mtd, while ytd outflows stood overall at -US$0.62 billion. Given the market's low liquidity and persistent currency volatility, we see limited scope for a pickup in foreign interest in Philippine equities. Additionally, the country's earlier appeal as a trade war shelter has faded, especially as several countries have now reached trade agreements with the U.S. On bonds, there were net foreign outflows of -US$0.81 billion as of 31 Aug mtd. However, we are more constructive on the outlook for Philippine bonds, particularly in light of the country's upcoming inclusion in the JPM GBI-EM Global Diversified Index, which is expected to drive inflows of approximately US$2.0bn – US$2.5bn over time (assuming full inclusion at 1% of index weight0.

OFWR growth in the month of Jul was at 3.0% YoY (est. 3.2% YoY, Jun. 3.7% YoY) with the absolute number at US$3.18bn being the highest to date. In terms of source countries, there were pick-ups for Japan, Europe and Taiwan although others such as the US, Singapore, South Korea and Middles East saw some slow down. FX translation gains effect for OFWR growth in PHP terms declined at a smaller rate by -0.01% YoY in July 2025 (Jun 2025: -0.5% YoY). The PHP has been generally weakening since mid-2025. Our economist continues to see that OFWR growth can still be strong in 2025 at 2.9% YoY to $35.5bn. Global services PMI has remained strong at 53.4 in Aug (Jul. 53.5) and global PMI mfg rebounded to expansion territory at 50.9 (Jul. 49.7). With the resilient global economy, OFWR should continue to provide support to the PHP.

Risks Ahead: Downside risks to our PHP forecast include a potential rebound in USD strength, a sustained rise in oil prices, and heightened political uncertainty. On the upside, a faster pace of Fed rate cuts—beyond our current expectation of 50bps this year—could push the USD lower than anticipated, providing further support to the PHP.

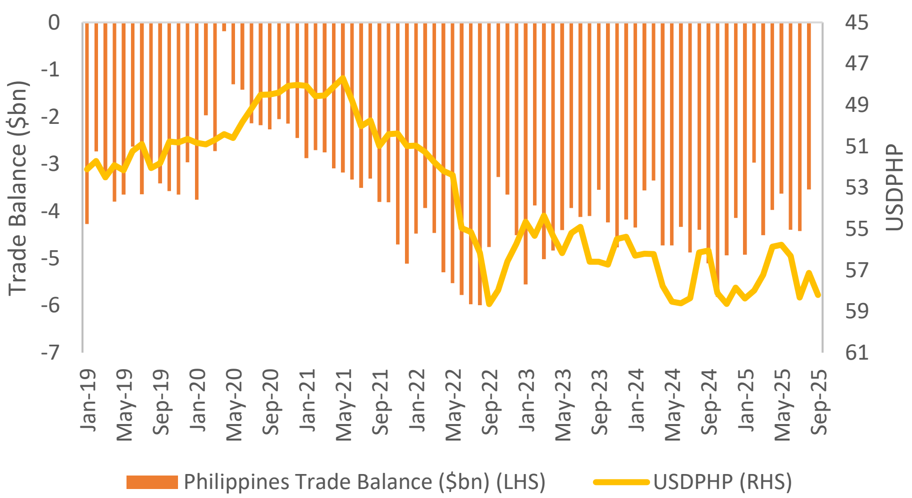
Key Data/Events: Sep S&P Global PMI mfg (1 Oct), Aug bank lending (2 Oct), Sep CPI (7 Oct), Aug unemployment rate (8 Oct), BSP policy decision (9 Oct), Aug OFWR (15 Oct), Sep BoP overall (20 Oct), Sep budget balance (23 Oct), Sep trade data (30 Oct), Sep bank lending (30 Oct) and Sep M3 money supply (30 Oct).

USD and Oil Price Movements Explains PHP Movements



Source: Bloomberg, Maybank FX Research & Strategy

Trade Deficit Somewhat Narrowed Slightly in Sep on Falling Imports



Source: Bloomberg, Maybank FX Research & Strategy

THB: Limits to Strength

USD/THB	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	31.50	31.00	31.00	30.50
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our forecast for USD/THB, expecting the pair to trend gradually lower. While the market backdrop appears broadly supportive of the THB, we remain cautious about the pace of any potential appreciation. A softer U.S. dollar and firm gold prices could lend support to the THB. However, gold's influence may diminish and other offsetting factors could cap further gains. Notably, the Thai government has already expressed concerns over the THB's strength, especially following its sharp rally in early September. The BOT has also indicated its intent to manage the impact of gold-related flows on the currency — a signal that may temper the market's appetite to aggressively trade the gold-THB correlation. The central bank has also confirmed that it is actively intervening to stabilize the currency. Additionally, broader structural factors may limit THB appreciation, including fiscal concerns (credit rating outlook downgrades this year). The current account surplus should though be maintained even amid the risks of a softer trade environment. Meanwhile, a new minority government led by PM Anutin Charnvirakul has taken office, but the direct impact on the currency appears limited, given the clearer political timeline - the PM has pledged to dissolve parliament in Jan 2026. Regarding the central bank outlook, our economist expects only another 25bps cut this year. Near term, expect USDTHB to be choppy amid much uncertainty related to both the government currency policy and the Fed rate path.

The Thai Government's discomfort with the currency strength could limit the appreciation of the THB. The currency rallied strongly in the early part of Sep as gold prices surged and investors looked to have strongly played on the positive correlation between gold prices and the THB. However, the fundamental link between gold prices and the THB is not entirely clear. Thailand is actually a net importer of gold and a rise in the price of the precious metal tends to coincide with increased imports of it. Also, data regarding flows into gold are rather opaque. The central bank so far has mentioned that they will meet with relevant agencies and gold traders to explore ways to reduce the sensitivity of the THB to gold price movements. Among the proposals reportedly under discussion are taxing THB-denominated gold transactions on online platforms or reducing transaction costs for USD-denominated gold. The BOT on its part has only said that taxing gold is among the measures under consideration. The impact though of these measures if implemented are actually very unclear due to the lack of data. Nonetheless, the public statement from both the government and the BOT would make markets more edgy to keep trading aggressively on the perceived UST – THB positive correlation. The BOT has also confirmed that they are actively intervening in the market to stabilize the currency. We are also not going to rule out more aggressive BOT rate cuts to weaken the THB but our economist currently expects only one more cut of 25bps this year to 1.25% at the Oct 2025 meeting.

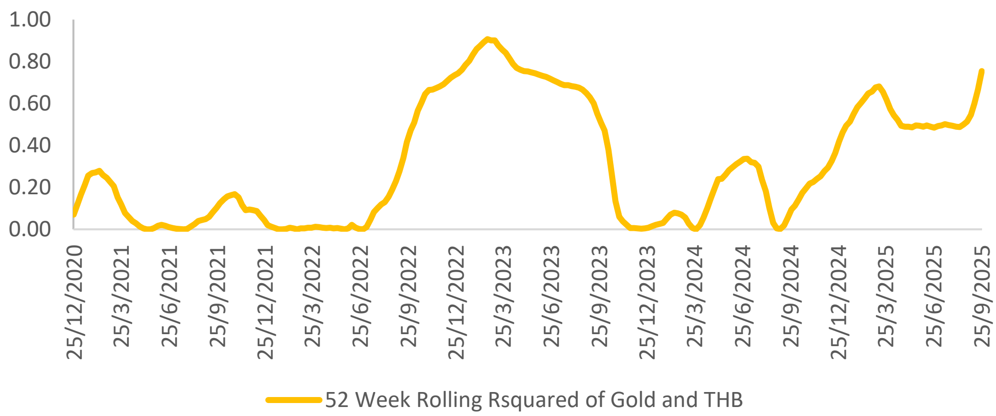
Fundamentally, concerns related to the country's fiscal position could also be another limiting factor on THB strength. Fitch has recently downgraded the outlook on Thailand's Long-Term Foreign-Currency Issuer Default Rating from stable to negative although the rating itself is maintained at 'BBB+' (still of investment grade). Fitch had mentioned that the downgrade comes on top of increasing risks to the country's public finance due to prolonged political uncertainty, growth headwinds (from slowing global demand, delayed tourism recovery) and household deleveraging. This outlook downgrade was not the first this year though as Moody's had similarly lowered the outlook for Thailand to negative from stable in April 2025. The ratings agency too had also highlighted that both the country's economic and fiscal strength will weaken further. Despite these concerns, Thai bonds have actually attracted a net inflow of US$1.25bn ytd as of 2 September 2025. **However, the inflow is modest and does not necessarily signal strong foreign appetite for Thai bonds. Factors such as a stronger THB, the gold rally, and expectations of rate cuts may have supported demand, while fiscal concerns likely acted as a counterweight.** Thailand's public debt stood at 64.4% of GDP as of 1H 2025—just a few percentage points below the 70.0% legal ceiling and up from 58.4% in FY2021. The FY2026 budget has also been approved, making underspending less likely despite the ongoing political transition. We are not expecting any significant pick-up in inflows for bonds going forward.

A new minority government has been formed under Prime Minister Anutin Charnvirakul, though the direct impact of the political situation on the currency appears limited. Political certainty has improved somewhat with the formation of this new government (supported by the opposition People's Party given they have appeared to outline a clear political timeline. The PM has already pledged to dissolve parliament in January and a new government should be formed by mid-2026. This improved clarity has been viewed as a modest positive for equity markets, as early elections could pave the way for a more stable government and potentially new stimulus measures. Moreover, with the FY2026 budget already passed, government spending is expected to proceed smoothly in the coming months. **Nonetheless, foreign investors have continued to exit Thai equities, with net outflows of US$0.25 billion mtd as of 26 Sep. Whilst locals maybe more optimistic, foreigners could be more cautious given that the political situation remains somewhat challenging to judge. The ranged trading of the DXY and the uncertainty associated with the Fed's path could also be keeping investors anxious about further investing in EM assets in 2H 2025. Nonetheless, we remain cautiously optimistic of a pick-up of foreign inflows into Thai equities given our expectations for USD softness and the positive stock market outlook.**

Risks Ahead: There can be upside risks for the THB if China sees a strong growth pick-up. On the downside, any sudden deterioration in Thailand's political situation or a sustained rebound in the USD could put pressure on the currency. Additionally, the implementation of aggressive government measures aimed at curbing THB strength could also pose a downside risk.

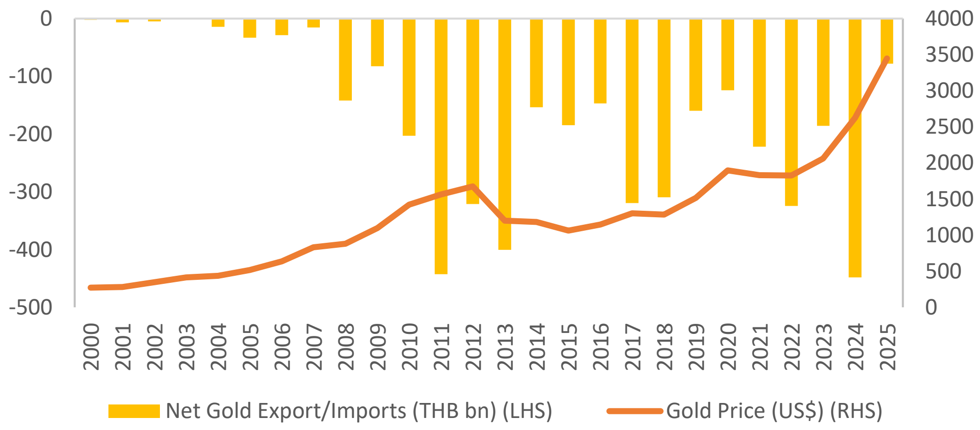
Key Data/Events: Sep S&P Global PMI mfg (1 Oct), Sep business sentiment index (1 Oct), Sep CPI (6 Oct), Sep consumer confidence (7 – 14 Oct), BOT policy decision (8 Oct), Sep car sales (18 – 24 Oct), Sep customs trade data (18 – 26 Oct), Sep ISIC capacity utilization and mfg index (26 – 30 Oct), Sep trade data (31 Oct) and Sep BoP overall/CA balance (31 Oct).

THB Movements Have Recently Explained More by Gold Movements



Source: Bloomberg, Maybank FX Research & Strategy

Thailand is Net Importer of Gold Making the Fundamental Link Between the Latter and THB Less than Clear



Source: Bloomberg, Maybank FX Research & Strategy
Note: 2025 data refers only to Jan – Aug 2025

VND: Gold Reforms and Cryptocurrency Rules To Provide Better Support

USD/VND	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	26500 (26600)	26550 (26700)	26600 (26800)	26660 (--)

Previous Forecasts in Parentheses

Motivation: There were two key policies announced in recent months that were stabilizing the VND – gold reforms that would improve the gold supply in Vietnam as well as a 5-year pilot scheme for its cryptocurrency sector. Domestic-International gold premium has narrowed slightly of late due to the gold reforms and along with the recent regulation on cryptocurrency, had brought about some stability in the USDVND, allowing the USDVND to trade under the key resistance level of around 26440, last printed 26430. Back in the 1 Sep FX monthly Issue 9, we had anticipated the USDVND to remain rather elevated for the rest of Sep. That had played out well and we continue to keep our mildly bullish view for the USDVND despite recent measures. However, the shift in VND policy stance along with recent measures for gold and cryptocurrency suggest that the cadence of the USDVND rise should be more gradual and we calibrated accordingly.

Gold Reforms. Right at the start of the month, PM ham Minh Chinh directed SBV to crack down on hoarding and market manipulative practices that were meant to push gold prices higher. More recently, SBV released a draft on 28 Sep, urging ministries for feedback on rules that will set **quotas for shipments of gold** based on monetary policy goals, market demand and foreign reserves. A quota-setting council will also be established, led by the Deputy Governor. The regulations will take effect from 10 Oct which will end the authorities' monopoly on imports and exports of bullion and allow banks, companies to obtain licenses and allow trading on a state-run exchange. The quotas mentioned certainly suggest that there could be a control on the supply of gold still. However, the eventual goal would be to reduce the current premium from the current 13% to possibly 2-3%. VND's recent stability could be partially attributed to the narrowing of the premium from around 19% seen at the start of Sep to around 13% of late.

Cryptocurrency Reforms. On 9 Sep 2025, a five-year pilot program is launched to introduce strict requirements for the crypto industry, requiring crypto transactions from issuance to trading and payments to be carried out in Vietnamese dong. Issuers must be Vietnamese enterprises and foreign ownership of any crypto asset trading provider is capped at 49%. It allows issuance of crypto assets based on underlying real assets but excludes the issuance of assets backed by fiat currencies or securities. This new rule could stem capital flow into global crypto exchanges. Some warned of outflow and the result could provide some support for the VND. This can put a brake on the vibrant crypto trading scene at home as the authorities seek to develop its own fintech hub with the right guardrails for the sake of financial stability and monetary sovereignty. A recent court case which saw members of the ring that ran the transnational online and crypto gambling being sentenced to 3-13 years of jail could also be a show of enforcement and further discourage residents from engaging in USD-linked crypto trading or payments.

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.

SVB is showing a tad more determination to keep the VND from weakening too much. The USDVND reference rate has been set lower of late. The upper bound of the USDVND trading band is now converged with the spot at around 26423 (upper bound) vs. 26423 (spot). The rise in the CPI inflation might have become a concern. SBV has started to make more earnest effort in dampening the weakness in the VND so as to rein in imported inflation.

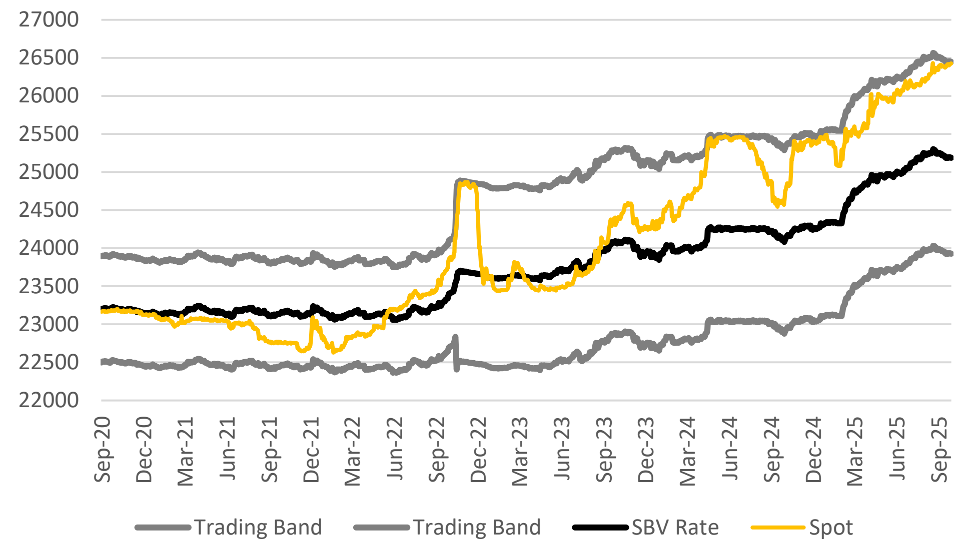
Vietnam GDP forecast is still maintained at 7.3% according to our economist as external slowdown is still expected to be offset by robust investment, strong public infrastructure spending and a construction consumption outlook. FDI commitments continue to be solid and that could also be supportive of the VND.

Inflation is still rather elevated with headline CPI unchanged 3.2% in Aug while core inflation eased a tad to 3.2% from 3.3%. The SBV target is 4-4.5%. Inflation is not expected to surpass this target and the government along with SBV have taken measures to stabilize the VND and concomitantly curb imported inflation.

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.

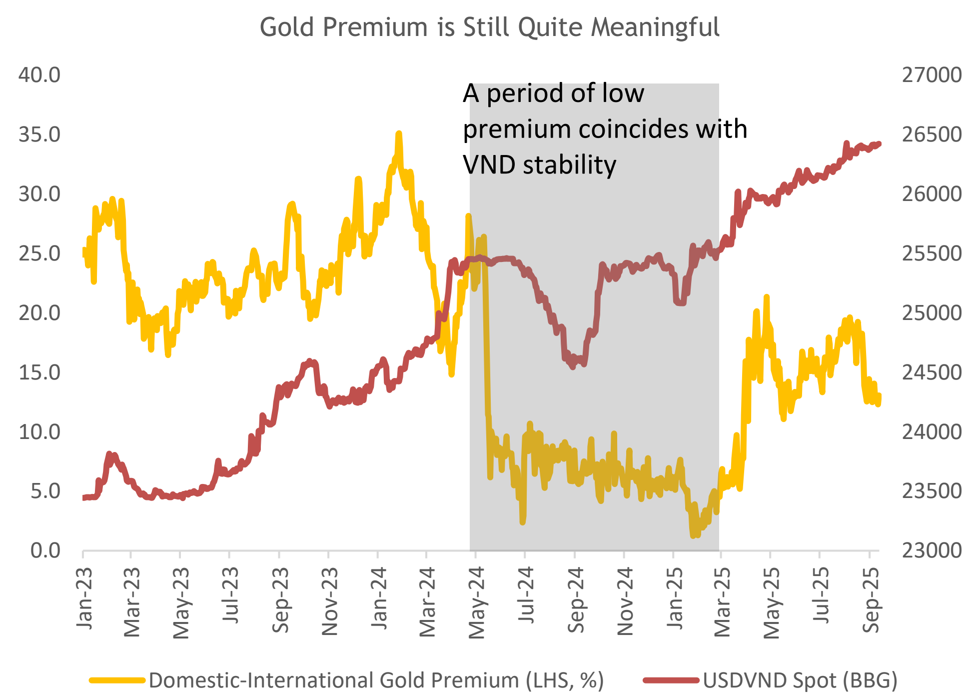
Key Data/Events: Sep PMI [1 Oct]; Sep trade, IP, CPI and retail sales [6 Oct].

SBV Has Been Setting the USDVND reference Rate Lower



Source: Bloomberg, State Bank of Vietnam, Maybank FX Research & Strategy

Narrower Domestic-International Gold Premium Stabilizes the VND



Source: Bloomberg, Macrobond, State Bank of Vietnam, Maybank FX Research & Strategy

INR: Negative Sentiment to Alleviate

USD/INR	4Q 2025	1Q 2026	2Q 2026	3Q 2026
	87.75	87.50	87.25	87.00
	(--)	(--)	(--)	(--)

No Change to Previous Forecasts

Motivation: We maintain our USDINR forecasts even as the INR continues to lag its peers amid tariff risks and equity outflows. India has elected not to cross what it views as "red lines" of stopping trading with Russia. We expect some upward pressures on USDINR in the near-term, however 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. As we suggested, such optimism has since faded. While we expect INR to appreciate against the USD, we remain wary that the RBI could 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. INR has also been plagued by a series of negative developments such as 50% tariffs, H1B visa renewal fees, punishment for trading with Russia and fiscal concerns over GST reform plans. There are signs that some of these negative sentiment from these developments could alleviate as stock outflows moderate and bonds stabilize.

1M USDINR NDF traded within an 87.82 to 89.11 range in Sep, higher than the 87.06 to 88.45 range in Aug. The INR continued to lag Asian peers on the lack of a trade deal with the US and dampened sentiment for Indian assets. 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. India is likely to consider its national interests first and as such will not cross "red lines" of stopping trade with Russia. Some fears over the H1B visa fee hike by the Trump administration could weigh on the INR on potentially lower remittances and likely outflows from India's IT sector. As such, there could be some short-term INR weakness arising from the lack of a trade agreement with the US.

In 2025 we see no further cuts from the RBI and for the policy rate to end the year at 5.50%. RBI stood pat on 1 Oct 2025 with 2 (of 6) members preferring accommodation, revising growth and inflation forecasts downwards. Our expectations are more hawkish than market pricing (5.22%) and consensus forecasts (5.27%). Should the RBI decide to ease further, there could be likely further pressures on the INR, which could be tricky for the RBI to deal with at this juncture when there is uncertainty from tariffs as well.

Inflation is expected to ease into 2025 with consensus forecasts suggesting 4.8% YoY in 2025. There is an anticipated easing of food costs, which should reduce volatility in consumer prices. **Growth is expected to remain reasonably strong at 6.4% 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. **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. These factors are fundamentally supportive of a stronger INR.

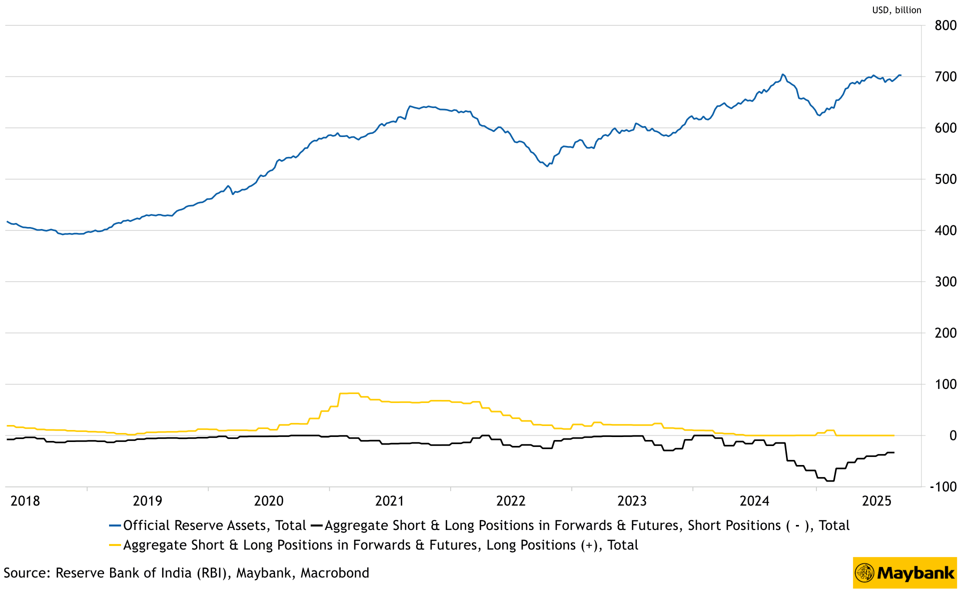
India faces a tricky balancing act in maintaining relations with the US and its BRICS and regional partners. India's refusal to alienate Russia and warming relations with China could be frowned upon by the US, especially in the absence of a trade deal. Nevertheless, we expect that India will focus on its own national interests, even if that could be at odds with what the US wants. Earlier, 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 Singaporean 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.**

Foreign investors pulled US$2.7b from Indian stocks in Sep, with a total of US$17.6b sold in 2025, the second-highest on record for Jan to Sep. This pales in comparison to the average amount of INR dealt on a daily basis (~US$30b), but shows worsening sentiment for Indian assets. Indian bond should continue to see structural inflows after their inclusion in global bond indices, as bond flows stabilized, with the 10Y rallying by -1bp in Sep (Aug: +10bps). Fiscal concerns have alleviated as it was shown that the GST reform had a gentler fiscal impact than initially expected.

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.

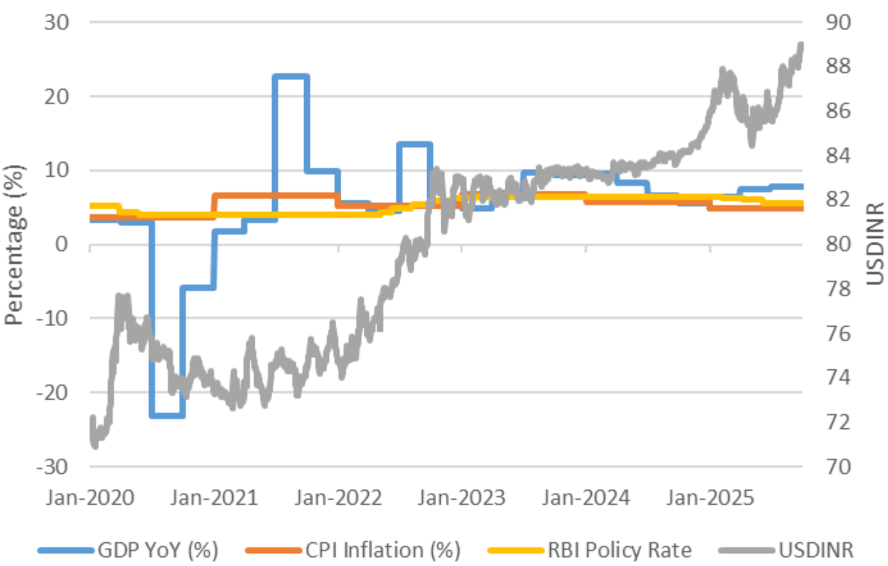
Key Data/Events: RBI Policy Decision, Sep Mfg PMI (1 Oct), Sep Svcs/Comp PMIs (6 Oct), Sep CPI (13 Oct), Sep Wholesale Prices (14 Oct), Sep Unemployment, Sep Exports/Imports/Trade Balance (15 Oct), Sep Eight Infrastructure Industries (21 Oct), Oct P Mfg/Svcs/Comp PMIs (24 Oct), Sep Industrial Production (28 Oct), Sep Fiscal Deficit YTD, Sep Bank Credit (31 Oct).

Reserves Edge Higher



Source: Macrobond, Maybank FX Research & Strategy

USDINR Continues to Inch Higher



Source: Bloomberg, Macrobond, Maybank FX Research & Strategy

Gold: 4K Within Reach

	4Q 2025	1Q 2026	2Q 2026	3Q 2026
XAU/USD	3800	4000	4200	4400
	(3550)	(3600)	(3650)	(--)

Previous Forecasts in Parentheses

Motivation: Right after the bullish breakout, gold continued to forge new record highs, making a gain of 47% YTD (as of 1 Oct 2025), almost doubling its 2024 gain of 27%. What is clear is the asymmetric relationship that gold has with the USD - gold is being lifted by the USD pullback but the bullion tends to shrug off rebounds in the greenback. The primary reason for its resilience to the USD rebound is its safe haven appeal that makes it an even more alluring asset to own vs. other traditional safe havens especially as fellow traditional safe havens CHF and JPY look increasingly "less safe" due to the various tariffs that Trump is imposing. The ongoing US government shutdown is also weakening confidence in the USD and driving demand for the bullion. These are so-called ad-hoc boosts to gold and could continue to drive central banks to gold holdings as a share of their reserves. 4K is within reach but 5K is our medium term technical target.

Other bullish drivers for gold include 1) real UST yields continue to trend lower; 2) persistent risks of geopolitical conflict escalation; 3) inflation expectations in the US are still somewhat elevated due to tariffs (new and old, sectoral and country-specific); 4) Trump's increasingly blatant and aggressive effort at exerting influence over the Federal Reserve and in the process, undermining its independence which could continue to drive demand for the safe haven. In an environment of rate cuts, lingering growth concerns and inflation fears, gold could continue to remain buoyant.

Gold may continue to play a role as an inflation hedge. Jul inflation data suggests that goods inflation are showing signs of pass through from tariffs. In addition, the Beige Book also noted price pressures from tariff-related input costs and insurance, some of which are already passed on to consumers. Inflation is still a concern.

Ukraine War, Along with the US-China Technology Race Could Be Spurring an Arms Race. Gold could continue to be driven higher as Russia and NATO relation continues to deteriorate. According to Business Insider, NATO is trying to integrate drones, robots and other emerging technologies into its navies and there are concerns that the development is not fast enough for the NATO armies to have a significant "technological edge over adversaries". Meanwhile, Trump and Xi could meet on the sidelines at the APEC summit (31 Oct) and while Trump has not spoken about secondary tariffs of late, the US' recent move to tighten sanctions on subsidiaries of sanctioned firms underscore terse relations for the US and China. In any case, Trump had already imposed 25% tariff on India for its purchase of Russian oil and that had driven India Modi to make a visit to China.

We are watchful of the White House Fed debacle. Central bank independence is critical to ensure price stability that would sustainably support economic growth. Trump's mention (on a televised cabinet meeting) that he would soon "have a majority very shortly" suggests a blatant disregard for the Fed's independence. He was referring to a majority of his nominees on the Federal Reserve Board of Governors that would work to cut policy rates. While the USD is still dominant as a medium of exchange, central banks are increasing their holdings of gold as opposed to the USD or perhaps fiat in general that could be affected by tariffs, monetary policy and even, issues with fiscal sustainability.

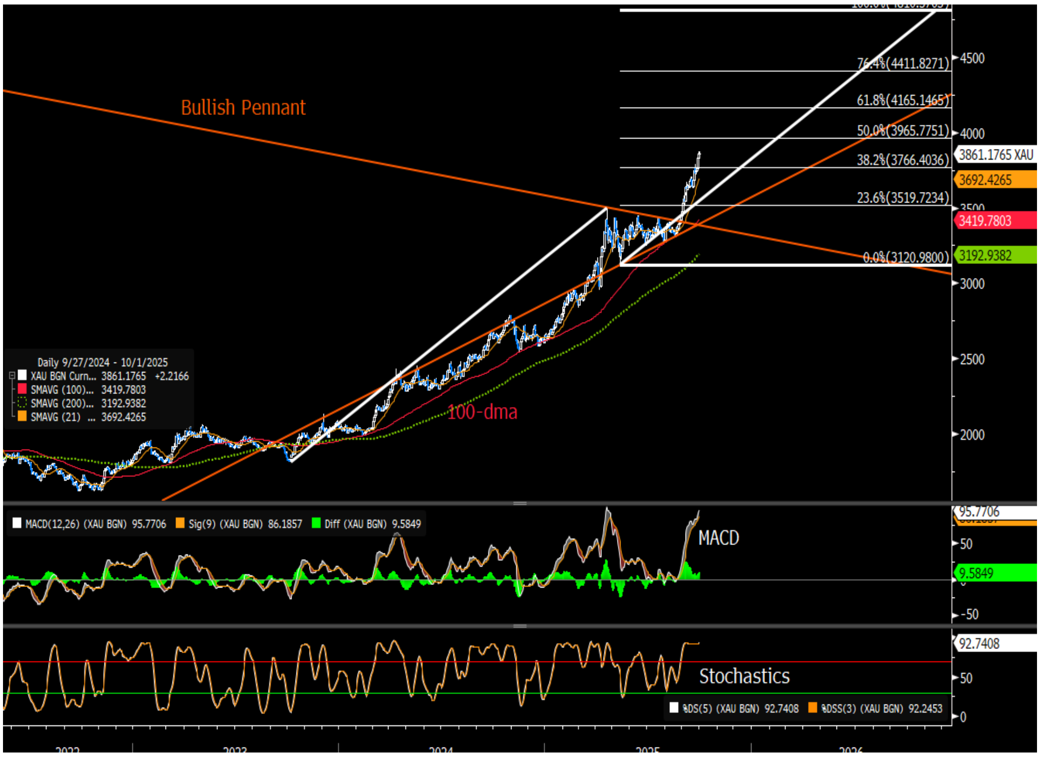
Downside Risks to Real Yields Still Suggest Higher Gold. The US growth has moderated and uncertainties remain elevated. After taking the Fed Funds Target rate 100bps lower from its peak of 5.25-5.50% last year, the Fed just resumed its easing cycle with a 25bps cut in Sep. Markets are pricing in less than two more 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.

Supply Conditions: According to WGC, annual mine production was estimated to be at a record high of around 3661.2 tonnes in 2024. Elevated gold prices lifted gold recycling activity higher to 1370 tonnes last year. We look for gold mine production to remain stable as it has been in the past decade as the process from mine discovery to production typically take years. As such, the discovery of new gold deposits such as those found in Hunan may take several years to reach the market. Strong demand conditions, elevated gold prices could continue to fuel recycling activity, much of which seem to be from East Asia.

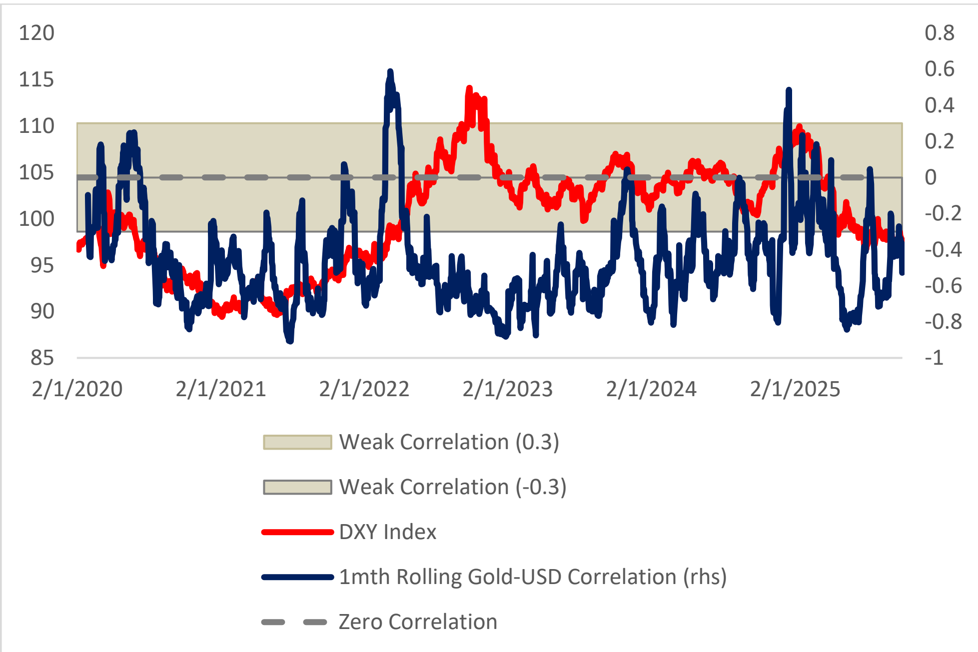
The rise in the long end of many sovereign curves are generally not a reflection of strong growth outlook, but rather concerns with their respective fiscal sustainability. As such, this is again, an environment that is risk adverse and positive for the bullion.

Technical Analysis: Gold was last seen around 3860. Gold has broken out of the bullish pennant formation - a continuation pattern typically that could take the bullion well above the 4000 towards a target of 5000. A break above the 3500 confirmed a bullish extension in the making. Next interim resistance is seen around 3965.

Technical Analysis Chart: XAU/USD – Daily – Gold has broken Out Higher



The USD-Gold Inverse Correlation Has Weakened – Suggesting Safe Haven Appeal is Driving its Recent Gains



Source: Bloomberg, Maybank FX Research & Strategy

FX Forecast Table

	End Q4-25	End Q1-26	End Q2-26	End Q3-26
USD/JPY	140.00	138.00	135.00	132.00
EUR/USD	1.1600	1.1700	1.1800	1.1900
GBP/USD	1.3500	1.3600	1.3700	1.3750
AUD/USD	0.6600	0.6700	0.6700	0.6800
NZD/USD	0.5900	0.6000	0.6200	0.6300
USD/CAD	1.3500	1.3400	1.3400	1.3300
USD/CHF	0.7925	0.7900	0.7900	0.7900
USD/SGD	1.2650	1.2600	1.2550	1.2500
USD/MYR	4.1000	4.0500	4.0000	4.0000
USD/IDR	16550	16450	16350	16250
USD/THB	31.50	31.00	31.00	30.50
USD/PHP	57.00	56.50	56.00	55.50
USD/CNY	7.07	7.05	7.03	7.02
USD/CNH	7.07	7.05	7.03	7.02
USD/HKD	7.81	7.78	7.75	7.75
USD/TWD	31.50	31.30	31.00	31.00
USD/KRW	1370	1360	1350	1340
USD/INR	87.75	87.50	87.25	87.00
USD/VND	26500	26550	26600	26600
DXY Index	97.48	96.54	95.59	94.73
Gold ($/oz)	3800	4000	4200	4400
	End Q4-25	End Q1-26	End Q2-26	End Q3-26
SGD/MYR	3.24	3.21	3.19	3.20
JPY/SGD	0.90	0.91	0.93	0.95
EUR/SGD	1.47	1.47	1.48	1.49
GBP/SGD	1.71	1.71	1.72	1.72
AUD/SGD	0.83	0.84	0.84	0.85
NZD/SGD	0.75	0.76	0.78	0.79
CAD/SGD	0.94	0.94	0.94	0.94
CHF/SGD	1.60	1.59	1.59	1.58
SGD/IDR	13083	13056	13028	13000
SGD/THB	24.90	24.60	24.70	24.40
SGD/PHP	45.06	44.84	44.62	44.40
SGD/CNY	5.59	5.60	5.60	5.62
SGD/HKD	6.17	6.17	6.18	6.20
SGD/TWD	24.90	24.84	24.70	24.80
SGD/KRW	1083	1079	1076	1072
SGD/INR	69.37	69.44	69.52	69.60
SGD/VND	20949	21071	21195	21280
	End Q4-25	End Q1-26	End Q2-26	End Q3-26
JPY/MYR	2.93	2.93	2.96	3.03
EUR/MYR	4.76	4.74	4.72	4.76
GBP/MYR	5.54	5.51	5.48	5.50
AUD/MYR	2.71	2.71	2.68	2.72
NZD/MYR	2.42	2.43	2.48	2.52
CAD/MYR	3.04	3.02	2.99	3.01
CHF/MYR	5.17	5.13	5.06	5.06
MYR/IDR	4037	4062	4088	4063
MYR/THB	7.68	7.65	7.75	7.63
MYR/PHP	13.90	13.95	14.00	13.88
MYR/CNY	1.72	1.74	1.76	1.76
MYR/HKD	1.90	1.92	1.94	1.94
MYR/TWD	7.68	7.73	7.75	7.75
MYR/KRW	334	336	338	335
MYR/INR	21.40	21.60	21.81	21.75
MYR/VND	6463	6556	6650	6650

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

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