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Keeping To The Strait And Narrow

Global Growth Shows Resilience



Monthly Outlook

by OCBC Wealth Panel

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For **now**,
and **beyond**

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Keeping To The Strait And Narrow

Risk assets, particularly equities, have managed to recover from the initial shock and made new highs on the back of robust earnings and resilient macro conditions. In particular, the wait-and-see approach taken by central banks and the continued growth in artificial intelligence (AI) and related investments helped to fuel a recovery in risk sentiments and financial conditions.

We continue to expect supportive monetary and fiscal policies, and resilient corporate fundamentals to contribute to stable demand and continued macro expansion as our base case. This supports our view that the equity bull market remains broadly intact for the remainder of 2026, and investors should remain broadly invested in core exposures for medium-term portfolio performance. Investors should continue to consider additional portfolio overlays and active hedges to buttress overall portfolio performance during such periods of uncertainty.

Although we cannot rule out more attacks, the broad vector of the Iran war has been directionally moving away from a hot conflict, with the White House making a bid to end the war, especially as higher gas prices exacerbate cost of living concerns among US voters – a top voting issue – ahead of the US midterm elections. We are calibrating our tactical asset allocation to position ahead for the 2H 2026 investment landscape characterised by persistent geopolitical and energy market uncertainties, the resilient fundamentals of the secular AI theme, and the US midterms elections.

We are upgrading US equities from Neutral to Overweight in order to address the upside risk in US equities given: 1) the White House's goal of ending the Iran war to pivot to the domestic economy ahead of the midterm elections; 2) a resilient US earnings outlook due to the robust AI theme; and 3) the US economy being a net oil exporter and hence relatively sheltered from energy market volatility. At the same time, we are downgrading Europe equities from Neutral to Underweight to reflect the vulnerabilities of the European growth outlook in the scenario of continued uncertainties in energy prices, which brings us to a moderately constructive overall stance in equities, and reduces our cash position marginally. Within Asia ex-Japan, we continue to favour Hong Kong, China and Singapore equity markets.

For fixed income, we are maintaining a modest overall Underweight. We expect the macro environment and rates trajectory to be the key drivers of performance dispersion. Amidst market volatility, we favour high quality issuers and continue to be Neutral on portfolio duration. In Developed Markets (DM), we prefer Investment Grade (IG) over High Yield (HY) given late credit cycle dynamics and unattractive relative valuation of the latter. In Emerging Markets (EM), we hold a Neutral view on Asia due to stable fundamentals and strong technicals. We are also Neutral on Latin America (Latam) and expect the region to benefit from higher commodity prices despite its beta-driven characteristics. In contrast, we are Underweight CEEMEA as we stay cautious of the Gulf Cooperation Council (GCC) in the absence of a meaningful resolution to the Middle East conflict.



GLOBAL OUTLOOK

SELENA LING

Chief Economist & Head, OCBC Group Research

Global Growth Shows Resilience

“Looking ahead to May, investors are likely to remain watchful as stagflationary risks persist. Attention will focus on the underlying strength of the US economy, the policy direction under a new FOMC leadership, and central banks’ ability to balance moderating growth against rising inflation pressures.”

- April proved resilient despite the prolonged Iran war and the failure to reopen the Strait of Hormuz. Major central banks (FOMC, ECB, BOE, BOJ) stayed on hold, though policy divergence widened. The FOMC leaned hawkish, BOJ divisions grew, and currency volatility intensified as USDJPY breached 160, prompting intervention. Global equities advanced, with the MSCI All Country World Index reaching a new record high. US 10-year Treasury yields tested 4.4% amid persistent inflation and elevated energy prices. UAE’s withdrawal from OPEC+ led to a modest June production hike.
- Asia’s 1Q26 growth remained resilient due to supply-chain diversification and AI investment, though rising cost pressures are emerging. ASEAN governments rolled out energy-saving and fiscal measures. Looking ahead, markets will focus on US economic

and employment data, leadership under new FOMC Chair Kevin Warsh, and whether risk assets can sustain gains amid a tighter liquidity regime.

- China’s growth reaccelerated to 5% YoY, supported by policy easing and manufacturing re-rating, positioning it as a potential long-term beneficiary despite energy-related risks from the Iran war.

United States

- We remain comfortable with our 2026 US growth forecast of 2.2% despite rising stagflation risks. Our baseline assumes continued resilience in global growth driven by five factors. First, investment and production linked to artificial intelligence remain robust. Second, effective US tariff rates have declined meaningfully following the Supreme Court ruling. Third, growth momentum from 2H25 has carried into early

2026. Fourth, fiscal and financial conditions remain broadly supportive. Fifth, businesses have repeatedly demonstrated adaptability to geopolitical disruptions and supply side shocks in recent years.

- US economic data have reinforced this outlook. 1Q26 GDP rebounded to a 2.0% annualised pace, supported by stronger investment, exports, consumption and government spending, though higher imports continued to weigh on growth.
- Overall, US assets were supported by resilient growth and strong AI related earnings, while higher oil prices and renewed inflation risks kept US Treasury yields and the US dollar firm. The Fed kept rates unchanged at 3.50%–3.75% in April, with the FOMC leaning modestly hawkish as three members opposed maintaining the easing bias.

Euro-Area

- We maintain our 2026 GDP growth forecast at 0.9% and have revised headline CPI higher to 2.8% from 2.5% YoY, reflecting the impact of ongoing Middle East tensions. Higher oil, gas and fertilizer prices are feeding through to broader inflation, particularly food costs. ECB President Lagarde highlighted the “double uncertainty” around the duration of the oil shock and the extent of price pass through, while reaffirming the ECB’s commitment to price stability. We do not expect an aggressive tightening cycle and continue to pencil in a 25bp insurance hike in June.
- The ECB’s latest Consumer Expectations Survey signals mounting stagflation risks. One year inflation expectations jumped to 4.0% from 2.5%, while three-year expectations rose to 3.0%. Economic Confidence fell sharply to 93.0 in April, alongside weaker industrial sentiment. In response, the European Commission proposed the AccelerateEU temporary state aid framework and coordinated oil stock releases with the IEA to help

cushion price pressures.

Japan

- Japan’s economy ended 2025 on a softer footing, with 4Q25 GDP growing just 0.1% QoQ, undershooting expectations and highlighting weak domestic demand. Full-year growth recovered to 1.1% in 2025 from a contraction in 2024, but macro uncertainty persists into 2026. The BOJ cut its growth forecast to 0.5% while sharply raising its core CPI outlook to 2.8%, reflecting rising inflation risks. We now expect a 25bp rate hike at the June meeting after the BOJ held policy steady at 0.75% in April, despite dissent from three board members - a hawkish hold. March factory output declined 0.5% MoM and core CPI rose 1.8% YoY. The combination of weakening growth and rising inflation points to an increasingly stagflationary backdrop, complicating policy normalisation. Fiscal policy remains supportive but cautious, with a record FY2026 budget and no additional stimulus planned.

China

- China has lowered its 2026 GDP

growth target to a range of 4.5% - 5% from “around 5%”, with the lower bound likely representing the minimum rate needed to stay on track toward the 2035 goal of doubling per capita GDP versus 2020 levels. We keep our 2026 growth forecast unchanged at 4.7% despite the escalating Iran war. Consumption recovery remains uneven due to slowing income growth and weak household appetite for leverage, with growth expected to moderate to around 4.8% in 2Q2026.

- The economy remains broadly on track to meet the official target. Moody’s revised China’s sovereign outlook to “stable” from “negative,” citing resilience to domestic, trade and geopolitical headwinds. This shift reflects China’s demonstrated ability to absorb external shocks and reinforces the continued re-rating of its manufacturing depth and supply-chain resilience amid global uncertainty.

GDP Growth Rates

% Change YoY	2025F	2026F	2027F
United States	2.1	2.2	2.0
Euro Area	1.4	0.9	1.1
Japan	1.2	0.8	1.0
United Kingdom	1.4	1.2	1.8
Australia	2.0	2.2	2.2
New Zealand	0.2	2.0	2.6
China	5.0	4.7	4.5
Hong Kong	3.5	2.2	2.8
Macau	4.7	2.8	3.3
Taiwan	8.7	6.5	3.8
South Korea	1.0	2.2	2.0
India	7.1	7.5	6.4
Indonesia	5.1	5.0	5.0
Malaysia	5.2	4.4	4.2
Philippines	4.4	4.8	5.5
Singapore	5.0	2.5	2.0
Thailand	2.4	1.5	2.0
Vietnam	8.0	7.3	8.0

Source: OCBC Group Research

Inflation Rates

% Change YoY	2025F	2026F	2027F
United States	2.7	3.5	2.2
Euro Area	2.1	2.8	2.0
Japan	3.2	2.5	2.1
United Kingdom	3.4	2.8	2.0
Australia	2.8	4.2	2.7
New Zealand	2.8	3.4	2.1
China	0.1	2.0	2.0
Hong Kong	1.4	1.9	2.2
Macau	0.3	1.0	1.1
Taiwan	1.7	2.0	1.9
South Korea	2.1	2.3	2.0
India	4.6	1.7	4.0
Indonesia	1.9	3.0	2.5
Malaysia	1.4	2.0	2.0
Philippines	1.7	5.8	4.5
Singapore	0.9	2.2	2.5
Thailand	-0.1	3.4	2.0
Vietnam	3.3	4.5	4.0

Source: OCBC Group Research

US interest rate forecasts

	2Q2026	3Q2026	4Q2026	1Q2027	2Q2027
Federal Funds Rate*	3.75	3.75	3.00	3.50	3.50
2Y US Treasury Yield	3.80	3.80	3.60	3.60	3.60
5Y US Treasury Yield	3.90	3.85	3.70	3.70	3.70
10Y US Treasury Yield	4.35	4.25	4.10	4.10	4.10
30Y US Treasury Yield	4.90	4.85	4.85	4.80	4.80

* Upper Limit of Target Range

Source: OCBC Group Research



EQUITIES

ELI LEE

Managing Director, Chief Investment Strategist,
Bank of Singapore

Positioning For Second Half 2026

“Given the latest developments relating to the Iran war and macro-economic outlook, we are calibrating our equity positions in our tactical asset allocation strategy by upgrading US equities from Neutral to Overweight, and downgrading Europe equities from Neutral to Underweight.”

- While we do expect persistent geopolitical uncertainties in the Middle East going forward, upward pressure on crude oil prices could ease if traffic resumes through the Strait of Hormuz as the Iran conflict moderates. We continue to monitor oil prices as a key indicator: they have remained rangebound between US\$120 and US\$90 per barrel during the war and recently dipped below US\$100 on news of peace talks.
- Although further attacks cannot be ruled out, the conflict is gradually shifting away from a hot war, reflecting the White House’s desire for a swift offramp ahead of the US midterm elections. We are positioning our tactical asset allocation for the second half of 2026, marked by persistent geopolitical and energy uncertainties, resilient AI-driven fundamentals, and the US

midterms.

- To capture upside in US equities, given the push to end the war, a strong earnings outlook supported by AI, and the US being a net oil exporter, we upgrade US equities from Neutral to Overweight.
- Conversely, we downgrade European equities from Neutral to Underweight given growth vulnerabilities amid energy uncertainty.
- Overall, our equity stance shifts to moderately overweight, with a reduction in cash.

US – Upgraded to Overweight

- We are upgrading US equities from Neutral to Overweight in our tactical asset allocation.
- Historically, US equities have tended to recover from oil shocks within 12 months, particularly in no-recession environments. While higher crude prices may weigh on near-term growth, our base

case remains that neither the US nor the global economy is headed toward recession. Compared to the 1970s, the global economy is significantly less dependent on oil, supported by alternative energy adoption, rising EV penetration, and the growing dominance of the services sector.

- We also continue to see strong momentum in the secular AI theme, with expanding enterprise use cases and ongoing advancements in physical AI helping to alleviate earlier concerns around overinvestment. Despite the recent increase in fuel costs and associated pressure on consumer sentiment, there has been limited negative impact on S&P 500 forward earnings, particularly in consumer-related sectors.
- Looking ahead, as the White House pivots toward domestic

priorities ahead of the US midterm elections, potential pro-market measures - such as fiscal easing or deregulation - could support sentiment. A potential easing of geopolitical tensions would provide an additional tailwind.

- Sector-wise, we favour technology, materials, and utilities.

Europe – Downgraded to Underweight

- We are downgrading European equities from Neutral to Underweight in our tactical asset allocation. We are concerned that current valuations reflect overly optimistic earnings expectations, with consensus forecasting around 16% EPS growth for 2026 and 11% for 2027 - well above the flat growth seen in 2025.
- Unlike the US, Europe is a net energy importer, leaving the region more exposed to sustained Middle East uncertainties. Europe is estimated to be roughly twice as sensitive to oil shocks as the US, with a 10% rise in oil prices adding about 40 basis points to inflation and reducing growth by over 10 basis points.
- Europe is also vulnerable to disruptions in refined products.

Nearly 45% of its middle distillate imports, particularly jet fuel, typically transit the Strait of Hormuz. Recent disruptions have already triggered warnings of potential shortages, forcing major airlines to cut flight schedules.

- Elevated energy price volatility is likely to push inflation higher, prompting a policy response. Unlike the Fed, both the ECB and BOE have signalled potential rate hikes to counter inflation, further weighing on growth.
- Recent PMI data show input prices rising faster than output prices, indicating margin pressure ahead.

Japan – Long-term structural themes stay intact

- We expect the near-term focus will shift to company guidance in the upcoming full-year earnings reporting season. Japanese firms have the tendency in issuing conservative guidance even under normal circumstances.
- Looking beyond the geopolitical uncertainties, we believe certain structural investment themes should stay intact: (i) AI, technology hardware, defence, energy and critical resources; and (ii) construction, real estate and

trading companies. Also, the BOJ revised up its core consumer price index (CPI) forecasts in the April Outlook Report and

- assessed upside risk to inflation. Interest rate sensitive sectors like financials could catch up after recent underperformance.

Asia ex-Japan – Seeking out winners amid a crisis

- Asia is among the more vulnerable regions in the US-Iran conflict due to its reliance on Middle Eastern energy, but the crisis is also accelerating structural shifts that benefit parts of the region.
- The energy shock is likely to speed up the transition away from fossil fuels, supporting sectors such as electric vehicles, energy storage, and renewables. China, given its strong position in the global energy transition supply chain, stands to benefit disproportionately.
- At the same time, heightened geopolitical tensions are accelerating investment in infrastructure, supply chain resilience, AI, and cybersecurity - creating opportunities in semiconductors, data centres, advanced packaging, and AI adoption.

- Rising geopolitical risks are also reinforcing defence spending and the push for self-sufficiency, benefiting aerospace, defence, and industrial automation sectors.
- Within Asia ex-Japan, Hong Kong, China, and Singapore remain attractive. Singapore's market, supported by strong dividends and sectors like financials and real estate, offers defensive appeal, with policy initiatives likely to boost liquidity and valuations.

Global Sectors - Growth leads, but crowding calls for caution

- Year-to-date, the Global Energy

sector has led performance, followed by Information Technology and Materials, while Healthcare has lagged. In April, Information Technology and Communication Services outperformed, driven by a rebound in growth stocks after easing US–Iran tensions.

- The software segment recovered in April but remains below end-2025 levels. Concerns over AI disruption persist, highlighted by OpenAI's introduction of cost-per-click ads in ChatGPT, which could challenge traditional advertising models.

- Although Healthcare has underperformed, valuation opportunities are emerging, particularly in life sciences, tools, and diagnostics. Profit growth in this segment is expected to recover in 2026 and potentially accelerate further, supported by catalysts such as US reshoring efforts and a refresh of pandemic-era equipment.

HONG KONG / CHINA MARKET OUTLOOK

ELI LEE

Managing Director, Chief Investment Strategist,
Bank of Singapore

April Politburo Meeting Reaffirmed Strategic

“We maintain our relative preference for the onshore A-share market as it has more industries that benefit from policy support with more than two-thirds of the A-share market cap from industrials, IT and related services.”

- China's onshore A-share market has risen 8.3% (in USD terms) in the past month, outperforming HK and China offshore equities by about 4.5ppt. The IT sector has outperformed in both offshore and onshore markets.
- We maintain our relative preference for the onshore A-share market as it has more industries that benefit from policy support with more than two-thirds of the A-share market cap from industrials, IT and related services. Valuation of the MSCI China Index has stayed broadly stable at 11.3x P/E, which is close to its historical average level.
- The April Politburo meeting appeared to be a non-event with no new policies announced given 1Q26 GDP came in better-than-expected. It reinforced the strategic industry focus on technology innovation and green transition. Looking ahead, the US-China Summit in May will be a key event to monitor and the July Politburo meeting could be a potential window for policy adjustment.
- The recent launch of DeepSeek V4 has lifted China's AI sentiment, demonstrating competitive advantage and highlighting leading internet companies with a broad spectrum of AI exposure have structural advantage on CAPEX and AI infrastructure. We reiterate a barbell strategy with quality yield plays to cushion market volatility and upside optionality in structural themes: (i) AI proxies; and (ii) policy beneficiaries in technology innovation, domestic consumption and anti-involution.

BONDS

ELI LEE

Managing Director, Chief Investment Strategist,
Bank of Singapore

Focus On Resilience

“Within fixed income, the focus remains on resilience as we expect elevated market volatility and downside risks, especially if inflationary risks persist and monetary easing is delayed.”

- Heading into May, increased US Investment Grade [IG] bond issuance following earnings may widen spreads, while higher oil prices and a more hawkish Federal Reserve add uncertainty and keep stagflation concerns elevated.
- We maintain a modest underweight stance on fixed income, focusing on resilience amid expected volatility and downside risks, particularly if inflation persists and policy easing is delayed. High-quality credits remain preferred, with a neutral view on overall portfolio duration.
- A weighted average duration of three to seven years provides flexibility across changing conditions. Duration can be extended during macro downturns but should be shortened if inflation pressures remain elevated, unless yield curve steepness offers sufficient compensation.
- In Developed Markets [DM], we favour IG over High Yield [HY] given late-cycle dynamics and

less attractive valuations. In Emerging Markets [EM], we remain neutral on Asia, supported by stable fundamentals and strong technical factors.

Developed Markets

- Heavy bond supply for AI CAPEX and M&A, along with rate volatility, may increase performance dispersion and negatively impact US IG. In a prolonged energy disruption, European spreads are likely to underperform US due to Europe’s reliance on energy imports from the Middle East.

Emerging Market Corporates

- EM corporates have outperformed DM peers YTD. Selective exposure to quality EM bonds provides global investors diversification benefits amid long-term US Dollar weakness and worsening fiscal conditions in major developed economies. We will continue monitoring the effects of the Middle East conflict on growth

and inflation in the broader EM space, as well as fund flow shifts driven by changes in risk sentiment.

Asia

- Asia underperformed other EM regions in April amid a risk-on environment. We maintain a Neutral stance, supported by stable fundamentals and favourable technicals, although exposure to prolonged oil disruption risks varies across countries.
- China’s April Politburo meeting was largely uneventful, with a focus on energy security, technological self-reliance, and supply chain resilience. Stronger-than-expected growth and ample liquidity reduced the urgency for monetary easing, with no signals of rate or RRR cuts.
- However, policymakers reiterated support for a proactive fiscal stance and moderately loose monetary policy. Priorities also

include stabilising the property market, managing local government debt risks, and ensuring smooth functioning of local governments.

Emerging Market Sovereigns

- Hard currency EM sovereign bonds rebounded strongly in April

as geopolitical risk premia eased, allowing fundamentals to reassert.

- We remain constructive on EM sovereign debt, favouring carry-rich credits that compensate for residual volatility. Improved conditions - following the US-Iran ceasefire and stabilising US rates - provide a supportive backdrop,

though selectivity is key.

- We prefer issuers with credible fiscal consolidation and strong multilateral support, while remaining cautious on lower-rated sovereigns facing significant refinancing pressures from late 2026.



FX & COMMODITIES

CHRISTOPHER WONG

Executive Director, OCBC Group Research

Gold Forecast Maintained

“We keep our gold forecasts unchanged but see increased risk of near-term consolidation. Structural support from central bank demand and reserve diversification remains intact, while a softer oil profile or renewed dovish Fed expectations would be key catalysts for renewed upside.”

Oil

- The US has extended the ceasefire indefinitely but flows through the Strait of Hormuz remain heavily restricted, keeping global oil supply tight. Saudi Arabia and the UAE have increased pipeline exports to bypass the Strait, though these only partially offset lost seaborne volumes.
- Physical markets are extremely tight, with dated Brent trading far above front-month ICE Brent. Although the spread has narrowed from peak levels near USD35/barrel, it still signals acute near-term scarcity.
- Even if the Strait reopens, supply normalisation is likely to be slow. We maintain our USD100/barrel Brent forecast through mid-year but now expect a more gradual easing in 2H26, with year-end prices around USD80/barrel. Restarting shut-in production will take time, particularly for

low-pressure and heavier crude fields in Iraq and Kuwait.

- Recent disruptions have also pushed energy security higher on the policy agenda, reinforcing strategic stockpiling and supporting demand.

Precious metals

Gold

- In April, gold struggled to regain upside momentum despite heightened geopolitical risk. Tensions around Iran and the Strait of Hormuz drove oil prices above USD120/barrel, refocusing markets on inflation, real rates and the Fed outlook. With higher energy prices complicating the inflation picture and FOMC signals pointing to a divided Committee, markets pushed out expectations for the first Fed rate cut to mid-2027.
- While the Hormuz standoff has sustained a geopolitical risk premium, higher oil prices have

lifted the US Dollar and yields, weighing on gold. As a result, gold has traded more like a macro risk proxy than a pure safe haven. Near-term upside would likely require easing geopolitical risks, softer oil prices and a more dovish Fed repricing.

- We keep our gold forecasts unchanged but see increased risk of near-term consolidation. Structural support from central bank demand and reserve diversification remains intact, while a softer oil profile or renewed dovish Fed expectations would be key catalysts for renewed upside.

Silver

- Silver traded firmer in April but failed to sustain upside momentum and softened toward month-end as macro conditions turned less supportive. Unlike gold, silver was driven less by safe-haven

flows and more by whether tight physical balances could offset higher rates and a weaker industrial outlook.

- The market remains structurally undersupplied, with the Silver Institute projecting a sixth annual deficit in 2026 and physical investment demand nearing a three-year high. However, demand is becoming less supportive: industrial fabrication is expected to fall around 3% due to solar PV (photovoltaic) thrifting and substitution, while high prices continue to depress jewellery and silverware demand.
- This leaves silver vulnerable to profit-taking when Fed cut expectations are pushed out. Rising oil prices in late April reinforced these pressures by reviving inflation concerns. Near term, a clearer pickup in investor demand or a softer US Dollar and US rates backdrop may be needed for a decisive break higher.

Currency

US Dollar (USD)

- Uncertainty remains over when the Strait of Hormuz will reopen and how long the energy shock will persist. Hopes of a Middle

East de-escalation has lifted risk assets and high-beta currencies, even as oil prices briefly hit new highs in April. Strong US equity performance - led by AI -has further eroded the USD's safe-haven appeal. A de-escalation in US-Iran tensions would likely soften the USD, and we still expect a mild depreciation in 2H26, though our conviction has faded.

- The April FOMC signalled a clear hawkish shift amid resilient US data. Chair Jerome Powell noted the Committee is moving toward a more neutral stance, following three dissents against maintaining dovish guidance. While a renewed hiking cycle would support the USD, it remains unlikely under the new Chair.
- Meanwhile, the rotation out of US equities has stalled. Strong, tech-driven earnings continue to drive US outperformance, with technology investment likely to cushion the drag from higher energy costs. As long as US equities lead, the USD's downside should be limited.
- Oil prices are also likely to remain elevated. Infrastructure damage and precautionary stockpiling should support prices even if the Strait reopens. We now expect

Brent to end the year near USD80 per barrel, up from USD70 previously. The risk of higher-for-longer energy prices favours net energy exporters like the US over importers such as the euro area, further reducing our confidence in a bearish USD view for 2H26.

Japanese Yen (JPY)

- The sharp USDJPY pullback after breaking above 160 drew market attention and likely reflected genuine JPY-buying intervention, amplified by thin Golden Week liquidity. Defending the 160 level will require larger-scale action, particularly if oil prices remain elevated. Further intervention could push USDJPY into the 150–155 range, providing near-term support for Asian currencies.
- Even so, we remain cautious and maintain our end-2026 USDJPY target of 155. A June BOJ hike appears likely, but policy remains behind the curve, limiting sustained JPY support.

Asian Ex-Japan (AXJ) FX

- Asian ex-JPY currencies weakened into end-April as the earlier relief rally faded, led by the Philippine

peso [PHP], Indonesian rupiah [IDR] and Thai baht [THB]. Higher oil prices remain the key headwind, with the prolonged US-Iran standoff increasingly at risk of becoming a sustained terms-of-trade and inflation shock rather than a temporary geopolitical event. Pressure was compounded by a more divided and hawkish-leaning FOMC, as oil-related inflation risks drove a hawkish repricing. Fed funds futures no longer price a full rate cut through mid-2027, keeping USD support intact and limiting scope for broad AXJ relief rallies.

- This backdrop should weigh most heavily on oil-sensitive currencies - particularly PHP, THB, IDR and the Indian rupee - via adverse terms-of-trade effects, inflation and growth concerns. That said,

AXJ performance is unlikely to be uniformly negative. The Singapore dollar [SGD] and Malaysian ringgit [MYR] should remain relatively resilient, supported by a tighter policy stance and energy-linked buffers, respectively. The renminbi [RMB] remains guided by steady fixings, while the Korean won [KRW] and Taiwan dollar [TWD] may continue to find support from the AI and export cycle. Overall, we expect any AXJ rebound to be selective and uneven, with oil prices, USD momentum and the RMB fixing key variables to watch. Reflecting this, we have revised IDR and PHP weaker, and KRW, TWD, Chinese Yuan [CNY], MYR and SGD firmer.

Singapore Dollar (SGD)

- The SGD has remained relatively

resilient, continuing to trade as a regional defensive currency, though it is not insulated from broader macro forces. The latest FOMC outcome highlighted policy division and caution, while higher oil prices amid persistent Middle East tensions have sustained concerns over inflation, delayed Fed easing, a firmer USD and potential growth risks.

- This mix still favours the SGD on a relative basis versus some Asian peers, reflecting its lower-beta profile and the MAS's tighter policy stance. Even so, the SGD is not immune: higher oil prices and rising risks of softer global growth could still weigh on it against the USD.

Forecast table for Precious Metals Prices

USD/ounce	Jun 2026	Sep 2026	Dec 2026	Mar 2027	Jun 2027
Gold	5040	5210	5350	5500	5600
Silver	77.54	82.70	89.17	91.67	94.92

Source: OCBC Group Research; the figures are end-period prices

Forecast table for Oil Prices

USD/barrel	Jun 2026	Sep 2026	Dec 2026	Mar 2027	Jun 2027
Brent	100	85	80	75	75
WTI	94	81	76	71	71

Source: OCBC Group Research; the figures are end-period prices

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