Mizuho Dealer's Eye

July 2026

Mizuho Bank, Ltd.

Global Foreign Exchange Department

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U.S. Dollar – July 2026

Expected Ranges **Against the yen: JPY158.00–164.00**

Outlook for This Month

The dollar/yen pair is expected to trade firmly in July. The yen has been sold on emergency dollar buying and concerns about deteriorating trade conditions on soaring crude oil prices. The markets originally believed these yen shorts would be unwound and the pair would fall if the situation in the Middle East cooled down, but this conviction has been shaken. Though there have been a few complications along the way, crude oil prices have weakened to their pre-war levels since the US and Iran reached a provisional peace deal, with the currency pair also growing less sensitive to related news. We could say the Iran situation is no longer a major theme for the financial markets. However, the greenback was pushed up when the FOMC adopted a more hawkish stance than expected at its June meeting, with the pair's upwards momentum bolstered. There have been yen-buying interventions and repeated moves by the Japanese authorities to curb the yen's slide, but these have had limited impact, with the pair now approaching 162 yen, the yen's lowest level against the dollar in nearly forty years. Taking into account the strong US labor market and persistent inflationary trends even on a core basis, it seems the dollar will continue to face upwards pressure from ongoing expectations for US rate hikes. However, with crude oil prices falling to pre-Middle East conflict levels, the FRB might relax its hawkish stance as US energy prices gradually regain composure, so caution will be needed. At the time of writing, the markets are pricing in a +25bp rate hike at the October FOMC meeting, just before the US midterm elections, but if expectations grow for cooling inflation, political considerations could put high hurdles in the way of rate hikes.

The central banks of Japan and the US will be meeting at the end of July. The FRB has launched a taskforce to examine its balance sheet policy and inflation framework, for example, so investors should look out for comments about the FRB's policy stance going forward. In Japan, the Basic Policy on Economic and Fiscal Management and Reform will be formulated in July. Reports suggest the policy will emphasize the importance of appropriate monetary management for achieving economic growth, so there is a growing sense the BOJ will find it hard to lift rates. The markets have already prices in a +25bp hike within the year, but if these expectations wane, this will lead to yen selling. On the other hand, yen shorts have accumulated to their highest level since July 2024, so there will be strong concerns about an intervention when the pair tops 162 yen. Investors should also be on guard against some temporary downswings.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the dollar	10 bulls	164.50 – 159.00	Bearish on the dollar	3 bears	163.10 – 156.00

* Ranges are central values

Seki	Bull	165.00 – 161.00	The dollar will continue to be bought as expectations for US rate hikes rise on strong US economic indicators and renewed concerns about inflation. The dollar/yen pair has hit a 40-year high. Concerns about an intervention are smoldering away, but the yen will continue to slide while undergoing some fluctuations.
Yamazaki	Bear	163.10 – 155.00	The dollar/yen pair has breached 162 yen, but there are strong concerns at this level, so its topside will probably be capped. The pair will eventually move with a heavy topside on downward pressure.
Nagano	Bear	163.00 – 156.00	There are strong concerns about the dollar/yen pair topping 162 yen, so the pair will continue trading with a heavy topside. Crude oil prices have also plummeted and there is a sense that market moves to price in rate hikes on inflationary concerns have gone too far. As such, there is room for correction. However, even if there are some interventions, yen supply and demand conditions suggest the pair's room on the downside will be capped.
Toriba	Bear	164.00 – 158.00	US monetary policy is movingly hawkishly, with rate hikes also a possibility. With the BOJ also lifting policy rates at a gentle pace, the dollar/yen pair has hit 162 yen. From here on, there will be growing focus on verbal interventions and other moves to correct the yen's weakness, so the pair's topside will be held down for a time.
Ogawa	Bull	165.00 – 160.00	Crude oil prices have plummeted, but the dollar/yen pair will continue to be impacted substantially by yen supply and demand. There is a deep sense that the US will move faster than Japan to lift rates, with the pair likely to edge higher despite concerns of an intervention.
Yamaguchi	Bull	165.00 – 160.00	There will be ongoing concerns about an intervention, but the Dollar Index has topped its one-year high, with the greenback likely to see some buying. As such, the dollar/yen pair's topside looks set to edge higher.
Matsunaga	Bull	163.00 – 157.00	Crude oil prices have regained composure and there is a sense that expectations for a rate cut at the September FOMC meeting are somewhat overcooked. A lot will depend on the results of US economic indicators, but there will probably be some slight unwinding in a bearish-dollar direction.
Hakamata	Bull	165.00 – 161.00	The greenback will continue to be bought on supply and demand factors and speculation about a US monetary policy shift. At the same time, there remains a scarcity of dollar selling factors. The dollar/yen pair will move with a heavy topside on strong concerns about an intervention, but the pair is expected to edge higher nonetheless.
Okuma	Bull	164.00 – 158.00	The US policy rate forecast has shifted in a hawkish direction, with expectations growing for a rate hike within the year. On the other hand, the Japanese authorities are trying to slam the brakes on any BOJ rate hikes. The direction of the Middle East situation remains unclear, with the dollar likely to be bought and the yen sold on this factor too.
Ito	Bull	165.00 – 159.00	There are hardly any expectations for consecutive BOJ rate hikes. At the same time, the US economy is moving firmly. Amid a dearth of yen-buying factors, the dollar will see steady buying, with the dollar/yen pair likely to hit new highs.
Harada	Bull	164.00 – 159.00	The dollar/yen pair has topped the key 162 yen mark to renew recent highs, with the greenback facing considerable upwards pressure. The dollar will probably be bought on the FRB's hawkish monetary policy and firm US economic indicators. Its downside will also be supported by the BOJ's cautious stance when it comes to rate hikes.

Matsuki	Bull	164.00 – 157.00	Investors should be on guard against an interventions by the Japanese authorities and any subsequent position unwinding by speculators. However, the dollar/yen pair seems to have no particular resistance points, so it will probably edge higher and have its topside tested on the back of the US and Japanese monetary policy stances, for example.
Oshima	Bull	164.00 – 158.00	The BOJ is keeping a close eye on the political situation and the balance sheet, so it is unlikely to quicken the pace of rate hikes. On the other hand, the FRB is expected to lift rates within the year as it focuses on controlling inflation under its new chair Kevin Warsh. The dollar/yen pair looks set to move firmly on the divergent stances of the BOJ and FRB.

Tomoya Muto, Global FI Team, Global Foreign Exchange Department

Euro – July 2026

Expected Ranges **Against the US$: US$1.1200–1.1550**
Against the yen: JPY182.50–187.00

Outlook for This Month

The euro/dollar pair is expected to continue trading with a heavy topside in July.

When the ECB Governing Council met last month, it reached a unanimous decision to hike rates by +25bp, with the inflation rate upgraded in its staff projections, particularly for the years 2026 and 2027. However, since the US/Iran ceasefire agreement was announced, crude oil prices have fallen faster than even the ECB's optimistic scenario. With inflationary pressures easing, investors are now expecting only around one more rate cut within the year. In a recent speech, meanwhile, ECB president Christine Lagarde said a strong policy response was not required at present, so if crude oil prices become settled around current levels, a further rate hike will become even more unlikely, with the euro/dollar pair's topside likely to be weighed down as a result. However, board member Isabel Schnabel and other ECB officials continue to voice caution about Middle East uncertainty and secondary inflation risk. As such, the likelihood of a further rate hike might grow depending on price movements, so caution will be needed.

In the US, the FOMC struck a broadly hawkish tone when it met last month. Expectations for an early FRB rate hike have grown since then, with the markets pricing in around 1.3 more rate hikes this year at the time of writing. US interest rates are moving downwards slightly on the recent fall in crude oil prices, but recent economic indicators show the US economy moving firmly. If the US releases similar results this month, the greenback will probably be bought as US interest rates bounce back. Nonetheless, there is a sense the markets have gone too far in factoring in more than one rate hike within the year, so the trend of dollar bullishness may well face some correction. The Trump administration might pressure the FRB to ease policy again with the mid-term elections also approaching, so there is also a risk investors might switch to selling the dollar, with caution required.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the euro	2 bulls	1.1750 – 1.1250	Bearish on the euro	11 bears	1.1600 – 1.1200

* Ranges are central values

Seki	Bull	1.1700 – 1.1300	There are concerns about EU/China trade frictions. With the dollar also being bought on concerns about renewed inflation in the US, the euro/dollar pair's topside will be held down. However, the pair will be supported on the downside by ECB rate hikes and the ECB's confidence in the strength of the eurozone economy.
Yamazaki	Bear	1.1750 – 1.1300	US monetary policy has inclined in the direction of rate hikes, at least for now, with this likely to put the brakes on the fall of the euro/dollar pair. The trend of euro bullishness is likely to take a breather this month.
Nagano	Bear	1.1600 – 1.1200	The euro will weaken on European political uncertainty. There are many uncertain factors, with the UK choosing a new prime minister, France facing political instability, and the German government's approval ratings sliding, for example. As such, investors will probably steer clear of the euro, even when the dollar moves bearishly.
Toriba	Bull	1.1800 – 1.1200	Crude oil prices have regained composure and the eurozone economy is moving sluggishly, so expectations for ECB rate hikes are waning. However, the euro will be a comparatively easy currency to buy given the eurozone's risk resilience compared to other major nations and regions.
Ogawa	Bear	1.1600 – 1.1200	A peace agreement has been reached between the US and Iran, with crude oil prices falling sharply. Expectations for ECB rate hikes have subsequently fallen too. With Europe also facing political uncertainty, the dollar is likely to be preferred over the euro.
Yamaguchi	Bear	1.1500 – 1.1200	The euro/dollar pair has fallen on the strength of the greenback. It has dropped under its one-year low, with investors now testing its downside. Though a peace agreement has been reached, there is still uncertainty about the Middle East situation. As such, the greenback is likely to remain firm, with the currency pair set to edge lower.
Matsunaga	Bear	1.1500 – 1.1250	The euro/dollar pair will recover as expectations for US rate hikes fade. However, the eurozone real economy is moving weakly compared to its US counterpart, as revealed by last month's US/EU PMI figures, so the pair's rally will be capped.
Hakamata	Bear	1.1500 – 1.1250	The euro/dollar pair began falling to hit $1.1325 when expectations for renewed US rate hikes grew after the June FOMC meeting. However, ECB president Christine Lagarde voiced caution about further rate hikes in her speech at Sintra, so the pair might fall further depending on US price movements.
Okuma	Bear	1.1600 – 1.1250	Eurozone indicators suggest inflation has peaked out, with expectations for further ECB rate hikes waning as a result. However, expectations for FRB rate hikes from this year through FY2027 remain firm, with the euro/dollar pair likely to trade with a heavy topside on speculation about widening European/US interest-rate differentials.
Ito	Bear	1.1600 – 1.1000	With the situation in the Middle East calming, energy prices are regaining composure, with the ECB facing less pressure to actively shift policy. With hawkish expectations waning, the euro will probably be sold.
Harada	Bear	1.1550 – 1.1200	The ECB implemented a rate hike, but it will probably adopt a prudent stance towards further hikes, with ECB president Christine Lagarde also suggesting the ECB will cautiously adjust policy rates going forward. With the FRB also making hawkish noises, the euro/dollar pair looks set to move bearishly.

Matsuki	Bear	1.1600 – 1.1200	Thought the ECB implemented a rate hike, it is now focusing on the secondary impact of inflation, with market moves to price in rate hikes unlikely to accelerate this month. The FRB's monetary policy stance is likely to support the greenback for the time being, with the euro/dollar pair set to move bearishly.
Oshima	Bear	1.1600 – 1.1200	ECB president Christine Lagarde hinted at the possibility of further rate hikes when she said the June rate hike was not an "insurance hike." However, these expectations subsequently waned when the US and Iran reached a peace agreement. Expectations for US rate hikes have also waned, but the dollar will probably be bought on the comparative strength of the US economy.

Motoki Amanuma, Europe Treasury Department

British Pound – July 2026

Expected Ranges **Against the US$: US$1.2900–1.3500**
Against the yen: JPY210.00–220.00

1. Review of the Previous Month

The GBP/USD pair fell last month. Hopes for a peace deal faded on June 1 on reports that the provisional agreement between the US and Iran would undergo some revisions, with the greenback bought on rising crude oil prices. The US released some strong May employment data on June 5, with the unemployment rate moving stably, so the dollar strengthened. The US May CPI data was then released on June 10. The core figure moved weakly, so the dollar was sold. However, emergency dollar buying continued on tensions in the Middle East, so the currency pair weakened at close of trading. Sterling was sold on June 17 when the UK May CPI data fell below expectations. This was the second straight month of weak results and it seemed the Bank of England (BOE) would be in no rush to hike rates in case it dampened economic growth, so expectations for rate hikes waned. As expected, the FOMC kept policy rates fixed when it met, but it adopted a hawkish stance by voicing support for one rate hike within the year, for example, so the greenback rose higher. The UK April employment data was released during the morning of June 18. The average weekly wages data beat expectations, with the unemployment rate also improving slightly. This positive news saw the pound moving bullishly for a time, though the greenback was then bought as investors factored in the previous evening's FOMC meeting. As expected, the BOE voted 7-2 to keep policy rates fixed during the afternoon. This was no great surprise, so the impact on the markets was muted. On June 22, UK prime minister Keir Starmer announced he would be stepping down, but the markets had already factored this in to a large extent, so the impact was muted.

2. Outlook for This Month

The GBP/USD pair is expected to move firmly in July. Recent economic indicators have pointed to slight improvements in the labor market, with retail sales also moving firmly. With the situation in the Middle East also improving, the CPI data was more subdued than the markets had expected, with stagflation fears easing. However, political instability is still causing uncertainty, with UK gilts and the pound being sold at times. However, the markets were already expecting the deeply unpopular prime minister Keir Starmer to step down, so the actual announcement had minimal impact. Once all this news calms down, the pound will still have room for adjustment. The swap markets are only pricing in one BOE rate hike this year, with investor sentiments becoming slightly more dovish compared to before. On this point, there is still room for market participants to price in more rate hikes depending on the results of economic indicators. A glance at the one-month options market shows volatility moving at comparatively low levels. The 25-delta risk reversal shows pound put-overs expanding slightly, so in the short term there will still be some demand for hedging until the Middle East is completely resolved.

Ai Ando, Sydney Treasury Office, Asia & Oceania Treasury Department

Australian Dollar – July 2026

Expected Ranges **Against the US$: US$0.6750–0.7050**
Against the yen: JPY109.00–114.00

1. Review of the Previous Month

In June, the AUD/USD pair moved from the upper-$0.71 mark to the upper-$0.68 range.

Australia's 1Q GDP data was released on June 3. At +0.3% q-o-q, the figure was down on the market forecast of +0.5% and also on the previous quarter's +0.9% result. The pair was sold to the lower $0.71 mark as a result. The US then released some unexpectedly strong May employment data on June 5, so expectations for an FRB rate hike grew and the greenback rose across the board. The pair subsequently plunged to the lower-$0.70 range.

With the US releasing such strong employment data and with the situation in the Middle East also growing more tense, the pair hit a monthly low of $0.6797 on June 11. It was then announced that President Trump had called off military action against Iran, so risk appetite increased and the pair climbed to the mid-$0.70 level. News broke that the US and Iran had reached a peace deal during the morning of June 15, Asian trading time, so the pair soared to just below $0.7090. As expected, the RBA board kept policy rates fixed when it met on June 16. In her press conference, governor Michele Bullock said the board had not discussed rate hikes, so the currency pair was sold slightly. The US dollar then strengthened on June 17 after the FOMC took a hawkish turn. As a result, the pair plunged below $0.70.

Shares in semiconductor makers and other firms fell sharply on June 23. Investors then chased the Australian dollar's downside, with the AUD/USD pair sliding to the lower-$0.69 range. Australia released some mixed May CPI data on June 24, with the result not leading to any major price action for the pair. However, stocks then weakened during overseas trading time, so the pair dropped to $0.6883 for the first time since April this year. Australia released some unexpectedly firm May employment data on June 25. The pair was unmoved, though, and it moved in the upper-$0.68 range towards the month's end.

2. Outlook for This Month

The AUS/USD pair's floor price will probably grow firmer in July.

With the Australian economy moving weakly, the pair's topside is being held down by an entrenched policy difference between the FRB and RBA, with the former growing more hawkish and the latter halting rate hikes. Investors should pay close attention to the US inflation indicators released in July to gauge the direction of the July FOMC meeting. In Australia, the May trimmed mean (an indicator closely watched by the RBA) accelerated on the previous month to hit +3.6% y-o-y. However, the May unemployment rate dropped to 4.4% again and it seems Australia's labor market is moving firmly. The markets are broadly expecting the RBA to keep rates fixed this year, but if inflation remains high, market participants may move to price in rate hikes again. At the same time, excessive expectations for FRB rate hikes will probably face correction at some point. As such, the currency pair looks set to move with a firm lower price in July.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – July 2026

Expected Ranges **Against the US$: C$1.3800–1.4200**
Against the yen: JPY112.00–116.00

1. Review of the Previous Month

In June, the greenback rose sharply and the Canadian dollar fell sharply, with the USD/CAD pair moving from C$1.3793 at the start of the month to C$1.4248 (June 25). However, the factors driving these movements changed from the first half to the second half of the month. With the US and Iran exchanging fire early June, investors focused on geopolitical risk related to the negotiations over a provisional peace deal. With the deadline for the review of the United States Mexico Canada Agreement (USMCA) also looming the following month, there was also uncertainty about trade policy, with President Trump saying he was not minded to revise the agreement, for example. These were the two factors driving the currency pair's movements in the first half of June. On June 11, the pair topped C$1.4000 for the first time since November 2025 before then hitting C$1.4024.

Crude oil prices then fell sharply when the US and Iran reached a provisional peace deal on June 14. WTI oil futures had traded at $83/bbl before the agreement, but they plummeted to the lower-$79 range on June 15, after the deal was made. After temporarily hitting $68.90/bbl on June 25, the price grew closer to $64–65 per barrel, the same level as before fighting broke out. Furthermore, in the first FOMC meeting under new FRB chair Kevin Warsh, the FOMC hinted at rate hikes as it emphasized the importance of regaining price stability. The interest rate markets rushed to price in over one rate hike within the year. As such, falling crude oil prices and widening US/Canadian interest-rate differentials were the main factors driving US dollar bullishness and Canadian dollar bearishness in the latter half of the month. In fact, the gap between yields on 2-year US and Canadian government bonds grew from around 98bps in April to around 142bps as of June 22. This added momentum to US-dollar buying, with the USD/CAD pair hitting C$1.4248 on June 25 for the first time since August 2025.

2. Outlook for This Month

There are two major focuses for the USD/CAD pair in July. First, after being temporarily sold to C$1.4248, can the Canadian dollar undergo a self-propelled rally as "excessive shorts are unwound"? Or will the pair head north of C$1.4300 on the differing performances of the US and Canadian real economies?

The main scenario is of the pair being adjusted from its current highs to trade in a range from C$1.3800–1.4000. Several things are needed for this to happen. In the US, the economic data will need to assuage excessive concerns about inflation, for instance. In Canada, the Bank of Canada (BOC) will need to confirm that the economy has bottomed out when it meets on July 15. Evidence of this could be a rally in the April monthly GDP figure (after the 1Q data previously recorded negative growth), for example, or confirmation in the June employment data that the labor market is on the road to recovery. The deadline for the review of the United States-Mexico-Canada Agreement (USMCA) is also looming in July. Though the parties are unlikely to maintain the status quo, the above scenario is premised on concerns of trade risk easing as the US agrees to continue exempting Canadian products from tariffs.

If this happens, the USD/CAD pair could drop below C$1.4000 as Canadian dollar shorts are bought back, with the pair potentially adjusted close to its strong support line at C$1.3800.

However, though the US economy remains firm and several FRB officials have voiced support for early rate hikes, Canada's economic recovery is lagging behind. If market expectations grow for a BOC rate cut, the yield differential on 2-year US and Canadian government bonds will widen. In this scenario, there is a risk the USD/CAD might break above its recent high of C$1.4248 to hit C$1.4300, with the US dollar hitting its highest level and the Canadian dollar its lowest level since March 2025.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – July 2026

Expected Ranges **Against the US$: KRW 1,500–1,560**
Against the yen: JPY 10.10–10.80 (KRW100)

1. Review of the Previous Month

The USD/KRW pair rose in June.

The pair opened the month trading at KRW1508.8. Overseas investors then sold off South Korean stocks. As won supply and demand conditions deteriorated, the currency pair continued rising. Amid lingering uncertainty about the US/Iran peace deal, the pair temporarily rose to KRW1549.3 on June 5. This was the pair's highest level since the global financial crisis of March 2009. The pair rose close to KRW1555 the following week. However, the government then announced it would not tolerate speculative trading. With reports also saying the National Pension Fund had recommenced foreign exchange hedging, the greenback faced selling pressure, with the currency pair sliding to around KRW1510 for a time.

South Korean investors sold the won mid-June ahead of the IPO of a major US spaceflight development firm, so the won faced selling pressure, with the pair bouncing back to around KRW1530 again. However, news then emerged that the US and Iran had reached a peace deal and were poised to formally sign a memorandum, so the currency pair plummeted to KRW1503.9 on June 15. The won was sold again on June 17 as US interest rates were pushed upwards after the FOMC meeting was read as hawkish. Amid declining expectations that South Korean stocks would be included in the MSCI's Developed Markets Overseas index, overseas investors continued pulling funds out of South Korea. The won weakened again towards the month's end, with the pair rising to just below KRW1550.

2. Outlook for This Month

The USD/KRW pair looks set to continue moving firmly in July.

The South Korean economy is performing well on the AI/semiconductor boom, with the country's trade balance also widening, so there will be some real demand to sell the dollar and buy the won. However, some firms are holding off from converting funds into won on anticipation of low prices, with reports saying the government is urging large firms to speed up their won buying. President Lee Jae Myung said on June 23 that the won's slide to the mid-KRW1550 mark was "excessive" compared to the fundamentals. The deputy prime minister Koo Yun-cheol has also said the won's weakness is being driven by moves by overseas investors to lock in profits made from South Korean equities. He also claimed that overseas investors had sold around 10% of their stock holdings, equivalent to approximately KRW140 trillion.

Won bearishness is also being driven by growing expectations for US rate hikes, so interest rate trends in the US and elsewhere will also need monitoring.

There are also many factors capable of pushing the pair the other way, such as the improved situation in the Middle East, falling crude oil prices, and healthy semiconductor sales, but the pair's movements will probably be driven by external factors, namely concerns about US rate hikes and moves by overseas investors.

Melody Tung, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – July 2026

Expected Ranges	**Against the US$: NT$31.20–32.20**
	Against the yen: JPY4.95–5.15

1. Review of the Previous Month

The USD/TWD pair fell and then strengthened in June, with the pair fluctuating in a range between TWD31.36–31.90. The Taiwan dollar rose at the start of the month as the greenback weakened and foreign funds flowed into Taiwan. The US dollar was then supported by the FRB's hawkish stance mid-June. The pair then approached the upper edge of its range late June on end-of-quarter movements and demand for dividend remittances. On the whole, the pair's movements were driven by fund-related factors.

The Taiwan dollar had strengthened at the end of May and this trend spilled over into June, with the USD/TWD opening around TWD31.36. However, demand for the greenback as a safe asset then grew on rising uncertainty about the situation in the Middle East. The US nonfarm payrolls figure then swung sharply above market forecasts in the May employment data, so expectations grew that the FRB would shelve rate cuts. The Dollar Index subsequently rose and the currency pair climbed to a range around TWD31.60–31.70. There was also strong demand among importers to buy the US dollar.

The pair began floating in a range mid-June. The markets slipped into wait-and-see mode ahead of the results of the meetings of the central banks of the US, Taiwan and Japan. With negotiations between the US and Iran also making progress, the pair temporarily dropped to around TWD31.50. However, the FOMC kept policy rates fixed when it met on June 17, as did Taiwan's central bank when it met on June 18. Nonetheless, the US dollar rose again when the FOMC's dot chart struck a hawkish tone.

The pair underwent a gentle climb late June as demand for the greenback remained firm on fund adjustments related to the end of the quarter and the first half of the year. On June 23, Taiwan's stock market topped 48,000 points to hit a record high. However, US interest rates then rose and stocks moved erratically at highs, with the currency pair facing more upward pressure. The pair hit a monthly high of TWD31.872 on June 25 to close at TWD31.835.

2. Outlook for This Month

The USD/TWD pair fell and then strengthened in June. As such, the Taiwan dollar's bullish momentum will probably face some correction in July, with the pair trading with a lack of direction as it assimilates bullish and bearish factors. The greenback will be supported amid growing uncertainty about US inflation and interest rate trends, but the Taiwan dollar will be bolstered by Taiwan's strong fundamentals and fund inflows, with the pair likely to trade in a range between TWD31.40–32.00.

On the external front, tensions between the US and Iran have eased significantly, with risk-evasive demand for the US dollar waning. However, the focus is now shifting to inflation and monetary policy. Though the FOMC kept policy rates fixed when it met in June, its dot chart was revised upwards to strike a hawkish tone, with the PCE and core PCE outlook also upgraded in the SEP. This has led to growing expectations for entrenched high interest rates, so yields on US treasuries remain high and this is supporting the greenback.

On the domestic front, Taiwan's economy remains strong, with exports and export orders continuing to move briskly on demand for AI and advanced semiconductors. With the industrial ripple effect also growing, Taiwanese capital markets are seeing sustained fund inflows. Taiwanese stock markets continue to hit new highs and the country is becoming more attractive to external investors. The board of the Central Bank of the Republic of China (Taiwan) kept policy rates fixed when it met in June, but it also revised its annual GDP growth rate up sharply to +9.45% y-o-y, with this bolstering the Taiwan dollar's movements.

In July, the USD/TWD pair will generally be pulled between US interest rate movements and Taiwan fund trends. The Taiwan dollar will be pushed higher by economic growth and exports, but the market focus is shifting to US inflation and monetary policy, with these potentially having a bigger impact on the currency pair through stock market movements. The pair will trade with a lack of direction in the short term. It is likely to continue swinging to and fro in a range, with its trading band widening along the way.

Naoki Nohara, East Asia Treasury Department

Hong Kong Dollar – July 2026

Expected Ranges	**Against the US$: HK$7.8000–7.8500**
	Against the yen: JPY20.20–20.70

1. Review of the Previous Month

In June, the USD/HKD pair fell to the lower-HKD7.83 mark for a time on hopes for progress in US/Iran peace talks, though it then edged upwards from mid-June as the greenback strengthened on growing expectations for US rate hikes. The pair climbed to the lower-HKD7.84 level for the first time since August 2025.

Crude oil prices moved at highs early June on sporadic fighting between Isreal and Lebanon together with skirmishes between the US and Iran, with the currency pair floating in the upper-HKD7.83 range. The US dollar was sold and the pair temporarily dropped to the lower-HKD7.83 mark mid-June on reports of progress in US/Iran peace negotiations. As expected, the FOMC kept policy rates fixed when it met. However, over half the participants projected a rate hike within the year. With the inflation outlook also upgraded, the meeting was read as hawkish, so the greenback was bought again. Hong Kong stock markets also moved bearishly as hi-tech stocks faced correction across the world, with the currency pair subsequently rising to the lower-HKD7.84 range.

At +8.6% y-o-y, Hong Kong's April retail sales data was down on the market forecast of +13.7%, but the data remained in positive territories for the 12th straight month. Hong Kong's May S&P Global PMI also recovered to the 50 mark for the first time in three months, with signs of recovery emerging when it came to domestic corporate activity and new orders.

2. Outlook for This Month

In July, the USD/HKD pair is expected to continuing moving between HKD7.80–7.85, in the upper half of its peg range.

Peace talks between the US and Iran have progressed, with crude oil prices falling close to their pre-war levels. It will take time for a final agreement to be reached and for traffic through the Strait of Hormuz to be normalized, but there is a growing sense of optimism in the markets.

In the US, the labor market is moving firmly and there are strong inflationary pressures when it comes to services and so on. When it met in June, the FOMC voiced caution about inflation while also hinting at a possible rate hike within the year. From here on, US short-term interest rates will remain high and may even undergo a gentle climb.

In Hong Kong, meanwhile, funding demand could wane in July on factors relating to the end of the quarter. If Hong Kong stock markets also remain bearish, demand for the Hong Kong dollar will be muted, with Hong Kong short-term interest rates likely to move with a heavy topside. As a result, the USD/HKD pair looks set to continue moving firmly towards the upper half of its peg range on widening US/Hong Kong interest-rate differentials.

However, the pair is already approaching HKD7.85, the ceiling of its range, so its topside is likely to grow steadily heavier as it draws closer to HKD7.85. If it hits this level and the HKMA then intervenes to buy the Hong Kong dollar, market liquidity will dry up, with the currency pair potentially dropping back as Hong Kong short-term interest rates rise, so caution will be needed.

Takashi Nishitani, Treasury Department, MHBK (China)

Chinese Yuan – July 2026

Expected Ranges	**Against the US$: CNY 6.7500–6.8300**
	Against the yen: JPY 23.50–24.20

1. Review of the Previous Month

In June, the U.S. dollar/Chinese yuan exchange rate remained low in the middle of the month. However, toward the end of the month, the Chinese yuan depreciated again against the U.S. dollar.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 6.76 level on June 1. Toward the second part of the week, the U.S. dollar/Chinese yuan exchange rate rose to temporarily reach the CNY 6.78 level due to concerns over the geopolitical situation in Iran. The week's trading closed with the exchange rate remaining high.

On June 8, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.78 level. On June 9, the May trade statistics for China were released with figures exceeding market estimates. In reaction, market participants actively bought the Chinese yuan. Thereafter, the U.S. dollar/Chinese yuan exchange rate continued falling to temporarily approach the CNY 6.77 level, as the U.S. dollar index continued falling. On June 10, China's Producer Price Index (PPI) and Consumer Price Index (CPI) for May were released, and the results turned out to be generally as expected. Thus, impact on the U.S. dollar/Chinese yuan exchange market was limited. On June 11 during the nighttime, the media reported that U.S. President Donald Trump announced that attacks on Iran had been stopped. In reaction, market participants actively sold the U.S. dollar with expectations for an improvement in the geopolitical situation in Iran. On June 12, the following day, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.76 level with a stronger Chinese yuan compared to the closing rate of the previous day. The week's trading closed at the lower-CNY 6.76 level.

On June 15, the U.S. dollar/Chinese yuan exchange market opened trading at the CNY 6.75 level with expectations for a ceasefire agreement between the U.S. and Iran. Then, on June 16, major economic indices for China turned out to be generally weak. In reaction, the Chinese yuan depreciated temporarily against the U.S. dollar. However, this trend did not last for a long time, and the U.S. dollar/Chinese yuan exchange rate fell to reach the CNY 6.75 level again on the same day outside China's regular trading hours. Then, on June 17, the U.S. dollar strengthened against the other currencies in response to the outcome of a Federal Open Market Committee (FOMC) meeting in the U.S. Under such circumstances, the Chinese yuan continued depreciating against the U.S. dollar toward June 18—the following day. The week's trading closed at the upper-CNY 6.76 level.

On June 22, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.77 level. Toward the middle of the week, overall Asian currencies depreciated. Following this trend, the Chinese yuan also depreciated, and the U.S. dollar/Chinese yuan exchange rate exceeded the CNY 6.80 level for the first time in approximately one month, reaching the CNY 6.81 level. Toward the end of the week, the U.S. dollar/Chinese yuan exchange rate fell slightly, and the month's trading closed at around the CNY 6.80 level.

2. Outlook for This Month

In July, the U.S. dollar/Chinese yuan exchange rate is expected to continue falling moderately.

In June, the U.S. and Iran signed a memorandum toward a ceasefire, agreeing on a roadmap to reach a final deal within 60 days. Thus, there was some progress in the situation. Under such circumstances, crude oil prices are falling, and if the market stabilizes in the times ahead, the Chinese yuan is expected to continue appreciating against the U.S. dollar. However, the pace of the appreciation of the Chinese yuan is likely to be moderate, as the People's Bank of China (PBOC) has long been emphasizing the importance of controlling the volatility of the foreign exchange market.

On the other hand, there are also risk factors that can weaken the Chinese yuan. For example, the Federal Reserve Board (FRB) in the U.S. shifted to a hawkish attitude at the June FOMC meeting. If a situation that increases expectations for a policy interest rate hike in the U.S. is observed further, the U.S. dollar is likely to appreciate, which may in turn weaken the Chinese yuan. Thus, market participants are advised to remain attentive. Indeed, in June, the U.S. dollar/Chinese yuan exchange rate fell to once reach the CNY 6.75 level, but toward the second half of the month, it rallied to reach the CNY 6.81 level. Market participants are advised to see if such a movement will repeat in the month ahead. However, even if that happens, the Chinese yuan remains more stable compared to other major currencies in Asia. Thus, the relative strength of the Chinese yuan is likely to remain in the times ahead.

In July, the domestic economic indices for China are scheduled to be published. In addition to major monthly economic indices, the year-on-year second-quarter GDP is scheduled to be out on July 15. The first-quarter period turned out to be strong, at +5.0% year-on-year. Market participants are advised to carefully observe the result in order to understand economic trends in China.

Ayaka Matsumoto, Asia & Oceania Treasury Department

Singapore Dollar – July 2026

Expected Ranges **Against the US$: SG$ 1.2700–1.3100**
Against the yen: JPY 122.00–127.50

1. Review of the Previous Month

In June, the Singapore dollar appreciated temporarily against the U.S. dollar in response to the mitigation of geopolitical risks in the Middle East. However, in general, the Singapore dollar weakened against the U.S. dollar.

On June 1, the U.S. dollar/ Singapore dollar exchange market opened trading at the upper-SGD 1.27 level. At the beginning of the month, a series of economic indices for the U.S. were released, with strong figures. In reaction, interest rates rose in the U.S., and this encouraged market participants to actively buy the U.S. dollar. Then, on June 5, the May figure of non-agricultural employees was announced, and the result turned out to be significantly larger than expected. In reaction, expectation for policy interest rate cuts before the end of the year receded remarkably, strengthening pressure to buy the U.S. dollar. As a result, after the announcement of employment statistics, the U.S. dollar/Singapore dollar exchange rate rose to the lower-SGD 1.29 level.

On June 11, the news media reported that the U.S. had stopped attacks on Iran. In reaction, expectations grew significantly for an end to the conflict. Geopolitical risks in the Middle East were thus mitigated, encouraging market participants to sell the U.S. dollar, which they had bought to hedge risks under a situation of uncertainty. As a consequence, on June 15, the U.S. dollar/Singapore dollar exchange rate fell to approach the SGD 1.28 level. In the third week of June, many central banks held monetary policy meetings. As such, on June 16 and 17, the Federal Open Market Committee (FOMC) also held a meeting. Their policy interest rate was maintained at the existing level, as had been anticipated in the market. However, Federal Reserve Board (FRB) Chair Kevin Warsh showed a hawkish attitude, which fueled expectations for policy interest rate hikes in the future. As a result, interest rates in the U.S. rose, and market participants bought the U.S. dollar. Consequently, the U.S. dollar/Singapore dollar exchange rate rose sharply from the lower-SGD 1.28 level to approach the SGD 1.29 level.

On June 23, the May Consumer Price Index (CPI) for Singapore was announced, and the result turned out to be +1.8% year-on-year. The growth rate remained flat for the third consecutive month. Thus, this is not likely to be a reason for the Monetary Authority of Singapore (MAS) to tighten its monetary policy at its meeting scheduled for July. Thereafter, toward the end of the month, expectations for policy interest rate hikes in the U.S. kept the U.S. dollar from depreciating, and market participants continued to buy the U.S. dollar. In the end, the U.S. dollar/Singapore dollar exchange rate continued rising to reach the upper-SGD 1.29 level, approaching the SGD 1.30 level—the psychological turning point.

2. Outlook for This Month

In July, the U.S. dollar/Singapore dollar exchange rate is forecast to fluctuate in both directions without moving in any single major direction.

In the U.S., an FOMC meeting has been scheduled for the end of the month. At the moment, no change in monetary policy has been reflected in the market. However, if the FRB remains hawkish, the U.S. dollar is likely to strengthen in the times ahead. On the other hand, with regard to the geopolitical situation in the Middle East, there has been gradual progress since June, and crude oil prices are falling little by little from the highest level. Given that the mitigation of geopolitical risk in the U.S. would lead to U.S. dollar-selling, the appreciation of the U.S. dollar could be gradually offset.

In Singapore, the MAS is scheduled to hold its quarterly meeting in July. At the previous meeting held in April, the MAS tightened its monetary policy for the first time in approximately 3.5 years. Because concerns over inflation persist, some market participants have been expecting the MAS to tighten its monetary policy further. However, the May CPI was recently announced, and both the headline and core figures turned out to be flat from the previous results. Given this outcome, an increasing number of market participants are now expecting the MAS to maintain its current monetary policy. The chances of further monetary tightening are therefore now 50/50. It is important to note, however, that if the MAS tightens its monetary policy further, market participants are likely to buy the Singapore dollar—creating a factor for its appreciation.

As discussed above, there are factors to both strengthen and weaken the Singapore dollar in July. Thus, the U.S. dollar/Singapore dollar exchange rate is forecast to fluctuate in both directions, reacting to headlines related to the geopolitical situation in the Middle East and the outcome of monetary policy meetings in both the U.S. and Singapore.

Reina Okazaki, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – July 2026

Expected Ranges **Against the US$: THB 32.00–34.00**
Against the yen: JPY 4.70–5.00

1. Review of the Previous Month

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the upper-THB 32.50 level. Subsequently, Thailand had a national holiday, but due to the uncertain geopolitical situation in the Middle East and strong figures in the economic indices of the U.S., the U.S. dollar/Thai baht exchange rate rose to approach the THB 32.80 level on June 3. Then, on June 5, the May employment statistics for the U.S. were released, and the results turned out to be much stronger than the market estimate. In reaction, the U.S. dollar appreciated. On June 8, in the following week, the U.S. dollar/Thai baht exchange rate did not rise further, just before reaching the THB 33 level—the psychological turning point. However, when the media reported on the ceasefire in the Middle East, crude oil prices stopped rising and started to fall. As a consequence, the U.S. dollar/Thai baht exchange rate fell to reach the mid-THB 32.70. However, on June 9, the media reported that a U.S. military helicopter had been shot down over the Strait of Hormuz, and this encouraged market participants to buy the U.S. dollar. Following this trend, the U.S. dollar/Thai baht exchange rate rose and temporarily approached the THB 33 level. Thereafter, the May Consumer Price Index (CPI) for the U.S. was announced on June 10, and the core CPI turned out to be lower than the market estimate, encouraging market participants to sell the U.S. dollar. Furthermore, on June 11, the media reported that the U.S. had stopped attacks on Iran and that there was a possibility for a final deal to be made for a ceasefire between the U.S. and Iran within a few days. In reaction, the U.S. dollar/Thai baht exchange rate fell to reach the lower-THB 32.60 level toward June 12. Subsequently, the U.S. dollar/Thai baht exchange rate continued fluctuating in both directions at around the THB 32.50 level without moving in any single major direction, waiting for the outcome of the Federal Open Market Committee (FOMC) meeting. Then, on June 17, the FOMC made a decision to maintain its policy interest rate at the existing level. However, the attitude of the FOMC was seen to be hawkish, and thus the U.S. dollar/Thai baht exchange rate rose to approach the THB 32.80. Furthermore, on June 19, the media reported on air raids by Israel on Lebanon, and this led the U.S. dollar/Thai baht exchange rate to approach the THB 33. Moreover, on June 23, in the following week, there was a large flow of selling the Thai baht, which led the U.S. dollar/Thai baht exchange rate to rise to reach the THB 33.20—the highest rate since May 2025. Then, on June 24, the U.S. dollar/Thai baht exchange rate rose to reach the lower-THB 33.40, in waiting for a monetary policy committee (MPC) meeting to be held at the central bank of Thailand. However, at the meeting, the policy interest rate was maintained at the existing level—as had been anticipated in the market. Thus, the situation impacted the foreign exchange market only to a limited extent. After the meeting and as of June 26, when this article was being written, the U.S. dollar/Thai baht exchange rate was fluctuating at around the THB 33.40 level without moving in any single major direction.

2. Outlook for This Month

In July, the U.S. dollar/Thai baht exchange rate is forecast to remain high and stable.

Since the FOMC meeting in the U.S. held on June 17, the U.S. dollar has generally been strong in the overall foreign exchange market, as market participants are aware of the hawkish attitude of the Federal Reserve Board (FRB). Furthermore, at the end of June, it seems that a large volume of Thai baht was sold by market participants abroad. As a result, the U.S. dollar/Thai baht exchange rate reached its highest level since May 2025. In terms of domestic factors, on June 24, the central bank of Thailand held an MPC meeting and unanimously decided to maintain its policy interest rate at 1.00%. Since this decision had been anticipated by the majority of market participants, it impacted the foreign exchange market only to a limited extent. However, in a statement, the central bank revised its economic growth rate outlook upward while also revising the inflation rate slightly downward. With some expectation for an improvement in the geopolitical situation in the Middle East, the statement was slightly more optimistic compared to that released in April. On the other hand, the central bank maintained its policy of monetary easing and repeatedly emphasized the vulnerability of small to medium-size enterprises (SMEs) and household economies. Thus, in Thailand, the priority of monetary policy is to support the economy, and the policy interest rate is likely to remain at the current level for a while.

In terms of the U.S. dollar/Thai baht exchange market, the interest rate differentials are likely to continue to widen in the times ahead, as the FRB has shifted its stance in monetary policy. Furthermore, crude oil prices are appreciating based on the uncertain geopolitical situation in the Middle East, which has been the main reason for the deterioration of the current account balance in Thailand. Even if the geopolitical situation in the Middle East improves in the times ahead, its impact is likely to remain for a while. Given these factors, the U.S. dollar/Thai baht exchange rate is forecast to remain high and stable for the time being.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – July 2026

Expected Ranges **Against the US$: MYR 4.0000–4.1600**
Against the yen: JPY 38.50–40.70

1. Review of the Previous Month

In June, the Malaysian ringgit recorded its lowest rate against the U.S. dollar since November last year, due to the uncertain geopolitical situation in the Middle East and the monetary policy measures taken by major central banks. On June 3, the U.S. dollar/Malaysian ringgit exchange market opened trading at the lower-MYR 3.97 level. Thereafter, the U.S. government announced its plan to introduce a new customs duty, which led the U.S. dollar/Malaysian ringgit exchange rate to rise to approach the MYR 4.00 level. Furthermore, the ceasefire negotiations between the U.S. and Iran remained stagnant. As a result, the U.S. dollar/Malaysian ringgit exchange rate exceeded the MYR 4.00 level, reaching the MYR 4.02 level. On June 5, the U.S. dollar/Malaysian ringgit exchange rate recorded its weekly high at the mid-MYR 4.03 level, waiting for the May employment statistics of the U.S., which were to be released during the nighttime in Malaysia. Subsequently, the statistics were released, and the results turned out to confirm the stability of the labor market in the U.S. As a result, short-term interest rates rose significantly in the U.S. over the weekend. On June 8, after the weekend, the U.S. dollar appreciated against the Malaysian ringgit, and the exchange rate reached the MYR 4.07 level immediately after market opening. Also, U.S. President Donald Trump suggested some progress in the ceasefire negotiations with Iran. However, thereafter, a U.S. military helicopter was shot down by Iran off the coast of Oman, leading to retaliatory attacks by the U.S., and this fueled concerns over the geopolitical situation in the Middle East once again. Thus, the U.S. dollar/Malaysian ringgit exchange rate remained high, at the upper-MYR 4.06 level. Then, in the middle of the month, the May Consumer Price Index (CPI) for the U.S. turned out to be at its highest in three years. Subsequently, the U.S. stopped attacks on Iran because of the prospect of reaching a ceasefire agreement with Iran. In reaction to this, the U.S. dollar/Malaysian ringgit exchange rate remained unstable, mainly at around the MYR 4.05 level on June 12, with both expectation and uncertainty. In the following week, the U.S. dollar/Malaysian ringgit exchange rate fluctuated within a narrow range during the first half of the week, as it was a national holiday in Malaysia on June 17, while a Federal Open Market Committee (FOMC) meeting was scheduled for the same day. At the FOMC meeting in the U.S., Federal Reserve Board (FRB) Chair Kevin Warsh emphasized that his most-important mission was to control inflation. His hawkish attitude gave a strong impression to market participants, and the Malaysian ringgit depreciated against the U.S. dollar significantly toward the end of the week. At the end of the month, the U.S. dollar remained strong after the FOMC meeting in the U.S., while the currencies of emerging countries remained weak. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate approached the MYR 4.15 level for the first time since November last year—its highest rate since the beginning of the year. However, the Strait of Hormuz was re-opened, and a large amount of crude oil supply was resumed. Furthermore, Malaysia's exports turned out to be strong, resulting in a large flow of U.S. dollar-selling. As a consequence, the appreciation of the U.S. dollar was offset, and the U.S. dollar/Malaysian ringgit exchange rate fell quickly below the MYR 4.09 level toward June 26.

2. Outlook for This Month

In July, the U.S. dollar/Malaysian ringgit exchange rate is not expected to fall significantly, although the market is likely to remain unstable.

The Malaysian ringgit was strong in the first-quarter period of 2026, most likely thanks to continued capital inflow into Malaysia, with market participants evaluating growing trade, the stable labor market, and steady household purchasing power. In particular, exports from Malaysia have been strong since the beginning of the year, and this is likely to have resulted in long positions in the U.S. dollar from the perspective of cash flow. Therefore, once the Malaysian ringgit depreciates to a certain extent, market participants are likely to sell the U.S. dollar in large sums (as was seen in the second half of June), which, in the end, strengthens the Malaysian ringgit.

On the other hand, the sense of uncertainty persists with regard to the Strait of Hormuz, as well as the ceasefire negotiations between the U.S. and Iran. Furthermore, there has been some pressure for capital outflow from not only Malaysia but also other emerging countries, as the Bank of Japan (BoJ) and the European Central Bank (ECB) raised their policy interest rates while speculations are growing concerning the monetary policy of the FRB under the control of FRB Chair Kevin Warsh, who has given off a strong impression of being hawkish. Therefore, the U.S. dollar/Malaysian ringgit exchange rate is expected to continue fluctuating, as was the case in the middle of June.

A monetary policy committee (MPC) meeting at the central bank of Malaysia is scheduled for July 9. As of the time at which this article was being written, not all financial institutions have released their economists' estimates. While no official announcement has yet been forthcoming, given the current economic situation and indices, the Malaysian central bank is most likely to maintain its current monetary policy. At this stage, market participants are likely to focus on different attitudes toward monetary policy, and in the meantime, the Malaysian ringgit may renew its lowest rate against the U.S. dollar since the beginning of the year.

Taro Anabuki, Asia & Oceania Treasury Department

Indonesian Rupiah – July 2026

Expected Ranges **Against the US$: IDR 17,600–18,200**
Against the yen: JPY 0.8800–0.9200 (IDR 100)

1. Review of the Previous Month

In June, the Indonesian rupiah depreciated against the U.S. dollar to reach the IDR 18,200 level. However, as a result of a policy interest rate hike by Bank Indonesia (BI [Indonesia's central bank]), this market trend corrected toward the second half of the month.

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at the upper-IDR 17,800 level on June 2. On the same day, the April trade balance was released, and the trade surplus saw negative growth—at the level that had seen approximately six years ago—while the May Consumer Price Index (CPI) turned out to be +3.08% year-on-year. As a result, market participants actively sold the Indonesian rupiah. Then, on June 4, a bill that directly incorporates growth in the real economy into BI's target figure passed, raising concerns about BI's independence.

On June 8, as aforementioned BI independence concerns grew, the U.S. dollar appreciated based on expectations for policy interest rate hikes in the U.S., and this kept the Indonesian rupiah weak. Under such circumstances, the U.S. dollar/Indonesian rupiah exchange rate rose from the IDR 18,100 level to the IDR 18,200 level, renewing its all-time low for the Indonesian rupiah. On June 9, BI decided to raise its policy interest rate by 25 basis points before its regular meeting, scheduled for June 18. As this turned out to be a surprise in the market, the Indonesian rupiah rallied significantly, and the U.S. dollar/Indonesian rupiah exchange rate fell from the lower-IDR 18,000 level to the lower-IDR 17,900 level. Thereafter, market participants continued buying the Indonesian rupiah, thanks to expectations for capital inflow based on BI's decision to raise its policy interest rate, along with high demand for the first Danantara Indonesia bonds denominated in the U.S. dollar. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate fell to reach the upper-IDR 17,800 level. Then, on June 15, the U.S. and Iran reached a temporary ceasefire agreement, as a result of which crude oil prices fell significantly. The sense of relief in the market encouraged market participants to actively buy the Indonesian rupiah. On June 18, BI held its regular meeting, and its policy interest rate was raised by 25 basis points. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to reach the lower-IDR 17,700 level. On June 19, market participants started to sell the Indonesian rupiah after the media reported that stock index provider MSCI had extended its market classification review of the Indonesian stock market. Furthermore, there were also market participants buying the U.S. dollar, as interest rates in the U.S. remained high. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to the mid-IDR 17,900 level, and as of June 29, the exchange rate has remained at this level.

2. Outlook for This Month

In July, the U.S. dollar/Indonesian rupiah exchange rate is forecast to fluctuate within a narrow range.

BI made a decision to urgently raise its policy interest rate by 25 basis points on June 9. Furthermore, at a monetary policy meeting held on June 17 and 18, the policy interest rate was raised again by 25 basis points to 5.75%. In a BI statement and at the press conference of BI governor, Perry Warjiyo, it was emphasized that this decision was a measure to stabilize the Indonesian rupiah exchange market and a preemptive action to maintain the inflation rate for 2026–2027 within the government's target range. Whether or not the policy interest rate will be raised again further depends on the Indonesian rupiah exchange rate.

As a result of this series of policy interest rate hikes, it has become clear that BI has the will to stop the Indonesian rupiah from depreciating when it continues to depreciate, even by urgently raising its policy interest rate. This attitude itself is likely to have an effect in keeping the U.S. dollar/Indonesian rupiah exchange from rising further. Furthermore, it is also important to note that the geopolitical situation in the Middle East has been stabilizing and that crude oil prices are falling from their high levels, which is another factor for market participants to buy the Indonesian rupiah. Concerns are receding regarding growing fiscal deficits in Indonesia based on rising crude oil prices. Once these concerns are mitigated, it is possible for market participants to buy back the Indonesian rupiah.

On the other hand, it is difficult to say whether the Indonesian rupiah will remain strong in the times ahead. On June 4, BI added real economy growth as one of its goals, and this fueled concerns over its real independence. Furthermore, there are other persisting factors that can weaken the Indonesian rupiah. For example, stock index provider MSCI indicated some concerns over uncertainty in the stock market in Indonesia. For the above reasons, there are likely to be both factors to buy and sell the Indonesian rupiah, and thus the U.S. dollar/Indonesian rupiah exchange rate is forecast to continue fluctuating within a narrow range in July.

Shunsuke Fukuda, Manila Treasury Office, Asia & Oceania Treasury Department

Philippine Peso – July 2026

Expected Ranges **Against the US$: PHP 60.00–62.50**
Against the yen: PHP 0.375–0.395

1. Review of the Previous Month

In June, the Philippine peso reached PHP 61.75—its all-time low against the U.S. dollar—four times. However, the U.S. dollar/Philippine peso exchange rate did not exceed this level.

In June, the U.S. dollar/Philippine peso exchange market opened trading at PHP 61.65. At the beginning of the month, market trends kept changing, following news headlines related to the ceasefire agreement concerning the geopolitical situation in the Middle East. Under such circumstances, crude oil prices rose again. In reaction, as was the case in May, the U.S. dollar/Philippine peso exchange rate reached PHP 61.75—the all-time low for the Philippine peso—on four consecutive business days. During the day, the U.S. dollar/Philippine peso exchange rate continued fluctuating within a narrow range, without rising further. As this trend was about to change, the May price statistics for the Philippines were released with unexpectedly weak figures. In reaction, the Philippine peso appreciated against the U.S. dollar. The overall index fell, as transportation costs, which jumped significantly in the previous statistics, stabilized based on the fall of gasoline prices, while some food prices also fell. However, many other items demonstrated persistent upward pressure, such as beverages, clothing, and utility costs. As a result, the U.S. dollar/Philippine peso exchange rate fell below the mid-PHP 61 level for the first time in approximately one week. However, the May employment statistics for the U.S. were released thereafter with strong figures, which led interest rates in the U.S. to rise. As a result, market participants started to actively buy the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate returned to the upper-PHP 61 level again.

The market trends significantly changed on June 15 after a national holiday in the Philippines. The media reported that the U.S. and Iran had finally reached a ceasefire agreement. As a result, crude oil prices started to fall in an accelerated manner. Following this trend, the U.S. dollar/Philippine peso exchange rate also started to fall fast and rapidly reached the lower-PHP 60 level for the first time since the beginning of May.

However, a Federal Open Market Committee (FOMC) meeting was held in the U.S. thereafter, and the FOMC policy interest rate outlook was announced. In response, policy interest rate hikes in the U.S. were rapidly reflected in the market. As a consequence, the trend reversed, and the Philippine peso started to depreciate against the U.S. dollar. On June 18, Bangko Sentral ng Pilipinas (BSP [the central bank of the Philippines]) announced its decision to raise its policy interest rate by 0.25%. Since some market participants had expected the policy interest rate to be raised by 0.50%, they adjusted their positions. Under such circumstances, toward the second half of the month, the Philippine peso continued to depreciate against the U.S. dollar on six consecutive business days, and the U.S. dollar/Philippine peso exchange rate recovered to the mid-PHP 61 level again. The U.S. dollar/Philippine peso exchange rate continued fluctuating between the lower-PHP 61 level and the mid-PHP 61 level for the rest of the month.

2. Outlook for This Month

In July, the Philippine peso is expected to remain weak, while market participants are advised to carefully observe the July price statistics of the Philippines.

The geopolitical situation in the Middle East has finally calmed down, and crude oil prices fell to the level observed in the beginning of March. In the meantime, Japan and the Philippines raised their policy interest rates, respectively, and an increasing number of market participants expect the U.S. to also raise its policy interest rate by the end of the year. Thus, policy interest rates are rising worldwide. During the past several months, the U.S. dollar/Philippine peso exchange rate has been highly correlated to crude oil prices, as market participants saw their relation to future inflation pressure in the domestic market in the Philippines. However, as crude oil prices are falling recently, the level of correlation has somewhat weakened, and market participants are now more actively buying the U.S. dollar based on expectations for future policy interest rate hikes in the U.S.

Based on comments made by the BSP after the announcement of price statistics and the decision to raise its policy interest rate, the BSP appears to have the intention to continue raising its policy interest rate, although it is also aware of the possibility for excessive monetary tightening to weaken economy. It is also important to note that inflation pressure may impact the economy with some delays, and the depreciation of the Philippine peso can also be a factor for inflation. Thus, the U.S. dollar/Philippine peso exchange rate is expected to continue fluctuating—possibly reaching the PHP 62 level for the first time.

It is also worth pointing out that the Philippine government's economic growth target rate for 2026 was revised downward, while some major rating agencies revised their economic outlook for the Philippines downward as well. Overseas Filipino workers (OFW) remittances from the Middle East have also declined. Thus, there have been less factors to encourage market participants to buy the Philippine peso.

In July, the U.S. dollar/Philippine peso exchange rate is most likely to continue fluctuating with a weak Philippine peso, mainly at around the PHP 61 level. It is unlikely for the Philippine peso to appreciate. However, if the economic indices for the U.S. turn out to be weaker than expected, weakening expectations for interest rates in the U.S. to rise in the times ahead, market participants may offload U.S. dollar positions that have been built up so far. In such a case, the U.S. dollar/Philippine peso exchange rate may return to the PHP 60 level, although most likely only for a short time.

Shuhei Watahiki, India Treasury Office, Asia & Oceania Treasury Department

Indian Rupee – July 2026

Expected Ranges **Against the US$: INR 93.10–96.10**
Against the yen: JPY 1.61–1.81

1. Review of the Previous Month

In June, the U.S. dollar/Indian rupee exchange rate once rose to the INR 95 level, after which it returned to the level seen at the beginning of the month.

In June, the U.S. dollar/Indian rupee exchange market opened trading at the upper-INR 94 level. At the beginning of the month, uncertainty in the geopolitical situation in the Middle East persisted. Under such circumstances, the Indian rupee continued to depreciate gradually against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate once approached the INR 96 level. On the other hand, at a monetary policy committee (MPC) meeting held in June, the Reserve Bank of India (RBI [India's central bank]) announced a measure to promote foreign capital inflow. Reacting positively to this news, the trend reversed, and the Indian rupee started to appreciate. In the middle of the month, the U.S. dollar/Indian rupee exchange rate continued to fluctuate at around the INR 95 level. Subsequently, there were optimistic media reports regarding an end of the conflict between the U.S. and Iran, and this led the U.S. dollar/Indian rupee exchange rate to reach the INR 94 level for the first time in a while. Toward the end of the month, the U.S. dollar/Indian rupee exchange rate remained stable at the INR 94 level. Thereafter, the improvement in the geopolitical situation in the Middle East stagnated, and the Indian rupee weakened slightly against the U.S. dollar. In the end, the U.S. dollar/Indian rupee exchange market closed trading at the lower-INR 94 level (as of June 24).

The BSE Sensex opened trading at the upper-74,000 level, after which it remained flat. In the middle of the month, expectations grew for improvement in the geopolitical situation in the Middle East, as mentioned above, which led the BSE Sensex to rise. As a result, the BSE Sensex once exceeded the 77,000 level toward the end of the month, and trading closed at this level (as of June 24). In terms of investment capital inflow into the stock market in India, foreign investors now see less pressure to sell, and in the bond market, there was a large net buy after the above-mentioned MPC meeting. Thus, there has been a positive turn for the first time in four months, both in the stock and bond markets, demonstrating a gradual capital return into India.

In terms of economic indices for India, as mentioned, a monetary policy committee (MPC) meeting was held in June, and the policy interest rate was unanimously maintained at 5.25%. The May manufacturing Purchasing Manager's Index (PMI) and services PMI recorded slight improvement from the previous figures. The May Consumer Price Index (CPI, year-on-year) turned out to be +3.93%, with a rise from +3.48%—the previous result. The May trade balance confirmed a constant deficit, as has always been the case.

2. Outlook for This Month

In July, the U.S. dollar/Indian rupee exchange rate is forecast to adjust but is unlikely to fall significantly.

In June, at the MPC meeting, the RBI introduced a measure to promote foreign capital inflow. As market participants positively reacted to this, the U.S. dollar/Indian rupee exchange rate was kept from rising. Even though the U.S. dollar/Indian rupee exchange rate is expected to fluctuate in both directions in accordance to news headlines related to the geopolitical situation in the Middle East, when the ceasefire negotiations advance toward the end of the conflict, market participants are mainly expected to sell the U.S. dollar, adjusting the exchange rate again. On the other hand, in terms of actual demand, there has been a constant deficit both in trade balance and current account balance. Furthermore, the RBI is likely to continue intervening in the foreign exchange market in order to promote exports, keeping the Indian rupee from depreciating significantly. Under such circumstances, the Indian rupee is forecast to start depreciating gradually against the U.S. dollar.

At the aforementioned MPC meeting held in June, the RBI unanimously kept its policy interest rate at 5.25% for the third consecutive time. The monetary stance was also kept unchanged as neutral. The MPC emphasized that it was important to wait until a clearer trend to be visible. Thus, the monetary policy of India is most likely to remain unchanged. However, the MPC also added that it would carefully observe future market trends including how supply-side pressure is incorporated into consumer prices and inflation outlook. Thus, the MPC seems to focus on the upside risks in inflation, and, depending on price levels, it may shift monetary policy toward starting to raise the policy interest rate before the end of the year.

The governor of the RBI, Sanjay Malhotra, emphasized flexibility in the foreign exchange market again by stating that there was no specific target range for the exchange rate. On the other hand, the RBI is also likely to continue intervening in the foreign exchange market by keeping the Indian rupee from depreciating significantly when it approaches psychological turning points, as he stated that the RBI had a means to effectively maintain orderly market conditions. The measure to promote foreign capital investment is likely to keep the U.S. dollar/Indian rupee exchange rate from rising. However, the fluctuation range for the U.S. dollar/Indian rupee exchange rate is expected to rise, and the U.S. dollar/Indian rupee exchange rate is most likely to fluctuate at a higher level in the month ahead.

This report was prepared based on economic data as of June 30, 2026.