Innovating today. Transforming tomorrow.

Mizuho Dealer's Eye

August 2026

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Akihiro Katoono, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – August 2026

Expected Ranges **Against the yen: JPY153.00–161.00**

Outlook for This Month

The dollar/yen pair is expected to trade firmly in August. The pair fell by over five yen at the end of July on what appeared to be an intervention, but there was strong demand for buy-backs among real-demand investors and so on thereafter. The pair moved at its highest level in close to around 40 years late July, while yen net short positions have reached their highest point in nearly two years in the IMM currency futures market. As such, for now market participants will remain on guard against corrections due to further interventions, with speculative yen selling also likely to be reined in to a considerable extent if the US carries out some coordinated operations. However, these frequent interventions are necessary because most other factors are generally working to push the yen lower right now. There are no signs of the Iran situation cooling any time soon, so the yen's supply and demand environment is unlikely to change, at least in August. The FOMC and BOJ made no major policy shifts when they met in July, so the monetary policy direction is not expected to change significantly until the closely-watched Jackson Hole symposium over August 28–30 (Tokyo trading time). Given this, it seems the pair will edge higher this month and will move firmly overall, even if there is an intervention. The pair's losses were entirely pared back in the month or so after the intervention that took place during the Golden Week holidays in Japan, with the pair then rising by around one yen every two weeks thereafter. There have been no real changes between then and now when it comes to internal and external factors like geopolitical risk and interest rates, but investors should monitor price movements in the wake of further interventions. If the semiconductor shock flares up again late July or if the US employment data or other indicators released earlier this month spring some negative surprises, this could lead to the kind of large-scale adjustments that we saw in August 2024, with the pair's range edging lower, so caution will be needed.

Dealers' Market Forecast

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

Bullish on the dollar	14 bulls	161.50 – 155.00	Bearish on the dollar	1 bear	161.00 – 155.00

* Ranges are central values

Yamazaki	Bear	161.00 – 155.00	The dollar/yen pair is expected to fall slightly. The BOJ kept policy fixed, as expected. The pair is moving firmly despite the yen's surge, but it is unlikely to enjoy the kind of the one-sided rises seen recently.
Nagano	Bull	162.00 – 155.00	The dollar/yen pair fell sharply on July 30, but the supply and demand situation remains unchanged, with investors concerned about Japan's ballooning trade deficit and services deficit, for example. The BOJ kept policy fixed, as expected, and it is unlikely to swing in a hawkish direction, with the yen likely to weaken against the dollar again.
Toriba	Bull	165.00 – 155.00	The US is faced with rising inflation on the Iran situation, with the mid-term elections also growing closer. Meanwhile, Japan faces the tricky task of stimulating an economic recovery while adjusting the pace of rate hikes. Amid the summer dry season, investors should remain in wait-and-see mode while continuing to buy the dip in August.
Ogawa	Bull	162.00 – 155.00	The dollar/yen pair will move in a bearish yen direction in August. With Japan not expected to accelerate the timing or pace of rate hikes, the yen will continue to trend lower on the divergent monetary policies of the US and Japan.
Yamaguchi	Bull	160.00 – 155.00	Amid concerns about Japan's swelling trade deficit and the situation in the Middle East, the greenback was bought, with the dollar/yen pair climbing to its highest level in roughly 39 and a half years, though it fell sharply at the end of August on speculation about an intervention. The yen will continue to be sold on real demand and high crude oil prices, with the pair expected to strengthen this month.
Matsunaga	Bull	160.00 – 155.00	Amid ongoing instability in the Middle East, it is hard to imagine the FRB making any active announcements about future policy. There were some sharp fluctuations at the end of July, but if these cool down, the pair is likely to continue moving at highs.
Hakamata	Bull	165.50 – 155.00	There are still many factors conducive to dollar buying, including expectations for a US monetary policy shift, the dollar/yen pair's supply and demand environment, concerns about Japan's finances, and the ongoing turmoil in the Middle East. At the same time, there is still a shortage of yen-buying factors. As such, the dollar/yen pair looks set to edge higher.
Katoono	Bull	161.00 – 153.00	With instability in the Middle East dragging on, the yen's supply and demand environment is unlikely to change on the whole, with the dollar/yen pair likely edge higher. The pair looks set to move firmly, even if the authorities are seen to intervene again.
Okuma	Bull	161.00 – 155.00	As it faces pressure from the Japanese government, the BOJ is unlikely to take an active approach to rate hikes, so investors will probably avoid the yen. Appetite for dollar buying will also remain strong on uncertainty in the Middle East, with the dollar/yen pair set to continue moving firmly.
Ito	Bull	162.00 – 154.00	There could be some one-sided dips this month, but on the whole there is no clear reason to buy the yen against other currencies. The dollar/yen pair look set to climb higher as time passes.
Nishi	Bull	162.00 – 154.00	There are lingering concerns about an intervention, but the situation in the Middle East is growing more tense and Japan continues to pursue fiscal expansion, so the yen is likely to face strong selling pressure. After the FOMC meeting, there has been some speculation that expectations for rate hikes will wane, but this is likely to be a transitory phenomenon, with the dollar/yen pair set to move firmly overall.

Harada	Bull	161.00 – 155.00	The FRB remains in hawkish mode and the situation in the Middle East is full of uncertainty, with this pushing the dollar higher. On the other hand, the BOJ continues to make dovish comments, even if it remains committed to hiking rates, with the fiscal expansion policies of the Takaichi administration also likely to encourage yen selling.
Yamada	Bull	161.00 – 155.00	Amid continued uncertainty about the situation in the Middle East, the dollar/yen pair will move with an eye on crude oil prices, with the greenback also likely to be pushed higher by short-term supply and demand conditions. We are unlikely to see a switch to yen bullishness as long as the BOJ continues to maintain it will only lift rates at a gentle pace.
Matsuki	Bull	160.00 – 153.00	The dollar/yen pair's topside will probably be capped by movements suggestive of interventions. However, Japan's trade balance is deteriorating on prolonged concerns about the Middle East situation. Furthermore, we are unlikely to see any factors that suggest the BOJ will hike rates faster than the markets are expecting. As such, it seems the pair will trade firmly on the downside.
Oshima	Bull	164.00 – 154.00	The dollar/yen pair fell sharply at the end of July, but the trend of yen bearishness is unlikely to change. The FRB is now run by Kevin Warsh. He is no fan of forward guidance, with expectations for US rate hikes not likely to drop off sharply. With the BOJ also not expected to pick up the pace of rate hikes, the yen will be a hard currency to buy.

Takahiro Yamada, Forex Sales, Global Foreign Exchange Department

Euro – August 2026

Expected Ranges **Against the US$: US$1.1300–1.1550**
Against the yen: JPY181.00–187.00

Outlook for This Month

The euro/dollar pair is expected to move bearishly in August. The euro is being supported at present by expectations for two rate hikes within the year. However, crude oil prices have risen on renewed geopolitical tensions in the Middle East. There are also concerns about slower economic growth on a growing trade deficit. With several major nations also facing political turmoil, expectations for rate hikes might wane, with the euro then facing more selling pressure. As for monetary policy, the ECB Governing Council reached a unanimous decision to keep rates fixed when it met in July. However, Christine Lagarde revealed that some members had asked themselves whether to hike rates, with the ECB president also adding that the Council would have a lot more data by the time it next met. It seemed the ECB was laying the ground for a rate hike at its next meeting, so hawkish opinions swept the OIS market and investors moved to price in a total of two rate hikes (including one at the September meeting) by March next year, with this supporting the euro. However, a glance at the economic situation shows the eurozone recording a trade deficit for the first time in around three years in May. Electricity demand has risen on the hot weather. Moves are also underway to build up natural gas inventories after they dipped back to levels not seen since the time the Ukraine war broke out. As such, the eurozone still needs to actively ramp up imports, with the euro likely to be sold on real demand. At +0.4% q-o-q, the seasonally-adjusted eurozone 2Q GDP figure was up on market expectations, but growth in major countries such as Germany and France remained low at just 0.2% q-o-q. This economic instability is also accompanied by political instability. The French president Emmanuel Macron's term will end in April next year, but the governor of the Bank of France announced his own sudden departure in June, for example, with speculation also swirling that ECB president Christine Lagarde will step down before her term ends in October next year. There are also several potential flashpoints with the US involving sanctions on tech firms or territorial disputes, for instance. Under these circumstances, President Trump might suddenly announce some further tariffs or other measures. This might lead to declining expectations for future rate hikes, with this acting as a negative factor for the euro on the whole.

Dealers' Market Forecast

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

Bullish on the euro	4 bulls	1.1700 – 1.1300	Bearish on the euro	11 bears	1.1600 – 1.1300

* Ranges are central values

Yamazaki	Bull	1.1700 – 1.1300	The dollar's fluctuations will have a major impact on the euro/dollar pair's movements. The euro could well strengthen on dollar bearishness. Amid lingering geopolitical risk, it seems the euro will trend higher this month.
Nagano	Bear	1.1600 – 1.1350	The euro/dollar pair will strengthen as the greenback weakens on waning expectations for US rate hikes, but the eurozone continues to face political uncertainty, so the pair's room on the topside will be capped.
Toriba	Bull	1.2000 – 1.1200	The monetary policy gap between the eurozone and the US is shrinking, but the ECB is more likely to hike rates as a next step.. The dollar/yen pair looks set to move firmly, but political risk continues to simmer in the eurozone, so in the long term investors will refrain from testing the pair's topside.
Ogawa	Bear	1.1600 – 1.1350	The euro/dollar pair will find it hard to carve out a clear direction, but the Middle East situation remains up in the air, so the pair will probably trade with a heavy topside. However, with both the ECB and FRB expected to implement a rate hike as a next step, the pair's room on the downside will also be capped.
Yamaguchi	Bear	1.1600 – 1.1400	The euro/dollar pair has moved at lows since the turn of the year, but there are deep-rooted expectations that the ECB will hike rates again to tackle rising crude oil and energy costs. The euro's downside will be bolstered as a result, with the pair set to move firmly.
Matsunaga	Bear	1.1650 – 1.1300	Though Europe will probably avoid a further economic slowdown, crude oil prices remain high, so investors are unlikely to buy the euro. The euro/dollar pair is expected to continue trading with a heavy topside.
Hakamata	Bear	1.1550 – 1.1300	The euro/dollar pair is expected to weaken slightly within a range. With the ECB and FRB both expected to hike rates as a next step, the pair will probably trade with a lack of clear direction. However, the pair might weaken if the situation in the Middle East deteriorates, so caution will be needed.
Katoono	Bear	1.1600 – 1.1250	There are concerns about stagflation risk on tensions in the Middle East, so it seems likely that bets on an ECB rate hike will be adjusted down from 1.5 times to around one time, with the pair set to move bearishly with an eye on a resurgence in emergency dollar buying too.
Okuma	Bear	1.1650 – 1.1350	The eurozone economy is slowing on rising energy costs. With inflation also remaining high, the euro/dollar pair is moving with a heavy topside. The US and Iran continue to trade blows and the markets will probably see some emergency dollar buying, with the pair likely to undergo some correction this month.
Ito	Bear	1.1700 – 1.1200	Though the ECB is laying the ground for rate hikes, the FRB is making the louder noises when it comes to the next rate rise, with the euro/dollar pair likely to face headwinds as a result.
Nishi	Bear	1.1700 – 1.1300	The euro/dollar pair rose late July on the dovish results of the FOMC meeting, but the pair looks set to continue trading with a heavy topside on the quagmire in the Middle East and the strength of the US economy.

Harada	Bear	1.1650 – 1.1400	The ECB could hike rates again. With the FRB also making hawkish noises, it seems the two central banks are walking in lockstep when it comes to monetary policy. However, the greenback will be supported by uncertainty in the Middle East and concerns about the European political situation.
Yamada	Bear	1.1550 – 1.1300	Crude oil prices have risen on renewed geopolitical tensions in the Middle East. There are also concerns about slower economic growth on a growing trade deficit. With several major nations also facing political turmoil, expectations for rate hikes might wane, with the euro then facing more selling pressure.
Matsuki	Bull	1.1650 – 1.1350	The dollar rose on expectations for FRB monetary policy after the July FOMC meeting, but this trend has probably run its course. However, the ECB's stance suggests it is unlikely to shift in a more hawkish direction than expected when it comes to rate hikes, with the euro/dollar pair set to move with a lack of direction around $1.15.
Oshima	Bull	1.1700 – 1.1300	The euro/dollar pair will make minor fluctuations this month. The FRB and ECB both kept policy fixed when they met in July, but both faced dissenting votes calling for rate hikes, with concerns growing about rising prices. With both banks essentially following the same path, the pair's movements will probably be shaped by the situation in the Middle East.

Fumihiko Kanda, Europe Treasury Department

British Pound – August 2026

Expected Ranges **Against the US$: US$1.3000–1.3500**
Against the yen: JPY212.00–220.00

1. Review of the Previous Month

The GBP/USD pair moved firmly last month. After opening at the mid-$1.32 mark on July 1, the pair climbed to the upper-$1.33 range when the dollar was sold against the yen on concerns of an intervention, with the pair also moving firmly on the bearish results of the June US employment data (released July 2). The situation in Iran grew more febrile again on July 8 after President Trump said the ceasefire was over, but the pair moved firmly at the mid-$1.34 level on July 10. Sterling was bought on July 15 on news that Andy Burnham (the likely next prime minister) would appoint the current home secretary Shabana Mahmood as his chancellor. The currency pair rose to the mid-$1.35 mark as a result, through it then moved with a heavy topside. The Burnham administration officially launched on July 20 and the following day it announced it would be exempting electricity bills from VAT as a first step to helping people with the cost of living. Amid concerns about the UK's finances, the pair was then sold to $1.33. The pair was sold to $1.33 again on July 23 as Brent crude oil prices approached $100/barrel. With the FOMC meeting looming the following week, the greenback was bought and the pair fell below $1.33 on July 27. It then floated with its topside at $1.33 ahead of the FOMC meeting on July 29 and the BOE meeting on July 30.

The pound rose against the yen last month. The pound/yen pair opened trading at 215 yen on July 1. It continued rising as the dollar/yen pair hit its highest level in 40 years. On July 15, it was then bought to the mid-219 yen mark, its highest level since the collapse of Lehman Brothers. The pair then floated around the 218 yen mark. It was sold to the mid-217 yen range on July 27 as sterling moved bearishly. With the yen moving somewhat firmly ahead of the results of the FOMC meeting on July 29, the pair was pushed to the lower-217 yen mark.

2. Outlook for This Month

The GBP/USD pair is expected to move with a heavy topside in August.

The Bank of England (BOE) will not be meeting to set policy this month. With the Iran situation becoming volatile again, concerns about inflation are growing. All this could impact the dollar's movements and swap market moves to price in rate hikes, so caution will be needed.

In the UK, meanwhile, the new prime minister Andy Burnham has been making headlines for several days and investors are watching to see whether he can shore up the power base of the ailing Labour Party. However, the new administration only has the same fiscal leeway as the previous one, so the markets will be scrutinizing any new fiscal package very closely. The previous administration came to power on a pledge not to raise taxes on working people. Though it has not directly hiked taxes, it lost the support of voters through the imposition of so-called stealth taxes, such as by hiking employers National Insurance contributions or by freezing tax thresholds. The former move has put the dampeners on corporate hiring and it seems the UK's top firms have already made some suggestions to new prime minister. The new chancellor John Healey previously called for increased defense spending when he was defense minister, with the pound set to move bearishly on concerns about the UK's finances. Reform UK had made huge progress in last May's local elections, but its leader Nigel Farage suddenly announced last month that he was resigning from parliament. Farage already faced being suspended from parliament over a funding scandal. He says he is going to "let the people decide" by calling a by-election, but critics say he is just trying to avoid any scrutiny into his affairs. For this reason, the other major parties have boycotted the by-election, with his main challenge now coming from Count Binface, who wears a helmet shaped like a giant bin. The by-election will be held on August 13 and investors should monitor the results.

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

Australian Dollar – August 2026

Expected Ranges **Against the US$: US$0.6800–0.7100**
Against the yen: JPY110.50–116.00

1. Review of the Previous Month

The AUD/USD pair rose to around $0.70 in July.

At the start of the month, speculation grew that the FRB would not be hiking rates again any time soon. This came on the back of comments by FRB chair Kevin Warsh and the worse-than-expected results of the June US employment data, for example. As a result, the currency pair climbed from the upper-$0.98 mark to the lower-$0.69 level before then moving in a narrow range.

Crude oil prices rose on July 13 as tensions between the US and Iran deteriorated, so the greenback was bought on risk aversion and the pair weakened. President Trump then adopted a hardline approach when it came to the Strait of Hormuz, while Iran threatened reprisals and a military response. With investors focusing on geopolitical risk, the pair's topside was held down. The New Zealand dollar rose sharply on July 14 following hawkish comments by Paul Conway, chief economist of the RBNZ, with the Australian dollar also dragged higher. The US June CPI data was then released and it dropped below forecasts, with expectations for a July FRB rate hike waning as a result. As the greenback weakened, the AUD/USD pair temporarily topped $0.6990. On July 15, the US June PPI data sprang a surprise when it contracted on the previous month. The US dollar fell further and the currency pair strengthened to the lower-$0.70 level for a time, though it was then sold gradually below $0.70.

Australia's June employment data was released on July 23, with the number of full time and part time workers increasing sharply. Though the labor participation rate had risen, the unemployment rate remained unchanged at 4.4%, with the data bullish on the whole. The currency pair rose above $0.70 again, though it then dropped back to the upper-$0.69 level on reports that Yemen's Houthis had threatened to attack Saudi Arabian tankers. Australia released some weaker-than-expected CPI data on July 28, with the pair subsequently sliding to the mid-$0.69 mark.

2. Outlook for This Month

The AUS/USD pair looks set to move with a heavy topside in August.

Australia posted some strong June employment data, with the number of full time and part time workers increasing, the labor participation rate climbing, and the unemployment rate unchanged on the previous month. However, Australia's 2Q and June CPI figures were both down on forecasts, with these results proving a big surprise. Moves to price in rate hikes have receded sharply in interest rate markets after these CPI results, with bets on a rate hike within the year now falling to around 30%. In a speech made the day before the CPI announcement, RBA governor Michele Bullock commented that the housing market was moving more bearishly than expected. She said the RBA was watching to see how household spending and investment decisions would be impacted by house price fluctuations, with the markets surprised by the way her speech was less hawkish than expected. The AUS/USD pair tested the $0.7 mark several times in July, but it failed to remain at this level and has lost upwards momentum. With expectations for an RBA rate hike also fading, the pair might continue trading with a heavy topside for a time. However, the Australian dollar might rise sharply if expectations for FRB rate hikes wane or if tensions ease in the Middle East, so caution will be needed.

Kenta Yamada, Canada Markets Office, Americas Markets Department

Canadian Dollar – August 2026

Expected Ranges **Against the US$: C$1.3950–1.4250**
Against the yen: JPY112.00–116.00

1. Review of the Previous Month

The USD/CAD pair moved erratically in July, with this market shaped by a variety of determinant factors.

Uncertainty grew at the start of the month after the US refused to support a 16-year extension to the United States-Mexico-Canada Agreement (USMCA), with the currency pair hitting a monthly high of C$1.4239 on July 6. Canada released some better-than-expected June employment data on July 10. The Canadian dollar strengthened as a result, though the impact on the pair's movements was minimal. The market focus then shifted to the Middle East situation and US inflation indicators. The Canadian dollar was supported when crude oil prices rose on renewed tensions in the Middle East. The greenback also weakened when the US June CPI and PPI figures both came in below market forecasts. The USD/CAD pair subsequently fell toward C$1.4000 to record a monthly low (as of July 29) of C$1.4003 on July 20. In late July the US announced a 50% tariff on Canadian imports worth around $20 billion, with the US dollar bought and the currency pair bouncing back to C$1.4100 on concerns about a renewed intensification of trade frictions. However, with the situation in the Middle East remaining tense, crude oil prices moved at highs, so the pair's room on the topside was capped. As expected, the Bank of Canada (BOC) kept its policy rate fixed at 2.25% when it met on July 15. Though it said the economy was showing signs of improvement, it reiterated that there was still a lot of uncertainty when it came to US trade policies and the situation in the Middle East. The FOMC kept its rates fixed when it met on July 29. Some investors had been expecting a rate hike, so the greenback was sold immediately after and the pair trended towards C$1.4000 again.

2. Outlook for This Month

In August, the USD/CAD pair will probably move in a range between C$1.3950–1.4250, with its movements determined by how the greenback is impacted by the US interest rate outlook. This outlook is becoming more changeable as the FRB eases up on its forward guidance policy, with the currency's movements also likely to become more volatile.

Investors should monitor comments by FRB officials and US inflation-related indicators to gauge the direction of US interest rates. Market participants will be watching FRB chair Kevin Warsh's keynote speech at the Jackson Hole symposium over August 27–29 to see if he discusses the effects of AI disinflation and the extent of the FRB's plans to scale back forward guidance. If inflation indicators to be released in August point to slowing inflation, as seen last month, and if the markets believe comments by FRB officials are growing less hawkish, the US dollar will probably be sold, with the USD/CAD pair trending towards the lower end of its range.

At the same time, the pair's movements will also be shaped by the direction of trade talks ahead of the August 19 date for the imposition of a 50% tariff on Canadian goods. If the US decides to scrap the tariffs or kick them into the long grass, the Canadian dollar will be bought and the currency pair will weaken. However, the markets are already expecting some progress in the end, so this factor is unlikely to create a new trend for the pair.

The pair could be pushed up by several factors, such as moves to price in an early US rate hike, a breakdown in US/Canada trade talks, or a sudden deterioration in the Middle East situation. If several of these things do come to pass, there is a risk the pair might break through the ceiling of its range to trend towards C$1.4300, its level at the start of April 2025.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – August 2026

Expected Ranges **Against the US$: KRW 1,430–1,560**
Against the yen: JPY 10.80–11.50 (KRW100)

1. Review of the Previous Month

The USD/KRW pair fell sharply in July.

From the latter half of June, overseas investors began selling South Korean stocks to rebalance their portfolios, with the won sold as a result. As such, after opening July trading at KRW1549.8, the currency pair rose to just below KRW1560. However, this trend reversed from July 3 as the greenback was sold against the won. Investors focused on the prospect of a short-term tightening of won demand on expectations that a large South Korean semiconductor company would repatriate funds raised through a US ADR market listing.

In fact, the currency pair then moved below the key KRW1500 mark mid-July on reports that the aforementioned semiconductor firm had converted its funds into won in overseas markets before sending them back to South Korea. So the pair continued moving with a heavy topside, even as the situation in the Middle East grew tense again.

The BOK implemented its first rate hike in three and a half years when it met on July 16, with its policy rate raised to 2.75%. BOK governor Hyun-Song Shin dropped hints about further rate hikes when he said the bank would continue to tighten policy until it was convinced that inflation was converging steadily on the BOK's targets, though he refrained from mentioning any specific timing.

Concerns about AI/semiconductor demand and profitability grew towards the month's end, with the stock markets undergoing some significant correction. In June, the won had been driven lower by overseas investors selling South Korean stocks, with this trend now expanding again. Nonetheless, there was still pressure for won buying, with the currency pair temporarily sliding to the lower-KRW1450 level. This marked the pair's lowest price in around two and a half months.

2. Outlook for This Month

The USD/KRW pair is expected to trade with a heavy topside in August.

The won will continue to be supported by strong semiconductor exports and by moves to repatriate funds raised by semiconductor majors listing in US stock markets. At +0.6% q-o-q, South Korea's 2Q GDP data (released July 23) was up sharply on forecasts. With the semiconductor export amount up by around 2.5 times on the same period last year, for example, won buying looks set to remain brisk on real demand.

However, investors should keep a close eye on stock market volatility and on stock sell-offs by overseas investors. The South Korean government has announced measures to clamp down on single-stock leveraged ETFs, which it blames for increasing volatility. These measures include an immediate ban on new listings and advertising activities, for example, and an increase in minimum deposit requirements. US monetary policy trends will also require monitoring, with expectations for rate hikes waning on the resent slowdown in inflation indicators. With the Middle East situation remaining erratic, the dollar might strengthen again if fears grow about a renewed surge of inflation in the US.

The South Korean government and authorities continue to voice caution about won bearishness and foreign exchange stability, so investors should monitor semiconductor market conditions and the durability of won repatriation flows.

Melody Tung, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – August 2026

Expected Ranges **Against the US$: NT$32.00–33.00**
Against the yen: JPY4.95–5.15

1. Review of the Previous Month

In July, the USD/TWD pair moved firmly in a range between TWD31.80–32.49.

The pair opened the month trading at TWD31.810. The end-of-June flow spilled over into July, with the pair temporarily falling to TWD31.801 on July 1. The greenback was then bought as the Dollar Index moved strongly on the robust results of the US employment data, with the currency pair also boosted when overseas investors pulled funds out of Taiwanese stocks. The pair subsequently climbed to the upper-TWD32.1 level.

The greenback moved firmly mid-July on renewed concerns about the situation in the Middle East. The US June CPI data was released on July 14 and it was down on forecasts. Expectations for a rate hike at the FOMC meeting waned as a result, though the impact on the pair was muted. The pair then traded firmly in the upper-TWD32.2 range while hovering up and down with an eye on plummeting Taiwanese stocks.

The pair hit a 15-month high late July on growing tensions in the Middle East. Inflationary concerns then increased on rising crude oil prices. There was also demand for the US dollar in relation to large-scale dividend repayments on Taiwanese stocks, so the pair's topside strengthened to hit a monthly high of TWD32.490 on July 22. The pair then traded firmly at TWD32.4 to close trading on July 28 at TWD32.384.

On the whole, the pair's movements were shaped by overseas factors like US economic indicators and geopolitical risk in the Middle East.

2. Outlook for This Month

The USD/TWD pair is expected to trade bullishly in August in a range between TWD32.00–33.00.

Key external factors will include growing tensions in the Middle East and the impact on inflation, with the movement of AI stock prices also requiring attention. If crude oil prices rise further on increased turmoil in the Middle East, the greenback could be pushed up as expectations for rate hikes rise again, but if investors pull funds from AI stocks and this leads to risk aversion, this will push the US dollar lower.

As for domestic factors, Taiwan's July exports (y-o-y) remained elevated on growing demand for AI servers and semiconductors, but the data was down slightly on market forecasts. Taiwanese stocks have also dropped back from highs recently, so if overseas investors pull more funds out of Taiwan, this will exert downward pressure on the Taiwan dollar.

On the whole, it seems the USD/TWD pair will be swayed more by external factors (such as geopolitical risk in the Middle East) than by Taiwanese economic indicators in August. The recent trend looks set to continue whereby the Middle East situation pushes up crude oil prices, with this impacting US interest rates, with these in turn swaying the foreign exchange markets. With events in the Middle East still up in the air, US interest rates will continue to face upwards pressure, with the currency pair expected to remain firm.

Tomohiro Suzuki, East Asia Treasury Department

Hong Kong Dollar – August 2026

Expected Ranges **Against the US$: HK$7.8000–7.8500**
Against the yen: JPY20.50–21.20

1. Review of the Previous Month

In July, the USD/HKD pair dropped to the mid-HKD7.83 mark for a time on the firm movements of Hong Kong stocks. However, crude oil prices and US interest rates then rose from mid-July as fighting broke out again between the US and Iran. The greenback strengthened as a result, so the pair pared back its losses from the start of the month to eventually rally to the lower-HKD7.84 level.

The pair moved firmly in the lower-HKD7.84 range at the start of the month as expectations for an early US rate hike grew in the wake of the hawkish June FOMC meeting. The Hong Kong dollar was then supported by the robust movement of Hong Kong stock markets, so the USD/HKD pair edged down mid-July to fall to the lower-HKD7.83 range. However, President Trump then announced an end to the US/Iran ceasefire on July 10. With both sides exchanging fire, concerns about the Middle East situation flared up again, with the currency pair climbing again as a result. The US June CPI and PPI figures were released mid-July and both underwent downswings, with the pair pushed lower for a time. However, tensions between the US and Iran escalated and crude oil prices rose, so the pair gradually pared back its losses from the start of the month to return to the lower-HKD7.84 mark towards the month's end. There were some reports late July that a large Chinese company would be holding an IPO in Hong Kong. This supported the Hong Kong dollar to a certain extent, though it was not enough to halt the pair's upwards momentum.

2. Outlook for This Month

In August, the USD/HKD pair looks set to continue moving between HKD7.80–7.85, in the upper half of its peg range.

The US and Iran were continuing to exchange fire as of the end of July. Fighting is not limited to the Strait of Hormuz, with Yemen's Houthis (seen as an Iranian proxy) also launching attacks in the Red Sea. As such, crude oil prices are rising again on fears about the negative impact on crude oil shipments. Hong Kong relies on imports for almost all its energy needs, so soaring crude oil prices will directly impact its trading conditions, with this likely to exert downward pressure on the Hong Kong dollar. Inflationary concerns are also increasing again on the rising cost of oil. With investors pricing in an early US rate hike, US long-term interest rates have risen to their highest levels in 18 months or so. With the situation in the Middle East unlikely to improve any time soon, US/HK interest-rate differentials will be a further factor behind the ongoing buying of the US dollar.

Hong Kong stock markets had moved bearishly from the start of June. However, the Chinese authorities then announced measures to promote fund inflows into Hong Kong at the start of July. With news also emerging about the Hong Kong IPO of a large Chinese AI parts maker, stocks have begun moving firmly recently. Several other firms are planning large-scale IPOs next month, with these stock market movements likely to increase demand for the Hong Kong dollar, This is likely to support the currency to a certain extent.

As mentioned above though, the greenback will be bought on interest-rate differentials. It will also be sought as a safe asset amid concerns about increasing tensions in the Middle East. As such, the USD/HKD pair looks set to continue trading firmly with an eye on HKD7.85, toward the ceiling of its range.

Yukiko Yoshitomi, Treasury Department, MHBK (China)

Chinese Yuan – August 2026

Expected Ranges **Against the US$: CNY 6.7500–6.8200**
Against the yen: JPY 23.60–24.30

1. Review of the Previous Month

In July, the Chinese yuan appreciated gradually, as the U.S. dollar depreciated toward the end of the month.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading on July 1 at around the CNY 6.79 level. Thereafter, U.S. employment statistics were released with figures below the market estimate, and this weakened the U.S. dollar while strengthening the Chinese yuan. As a result, the U.S. dollar/Chinese yuan exchange rate fell to reach the lower-CNY 6.78 level. On July 8, the geopolitical situation in Iran deteriorated, as a consequence of which the U.S. dollar appreciated. The U.S. dollar/Chinese yuan exchange rate recovered to temporarily reach the CNY 6.80 level. However, the trend did not last for long. On July 9, the July Consumer Price Index (CPI) and Producer Price Index (PPI) were released, and both turned out to be generally as had been expected in the market. Thus, this impacted the Chinese yuan exchange market only to a limited extent. Toward July 10, the U.S. dollar weakened, and the Chinese yuan strengthened.

On July 13, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 6.78 level. Thereafter, the U.S. dollar/Chinese yuan exchange rate did not move in any direction and continued to fluctuate within a narrow range. On July 14, the trade statistics of China were released, while on July 15, the second-quarter GDP for China was released, along with other key domestic economic indices. Even though some of these economic indices turned out to be below the market estimate, the impact on the foreign exchange market was minimal. The U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range between the mid-CNY 6.76 level and the mid-CNY 6.77 level. Then, on July 20, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 6.77 level. A sense of uncertainty strengthened again in the market surrounding the geopolitical situation in the Middle East. As a result, crude oil prices and interest rates in the U.S. both rose, which also strengthened the U.S. dollar. However, this impacted the Chinese yuan exchange market only to a limited extent, and the U.S. dollar/Chinese yuan exchange rate continued to fluctuate within a narrow range. As there were no other new factors to impact the U.S. dollar/Chinese yuan exchange market, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate within a narrow range between the mid-CNY 6.76 level and the upper-CNY 6.76 level on July 21. Subsequently, toward July 23, risk-averse sentiment strengthened in the overall foreign exchange market, encouraging market participants to buy the U.S. dollar. Following this trend, the U.S. dollar/Chinese yuan exchange rate rose to reach the upper-CNY 6.77 level. However, on July 24, the U.S. dollar/Chinese yuan exchange rate fell below the CNY 6.77 level, and weekly trading closed at this level.

On July 27, the U.S. dollar/Chinese yuan exchange market opened trading at the CNY 6.76 level, after which the media reported that the U.S. and Iran were in diplomatic negotiations to end the conflict. In response, the U.S. dollar weakened, and the Chinese yuan strengthened throughout the day. Thus, the U.S. dollar/Chinese yuan exchange market closed the trading of the day at the lower-CNY 6.76 level. On July 28, market participants actively bought the U.S. dollar again, and the U.S. dollar/Chinese yuan exchange rate rallied to the lower-CNY 6.77 level.

2. Outlook for This Month

In August, the U.S. dollar/Chinese yuan exchange rate is forecast to remain low.

In July, the second-quarter GDP (the April–June period) for China was announced, and the result turned out to be +4.3% year-on-year, showing a slowdown from the first quarter, which was +5.0% year-on-year. It did not reach the 4.5%–5.0% range—the growth rate target for 2026. Other economic indices were also released, and the outcomes were not very strong, including fixed-asset investment in urban areas, which recorded a slowdown, even though the retail sales turned out to be above the market estimate. However, these figures impacted the foreign exchange market only to a limited extent. Currently, the People's Bank of China (PBOC) central parity rate has been set toward a weaker Chinese yuan compared to the closing rate of the previous trading day. Thus, it is unlikely for the Chinese yuan to appreciate excessively in the near future.

Regarding the geopolitical situation in the Middle East, the outlook is again becoming increasingly uncertain regarding a ceasefire agreement between the U.S. and Iran. Crude oil prices are rallying once more as well, and the number of tankers passing the Strait of Hormuz is decreasing, fueling the sense of uncertainty in the market once again. However, headlines related to the Middle East are impacting the Chinese yuan exchange market only to a limited degree. Yet, market participants are advised to remain attentive to actions taken by the PBOC, as it may introduce measures of monetary easing in the times ahead if the economic slowdown becomes a serious issue with the extended deterioration of the geopolitical situation in the Middle East affecting the Chinese economy.

In the U.S., Federal Reserve Board (FRB) Chair Kevin Warsh showed an attitude not to react excessively to single-month figures or a single indicator in the economic indices, while emphasizing the importance of controlling inflation. It is thus possible for the outlook for policy interest rate hikes in the U.S. to change significantly in the times ahead, depending on future economic indices, information released by the FRB, and the progress of the geopolitical situation in the Middle East. For this reason, market participants are advised to remain cautious. If the market reflects policy interest rate hikes in the U.S. in an accelerated manner, it is possible for the U.S. dollar to temporarily strengthen, weakening the Chinese yuan. However, in general, the U.S. dollar/Chinese yuan exchange rate is forecast to remain low.

Yuta Ishimura, Asia & Oceania Treasury Department

Singapore Dollar – August 2026

Expected Ranges **Against the US$: SG$ 1.2700–1.3100**
Against the yen: JPY 123.00–128.50

1. Review of the Previous Month

In July, the U.S. dollar/Singapore dollar exchange rate remained stable and high in the second half of the month, based on the outlook for U.S. monetary policy as well as speculation surrounding the policies of the Monetary Authority of Singapore (MAS). At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at around the mid-SGD 1.29 level. In the U.S., many market participants expect the Federal Reserve Board (FRB) to maintain its own monetary policy with high interest rates for a substantial time, as the U.S. economy remains robust and inflation persists. This situation supported the U.S. dollar on one hand. However, on the other hand, the cautious feeling regarding the geopolitical situation in the Middle East was somewhat mitigated in the market, and market participants started to take a wait-and-see attitude, waiting for a Federal Open Market Committee (FOMC) meeting in the U.S. As a consequence, the U.S. dollar/Singapore dollar exchange rate fell to reach the lower-SGD 1.29 level. Thereafter, economic indices for the U.S. turned out to be generally above the market estimate, and this temporarily encouraged market participants to buy the U.S. dollar. However, inflation indices in Singapore remained high, and market participants expected the MAS to maintain its current monetary policy, and this kept the U.S. dollar/Singapore dollar exchange rate from falling.

In the second half of the month, the MAS held a monetary policy meeting on July 27, and against the market estimate, the MAS decided to slightly raise the slope for the Singapore dollar nominal effective exchange rate policy band. After the announcement of this decision, market participants actively bought the Singapore dollar, and the U.S. dollar/Singapore dollar exchange rate fell to temporarily reach the upper-SGD 1.28 level. Yet, market participants also expected the FRB to maintain high interest rates, which also kept the U.S. dollar from depreciating. Thus, the U.S. dollar/Singapore dollar exchange rate continued to fluctuate generally within a range between the upper-SGD 1.28 level and the mid-SGD 1.29 level throughout the month.

2. Outlook for This Month

In August, the Singapore dollar is forecast to strengthen slightly against the U.S. dollar, even though the U.S. dollar/Singapore dollar exchange rate is likely to fluctuate in both directions, reacting to the outlook for the U.S. monetary policy, as well as the market evaluation on the additional measures of monetary tightening introduced by the MAS. In the U.S., the inflation rate is on a downtrend. However, the labor market remains robust, and the FRB is likely to maintain a cautious attitude in its monetary policy for a while. Market participants are likely to carefully observe the timing for a shift in monetary policy after September. Thus, trends in the U.S. dollar exchange market may change significantly depending on figures in the employment statistics and indices related to inflation.

On the other hand, in Singapore, the Singapore dollar is expected to continue being supported by the additional measures of monetary tightening, which was unexpectedly introduced by the MAS at its July meeting. The MAS is cautious about the rise of energy prices as well as import costs based on the deteriorating geopolitical situation in the Middle East. Thus, if the price indices are announced with figures above the market estimates, market participants may buy the Singapore dollar even more actively in the times ahead. Nevertheless, it is also possible for the U.S. dollar to temporarily appreciate against the Singapore dollar when market participants buy the U.S. dollar as a safe asset in reaction to growing concerns over a slowdown in global economy, along with the deteriorating geopolitical situation in the Middle East. For these reasons, the U.S. dollar/Singapore dollar exchange rate is expected to fluctuate in both directions in August, reacting to figures in U.S. economic indices, remarks by FRB officials, and evaluations on the monetary policy of the MAS. From a medium- to long-term perspective, however, the Singapore dollar is forecast to remain on an uptrend.

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

Thai Baht – August 2026

Expected Ranges	**Against the US$: THB 32.50–34.50**
	Against the yen: JPY 4.70–5.00

1. Review of the Previous Month

In July, the U.S. dollar/Thai baht exchange market opened trading at around the THB 33.30 level. On July 1, the U.S. dollar/Thai baht exchange rate rose to approach the THB 33.40 level based on expectations for policy interest rate hikes in the U.S. However, on July 2, the June employment statistics for the U.S. were released with weak figures, and the U.S. dollar/Thai baht exchange rate fell to reach the lower-THB 33.10 level. In the following week, the U.S. dollar/Thai baht exchange rate rallied to reach the mid-THB 33.30 level on July 6, as market participants bought back the U.S. dollar. Thereafter, the Consumer Price Index (CPI) of Thailand was announced with both strong and weak figures, which impacted the foreign exchange market only to a limited extent. On July 8, U.S. President Donald Trump declared a ceasefire with Iran, and this led the U.S. dollar/Thai baht exchange rate to exceed the latest high, reaching THB 33.50—the lowest rate for the Thai baht—for the first time since May last year. However, on July 9, the strongly cautious feeling about the geopolitical situation in the Middle East receded in the market, and the U.S. dollar/Thai baht exchange rate fell to reach the upper-THB 33.30 level. On July 10, the following day, U.S. President Donald Trump made a remark to emphasize that ceasefire negotiations were in progress with Iran, and this further encouraged market participants to sell the U.S. dollar. As a consequence, the U.S. dollar/Thai baht exchange rate continued falling and reached the mid-THB 33.20 level. However, after the weekend, Federal Reserve Board (FRB) Governor Christopher Waller made a hawkish remark on July 13, leading the U.S. dollar/Thai baht exchange rate to rally to approach the THB 33.50 level. In the following week, on July 14, the June CPI of the U.S. turned out to be below the market estimate. In reaction, expectations for policy interest rate hikes in the U.S. receded. As a result, the trend reversed temporarily, and the U.S. dollar/Thai baht exchange rate rallied to reach the upper-THB 33.30 level. However, FRB Chair Kevin Warsh made a hawkish remark at a Congressional testimony thereafter, which led the U.S. dollar/Thai baht exchange rate to return to the upper-THB 33.40 level. On July 15, the June Producer Price Index (PPI) (month-on-month) for the U.S. turned out to be below the market estimate, and the U.S. dollar/Thai baht exchange rate fell to temporarily reach the lower-THB 33.50 level. However, U.S. President Donald Trump announced continued military attacks on Iran thereafter, leading the U.S. dollar/Thai baht exchange rate to rally to approach the THB 33.60 level. In the following week, there was no new factor to impact the market, and the U.S. dollar/Thai baht exchange rate remained stable. Subsequently, on July 21, concerns over the geopolitical situation in the Middle East grew again, and on July 23, the U.S. dollar/Thai baht exchange rate reached the upper-THB 33.80 level for the first time since April 2025. Thereafter, the U.S. dollar/Thai baht exchange rate fell on July 24 and continued falling after the weekend on July 27, based on falling crude oil prices. As of July 27, when this article was being written, the U.S. dollar/Thai baht pair was trading at the lower-THB 33.50 level.

2. Outlook for This Month

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

In the middle of July, there was a series of hawkish remarks by FRB officials, and concerns grew again over the geopolitical situation in the Middle East, raising crude oil prices. As a result, the U.S. dollar/Thai baht exchange rate renewed its high since the beginning of the year. Under such circumstances, at the end of July, the U.S. officially announced reciprocal tariffs. The previous tariffs were introduced as a temporary measure and were to expire on July 24. In addition, some market participants had pointed to the possibility for the previous tariffs to be ruled illegal in lawsuits failing to meet legal criteria. The tariffs introduced this time were redesigned based on a Section 301 investigation and were to be maintained as a tool for a medium-to-long term. Thailand is not excluded from the list of target countries of these tariffs and is not provided any preferred treatment, as was the case with the previous tariffs. Thus, market participants are now more likely to be careful about downside pressure on the Thai economy with possible impact on exports.

However, it is also important to mention that the overall changes to the system and tariffs had already been anticipated, and the market reacted to these changes only to a limited degree. In the times ahead, market participants will be more interested in how the tariffs will impact the economic conditions of Thailand as well as the U.S., the importing country, via figures in economic indices, rather than in the tariffs themselves. The main factors remain the geopolitical situation in the Middle East as well as the attitude of the FRB in its monetary policy operations. On the other hand, market participants are advised to be attentive also of the impact of the new U.S. tariffs system on the economic conditions of Thailand and worldwide. The geopolitical situation in the Middle East continues to see positive and negative turns and is not likely to improve dramatically in the short term. Furthermore, it is unlikely for the FRB to easily change its monetary policy. Under such circumstances, the U.S. dollar/Thai baht exchange rate is forecast to remain high and stable.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – August 2026

Expected Ranges	**Against the US$: MYR 4.0500–4.1300**
	Against the yen: JPY 39.00–41.00

1. Review of the Previous Month

In July, market participants were worried that the peace agreement between the U.S. and Iran would not have real effects, and the U.S. dollar/Malaysian ringgit exchange rate remained high. The U.S. dollar/Malaysian ringgit exchange market opened trading at the mid-MYR 4.08 level. Thereafter, interest rates in the U.S. rose, and the U.S. dollar/Malaysian ringgit exchange rate also rose to reach the mid-MYR 4.09 level. However, Federal Reserve Board (FRB) Chair Kevin Warsh thereafter made a dovish remark, and the June employment statistics for the U.S. turned out to be weak. As a result, the U.S. dollar/Malaysian ringgit exchange rate rose only to a limited extent. Then, on July 9, the central bank of Malaysia held a monetary policy committee meeting and decided to maintain its policy interest rate at the existing level, as had been anticipated in the market—thus not significantly impacting the market. As the geopolitical situation in the Middle East remained uncertain, the U.S. dollar/Malaysian ringgit exchange rate did not move in any direction and fluctuated mainly around the MYR 4.07 level. Thereafter, U.S. President Donald Trump indicated his intention to continue ceasefire negotiations, much to the relief of market participants, and the U.S. dollar weakened, leading the U.S. dollar/Malaysian ringgit exchange rate to reach the MYR 4.06 level on July 10.

In the middle of the month, conflict between the U.S. and Iran resumed, and the U.S. dollar/Malaysian ringgit exchange rate rose from the upper-MYR 4.07 level to the lower-MYR 4.08 level again. However, the June Consumer Price Index (CPI) of the U.S. subsequently turned out to be below the market estimate, as a result of which interest rates fell in the U.S. Then, FRB Chair Kevin Warsh made a remark such that he would not allow the inflation rate to remain high. Yet, interest rates in the U.S. did not rise to offset the previous fall. Consequently, the U.S. dollar/Malaysian ringgit exchange rate fell to reach the lower-MYR 4.07 level. However, this trend did not last for a substantial time, and when the conflict between the U.S. and Iran started to target infrastructure, the U.S. dollar/Malaysian ringgit exchange rate rose significantly to reach the upper-MYR 4.09 level on July 17.

At the end of the month, the June trade statistics for Malaysia revealed consistently strong figures, including year-on-year growth of +45.4% in exports and +43.9% in imports. However, concerns grew over the possibility that the Houthis' participation in the conflict might result in a wider Middle Eastern conflict. As a result, the U.S. dollar/Malaysian ringgit remained high, fluctuating mainly at the MYR 4.09 level. While the exchange rate reached the upper-MYR 4.09 level several times, some market participants bought the U.S. dollar at this level probably based on actual demand. Thus, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating without rising further, waiting for progress in the geopolitical situation in the Middle East. When attacks between the U.S. and Iran paused temporarily after approximately two weeks, the U.S. dollar/Malaysian ringgit exchange rate fell below the MYR 4.09 level before the last week of the month. Yet the media later reported that the U.S. had begun retaliatory attacks in response to Iran's surprise assault. Market participants also remained cautious, as a Federal Open Market Committee (FOMC) meeting was approaching. As a result, the U.S. dollar/Malaysian ringgit exchange rate returned to the MYR 4.09 level again on July 29.

2. Outlook for This Month

In August, the U.S. dollar/Malaysian ringgit exchange market is forecast to remain unstable, as the U.S. dollar/Malaysian ringgit exchange rate is likely to fluctuate in accordance with the geopolitical situation in the Middle East, along with the monetary policy taken by major central banks.

In terms of the Malaysian economy, the labor market remains stable, and the wage level is rising. In the June trade statistics, the export of electrical and electronic appliances, which are the main items that the country exports, grew by as much as approximately +70% based on the recent trend of investing in AI-related industry along with demand in the automobile-related industry. Looking only at the domestic market, it can be said that there has been practically no factor of uncertainty, except for some concerns over pressure on the fiscal operations of the government resulting from an increase in subsidy expenditures facing the rise of crude oil prices. In the stock market, it is unlikely for the trend of investing in the AI sector to lose momentum anytime soon, even though the media has reported declining prices of major stocks that were leading the trend of investing in said sector. Thus, the Malaysian economy is most likely to remain stable in August.

On the other hand, external factors continue to have the most-significant impact on the Malaysian ringgit exchange market, and it is difficult to handle the situation. Under such circumstances, based on media reports, it is unlikely for ceasefire negotiations between the U.S. and Iran to see immediate, dramatic progress. Investment flow from foreign investors in the onshore market still shows a positive figure from the beginning of the year. However, the figure for the second quarter has already been negative. Thus, if the declines accelerate in the times ahead, it would have negative impact on the Malaysian ringgit. It is also important to mention that neither the U.S. nor Japan has held a central bank meeting yet (as of the time when this article was being written). Depending on the outcome of these central bank meetings, interest rate levels may move significantly with considerable impact on the currencies of emerging countries, including the Malaysian ringgit. Furthermore, Kevin Warsh will attend the Jackson Hole Economic Symposium for the first time as FRB Chair, and his remarks may have impact on the market. Market participants are thus advised to remain attentive to these events as factors of uncertainty.

Taro Anabuki, Asia & Oceania Treasury Department

Indonesian Rupiah – August 2026

Expected Ranges	**Against the US$: IDR 17,800–18,300**
	Against the yen: JPY 0.8700–0.9200 (IDR 100)

1. Review of the Previous Month

In July, the U.S. dollar/Indonesian rupiah exchange rate fluctuated in both directions, in accordance with the movements of interest rates in the U.S. At the end of the month, the Indonesian rupiah depreciated against the U.S. dollar as a result of the resignation of the governor of Bank Indonesia (BI, the central bank of Indonesia).

In July, the U.S. dollar/Indonesian rupiah exchange market opened trading at the upper-IDR 17,900 level. Thereafter, market participants actively bought the U.S. dollar in anticipation of early policy interest rate hikes by the Federal Reserve Board (FRB) in the U.S. Consequently, the U.S. dollar/Indonesian rupiah exchange rate temporarily approached the IDR 18,000 level. Thereafter, the May trade statistics for Indonesia turned out to be in a deficit for the first time in approximately six years (USD 1.61 billion), and the June Consumer Price Index (CPI) turned out to be close to the upper end of the target range set out by BI at +3.34% year-on-year, demonstrating an acceleration, with both putting weight on the Indonesian rupiah. On July 3, the June employment statistics for the U.S. were released with weak figures, which encouraged market participants to sell the U.S. dollar. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to the mid-IDR 17,900 level. On July 6, the U.S. dollar/Indonesian rupiah exchange rate remained stable at around the IDR 18,000 level. However, on July 8 and 9, risk-averse sentiment grew in the market in response to the fact that the U.S. resumed attacks on Iran. Thus, the U.S. dollar appreciated, and the U.S. dollar/Indonesian rupiah exchange rate rose to approach the IDR 18,100 level. On July 13, market participants remained cautious about rising crude oil prices and inflation due to the deterioration of the geopolitical situation in the Middle East. In response, the U.S. dollar/Indonesian rupiah exchange rate rose to reach the mid-IDR 18,100 level.

However, the trend changed thereafter, and market participants started to sell the U.S. dollar, as S&P decided to maintain its ratings for Indonesia on July 14 and as the Consumer Price Index (CPI) of the U.S. showed a decline on July 15 and 16—as a result of which expectations for policy interest rate hikes subsided. On July 21, a bill to establish the "International Finance Center" passed in Indonesia, and this strengthened the Indonesian rupiah, with the U.S. dollar/Indonesian rupiah exchange rate reaching the upper-IDR 17,800 level as a result. However, on July 22, BI held a monetary policy meeting and decided to maintain its policy interest rate at 5.75%, while market participants had been anticipating a policy interest rate hike. As a result, the U.S. dollar/Indonesian rupiah exchange rate rallied to reach the IDR 17,900 level. On July 23 and 24, geopolitical risks grew and crude oil prices rose, while market participants were again conscious of the fiscal deficit of Indonesia. The Indonesian rupiah was thus actively sold. On July 27, the media reported that BI Governor Perry Warjiyo would unexpectedly resign, which again fueled concerns in the market over the independence of BI. As a consequence, market participants actively sold the Indonesian rupiah again, and as of this writing, the U.S. dollar/Indonesian rupiah exchange rate has been fluctuating at the upper-IDR 18,000 level.

2. Outlook for This Month

In August, the U.S. dollar/Indonesian rupiah exchange rate is forecast to remain high and stable.

BI decided to maintain its policy interest rate at 5.75% at its monetary policy meeting held on July 22. Before the meeting, the majority of market participants expected a policy interest rate hike. Both the BI statement and the press conference of BI Governor Perry Warjiyo emphasized that the current monetary policy was at the appropriate level in order to maintain stability in the Indonesian rupiah exchange market, while there were factors of uncertainty in the world economy, such as the geopolitical situation in the Middle East. Furthermore, BI emphasized that it would need to carefully assess the effects of the latest policy interest rate hike of 100 basis points. As of July 22, the U.S. dollar/Indonesian rupiah exchange rate was relatively stable, at around the IDR 17,900 level, which may also have been one of the reasons for BI to maintain its policy interest rate at the existing level. Future decisions on monetary policy would thus depend on the trends in the Indonesian rupiah exchange market.

On July 27, the media reported that BI Governor Perry Warjiyo would unexpectedly resign, which attracted substantial attention in the market. The appointment of the next governor was originally set to occur in 2028. Since growth of the real economy was included in both news reports and the previous month's BI goals, concerns are now growing over BI's independence.

For the above reasons, it remains unlikely for market participants to actively buy the Indonesian rupiah, as they are increasingly concerned about the independence of BI. It is possible for market participants to sell back the U.S. dollar temporarily when the geopolitical situation in the Middle East is mitigated. However, this would not be sufficient reason to change the trend. On the other hand, when the Indonesian rupiah depreciates significantly against the U.S. dollar, it is possible for BI to additionally raise its policy interest rate in order to protect the currency. Thus, the U.S. dollar/Indonesian rupiah exchange rate is expected to rise only to a limited extent.

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

Philippine Peso – August 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

At the end of July, the Philippine peso renewed its all-time low against the U.S. dollar by a slight gap.

In July, the U.S. dollar/Philippine peso exchange market opened trading at PHP 61.55. The U.S. economic indices turned out to be strong, pushing up long-term interest rates in the U.S. In reaction, market participants actively bought the U.S. dollar against the Philippine peso. As a result, the U.S. dollar/Philippine peso exchange rate fluctuated at around the mid-PHP 61 level. Subsequently, the June employment statistics for the U.S. were released, and the results turned out to be weaker than the market estimates. As a result, the U.S. dollar/Philippine peso exchange rate temporarily fell, albeit to a limited degree. On July 7, the June Consumer Price Index (CPI)of the Philippines turned out to be weaker than the market estimate. However, the core inflation rate continued to rise since December 2025. The central bank of the Philippines implied that the inflation rate is still far from the target range, leaving room for further policy interest rate hikes. The U.S. dollar/Philippine peso exchange rate fluctuated without moving in any direction thereafter. Subsequently, the media reported on attacks between the U.S. and Iran, raising crude oil prices. In reaction, the Philippine peso weakened against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate fluctuated at around the PHP 61.70 level. However, when the U.S. dollar/Philippine peso exchange rate approached its resistance level at around the PHP 61.75—the all-time low for the Philippine peso—the movement slowed down, and the exchange rate did not rise further.

At the end of July, crude oil prices continued to rise due to uncertainty surrounding the geopolitical situation in the Middle East. The U.S. dollar/Philippine peso exchange rate reached PHP 61.75 and did not rise further over three consecutive business days. During the daytime, the U.S. dollar/Philippine peso exchange rate continued to fluctuate within an extremely narrow range, remaining in a stalemate. However, on July 24, the U.S. dollar/Philippine peso exchange rate finally exceeded the PHP 61.75 level, at which it had previously stopped rising many times. The Philippine peso thus renewed its all-time low against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate reached PHP 61.85. It seemed as if the Philippine peso was going to continue renewing its all-time low. Yet, toward the end of the month, the media reported a ceasefire agreement between the U.S. and Iran, leading to a fall in crude oil prices and long-term interest rates in the U.S. As a result, the U.S. dollar/Philippine peso exchange rate fell to the mid-PHP 61 level.

2. Outlook for This Month

In August, the Philippine peso is forecast to remain weak, while the U.S. dollar/Philippine peso exchange rate is likely to fluctuate in both directions, responding to the price statistics and GDP of the Philippines.

Since the end of April, the U.S. dollar/Philippine peso exchange rate approached PHP 61.75—the all-time low for the Philippines—many times, but the exchange rate never exceeded this level. At the end of July, the U.S. dollar/Philippine peso exchange rate finally exceeded PHP 61.75. However, market participants still remain cautious about sudden foreign exchange market interventions by the central bank of the Philippines, and the depreciation of the Philippine peso is most likely to remain gradual in the times ahead.

At the beginning of August, the price statistics and GDP of the Philippines will be released. These figures are expected to indicate once again how much the recent rise in crude oil prices impacted the Philippine economy. If the economic decline turns out to be more significant than expected, the U.S. dollar/Philippine peso exchange rate may weaken again to reach the PHP 62 mark.

At the end of August, the central bank of the Philippines is scheduled to hold a monetary policy meeting. It remains difficult for the central bank to make decisions regarding two objectives: to control price levels and to support the economy. As of the end of July, at which this article is being written, it is more likely for the central bank to raise its policy interest rate. However, in order to understand future trends, market participants are advised to carefully observe the central bank's statements after the announcement of economic indices.

On the other hand, the U.S. economy remains robust, and many market participants expect the Federal Reserve Board (FRB) to raise its policy interest rate before the end of the year. However, there are different views as to when and how many times the policy interest rate will be raised. After the Federal Open Market Committee (FOMC) meeting held at the end of July, market participants expect the FRB to raise its policy interest rate slightly less rapidly. However, if U.S. economic indices turn out to be strong again, market participants are expected to start actively buying the U.S. dollar once more.

In August, the Philippine peso is most likely to remain weak against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate is expected to fluctuate mainly at the PHP 61 level. Depending on various economic indices for both the Philippines and the U.S., along with the geopolitical situation in the Middle East and crude oil prices, it is possible for the Philippine peso to appreciate against the U.S. dollar. If market participants adjust the U.S. dollar positions that had been accumulated so far, the U.S. dollar/Philippine peso exchange rate may even return to the PHP 60 level, albeit probably for a short time.

Shino Kihara, India Treasury Office, Asia & Oceania Treasury Department

Indian Rupee – August 2026

Expected Ranges **Against the US$: INR 95.00–98.00**
Against the yen: JPY 1.6–1.8

1. Review of the Previous Month

In July, the Indian rupee depreciated against the U.S. dollar based on the rise of crude oil prices.

On May 20 this year, the Indian rupee recorded its all-time low against the U.S. dollar, at INR 96.90. Thereafter, a new measure to promote foreign capital inflow was introduced at the beginning of June, and this turned out to be successful. As crude oil prices were declining as well, the Indian rupee appreciated against the U.S. dollar, and the U.S. dollar/Indian rupee exchange market opened trading in July at the lower-INR 94 level. Subsequently, the Indian rupee once depreciated gradually against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate reached the INR 95 level again. In the middle of the month, the geopolitical situation in the Middle East worsened, and crude oil prices rose once more. As a result, the Indian rupee depreciated against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate fell from the upper-INR 95 level to the lower-INR 96 level, temporarily approaching the all-time low for the Indian rupee. At the end of the month, the U.S. dollar/Indian rupee exchange rate is fluctuating at the upper-INR 95 level (as of July 28).

Meanwhile, the BSE Sensex opened trading at around the 77,000 level in July. Subsequently, the index rose for five consecutive business days. However, on July 8, the conflict between the U.S. and Iran intensified, and the index fell by 2,000 points to the 76,000 level. Thereafter, following the fluctuation of crude oil prices, the index continues to fluctuate in both directions. In terms of foreign investor investment flow into the Indian stock market, there was a net buy for the first time in five months, thanks to the preferential treatment measure introduced in June.

In terms of economic indices for India, the June Consumer Price Index (CPI) (year-on-year) turned out to be +4.38%, exceeding the 4% levels for the first time in 1.5 years. This is due to the fact that rainfall during the rainy season was below the annual average, leading to a rise in vegetable prices, such as tomatoes, while crude oil prices continued to rise due to the geopolitical situation in the Middle East.

2. Outlook for This Month

In August, the Indian rupee is forecast to depreciate against the U.S. dollar, although the U.S. dollar/Indian rupee exchange rate is unlikely to rise significantly.

On June 5, the Reserve Bank of India (RBI) introduced a measure to promote foreign capital inflow, and within a little more than a month, the measure has demonstrated its effect. Foreign investment into the Indian securities market turned positive, and a concessional swap facility attracted foreign currency inflow of USD 20 billion. This situation temporarily kept the Indian rupee from depreciating further, and the U.S. dollar/Indian rupee exchange rate recovered to the INR 94 level. However, in the middle of July, crude oil prices rose again, which weakened the

Indian rupee, and the U.S. dollar/Indian rupee exchange rate returned to the level seen before the introduction of the new measure. Unless the geopolitical situation in the Middle East improves, the Indian rupee is likely to continue depreciating against the U.S. dollar in August.

While the majority of market participants expect the RBI to maintain its policy interest rate at the existing level at its monetary policy committee meeting in August, market participants are advised to carefully observe the RBI's stance toward its future monetary policy, along with remarks by the RBI governor. However, given that the latest CPI exceeded the upper end of the inflation target range, it is possible for the RBI to start raising its policy interest rate before the end of the year, depending on the price levels in the times ahead.

In addition to foreign exchange market interventions that have long been carried out, the Indian government has been introducing a series of new guidelines to protect the Indian rupee. As a result, there have been strong figures in foreign direct investment as well as in exports, mainly in the service sector. From a medium-term point of view, the U.S. dollar/Indian rupee exchange rate is not likely to rise further. However, it would take time for the market trend to change significantly, and until then, the Indian rupee is forecast to continue weakening gradually.

This report was prepared based on economic data as of July 31, 2026.