

## Mizuho Dealer's Eye

August 2025

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Mizuho Bank, Ltd.

Global Foreign Exchange Department

## U.S. Dollar – August 2025

**Expected Ranges**

**Against the yen: JPY146.00–152.00**

### Outlook for This Month

The dollar/yen pair is expected to float at highs in August. After moving at highs for a time, it might drop back, so caution will be needed. The pair temporarily rose to the mid-149 yen mark at the end of July and it will probably move in a range between 146-152 yen this month. Though Japan and the US are both preparing to accelerate monetary policy (in the direction of rate hikes in Japan and rate cuts in the US), the BOJ and FOMC both opted to keep rates fixed when they met to set policy at the end of July. In its statement, the FOMC recognized that economic activity was slowing, with rate cuts potentially drawing closer. At his press conference, though, FRB chair Jerome Powell poured cold water on expectations for rate cuts when he mentioned a number of uncertainties and dropped no hints about a September rate cut. The BOJ upgraded its FY2025 core inflation forecast to +2.7% in its Outlook for Economic Activity and Prices, but it still decided to keep rates fixed. With both countries maintaining the status quo, it seems the dollar/yen pair will remain at highs for now.

However, it is still possible Japan will raise rates and the US lower rates within the year, so attention should be paid to economic indicators and official comments. In the US in particular, President Trump has continually pressed Jerome Powell to cut rates. With the FOMC keeping rates fixed in July while dropping no hints about rate cuts from the September meeting onwards, there is likely to be growing pressure for such a move going forward, with this likely to lead to market instability. In addition, two of the seven board members, FRB governor Christopher Waller and FRB vice chair Michelle Bowman supported a -25bp cut at the July FOMC meeting. From here on, attention should also be paid to the stances of the other five board members. As for inflation indicators, the US July CPI data (released Tuesday, August 12) looks set to rise on the previous month. If it does, the greenback will remain firm, but if it unexpectedly falls, this will cast more doubt on the FRB's decision to keep rates fixed on fears of rising prices. As such, though the dollar/yen pair will move firmly in August, it could face downward pressure at times, so investors should prepare for unstable trading.

**Dealers' Market Forecast**

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

Bullish on the dollar	9 bulls	152.00 – 146.00	Bearish on the dollar	6 bears	150.75 – 144.00
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**\* Ranges are central values**

Seki	Bull	151.00 – 146.00	The markets will be monitoring the impact of tariffs on inflation. With expectations for US rate cuts waning and Japan's inflation outlook rising, the dollar/yen pair will move erratically, with investors likely to test its upside.
Yamazaki	Bull	153.00 – 146.00	The dollar/yen pair will trend upwards. The FOMC and BOJ meetings have passed and tariff talks are now underway between the US and several other countries. As such, it seems the greenback will continue to face pressure for buy-backs.
Nagano	Bull	153.00 – 145.00	Many firms are wary of pushing tariff costs onto prices, so the inflationary impact of tariffs will be limited, with the US hard data set to move firmly and US companies likely to post healthy results. With the FRB adopting a cautious stance towards rate cuts, the greenback will be bought this month.
Kato	Bear	150.00 – 145.00	There were more position adjustments than expected last month. On the technical front, the dollar/yen pair's upside was breached and investors will continue pushing the pair toward 150 yen for now, though the pair's upside will eventually grow heavier.
Toriba	Bear	151.00 – 143.00	Japanese/US interest-rate differentials will probably shrink on the policy stances of the FRB and BOJ. Furthermore, there is still a lot of uncertainty about the future of Trump tariffs and the impact on the real economy, so investors should avoid chasing the pair's upside.
Yamaguchi	Bear	150.00 – 144.00	In July, the dollar/yen pair soared from 143 yen to 149 yen. This came as the Dollar Index rebounded after falling heavily entering 2025. However, the FOMC did not rule out a September rate cut when it met in July, so the pair will probably trade with a heavy upside.
(Tomoko) Yamaguchi	Bear	151.00 – 145.00	There were no major changes when the FOMC and BOJ met to set policy in July, with both banks reconfirming that any future policy decisions will depend on the data. With tariff negotiations more-or-less finished, the dollar/yen pair will continue to be buffeted by US economic trends.
Matsunaga	Bull	151.50 – 144.50	The FRB and BOJ are unlikely to clarify their monetary policy directions until they can confirm what impact the US's tariff negotiations are having on their respective economies. The dollar/yen pair looks set to continue trending higher.
Katoono	Bear	150.50 – 144.00	Concerns about US stagflation will rise again from August as the impacts of new tariffs start to bite, with the dollar set to move erratically. Renewed dollar strength still seems some way off, so in the summer dry season, there will probably be some adjustment to the dollar-buying trend seen late July.
Kobayashi	Bear	150.50 – 143.00	Japan and the US have reached an agreement on reciprocal tariffs, with attention now focused on the timing of further Japanese rate hikes. In the US, President Trump is placing more pressure on the FRB to cut rates again. With liquidity thin in August, the dollar/yen pair will probably be adjusted downwards.
Okuma	Bull	151.00 – 145.00	The BOJ remains committed to lifting rates, but the yen will face pressure from US tariff instability and uncertainty about the direction of the Ishiba administration. The dollar/yen pair looks set to trade firmly as the US moves comparatively strongly, even in the wake of Trump tariffs.

Ito	Bull	154.50 – 145.00	A lot will depend on the direction of BOJ rate hikes, but the US tariff talks have led to some concrete agreements, so the recent dollar-selling trend will probably be unwound. The greenback will undergo a one-sided rise over summer.
Suzuki	Bull	153.00 – 147.00	The US economy continues to move firmly even given the impact of tariffs, with the BOJ and FRB also remaining in cautious mode. The dollar/yen pair's level will probably rise over the summer dry season on existing interest-rate differentials.
Nishi	Bull	153.00 – 147.00	The BOJ remains cautious about lifting rates. The US tariff negotiations went comparatively smoothly and they haven't hit the US economy as much as expected, with the dollar/yen pair set to remain firm as investors unwind their dollar shorts.
Matsuki	Bull	152.00 – 146.00	As the July FOMC mentioned, there is no rush to lower rates given current US economic conditions and business results. The BOJ is also unlikely to unveil a clear policy direction while uncertainty remains about the Japanese political situation. During the summer dry season, investors will continue to sporadically sell the yen.

## Euro – August 2025

### Expected Ranges

**Against the US\$: US\$1.1300–1.1900**

**Against the yen: JPY167.00–175.00**

### Outlook for This Month

In August, the euro is expected to move firmly against the dollar and in a range against the yen.

At the time of writing, anticipation for a September FRB rate cut has waned after the July 30 FOMC meeting, with the euro/dollar pair pushed down by dollar buying, though this is likely to be a short-lived trend caused by an unwinding of excessive expectations for early rate cuts. The main themes of the forex markets will remain “the monetary policies of major central banks” and “Trump tariff trends and the impact on the real economy,” with the euro likely to be sold against the dollar on both these themes. At its recent meeting, the FOMC left rates fixed for the fifth straight meeting (federal funds rate target range = 4.25-4.50%). However, the vote was only nine to two, with FRB vice chair Michelle Bowman and FRB governor Christopher Waller both voicing dissent, so although the markets have overly priced in rate cuts, the FRB still seems on track to lower rates at some point. On the other hand, in July the ECB kept policy fixed for the first time in eight meetings (deposit facility rate = 2.00%; main refinancing operations rate = 2.15%; marginal lending facility rate = 2.40%), with ECB policy reaching an impasse. On July 24, ECB president Christine Lagarde said the ECB would remain in wait-and-see mode for now. With the ECB also focused on uncertainty related to trade and tariffs, it will probably maintain the status quo until the impact on the real economy is cleared. The euro/dollar pair will move firmly as investors buy the euro on a dip with an eye on shrinking European/US interest-rate differentials.

When it met on July 31, the BOJ kept its policy rate (the uncollateralized overnight call rate: 0.5%) while also upgrading the inflation forecast in its Outlook for Economic Activity and Prices. As Japanese/US tariff negotiations proceed, the obstacles in the way of rate hikes are gradually being cleared, so the yen will be bought back at times. However, the BOJ and FRB are keeping a close eye on the impact of tariffs and they will be monitoring economic indicators to grasp the impact on the global economy too. August will be a time for gathering data ahead of the next monetary policy meetings, with the euro/yen pair likely to remain in a range.

## Dealers' Market Forecast

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

Bullish on the euro	6 bulls	1.1750 – 1.1300	Bearish on the euro	9 bears	1.1650 – 1.1100
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### \* Ranges are central values

Seki	Bear	1.1500 – 1.1100	The ECB has hit its inflation target and it will probably keep rates fixed for the rest of the year. The euro had risen since March but this trend has eased. Rather than buying on dips, it seems investors are growing increasingly aware of the overall weakness of the euro, with the euro/dollar pair likely to have its downside tested this month.
Yamazaki	Bear	1.1600 – 1.1300	The euro/dollar pair will move slightly bearishly in a range. The greenback is being bought slightly on divergent monetary policies and progress in tariff talks, so the pair looks set to weaken.
Nagano	Bear	1.1700 – 1.1150	The dollar is likely to be bought, but there is still a lot of uncertainty about the details of the tariff agreements reached between the US and other nations, so the greenback is unlikely to move bullishly. As such, the euro/dollar pair's downside will be supported as funds continue to shift from the dollar to Europe.
Kato	Bull	1.1700 – 1.1300	As expected, there were some significant adjustments last month. Investors will probably test the euro/dollar pair's downside a little on technical factors, but it is hard to see position adjustments continuing this month on this flow.
Toriba	Bull	1.1900 – 1.1300	The ECB kept policy rates fixed in July, with ECB president Christine Lagarde stressing the bank's wait-and-see stance, so the euro will probably be bought again this month on a lack of alternatives. Eurozone indicators are moving stably, with the euro/dollar pair set to move firmly.
Yamaguchi	Bull	1.1800 – 1.1350	The dollar has been bought back on expectations for trade agreements, with the euro/dollar pair falling as a result. However, the FOMC did not rule out a September rate cut when it met in July, so investors will probably sell the dollar and buy other currencies, with the euro/dollar pair set to move firmly.
(Tomoko) Yamaguchi	Bull	1.1700 – 1.1300	As the US deliberates when to lower rates, the ECB has announced it will keep policy rates fixed for now. The euro/dollar pair has also faced considerable adjustment after being bought from April onwards, so the euro/dollar pair will probably be bought back when investors focus on US rate cuts.
Matsunaga	Bear	1.1850 – 1.1350	With tariff negotiations progressing, attention will probably shift to the US and European economic situation, including the impact of tariffs. If European business results and economic sentiments worsen, the euro/dollar pair could be sold back sharply, so caution will be needed.
Katoono	Bull	1.1650 – 1.1350	Tariff agreements came just at the right time for an adjustment to the euro buying that had occurred until July. However, there is still some uncertainty about the direction of the US once the impact of tariffs truly start to bite. As such, there is skepticism about the durability of dollar buy backs, with the euro/dollar pair set to rise after moving firmly for a time.
Kobayashi	Bull	1.1800 – 1.1300	The euro was sold for a time on the negative reaction to the reciprocal tariffs agreement between the US and Europe, but President Trump is pressurizing the FRB to lower rates, so if US interest rates start sliding, the euro/dollar pair will move bullishly again.
Okuma	Bear	1.1600 – 1.1200	There had been a rush of demand before the US tariffs kicked in, but this trend has waned and GDP is slowing, so the euro/dollar pair will be weighed down by concerns about the impact on the European economy of the 15% tariff on EU goods. The pair soared until last month, but this trend has ended and the pair looks set to trade with a heavy topside.

Ito	Bear	1.1650 – 1.1000	The greenback has been sold since spring, but there are signs the tides are truly shifting, with the FRB in no rush to lower rates. The euro/dollar pair's upside will edge lower this month.
Suzuki	Bear	1.1700 – 1.1100	There is still uncertainty about the impact of the tariffs agreed with the US, so the euro/dollar pair will probably undergo some adjustment after moving bullishly for a time. The pair's upside will also be held down by the US economic situation and the FRB's cautious stance.
Nishi	Bear	1.1600 – 1.1100	If current sentiments continue, it seems the euro/dollar pair will move heavily on dollar buying. With tariff negotiations broadly coming to a close, investors will continue to unwind their dollar shorts. The markets will monitor the data while confirming the results of the Jackson Hole symposium, but the FRB is likely to remain wary of rate cuts.
Matsuki	Bear	1.1650 – 1.1000	Amid strong uncertainty about tariff negotiations, the euro was brought on speculation about some fiscal expansion to support the economy. However, it seems the US had gotten the upper hand in the tariff agreement between the US and Europe, so the dollar will probably be bought back this month.

# British Pound – August 2025

## Expected Ranges

**Against the US\$: US\$1.3100–1.3600**

**Against the yen: JPY192.00–202.00**

## 1. Review of the Previous Month

The GBP/USD pair rallied mid-July, though it weakened on the whole. At the start of the month, there was speculation that UK chancellor Rachel Reeves might step down after the ruling Labour Party had to withdraw a number of bills in the face of a party revolt, so gilts were sold and the currency pair fell sharply. The dollar then strengthened as investors focused on the July 9 deadline for US tariff negotiations. On July 14, Chancellor Reeves then said substantial rate cuts might be on the cards if the employment situation deteriorated, so the pound fell further.

The UK June CPI data topped market forecasts on its release on July 16, so expectations for rate cuts waned, though there was no clear pound buying as a result. The greenback then weakened on July 22 on news that Japan and the US had reached an agreement on a 15% tariff. Reports on July 23 also suggested the US would levy a 15% tariff on the EU too, so the greenback weakened again, with the GBP/USD pair also rallying on euro bullishness. The ECB then announced that it was keeping rates fixed and it also adopted a hawkish stance towards future rate cuts, so the euro was bought against the pound, with this also placing downward pressure on the GBP/USD pair. On July 25, the dollar rose after President Trump poured cold water on speculation about FRB chair Jerome Powell's resignation. It seems the markets were concerned about tail risk connected to the possibility of Mr. Powell stepping down after tariff uncertainty had cleared. With the US and EU reaching a tariff agreement at the weekend, the greenback rose on July 28 as the trend of euro buying was unwound. A wait-and-see mode then prevailed ahead of the FOMC meeting on July 30.

## 2. Outlook for This Month

The GBP/USD pair is expected to move bearishly in August.

The BOE will make a monetary policy announcement on August 7, but at the time of writing the swap markets has priced in around 93% chance of a -25% rate cut. UK assets faces some risk aversion in July in the face of rising fiscal concerns. The decision last year to raise employer national insurance contributions has put a dampener on new hires, with the CBI also releasing a survey that suggests employment is contracting in the consumer services sector. Under these circumstances, the BOE will probably shift in a dovish direction on the rising possibility of September tax hikes. In fact, UK chancellor Rachel Reeves has already hinted that substantial rate cuts might be on the cards if the employment situation deteriorates. The UK July employment data will be released on August 12 and investors could move to price in further rate cuts this year depending on the content. Inflation has remained stubbornly high when it came to services, but there are signs this situation is easing. However, goods prices are rising, with prices trending higher on the whole. In particular, leading indicators suggest gas price inflation will remain high for now, though it may peak out within the year. Despite these lingering inflationary concerns, the GBP/USD pair looks set



to move bearishly on widening expectations for rate cuts on the deteriorating fiscal and employment situation.

# Australian Dollar – August 2025

## Expected Ranges

**Against the US\$: US\$0.6300–0.6590**

**Against the yen: JPY94.00–98.80**

## 1. Review of the Previous Month

In July, the AUD/USD pair moved between the mid-\$0.64 mark and the mid-\$0.66 range.

The pair traded firmly at the mid-\$0.65 level at the start of the month as US stocks hit record highs. The US released some better-than-expected June employment data on July 3, so the pair crashed to the lower-\$0.65 mark, though it then bounced back to its previous level as risk appetite prevailed when US stocks rose sharply. With the RBA board meeting looming the following day, the pair weakened to the upper-\$0.64 range on July 7. The RBA kept the cash rate fixed at 3.85% when it met on July 8. The markets had expected a substantial rate cut, so yields on government bonds then soared and the Australian dollar was bought, with the currency pair temporarily hitting \$0.6559, though half these gains were lost due to sell-backs during US and European trading time. The pair strengthened to just below \$0.66 on July 10 as the greenback was sold on bearish comments by FRB officials. The US dollar then shot up over July 15-16 on the strong results of some US economic indicators. The pair hit \$0.64 for a time. It then flipped back to the mid-\$0.65 level as investors panicked on speculation about FRB chair Jerome Powell's resignation, with the pair subsequently sold back to the lower-\$0.65 mark. The pair temporarily fell to \$0.6455 over July 17-18 on conjecture that the RBA might cut rates at its next meeting. This was prompted by the release of the June Australian employment data, with the number of people in work falling sharply below market expectations and the unemployment rate unexpectedly rising. The currency pair rose to \$0.66 on July 23 as global stocks climbed on the previous day's US/Japan trade agreement and hopes that the EU could also reach a deal with the US. Stocks remained bullish over July 24-25, with the pair hitting a 2025 high of \$0.6625 before then dropping back. The pair rose at the start of July 28 on the US/EU trade agreement, though it was then weighed down by concerns about the impact of the tariff hikes on the European economy. With the euro/dollar pair falling sharply, the greenback rose against most currencies, with the AUD/USD pair also sliding to the lower-\$0.65 mark. Australia's June CPI data then confirmed that inflation was slowing on July 30. With FRB chair Jerome Powell also making some hawkish comments in his press conference after the FOMC meeting, the currency pair weakened to the mid-\$0.64 level.

## 2. Outlook for This Month

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

Australia's 2Q CPI data (released July 30) fell to 2.1% y-o-y (forecast: 2.2%) and 0.7% q-o-q (forecast: 0.8%), with expectations then growing for a rate cut at the August RBA board meeting. The trimmed mean (an indicator closely watched by the RBA) fell from 2.9% y-o-y to 2.7% y-o-y, close to the center of the 2-3% target band. At the last board meeting, six of the nine members voted to keep rates fixed, but given the latest CPI figures, it seems likely the board will adjudge that inflation is returning stably to the middle of the target range. At the time of writing,

bets on one 25bp rate cut at the August meeting have risen to around 94%, with investors also pricing in around 2-3 rate cuts within the year. On the other hand, FRB chair Jerome Powell made some hawkish comments in his press conference after the FOMC meeting, so bets on a rate cut at the September FOMC meeting had fallen to 45% at the time of writing. After bottoming out at the start of July, the Dollar Index has embarked on an upwards trajectory, so it is possible the trend of dollar bearishness will level out on movements after the July FOMC meeting. Under these circumstances, the AUD/USD pair will continue to search for a sense of direction after dropping below bullish channel it formed from the start of the year. The pair's downside will be supported at its 100-day moving average and the 50% Fibonacci line, but if it drops below these levels, the next psychologically-important level will be \$0.64. The pair will trade with a heavy topside for now, but if the RBA board cuts rates when it meets in August, there might be some buy-backs too.

# Canadian Dollar – August 2025

## Expected Ranges

**Against the US\$: C\$1.3600–1.3900**

**Against the yen: JPY105.00–109.00**

## 1. Review of the Previous Month

US and Canada's Independence Day holidays both fell in the first week of July. The US June employment data was released during this time. The nonfarm payrolls figure was up on forecasts, so expectations for an early FRB rate cut waned. The USD/CAD pair temporarily climbed to C\$1.3624 as a result. However, the markets continued to expect two more rate cuts within the year. With other major indicators also suggesting the jobs situation was deteriorating, the currency pair dropped below C\$1.36 to hit the C\$1.35 range. However, President Trump began dispatching warning letters to several trading partners in the week beginning July 7, so the greenback was bought on risk aversion. On July 8, President Trump then announced that he would be levying a further 50% tariff on imports of copper and related products in the upcoming days. This saw the currency pair topping C\$1.37 for the first time in around a week.

Canada's June employment data was released on July 11. At +83,000, the number of jobs grew at the fastest rate this year, with the unemployment rate also improving from 7.0% in April to 6.9%. Market expectations for a rate cut at the July 30 Bank of Canada (BOC) meeting fell further, with most investors convinced rates would be left unchanged. However, the currency pair was weighed down by uncertainty over US/Canada trade talks, so the Canadian dollar was not bought for long.

As the August 1 deadline for US/Canada tariff negotiations loomed late July, news came that the US had reached agreements with Japan, the EU and several other key countries and regions, with excessive concerns about US tariff policies then easing. With the US private-sector employment figure and preliminary 2Q GDP data also topping expectations, the greenback saw more buying. As of noon on July 30, the pair was trading in the lower-C\$1.38 range for the first time since the end of May.

## 2. Outlook for This Month

As expected, the BOC kept its policy rate fixed at 2.75% for the third straight meeting when it met on July 30. It gave three reasons for its decision: 1) the continued high level of uncertainty regarding US/Canadian talks about tariffs and trade, 2) the firmness of the Canadian economy, as evinced by the June employment data, 3) ongoing underlying inflationary pressures. In his press conference last month, BOC governor Tiff Macklem said, "if a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate". This comment was also included in the official statement, with the BOC keeping the door open for further rate cuts.

The key to the USD/CAD pair's movements in August will remain US tariff policies and the direction of US and Canadian monetary policy in the wake of economic indicator announcements.

The US and Canada are conducting trade talks ahead of the August 1 deadline, but the currency pair will continue

to trade with a heavy topside until uncertainty about tariff policies wanes. However, though investors have priced in just under two US rate cuts before the end of the year, this prognosis could be downgraded to one or zero rate cuts. If this happens, the greenback will soar against the Canadian dollar, with the USD/CAD pair likely to be bought back to C\$1.39 for a time.

# Korean Won – August 2025

## Expected Ranges

**Against the US\$: KRW 1,350–1,400**

**Against the yen: JPY 10.36–11.11 (KRW100)**

## 1. Review of the Previous Month

The USD/KRW pair rose in July.

The pair opened the month trading at KRW1351.0 on expectations for early US rate cuts. It then hit a low of KRW1348.5. It was supported at the key KRW1350 mark, though. With investors also focusing on the July 9 deadline for US tariff talks, the greenback began moving bullishly again. The dollar was also buoyed by a series of broadly healthy US economic indicators released at the start of the month. On July 7, the US announced a 25% levy on South Korean goods, with the currency pair then climbing to KRW1370 toward July 8. The BOK kept its policy rate at 2.50% when it met on July 10. The BOK said it was monitoring the impact of US tariffs and increasing household debt due to soaring housing costs. With the governor's speech also falling in line with expectations, the impact on the currency markets was muted. The US government struck a hardline tariff stance towards mid-July, with the USD/KRW pair moving firmly on risk aversion. The won was also sold on uncertainty about US monetary policy after President Trump dropped hints about FRB chair Jerome Powell's resignation, with the currency pair temporarily rising to a high of KRW1394.5. The US treasury secretary denied that Mr. Powell would be stepping down towards the month's end. Excessive concerns also eased after the US reached a series of tariff agreements with Japan and the EU, for example. As a result, the USD/KRW pair fell to close the month at KRW1383.1 (as of 15:30 on July 30).

## 2. Outlook for This Month

The USD/KRW pair is expected to move bearishly in August.

It was announced that South Korea had made a last-minute trade deal with the US which resulted in the levy of a 15% reciprocal tariff rate. Some reports said the US had asked Seoul to pursue a currency policy aimed at driving the dollar lower as part of the deal, but the authorities have denied this. Though a lot will depend on the details of the agreement, it will probably have a considerable impact on the forex markets in the short-term, so caution will be needed.

The BOK is scheduled to meet on August 28, though it will probably keep its policy rate fixed. At the end of June, the government introduced tougher restrictions on home equity loans to tackle soaring housing costs and rising household debt. The data shows homes sales falling, but a slapdash rate cut could cause the housing market to overheat once again. With the BOK also monitoring the impact of tariffs, it will probably remain in wait-and-see mode this month.

Based on the above, it seems the USD/KRW pair will continue to be swayed by US tariffs, but it will probably move somewhat bearishly when the won is bought back as uncertainty clears.

# New Taiwan Dollar – August 2025

## Expected Ranges

**Against the US\$: NT\$28.90–30.40**

**Against the yen: JPY4.65–5.25**

## 1. Review of the Previous Month

The USD/TWD pair edged higher in July.

The pair opened at TWD29.880 on July 1. With AI demand booming, foreign investors then bought back more AI-related stocks. With expectations for US rate cuts also growing, the greenback was sold and the Taiwan dollar temporarily surged to TWD28.80 against its US counterpart. Taiwan's central bank then shortened the exchange settlement transaction time for these foreign investors. This was part of moves to rein in the Taiwan's dollar's sharp rise, though the impact was limited.

The US dollar rallied slightly in overseas markets mid-July. With dividend payments by Taiwanese firms also peaking out, foreign investors sold the Taiwan dollar, with this supporting the USD/TWD pair's downside. Exporters were lining up to sell the greenback at highs, though, so the pair moved in a range around TWD29.20-29.40.

In the second half of the month, with the August 1 deadline for tariff talks looming, the US and Taiwan struggled to reach an agreement. However, news then emerged that the US had struck tariff deals with Japan and the EU, so the US dollar was bought back against major currencies, with the USD/TWD pair also rising gently to TWD29.60 to close the month at this level.

## 2. Outlook for This Month

The USD/TWD pair will probably move in a range in August.

In July, the Taiwan dollar's sharp rise eased off slightly after market participants bought back their accumulated dollar short positions on robust US economic indicators and trade deals with Japan and the EU. However, the Taiwan dollar is still being bought on AI-related demand. With composure also returning to the forex markets, the sense that "selling will lead to selling" has waned.

The markets will probably focus on the US economy this month. If signs of a slowdown emerge on the impact of tariffs and the comedown after the demand rush, the greenback will probably be sold again on falling US interest rates. However, Taiwan's economy is strongly linked to the US economy, with Taiwan also likely to feel the pain after a while, so the Taiwan dollar is also likely to see gradual selling pressure. The USD/TWD pair will probably swing back and forth from August as investors monitor these economic trends.

# Hong Kong Dollar – August 2025

## Expected Ranges

**Against the US\$: HK\$7.8000–7.8500**

**Against the yen: JPY18.40–19.40**

## 1. Review of the Previous Month

In July, the USD/HKD pair floated close to HKD7.85, the upper range of its peg. In May, the Hong Kong Monetary Authority (HKMA) had intervened to sell the Hong Kong dollar. Thereafter, HKD short-term interest rates remained at lows, with dollar-buying carry trades continuing on the back of Hong Kong/US interest-rate differentials. After hitting HKD7.85 late June, the pair floated just below HKD7.85 (the upper range of its peg) until the end of July. As such, it seems the HKMA intervened intermittently to buy the Hong Kong dollar and sell the US dollar.

The US released some firm June employment data at the start of July. When the US June CPI data was released mid-July, meanwhile, it revealed that prices had been impacted slightly by tariffs. As US interest rates rose, the greenback was bought against the Hong Kong dollar too. The pair began floating around HKD7.85, the upper range of its peg, with the HKMA intervening intermittently to buy the Hong Kong dollar and sell the US dollar. These July interventions added up to HKD77.76 billion (as of July 29), with HKD liquidity gradually being absorbed. HKD short-term interest rates had fallen sharply from May to June, with this fall pared back slightly throughout July. However, interest-rate differentials remained wide and there was deep-rooted demand for carry trades, so the USD/HKD pair continued to trade at highs around HKD7.85.

At 2.4%, Hong Kong's May retail sales data rose, the first increase in 15 months, with signs suggesting consumer spending had bottomed out. However, Hong Kong's June import and export growth figures (both y-o-y) slowed, with investors monitoring whether rising uncertainty about the US imposition of reciprocal tariffs would hit the Hong Kong economy.

## 2. Outlook for This Month

In August, the USD/HKD pair will probably trade around HKD7.80–7.85, in the upper half of its peg range. The US posted some firm economic indicators in July. With the FOMC also upgrading its FY2026 rate-cut forecast when it met in June, US interest rates faced upwards pressure. In contrast to the FOMC's June forecast, market participants have actively priced in rate cuts. If these excessive expectations wane, US interest rates will face more upwards pressure, with this underpinning demand for the greenback.

If the US dollar is bought globally on rising US interest rates, the HKMA will intervene at times to buy the Hong Kong dollar at HKD7.85 (the upper range of its peg). If this happens, this could push HKD interest rates up gently. The USD/HKD pair might be pushed lower by demand for the Hong Kong dollar on economic policy. However, if uncertainty grows about the introduction of reciprocal tariffs by the US and the subsequent impact on trading volumes, the Hong Kong dollar might face more selling pressure, with the currency pair continuing to trade close to the upper range of its peg.



# Chinese Yuan – August 2025

**Expected Ranges Against the US\$: CNY 7.1000–7.2500**

**Against the yen: JPY 19.50–21.00**

## 1. Review of the Previous Month

In July, the U.S. dollar/Chinese yuan exchange rate remained stable, fluctuating within a narrow range.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.15 level on July 1. On July 3, the June employment statistics for the U.S. turned out to be stronger than the market estimate and the results of the previous month. As a result, market participants continued actively buying the U.S. dollar, which led the U.S. dollar/Chinese yuan exchange rate to rise and temporarily reach the mid-CNY 7.17 level. However, the U.S. dollar/Chinese yuan exchange rate fell by 100 pips thereafter. Thus, the U.S. dollar/Chinese yuan exchange market saw violent fluctuations. On July 4, the U.S. dollar/Chinese yuan exchange market closed trading at the mid-CNY 7.16 level.

On July 7, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.16 level. U.S. President Donald Trump announced a plan to impose a 10% additional tariff on BRICS countries that emphasize anti-U.S. policies. In reaction to this, the U.S. dollar/Chinese yuan exchange rate rose to the lower-CNY 7.17 level. In the evening of July 8, interest rates rose in the U.S., and the U.S. dollar/Chinese yuan exchange rate continued to rise and reached the lower-CNY 7.18 level. On July 11, the People's Bank of China (PBOC) central parity rate was set at CNY 7.1475, which was the highest level since November last year. In reaction to this, market trends reversed, and the U.S. dollar/Chinese yuan exchange rate fell to the lower-CNY 7.16. On July 11, the U.S. dollar/Chinese yuan exchange market closed trading at around the CNY 7.17 level.

On July 14, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.16 level. On July 15, major economic indices for China were released, including the second-quarter GDP of China. However, the impact on the market was limited. In the evening of the same day, the June Consumer Price Index (CPI) (year-on-year) for the U.S. turned out to be above the market estimate, and this led the U.S. dollar/Chinese yuan exchange rate to rise to the mid-CNY 7.18 level. On July 18, the U.S. dollar/Chinese yuan exchange market closed trading at the mid-CNY 7.17 level.

On July 21, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.17 level. On July 23, the media reported on a possible early agreement in the trade negotiations between the U.S. and Japan as well as the plan for the third trade negotiations between the U.S. and China on July 28 and 29. In reaction to this, risk sentiment in the market improved, and the U.S. dollar/Chinese yuan exchange rate fell to the lower-CNY 7.15 level. On July 24, the U.S. dollar/Chinese yuan exchange rate temporarily reached the upper-CNY 7.14, and the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 7.16 level on July 25.

On July 28, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.16 level. As the trade negotiations between the U.S. and China were held on July 28 and 29, the U.S. dollar/Chinese yuan exchange rate rose to the upper-CNY 7.17 level.

## 2. Outlook for This Month

In August, the U.S. dollar/Chinese yuan exchange rate may rise further, as risks persist in the trade negotiations between the U.S. and China.

By the end of July, some media outlets reported that the U.S. and China had reached an agreement to extend the suspension of the additional tariffs. However, this has only prolonged the issue, and the outcome of the trade negotiations between the U.S. and China remains the most-significant risk in the market. Also, in the market, there has been a somewhat optimistic mood, as both Japan and Europe reached an agreement with the U.S. in trade negotiations. However, if the tensions between the U.S. and China increase further, there are risks for the Chinese yuan to weaken sharply against the U.S. dollar, of which market participants are advised to remain cautious. It seems that the two countries are willing to remain closely engaged in the trade negotiations.

With regard to monetary policy, in the U.S., market participants expect a 70% policy interest rate cut at the Federal Open Market Committee (FOMC) meeting to be held in September. If the market starts to reflect the expected policy interest rate cut further, it is possible for the U.S. dollar to weaken against the Chinese yuan. On the other hand, it is also very possible for trends to reverse if the Federal Reserve Board (FRB) becomes unwilling to cut its policy interest rate based on concerns about inflation risks, as the outcome of the trade negotiations between the U.S. and China remains uncertain. In China, the second-quarter period GDP of China was announced in July, and the result turned out to be +5.2% year-on-year or +5.3% on a half-year basis. Even though this figure slightly exceeds the government target of around 5.0%, this is largely the result of economic stimulus measures. Thus, it can be said that the Chinese economy still lacks strength. Under such circumstances, the PBOC is likely to continue taking measures of monetary easing, and therefore it is difficult to expect the Chinese yuan to appreciate against the U.S. dollar in a one-sided manner. For this reason, the U.S. dollar/Chinese yuan exchange rate is forecast to remain stable, fluctuating within a narrow range between CNY 7.10 and CNY 7.20.

# Singapore Dollar – August 2025

## Expected Ranges

**Against the US\$: SG\$ 1.2800–1.3000**

**Against the yen: JPY 113.00–117.50**

## 1. Review of the Previous Month

In July, the U.S. dollar/Singapore dollar exchange rate rose toward the middle of the month, but it temporarily fell in the second half of the month. Thereafter, the U.S. dollar/Singapore dollar exchange rate started to rise again. In the end, the U.S. dollar/Singapore dollar exchange rate recorded a rise compared to the end of the previous month.

On July 1, the U.S. dollar/Singapore dollar exchange market opened trading at around the SGD 1.27 level, which is the lowest level since 2014. In the first week of the month, the June Purchasing Managers' Index (PMI) for Singapore was announced, and the result turned out to be 50, which is the dividing line in evaluating economic strength. The May retail sales index for Singapore was also announced, and the result turned out to be weaker than the market estimate. Thus, the economic indices of Singapore revealed both strong and weak figures. However, the impact on the market was limited. On July 3, the June employment statistics for the U.S. released, and the results turned out to be stronger than the market estimate. Thus the U.S. dollar/Singapore dollar exchange rate rapidly rose to the upper-SGD 1.27 level immediately after the statistics release, although the exchange rate did not stay at that level for long. In the end, the U.S. dollar/Singapore dollar exchange rate returned to the mid-SGD 1.27 level.

In the second week of the month, the U.S. dollar/Singapore dollar exchange rate rose slowly, while the outlook regarding the tariff policy under the Trump administration remained unclear, fluctuating between optimism and pessimism. As a result, the U.S. dollar/Singapore dollar exchange rate reached the SGD 1.28 level. In the third week of the month, the second-quarter GDP for Singapore (preliminary figure) was announced on July 14, and the result turned out to be 4.3%, exceeding both the market estimate and the figure for the previous quarter, and this indicated that the economy of Singapore is/was stable. However, the impact on the U.S. dollar/Singapore dollar exchange market was minimal. On July 15 and 16, the U.S. dollar/Singapore dollar exchange rate rose and temporarily reached the upper-SGD 1.28 level, as the June Consumer Price Index (CPI) for the U.S. revealed price increases in some sectors that are exposed to the impact of tariffs.

In the fourth week of the month, market trends reversed, and the U.S. dollar/Singapore dollar exchange rate started to fall. By July 24 local time in Asia, the U.S. dollar/Singapore dollar exchange rate reached the mid-SGD 1.27 level. This is probably a result of the fact that interest rates in the U.S. fell gradually after the Federal Reserve Board (FRB) officials made a remark to support policy interest rate cuts. However, the U.S. dollar/Singapore dollar exchange rate continued rising again toward the end of the month. Then, on July 28, the media reported that the U.S. had reached an agreement with the EU in trade negotiations, which led the U.S. dollar/Singapore dollar exchange rate to rally and approach the SGD 1.29 level. It is also worth mentioning that the Monetary Authority of Singapore (MAS) held a regular monetary policy meeting on July 30, and the policy interest rate was maintained at the existing level—as had been anticipated in the market. In reaction to this, the U.S. dollar/Singapore dollar exchange rate fell by up to approximately 20 pips and, as of this writing, has been fluctuating at the upper-SGD 1.28 level.

## 2. Outlook for This Month

In August, the U.S. dollar/Singapore dollar exchange rate is forecast to rise slightly. In July, the U.S. dollar/Singapore dollar exchange rate rose, finally putting an end to the downtrend that continued for six months from the beginning of the year (based on the closing rate of the month).

The outlook for the U.S. dollar/Singapore dollar exchange market is not likely to change significantly in the times ahead, and the U.S. dollar/Singapore dollar exchange rate is forecast to rise based on the difference in monetary policy between the U.S. and Singapore. The U.S. dollar/Singapore dollar exchange rate had been kept low, as the situation related to the tariff policy under the Trump administration remained uncertain. However, the level of uncertainty is declining recently, and market participants are less sensitive to various headlines in the news. Thus, the market is expected to reflect the number of policy interest rate cuts in the U.S. indicated in the FRB's dot plot as long as the economic indices for the U.S. remain stable, including those related to the CPI and the labor market in the U.S. At the same time, market participants are expected to start selling the U.S. dollar and buying the Singapore dollar again, based on the rise in interest rates in the U.S.

In terms of domestic factors in Singapore, the MAS held its regular monetary policy meeting on July 30 and decided to maintain its policy interest rate at the existing level, explaining that the decision was based on the mitigated uncertainty over the tariff policy under the Trump administration as well as the unexpected rise of the second-quarter GDP for Singapore. In its statement, the MAS expressed concerns over the resurgence of inflation in the second half of 2025, and the main cause for the inflation would be the weakening impact of the policy to provide medical subsidies in Singapore and weakening downward pressure on global petroleum prices.

If the economic indices of Singapore remain strong in the times ahead with signs of the resurgence of inflation, as pointed out by the MAS, it would be more difficult for the MAS to introduce further measures of monetary easing. In such a case, the U.S. dollar/Singapore dollar exchange rate is more likely to fall. Thus, market participants are advised to maintain close attention to the domestic economy in Singapore.

# Thai Baht – August 2025

## Expected Ranges

**Against the US\$: THB 32.10–33.10**

**Against the yen: JPY 4.45–4.65**

## 1. Review of the Previous Month

In July, the U.S. dollar/Thai baht exchange market opened trading at the mid-THB 32 level. Thereafter, the Constitutional Court of Thailand suspended the Prime Minister of Thailand from office, due to an ongoing investigation into his involvement in the border conflict between Thailand and Cambodia. As a result, the U.S. dollar/Thai baht exchange rate fluctuated in both directions. However, the U.S. dollar/Thai baht exchange rate did not move outside of the range of the mid-THB 32 level. On July 3, the June employment statistics for the U.S. were released, but they did not have significant impact on the U.S. dollar/Thai baht exchange market, and the U.S. dollar/Thai baht exchange rate continued fluctuating at the same level. Thereafter, on July 7, U.S. President Donald Trump revealed a proposal to impose a 10% additional tariff on BRICS countries that support anti-U.S. policies. In reaction to this, the U.S. dollar/Thai baht exchange rate rose. Furthermore, the June Consumer Price Index (CPI) for Thailand turned out to be below the market estimate on a year-on-year basis, and this became another factor to support the rise of the U.S. dollar/Thai baht exchange rate. As a result, on July 9, the U.S. dollar/Thai baht exchange rate rose further to reach the monthly high at the upper-THB 32 level. However, in the middle of the month, interest rates in the U.S. declined, and the U.S. dollar/Thai baht exchange rate also started to fall, returning to the mid-THB 32 level. On July 16, the media reported on the possibility for U.S. President Donald Trump to dismiss Federal Reserve Board (FRB) Chair Jerome Powell. On July 18, an FRB governor, Christopher Waller, supported policy interest rate cuts. Thus, concerns grew over the outlook of monetary policy in the U.S., and the U.S. dollar/Thai baht exchange rate continued falling in an accelerated manner. As a consequence, on July 21, the U.S. dollar/Thai baht exchange rate fell to the lower-THB 32 level. On July 24, the U.S. dollar/Thai baht exchange rate once fell below the low recorded in September 2024. However, tensions between Thailand and Cambodia have intensified again due to confirmed civilian casualties near the border between the two countries. In reaction to this, the U.S. dollar/Thai baht exchange rate started to rise again. On July 28, the media reported that the two countries reached a ceasefire agreement as well as an agreement between the U.S. and EU in trade negotiations. As a result, the U.S. dollar/Thai baht exchange rate returned to the mid-THB 32 level. As of 3:00 p.m. on July 30 local time in Thailand, when this article was being written, the U.S. dollar/Thai baht exchange rate remains at the same level.

## 2. Outlook for This Month

The U.S. dollar/Thai baht exchange rate remains low, despite various factors of uncertainty such as the political confusion caused by the suspension of the Thai prime minister, the intensification of the conflict near the Cambodian border, and ongoing trade negotiations with the U.S. (as of July 30). On the contrary, in July, the U.S. dollar/Thai baht exchange rate fell below the lowest level recorded at the end of September 2024, once reaching its lowest level in approximately 3.5 years. Under such circumstances, in terms of the rate of fluctuation,

the Thai baht appreciated against the U.S. dollar by approximately 4.6% from the beginning of April, at which U.S. President Donald Trump announced a plan to introduce a reciprocal tariffs policy, to July 29. This rate of appreciation is by no means particularly high compared to other currencies of Asian countries as well as other major currencies. Furthermore, the U.S. dollar index has significantly declined during the same period. Given this situation, the current situation is only a result of the depreciation of the U.S. dollar. On the other hand, the U.S. dollar/Thai baht exchange rate does not seem to be starting to rise vigorously, despite the fact that the media recently reported that the U.S. had concluded trade agreements with Japan and the EU—somewhat mitigating concerns over the tariff negotiations. Thus, the U.S. dollar/Thai baht exchange rate may continue fluctuating within a narrow range around the mid-THB 32 level for a while. However, there have been a number of factors that could weaken the Thai baht against the U.S. dollar, such as the issue of border conflicts in which bombardments have reportedly continued even after the ceasefire agreement, as well as the slowdown in the tourism sector, in which both the number of tourists and the amount of revenues in the sector recorded negative year-on-year growth (in total, from January to June). Thus, market participants are advised to remain cautious of the possible rise in the U.S. dollar/Thai baht exchange rate as one of the possible risk scenarios.

# Malaysian Ringgit – August 2025

## Expected Ranges

**Against the US\$: MYR 4.2200–4.3000**

**Against the yen: JPY 34.00–35.00**

## 1. Review of the Previous Month

In July, the U.S. dollar/Malaysian ringgit exchange market opened trading at the upper-MYR 4.20 level. Soon after, the U.S. dollar/Malaysian ringgit exchange rate fell to the MYR 4.17 level—the monthly low—as interest rates in the U.S. fell after a remark by a U.S. government official who denied the possibility of increasing the issuance of government bonds. However, U.S. President Donald Trump made an optimistic remark regarding the tariffs policy thereafter, which led the U.S. dollar/Malaysian ringgit exchange rate to rally to the MYR 4.22 level. Furthermore, the June employment statistics of the U.S. turned out to be stronger than the market estimate. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate reached the upper-MYR 4.23 level on July 4. Yet, the appreciation of the U.S. dollar slowed down when the U.S. announced a plan to send letters to global leaders indicating new tariff rates. In the following week, U.S. President Donald Trump indicated that BRICS countries that support anti-U.S. policy would be imposed an additional tariff, and this fueled the cautious feeling in the market. As a result, the U.S. dollar/Malaysian ringgit exchange rate rose to the MYR 4.24 level. The U.S. announced that Malaysia would be imposed a 25% tariff with a grace period until August. Under this context, the central bank of Malaysia decided to cut its policy interest rate for the first time in five years at a monetary policy committee (MPC) meeting held on July 9. However, as this had been anticipated in the market, the U.S. dollar/Malaysian ringgit exchange rate only rose slightly from the MYR 4.24 level to the MYR 4.25 level. In the middle of the month, tariff rates for Europe and Mexico were announced. However, the second-quarter GDP of China turned out to be unexpectedly stronger than the market estimate, and this strengthened the Malaysian ringgit as well. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate fell to the lower-MYR 4.24 level. Even though the U.S. suggested a possible tariff on semiconductors, this did not impact the market significantly, as it was not yet a final decision. Subsequently, the June Consumer Price Index (CPI) for the U.S. was announced, revealing an increase in the number of items with high import ratios. As a result, concerns grew over inflation in the U.S., which encouraged market participants to buy the U.S. dollar. Yet, a Federal Reserve Board (FRB) governor later supported a policy interest rate cut in July. Consequently, the U.S. dollar/Malaysian ringgit exchange market opened on July 18 with a stronger Malaysian ringgit. Thereafter, the second-quarter GDP and trade statistics of Malaysia were released with both strong and weak figures, which somewhat offset the appreciation of the Malaysian ringgit toward the end of the day.

At the end of the month, the U.S. dollar/Malaysian ringgit exchange market opened trading at the MYR 4.24 level on July 21. Multiple countries, including Japan, Indonesia, and the Philippines, reached an agreement in trade negotiations before the deadline, which was set on August 1. Therefore, the sense of uncertainty was mitigated globally, weakening the U.S. dollar against many currencies. In Malaysia, the Prime Minister Anwar Ibrahim announced on July 23 that MYR 100 would be provided in cash payments to all Malaysian citizens while also reducing petrol prices in order to counter rising living costs. However, this impacted the U.S. dollar/Malaysian ringgit exchange market only to a limited extent. In the end, the U.S. dollar/Malaysian ringgit exchange rate fell to



the MYR 4.21 level on July 25, as a result of the improved market sentiment.

## 2. Outlook for This Month

In August, the U.S. dollar/Malaysian ringgit exchange market is forecast to remain high and stable, as was the case in July. The U.S., which is one of the top trade partners of Malaysia, announced an unexpected tariff rate that was 1% higher than the originally announced rate, and this has been fueling concerns over a slowdown in exports as well as downward revisions to economic growth outlooks. Facing the U.S., Malaysia took immediate action to mitigate concerns over possible indirect exports. However, it seems difficult for Malaysia to overcome the issue, as the U.S. has raised issues regarding non-tariff trade barriers such as foreign capital restrictions.

On the other hand, the preliminary figure of the second-quarter GDP of Malaysia was announced in the middle of July, and the result turned out to be +4.5%, while the estimate was +4.1%. This result was also stronger than that of the previous quarter, thanks to strength in the services sector, which has a high GDP contribution ratio, and due to the increase of last-minute exports in April. From a bold point of view, it could be said that the strength in the services sector is everything, as it has a GDP contribution ratio that is larger than 50%. However, the U.S. tariff policy has been impacting market sentiment globally. Under such circumstances, the Malaysian economy is more likely to slow down gradually, as business confidence is expected to decline in Malaysia due to a downturn in exports, not only to the U.S. but also to other trade partners, particularly in electrical and electronic goods, which are major exports from Malaysia. Furthermore, it is too early to have an optimistic view at this point, as economic figures for the third quarter have not yet been out. Thus, it is difficult to expect the Malaysian ringgit to appreciate, even though the media reported several days ago that the Malaysian government was seeking to achieve a tariff rate of around 20%.

The outcome of the Federal Open Market Committee (FOMC) meeting held in July was slightly hawkish. If the FRB maintains the same attitude at the Jackson Hole Economic Symposium to be held in August, this would also likely keep the U.S. dollar/Malaysian ringgit exchange rate high.



# Indonesian Rupiah – August 2025

## Expected Ranges

**Against the US\$: IDR 16,200–16,600**

**Against the yen: JPY 0.8800–0.9200 (IDR 100)**

## 1. Review of the Previous Month

In July, the U.S. dollar/Indonesian rupiah exchange rate rose.

On July 1, the U.S. dollar/Indonesian rupiah exchange market opened trading at the upper-IDR 16,100 level. On the same day, the June inflation rate for Indonesia was announced, recording an increase of 1.87% year-on-year, which was slightly higher than the market estimate. However, this impacted the foreign exchange market only to a limited extent. From July 2 to July 4, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating within a narrow range between the upper-IDR 16,100 and the lower-IDR 16,200 level, as market participants were waiting for the outcome of trade negotiations with the U.S. and the release of U.S. economic indices, which was scheduled for the following weekend. On July 7 and 8, risk-averse sentiment grew in the market, as U.S. President Donald Trump had announced his plan to impose an additional 10% tariff on BRICS countries that support anti-U.S. policy. As a consequence, market participants actively bought the U.S. dollar and sold the Indonesian rupiah, leading the U.S. dollar/Indonesian rupiah exchange rate to rise and reach the mid-IDR 16,200 level. However, after a while, this trend ended, and there were no new factors that affected the market. Thus, the U.S. dollar/Indonesian rupiah exchange rate remained at the lower-IDR 16,200 level.

On July 15, the media reported that the reciprocal tariff would be 19% based on the summit negotiations between the U.S. and Indonesia, and this temporarily led to the appreciation of the Indonesian rupiah. However, on July 16, impact of U.S. tariff policies on inflation was suggested, which caused the appreciation of the U.S. dollar. Furthermore, the outcome of a regular meeting held by the central bank of Indonesia was announced on the same day, revealing a decision to cut the seven-day reverse repo rate, which is the main policy interest rate in Indonesia, by 25 basis points, to 5.25%. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rose to reach the lower-IDR 16,300 level. From July 21 to July 23, the U.S. dollar/Indonesian rupiah exchange rate fell and temporarily reached the upper-IDR 16,200 level, as some countries including Japan and the Philippines had reached an agreement with the U.S. in trade negotiations. However, on July 24, the central bank of Indonesia pointed out that a trade agreement with the U.S. might end up in increasing the import of items that are supporting domestic economic activities, as a result of which market trends reversed. The U.S. dollar/Indonesian rupiah exchange rate thus rose to reach the lower-IDR 16,300 level. On July 28 and 29, market participants continued buying the U.S. dollar, as there was a trade agreement between the U.S. and the EU. Consequently, the U.S. dollar/Indonesian rupiah exchange rate once reached the IDR 16,400 level.

## 2. Outlook for This Month

The U.S. dollar/Indonesian rupiah exchange rate is forecast to be high and stable in August.

The central bank of Indonesia held a monetary policy meeting on July 15 and 16 and decided to cut the seven-

day reverse repo rate, which is the main policy interest rate in Indonesia, by 25 basis points, to 5.25%. In a statement issued by the central bank as well as at the press conference of the governor of the central bank of Indonesia, Perry Warjiyo, the economic growth outlook for 2025 was maintained at +4.6–5.4%. On the other hand, regarding the inflation level, which has been on a downtrend, the possibility for a further decline was mentioned. The outcome of the trade negotiations, as explained below, was another reason for the decision to cut the policy interest rate, and the central bank emphasized that it was ready to continue supporting the economy. Furthermore, Indonesia announced the conclusion of trade negotiations with the U.S. on July 15. The tariff rate announced in April and July was 32%, but the finalized rate was 19%. On the other hand, based on what was indicated by U.S. President Donald Trump, the tariff rate imposed by Indonesia on the U.S. would be zero. However, the tariff policy is not likely to have relatively low impact on Indonesia, as Indonesia is closely tied to China, and the dependency on external demand is relatively low compared to other emerging countries. However, market participants are advised to pay close attention to a possible deterioration in the trade balance for Indonesia, despite its consistent trade surplus based on its status as a resource-exporting country. The U.S. dollar/Indonesian rupiah exchange rate reached its all-time low in the middle of April this year, after which the Indonesian rupiah has been appreciating up until the end of July. However, this is likely to be the result of the depreciation of the U.S. dollar caused by the sense of uncertainty related to the U.S. tariff policy. From the viewpoint of the tariff policy, in the times ahead, the Indonesian rupiah is expected to weaken, while the U.S. dollar is expected to strengthen, as the sense of uncertainty has been mitigated. It is also worth mentioning that the central bank of Indonesia cut its policy interest rate in July. If concerns grow over an economic slowdown, the policy interest rate may be cut further, which would weaken the Indonesian rupiah more steadily.

# Philippine Peso – August 2025

## Expected Ranges

**Against the US\$: PHP 56.50–58.50**

**Against the yen: PHP 0.380–0.400**

## 1. Review of the Previous Month

**In July, the U.S. dollar/Philippine peso exchange rate was at its lowest level at the beginning of the month, after which the Philippine peso started to weaken gradually against the U.S. dollar again.**

In July, the U.S. dollar/Philippine peso exchange market opened trading at PHP 56.25. In the first part of the month, market participants bought the Philippine peso, as long-term interest rates in the U.S. had been declining since June, and this impacted the U.S. dollar/Philippine peso exchange market. Thus, at the beginning of the month, the U.S. dollar/Philippine peso exchange rate fell to reach PHP 56.145—the monthly low for the U.S. and the monthly high for the Philippine peso. However, market trends reversed thereafter, as interest rates in the U.S. had bottomed out, and when the June price statistics for the Philippines turned out to be weaker than the estimate, market participants started to buy back the U.S. dollar. As a consequence, the U.S. dollar/Philippine peso exchange rate rose to reach the mid-PHP 56 level. Subsequently, the U.S. dollar/Philippine peso exchange rate did not move in any direction, fluctuating within a narrow range at the mid-PHP 56 level. This is because market participants were reacting to sporadic media reports related to the U.S. tariff policy with a mixture of optimism and pessimism, while the deadline for trade negotiations that was announced in April was approaching.

In the second half of July, long-term interest rates in the U.S. rose, as the deadline for trade negotiations related to the U.S. tariff policies was virtually extended to the beginning of August, while some economic indices for the U.S. recorded strong results. Following this trend, the U.S. dollar/Philippine peso exchange market also saw the appreciation of the U.S. dollar. Thus, the U.S. dollar/Philippine peso exchange rate reached PHP 57 for the first time in approximately three weeks. However, thereafter, economic activities in the Philippines slowed down due to a heavy rainfall that continued for a week, causing floods in some areas. Under such circumstances, demand to buy the Philippine peso grew in the market, and the U.S. dollar/Philippine peso exchange rate fell to approach the mid-PHP 56 level again. At the end of the month, market participants bought back the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate rose to approach the PHP 58 level.

## 2. Outlook for This Month

**In August, the Philippine peso is most likely to depreciate gradually against the U.S. dollar.**

In July, market participants bought back the U.S. dollar, as some economic indices for the U.S. improved, and the sense of uncertainty was mitigated regarding the outcome of trade negotiations. In August, the U.S. dollar/Philippine peso exchange rate is expected to fluctuate in both directions within a narrow range between the mid-PHP 57 level and the lower-PHP 58 level, depending on the figures in the economic indices, such as those

related to employment, inflation, and GDP, for both the U.S. and the Philippines, many of which are scheduled to be out in the first half of the month. The subsequent trends in the U.S. dollar/Philippine peso exchange market are likely to reflect the conditions in the real economy.

In its most-recent statement, the central bank of the Philippines suggested at least two policy interest rate cuts before the end of 2025, taking into account the growing impact of the tariff policy as well as outlook for trends in prices. There are three monetary policy meetings scheduled before the end of the year. Although it depends on the economic data that is to be out at the beginning of August, such as the Consumer Price Index (CPI) and GDP for the Philippines, it is probable for the central bank of the Philippines to cut its policy interest rate at the monetary policy meeting scheduled for the end of August. For the time being, the psychological resistance line is likely to remain at the lower-PHP 58 level, and the U.S. dollar/Philippine peso exchange rate is forecast to fluctuate in both directions, while the Philippine peso is weakening gradually against the U.S. dollar.

Risk scenarios include acceleration of the pace at which the market reflects policy interest rate cuts in the U.S. in the times ahead, based on unexpected weakening of the U.S. real economy, in addition to irregular factors such as unforeseen remarks by U.S. President Donald Trump. In such a case, it is possible for the U.S. dollar/Philippine peso exchange rate to return to the PHP 56 level again.

# Indian Rupee – August 2025

## Expected Ranges

**Against the US\$: INR 85.50–88.00**

**Against the yen: JPY 1.61–1.81**

## 1. Review of the Previous Month

**In July, the Indian rupee depreciated against the U.S. dollar.**

In July, the U.S. dollar/Indian rupee exchange market opened trading at the upper-INR 85 level. At the beginning of the month, the U.S. dollar/Indian rupee exchange rate fell below the mid-INR 85 level, and the Indian rupee appreciated against the U.S. dollar in reaction to transactions that are likely to be position adjustment. However, there were also transactions based on actual demand, and the U.S. dollar/Indian rupee exchange rate did not fall significantly thereafter. In the middle of the month, the U.S. dollar/Indian rupee exchange rate continued fluctuating at around the INR 86 mark, remaining low. However, toward the end of the month, pressure to buy the U.S. dollar grew again, and the Indian rupee slowly depreciated against the U.S. dollar. On the other hand, the Reserve Bank of India (RBI) intervened in the foreign exchange market in order to keep the U.S. dollar/Indian rupee exchange rate from rising further. Thus, the U.S. dollar/Indian rupee exchange market was balanced without the Indian rupee excessively weakening. In the end, the U.S. dollar/Indian rupee exchange market closed trading at the upper-INR 86 level (as of July 28).

The BSE Sensex started trading at the upper-83,000 level, after which it approached its highest level for the year at the beginning of the month. However, the rise of the index did not continue, and the rise was gradually offset. From the middle to the end of the month, the BSE Sensex hovered at around the 82,000 level. Thereafter, market participants started to sell stocks to take profits, causing the index to fall below the 81,000 level, and trading closed at that level on July 28. In July, there was a slight net sell by foreign investors in the Indian stock market on a single-month basis.

In terms of economic indices for India, the June manufacturing and services Purchasing Managers' Index (PMI) turned out to be stronger than the previous month's figures. The June Consumer Price Index (CPI, year-on-year) turned out to be +2.10%, with a decline from the +2.82% recorded in the previous month. In the June trade balance, the amount of trade deficit contracted; however, there was no change in the persistent trade deficit.

## 2. Outlook for This Month

**In August, the U.S. dollar/Indian rupee exchange rate is forecast to rise and remain at around the turning point.**

In August, the U.S. dollar/Indian rupee exchange rate is forecast to rise and approach the INR 87 mark. However, as the RBI is likely to intervene in the foreign exchange market to balance the exchange rate, it is unlikely for the U.S. dollar/Indian rupee exchange rate to rise further. U.S. President Donald Trump has changed his stance on tariff

policies, and this strengthened pressure to buy the U.S. dollar again. In such a context, it is easy for the Indian rupee to weaken against the U.S. dollar. However, the Indian rupee is not expected to depreciate excessively, and market volatility is likely to ease, based on the assumption that the RBI will intervene in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling significantly, to promote exports. For this reason, the U.S. dollar/Indian rupee exchange rate is expected to fluctuate in both directions.

Looking back at the monetary policy of the RBI, at the previous monetary policy committee (MPC) meeting held in June, the RBI unexpectedly decided to cut its policy interest rate by 50 basis points to 5.50%, which was a more-significant cut than the market estimate. At the same time, the stance of monetary policy was also shifted from the previous monetary easing to neutral. Furthermore, the governor of the RBI made a remark to emphasize that there was a limit for further policy interest rate cuts. It is also worth mentioning that the latest CPI was close to the lower end of the inflation target range. Thus, the RBI is forecast to maintain its policy interest rate at the existing level at the MPC meeting in August.

The current account balance recorded a surplus for the first time in four quarters, improving the balance between supply and demand. Thus, the U.S. dollar/Indian rupee exchange rate has been lower than that in the past. However, the volatility in the foreign exchange market has been higher than that in the past, as the RBI has taken a policy to accept volatility in the foreign exchange market. Thus, the U.S. dollar/Indian rupee exchange market remains highly volatile. On the other hand, the RBI continues to control the foreign exchange market when the U.S. dollar/Indian rupee exchange rate approaches the psychological turning point, and thus the general trend is unchanged. For these reasons, the U.S. dollar/Indian rupee exchange rate is expected to be low, while the Indian rupee continues depreciating slowly against the U.S. dollar.

This report was prepared based on economic data as of July 31, 2025.

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