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Mizuho Dealer’s Eye

July 2025

Mizuho Bank, Ltd.

Global Foreign Exchange Department

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U.S. Dollar – July 2025

Expected Ranges **Against the yen: JPY140.50–147.00**

Outlook for This Month

The dollar/yen pair will move erratically in July as the deadline for tariff negotiations looms, but there is not much momentum for dollar buy-backs, so the pair will probably trade with a heavy topside for a prolonged period.

The postponement of the Trump administration's reciprocal tariffs will end on July 9, with trade talks between the US and other nations like Japan set to wrap up before this date. Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick have made several announcements about the closeness of deals with other countries. President Trump also raised the possibility of a further extension when he said he could extend or shorten the timeframe for negotiations, though he could well grow impatient from here on. As such, there are concerns the markets could once again be buffeted by tariff headlines. Furthermore, when the FRB's blackout period ended late June, FRB governor Christopher Waller, FRB vice chair Michelle Bowman and other officials make positive noises about a July rate cut, with expectations growing for rate cuts this year. The majority of FOMC members are still not behind a rate cut, but investors could move to price in such a move ahead of the month-end FOMC meeting depending on the results of the US employment data (released early July) and the CPI and retail sales data (released mid-July). The 1Q GDP data and the May Personal Consumption Expenditure (PCE) both hinted at slowing consumer spending, with the employment data likely to see a slight upswing in unemployment, partly for seasonal reasons. President Trump will be wanting to pass his huge tax and spending bill before Independence Day. Market participants should keep an eye on this situation and on early speculation about the nomination for the next FRB governor. On the whole, there is unlikely to be much momentum for dollar buy-backs, with the markets likely to test the Dollar Index's lowest level for three years and four months. The Bank of Japan (BOJ) Monetary Policy Meeting is scheduled for the end of July. Investors should monitor the contents of the BOJ's Outlook Report while watching to see whether the BOJ shifts its opinions following the end of tariff negotiations and the Japanese upper house election. The BOJ will be more open to rate hikes if uncertainty clears up. However, even if the BOJ sticks to its current stance, investors are unlikely to unwind their accumulated yen long positions if uncertainty lingers on a lack of progress in tariff talks between the US and other major nations.

Dealers' Market Forecast

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

Bullish on the dollar	5 bulls	148.50 – 142.00	Bearish on the dollar	11 bears	147.00 – 140.50

* Ranges are central values

Seki	Bull	148.00 – 144.00	President Trump's tax and spending bill will probably be approved, with Middle East risk also likely to wane. Investors are also growing more relaxed about tariff negotiations, with the US stance earning the nickname TACO ("Trump Always Chickens Out"). As such, risk appetite looks set to remain, though investors will be treading on thin ice. In the end, the dollar/yen pair will probably trade in a range as the markets test 148 yen again.
Yamazaki	Bear	146.50 – 138.50	The dollar/yen pair will trend lower in July. There is still headline risk and geopolitical risk, but the pair will face downward pressure as investors focus on the divergent monetary policy directions of the US and Japan.
Nagano	Bear	147.00 – 140.00	The dollar/yen pair will continue to move erratically on speculation about further tariffs. Tariffs are starting to negatively impact consumer spending and other US hard data, with the pair likely to move with a heavy topside on growing expectations for rate cuts.
Kato	Bear	147.00 – 140.00	There will be no major shift in the trend of dollar selling, though yen long positions have risen quite high. However, the dollar/yen pair is a Goldilocks pair, with the yen now in the ascendancy, so even if some position adjustments do take place, they will probably be muted.
Toriba	Bear	148.00 – 140.00	The dollar will continue to trade with downside risk on the whole on as Trump tariffs hit the real economy and the FRB tweaks policy rates in response. With these factors still to run their course, investors should respond by selling back the dollar.
Yamaguchi	Bear	147.00 – 140.00	The dollar/yen pair temporarily hit 148 yen in June, though it soon dropped back to 144 yen. With FRB rate cuts looking likely from summer onwards, the pair will probably trade with a with a heavy topside on expectations for shrinking Japanese/US interest-rate differentials.
(Tomoko) Yamaguchi	Bull	147.00 – 142.00	In June, investors moved to price in more than two rate cuts within the year. Economic indicators are certainly slowing, but inflationary concerns are also rising again. The dollar/yen pair will probably rise as expectations for rate cuts wane.
Matsunaga	Bull	148.50 – 141.50	The US labor market has only slowed slightly. There are also concerns about rising prices over summer. As such, the FRB will probably shift in a dovish direction. The dollar/yen pair looks set to trade in a range around 145 yen.
Katoono	Bear	147.00 – 140.50	The dollar/yen pair will move erratically in July as the deadline for tariff negotiations looms, but there is not much momentum for dollar buy-backs, so the pair will probably trade with a heavy topside for a prolonged period. The FRB might grow more dovish on deteriorating US economic indicators, so caution will be needed.
Okuma	Bear	147.00 – 141.00	With US economic indicators slowing, the dollar/yen pair will move heavily on rising expectations for an early FRB rate cut. Faith in the dollar has also fallen following President Trump's attacks on FRB chair Jerome Powell, with the pair set to move with a heavy topside.
Ito	Bull	150.00 – 142.00	Investors continue to sell the dollar, but this flow will probably be wound back in July. The dollar has been overly sold on Trump tariffs and expectations for early rate cuts (roused by speculation about the FRB chair).

Han	Bear	147.00 – 141.50	Investors will be monitoring the data to check the economic impact of Trump tariffs. The dollar/yen pair looks set to move heavily on stagflation concerns.
Suzuki	Bear	147.00 – 142.00	There is a dearth of factors conducive to active yen buying, but investors are moving to price in US rate cuts, so dollar selling will steadily increase, with the dollar/yen pair set to move with a heavy topside. There are also concerns about the impending end to the postponement of further tariffs, with the pair likely to face downward pressure.
Nishi	Bear	147.00 – 141.00	The US hard data is deteriorating on the impact of Trump tariffs, so investors should expect more dollar selling this month. The independency of the FRB has also been weakened by President Trump's criticism of FRB chair Jerome Powell, with the dollar/yen pair set to move bearishly as a result.
Harada	Bear	147.00 – 141.00	There are growing concerns that the US economy will slow on the impact of US tariff policies, with market participants selling the dollar in anticipation of early FRB rate cuts. US/Japan trade talks about tariffs are also hitting choppy waters, so the dollar will probably be sold on growing uncertainty.
Matsuki	Bull	148.50 – 142.50	There have been no signs of progress in US/Japan trade negotiations. With BOJ monetary policy also becoming more dovish, yen long positions are being steadily unwound. With the cross yen also moving firmly on bullish stocks, the dollar/yen pair looks set to move firmly this month.

Michiyoshi Kato, Global FI Team, Global Foreign Exchange Department

Euro – July 2025

Expected Ranges	**Against the US$: US$1.1300–1.1900**
	Against the yen: JPY164.00–171.00

Outlook for This Month

The euro will rise at a sluggish pace against the dollar and yen in July.

Anticipation for a eurozone economic recovery has been roused by forecasts for increased fiscal spending on EU rearmament plans. Furthermore, market participants are broadly expecting a cessation of ECB rate cuts and a continuation of FRB rate cuts this year. There are also hopes that the Ukraine situation will cool off. As such, the euro has been moving firmly since spring. The prime mover behind euro bullishness before interest rate movements was declining confidence in the US, with interest rate trends adding impetus to this "euro strength due to enemy weakness." In her press conference after the ECB Governing Council had implemented a -25bp rate cut, ECB president Christine Lagarde hinted at the end to the monetary easing cycle. On the other hand, the markets were expecting the US to cut rates in September, with some observers even predicting a July rate cut, with euro appreciation spurred on by anticipation for a collapse in the structure behind the dollar's strength. Investors will be expecting the euro/dollar pair to rise this month too.

However, the environment will also be ripe for some euro selling to lock in gains. The currency pair has approached $1.17 for the first time since October 2021 on a ceasefire between Israel and Iran and on the growing likelihood of a US September rate cut, with speculative euro long positions piling up quite high in the IMM currency futures market. It would not be unusual if the markets saw some substantial adjustive selling at some point. If the contents of the eurozone Harmonised Index of Consumer Prices (HICP) suggest the ECB would be justified in halting rate cuts, the euro will probably be bought, but with speculative long positions having swollen so high, it is likely investors would use this as an opportunity to sell to realize profits. ECB staff members have also pointed to the risk of the euro/dollar pair swinging either up or down on the Trump administration's tariffs, so further rate cuts cannot be completely ruled out.

Dealers' Market Forecast

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

Bullish on the euro	13 bulls	1.2000 – 1.1500	Bearish on the euro	3 bears	1.1900 – 1.1300

* Ranges are central values

Seki	Bull	1.1200 – 1.1600	At the start of July, attention will focus on how President Trump's tax and spending bill fares in the Senate. US fiscal instability will probably rise around this time, with the greenback continuing to be sold. The ECB has also hinted at bringing rate cuts to a close, so the euro/dollar pair is likely to remain bullish.
Yamazaki	Bear	1.1950 – 1.1100	The euro/dollar pair will swing lower this month. The pair has undergone a sustained rise, but there will be some adjustment from here on. The pair will be swayed by concerns about the direction of tariffs, but it is expected to move with a heavy topside overall.
Nagano	Bull	1.2000 – 1.1500	Funds will continue flowing into the euro on deteriorating US hard data and expectations for shrinking interest-rate differentials. Investors could test $1.20 for the first time since 2021.
Kato	Bear	1.1900 – 1.1300	The euro/dollar pair has approached $1.17 for the first time since 2021, with euro long positions piling up quite high. There will be no major trend shift, but it would not be unusual to see some substantial position adjustments.
Toriba	Bull	1.2300 – 1.1300	ECB president Christine Lagarde has hinted at an end to successive rate cuts, with the ECB and FRB likely to move in different directions from here on. It is hard to imagine funds flowing back into the US in any great volume, with the euro/dollar pair likely to edge higher as the euro is bought on a lack of alternatives.
Yamaguchi	Bull	1.1900 – 1.1500	June saw a risk reversal (with both 1M and 3M), with this leading to a surfeit of put options, though the markets had returned to a surfeit of call options by the end of the month. The greenback has fallen sharply since January and this trend looks set to continue, with the euro/dollar pair's topside edging higher.
(Tomoko) Yamaguchi	Bull	1.1900 – 1.1400	The euro/dollar pair will continue to rise on speculation about an end to the ECB monetary easing cycle and a resumption of FRB rate cuts. However, depending on how trade talks with the US go, investors might unwind their positions on concerns about a eurozone economic slowdown.
Matsunaga	Bear	1.1800 – 1.1550	The end of ECB rate cuts is approaching, but the FRB also leaving rates fixed, so it is hard to see the euro/dollar pair undergoing a further one-sided rise. The pair might see some unwinding if risk sentiments deteriorate on a breakdown in trade talks, for example, so caution will be needed.
Katoono	Bull	1.1900 – 1.1550	Trade talks between the EU and US look set to remain stormy. If this is the case, then the euro will be bought on risk aversion, just like it was in June. The euro/dollar pair will also be supported by any ECB moves that suggest the eurozone will emerge from the rate cut cycle before the US.
Okuma	Bull	1.1950 – 1.1500	While investors are pricing in a resumption of FRB rate cuts, there is a growing consensus that the ECB will bring easing to an end after one more rate cut this year. The dollar will also face downward pressure from uncertainty about Trump tariffs and the independence of the FRB's policy management, with the euro/dollar pair likely to move firmly this month.
Ito	Bull	1.2000 – 1.1550	With the euro rising on the back of dollar bearishness, the prevailing atmosphere is gradually shifting. In particular, the German economy (the so-called engine of the European economy) is heading toward recovery on fiscal expansion.

Han	Bull	1.2100 – 1.1550	Though the EU is approaching the end of its rate cut phase, the US still has room for further rate cuts. The dollar will be sold on this contrast, with the euro probably bought as a result.
Suzuki	Bull	1.2000 – 1.1500	Investors have begun pricing in US rate cuts on the results of US economic indicators and comments by FRB officials. On the other hand, the ECB is talking about bringing rate cuts to a close. The euro/dollar pair will be supported by the divergent stances of the US and Europe.
Nishi	Bull	1.2000 – 1.1400	Funds continue to flow from the US into Europe, with the euro/dollar pair set to remain bullish. The pair will also be supported by factors like fiscal expansion and the end of the ECB rate cut cycle. It will also be boosted by the growing dovishness of the FRB.
Harada	Bull	1.1900 – 1.1500	The euro/dollar pair will move firmly this month. US trade negotiations are unlikely to be settled by July 9, with euro buying set to continue as investors flee the dollar. With the ECB heading close to bringing rate cuts to a close, the euro will be bought on the divergent monetary policies of the ECB and FRB.
Matsuki	Bull	1.2000 – 1.1500	Though the markets are expecting FRB rate cuts soon, the ECB has hinted at an end to rate cuts. Furthermore, the dollar will continue to slide on dovish speculation about the FRB's next chair. Under these circumstances, it would not be unusual if the euro/dollar pair rose further.

Fumihiko Kanda, Europe Treasury Department

British Pound – July 2025

Expected Ranges **Against the US$: US$1.3400–1.4000**
Against the yen: JPY193.00–202.00

1. Review of the Previous Month

The GBP/USD pair moved firmly last month. It began the month trading at $1.35 on June 2. With the dollar moving bearishly on headlines about US tariffs, the pair continued moving firmly to rise to $1.36 by the middle of the month. However, the greenback was bought on June 17 on rising geopolitical risk related to the Middle East, with the pair subsequently dropping below $1.34 on June 19. Dollar buying was unwound on June 23 when President Trump dropped comments about an Iran/Isreal ceasefire, so the pair rose to $1.36 again. With expectations for an FRB rate cut also growing, the pair hit $1.37 at the month’s end.

The pound pair rose against the yen. The pair opened the month at 193 yen on June 2. The pair moved with a heavy topside early June on concerns about US/Japan trade talks, but it then traded firmly as the dollar/yen pair bounced back. Amid growing Middle East geopolitical risk, the pair floated around 195 yen, though it then broke out on the topside to climb to 198 yen on June 25 as the situation calmed down. It subsequently floated around 198 yen at the month’s end.

2. Outlook for This Month

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

When the Bank of England (BOE) met on June 19, six members voted to keep policy fixed against three who voted for rate cuts, with the vote heading in a slightly dovish direction. The BOE has grown dovish on concerns about ongoing slack in the UK labor market, with UK firms apparently reluctant to hire after the government raised employer National Insurance contributions in last October’s autumn budget. On the other hand, the BOE’s ongoing support for phased rate cuts is largely due to the persistency of inflation. The UK May CPI data (released June 18) was stronger than expected, with the BOE also growing concerned about rising energy prices on the fears about the recent situation in the Middle East. The BOE will not be meeting to set policy this month, but the results of the FOMC meeting will be out on July 30. In his testimony to Congress on June 24, FRB chair Jerome Powell refused to rule out an early rate cut. Amid growing focus on a resumption of rate cuts in July, the GBP/USD pair could swing higher, so caution will be needed.

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

Australian Dollar – July 2025

Expected Ranges **Against the US$: US$0.6400–0.6700**
Against the yen: JPY92.00–97.00

1. Review of the Previous Month

After rising to the mid-$0.65 mark, the AUD/USD pair weakened to the lower-$0.64 level in June.

The greenback fell and the Australian dollar was bought at the start of the month on the weak results of the US May Manufacturing ISM Report on Business and May ADP National Employment Report. When the ECB Governing Council met on June 5, it hinted at an end to the rate cut cycle. The euro subsequently strengthened and the US dollar was sold, with the AUD/USD pair also rising to around $0.6540. The US May employment data was released on June 6. With the nonfarm payrolls data and the average hourly wages data both beating market forecasts, expectations for an FRB rate cut waned and the US dollar strengthened, with the currency pair dropping back to the upper-$0.64 level. The pair moved firmly at the lower-$0.65 mark mid-June on hopes regarding US/China trade talks. The US May CPI data was released on June 11 and it was down on market forecasts, with the pair surging to the mid-$0.65 range as a result. The pair then plummeted to the mid-$0.64 mark on June 13 as risk aversion prevailed on news that Isreal had launched airstrikes against Iran.

At the start of the next week, a major US reported on June 16 said that Iran wanted to ease tensions with Israel. As risk sentiments improved, the pair climbed to $0.6552 for the first time since November last year. Risk aversion grew on June 17 as geopolitical risk rose again after President Trump abruptly left the G7 Summit. The US May retail sales data was then released, with control group retail sales topping market forecasts. The greenback was bought as a result, with the AUD/USD pair dropping back to the upper-$0.64 level.

The US then bombed Iranian nuclear facilities at the weekend, so risk aversion prevailed when the following week opened on June 23, with the currency pair temporarily falling to $0.6373. However, risk appetite returned on speculation that any Iranian retaliation would be "symbolic" in nature, with an Iran/Isreal ceasefire agreement also close. The pair swung back and forth throughout the day. The US dollar weakened on June 26 on the worse-than-expected results of the US Q1 GDP figure and consumer spending data. The pair rose further towards the month's end to close in the mid-$0.65 range.

2. Outlook for This Month

The AUD/USD pair is expected to move firmly in July.

Major Australian economic indicators released in June were marked by bearishness, with investors moving to price in an early RBA rate cut. Australia's QI GDP was down on forecasts on both a y-o-y and q-o-q basis, with the April employment data unexpectedly showing a fall in the number of people in work. Australia's April CPI data (released June 25) was also below expectations, with interest rate markets moving swiftly to factor in a 25bp rate cut at the July RBA meeting. Despite these moves to price in rate cuts, the AUD/USD pair did not fall. Instead, it began trending upward again towards the month's end, with this mainly due to the weakness of the US dollar. The greenback then fell sharply on a ceasefire agreement between Iran and Israel. News then emerged that President Trump was already considering candidates for the next FRB chair. With the US Q1 GDP data also being revised downwards, the US dollar saw more selling. The postponement of President Trump’s reciprocal tariffs will end early July, but the markets have got “market fatigue,” so they might not react much to headlines. The US Dollar Index has hit its lowest level since 2022, so the currency pair could move flatly for a time. However, FOMC members have started to make dovish comments, so it seems the AUD/USD will continue trending upwards for now.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – July 2025

Expected Ranges **Against the US$: C$1.3500–1.3800**
Against the yen: JPY102.00–106.50

1. Review of the Previous Month

At the beginning of the month, President Trump announced he was raising the tariff on steel and aluminum imports to 50% starting June 4. He also accused China of violating an agreement reached between the US and China in Geneva. As concerns about a trade war rose again, the markets reacted by selling the US dollar. As expected, the Bank of Canada (BOC) kept policy fixed when it met on June 4. The US May Manufacturing ISM Report on Business was also released on the same day, with the indicator falling below 50. The greenback was sold, with the USD/CAD pair then plummeting to the mid-C$1.36 mark. The US and Canadian May employment data was released on June 6, with Canada's unemployment rate worsening for the third straight month to hit 7%. On the other hand, the US nonfarm payrolls figure beat forecasts, thus confirming the ongoing strength of the US labor market. The greenback was subsequently bought back, with the USD/CAD pair rising to around C$1.37.

The US May CPI and PPI indicators were released mid-June. Both showed no signs of prices rising on the impact of further tariffs, so US interest rates fell and the greenback was sold further. The US dollar was sold again from June 13 as Israel launched airstrikes on Iran. On June 16, the currency pair weakened to C$1.3540 for the first time since October last year.

However, the pair then recovered to C$1.37 as the greenback was bought again on concerns about a potential US army attack on Iran. The US army then bombed some Iranian nuclear facilities, with the pair climbing to C$1.3798 on fears about Iranian retaliation. Isreal and Iran then reached a ceasefire agreement. With news also emerging that President Trump was already considering candidates to replace FRB chair Jerome Powell, the greenback weakened again and the USD/CAD pair moved in the lower-C$1.36 range.

2. Outlook for This Month

At the BOC meeting, Governor Tiff Macklem said the BOC might have to lower its policy rates if the economy weakened and cost pressures on inflation subsided, thus leaving the door open for future rate cuts. Canada's major economic indicators have continued to slow since May. Though GDP grew by more than expected in the first quarter, the BOC expects it to fall sharply in the second quarter. Inflation has yet to be impacted by Trump tariffs, but core inflation rose again in May to hit +3% y-o-y. Market bets on a rate cut at the July BOC meeting only stood at 38% as of June 26. On the other hand, inflation continues to trend lower in the US and the labor market remains firm. However, employment growth is slowing, with some voices within the FRB voicing support for a July rate cut, provided inflation is kept under control.

Based on the above, it seems the key to the USD/CAD pair's movements in July will lie in US tariff policies and the results of US and Canadian economic indicators. The grace period for extra tariffs will come to an end on July 9, but it seems the US dollar will continue to be sold until tariff uncertainty wanes. The likelihood of rate cuts will be determined by tariff policies and the direction of the "One Big Beautiful Bill," a package of large-scale tax cuts and so on that the US Senate is deliberating over, with the next US rate cut likely to take place from September onwards. Meanwhile, if the Canadian employment data released in July deteriorates further and inflation subsides, the BOC might cut rates at its July meeting, with the USD/CAD pair likely to be supported somewhat as US/Canadian interest-rate differentials widen again.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – July 2025

Expected Ranges **Against the US$: KRW 1,330–1,380**
Against the yen: JPY 10.29–11.05 (KRW100)

1. Review of the Previous Month

The USD/KRW pair fell in June.

Concerns about trade frictions flared up again after President Trump accused China of violating a trade agreement, with the won weakening and the currency pair opening the month at KRW1383.5. Lee Jae Myung won the South Korean presidential election on June 3. As domestic political uncertainty cleared from June 4, the won was bought on hopes for the new administration, with the pair sliding to KRW1350 on June 5. The pair continued moving with a heavy topside in the week beginning June 9 as funds flowed into South Korean stock markets. However, the pair then rose to around KRW1370 on June 13 as risk aversion grew after Isreal launched airstrikes on Iran.

The pair fluctuated gently over June 16‑17 on a lack of new headlines about the situation in the Middle East, though the dollar was then bought again on the evening of June 17 on growing expectations that the US would intervene directly in the Middle East. The currency pair strengthened to around KRW1386 toward June 19. Dollar buying ceased for a time, but the pair then climbed back to around KRW1385 on June 23 on news that the US had attacked Iranian nuclear facilities at the weekend. However, the US attacks and any Iranian retaliation were limited in scope and the parties then moved towards a ceasefire agreement, so the won was bought back and the currency pair dipped to around KRW1351 on June 26. With the end of the grace period on US reciprocal tariffs looming, the dollar was sold in the week beginning June 30 on optimism about trade talks between the US and other countries, so the currency pair hit KRW1347.1 before closing the month at KRW1350.0 (as of 15:30 on June 30).

2. Outlook for This Month

The USD/KRW pair is expected to move firmly in July.

Concerns about the situation in the Middle East has eased on a ceasefire agreement. The postponement of the additional portion of reciprocal tariffs will come to an end on July 9, with the focus of the markets likely to switch to this situation and to US monetary policy trends. Reports say the US has reached a provisional agreement with the UK and China about reciprocal tariffs, with officials saying the US is also close to reaching an agreement with around ten other trading partners. Some reports say the grace period could be extended for some countries, but there has been no clear progress in negotiations with South Korea. There is a growing sense of optimism, but the situation remains up in the air.

As for US monetary policy, President Trump has continually called for substantial rate cuts, which reports also suggesting the he might also bring forward the announcement of FRB chair Jerome Powell's successor. With expectations growing for an early US rate cut, the dollar could be sold at a faster pace.

The USD/KRW pair fell in June as stocks rose on hopes for the new South Korean administration, but it seems this won-led slide is easing, with the pair's movements set to be swayed by external factors in July. With investors focusing on the key KRW1350 mark, the pair could attempt a rally, but there is a risk the pair could fall further when the dollar is sold on tariffs and monetary policy, so caution will be needed.

Chen-Long Yang, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – July 2025

Expected Ranges **Against the US$: NT$28.80–30.30**
Against the yen: JPY4.65–5.15

1. Review of the Previous Month

The USD/TWD pair moved with a heavy topside in June.

The pair opened the month trading at TWD29.90 on June 2. On June 5, the Central Bank of the Republic of China (Taiwan) announced its foreign currency reserved had reached around $592.95 billion by the end of May, up by around $10.1 billion on the end of April. It said the increase was mainly because it had stepped in to smooth out volatile capital flows to maintain an orderly foreign exchange market, with interventions up to May 20 possibly having a particularly large impact.

US treasury yields fell mid-June as US economic indicators slowed, with the greenback sold again, particularly against European currencies. With the Dollar Index falling, the Taiwan dollar was bought again and the USD/TWD pair temporarily fell back to TWD29.50. As expected, the Central Bank of the Republic of China (Taiwan) kept its policy rate fixed at 2.00% when it met to set policy in June. The bank's governor Chin-Long Yang ruled out lowering rates to rein in the Taiwan dollar's rise while also insisting on the importance of foreign exchange market stability.

Crude oil prices surged in the latter half of the month on the worsening situation in the Middle East. The greenback was bought on risk aversion, with the currency pair rallying to around TWD29.70 for a time. However, Taiwanese stocks rose and the Taiwan dollar was then bought on news of a ceasefire agreement between Isreal and Iran, so the pair fell to TWD29.15 to close the month at this level.

2. Outlook for This Month

The USD/TWD pair is expected to move with a heavy topside in July.

Taiwanese investors hold a lot of US dollars and there is also demand among Taiwanese exporters to realize sales of overseas assets. As such, when the greenback weakens further in overseas markets, it seems selling will invite more selling. Though the Taiwanese authorities have conducted position adjustments and traffic controls to halt this chain of events, most observers believe it will be difficult to stop this flow, with the Taiwan dollar especially likely to face more upwards pressure if the FRB begins cutting rates again.

On the other hand, Taiwanese firms will be making more dividend payments in July, with overseas investors expected to buy the US dollar, so there is unlikely to be any sharp Taiwan-dollar appreciation. Furthermore, export orders saw a rush of preemptive demand in the first half of the year, but this trend is likely to cool off. If expectations for an economic slowdown increase, the Taiwan dollar's topside will grow slightly heavier.

Naoki Nohara, Hong Kong Treasury Office, East Asia Treasury Department

Hong Kong Dollar – July 2025

Expected Ranges **Against the US$: HK$7.8000–7.8500**
Against the yen: JPY18.20–19.20

1. Review of the Previous Month

The USD/HKD pair continued rising in June to hit HKD7.85, the upper range of its peg. In May, the Hong Kong Monetary Authority (HKMA) 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. The pair rose close to HKD7.85 (the upper range of its peg) toward mid-June and it finally hit HKD7.85 late June.

The HKMA then intervened to buy the Hong Kong dollar and sell the US dollar. The intervention amount stood at HKD9.42 billion as of June 26, far less than the amount of its intervention to sell the Hong Kong dollar in May (HKD129.4 billion). This was mainly because demand for the Hong Kong dollar was supported by firm Hong Kong stock markets, brisk IPO movements, and dividend repayments by Chinese firms, for example, so the HKMA only needed to absorb a comparatively small amount of excess liquidity. However, because the amount of liquidity absorbed by the intervention was limited, HKD short-term interest rates remained low. As such, there was strong demand for carry trades on the back of interest-rate differentials, so the USD/HKD pair continued moving at highs around HKD7.85 after the intervention.

As for economic indicators, Hong Kong's April retail sales data fell for the 14th straight month to hit -2.3%, with consumer spending remaining in the doldrums. At 3.5%, the May unemployment rate also deteriorated slightly on the previous month's 3.4% figure. With uncertainty growing in the external environment, Hong Kong's economy continued to move sluggishly.

2. Outlook for This Month

In July, the USD/HKD pair will probably trade around HKD7.80–7.85, in the upper half of its peg range. The number of members forecasting a 2025 rate cut fell at the June FOMC meeting. With the rate-cut forecast for the next fiscal year also being revised upwards, the FOMC struck a slightly more hawkish tone. FRB chair Jerome Powell also voiced concerns that inflation might rise over the summer due to tariffs, so it seems likely US interest rates will continue moving firmly for now. As such, it seems HKD/USD interest-rate differentials will continue widening, so carry trades also look set to continue as result, with this likely boost demand for the greenback.

From here on, even if the HKMA intervenes again to buy the Hong Kong dollar at the HKD7.85 mark, this will probably be more restrained compared to the large-scale intervention in May, so Hong Kong interest rates will only face limited upwards pressure. The currency pair will be pushed lower by fund inflows from the Chinese mainland and demand for the Hong Kong dollar on stimulus measures, but this will probably be insufficient to substantially shift the USD/HKD pair's trend.

As for risk factors, the pause in reciprocal tariffs will come to an end mid-July. President Trump continues to take a hardline stance, but if the US ends up implementing some tougher tariff policies than expected, the greenback might be sold again on a growing loss of conviction in the US's trade policies. If this happens and the HKMA also makes an intervention, there is a risk that the USD/HKD pair may fall sharply. However, the basic structure of interest-rate differentials is unlikely to change, so even if there is some adjustment, the pair is unlikely to fall to HKD7.75 (the lower range of its peg), with the pair's slide likely to be halted around HKD7.8 (the central range of its peg).

Sae Sueyoshi, Treasury Department, MHBK (China)

Chinese Yuan – July 2025

Expected Ranges **Against the US$: CNY 7.1000–7.2500**
Against the yen: JPY 19.30–20.80

1. Review of the Previous Month

In June, the U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range, before falling sharply to renew its lowest level in the year toward the end of the month.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 7.20 level on June 3. Since the beginning of the week, expectations in the market were growing for trade talks between the U.S. and China, encouraging market participants to sell the U.S. dollar and buy the Chinese yuan. On June 5 local time, a summit call between the U.S. and China took place, and positive response to these led the U.S. dollar/Chinese yuan exchange rate to fall and reach the lower-CNY 7.17 level. Then, in the evening of June 6, the May employment statistics of the U.S. were released, and the results turned out to be stronger than the market estimate. As a result, the U.S. dollar/Chinese yuan exchange rate rallied, and the trading closed at the mid-CNY 7.19 level.

On June 9, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.18 level. On June 10, the trade negotiations between the U.S. and China that were held in the U.K. closed smoothly. On June 11, U.S. President Donald Trump stated that he would send documents about setting tariff rates to various countries and regions, and this encouraged market participants to sell the U.S. dollar. Thus, the U.S. dollar/Chinese yuan exchange rate fell and once reached the upper-CNY 7.16 level. Also, on June 13, Israel started air bombing on Iran, and this gradually encouraged market participants to start buying the U.S. dollar. The U.S. dollar/Chinese yuan exchange market closed weekly trading at the mid-CNY 7.18 level.

On June 16, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.18 level. On the same day, the May figures for major economic statistics were released in China, and a Federal Open Market Committee (FOMC) meeting was held in the U.S. on June 18. However, reaction to these events in the market was limited. Under such circumstances, market participants bought the U.S. dollar, as they were conscious of geopolitical risks. Thus, the U.S. dollar/Chinese yuan exchange rate remained high. On June 20, the People's Bank of China (PBOC) central parity rate was set at the CNY 7.16 level for the first time since March 19. As a result, the U.S. dollar/Chinese yuan exchange market opened trading with a stronger Chinese yuan than the closing rate of the previous day. Thereafter, the U.S. dollar/Chinese yuan exchange rate continued fluctuating without moving in any direction, and trading closed at the lower-CNY 7.18 level.

On June 23, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.18 level and climbed to the mid-CNY 7.19 level. However, on June 24, the media reported on the ceasefire agreement between Israel and Iran, and this kept the U.S. dollar/Chinese yuan exchange rate low. On June 26, the media reported that U.S. president Donald Trump was considering the early nomination of the next Federal Reserve Board (FRB) Chair, and this led the U.S. dollar/Chinese yuan exchange rate to fall and temporarily reach the upper-CNY 7.15 level, renewing its lowest rate since the beginning of the year. In the end, the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 7.16 level.

2. Outlook for This Month

In July, market participants are advised to remain cautious, as the U.S. dollar/Chinese yuan exchange market may rise due to growing uncertainty related to trade negotiations.

Because the temporary tariff suspension agreed upon in May is set to end in August, trade negotiations are expected to discuss measures to be taken in the times ahead. On June 26 local time in the U.S., U.S. Secretary of Commerce Howard Lutnick stated that the U.S. had signed an agreement with China. However, as of the morning of June 27 local time in China, there has been no announcement from China's side. Until an official announcement is made regarding the details of the agreement, it is possible for the tensions between the U.S. and China to strengthen. Thus, market participants are advised to remain cautious, preparing for movement in the market in both directions. At the current moment, the Chinese yuan remains strong, as the situation is temporarily calm, but the Chinese yuan may depreciate in the times ahead caused by the U.S. dollar/Chinese yuan exchange rate rally.

In terms of monetary policy, the median of the dot plot at the June FOMC meeting suggested two expected policy interest rate cuts in the U.S. before the end of the year. However, there were more FOMC members than the previous month who suggested no policy interest rate cut in fear of inflation risks. Thus, the outcome of the FOMC meeting in June turned out to be slightly hawkish. If the FOMC is highly likely to postpone a policy interest rate cut in the meeting in July, it would be a factor to strengthen the U.S. dollar.

It is also worth noting that domestic monetary policy in China remains "moderately easing." Under such circumstances, market participants are advised to be careful about the possibility of further policy interest rate cuts from the long-term perspective. Furthermore, China is expected to announce its GDP for the second-quarter period in the middle of July, which will reveal the outcome of multiple measures of monetary easing including the policy interest rate cut in May. Thus, market participants are advised to observe the data attentively.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – July 2025

Expected Ranges **Against the US$: SG$ 1.2700–1.3200**
Against the yen: JPY 111.50–115.00

1. Review of the Previous Month

In June, the U.S. dollar/Singapore dollar exchange rate fell.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at around the SGD 1.29 level on June 2. On the same day, the May Purchasing Managers' Index (PMI) for Singapore was announced, and as was the case in the previous month, the result turned out to be below the 50 mark—a dividing line in assessing economic strength. However, there was almost no reaction to this news in the market. Then, on June 5, the April retail sales index for Singapore was announced, and the result turned out to be significantly below the market estimate, along with the previous month's result, which demonstrated a slowdown in domestic consumption. However, there was no remarkable decline from the previous month in terms of the index, which excludes automobile retail with large monthly fluctuations. On the same day local time in the U.S., the May employment statistics for the U.S. were also released, and the results turned out to be even weaker than the previous month's figures, which had been revised downward. In reaction, the U.S. dollar/Singapore dollar exchange rate fell and once reached the lower-SGD 1.28 level. However, the exchange rate rallied immediately. In the end, the U.S. dollar/Singapore dollar exchange rate continued to fluctuate generally within a narrow range between SGD 1.285 and SGD 1.29 during the first part of the month.

On June 11 local time in the U.S., the May Consumer Price Index (CPI) for the U.S. was announced, and the result turned out to be weaker than the market estimate. In reaction, market participants immediately sold the U.S. dollar in the U.S. dollar/Singapore dollar exchange market. On June 12, the following day, the media reported on Israel's air bombing on Iran, and this situation heightened geopolitical risks. As a result, market participants sold the U.S. dollar, and the U.S. dollar/Singapore dollar exchange continued falling and reached the mid-SGD 1.27 level, which is the lowest level since the beginning of the year. Thereafter, U.S. economic indices revealed both strong and weak figures. Under such circumstances, the U.S. dollar/Singapore dollar exchange rate recovered to the upper-SGD 1.28 level by late June.

On June 23, market participants bought the U.S. dollar in anticipation of a potential emergency, as the situation in the Middle East had worsened on June 22, at the end of the previous week. As a consequence, the U.S. dollar/Singapore dollar exchange rate rose and once reached the mid-SGD 1.29 level. However, the exchange rate did not stay at that level for long. Thereafter, interest rates in the U.S. fell, as a Federal Reserve Board (FRB) official later made a statement in support of a policy interest rate cut at the next Federal Open Market Committee (FOMC) meeting to be held in July, and the U.S. dollar/Singapore dollar exchange rate fell sharply as well. Furthermore, in the morning of June 24, the media reported on the ceasefire agreement in the Middle East, which led the U.S. dollar/Singapore dollar exchange rate to reach the SGD 1.27 level once again. Thereafter, the U.S. dollar/Singapore dollar exchange rate continued fluctuating at the SGD 1.27 level.

2. Outlook for This Month

In July, the Singapore dollar is forecast to depreciate slightly (as the U.S. dollar is forecast to appreciate), although market participants are advised to remain cautious about upcoming decisions by U.S. President Donald Trump regarding tariff policy.

In June, the U.S. dollar/Singapore dollar exchange rate continued to fluctuate in both directions in response to events outside of Singapore. At the beginning of the month, some headlines reported that the U.S. and China had reached an overall agreement in their trade negotiations, suggesting that the foreign exchange market was beginning to calm after the fluctuations caused by the tariff policy introduced by U.S. President Donald Trump. Thereafter, tensions between Israel and Iran rapidly intensified, gathering substantial attention in the market, and this became the major driver in the U.S. dollar/Singapore dollar exchange market.

It is also important to note that the 90-day grace period for the tariffs announced in April is set to end in early July. Recently, the media have reported that an agreement is close to being reached with major trade partners. Because Singapore originally had less exports to the U.S. compared to its neighboring countries, market participants expected that downward pressure on Singapore's economy caused by the U.S. tariffs would be limited, which was one of the reasons why they were buying the Singapore dollar. If the situation improves regarding the tariff policy by U.S. President Donald Trump, market participants are likely to sell the Singapore dollars that they had previously bought, and this is expected to contribute to a rise of the U.S. dollar/Singapore dollar exchange rate.

When it comes to the situation in Singapore, its economic indices remain sluggish. Among the major economic indices announced in June, there were none that exceeded the market estimate and the previous month's result, confirming that production and consumption activities are slowing down in the overall market. Furthermore, the core CPI for Singapore, which recorded a rally in the previous data for April, started to decline again in the latest data for May. Because the Monetary Authority of Singapore (MAS) is expected to take further measures of monetary easing at its meeting to be held in late July, the U.S. dollar/Singapore dollar exchange rate is forecast to continue rising (the Singapore dollar is forecast to continue depreciating) for a while from a viewpoint of fundamentals.

Kenta Suehiro, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – July 2025

Expected Ranges	**Against the US$: THB 32.30–34.00**
	Against the yen: JPY 4.25–4.50

1. Review of the Previous Month

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the upper-THB 32 level. Thereafter, the U.S. dollar/Thai baht exchange rate remained low and continued fluctuating within a narrow range between the upper-THB 32 level and the mid-THB 32 level, due to concerns over the progress in trade negotiations, along with weak figures in multiple economic indices for the U.S. On June 6, the May employment statistics of the U.S. were released, and the headline exceeded the market estimate. However, it was not sufficient to change the trends in the foreign exchange market.

In the middle of the month, the conflict between Israel and Iran intensified, and market participants reacted to this news by selling the U.S. dollar. As a result, the U.S. dollar/Thai baht exchange rate fell and once reached the lower-THB 32 level on June 12. However, concerns over the geopolitical situation in the Middle East continued to grow, which then encouraged market participants to buy the U.S. dollar. Following this trend, the U.S. dollar/Thai baht exchange rate also started to rise. On June 18, a Federal Open Market Committee (FOMC) meeting was held in the U.S., and the policy interest rate was maintained at the existing level, as had been anticipated in the market. However, the dot plot was released at the same time, revealing that more FOMC members expected no policy interest rate cut before the end of the year. This encouraged market participants to continue buying the U.S. dollar. Furthermore, political uncertainty grew in Thailand, as the Bhumjaithai Party, the second-largest ruling party, left the coalition. This situation encouraged market participants to sell the Thai baht, and this also contributed to the rise of the U.S. dollar/Thai baht exchange rate.

At the end of the month, the U.S. bombed nuclear facilities in Iran, and this encouraged market participants to sell Asian currencies against the U.S. dollar in an accelerated manner. Consequently, on June 23, the U.S. dollar/Thai baht exchange rate reached the THB 33 level for the first time in approximately one month. However, on the same day, a Federal Reserve Board (FRB) official mentioned the possibility of a policy interest rate cut in the U.S. at the next FOMC meeting to be held in July. Furthermore, on June 24, U.S. President Donald Trump announced a ceasefire agreement in the Middle East. Under such circumstances, the U.S. dollar/Thai baht exchange rate started to fall and returned to the mid-THB 32 level. On June 25, the central bank of Thailand (BOT) held a Monetary Policy Committee (MPC) meeting, and the policy interest rate was maintained at the existing level, as had been anticipated by the majority in the market. However, impact on the U.S. dollar/Thai baht exchange market was minimal, and the U.S. dollar/Thai baht exchange rate continued fluctuating within a narrow range at around the mid-THB 32 level. As of 8:00 p.m., June 27 local time in Bangkok, when this article was being written, the U.S. dollar/Thai baht exchange rate has been fluctuating at the same level.

2. Outlook for This Month

In July, market participants are advised to remain cautious, as there are risks for the U.S. dollar/Thai baht exchange rate to rise.

At the MPC meeting held at the BOT on June 25, the policy interest rate was maintained at the existing level. Out of seven members of the MPC, six supported the idea to maintain the policy interest rate at the existing level. However, in the statement, the central bank emphasized that the monetary policy should be eased in order to support future economic growth, which confirmed that the BOT maintains a dovish attitude. Furthermore, there has been growing pressure for the Prime Minister of Thailand Paetongtarn Shinawatra to resign due to tension between Thailand and Cambodia over their borders. On June 18, Bhumjaithai Party announced its plan to leave the coalition, as mentioned above. Thus, the political situation in Thailand has been uncertain. The constitutional court may order the prime minister to temporarily suspend duties or to resign from the position, while it is also possible for a motion of no confidence against the prime minister to pass. Under such circumstances, the political uncertainty is likely to keep the Thai baht weak for a while.

With regard to the situation surrounding the trade negotiations between the U.S. and its trade partners, U.S. Secretary of Commerce Howard Lutnick stated on June 26 that the U.S. would reach an agreement with its trade partners in about a week. If there are prospects for an agreement in trade negotiations, which had previously been unpredictable, the depreciation of the U.S. dollar is likely to be offset to some extent. In this context, market participants are advised to remain cautious, as the U.S. dollar/Thai baht exchange rate may rally in the times ahead. However, it is also important to note that the expected policy interest rate cuts have now been rapidly reflected in the market.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – July 2025

Expected Ranges **Against the US$: MYR 4.2000–4.2900**
Against the yen: JPY 33.50–34.60

1. Review of the Previous Month

In June, the Malaysian ringgit weakened against the U.S. dollar during the second half of the month due to the worsening of the situation in the Middle East. However, toward the end of the month, the U.S. dollar/Malaysian ringgit exchange rate returned to the level at which monthly trading opened. After a national holiday, the U.S. dollar/Malaysian ringgit exchange market opened trading at the lower-MYR 4.23 level on June 3. Due to growing concerns over the trade negotiations between the U.S. and China, the U.S. dollar/Malaysian ringgit exchange rate rose to the MYR 4.25 level. Thereafter, the media reported on a decline in business confidence in non-manufacturing industries in the U.S. while also reporting on progress toward a trade agreement between the U.S. and China. In reaction, the U.S. dollar/Malaysian ringgit exchange rate fell to the MYR 4.21 level, approaching the monthly low. Subsequently, the May employment statistics for the U.S. were released with strong figures, raising interest rates in the U.S. In reaction, the U.S. dollar/Malaysian ringgit exchange rate rose sharply to the upper-MYR 4.24 level in the morning of June 9. However, the U.S. dollar/Malaysian ringgit exchange rate soon returned to the MYR 4.22 level, as trade talks between the U.S. and China were approaching.

In the middle of the month, the May Consumer Price Index (CPI) for the U.S. did not reach the market estimate. Thereafter, U.S. President Donald Trump announced that a trade agreement had been reached between the U.S. and China as a result of the talks. Thereafter, on June 12, the U.S. dollar/Malaysian ringgit exchange rate fell to reach the MYR 4.22 level. In the morning of June 13, Israel bombed Iran, making market participants highly conscious of geopolitical risks. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate rose from the MYR 4.21 level to the MYR 4.25 level. However, once market participants finished buying the U.S. dollar after the worsening of the situation in the Middle East, the U.S. dollar/Malaysian ringgit exchange rate did not move in any direction, fluctuating at the MYR 4.24 level, waiting for the June Federal Open Market Committee (FOMC) meeting in the U.S. At that meeting, the policy interest rate was maintained at the existing level, and the number of expected policy interest cuts before the end of the year remained at two. Thus, the U.S. dollar/Malaysian ringgit exchange rate continued rising and reached the MYR 4.26 level on June 19. Thereafter, the May trade statistics for Malaysia revealed negative year-on-year growth in exports. However, impact on the foreign exchange market was minimal. Subsequently, the U.S. announced a grace period before its attack on Iran, and the U.S. dollar/Malaysian ringgit exchange rate rallied slightly and returned to the MYR 4.25 level on June 20.

At the end of the month, the U.S. took a rapid decision to bomb nuclear facilities in Iran, which fueled concerns over an outbreak of war. Under such circumstances, on June 24, the U.S. dollar/Malaysian ringgit exchange rate rose to reach the upper-MYR 4.28 level—the monthly high. However, once the media reported on a ceasefire agreement between Israel and Iran, crude oil prices fell sharply, along with which the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.23 level on June 25. Furthermore, U.S. President Donald Trump released a social media post to imply once again the resignation of the Federal Reserve Board (FRB) Chair Jerome Powell, and this weakened the U.S. dollar as well. As a result, the U.S. dollar depreciated further on June 26, and the U.S.

dollar/Malaysian ringgit exchange rate reached the MYR 4.22 level.

2. Outlook for This Month

In July, it is possible for the U.S. dollar/Malaysian ringgit exchange rate to rise. However, in general, the U.S. dollar/Malaysian ringgit exchange rate is unlikely to rise significantly. The conflict between Israel and Iran seemed to continue to intensify. However, there was a sudden ceasefire agreement, which brought relief to participants in the money market. As long as the ceasefire agreement is respected, no significant negative impact on the Malaysian ringgit is expected.

If geopolitical risks are not taken into consideration, the key factor remains the progress in trade negotiations concerning U.S. tariffs. The suspension of reciprocal tariffs is set to end on July 9. Even though U.S. Secretary of Finance Scott Bessent implied in June that the suspension might be extended, there has been no confirmation on this matter. Given how much trade shrank in Malaysia since a year-on-year decline in exports was recorded in September last year, it is clearly the most important mission for Malaysia to avoid or minimize the additional tariffs. However, as of now there has been no concrete outcome reported. In 2024, steady domestic demand was the main driver for the GDP growth in Malaysia, while exports provided extra support. Under the current situation, however, it is not possible for exports to support economic growth. Furthermore, domestic demand is also likely to be affected by the slowdown in exports. For this reason, Malaysia is facing a potential slowdown in its growth, which has so far been stable. As such a situation could weaken the Malaysian ringgit, market participants are advised to remain attentive.

From the viewpoint of technical analysis, the U.S. dollar/Malaysian ringgit exchange rate has remained below the 100-day and 200-day moving averages since the beginning of April, and this level is likely to continue functioning as a resistance line for a while. Malaysia is negatively affected by tariff policy. However, market participants are now more concerned with impacts on the U.S. economy, along with the nomination of the next FRB Chair. Under such circumstances, it is unlikely for market participants to actively buy the U.S. dollar. As a result, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain low, as was the case in June.

Tomokazu Moriya, Asia & Oceania Treasury Department

Indonesian Rupiah – July 2025

Expected Ranges **Against the US$: IDR 15,900–16,500**
Against the yen: JPY 0.8700–0.9200 (IDR 100)

1. Review of the Previous Month

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

On June 2, the U.S. dollar/Indonesian rupiah exchange market opened trading at the lower-IDR 16,300 level, after which the trend of U.S. dollar-selling in the overall foreign exchange market caused a further fall to the mid-IDR 16,200 level. On June 3, Asian currencies weakened due to concerns over the trade frictions between the U.S. and China. Following this trend, the U.S. dollar/Indonesian rupiah exchange rate rose to the lower-IDR 16,300 level. In the morning of June 5 local time in Asia, the U.S. dollar/Indonesian rupiah exchange rate momentarily fell to the mid-IDR 16,200 level, as the economic indices for the U.S. had turned out to be weak on the previous day. However, the U.S. dollar/Indonesian rupiah exchange rate recovered to the upper-IDR 16,200 level thereafter. On June 10 and June 11, the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating within a narrow range at the IDR 16,200 level. However, on June 12, market participants actively sold the U.S. dollar, as the May Consumer Price Index (CPI) for the U.S. turned out to be below the market estimate. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate fell to the lower-IDR 16,200 level. On June 13, market participants bought the U.S. dollar based on risk-averse sentiment reacting to Israel's bombing of Iran, leading the U.S. dollar/Indonesian rupiah exchange rate to rally to the lower-IDR 16,300 level.

On June 18, the conflict between Israel and Iran continued. Under such circumstances, market participants bought the U.S. dollar further, as it was considered a safe asset. Then, at the regular meeting at the central bank of Indonesia, the policy interest rate was maintained at the existing level, which had been anticipated in the market. Thus, the market reaction to this news was minimal. On June 19, market participants were concerned about possible intervention by the U.S. in the conflict between Israel and Iran, and this led them to take risk-averse actions. As a result, the U.S. dollar/Indonesian rupiah exchange rate rose to the lower-IDR 16,400 level. On June 23, Israel bombed nuclear facilities in Iran, which fueled concerns in the market over possible retaliation by Iran. Under such a context, market participants continued buying the U.S. dollar, and the U.S. dollar/Indonesian rupiah rose to once reach the upper-IDR 16,400 level—the highest level observed since the middle of May. Then, on June 24, U.S. President Donald Trump announced a ceasefire between Israel and Iran, and this mitigated the risk-averse sentiment in the market. On June 25, some market participants bought the U.S. dollar and sold the Indonesian rupiah based on actual demand for the end of the month. In reaction, the U.S. dollar/Indonesian rupiah exchange rate rose gradually toward the end of the month. However, on June 26, market participants actively sold the U.S. dollar in the overall foreign exchange market, and the U.S. dollar/Indonesian rupiah exchange rate temporarily fell to the upper-IDR 16,100 level.

2. Outlook for This Month

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

The central bank of Indonesia decided to maintain its BI interest rate—the policy interest rate of Indonesia—at the existing level at its monetary policy meeting held in June. In the statement, the central bank made a remark regarding trends in the future market such that the sense of uncertainty would persist due to the ongoing tariffs negotiations, along with the tensions in the Middle East, requiring caution. It is also worth noting that the governor of the central bank of Indonesia, Perry Warjiyo, explained that the central bank decided to maintain its policy interest rate at the existing level, as the current monetary policy corresponds to efforts to achieve the inflation target, stabilize the Indonesian rupiah exchange rate, and support economic growth. At the same time, he also implied possible policy interest rate cuts in the future by stating that the central bank would look for possible measures to support the economy while maintaining the inflation within the target range and keeping stability in the foreign exchange market. The central bank of Indonesia had just cut its policy interest rate in the previous month, and it is now considered to be the time to evaluate its effect. Furthermore, worsening fiscal conditions and growing concerns about the depreciation of the Indonesian rupiah based on such fiscal conditions contributed to the decision to postpone a policy interest rate cut at this time. However, given the current domestic economic conditions in Indonesia, it is surely the time for the central bank to look for a good moment to cut its policy interest rate further.

It is also worth noting that the Indonesian rupiah, which had previously been weakening, started to rally rapidly from the second half of April toward May. However, this was mainly because of the depreciation of the U.S. dollar that resulted from tariff policy under the Trump administration, along with concerns over fiscal conditions in the U.S., instead of domestic factors in Indonesia. Regarding monetary policy in the U.S., Federal Reserve Board (FRB) officials made a series of dovish remarks in the second half of June. Thus, expectations are currently growing for policy interest rate cuts. Given such a situation, it is unlikely for market participants to actively buy the U.S. dollar. However, it is also unlikely for the risk sentiment in the market to improve dramatically in the near future, as there has been a persistent sense of uncertainty concerning tariff policy under the Trump administration, along with the geopolitical situation in the Middle East. Thus, market participants are expected to actively sell the Indonesian rupiah against the U.S. dollar.

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

Philippine Peso – July 2025

Expected Ranges **Against the US$: PHP 56.00–57.50**
Against the yen: PHP 0.380–0.400

1. Review of the Previous Month

In June, the Philippine peso rapidly depreciated against the U.S. dollar in the second half of the month.

In June, the U.S. dollar/Philippine peso exchange market opened trading at PHP 55.85. During the first half of the month, the U.S. dollar/Philippine peso exchange rate continued fluctuating within a narrow range between the mid-PHP 55 level and the upper-PHP 55 level, as was the case in May, after the release of May price statistics for the Philippines and U.S. economic indices (such as employment statistics and price statistics).

The trend in the U.S. dollar/Philippine peso exchange market changed in the middle of the month after the national holiday in the Philippines. The central bank of the Philippines was about to hold a monetary policy meeting scheduled for June 19. While market participants were taking actions that reflected the expected policy interest rate cut, tensions in the Middle East intensified. As a result, the U.S. dollar/Philippine peso exchange rate reached the PHP 56 level for the first time since the end of April. Thereafter, the media reported related news such as a bombing by the U.S. Thus, in the week starting on June 16, the depreciation of the Philippine peso accelerated rapidly, and the U.S. dollar/Philippine peso exchange rate reached the mid-PHP 57 level. Under such circumstances, the central bank of the Philippines held a monetary policy meeting, and the policy interest rate was cut by 0.25%, as had been anticipated in the market. At the same time, the inflation outlook was also released, and the annual outlook for 2025 was revised significantly downward to +1.6% (while it was +2.4% at the time of the monetary policy meeting held in April). On the other hand, the annual outlooks for 2026 and 2027 were revised upward to +3.4% (previously +3.3%) and +3.3% (previously +3.2%), respectively. At the press conference, the governor of the central bank of the Philippines stated that he would consider another policy interest rate cut at the next monetary policy meeting scheduled for August while also closely monitoring the current depreciation of the Philippine peso, even though he also stated that the U.S. dollar/Philippine peso exchange rate had not yet reached a level that required foreign exchange market interventions. This statement stabilized the market by preventing the U.S. dollar/Philippine peso exchange rate from rising further.

In the second half of the month, concerns surrounding the situation in the Middle East were mitigated as well. As a consequence, the U.S. dollar/Philippine peso exchange rate gradually fell and approached the mid-PHP 56 level.

2. Outlook for This Month

In July, the U.S. dollar/Philippine peso exchange rate is forecast to continue fluctuating in a delicate manner, as has been the case so far, as there are a series of uncertainty factors in the market.

In June, sudden factors disrupted the market, such as the intensifying conflict in the Middle East and the rapid appreciation of crude oil prices. As a consequence, the Philippine peso depreciated sharply. However, this situation resolved relatively early. However, thereafter, the U.S. dollar/Philippine peso started to fluctuate at a higher level, moving out of the PHP 55 level—where the U.S. dollar/Philippine peso exchange had remained for a long time since May.

In July, the U.S. dollar/Philippine peso exchange rate is forecast to continue fluctuating in a delicate manner, reacting to situations related to the tariff policy in the U.S., along with the timing and pace of policy interest rate cuts in the U.S., which has been under discussion again since the end of the June.

Given that the central bank of the Philippines made a remark to control the sharp depreciation of the Philippine peso, a level around PHP 57.50 is likely to be the upper end of the fluctuation range based on market sentiment. On the other hand, the lower end of fluctuation is most likely to be stable at the PHP 56 level. The U.S. dollar index shows that the strength of the U.S. dollar has been low (the U.S. dollar has been weak). Under such circumstances, market participants are advised to remain cautious and maintain a wait & see attitude regarding whether the trend in the U.S. dollar/Philippine peso exchange rate will reverse after bottoming out, possibly as a result of a recovery in U.S. economic indices or the mitigating of uncertainty surrounding the tariff policy in the U.S., which may become a reason for market participants to start buying back the U.S. dollar globally.

Risk scenarios include the sudden appearance of new factors, including irregular statements from U.S. President Donald Trump, along with any unexpected/accelerated reflection of a U.S. policy interest rate cut in the market before the Federal Open Market Committee (FOMC) meeting in July. Even though Federal Reserve Board (FRB) officials anticipate that the policy interest rate will be cut before the end of 2025, their attitude has become more cautious. Thus, the U.S. dollar/Philippine peso exchange rate is expected to fluctuate in response to U.S. economic indices, through which a new trend may occur.

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Indian Rupee – July 2025

Expected Ranges	**Against the US$: INR 84.50–87.00**
	Against the yen: JPY 1.58–1.78

1. Review of the Previous Month

In June, the U.S. dollar/Indian rupee exchange rate rose once and returned to the level of opening at the end of the month.

In June, the U.S. dollar/Indian rupee exchange market opened trading at the lower-INR 85 level. At the beginning of the month, the U.S. dollar/Indian rupee exchange rate remained at the same level, fluctuating at the upper-INR 85 level. Toward the middle of the month, the media reported that Israel had air-bombed Iran, which led crude oil prices to rise sharply. As a result, the Indian rupee started to weaken, and the U.S. dollar/Indian rupee exchange rate exceeded the INR 86 level—a psychological turning point. Thereafter, the Indian rupee continued weakening gradually, and the U.S. dollar/Indian rupee exchange rate approached the INR 87 level. Toward the end of the month, 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 level of the U.S. dollar/Indian rupee exchange rate was closely controlled while preventing excessive depreciation of the Indian rupee. In the end, the U.S. dollar/Indian rupee exchange market closed trading at the upper-INR 85 level (as of June 30).

The BSE Sensex opened trading in June at the upper-80,000 level. Thereafter, the index remained at the same level, fluctuating within a range between 81,000 and 82,000 from the beginning toward the middle of the month. Toward the end of the month, the index started to rise and renewed its highest level observed this year for the first time in a very long time. Thereafter, some market participants sold the index in order to take profit. However, the index remained high and stable, and monthly trading closed at the upper-83,000 level (as of June 30). The capital inflow from foreign investors into the stock market in India has recorded a net-buying position for the fourth consecutive month, suggesting a gradual return of capital to India as well.

When it comes to economic indices in India, the May manufacturing Purchasing Managers' Index (PMI) and service PMI turned out to have both strong and weak figures. At the monetary policy committee (MPC) meeting held in June, the policy interest rate was cut for the third consecutive time to 5.50%. On the other hand, the monetary policy stance was revised to neutral. The May Consumer Price Index (CPI, year-on-year) turned out to be +2.82%, recording negative growth from +3.16%—the previous figure. The May trade balance for India revealed a reduced deficit. However, there has been no change in the situation in which India constantly suffers from a trade deficit.

2. Outlook for This Month

In July, the U.S. dollar/Indian rupee exchange rate is forecast to remain low.

In July, the U.S. dollar/Indian rupee exchange rate is forecast to remain low from a short-term perspective, with expectations for economic conditions and monetary policy in the U.S., although the exchange rate is likely to be stable near the INR 85 mark—a psychological turning point. This is partially thanks to the stabilization of the market by the RBI through foreign exchange interventions before the exchange rate reaches the INR 85 level, along with positive factors in terms of actual demand, such as the current account surplus for India recorded for the first time in four quarter periods. From a medium-term perspective, the upward pressure on the U.S. dollar is likely to strengthen after some progress has been made in the tariff policy under the Trump administration in the U.S. Furthermore, to promote exports, the RBI is likely to continue intervening in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling excessively. Thus, the Indian rupee is expected to start depreciating gradually against the U.S. dollar.

At the Monetary Policy Committee (MPC) meeting held in June, the policy interest rate was cut by 50 basis points to 5.50%, with a vote of five to one. This decision surprised market participants, who had expected a smaller rate cut. Furthermore, the monetary policy stance was revised from the previous "easing" to "neutral." The RBI explained the surprising decision to cut the policy interest rate so significantly by stating that it was necessary to cut the policy interest rate earlier than planned to support economic growth not only maintaining a measure of monetary easing, as the dynamics of growth and inflation have changed. However, the RBI has also emphasized that there was little room for further policy interest rate cuts by stating that there is extremely little left in the monetary policy to support economic growth.

With the flexible attitude of the RBI regarding the foreign exchange market, the volatility level in the U.S. dollar/Indian rupee exchange rate remains high. However, the RBI continues to intervene in the foreign exchange market when the U.S. dollar/Indian rupee exchange rate approaches the psychological turning point. For such reasons, it is generally not likely for the trend in the U.S. dollar/Indian rupee exchange market to significantly change.