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Mizuho Dealer's Eye

September 2025

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Shuhei Harada, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – September 2025

Expected Ranges **Against the yen: JPY144.00–149.00**

Outlook for This Month

The dollar/yen pair is expected to slide in September. The pair was swayed by the contents of the Trump administration's tariff policies after the tariffs came into force, but this trend will ease off in September, with attention instead focusing on US and Japanese monetary policy. There are growing fears that the employment situation is deteriorating in the US, with the FOMC likely to begin lowering rates again in September with a -25bp rate cut. The US August employment data will be released on Friday, September 5. The nonfarm payrolls figure looks set to fall, with the unemployment rate also expected to worsen. With the US jobs situation deteriorating, a September rate cut looks nailed on. Investors have factored in two rate cuts within the year, but with US interest rates facing more downward pressure, the markets may move to price in three rate cuts in 2025. A blackout period will take place after the release of the US August employment data, with FRB officials keeping tight-lipped, so the currency pair will probably be swayed instead by economic indicators like the US August CPI data (released Thursday, September 11). The FRB is also facing pressure from the Trump administration over the dismissal of FRB governor Lisa Cook and the rising cost of the renovation of the FRB's headquarters, for example. President Trump has also made several comments about selecting a successor for FRB chair Jerome Powell, so it seems the greenback will continue to be sold on concerns about the FRB's independence.

Meanwhile, the BOJ is expected to shelve rate hikes at the Monetary Policy Meeting over Monday, September 18-Tuesday, September 19. Tariff uncertainty has cleared in the wake of the US/Japan trade agreement. Japanese CPI growth slowed in July, but it still remains above the 2% target. BOJ governor Kazuo Ueda spoke at the Jackson Hole symposium and he dropped hints about rate hikes, noting that wages continued to face upwards pressure, for instance. Market participants will be watching to see whether BOJ deputy governor Ryozo Himino makes any hawkish comments during a speech scheduled for Tuesday, September 2. Factors supporting rate hikes are on the rise, with the CPI data moving firmly and wages still rising. However, in September the BOJ will probably just discuss when to start lifting rates again as it monitors US economic trends and tries to gauge the impact of rate hikes on the Japanese economy. Japan will also face political instability, with discussions underway about whether to elect a new Liberal Democratic Party (LDP) president, for example. This is a further reason why the BOJ will be wary of implementing a rate hike.

Dealers' Market Forecast

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

Bullish on the dollar	3 bulls	150.00 – 145.00	Bearish on the dollar	12 bears	149.00 – 144.00

* Ranges are central values

Seki	Bull	150.00 – 145.00	The US employment and CPI data has slowed, but the FOMC will remain hawkish on concerns about inflation risk. On the other hand, the BOJ has stopped adjusting its Japanese Government Bond (JGB) purchases, so yen interest rates will only have limited room to rise. When central bank events have finished, investors will test the dollar/yen pair's topside on persistently high US interest rates.
Yamazaki	Bear	150.00 – 142.00	The dollar/yen pair will trend lower in September. The greenback will weaken and the yen strengthen on the divergent monetary policy directions of the US and Japan. However, when the pair undergoes a gentle slide, it will face real-demand buying from importers, with the pair expected to move firmly this month.
Nagano	Bear	149.00 – 144.00	The US has released some mixed economic indicators, but the dollar/yen pair will probably trend lower on the possibility of a September US rate cut and expectations for a BOJ rate hike. However, inflation remains high in the US and there are concerns about the impact of tariffs, so the pair's room on the downside will be capped.
Kato	Bear	149.00 – 143.00	The international balance of payments data suggests households are easing off from selling the yen. On the whole, it seems the dollar/yen pair will be swayed by the divergent monetary policies of the US and Japan.
Toriba	Bear	149.00 – 143.00	Investors should monitor employment and inflation indicators ahead of the September FOMC meeting. The markets have priced in a 25bp rate cut, with the main focus now shifting to the timing of future rate cuts. As such, the dollar/yen pair looks set to remain bearish on shrinking interest-rate differentials.
(Tomoko) Yamaguchi	Bear	149.00 – 145.00	The markets have finished pricing in US rate cuts within the year. However, the situation remains cloudy regarding the possibility and timing of BOJ rate hikes. There is growing speculation about BOJ rate hikes within the year and the risk of a rising yen, but the dollar/yen pair will continue moving in a range if the discussion about rate hikes makes no progress.
Matsunaga	Bull	149.50 – 145.00	There are growing expectations for three FRB rate cuts within the year on the results of the US employment and CPI data. However, FRB chair Jerome Powell has indicated he wants to gauge the impact of tariffs on prices, so he is unlikely to make dovish comments about subsequent meetings. As such, the dollar/yen pair's room on the downside will be capped.
Katoono	Bear	148.50 – 144.00	Unless the US employment data swings sharply upwards at the start of the month, a September FOMC rate cut will seem justified given the weakness of jobs indicators up until July and the possibility that the data might be revised going forward. The dollar will continue to be sold on concerns about the FRB's reliability and independence.
Kobayashi	Bear	148.50 – 144.50	Some reports suggest Japan will start lifting rates again. On the other hand, investors have finished pricing in a FOMC rate cut in September, with speculation swirling about further rate cuts going forward. Under these circumstances, the dollar/yen pair might fall on shrinking Japanese/US interest-rate differentials, so caution will be needed.
Okuma	Bear	149.00 – 144.50	A September FRB rate cut seems nailed on. On the other hand, the BOJ continues to prepared the ground for rate hikes. The greenback will be sold on speculation about shrinking Japanese/US interest-rate differentials and concerns about the FRB's independence, with the dollar/yen pair expected to move bearishly.
Ito	Bear	149.00 – 142.00	There are growing expectations for FRB rate cuts and BOJ rate rises. Under these circumstances, the dollar/yen pair will face downward pressure. However, several investors are lining up to buy the pair when it dips below 145 yen, so it will only undergo a gentle slide.

Suzuki	Bull	151.00 – 145.00	Investors have largely priced in a US rate cut. Furthermore, the dollar/yen pair has only undergone a gentle slide, despite pressure from the Trump administration, with the pair supported strongly by real-demand buying. If expectations for rate cuts wane slightly, the yen could weaken as the trend of dollar selling us unwound, so caution will be needed.
Nishi	Bear	150.00 – 145.00	There remain concerns that inflation will rise again on tariff policies, but there are also growing fears about the slowing US jobs market. The direction of US rate cuts will be shaped in large part by the employment data, but the reliability of the data has been questioned, with the dollar/yen pair likely to trade with a heavy topside regardless of whether it swings up or down on the data's release.
Harada	Bear	149.00 – 144.00	The dollar/yen pair will move lower. It seems the FRB will cut rates in September, but if the US August employment data and other US economic indicators turn out bearish, investors will move to price in further rate cuts.
Matsuki	Bear	149.00 – 144.00	If the US releases some weak employment indicators, the yen will rise in the short term on growing expectations for a large-scale FRB rate cut. However, there will also be yen-selling pressure during this time on rising stock prices. With the greenback also likely to be bought on real demand, the dollar/yen pair's room on the downside will be capped.

Hiroshi Matsunaga, Forex Sales, Global Foreign Exchange Department

Euro – September 2025

Expected Ranges **Against the US$: US$1.1500–1.1850**
Against the yen: JPY169.00–173.50

Outlook for This Month

The euro/dollar pair is expected to move firmly in September on the divergent monetary policies of the US and Europe. However, there are still many uncertainties related to politics, monetary policy and the impact of tariffs, for example, so the pair's topside will be capped.

Tariff negotiations have made progress, with market attention now returning to monetary policy. The ECB Governing Council will meet on September 11. After the meeting in July, ECB president Christine Lagarde said the ECB was in wait-and-see mode and she hinted that policy rates would be kept fixed for the time being. Uncertainty has eased slightly now EU/US trade talks have ended in an agreement. However, exports to the US are likely to drop back after the rush of orders that occurred in the first quarter before tariffs kicked in. With the impact of tariffs likely to be felt in full going forward, the ECB will probably keep policy fixed in September as it monitors the impact of these factors. The markets have not really priced in an ECB rate cut before the year is out, so even if the ECB maintains the status quo, the market reaction will be muted, with the currency pair's room on the topside likely to be capped.

The euro could swing lower on political problems. The French prime minister François Bayrou will be facing a vote of confidence on September 8, but the opposition have said they will vote to bring him down, with the French cabinet possibly resigning en masse in such a scenario. President Macron is unlikely to step down as a result, but the problem could drag on, with this likely to push the euro lower in the medium term.

The FOMC will be meeting over September 16-17. The markets have priced in a -25bp policy rate cut, but the greenback might fall further if speculation about three rate cuts within the year grows on the results of the US employment and CPI data. However, FRB chair Jerome Powell has said he wants to monitor the impact of tariffs on prices, so he is unlikely to comment much about future meetings. As such, even if investors test the pair's topside in September, this momentum will be limited.

Dealers' Market Forecast

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

Bullish on the euro	12 bulls	1.1875 – 1.1500	Bearish on the euro	3 bears	1.1800 – 1.1200

* Ranges are central values

Seki	Bull	1.1900 – 1.1500	If the ECB hints it may keep rates fixed for a prolonged period on slowing growth, the euro/dollar pair's topside will be capped. However, though the FOMC remains hawkish, it will probably implement a rate cut this month. As such, the pair will probably strengthen, though investors should be wary of potential dollar demand on geopolitics or falling stock prices.
Yamazaki	Bear	1.1900 – 1.1200	The euro/dollar pair looks set to move with a firm undertone in September. The eurozone economy is moving somewhat bearishly, with this likely to push the pair lower. However, investors are moving away from the dollar, so the pair is unlikely to undergo a one-sided fall and instead will move firmly.
Nagano	Bull	1.1900 – 1.1500	The US might lower interest rates in September. With funds continuing to shift to Europe too, the euro/dollar pair will move firmly as investors test its July high of $1.18 again.
Kato	Bull	1.1900 – 1.1500	The ECB is likely to bring a halt to rate cuts, which marks a clear difference with the US, where the FRB is about to start lowering rates again. The sharp divergence in monetary policy is driving a long-term shift away from the dollar.
Toriba	Bull	1.2000 – 1.1400	As the ECB Governing Council minutes suggest, members are divided when it comes to inflation. The ECB will be waiting for some factors to help it rationally decide the next step. As such, the euro/dollar pair will remain comparatively susceptible to upwards swings.
(Tomoko) Yamaguchi	Bull	1.1800 – 1.1400	The ECB has indicated it will keep monetary policy fixed for now. This marks a contrast with the US, where investors are pricing in intermittent rate cuts. The euro/dollar pair has moved firmly despite French political uncertainty and concerns about a eurozone economic slowdown, with this trend likely to continue in September too.
Matsunaga	Bull	1.1850 – 1.1500	The euro/dollar pair will move firmly on the divergent monetary policies of Europe and the US. However, there are still many uncertainties related to politics, monetary policy and the impact of tariffs, for example, so the pair's topside will be capped.
Katoono	Bull	1.1800 – 1.1580	The pair will be buffeted by French political instability, though it will probably rally after the September 8 confidence vote. Furthermore, while there are a lack of factors supporting further ECB rate cuts, it seems likely that the FRB will cut rates in September, with the euro/dollar pair likely to be bolstered by dollar bearishness.
Kobayashi	Bull	1.1850 – 1.1500	The ECB will probably keep monetary policy fixed for now. On the other hand, investors are pricing in a September FRB rate cut and they are also expecting further cuts to follow. As such, it seems the euro/dollar pair will remain firm this month.
Okuma	Bull	1.1850 – 1.1500	With peace in Ukraine still a distant prospect, the euro/dollar pair will be weighed down by geopolitical risk, though it will be supported by falling confidence in the dollar. It will also move firmly on speculation that ECB rate cuts have come to an end.
Ito	Bear	1.1800 – 1.1200	Europe faces political risk, principally in France. The euro/dollar pair will probably be sold at times on the political situation.

Suzuki	Bull	1.1900 – 1.1500	Political instability is smoldering in Europe on the situation in France. However, while the ECB is discussing an end to rate cuts, the debate about lowering rates has heated up even more in the US. The euro/dollar pair will continue to be pushed higher by the divergent monetary policies of the US and EU.
Nishi	Bull	1.2000 – 1.1500	While the FRB is looking to lower rates, the ECB has hinted it might bring rate cuts to a close, with the euro/dollar pair likely to move firmly on this contrast. There are concerns about a jobs slowdown in the US and the faltering independence of the FRB, with the euro likely to be bought on all these dollar-selling factors.
Harada	Bull	1.1800 – 1.1580	The euro/dollar pair looks set to move firmly. The euro will face selling pressure from French political uncertainty, but it will be bought on the clear divergence between the monetary policies of the FRB and ECB, with the former moving to lower rates and the latter bringing rate cuts to a close.
Matsuki	Bear	1.1800 – 1.1400	The dollar will continue to weaken as investors focus on FRB monetary policy and the FRB's independence. However, the euro will be sold on French political instability, so the euro/dollar pair will continue trading with a with a heavy topside below the closely-watched $1.18 mark.

Fumihiko Kanda, Europe Treasury Department

British Pound – September 2025

Expected Ranges **Against the US$: US$1.3200–1.3700**
Against the yen: JPY194.00–202.00

1. Review of the Previous Month

The GBP/USD pair continued to move firmly last month. After opening at $1.32 on August 1, the pair strengthened to $1.33 as the dollar was sold on the weak results of the US July employment data. It then rose to $1.34 on August 7 after the Bank of England (BOE) implemented a "hawkish" rate cut. It climbed to $1.35 on August 12 as speculation about a US September rate cut grew following the release of the US July CPI data. The pair continued floating around $1.34-1.35 mid-August. FRB chair Jerome Powell gave a dovish speech at the Jackson Hole symposium on August 22, so the greenback was sold and the pair rose to the mid-$1.35 level. After a UK holiday on August 25, the euro moved erratically on French political uncertainty. This impacted the GBP/USD pair too, with its downside hitting the lower-$1.34 mark. The pair rallied to $1.35 on August 28.

Sterling moved with a heavy topside against the yen in August. After opening at 199 yen on August 1, the pair temporarily fell to 195 yen after the release of the US July employment data. It then rallied to 198 yen on the BOE's policy decision on August 7. On August 12, the pair hit 200 yen for the first time in around a year following the release of the US July CPI data. It dropped below 199 yen on August 13 after US treasury secretary Scott Bessent made some comments aimed at the Bank of Japan (BOJ), though the pair soon bounced back. With the dollar/yen pair them moving with a heavy topside on bearish US tech stocks and FRB chair Jerome Powell's speech at the Jackson Hole symposium, sterling traded around 199 yen. It then moved flatly to end the month at this level.

2. Outlook for This Month

The GBP/USD pair is expected to continue moving firmly in September. Though the FOMC looks set to cut rates on September 17, it seems the BOE will keep rates fixed when it meets on September 18. When it met to set policy on August 7, the BOE was so divided that it had to hold a revote for the first time in its history (in the first vote, four members voted for a -0.25% rate cut, four to keep rates fixed, and one for a -0.50% rate cut). The markets had been expecting a simple -0.25% rate cut, so the decision was read as hawkish. With the reliability of UK indicators waning slightly, it seems BOE members are also finding it hard to gauge how the economy is doing, with this being one reason why sterling is expected to trade firmly against the dollar. Domestic attention will be focused on the Labour Party conference on Sunday, September 28. With the autumn budget announcement looming in October, investors will be monitoring comments by chancellor Rachael Reeves, particularly with regards to how she intends to fill the hole in the UK's finances (which stands at around £41 billion). The Labour Party ruled out raising income tax and consumption tax (VAT) in its manifesto, but it also set out rules for government borrowing and spending too, so it is now in a very tight spot. The word on the street suggests the rule on not raising taxes will be thrown under the bus, but this will probably lead to a loss of confidence in the Labour administration. With yields on UK government bonds soaring recently at the start of July on speculation that Rachel reeves would step down, the pound might weaken again on this tumultuous situation, so caution will be needed.

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

Australian Dollar – September 2025

Expected Ranges **Against the US$: US$0.6380–0.6680**
Against the yen: JPY93.50–98.60

1. Review of the Previous Month

In August, the AUD/USD pair moved between $0.64 and $0.65.

The US July employment data was released on August 1. The data was down on expectations, with the May and June figures also downgraded sharply, so the greenback plummeted and the currency pair soared to the upper-$0.64 mark. The US dollar remained bearish thereafter, with the pair strengthening to the mid-0.65 level. As expected, the RBA board implemented a -25bp rate cut when it met on August 12. The RBA downgraded its GDP growth outlook in its quarterly Statement on Monetary Policy. With RBA governor Michele Bullock also dropping hints about further easing in her press conference, the pair tumbled to the upper-$0.64 mark. Expectations for a FRB rate cut then grew on the results of the US July CPI data, so the greenback weakened and the currency pair climbed to around the mid-$0.65 mark before dropping back again. The Australian July employment data was released on August 14. The data was much as expected, but the markets reacted warmly to news that full-time jobs and other forms of employment had increased significantly, so the pair hit a monthly high of $0.6568. The US July Producer Price Index (PPI) was then released during NY time, with the figure sharply up on market forecasts. With US treasury secretary Scott Bessent also denying that he had instructed the FRB to lower rates, the US dollar was bought and the currency pair dropped below $0.65. The US dollar was bought back over August 18-19, with the pair edging lower to hit the mid-$0.64 level. As expected, the RBNZ implemented a -25bp rate cut when it met to set policy on August 20. With two of the six members also calling for a -50bp rate cut, the New Zealand dollar was sold. The Australian dollar was also pulled down, with the AUD/USD pair dropping to the lower-$0.64 level. In his speech at the closely-watched Jackson Hole symposium on August 22, FRB chair Jerome Powell spoke about the growing risk to the labor market from lingering inflationary concerns. While adopting a cautious tone, he also dropped hints about rate cuts, so the US dollar was sold. The currency pair subsequently shot up to around $0.65. With Australia's July CPI data swinging upwards, the Australian dollar was bought on August 27. With short-term US interest rates falling, the pair's topside strengthened to the lower-$0.65 level towards the month's end.

2. Outlook for This Month

The AUS/USD pair is expected to move firmly in September.

In his speech at the Jackson Hole symposium, FRB chair Jerome Powell said employment and wages were slowing sharply. He also said tariffs would only push inflation higher in the short term, with the markets reading his speech as dovish. However, the speech did not lead to any major shifts in market expectations, with investors still pricing in around 0.8 rate cuts in September and around two cuts within before the year's end. It will probably take a further deterioration in labor market conditions in the US August employment data for investors to price in more rate cuts. Under these circumstances, it seems the currency pair will move with a lack of direction until the US employment data is released on September 5. The RBA board lowered rates when it met in August. With RBA governor Michele Bullock dropping hints about further easing, the markets made some moves to price in another rate cut in September. With Australia's July CPI data then swinging upwards, though, it now seems likely that the RBA will maintain the status quo in September. Though a lot will depend on US inflation and employment indicators, the AUS/USD pair will probably move firmly on a growing consensus that the FRB's next move with be a rate cut given how dovish FRB chair Jerome Powell's speech was at the Jackson Hole symposium.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – September 2025

Expected Ranges **Against the US$: C$1.3500–1.3900**
Against the yen: JPY105.00–109.00

1. Review of the Previous Month

The USD/CAD pair moved in a range from the lower-C$1.37 mark to the lower-C$1.39 level in August. It was swayed by market expectations for an FRB rate cut.

The US released some weak July employment data at the start of the month. With the nonfarm payrolls data for the months before July also being sharply downgraded, market expectations for a September FOMC rate cut surged, so the greenback was sold and the USD/CAD pair fell to C$1.3722 on August 7. The Canadian employment data was released the following week, with the number of people in work unexpectedly falling by 41,000. However, this was not as impactful as the US employment data had been, with the currency pair continuing to trade at C$1.37. The US July CPI data was released mid-August. It revealed that some prices had been pushed up by tariffs, though the data was broadly in line with forecasts. Market bets on a September US rate hike rose to 96%, with the USD/CAD pair sliding to the upper-C$1.37 mark after temporarily hitting C$1.38. However, the US July Producer Price Index (PPI) then saw its fastest growth since June 2022, so market expectations for a rate cut waned slightly. Canada's headline CPI figure also slowed from +1.9% y-o-y in June to +1.7% y-o-y, with the markets now putting the probability of a September Bank of Canada (BOC) rate cut at around 40%. With inflationary concerns rising again in the US and expectations growing for a September BOC rate cut, the US dollar began to rise in the currency markets. At the Jackson Hole symposium on August 22, FRB chair Jerome Powell spoke cautiously about the growing risk of an employment downswing, though he left the door open for a September rate cut. After hitting a high of C$1.3925 just before the speech, the USD/CAD pair now fell sharply. With market bets on a rate cut remaining above 85% (as of August 28), the pair ended the month trading between the mid-C$1.37 level and the lower-C$1.38 mark (as of August 28).

2. Outlook for This Month

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

As with the FOMC, the likelihood of a September rate cut by the BOC will depend on the results of Canada's 2Q GDP figure and the employment and CPI data (all set for release before the September 17 meeting). With the 2Q GDP data in particular, the BOC gave a very pessimistic projection that that GDP would fall -1.5% on the previous quarter, so the August 29 release will receive a lot of attention.

However, on August 22 Canada's prime minister Mark Carney said Canada would scrap retaliatory tariffs on US goods covered by the United States-Mexico-Canada Agreement (USMCA), effective from September 1, with Canada shifting tack to match the US government's treatment of goods covered under the USMCA (though tariffs will remain on US-made steel, aluminum and automobiles for the time being). In doing so, he seemed to be laying the ground for a reset in US/Canada relations ahead of the July 2026 talks on revising the USMCA, with Canada's trade minister Dominic LeBlanc also hinting that the talks could be brought forward to autumn this year. If some early agreement is reached to lower tariffs on Canadian goods not covered by the USMCA, this could prompt investors to buy the Canadian dollar. There are concerns that negotiations might drag on. This would have a big negative impact on capital investment by Canadian firms and on consumer activity, so even if the greenback is sold on a US rate cut, investors are likely to hold off from buying the Canadian dollar to a certain extent.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – September 2025

Expected Ranges **Against the US$: KRW 1,360–1,410**
Against the yen: JPY 10.29–11.02 (KRW100)

1. Review of the Previous Month

The USD/KRW pair moved flatly in August.

Expectations for an early US rate cut waned early August. The government of Lee Jae-myung then announced it would scrap cuts to the corporate taxes and the taxes on security trades that had been introduced by the previous administration, so funds left South Korean stock markets. The won weakened as a result, with the currency pair temporarily topping the key KRW1400 mark. However, speculation about an early US rate cut then grew on the bearish results of the US employment data, so the pair dropped back to the lower-KRW1380 level. With some indicators showing price rises, though, the pair rallied on stagflation concerns, with the pair continuing to move flatly overall. As expected, South Korea's July CPI figure hit +2.1% y-o-y, so the impact on the markets was muted.

It was announced that the US and China would suspend some tariff hikes for a further 90 days mid-August. With the US July CPI data also within the bounds of expectations, excessive inflationary concerns eased. With several US government officials also calling for rate cuts, the pair hit a low of KRW1378.3, but with US expected inflation rising more than projected, the greenback was bought again, with the currency pair rallying to KRW1390. Amid no clear progress in the Ukraine situation, the pair climbed to KRW1400 for a time on concerns about hawkish comments at the Jackson Hole symposium.

The pair fell back to the lower-KRW1380 mark towards the month's end as FRB chair Jerome Powell's Jackson Hole speech was read as dovish, but it soon returned to KRW1390 on lingering uncertainty about monetary policy from September onwards. The pair continued floating at this level to close at KRW1387.6 (as of 15:30 on August 28).

2. Outlook for This Month

The USD/KRW pair is expected to move in a range in September.

The Bank of Korea (BOK) kept rates fixed at 2.50% when it met on August 28. The BOK also revised its economic outlook, with the growth forecast for 2025 lifted to 0.9% (May: 0.8%) and the inflation outlook to 1.9% (May: 1.8%). Despite this slight upward adjustment, growth remains below the potential growth rate, with investors now expecting around one more rate cut this year and further cuts to come in 2026. The BOK is keeping an eye on the government's housing supply policies, but if more signs emerge that the property market is stabilizing, there could be a rate cut in October too.

The US is also expected to cut rates in September. However, there is lingering inflation risk related to tariffs and so on, so there is still a lot of uncertainty about monetary policy going forward. As such, it seems unlikely that the dollar will fall sharply.

The USD/KRW pair is expected to continue floating around KRW1380-1390 in September.

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

New Taiwan Dollar – September 2025

Expected Ranges **Against the US$: NT$28.60–30.10**
Against the yen: JPY4.55–5.10

1. Review of the Previous Month

The USD/TWD pair edged higher in August.

The pair opened the month trading at TWD29.950 on August 1. Taiwanese exports continued to perform well on demand for AI-related products. However, the markets were also concerned about rising US prices and the minutes to the FOMC meeting, so the pair moved with a lack of direction to float around TWD29.75-30.00.

The US July CPI data fell broadly in line with expectations at the middle of the month, with bets on a September FOMC rate cut topping 90% again. However, the PPI then rose sharply above market forecasts to grow at the fastest pace since June 2022. With the US new applications for unemployment insurance data also improving, expectations for US rate cuts waned again. More overseas investors then bought the greenback as Taiwanese AI-related stocks underwent some adjustment, with the USD/TWD pair testing the key TWD30 mark.

In his speech at the Jackson Hole symposium late September, FRB chair Jerome Powell spoke about the growing risk of an employment slowdown, so market expectations for a September rate cut rose again. However, the US then posted a series of generally strong economic indicators, so US treasury yields rose and risk assets were sold, with the US dollar bought at a faster pace. The currency pair temporarily hit the upper-TWD30 mark to close the month at this level.

2. Outlook for This Month

The USD/TWD pair is expected to firmly in September.

Funds flowed out of Taiwan in August as AI stocks were sold when the Nasdaq fell back. With Taiwanese importers also buying the greenback and Taiwanese exporters holding back from selling it, the pair rose about 6.5% from its July low. Furthermore, investors focused on comments by Taiwan's Economic Affairs Minister about wanting to maintain the pair's rate at TWD31, its average level for the past six years, with this also bolstering the pair's downside.

Taiwanese firms are now bringing forward their overseas investments. With Taiwanese life insurance companies also strengthening their currency hedges, it seems the situation is ripe for the Taiwanese dollar to move with a heavy topside. Facing pressure from the US authorities, Taiwan's central bank might intervene, though it will probably allow the pair to return to its long-term average of TWD31, with the greenback likely to rise further as the pair heads toward TWD31.

Yuki Komatsu, Hong Kong Treasury Office, East Asia Treasury Department

Hong Kong Dollar – September 2025

Expected Ranges **Against the US$: HK$7.7500–7.8000**
Against the yen: JPY18.20–19.20

1. Review of the Previous Month

The USD/HKD pair fell in August. It continued to float around HKD7.85, the upper range of its peg from mid-June, but it also fell at times to HKD7.77, close to lower range of its peg (HKD7.75). The Hong Kong Monetary Authority (HKMA) intervened intermittently to buy the Hong Kong dollar and sell the US dollar from June. As a result, the HKMA's aggregate balance fell close to a level last reached when the currency pair hit the HKD7.75 lower range in May. Hong Kong short-term interest rates subsequently soared mid-August. The HIBOR 3M rose from around 1% to 3%, with this pushing the pair lower.

Furthermore, mid-August also saw the largest daily buying-on-balance amount when it came to investments in Hong Kong stocks via the Stock Connect (a mechanism connecting trading between Hong Kong and the Chinese mainland). This may have been a further factor pushing the Hong Kong dollar and short-term HKD interest rates higher.

A glance at the economic indicators shows Hong Kong's 2Q GDP data topping forecasts to hit +3.1% y-o-y, with GDP mainly bolstered by improving exports. However, US tariffs remain high and there is still a lot of uncertainty about the tariff policies for certain products. With Hong Kong's June retail sales data also falling below forecasts, there are lingering concerns about domestic consumption.

2. Outlook for This Month

In September, the USD/HKD pair will probably trade around HKD7.75–7.80, in the lower half of its peg range. In August, short-term HKD interest rates began rising and they will face some lingering upwards pressure in September too. The Hong Kong dollar might also be pushed up as investors on the Chinese mainland buy Hong Kong stocks via the Stock Connect (a mechanism connecting trading between Hong Kong and the Chinese mainland). Hong Kong's economy is being weighed down by a weak Chinese economy and sluggish inbound consumption, but this is unlikely to push the Hong Kong dollar down sharply.

In the US, meanwhile, it seems likely the FOMC will implement a 25bp rate cut when it meets mid-September, with the greenback set to face selling pressure as a result. The US dollar might fall further on the results of US economic indicators, particularly related to employment and prices, so caution will be needed.

Under these circumstances, the USD/HKD pair will probably trade in the lower half of its peg range in September.

Sae Sueyoshi, Treasury Department, MHBK (China)

Chinese Yuan – September 2025

Expected Ranges	**Against the US$: CNY 7.0500–7.2000**
	Against the yen: JPY 20.40–21.10

1. Review of the Previous Month

In August, the U.S. dollar/Chinese yuan exchange rate fell both at the beginning and the end of the month.

On August 1, the U.S. dollar/Chinese yuan exchange market opened at the lower-CNY 7.20 level. During the night time, the July employment statistics for the U.S. were released with weak figures, in reaction to which the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.19 level. In the following week, market participants continued selling the U.S. dollar on August 7. As a consequence, the U.S. dollar/Chinese yuan exchange rate fell and momentarily reached the lower-CNY 7.17 level. Thereafter, the People's Bank of China (PBOC) central parity rate continued falling gradually, renewing the highest rate for the Chinese yuan in the year. Under such circumstances, the U.S. dollar/Chinese yuan exchange rate remained low also in the actual trading market. On the other hand, the U.S. dollar/Chinese yuan exchange rate did not fall substantially either. Thus, the U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range between CNY 7.17 and CNY 7.19 without moving in any direction during the middle of the month.

In the evening of August 22 at the Jackson Hole Economic Symposium, Federal Reserve Board (FRB) Chair Jerome Powell suggested that he might resume policy interest rate cuts. In reaction, the U.S. dollar/Chinese yuan exchange rate fell sharply from the CNY 7.18 level to the CNY 7.16 level. On August 25, the U.S. dollar continued depreciating, and the U.S. dollar/Chinese yuan exchange rate remained low. In the evening of August 27, President of the Federal Reserve Bank of New York John Williams made a remark to emphasize that every meeting of the Federal Open Market Committee (FOMC) was "live." Furthermore, interest rates in the U.S. fell. As a result, on August 28, the U.S. dollar/Chinese yuan exchange rate fell by more than 200 pips from the CNY 7.15 level, and the U.S. dollar/Chinese yuan exchange market closed trading at the CNY 7.13 level.

2. Outlook for This Month

In September, the U.S. dollar/Chinese yuan exchange rate is forecast to remain low as a result of monetary policy in the U.S.

In August, tariffs negotiation between the U.S. and China saw a temporary conclusion with an agreement to extend an additional three-month suspension of additional tariffs. Market participants are advised to remain cautious of potential bidirectional fluctuations in the U.S. dollar/Chinese yuan exchange market in reaction to headlines related to tariff negotiations until they see a final conclusion. However, there are signs of progress in the negotiations between the U.S. and China, including a report from a related party suggesting a plan of Chinese monetary authority officials to visit the U.S. at the end of August.

Market participants are shifting the center of their attention to monetary policy in the U.S. Under such circumstances, it is worth noting that the U.S. dollar remains weak. After the Jackson Hole Economic Symposium, at which FRB Chair Jerome Powell made the above-mentioned remark, there have been some FRB officials releasing comments to support policy interest rate cuts in the U.S., and the market has also been gradually reflecting these expected policy interest rate cuts.

In China, on the other hand, the Politburo of the Chinese Communist Party held a meeting on July 30 and announced its economic priorities emphasizing that macro policies should be sustainable and effective—and reinforced at appropriate times. In reaction, many market participants instantly thought that no additional economic measures would be taken, including rapid policy interest rate cuts. However, on August 25, housing purchasing restrictions were loosened in Shanghai after the release of major domestic economic indices for August, which turned out to reveal figures below market estimates. Thus, in general, China is expected to continue easing its monetary and economic policies.

For these reasons, both the U.S. and China are taking measures of monetary easing. Under such circumstances, market participants are anticipating a policy interest rate cut in September in the U.S., and this is likely to weaken the U.S. dollar in the U.S. dollar/Chinese yuan exchange market.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – September 2025

Expected Ranges	**Against the US$: SG$ 1.2750–1.2950**
	Against the yen: JPY 112.50–117.00

1. Review of the Previous Month

In August, the U.S. dollar/Singapore dollar exchange rate fell significantly at the beginning of the month, after which the exchange rate continued fluctuating within a narrow range between SGD 1.28 and SGD 1.29 for the rest of the month.

On August 1 local time in the U.S., the July employment statistics for the U.S. were released, revealing figures that were significantly weaker than the market estimates. In reaction, the U.S. dollar/Singapore dollar exchange rate momentarily fell by 0.9%. The appreciation of the U.S. dollar observed at the end of July was thus offset, and the U.S. dollar/Singapore dollar exchange rate returned to a level below the SGD 1.29 level.

Thereafter, the U.S. dollar/Singapore dollar exchange rate continued to fall during the first part of the month. While economic indices in the U.S. were either as expected or slightly weaker than expected, the economic indices of Singapore turned out to be relatively strong. Furthermore, the second-quarter GDP for Singapore (confirmed figure) was announced on August 12 local time in Asia and turned out to be 4.4%, with an acceleration of 0.1% from the first-quarter period, even though it had been anticipated.

In the middle of August, the market started to more significantly reflect the expected policy interest rate cut at the Federal Open Market Committee (FOMC) meeting to be held in September, given that the July headline Consumer Price Index (CPI) for the U.S. was announced on August 12 local time in the U.S. with an outcome that turned out to be 2.7%—lower than the market estimate by 0.1%. Along with this trend, market participants started to sell the U.S. dollar. Consecutively, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.28 level by August 14. However, thereafter, the July Producer Price Index (PPI) for the U.S. was also announced on August 14, and the result turned out to be above the market estimate, weakening expectations for policy interest rate cuts, encouraging market participants to buy the U.S. dollar again. As a result, the U.S. dollar/Singapore dollar exchange rate recovered to the lower-SGD 1.28 level.

At the end of August, interest rates in the U.S. rose gradually toward August 22. Under such a context, market participants continued buying the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate recovered to reach the SGD 1.29 level on August 22. However, in the evening of the same day, Federal Reserve Board (FRB) Chair Jerome Powell made a remark to express concerns over the deterioration of the labor market in the U.S., and this sharply increased U.S. dollar-selling. Thus, the U.S. dollar/Singapore dollar exchange rate fell to approach the SGD 1.28 level once again. Yet, the U.S. dollar/Singapore dollar exchange rate started to rise continuously and gradually thereafter and returned to the mid-SGD 1.28 level by August 28 local time in Asia.

2. Outlook for This Month

In September, the U.S. dollar/Singapore dollar exchange rate is forecast to fluctuate within a narrow range, waiting for the outcome of the FOMC meeting in the U.S.

The U.S. dollar/Singapore dollar exchange rate has been on a downtrend since the beginning of the year. Even though the downtrend was replaced by an uptrend in July, and the U.S. dollar/Singapore dollar exchange rate rose to approach the SGD 1.30 level for the first time since May toward the end of the month. However, on August 1, the July employment statistics for the U.S. were released with tragic figures, which significantly shocked market participants. Thus, the rise of the U.S. dollar/Singapore dollar exchange rate slowed down. Because factors related to Singapore have been impacting the U.S. dollar/Singapore dollar exchange market only to a limited degree, factors related to the U.S. are expected to remain the main drivers for the U.S. dollar/Singapore dollar exchange market.

As was discussed above, the U.S. dollar/Singapore dollar exchange rate is forecast to continue fluctuating within a narrow range mainly at the upper-SGD 1.28 level in September. The employment market in the U.S. has been found to be weakening in the past three months, while FRB Chair Jerome Powell also lamented the situation in the labor market. Thus, it is almost certain that the FOMC will resume policy interest rate cuts in September. Currently, two policy interest rate cuts are expected before the end of the year, and this matches the estimate based on the dot plot released by the FRB (calculated in June). Given this situation, the U.S. dollar/Singapore dollar exchange rate is most likely to fluctuate at the mid-SGD 1.28 level to the upper-SGD 1.28 level, which has been observed since the release of the July employment statistics for the U.S. to date.

In terms of risk factors, market participants may sell the U.S. dollar if the expected number of policy interest rate cuts before the end of the year is modified from two to three due to concerns over an economic slowdown growing further based on the August employment statistics for the U.S. In such a case, it is possible for the U.S. dollar/Singapore dollar exchange rate to fall further than SGD 1.27. For this reason, market participants are advised to be more attentive of trends in both employment and price markets—the most-important references used by the FRB.

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

Thai Baht – September 2025

Expected Ranges **Against the US$: THB 32.20–33.30**
Against the yen: JPY 4.45–4.65

1. Review of the Previous Month

In August, the U.S. dollar/Thai baht exchange market opened trading at the upper-THB 32 level. Thereafter, on August 1 and 5, major U.S. economic indices were released with figures weaker than the market estimate, and this weakened the U.S. dollar. Then, the U.S. dollar/Thai baht exchange rate fell to the lower-THB 32 level. On August 6, the July Consumer Price Index (CPI) for Thailand was announced on August 6 with a result that was below the market estimate, and this encouraged market participants to sell the Thai baht, raising the U.S. dollar/Thai baht exchange rate slightly. Subsequently, during consecutive holidays in Thailand from August 9 to August 12, the U.S. dollar/Thai baht exchange rate remained at the same level, waiting for the announcement of the July CPI for the U.S. However, on August 12, risk-taking sentiment grew in the market based on the extension of the due date for tariff negotiations between the U.S. and China, as well as due to expectations for a ceasefire in Ukraine, strengthening the U.S. dollar. As a result, the U.S. dollar/Thai baht exchange rate temporarily reached the mid-THB 32 level. Yet, on the same day, the July CPI for the U.S. was released, and the result led the U.S. dollar/Thai baht exchange rate to fall again to the lower-THB 32 level. Then, on August 13, the monetary policy committee of the central bank of Thailand decided to cut its policy interest rate to 1.50%. However, as this decision had been anticipated in the market, there was little immediate reaction in the market. Thereafter, the U.S. dollar started to weaken once again, and the U.S. dollar/Thai baht exchange rate renewed its monthly low. On August 14, the July Producer Price Index (PPI) for the U.S. was announced, and the result turned out to be stronger than the market estimate. In reaction, few market participants expected significant policy interest rate cuts in the U.S. before the end of the year. As a result, the U.S. dollar strengthened further to temporarily reach the mid-THB 32 level. Furthermore, the minutes of the July Federal Open Market Committee (FOMC) meeting were released in the U.S., revealing a cautious attitude toward policy interest rate cuts. In reaction, the U.S. dollar started to strengthen gradually before the Jackson Hole Economic Symposium, and the U.S. dollar/Thai baht exchange rate rose to the upper-THB 32 level. Then, on August 22, the Jackson Hole Economic Symposium was held and, in his talk, Federal Reserve Board (FRB) Chair Jerome Powell expressed a concern over the deterioration of the labor market in the U.S., mentioning the possibility of a shift in policy measures. This fueled expectations for policy interest rate cuts at the September FOMC meeting, and this led the U.S. dollar to weaken against the Thai baht sharply to the lower-THB 32 level, although the U.S. dollar rallied slightly thereafter. Subsequently, the media reported that U.S. President Donald Trump would fire FRB Governor Lisa Cook. In response to this report, the U.S. dollar weakened once again. However, since then, Lisa Cook announced her intention to remain in the position, which allowed the U.S. dollar to rally. As of the time at which this article was being written (3:00 p.m. on August 28), the U.S. dollar/Thai baht exchange rate has been fluctuating at the lower-THB 32 level.

2. Outlook for This Month

In August, the U.S. dollar/Thai baht exchange market was impacted by headlines related to the U.S., such as those on tariffs and the FRB's plan on policy interest rate cuts. In September, market participants are advised to pay attention to political uncertainty in Thailand as a factor for potential fluctuations in the U.S. dollar/Thai baht exchange market.

On August 29, Thai Prime Minister Paetongtarn Shinawatra (who had been suspended from office) was removed from office, immediately after the constitutional court ruled that her acts had breached ethics rules. This caused political confusion in Thailand, and market participants may be reacting to this news by selling the Thai baht, as was the case when former Prime Minister Srettha Thavisin was removed from office last year based on a decision by the Constitutional Court of Thailand. Furthermore, regarding the budgetary plan for FY2026 that passed the Thai House of Representatives (lower house) in mid-August, the resolution at the Senate of Thailand (upper house) was postponed to September 1 and 2, whereas it had originally been scheduled for August 25 and 26. Because the major conservative party left the current coalition government, it maintains the majority in the lower house, but with difficulty. Given this situation, there are risks for the media to release more headlines that further fuel the sense of political uncertainty in the market related to the resolution on the budgetary plan. This is another factor to potentially encourage market participants to sell the Thai baht.

At the current moment, the U.S. dollar/Thai baht exchange rate has been low, based on the depreciation of the U.S. dollar caused by speculation about the resumption of policy interest rate cuts in the U.S. On the other hand, there have long been an accumulating number of factors to weaken the Thai baht, such as the ongoing tensions with Cambodia at border areas as well as a sluggish number of foreign tourists. Under such circumstances, it is worth pointing to the possibility for market participants to sell the Thai baht in an accelerated manner in the times ahead based on political confusion in Thailand, raising the U.S. dollar/Thai baht exchange rate.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – September 2025

Expected Ranges **Against the US$: MYR 4.1800–4.2800**
Against the yen: JPY 34.20–35.50

1. Review of the Previous Month

In August, the U.S. dollar/Malaysian ringgit exchange market opened trading at the MYR 4.26 level. Expectations for policy interest rate cuts in the U.S. receded, as the June core Personal Consumption Expenditures Price (PCE) index for the U.S. had been released on the previous day, with a result above the market estimate. In consequence, the U.S. dollar/Malaysian ringgit exchange rate rose further to temporarily reach the MYR 4.28 level, already recording the monthly high in August. However, the July employment statistics for the U.S. turned out to be weak, and the figures for the past two months were also revised significantly downward. The most-recent three-month average also turned out to record the all-time low, except for the time of confusion at the time of the Covid-19 pandemic. As a result, interest rates in the U.S. declined, and the U.S. dollar/Malaysian ringgit exchange market opened trading at the MYR 4.24 level on August 4. In the middle of the week, the U.S. reached an agreement in tariff negotiations with various countries in Asia, and this impacted positively on the Malaysian ringgit. Thus, the U.S. dollar/Malaysian ringgit exchange rate fell to the MYR 4.22 level. However, on August 8, some market participants sold the Malaysian ringgit to adjust positions or to take profits. As a result, the U.S. dollar/Malaysian ringgit exchange rate returned to the lower-MYR 4.24 level.

In the middle of the month, the conclusion of tariff negotiations between the U.S. and China was postponed once again, which led the U.S. dollar/Malaysian ringgit exchange rate to fall to the MYR 4.23 level. Thereafter, the U.S. dollar/Malaysian ringgit exchange rate fluctuated only slightly, as market participants were waiting for the announcement of the July Consumer Price Index (CPI) for the U.S. Subsequently, the July CPI for the U.S. was announced, and the result turned out to be as had been anticipated in the market, and this made it likely for the policy interest rate in the U.S. to be cut in September. Furthermore, the United States Secretary of the Treasury made a remark to the Federal Reserve Board (FRB) that could be taken as a request for a policy interest rate cut, even though this was later denied. In reaction, the U.S. dollar/Malaysian ringgit once reached the MYR 4.19 level. However, the exchange rate fell too rapidly, and it adjusted later. Furthermore, the confirmed figure of the second-quarter GDP for Malaysia turned out to be +4.4%, showing a slowdown from the preliminary figure. As a result, the U.S. dollar/Malaysian ringgit exchange market closed trading at the MYR 4.22 level on August 15. In the week commencing on August 18, the July trade statistics for Malaysia revealed a +6.8% growth in exports, which was a positive surprise. However, market participants were waiting for the speech by FRB Chair Jerome Powell to be made at the Jackson Hole Economic Symposium. Thus, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating within a narrow range throughout the week, waiting for the important event.

The speech by FRB Chair Jerome Powell turned out to be dovish, making it likely for the policy interest rate to be cut in September. As a result, the U.S. dollar/Malaysian ringgit exchange rate fell below the MYR 4.20 level on August 25. However, expectations for policy interest rate cuts grew too much, and the U.S. dollar/Malaysian ringgit exchange rate was adjusted and rallied to the MYR 4.23 level on August 27. The media report on the possible removal of FRB Governor Lisa Cook led to a decline in interest rates in the U.S. As a consequence, the U.S. dollar weakened again on August 28, and the U.S. dollar/Malaysian ringgit exchange market closed trading at the upper-MYR 4.21 level

2. Outlook for This Month

In September, the U.S. dollar/Malaysian ringgit exchange market may become unstable due to changing speculation about Federal Open Market Committee (FOMC) actions and outcomes. Yet, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain low. First of all, the U.S. tariff rate for Malaysia was set at 19%—lower than originally announced. Furthermore, the leading semiconductor sector is currently excluded from the tariff scheme. Thus, organizations such as the International Monetary Fund (IMF) have revised the economic outlook for Malaysia upward. It is also worth noting that the conclusion of the tariff negotiations between the U.S. and China was postponed by another 90 days without intensifying the tensions between the U.S. and China. It is likely that this factor is also contributing to the mitigation of uncertainty about economic outlook for Malaysia, the economy of which is deeply connected to China.

In July, the central bank of Malaysia cut its policy interest rate as a preemptive measure, which is likely to support the domestic demand in Malaysia that has been a driving force for the Malaysian economy. In terms of trade, exports recovered year-on-year positive growth for the first time in three months, especially thanks to strong performance in the electric and electronics sector. From a medium- to long-term perspective as well, exports have seen average growth of +5.4% since 2024, which is a healthy figure. Thus, the Malaysian economy is expected to sustain its strength somehow, albeit at a slower rate, supported by domestic demand and by exports.

It is also worth noting that the attitude of the FRB and the pressure on the FRB given by U.S. President Donald Trump could both strengthen and weaken the Malaysian ringgit. It turned out that FRB Chair Jerome Powell opened the possibility for a policy interest rate cut at the FOMC meeting to be held in September. However, a large-scale tax cut is scheduled for next year, which is a major action by the current U.S. administration, and there has so far been no downward pressure on long-term interest rates in the U.S. If interest rates in the U.S. remain high, concerns are likely to grow regarding the economic outlook for the U.S., and this could both strengthen and weaken the U.S. dollar against the currencies of emerging countries. Pressure on the FRB is likely to negatively impact the credit level of the U.S. dollar and thus is a factor to weaken the U.S. dollar. However, the situation can change depending on the monetary policy of the U.S. as well as the attitudes of the U.S. government and the FRB. For these reasons, the U.S. dollar/Malaysian ringgit exchange market is forecast to be unstable, even though the U.S. dollar/Malaysian ringgit exchange rate is expected to remain low in general.

Tomokazu Moriya, Asia & Oceania Treasury Department

Indonesian Rupiah – September 2025

Expected Ranges **Against the US$: IDR 16,100–16,600**
Against the yen: JPY 0.8800–0.9200 (IDR 100)

1. Review of the Previous Month

In August, the U.S. dollar/Indonesian rupiah exchange rate fell.

On August 1, the U.S. dollar/Indonesian rupiah exchange market opened trading at the upper-IDR 16,400 level. Thereafter, risk-averse sentiment grew in the market, as U.S. President Donald Trump had signed an executive order to impose reciprocal tariffs on the previous day. As a result, the U.S. dollar/Indonesian rupiah exchange rate rose to temporarily reach the IDR 16,500 level.

On August 4, the U.S. dollar/Indonesian rupiah exchange rate fell to the upper-IDR 16,300 level, as the July employment statistics for the U.S. turned out to be weak. On August 5, the second-quarter GDP of Indonesia turned out to be above the market estimate. However, there was little reaction to this news in the market. On August 6, expectations grew for policy interest rate cuts in the U.S. Under such a context, the U.S. dollar/Indonesian rupiah exchange rate fell to the mid-IDR 16,300 level. On August 7, interest rates in the U.S. decreased, and consequently, the U.S. dollar/Indonesian rupiah exchange rate continued falling to reach the upper-IDR 16,200 level.

On August 13, market participants continued selling the U.S. dollar, as the July Consumer Price Index (CPI) for the U.S. had been announced on the previous day with moderate increase. As a result, the U.S. dollar/Indonesian rupiah exchange rate reached the upper-IDR 16,100 level. On August 14, the same trend continued, and the U.S. dollar/Indonesian rupiah exchange rate once fell below the IDR 16,100 level, reaching the lowest level since December last year. On August 15, the July Producer Price Index (PPI) for the U.S. was announced, and the U.S. dollar/Indonesian rupiah exchange rate rallied to the mid-IDR 16,100 level.

On August 20, the U.S. dollar/Indonesian rupiah exchange rate occasionally rallied to the IDR 16,300 level. However, market participants started to buy the Indonesian rupiah increasingly toward the end of the day, waiting for the outcome of the regular meeting at the central bank of Indonesia. Consequently, the U.S. dollar/Indonesian rupiah exchange rate fell to the upper-IDR 16,200 level. Thereafter, the central bank of Indonesia announced the outcome of its regular meeting, revealing an unexpected policy interest rate cut. The seven-day reverse repo rate, which is the principal policy interest rate in Indonesia, was cut by 0.25% to 5.00%. On August 22, market participants bought the U.S. dollar based on remarks made by Federal Reserve Board (FRB) officials on the previous day as well as on a rise in U.S. economic indices. As a result, the U.S. dollar/Indonesian rupiah exchange rate rose to reach the mid-IDR 16,300 level.

On August 25 at the Jackson Hole Economic Symposium, FRB Chair Jerome Powell made a remark that was considered dovish, which encouraged market participants to sell the U.S. dollar in an accelerated manner. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to the lower-IDR 16,200 level. On August 26, the media reported the possible removal of FRB Governor Lisa Cook, which temporarily kept the U.S. dollar/Indonesian rupiah exchange rate low. However, the report was later denied, and market participants bought back the U.S. dollar, as a result of which the U.S. dollar/Indonesian rupiah exchange rate rallied to the mid-IDR 16,300 level.

2. Outlook for This Month

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

At the monetary policy meeting held in August, the central bank of Indonesia decided to cut its policy interest rate—the BI rate—by 25 basis points to 5.00%, which turned out to be a surprise to market participants. Since September last year, the central bank of Indonesia has been in a phase of policy interest rate cuts. However, since the policy interest rate was already cut in July, most market participants expected the central bank to maintain the policy interest rate at the existing level in August. Thus, the second consecutive policy interest rate cut was considered a surprise. Regarding this decision, the governor of the central bank of Indonesia, Perry Warjiyo, explained that the inflation outlook for 2025 and 2026 remains low within the target range, and the policy interest rate cut was seen as appropriate given the necessity to maintain the stability in the Indonesian rupiah exchange market while also supporting economic growth. And also he added that room for further interest rate cuts will be assessed. Thus, it is likely for the central bank of Indonesia to continue looking for the timing to cut the policy interest rate further, although this would depend on the level of the U.S. dollar/Indonesian rupiah exchange rate.

On the other hand, market participants are certainly anticipating policy interest rate cuts in the U.S. as well. In August, expectations for policy interest rate cuts in the U.S. changed frequently based on the figures in the economic indices. However, at the Jackson Hole Economic Symposium, which was held during the second half of the month, FRB Chair Jerome Powell expressed concerns over the employment market in the U.S. while also suggesting a policy interest rate cut in September. As a result, market participants are currently strongly convinced that the policy interest rate will be cut in September.

For the above reasons, a policy interest rate cut is expected in the near future both in the U.S. and in Indonesia. Thus, it is unlikely for neither currency to be actively bought. However, given the strong and persistent concern over global economic uncertainty, risk-averse sentiment is also likely to grow occasionally. Thus, the pressure to sell the Indonesian rupiah is more likely to grow.

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

Philippine Peso – September 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 August, the Philippine peso approached the lowest level in the year at the beginning of the month. However, the U.S. dollar/Philippine peso exchange rate continued fluctuating within a narrow range at around the PHP 57 level thereafter.

At the beginning of August, the U.S. dollar/Philippine peso exchange market opened trading at PHP 58.25. Toward the end of July, market participants started to actively buy the U.S. dollar globally. Following this trend, the U.S. dollar/Philippine peso exchange rate temporarily reached PHP 58.63 for the first time since February, approaching the lowest rate for the Philippine peso against the U.S. dollar in the year. However, the central bank of the Philippines thereafter made a comment to give warning to the rapid depreciation of the Philippine peso, while the July employment statistics for the U.S. were released with figures weaker than the market estimate. In reaction, the U.S. dollar/Philippine peso exchange rate fell sharply to approach the mid-PHP57 level.

The U.S. dollar remained weak thereafter, while the second-quarter GDP of the Philippines and the June Overseas Filipino Workers (OFW) remittances both turned out to be stronger than the market estimate. As a result, market participants started to buy the Philippine peso, and the U.S. dollar/Philippine peso exchange rate continued fluctuating at the upper-PHP 56 level.

From the middle of the month, there were no dramatic events, and the U.S. dollar/Philippine peso exchange rate did not move substantially, fluctuating within a narrow range at around the PHP 57 level. In the meantime, market participants were waiting for the outcome of the Jackson Hole Economic Symposium in the U.S. Subsequently, there was a string of consecutive national holidays in the Philippines, and afterward, the media reported in the morning local time in the Philippines that U.S. President Donald Trump was planning to remove Federal Reserve Board (FRB) Governor Lisa Cook, and this encouraged market participants to sell the U.S. dollar and buy the Philippine peso. As a consequence, the U.S. dollar/Philippine peso exchange rate fell to temporarily reach PHP 56.65. However, as the central bank of the Philippines was scheduled to hold a monetary policy meeting, the U.S. dollar/Philippine peso exchange rate returned gradually to the lower-PHP 57 level. Then, at the August meeting of the central bank of the Philippines, the policy interest rate was cut by 0.25%—as had been anticipated by the majority of market participants. Despite this news, the U.S. dollar/Philippine peso exchange rate continued fluctuating within a narrow range at around the PHP 57 level.

2. Outlook for This Month

In September, the U.S. dollar/Philippine peso exchange rate may remain highly volatile, as has been the case so far.

The central bank of the Philippines decided to cut its policy interest rate at the meeting held in August with confidence to be able to control inflation pressure in the times ahead. Under such a context, another policy interest rate cut in 2025 has been suggested in the Philippines. Before the end of the year, the central bank of the Philippines is scheduled to hold a monetary policy meeting in October and December, but in September, the U.S. dollar/Philippine peso exchange rate is more likely to depend on trends in the strength of the U.S. dollar, as the real economy has also been healthy in the Philippines.

During the first half of September, the U.S. dollar/Philippine peso exchange rate is expected to fluctuate, reacting to the results of U.S. economic indices. Market participants should also be interested in the decision on a policy interest rate cut in the U.S. at the Federal Open Market Committee (FOMC) meeting scheduled for the middle of the month, as well as the quarterly policy interest rate outlook that is to be announced in the times ahead. For this reason, the U.S. dollar/Philippine peso exchange rate is likely to remain unstable for a while. In July and August, the U.S. dollar/Philippine peso exchange rate fluctuated in a wide range between the PHP 56 level and the PHP 58 level. Furthermore, the Philippine peso depreciated and appreciated rapidly, causing violent fluctuations in both directions in the U.S. dollar/Philippine peso exchange market. Given this, in September, the U.S. dollar/Philippine peso exchange rate is forecast to continue fluctuating in both directions in a similar manner, reacting to various events.

In the second half of September, there are not so many economic indices of interest scheduled to come out. However, it is important to note that, when the media recently reported news related to human resources decision-making at the FRB as tabled by U.S. President Donald Trump, market participants reacted by selling the U.S. dollar. Therefore, it is important to remain attentive of factors that may suddenly change market trends. In general, the U.S. dollar/Philippine peso exchange rate is forecast to fluctuate mainly at around the PHP 57 level.

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

Indian Rupee – September 2025

Expected Ranges	**Against the US$: INR 86.00–88.50**
	Against the yen: JPY 1.58–1.78

1. Review of the Previous Month

The Indian rupee remained weak against the U.S. dollar in August.

In August, the U.S. dollar/Indian rupee exchange market opened trading at the lower-INR 87 level. At the beginning of the month, the Indian rupee saw a phase of depreciation against the U.S. dollar and approached its all-time low, due to the tariff policy on India announced by the Trump administration in the U.S. Thereafter, the Reserve Bank of India (RBI) intervened in the market to keep the U.S. dollar/Indian rupee exchange rate from rising further, which temporarily adjusted the exchange rate level. However, the U.S. dollar/Indian rupee exchange continued trading at the upper-IDR 87 level thereafter until the middle of the month. Toward the end of the month, the media reported that a major ratings agency in the U.S. was to raise the credit rating of India. Positively reacting to this news, the Indian rupee appreciated against the U.S. dollar, and the U.S. dollar/Indian rupee exchange rate fell below the INR 87 level. Yet, there were also market participants buying the U.S. dollar, which weakened against the Indian rupee based on actual demand. As a result, the Indian rupee started to depreciate against the U.S dollar. In the end, the U.S. dollar/Indian rupee exchange market closed trading at the lower-INR 87 level (as of August 22).

The BSE SENSEX opened trading in August at the upper-80,000 level. Thereafter, the index rose to approach the 82,000 level at the beginning of the month. However, due to headlines related to tariff policy released subsequently, the index then fell sharply below the 80,000 level. In the middle of the month, the BSE SENSEX continued trading at the same level. Toward the end of the month, the index started to rise gradually and recovered to exceed the 82,000 level again. However, due to profit-taking transactions, monthly trading closed at the upper-81,000 level in the end (as of August 22). There was also a net sell in the investment capital flow into the Indian stock market from foreign investors in August, on a single-month basis. However, the figure has been improving since July, suggesting a capital return to the Indian stock market.

In terms of economic indices for India, the July manufacturing and services Purchasing Managers' Index (PMI) recorded an improvement from the previous month. Also, a Monetary Policy Committee (MPC) meeting was held in August, and the policy interest rate was maintained at the current level of 5.50% after some intermittent policy interest cuts. Thus, the monetary policy stance was kept as neutral. Then, the July Consumer Price Index (CPI, year-on-year) turned out to be +1.55%, recording a decline from +2.10%, observed in the previous month. The July trade balance revealed an increase in deficit. As has been the case for a while, India has a constant trade deficit.

2. Outlook for This Month

In September, the Indian rupee is forecast to remain weak against the U.S. dollar.

In August, the Indian rupee depreciated against the U.S. dollar to approach its all-time low, due to the situation related to the tariffs on India imposed by the Trump administration in the U.S. However, the U.S. dollar/Indian rupee exchange rate has been balanced by the RBI, which 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 rate stopped fluctuating violently. With persistent speculations about U.S. monetary policy, the U.S. dollar/Indian rupee exchange rate may remain low. Even though a substantial fall is unlikely, the U.S. dollar/Indian rupee exchange rate may continue fluctuating in both directions while the Indian rupee remains weak.

At a Monetary Policy Committee (MPC) meeting held in August, the policy interest rate was maintained at 5.50%. This was the first time in four meetings that the policy interest rate was maintained at the existing level. Monetary policy was also maintained as neutral, as was the case with the previous MPC meeting. The MPC did not mention when policy interest rate cuts would resume, stating that there had so far been no clear impact of the policy interest rate cut of a total of 100 basis points and that it was necessary to wait further to see the effects of the policy interest rate cuts conducted earlier. Thus, the MPC has emphasized its neutral stance once again.

Even though the supply & demand balance for India has been improving, pressure on capital outflow has been growing again. In the U.S. dollar/Indian rupee exchange market, the Indian rupee is slightly more prone to depreciation. At the moment, the U.S. dollar is weakening against the Japanese yen and the Indian rupee, both of which are appreciating based on rising expectations for monetary policy measures in the U.S. and Japan. However, in general, it seems that there have been no substantially influential factors. Furthermore, the RBI has intervened in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling and has been promoting exports. For these reasons, the Indian rupee is forecast to remain weak, with support measures against further depreciation.