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Mizuho Dealer's Eye

January 2026

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Tomoya Muto, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – January 2026

Expected Ranges **Against the yen: JPY154.00–160.00**

Outlook for This Month

The dollar/yen pair is expected to move firmly this month.

In Japan, at the Bank of Japan's Monetary Policy Meeting in December, a unanimous decision was made to lift the policy rate by 25bp. BOJ governor Kazuo Ueda reiterated his commitment to lifting rates, but he made no concrete statements about hiking the neutral rate (something closely monitored by the markets) and gave no clear signals that rate hikes would continue. As a result, investors in the OIS market moved to price in just 1.5 more rate hikes within the year after the BOJ meeting. The yen is likely to remain susceptible to selling as long as market participants remain convinced more time will be needed for BOJ policy normalization. However, the Japanese government has recently taken a tougher stance when it comes to reining in excessive yen depreciation, with concerns about an intervention growing, so the currency pair is unlikely to rise sharply above 160 yen.

Meanwhile, in the US, the FOMC implemented a -25bp rate cut for the third straight meeting when it met in December. The FRB is adopting a prudent stance towards further rate cuts, with FRB chair Jerome Powell stating that the policy rate is now within the estimated appropriate range of the neutral rate, for example, though he reiterated that downside risks to employment had risen and he gave no clear indication of when the next rate cut would take place. A number of major indicators related to inflation and employment will be released before the FOMC next meets at the end of January. If these are as weak as they were in December, the dollar will probably be sold on expectations for an early rate cut, though this does not seem likely given the recent firmness of the third quarter GDP data and the FRB's bullish growth forecast, for instance.

Furthermore, the decision about the next FRB chair will be made soon. President Trump has said he would not welcome a chair who did not share his views, so it seems likely to FRB will adopt an active stance towards rate cuts, no matter who is chosen for the job. This could lead to renewed concerns about the decline in the FRB's independence, with the greenback potentially facing more selling pressure when the next chair is announced, so caution will be needed.

Dealers' Market Forecast

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

Bullish on the dollar	13 bulls	159.00 – 155.00	Bearish on the dollar	3 bears	159.00 – 152.00

* Ranges are central values

Seki	Bull	160.00 – 154.00	The FOMC and BOJ will both maintain the status quo in January. The yen will be pushed down by real interest-rate differentials (with Japan's inflation rate higher than the US's) and structural pressure for yen selling. While assimilating moves to rein in yen bearishness, the dollar/yen pair will probably have its topside tested in January on the firmness of the US economy.
Yamazaki	Bull	159.80 – 154.80	The dollar/yen pair will probably rise this month. The situation remains broadly unchanged on the end of 2025, with the pair set to continue trending upwards. Investors should pay attention to year-end headlines related to Venezuela.
Nagano	Bull	159.00 – 154.00	There are still concerns about the Takaichi administration's fiscal expansion plans, with the yen-selling supply-and-demand structure also remaining unchanged. As such, the yen is likely to remain bearish, though the dollar/yen pair's topside will be restrained by fears of an intervention. Investors will also be searching for the pair's downside, but the downside room will probably be capped, even if the US releases some weak indicators or some comments are made about the next FRB chair.
Kato	Bear	158.00 – 152.00	The yen's weakness in the face of dollar bearishness is probably because the markets are actually relieved that the BOJ has not released any negative data pertaining to the strong inflationary expectations roused by the Takaichi administration. The authorities are probably seeking ways to rein in yen weakness, with the dollar/yen pair likely to move with a heavy topside.
Toriba	Bear	160.00 – 150.00	The FRB continues to move in the direction of rate cuts and the BOJ in the direction of rate hikes. Japanese/US interest-rate differentials are shrinking, with the dollar/yen pair's topside also likely to be capped by the worsening US employment situation and global geopolitical risk.
Yamaguchi	Bull	159.00 – 155.00	The dollar/yen pair weakened and then strengthened in 2025. The yen will continue to be sold on speculation about the active fiscal policy of the Takaichi administration. The pair will also be supported in January as Japanese investors buy foreign currencies on the NISA flow.
Matsunaga	Bull	158.00 – 153.50	There are concerns about the deteriorating employment situation in the US. However, the FRB and BOJ only just tweaked policy in December, so expectations for further policy shifts are unlikely to rise in the short term, with the dollar/yen pair set to move firmly.
Katoono	Bull	159.50 – 155.00	The FRB has implemented precautionary rate cuts for three straight meetings as it monitors the US employment situation, so there are high hurdles in the way of further rate cuts. The dollar/yen pair is growing heavier on geopolitical risk and concerns about the impact of tariffs on inflation. There could be some hawkish adjustments ahead of the BOJ meeting, but what can be done is limited and the market response will be muted.
Kobayashi	Bull	158.50 – 155.00	There remain concerns about the US labor market, so investors will find it hard to actively chase the dollar/yen pair's topside. However, there are no benefits to yen buying, so the pair is likely to continue floating at highs.
Okuma	Bull	159.00 – 154.00	The yen will remain bearish on the Takaichi administration's fiscal expansion. With the FRB also finding it harder to lower rates given the firmness of the US economy, it seems the dollar/yen pair will move firmly this month.
Ito	Bear	159.00 – 152.00	Concerns of an intervention will grow when the dollar/yen pair approaches 160 yen, with the pair's topside likely to be capped. Regardless of whether the BOJ has the capacity to continue lifting rates, it will probably strike a hawkish tone for the time being, with the yen probably bought as a result.

Nishi	Bull	161.00 – 155.00	The yen will be sold on the Takaichi administration's reflationary policies. The markets are already pricing in who the next FRB chair will be, with any dollar-selling pressure likely to be temporary. The greenback will probably be bought on risk aversion as geopolitical risk rises on the Venezuela situation, with the dollar/yen pair likely to move firmly.
Harada	Bull	159.00 – 155.00	The dollar/yen pair will move firmly this month. The FRB remains committed to rate cuts and the BOJ to rate hikes, but the pair will be supported by Japanese/US interest-rate differentials and yen selling on supply and demand.
Yamada	Bull	160.00 – 155.50	Speculators are inclining their positions in the direction of yen shorts out of dislike for the Takaichi administration's reflationary policies. The BOJ is unlikely to drop hints about early rate hikes so soon after the last raise, with investors also likely to avoid the yen on geographical factors, with geopolitical tensions rising in Central and South America.
Matsuki	Bull	160.00 – 155.00	The BOJ hiked interest rates in December, but the yen has not moved bullishly. A glance at speculative yen positions shows there is still room for more yen shorts. The greenback is also likely to be bought on rising geopolitical risk related to Venezuela, for example. As such, the dollar/yen pair will probably move firmly this month.
Oshima	Bull	159.00 – 153.50	There are rumors FRB chair Jerome Powell will announce his resignation early January. The greenback will face downward pressure if a dovish new chair assumes the reins, but investors have already had time to assimilate this news, so the impact will probably be muted. The yen will continue to face downward pressure from the Takaichi administration's reflationary policies, with the dollar/yen pair set to edge higher.

Takahiro Yamada, Forex Sales, Global Foreign Exchange Department

Euro – January 2026

Expected Ranges **Against the US$: US$1.1600–1.1850**
Against the yen: JPY182.00–186.00

Outlook for This Month

The euro/dollar pair is expected to move firmly in January. The euro will continue to be supported by anticipation for an ECB monetary policy shift and by expectations for fiscal expansion in Germany and elsewhere, with the single currency also likely to move bullishly as the dollar moves bearishly when the markets react badly to geopolitical risk.

When it met in December, the ECB Governing Council reached a unanimous decision to keep its policy rate fixed for the fourth straight meeting. Its economic outlook was also upgraded from the previous release, with the ECB now expecting real GDP growth of +1.2% y-o-y and CPI growth of +1.9% y-o-y in 2026. The economic performance of some member countries is better than others. However, eurozone inflation rate has recently moved stably at around +2% y-o-y. With wage trackers clearly showing a decline in wage growth, concerns about an upswing in inflation will steadily decline as service price growth slows, for example. As such, speculation is growing that the ECB's next move will be in the direction of rate hikes, with this likely to cap the euro/dollar pair's downside. Furthermore, though Germany has long experienced low growth, it is now putting together a 2026 budget that will focus on national defense and infrastructure investment, with the euro also likely to be pushed up by expectations for an economic recovery on fiscal expansion in the eurozone's major nations. Also, the US has intervened militarily in Venezuela to abduct President Nicolás Maduro and his wife, with geopolitical tensions now rising. Under these circumstances, the greenback will be sold on risk aversion and waning confidence in the US, with the euro like to move relatively strongly as a result. France has yet to put together a 2026 budget, so one downside risk for the euro could lie in French political risk. If budget talks go nowhere and the government collapses again, Europe's entire economy could be pushed down by fears that France's credit rating might be lowered again, for instance. However, the power to dissolve parliament lies in the hands of French President Emmanuel Macron. His term runs until 2027, so the far right is unlikely to form a government any time soon. Given the low likelihood of severe risks like this, it seems any euro weakness will only be temporary in nature.

Dealers' Market Forecast

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

Bullish on the euro	10 bulls	1.1900 – 1.1550	Bearish on the euro	6 bears	1.1825 – 1.1500

* Ranges are central values

Seki	Bull	1.1950 – 1.1500	There are concerns about a German economic slowdown, but plans for European rearmament will support expectations for ECB hawkishness and a shift towards rate hikes. Investors will focus on geopolitical risk at the start of the year, but there are doubts about the dollar's status as a primary currency, with the Trump administration's isolationism also likely to prompt moves away from the greenback toward the euro.
Yamazaki	Bull	1.1950 – 1.1600	The euro/dollar pair looks set to trend upwards. The pair will move somewhat bullishly on divergent monetary policies. There will be times when the pair is swayed by speculation about the pace of US rate cuts, but it is likely to remain strong nonetheless.
Nagano	Bull	1.1900 – 1.1500	The euro will be bolstered by fund shifts on expectations for FOMC rate cuts, but there is political instability in France and elsewhere, with the eurozone also releasing some lackluster economic indicators, so the euro/dollar pair will probably trade with a lack of direction.
Kato	Bull	1.2100 – 1.1700	When it comes to the ECB's next moves, some observers are predicting that rate cuts will be suspended or even that rates will be hiked. The FRB still has room for rate cuts, with the euro/dollar pair likely to move firmly on this divergence.
Toriba	Bull	1.2100 – 1.1400	Monetary policy trends suggest the euro remain a relatively attractive currency. The euro will also act as a haven for those seeking refuge from the uncertainty surrounding the US, with the euro/dollar pair set to continue moving firmly.
Yamaguchi	Bull	1.2000 – 1.1500	The euro/dollar pair surged from \$1.03 to the \$1.17 level in 2025. European/US interest-rate differentials will probably shrink on the divergent monetary policy directions of the US and Europe, with euro buying set to continue.
Matsunaga	Bear	1.1850 – 1.1550	The euro/dollar pair's room on the downside has shrunk after the ECB closed the curtains on rate hikes. However, manufacturing and other sectors of the eurozone economy remain weak, so investors will find it hard to actively buy the euro. The pair will trade with a heavy topside provided the US jobs situation does not deteriorate sharply.
Katoono	Bear	1.1850 – 1.1500	Dollar buying will be bolstered as US interest rates rise on the sense the FRB only has limited room for further rate cuts, with the euro/dollar pair set to move with a heavy topside just under last year's high of \$1.18. However, with investors focusing on ECB hawkishness, the pair's downside will also move firmly at the \$1.15 level.
Kobayashi	Bear	1.1800 – 1.1550	As investors focus on the limitations of the US action plan of further rate cuts, the euro/dollar pair will move with a heavy topside on dollar firmness. If the weakness of the eurozone's economic indicators also comes into focus, the euro could be sold more, so caution will be needed.
Okuma	Bear	1.1850 – 1.1500	There is growing speculation about ECB rate hikes, but this is likely to happen in the latter half of 2026. The euro/dollar pair's rise will slow, with the euro weighed down by uncertainty about the French political situation and the direction of the German economy.
Ito	Bear	1.1750 – 1.1450	With the US attacking Venezuela, it seems the markets will be swayed by geopolitical risk for a time. With Russia also posing a direct threat to Europe, it seems the euro will be buffeted by strong headwinds this month.

Nishi	Bull	1.1900 – 1.1550	As 2026 dawns, there will be strong expectations for some real fiscal expansion in Europe on increased defense spending and German infrastructure investment, with investors likely to build up euro long positions. There are concerns about geopolitical risk related to Venezuela, so the euro/dollar pair will be weighed down by risk-off dollar buying at times.
Harada	Bull	1.1900 – 1.1600	The euro/dollar pair is expected to move firmly. The greenback looks set to weaken as the FRB moves in a dovish direction when the next chair is appointed. There is also speculation that the ECB might pivot towards rate hikes, with the euro likely to be bought on this clear divergence in monetary policies.
Yamada	Bull	1.1850 – 1.1600	The euro will still be supported by anticipation for an ECB monetary policy shift and by expectations for fiscal expansion in Germany and elsewhere, with the single currency also likely to move comparatively bullishly as the dollar moves bearishly on the negative markets reaction to geopolitical risk, etc.
Matsuki	Bear	1.1800 – 1.1500	The dollar's topside will be weighed down by headlines about the next FRB chair, but provided US economic indicators do not deteriorate sharply, the greenback will probably be bought back when the FOMC opts to keep policy fixed in January. The dollar will also be supported by rising geopolitical risk.
Oshima	Bull	1.1900 – 1.1550	When the ECB Governing Council met in December, the inflation outlook was upgraded in staff projections. This strengthened ECB president Christine Lagarde's claim that the rate-cut cycle had come to an end. There is some risk related to France and its budget negotiations, but with the FRB committed to rate cuts, the euro will move firmly on these divergent policy stances.

Fumihiko Kanda, Europe Treasury Department

British Pound – January 2026

Expected Ranges **Against the US$: US$1.3250–1.3650**
Against the yen: JPY206.00–214.00

1. Review of the Previous Month

The GBP/USD pair rose in December. After opening the month trading at $1.32, it underwent a firm rise as the dollar moved bearishly across the board. It remained firm after the FRB cut rates on December 10 and the BOE lowered rates on December 18. On December 22, Japan's finance minister Satsuki Katayama verbally intervened to curb the yen's slide, so the dollar moved weakly against the yen, with the GBP/USD pair hitting $1.35 for the first time in two months. With trading thin on the ground over the Christmas holidays, the pair floated around $1.35. The pair closed the month trading at $1.34 on December 31.

The pound rose against the yen too. It opened the month trading at 205 yen and it moved strongly on the yen's ongoing weakness. The BOJ hiked interest rates on December 19, as expected. In his press conference, BOJ governor Kazuo Ueda struck a dovish tone, so the yen was sold and the GBP/JPY pair hit 211 yen for the first time since 2008. The pair's topside was held down on December 22 after Japan's finance minister Satsuki Katayama verbally intervened to curb the yen's slide, but the pair then closed the month trading at 210-211 yen on December 31.

2. Outlook for This Month

In 2026, the pound's movements will be shaped by political risk and the pace of BOE rate cuts.

The BOE remains in a difficult situation. Though inflation is slowing, it remains stubbornly high. On the other hand, the UK labor market is showing some slack, as feared by BOE governor Andrew Bailey, so it remains to be seen how long the BOE will be able to maintain the pace of rate cuts. However, the economy will be supported on the fiscal side by the tax cuts and austerity measures announced in the November budget. The BOE will not be meeting to set policy this month, but sterling might be swayed by speculation about the February meeting. Market bets on a February rate cut currently stand around 10%. Jordan Rochester, head of the strategist team at Mizuho's London Branch, has not ruled out a February rate cut, saying that the BOE might shift in a dovish direction in 2026 on increased lay-offs and a housing market slowdown. He also said the BOE's policy rate could be lowered (three times) to a 3.00% terminal rate by July 2026 (writer's note: the markets are currently pricing in around two rate cuts within the year). In the medium term, the UK will be holding local elections in May. Current opinion polls point to overwhelming support for the far right populist party Reform UK, so the results might deal a blow to the ruling Labour Party. This would also pose a risk for the pound, so caution will be needed.

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

Australian Dollar – January 2026

Expected Ranges **Against the US$: US$0.6550–0.6850**
Against the yen: JPY102.00–107.50

1. Review of the Previous Month

In December, the AUD/USD pair moved between the mid-$0.65 mark and the upper-$0.66 range.

Australia's third quarter GDP data was down on expectations at +0.4% q-o-q, but with private-sector investment and household spending moving firmly, the Australian dollar was bought at the start of the month. As expected, the RBA board kept policy rates fixed when it met on December 9. In her press conference, though, RBA governor Michele Bullock struck a hawkish tone. She said the RBA's next move would probably be more in the direction of rate hikes than rate cuts, for example, and she voiced caution about the current level of inflation. Investors tested the Australian dollar's topside again as a result, with the currency pair climbing to the mid-$0.66 mark.

In the middle of the month, the FOMC implemented a 25bp rate cut on December 10. In his press conference, FRB chair Jerome Powell said he was relatively optimistic about inflation trends while also pointing out downside risks for the labor market. With his comments not as hawkish as widely feared, the markets reacted by selling the greenback, with the AUD/USD pair's topside temporarily hitting the upper-$0.66 range. Australia's November employment data was released on December 11. The number of people in work unexpectedly fell, so the pair weakened and the previous day's gains were pared back. US equities then came under some adjustment on concerns about high-tech stocks, so the pair moved bearishly to drop below $0.66 for a time.

US stocks regained their bullish momentum late December, with the pair also strengthening to $0.67. With liquidity thin on the ground over the holiday season, the pair continued floating around $0.67 at the year's end.

2. Outlook for This Month

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

With concerns growing about a resurgence of inflation in Australia, RBA governor Michele Bullock said during her press conference after the December board meeting that a rate cut was not on the cards at the next meeting. She also revealed that the board had discussed whether the situation called for rate hikes. She also voiced the opinion that further rate cuts would not be needed, thus hinting that the easing cycle was at an end. As such, the press conference left a hawkish impression on the whole. The interest rate futures market is currently factoring in just under two rate hikes this year, with bets on a rate hike at the February meeting standing around 40%. In the US, meanwhile, the November CPI data fell to its lowest level in four years, so there are deep-rooted expectations for further rate cuts, with investors pricing in 2-3 more rate cuts in 2026. Many strategists are bullish about the outlook for US equities in 2026. If this optimistic mood continues from January onwards, the AUD/USD pair could become entrenched at $0.67. However, if expectations for US rate cuts wane on the release of some firm US economic indicators, the pair's topside might be held down.

First, investors should monitor the Australia November CPI data (released January 7) and 4Q CPI data (released

January 28) to try gauging the timing of RBA rate hikes.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – January 2026

Expected Ranges **Against the US$: C$1.3600–1.3900**
Against the yen: JPY110.00–115.50

1. Review of the Previous Month

Canada's November employment data was released on December 5. The number of people in work unexpectedly surged by 54,000, with the unemployment rate also falling sharply from 6.9% in October to 6.5%. For market participants, this data seemed to support the idea that the rate cut cycle had ended, as hinted at by the Bank of Canada (BOC), with yields on Canadian 2-year government bonds then rocketing to 2.6%. Investors had built up USD/CAD pair long positions, but these were now unwound, with the Canadian unit bought back from the mid-C$1.39 mark to hit C$1.38 for the first time since September.

As expected, the BOC kept interest rates fixed when it met on December 10. The FOMC met on the same day and it implemented a 0.25% rate cut, as broadly expected. The greenback was sold and the Canadian dollar bought to C$1.3784, with the currency pair then moving in the upper-C$1.37 range. The US November employment data and CPI data were released mid-December. However, the markets recognized that the data may have been impacted by the US government shutdown, so although the results were bearish, this did not lead to further US-dollar selling, with the USD/CAD pair moving in a range from C$1.3730 to C$1.3805.

The yen was bought and the US dollar sold late December on comments by Japan's finance minister Satsuki Katayama, with the USD/CAD pair also sliding to the lower-C$1.37 mark as a result. The greenback continued to be sold and the Canadian dollar bought towards the year's end, with the pair closing 2025 at C$1.3724.

2. Outlook for This Month

The BOC was first to implement rate cuts, but it stopped lowering rates from November onwards. When it met in December, the BOC said monetary policy would be at an appropriate level if inflation and economic activity moved in line with forecasts made in October, with the bank also reiterating its conviction that the easing cycle had come to an end. On the other hand, the median level of the FOMC's federal funds rate projections in December (the dot plot) suggested that a further 0.25% cut was on the cards on 2026, thus indicating that the easing cycle would continue in the US. As of December 31, the markets are expecting the BOC to implement one 0.25% rate hike in late 2026, with the FOMC expected to implement over two rate cuts this year.

In January, it seems the US dollar will continue to be sold against the Canadian dollar on the divergent monetary policy directions of Canada and the US. The BOC and FOMC will both be meeting to set monetary policy on January 28. Investors will be monitoring the US economic indicators released before then (particularly the employment data and CPI data) to see whether they back up the current monetary policy forecast. Furthermore, market participants should continue monitoring the selection of the next FRB chair and the Supreme Court decision about whether President Trump had the authority to impose further tariffs based on the International Emergency Economic Powers Act (IEEPA). However, the most pressing issue for the Canadian economy this year will be the revision of the United States-Mexico-Canada Agreement (USMCA), set for July. Negotiations are likely to be stormy, so the USD/CAD pair is unlikely to undergo a one-sided slide until uncertainty about the talks clears up, with the pair likely to slide at a gentle pace on some corrections and minor fluctuations.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – January 2026

Expected Ranges **Against the US$: KRW 1,400–1,460**
Against the yen: JPY 10.48–11.28 (KRW100)

1. Review of the Previous Month

The USD/KRW pair moved firmly until mid-December, though it then plummeted toward the end of the month on an intervention.

The pair opened the month trading at KRW1467.9. Late November's trends spilled over in December. The supply and demand situation worsened on investment into the US, for example, with South Korean investors also preferring to send funds overseas. There was also some risk aversion on uncertainty about the direction of AI-related demand, with the pair continuing to move firmly on several different factors. The pair continued trading around KRW1470 ahead of the meetings of the FOMC and other central banks. The FOMC implemented a rate cut, as broadly expected. The cut was not as hawkish as some had feared, though, with US interest rates then falling. The pair was temporarily pushed down to the mid-KRW1460 mark, though it soon bounced back to KRW1470. US stock markets were hit by concerns about the direction of AI-related demand towards mid-December. Overseas investors subsequently withdrew funds from South Korean equities, particularly semiconductor stocks, with this supporting the USD/KRW pair. With the won moving bearishly, it was reported that South Korea's National Pension Service discussed taking a more flexible approach to introducing dollar-selling hedges and held an extraordinary meeting with large corporations to discuss measures to encourage the conversion of foreign currency acquired through exports into won. The market reaction to all this was limited, though, with the currency pair climbing to KRW1480. The pair opened December 24 trading at a monthly high of KRW1484.9, but it then plummeted by over 30 won when the authorities made some strong comments about the undesirability of excessive won depreciation and about how the foreign exchange markets would soon witness the strong resolve of the South Korean government. There was also some substantial won buying on December 26, with the currency pair falling below KRW1430 for a time. The pair continued to trade with a heavy topside towards the month's end on concerns about an intervention. In the end, the pair closed the month at KRW1429.8 (as of 15:30 on December 29).

2. Outlook for This Month

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

The pair fell sharply late December when the South Korean authorities demonstrated their strong resolve to combat won bearishness. The pair then attempted a self-sustained rally thereafter, but the won was bought heavily again, so the pair's topside was held down. In January, there will be growing concerns about an intervention at highs, so the pair's topside will probably be capped.

The South Korean government announced some measures to combat won depreciation. It said it would introduce a new preferential tax system to encourage exporters to repatriate funds invested overseas into domestic markets, for example, with support also offered to major securities firms to help them introduce foreign exchange hedging products for retail investors. It also announced that the National Pension Service would expand its hedging transactions. Investors will need to monitor the impact of these measures, including whether they will be immediately effective. However, the won is unlikely to be sold in the short term given the South Korean government's strong commitment to supporting the unit.

Nonetheless, there are still some unresolved structural factors behind won bearishness, with concerns remaining in place. Investors should also monitor whether semiconductor exports can continue to grow in 2026 too.

Melody Tung, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – January 2026

Expected Ranges **Against the US$: NT$30.60–31.80**
Against the yen: JPY4.90–5.15

1. Review of the Previous Month

The USD/TWD pair rose in December, though its gains were essentially pared back toward the end of the month.

The pair opened the month trading around TWD31.400. As with November, overseas funds flowed out of Taiwan. With Asian currencies also moving bearishly, the pair strengthened to TWD31.460 for a time on December 1. However, speculation grew about who President Trump would announce as its next chair. With anticipation also growing for an FOMC rate cut and with Taiwanese stock markets hitting record highs, the currency pair plummeted to a monthly low of TWD31.098 on December 8. The FOMC then implemented a 0.25% rate cut. The accompanying statement talked about the FRB would "carefully assess incoming data." As speculation grew that the FOMC would call a halt to continuous rate cuts, the pair moved around TWD31.20.

Concerns about an IT bubble grew mid-December on the settlement results of a major US semiconductor firm, with global stock markets moving unstably. Taiwanese stocks also fell over December 15-16, with overseas investors pulling funds out of Taiwan. The USD/TWD pair topped TWD31.500 to hit a monthly high of TWD31.595 on December 18. The Central Bank of the Republic of China (Taiwan) met on the same day and it decided to keep its policy rate fixed. It also upgraded its 2025 growth rate forecast to 7.31%. The market reaction was muted, though, with the pair moving bullishly at TWD31.50.

After a round of major central bank meetings, trading in the foreign exchange markets slowed late December as the Christmas and New Year holidays loomed. During this time, Taiwanese stocks hit record highs, with the USD/TWD pair dropping to around TWD31.36 to close the month at TWD31.438, broadly unchanged on the end of November (TWD31.408).

2. Outlook for This Month

In January, the USD/TWD pair will move away from highs to trade in a range around the lower-TWD31 mark.

The main reason the Taiwan dollar fell from November to December was because overseas funds flowed out of the country, but moves by foreign capital have slowed from late December, with the currency pair's rise also peaking out. However, market participants could test the pair's topside again if the US releases some hawkish inflation indicators or if global risk aversion grows on renewed fears about a tech bubble.

Nonetheless, the Taiwan dollar is unlikely to undergo a one-sided fall. For a start, exporters will sell more foreign currency ahead of the Lunar New Year holidays. The Central Bank of the Republic of China (Taiwan) has also called from some market correction if Taiwan's fundamentals moved firmly after the bank's December meeting. All these factors will prevent any excessive Taiwan dollar depreciation. If foreign capital flows back into Taiwan from mid-January, there is still room for the Taiwan dollar to rally.

In the medium- to long-term, Taiwan's exports are likely to remain bullish, with the central bank also upgrading its GDP growth forecast for 2025 and 2026. It is problematic that growth is concentrated in a few key industries, but firm exports will nonetheless support the Taiwan dollar. Furthermore, the FOMC continued to lower rates in December and it could incline more in a dovish direction in the first half of 2026. If this happens, funds will flow into Taiwan, with the Taiwan dollar still having room to rise in the medium term.

While investors will continue to monitor risk factors, it seems the USD/TWD pair will trade around the lower-TWD31 mark in January on Taiwan's healthy economic fundamentals and expectations for US rate cuts.

Naoki Nohara, East Asia Treasury Department

Hong Kong Dollar – January 2026

Expected Ranges **Against the US$: HK$7.7500–7.8000**
Against the yen: JPY19.50–20.50

1. Review of the Previous Month

In December, the USD/HKD pair moved in the lower range of its peg. The final FOMC meeting of 2025 was held early December, with the FOMC implementing a 25bp rate cut, as expected. There were no real surprises in the FOMC's major economic projections or in the dot plot, but FRB chair Jerome Powell voiced caution about the direction of the labor market in his press conference. For the economic indicators, the US November unemployment rate worsened and the November CPI growth figure slowed. As the greenback weakened, the currency pair fell to around HKD7.78.

There was some end-of-year demand for the Hong Kong dollar towards the end of the month. The unit was also supported by a rush of IPO's before the year ended, with HKD short-term interest rates rising. The Hang Seng index had weakened after US high-tech stocks underwent some adjustment in November, but this trend also eased in December, with demand for the Hong Kong dollar remaining quite tight. As a result, the currency pair dropped to the lower-HKD7.77 level.

As for economic indicators, Hong Kong's November unemployment rate moved flatly on the previous month at 3.8%. At +6.9%, the October retail sales data beat market expectations, with the data posting positive growth for the sixth straight month. Import and export indicators also improved slightly, with Hong Kong's economy also bolstered by improved domestic consumer sentiments and a rise in inbound tourism.

2. Outlook for This Month

In January, the USD/HKD pair looks set to continue moving between HKD7.75-7.80 in the lower range of its peg. The US markets are pricing in around two more rate cuts in 2026. With the FOMC continuing to ease, the currency pair's topside will grow slightly heavier as USD/HKD interest-rate differentials shrink. An announcement about the next FRB chair will probably be made at the start of the year. If the new chair is someone who shares the same views as President Trump, expectations for monetary easing will probably grow, with investors likely to price in more rate cuts.

Turning to Hong Kong, and HKD short-term interest rates will face some downward pressure at the start of January as end-of-year seasonal factors wane. However, a number of new semiconductor and high-tech AI IPOs are lined up in January. Demand for the Hong Kong dollar will tighten on increased demand for settlement payments, with this also likely to support the unit. However, when the USD/HKD pair moves close to the HKD7.75 floor of its peg, investors will start to focus on the prospect of an intervention by the HKMA to sell the Hong Kong dollar, with the pair gradually moving firmly again as a result.

Based on the above, it seems the USD/HKD pair will trade with a heavy topside in in the lower range of its peg in January on US economic indicators and the decision about the next FRB chair, for example.

Sae Sueyoshi, Treasury Department, MHBK (China)

Chinese Yuan – January 2026

Expected Ranges **Against the US$: CNY 6.9000–7.0500**
Against the yen: JPY 21.70–22.75

1. Review of the Previous Month

In December, the U.S. dollar/Chinese yuan exchange rate fell, falling below the CNY 7.0 level, which had been regarded as a psychological turning point.

On December 1, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.07 level. In the evening of December 2, U.S. President Donald Trump made a remark that there was a possibility for him to nominate Director of the National Economic Council of the United States Kevin Hassett as the next Federal Reserve Board (FRB) Chair. In reaction, pressure to sell the U.S. dollar strengthened in the market. However, the U.S. dollar/Chinese yuan exchange rate only fluctuated within a narrow range, and trading closed at the lower-CNY 7.07 level on December 5.

On December 8, the U.S. dollar/Chinese yuan exchange market opened at the upper-CNY 7.06 level. The November trade balance for China was subsequently released with figures stronger than both the market estimate and the previous month's result. However, this impacted the U.S. dollar/Chinese yuan exchange market only to a limited extent. On December 10, market participants sold the U.S. dollar in the overall foreign exchange market after a Federal Open Market Committee (FOMC) meeting was held in the U.S. As a result, the U.S. dollar/Chinese yuan exchange rate fell to the CNY 7.05 level on December 11, the following day. On December 12, the U.S dollar/Chinese yuan exchange market closed at the mid-CNY 7.05 level.

On December 15, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.05 level. On the same day, the November results for major economic indices were released, revealing figures weaker than the market estimate and the previous month's result, especially in retail sales. However, this affected the U.S. dollar/Chinese yuan exchange market only to a limited extent. Thereafter, the Chinese yuan strengthened against the U.S. dollar toward overseas trading hours. As a result, the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.05 mark and reached the upper-CNY 7.04 level. Subsequently, the U.S. dollar/Chinese yuan exchange rate did not move in any direction, and on December 19, trading closed at the lower-CNY 7.04 level.

On December 22, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-7.04 level. Market participants continued selling the U.S. dollar, and the U.S. dollar/Chinese yuan exchange rate fell below the CNY 7.04 level. Under such circumstances, liquidity in the market decreased before the Christmas holidays. Furthermore, the People's Bank of China (PBOC) central parity rate was set toward a stronger Chinese yuan. As a consequence, the appreciation of the Chinese yuan accelerated. On December 25, the U.S. dollar/Chinese yuan exchange rate fell to reach the mid-CNY 7.00 level. On December 26, the U.S. dollar/Chinese yuan exchange market closed at the upper-CNY 7.00 level.

On December 29, the U.S. dollar/Chinese yuan exchange market opened trading at the upper-CNY 7.00 level. On December 30, the U.S. dollar/Chinese yuan exchange rate remained weak since the morning and fell below the CNY 7.00 mark. Subsequently, the U.S. dollar/Chinese yuan exchange rate continued falling to reach the CNY 6.98 level. On December 31, market participants continued buying the Chinese yuan, and the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 6.98 level.

2. Outlook for This Month

In January, the U.S. dollar/Chinese yuan exchange rate is forecast to continue falling.

Toward the end of December, the U.S. dollar/Chinese yuan exchange rate fell in an accelerated manner, falling below the CNY 7.0 mark—currently at the lowest level observed since May 2023. It is possible for the U.S. dollar/Chinese yuan exchange rate to slow down in falling to eventually rally after bottoming out. However, it is most likely that the Chinese yuan will continue to appreciate against the U.S. dollar.

In China, the Central Economic Work Conference was held in December, and the core principle for 2026 was announced by emphasizing that economic strength would be sustained through both monetary and fiscal policy measures. This suggests flexible monetary policy with possible deposit requirement ratio cuts and policy interest rate cuts in the times ahead. Thus, from a long-term perspective, market participants are advised to remain careful about the depreciation of the Chinese yuan resulting from expectation for additional measures of monetary easing. However, from a short-term perspective, this is likely to affect the U.S. dollar/Chinese yuan exchange market only to a limited degree.

On the other hand, in the U.S., market participants are carefully observing the factors for policy interest rate cuts, including the nomination of the next FRB Chair. If the newly nominated FRB Chair is someone who supports policy interest rate cuts, expectation for policy interest rate cuts would grow, leading interest rates in the U.S. to fall, which would weaken the U.S. dollar. Therefore, market participants are advised to remain cautious.

In addition, with regard to trade-related negotiations between the U.S. and China, market participants are advised to cautiously follow related news stories, although it is now unlikely for the relationship between the two countries to worsen. It is also worth noting that the PBOC central parity rate is currently set toward a weaker Chinese yuan compared to the exchange rate in the actual trading market, having seen the appreciation of the Chinese yuan in December. It is possible that the PBOC central parity rate is keeping the Chinese yuan from appreciating excessively in the actual trading market. Thus, market participants are also advised to carefully observe how the PBOC central parity rate will be set in the times ahead.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – January 2026

Expected Ranges **Against the US$: SG$ 1.2800–1.3050**
Against the yen: JPY 118.50–122.50

1. Review of the Previous Month

In December, the U.S. dollar/Singapore dollar exchange rate fell, as the U.S. dollar continued to depreciate.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at the upper-SGD 1.29 level on December 1. During the first part of the month, the U.S. dollar/Singapore dollar exchange rate continued fluctuating within a narrow range at around this level. In terms of the economic indices of Singapore, the November Purchasing Managers' Index (PMI) for Singapore was announced on December 2, and the result improved by 0.2 points from the previous month's 50.2 points. The PMI thus remained above the 50 threshold, indicating an economic expansion. In addition, on December 5, the October retail sales (year-on-year) for Singapore was announced, and the result turned out to be 4.5%—exceeding the market estimate by nearly 2%—again confirming the robustness of the domestic economy of Singapore. However, both of these influenced the U.S. dollar/Singapore dollar exchange market only to a limited extent.

On December 11, the last Federal Open Market Committee (FOMC) meeting in 2025 was held in the U.S., and the policy interest rate was cut by 25 basis points, as had been anticipated in the market. However, the remark made by Federal Reserve Board (FRB) Chair Jerome Powell turned out to be not as hawkish as expected in the market, and thus market participants continued selling the U.S. dollar. As a result, the U.S. dollar/Singapore dollar exchange rate fell to reach the lower-SGD 1.29 level. Furthermore, the November unemployment rate for the U.S. was announced on December 16, and the result revealed a deterioration that was worse than the market estimate, further encouraging market participants to sell the U.S. dollar. Consequently, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.29 level. Toward December 17, the following day, U.S. dollar-selling was unwound slightly. However, in the morning of the same day, the November non-oil domestic exports (year-on-year) for Singapore was announced, and the result turned out to be stronger than the market estimate, as had been the case in the previous month. For this reason, the U.S. dollar/Singapore dollar exchange rate remained at around SGD 1.29.

On December 22, geopolitical risks increased regarding relations between the U.S. and Venezuela, and this encouraged market participants to continue selling the U.S. dollar. As a result, the U.S. dollar/Singapore dollar exchange rate fell to reach the mid-SGD 1.28 level. On December 23, the November Consumer Price Index (CPI) (year-on-year) for Singapore was announced, and both the headline and core CPI turned out to be slightly weaker than the market estimates. However, this was not a sufficient factor to change the trend of U.S. dollar-selling and Singapore dollar-buying. On December 24 and beyond, the market was quiet, and the U.S. dollar/Singapore dollar exchange rate continued to fluctuate within a narrow range at the mid-SGD 1.28 level. In the end, the U.S. dollar/Singapore dollar exchange market closed trading at SGD 1.285.

2. Outlook for This Month

In January, the U.S. dollar/Singapore dollar exchange rate is forecast to remain low.

The economic indices of Singapore have recently been strong. The domestic CPI has been rising since October, and the latest November CPI remained at the same level recorded in October, even though there was no further acceleration. Thus, market participants are advised to carefully observe the inflation trend in Singapore. Furthermore, domestic personal consumption has also been confirmed to be robust with no obvious slowdown. Furthermore, the annual GDP for 2025 recently announced turned out to be 4.8% in Singapore, recording an acceleration from the result in 2024, which was 4.4% (as well as the largest growth since 2021), in which the GDP grew by 9.8% after the COVID-19 pandemic. This is thanks to the growth of exports in sectors related to AI as well as electronic parts. The next Monetary Authority of Singapore (MAS) meeting is scheduled for the second half of January. Given the strong figures in domestic economic indices, it is difficult to expect further measures of monetary easing. On the contrary, some economists expect the MAS to shift monetary policy toward tightening.

On the other hand, in the U.S., two policy interest rate cuts are still anticipated in 2026. Thus, the policy of monetary easing is anonymously expected at least for another while. It is also worth noting that the current FRB Chair is expected to step down by around spring. If Kevin Hassett takes over the post as is currently anticipated, short-term interest rates may fall temporary.

If the above situation remains unchanged, the market participants are expected to continue to buy the Singapore dollar in a moderate manner, keeping the U.S. dollar/Singapore dollar exchange rate from rising.

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

Thai Baht – January 2026

Expected Ranges **Against the US$: THB 31.50–32.90**
Against the yen: JPY 4.50–4.90

1. Review of the Previous Month

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the lower-THB 32 level. Thereafter, the governor of the central bank of Thailand made a remark to suggest that the Thai baht exchange market might be affected by the change in monetary policy only to a limited extent. Furthermore, the price of gold appreciated. For these reasons, the U.S. dollar/Thai baht exchange rate remained low. On December 4, the U.S. dollar/Thai baht exchange rate fell to reach the lower-THB 31.80. On December 10, a Federal Open Market Committee (FOMC) meeting was held in the U.S., and the policy interest rate was cut. However, the press conference of Federal Reserve Board (FRB) Chair Jerome Powell was seen as dovish by market participants, and this led the U.S. dollar/Thai baht exchange rate to fall in an accelerated manner and reach the mid-THB 31.70 level. The Thai baht continued appreciating against the U.S. dollar. Under such circumstances, the central bank of Thailand (BOT) announced its plan to strengthen its surveillance over gold transactions, and control over foreign exchange transactions resulted from capital inflows not for business operations on December 16. However, this did not change the trend in the market, and the U.S. dollar/Thai baht exchange rate fell to reach the THB 31.40 level before the Monetary Policy Committee (MPC) meeting was held by the BOT on December 17. At the MPC meeting, which attracted substantial attention in the market, the policy interest rate was cut by 0.25%, and it was a unanimous decision. Because this decision had already been anticipated in the market, it influenced the U.S. dollar/Thai baht exchange market only to a limited extent. On the contrary, on December 22 in the following week, the U.S. dollar/Thai baht exchange rate fell to reach the mid-THB 31.10 level, as the price of gold renewed its all-time high due to heightening geopolitical risk. On December 23, the BOT and the Ministry of Finance of Thailand announced possible restrictions on online transactions of gold. However, this was not new information, and thus it did not cause the depreciation of the Thai baht. On December 24, the U.S. dollar/Thai baht exchange rate fell further to reach THB 31, which is the lowest level since March 2021, due to the rising price of gold. Thereafter, the market was quiet toward the end of the year, and the U.S. dollar/Thai baht exchange rate continued fluctuating at around the same level. However, on December 29, the price of gold started to fall sharply, possibly because there were some transactions to take profit. Following this trend, the U.S. dollar/Thai baht exchange rate rose sharply, temporarily reaching the upper-THB 31 level. However, toward the end of the month, this trend also slowed down, and as of December 30, the U.S. dollar/Thai baht exchange rate has been fluctuating again at the lower-THB 31 level.

2. Outlook for This Month

In January, the Thai baht is forecast to continue to appreciate against the U.S. dollar. However, market participants are advised to remain careful about rapid reversal of the trend resulting from a potential announcement on new restrictions on gold transactions.

In December, the U.S. dollar/Thai baht exchange rate reached its lowest level since 2021, as the price of gold, which is highly correlated with the Thai baht, rose sharply. Under such circumstances, the BOT and the Ministry of Finance of Thailand pointed out that daily transaction volumes of gold sometimes reached the domestic stock market transaction volume. They also pointed out that the U.S. dollar sold against the Thai baht by companies related to gold accounted for more than half of the U.S. dollar sold in Thailand. Thus, the two institutions announced the possible introduction of a business tax on online transactions of gold as well as a cap on gold bullion transactions. This announcement had little impact on the U.S. dollar/Thai baht exchange market. However, there was a subsequent announcement on reinforced surveillance on capital inflows exceeding USD 200,000, and this led the U.S. dollar/Thai baht exchange rate to rally slightly. Thus, if details about the restrictions on gold transactions are made available, there may be significant impact on the U.S. dollar/Thai baht exchange market, given the size of the transaction volume.

Since the second half of last year, there have been increasingly detailed plans to strengthen the control over the appreciation of the Thai baht by the monetary authorities of Thailand. Thus, the implementation of strengthened restrictions is certainly approaching. In such a case, the impact of the price of gold on the Thai baht exchange market is expected to decrease. On the other hand, however, it is possible for the conditions in the restriction to cause a sharp rally of the U.S. dollar/Thai baht exchange rate. Thus, market participants are advised to remain cautious.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – January 2026

Expected Ranges **Against the US$: MYR 4.0250–4.0900**
Against the yen: JPY 37.50–39.00

1. Review of the Previous Month

In December, the Malaysian ringgit reached its highest rate against the U.S. dollar in approximately four years and 10 months, which made the Malaysian ringgit the currency with the most appreciation against the U.S. dollar in 2025. In December, the U.S. dollar/Malaysian ringgit exchange market opened trading at the lower-MYR 4.13 level. At the beginning of the month, economic indices for the U.S. were released, and the results turned out to be sluggish, which made it even more likely for the Federal Open Market Committee (FOMC) to cut its policy interest rate. As a result, the U.S. dollar/Malaysian ringgit change rate fell to the MYR 4.10 level toward the second half of the first week of the month. However, on December 5, the business confidence index for the U.S. turned out to be robust, and interest rates rose in the second week of the month. Following this trend, the U.S. dollar/Malaysian ringgit exchange rate returned slowly to the MYR 4.12 level. In the middle of the month, the FOMC decided to cut its policy interest rate, as had been anticipated in the market. However, Federal Reserve Board (FRB) Chair Jerome Powell made a dovish remark, which led interest rates in the U.S. to fall. Toward the end of the week, the U.S. dollar/Malaysian ringgit exchange rate approached its low. On December 12, some market participants also bought the Malaysian ringgit as a short-term transaction. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate fell below the MYR 4.1 level and continued falling to reach the MYR 4.08 level. In the third week of the month, the November employment statistics and the Consumer Price Index (CPI) for the U.S. were scheduled to be out. Waiting for these events, U.S. bond yields were falling. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate fell slowly, as had been the case in the previous week. Then, on December 16, the November employment statistics for the U.S. were released, and the unemployment rate turned out to be 4.6%—revealing a weaker figure compared to the market estimate. In the morning of the following day, market participants actively sold the U.S. dollar. However, the fall of interest rates in the U.S. slowed down thereafter, which led the U.S. dollar/Malaysian ringgit exchange rate to rally to reach the upper-MYR 4.08 level. Then, the November CPI for the U.S. was announced, and both the headline CPI and the core CPI turned out to be weak, making it more likely for the policy interest rate to be cut further in 2026. As a result, the U.S. dollar continued to depreciate in an accelerated manner even though it was a weekend. On December 19, the November trade statistics for Malaysia were released, confirming the resilience of the Malaysian economy with a growth of +7.0% in exports and +15.8% in imports. In reaction, the Malaysian ringgit strengthened against the U.S. dollar, and the U.S. dollar/Malaysian ringgit exchange rate reached the MYR 4.07 level. Then, at the end of the month, liquidity in the market gradually decreased, due to Christmas and the year-end holidays. Under such circumstances, market participants actively bought the Malaysian ringgit, as it was a relatively stable currency, and this continued to support the strength of the Malaysian ringgit. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate renewed its lowest level of the year, reaching the MYR 4.03 level on December 26. However, there were some market participants who made transactions typical to the end of a year, and this led the U.S. dollar/Malaysian ringgit exchange rate to return to the MYR 4.06 level at the end of 2025.

2. Outlook for This Month

In January, the Malaysian ringgit is forecast to remain strong. However, it is unlikely for the U.S. dollar/Malaysian ringgit exchange rate to fall below the MYR 4.00 level. Thus, the U.S. dollar/Malaysian ringgit exchange rate is expected to continue hovering around with the Malaysian ringgit remaining at its highest level against the U.S. dollar in approximately five years.

As was mentioned above, the Malaysian ringgit has been outperforming other currencies of Asian countries in terms of appreciation against the U.S. dollar. This is largely thanks to the country's stable domestic conditions as well as investment capital inflow from foreign investors. Then, in December, the November trade statistics for Malaysia were released, revealing positive growth of two digits both in exports of electric and electronic products, which are Malaysia's main export category, as well as exports to the U.S. and Singapore, which are the major export destinations for Malaysia. This strong performance that does not exhibit much impact of the tariffs policy of the U.S. and makes Malaysia a more attractive country for investors compared to other ASEAN members, with a constantly high growth rate expected. On the other hand, given Malaysia's share in the world economy and its impact in the market, the current U.S. dollar/Malaysian ringgit exchange rate seems to be too favorable to the Malaysian ringgit. For this reason, it is not certain if the Malaysian ringgit will continue to appreciate against the U.S dollar in January.

In terms of external factors, the market has already reflected the change in the FRB Chair with an expected nomination of a new FRB Chair with a dovish attitude, which is a factor to weaken the U.S. dollar. However, measures such as a large-scale tax cut in the U.S. for the purpose of creating economic stimulus may lead to a shift in monetary policy. Thus, it is difficult to expect the Malaysian ringgit to strengthen if the stance of the FRB becomes less predictable with such possibilities.

As long as the recent trends show, it is likely for the Malaysia ringgit to remain strong against the U.S. dollar for a while. However, it is too early to expect the U.S. dollar/Malaysian ringgit exchange rate to fall below the MYR 4.00 mark in January. For this reason, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain low, while its fluctuation range is unlikely to change significantly.

Taro Anabuki, Asia & Oceania Treasury Department

Indonesian Rupiah – January 2026

Expected Ranges **Against the US$: IDR 16,500–16,900**
Against the yen: JPY 0.9200–0.9500 (IDR 100)

1. Review of the Previous Month

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

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened at the mid-IDR 16,600 level. On December 1, the November Consumer Price Index (CPI) for Indonesia was announced, and the result turned out to be +2.72% year-on-year, which was slightly below the market estimate. Furthermore, demand from China decreased while the shipping of mineral products declined. As a result, the October trade balance for Indonesia declined significantly, falling below the market estimate. Yet, this impacted the U.S. dollar/Indonesian rupiah exchange market only to a limited extent. On December 2, the following day, the U.S. dollar/Indonesian rupiah exchange rate fell to temporarily reach the lower-IDR 16,600 level. However, thereafter, market participants bought the U.S. dollar toward the middle of the month, although the U.S. dollar/Indonesian rupiah exchange rate continued fluctuating in both directions. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rose to approach the IDR 16,700 level. Then, on December 11, a Federal Open Market Committee (FOMC) meeting was held in the U.S., and the policy interest rate was cut for the third consecutive time. In reaction, the U.S. dollar/Indonesian rupiah exchange rate fell to temporarily reach the lower-IDR 16,600 level. However, on December 15, the following day, the Indonesian rupiah started to depreciate against the U.S. dollar again. As a result, the U.S. dollar/Indonesian rupiah exchange rate rose to the IDR 16,700 level, waiting for the monetary policy meeting scheduled for December 17. Thereafter, the central bank of Indonesia announced its decision to maintain its policy interest rate at the existing level, just before market close on December 17. In reaction, the U.S. dollar/Indonesian rupiah exchange rate returned to the upper-IDR 16,600 level, at which level trading closed for the day. However, thereafter, the central bank of Indonesia made it clear that it would positively consider continuing with policy interest rate cuts. As a consequence, the Indonesian rupiah continued to weaken against the U.S. dollar. Thus, on December 23, the U.S. dollar/Indonesian rupiah exchange rate rose to approach IDR 16,800. After December 25 and 26, which were both holidays, the Indonesian rupiah remained weak on December 29, with the U.S. dollar/Indonesian rupiah exchange rate fluctuating between the upper-IDR 16,700 level and the level just below the IDR 16,800 level. On December 31, some market participants made transactions to adjust their positions, and the depreciation of the Indonesian rupiah seen since December 17 was offset, leading the U.S. dollar/Indonesian rupiah exchange rate to fall. In the end, the U.S. dollar/Indonesian rupiah exchange market closed for 2025 at around IDR 16,700. Thus, compared to the situation observed at the beginning of the month, the U.S. dollar strengthened while the Indonesian rupiah weakened even more significantly toward the end of the year.

2. Outlook for This Month

In January, the Indonesian rupiah is forecast to depreciate against the U.S. dollar.

At the monetary policy meeting held in December, the central bank of Indonesia decided to maintain the BI rate—the policy interest rate of Indonesia—at the existing level of 4.75%, for the third consecutive time. The central bank of Indonesia explained this decision as part of its efforts to maintain the stability of the Indonesian rupiah under the sense of uncertainty growing worldwide. It is thus seen that the central bank took the decision by prioritizing the stability of its currency. On the other hand, in terms of future outlook, the central bank suggested the possibility of additional policy interest rate cuts by mentioning that it would continue looking for the timing of policy interest rate cuts in order to further strengthen the economy. For this reason, it is highly likely for the central bank of Indonesia to cut its policy interest rate if the inflation rate remains within the target range set out by the government while the Indonesia rupiah exchange rate remains stable.

In terms of price trends, the November CPI for Indonesia turned out to be +2.72%, revealing a slowdown from the previous month. Thus, the inflation has been kept within the target range set out by the government. On the other hand, in terms of the annual trend of 2025, there has been a gradual rise since January and February in which the price level fell significantly because of a government subsidy for electricity. Therefore, market participants are advised to remain careful in the times ahead in order to see if the inflation rate will approach +3.50%—the upper end of the inflation target rage.

The most-likely scenario is for the Indonesian rupiah to depreciate against the U.S. dollar, given that the BI rate is likely to be cut in the future. However, when the U.S. dollar/Indonesian rupiah exchange rate rises to approach its high, the central bank of Indonesia is expected to intervene in the foreign exchange market. Thus, the depreciation of the Indonesian rupiah is likely to be controlled to some extent. For the above reasons, the Indonesian rupiah is forecast to remain weak against the U.S. dollar, while the U.S. dollar/Indonesian rupiah exchange rate will be kept from rising significantly.

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

Philippine Peso – January 2026

Expected Ranges **Against the US$: PHP 57.50–59.50**
Against the yen: PHP 0.370–0.390

1. Review of the Previous Month

In December, the Philippine peso remained weak, while many countries had central bank meetings.

At the beginning of the month, the U.S. dollar/Philippine peso exchange market opened trading at the PHP 58.63. Market participants continued selling the U.S. dollar and buying the Philippine peso in order to take profit, as had been the case since the end of November. As a result, the U.S. dollar/Philippine peso exchange rate once reached the lower-PHP 58 level for the first time since the middle of October, at which level the exchange rate continued fluctuating. Subsequently, the U.S. dollar/Philippine peso exchange rate finally stopped falling, and the trend in the market reversed. On December 5, the November price statistics for the Philippines were released with figures weaker than both the market estimate and the previous month's result. Since this was a result that justified a policy interest rate cut indicated by the central bank of the Philippines, market participants bought back the U.S. dollar. Furthermore, long-term interest rates gradually rose in the U.S., and this also weakened the Philippine peso. As a result, the U.S. dollar/Philippine peso exchange rate rose to reach PHP 59.25—the all-time low for the Philippine peso.

Thereafter, both the U.S. and the Philippines announced a policy interest rate cut of 0.25%—as had been anticipated in the market. As the central bank meeting was over, the depreciation of the Philippine peso stopped temporarily. After the monetary policy meeting, the governor of the central bank of the Philippines, Eli Remolona, made a remark to reveal his idea to soon stop policy interest rate cuts. In reaction, market participants bought the Philippine peso. Major U.S. economic indices were released in an irregular manner (employment statistics, retail sales, and price statistics), and the results were weak overall. For this reason, market participants continued buying the Philippine peso in an accelerated manner. As a consequence, the U.S. dollar/Philippine peso exchange rate fell again to approach the mid-PHP 58 level for the first time since the beginning of December.

At the end of December, there were many holidays in the Philippines, and the liquidity level in the market became low. Under such circumstances, the U.S. dollar/Philippine peso exchange market closed at the end of 2025, with the exchange rate fluctuating at the upper-PHP 58 level.

2. Outlook for This Month

In January, market participants are advised to carefully observe signs of the appreciation of the Philippine peso.

Thus far, the central bank of the Philippines has allowed the Philippine peso to approach the PHP 59 level, which is its all-time low. However, at the end of December, the central bank of the Philippines revealed that it had actually intervened in the foreign exchange market. Although the central bank of the Philippines did not reveal when and at which level it intervened in the market, this caused significant psychological impact on market participants. Thus, for a while, the U.S. dollar/Philippine peso exchange rate is likely to slow down in rising after reaching the PHP 59 level.

It is also worth noting that the central bank of the Philippines revealed its intention to stop policy interest rate cuts soon while also emphasizing that the Philippine economy has been weaker than originally expected. Thus, the central bank explained that, in the times ahead, it might introduce other means of monetary easing such as a deposit requirement ratio cut for monetary institutions. The fourth-quarter GDP results of 2025 will not be available until the end of January. However, it is likely for the central bank of the Philippines to change monetary policy measures.

On the other hand, economic indices for the U.S. have also remained weak. Thus, in January, it is possible for market participants to actively buy the Philippine peso with some triggering events, leading the U.S. dollar/Philippine peso exchange rate to approach its low, as was the case at the end of November and December.

While the Philippine peso may weaken only to a limited degree, downward pressure on the appreciation of the Philippine peso is likely to strengthen, about which market participants are advised to remain careful and observe changes in market trends.

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

Indian Rupee – January 2026

Expected Ranges **Against the US$: INR 89.00–91.50**
Against the yen: JPY 1.65–1.85

1. Review of the Previous Month

In December, the U.S. dollar/Indian rupee exchange rate exceeded INR 91, although this did not last for a long time.

The Indian rupee renewed its lowest exchange rate against the U.S. dollar in four consecutive months, and this trend did not stop in December. At the beginning of the month, the U.S. dollar/Indian rupee exchange market opened trading at the mid-INR 89 level. On December 3, the U.S. dollar/Indian rupee exchange rate reached the INR 90 mark, after which the Reserve Bank of India (RBI) intervened in the foreign exchange market and kept the exchange rate from rising further, for a while. However, thereafter, tariffs negotiations between the U.S. and India did not go well, which caused the U.S. dollar/Indian rupee exchange rate to reach the lower-INR 91 level in the middle of the month, renewing the all-time low for the Indian rupee. Toward the end of the month, the RBI intervened in the foreign exchange market several times, as a result of which the U.S. dollar/Indian rupee exchange rate return to the upper-INR 89 level—around the same level as in the previous month. The U.S. dollar/Indian rupee exchange market closed trading for the year at this level.

The BSE SENSEX opened trading in December at the upper-85,000 level, which is the all-time highest level. Thereafter, the BSE SENSEX fell to the upper-84,000 level due to various factors including a net sell by foreign investors. In the middle and end of the month, the BSE Sensex continued to fluctuate moderately in both directions, but it did not renew its high. In the end, trading closed at the lower-85,000 level. In the stock and bond market in India, there was a net sell from foreign investors worth more than USD 3 billion on a single-month basis in December, while there was a net buy both in October and November.

In terms of the economic indices of India, the RBI decided to cut its policy interest rate from 5.50% to 5.25% unanimously at the monetary policy committee (MPC) meeting held in December. This was the third policy interest rate cut since June. In addition, the RBI revised its growth outlook for this fiscal year upward to +7.3% year-on-year while revising the inflation outlook downward to +2.0% year-on-year.

2. Outlook for This Month

In January, the Indian rupee exchange rate is forecast to depreciate slowly against the U.S. dollar.

In December, the Indian rupee renewed its lowest exchange rate against the U.S. dollar, with significant depreciation. Thus far, the RBI had intervened in the foreign exchange market in order to keep the Indian rupee from depreciating further from a certain level. However, in December, the RBI did not intervene in the foreign exchange market until the U.S. dollar/Indian rupee exchange reached the INR 91 level. On the other hand, in

December, the RBI bought government bonds in order to secure long-term liquidity levels by solving the lack of domestic funds. The RBI also announced its plan to carry out foreign exchange swaps through auctions with an attitude to actively participate in the market. In January, the Indian rupee is not likely to depreciate excessively against the U.S. dollar. However, the U.S. dollar/Indian rupee exchange rate is forecast to remain high.

At an MPC meeting held in December, the policy interest rate was cut, and the monetary policy stance was maintained as neutral, as has been the case since August. However, one MPC member supported a shift to expansion. The governor of the RBI, Sanjay Malhotra, emphasized that the balance between growth and inflation would make space for further monetary policy measures, suggesting the possibility of further policy interest rate cuts in the times ahead.

India continues to suffer from a persistent current account deficit. Thus, from a medium- to long-term perspective, market participants are expected to continue selling the Indian rupee based on the prolonged tariffs negotiations between the U.S. and India as well as capital sales from foreign investors.