

# Mizuho Dealer's Eye

May 2026

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Mizuho Bank, Ltd.

Global Foreign Exchange Department

## U.S. Dollar – May 2026

**Expected Ranges**

**Against the yen: JPY156.00–162.00**

### Outlook for This Month

The dollar/yen pair is expected to trade strongly in May. The pair hit a high towards late April and it is unlikely to fall sharply from this level. Its downside will move firmly, but its room on the topside is likely to be capped.

The US and Israel have been waging war on Iran since late February. There were reports of a ceasefire agreement in April, with hopes growing when it came to peace talks. During this time, the Dollar Index saw some unwinding of the trend of “emergency dollar buying.” However, the pair has not fallen that much, so it seems an easing of geopolitical risk is unlikely to lead to yen bullishness, because even if fighting is brought to an early end, it appears the yen will continue to face the same supply and demand conditions as obtained before the war started. Japan’s finances will also deteriorate on rising crude oil prices, with trade conditions worsening, so the Bank of Japan (BOJ) will continue to pursue an accommodative monetary policy. As such, there is a deep-rooted sense in the markets that there are many reasons to sell the yen, with factors conducive to active yen buying thin on the ground. The situation in the Middle East is still up in the air, but provided things do not deteriorate sharply, the market focus will probably shift back to economic/inflation indicators and BOJ monetary policy. However, the BOJ and FOMC will not be meeting for monetary policy this month, so there are unlikely to be any new factors on the policy front. Amid this dearth of factors, investors will find it hard to buy the yen given the prevailing feeling in the markets, as mentioned above, with the dollar/yen pair expected to move strongly. Still, concerns about a yen-buying intervention will grow when the pair tops 160 yen, so market participants will also be wary about chasing the pair’s topside.

Risk scenarios include an early resolution to the fighting in the Middle East, a sharp rise in expectations for US rate cuts on deteriorating economic indicators, or a sharp increase in the number of expected rate hikes in Japan this year. Under these circumstances, the yen will probably strengthen in the short term. On the whole, it seems the pair will move firmly, but its range might grow wider, 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	11 bulls	163.00 – 157.00	Bearish on the dollar	2 bears	164.00 – 155.50
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## \* Ranges are central values

Seki	Bull	163.00 – 157.00	Rising resource prices on the Middle East situation will support real-demand yen selling. Rate hikes from June onwards do not seem nailed on, with shrinking Japanese/US interest-rate differentials unlikely to become a factor for the dollar/yen pair. There may be concerns about an intervention in the forex markets at some point, but investors are likely to continue testing the pair's upside.
Yamazaki	Bull	162.50 – 155.00	The dollar/yen pair's movements will generally be in the direction of yen bearishness. The pair's upside will be held down by concerns about an intervention when the pair tops 160 yen. Though the pair will rise, the speed of its ascent will be capped.
Nagano	Bull	163.00 – 156.00	Instability in the Middle East is unlikely to calm any time soon. On the supply and demand front, there are worries that Japan's trade deficit will worsen on rising crude oil prices. When it comes to interest rates, meanwhile, expectations for US rate cuts are waning on inflationary fears. As such, the yen is likely to continue trending lower. However, the dollar/yen pair's upside will move heavily on concerns about an intervention.
Toriba	Bull	163.00 – 155.00	The dollar/yen pair will continue to jostle up and down on the Iran situation. The pair's upside will be swayed by the movements of the Japanese authorities. However, its downside will move firmly on risk-evasive dollar buying and changes to the FRB's monetary policy stance. The pair is expected to trade in a range around 158 yen.
Ogawa	Bull	163.00 – 157.00	Though the BOJ continues to strike a hawkish tone in the face of inflationary concerns, there is market skepticism about the prospect of an early rate hike. The dollar/yen pair will probably move firmly on uncertainty in the Middle East, high crude oil prices, and the hawkish results of the FOMC meeting.
Yamaguchi	Bull	164.00 – 157.00	The BOJ has shelved rate hikes. With the FOMC also striking a hawkish stance and crude oil prices rising, the environment is conducive to yen bearishness and dollar bullishness. There are deep-rooted concerns about an intervention, but volatility is low in the foreign exchange markets, so at the moment it seems likely the BOJ will not conduct an intervention.
Matsunaga	Bull	162.00 – 157.00	From here on, the BOJ will continue to deliberate on when to lift rates. However, this theme is unlikely to attract much attention in the month of May. A lot will depend on the situation in the Middle East, but the economic impact of high crude oil prices will gradually make itself felt, with the yen likely to remain bearish this month.
Hakamata	Bull	162.00 – 156.00	The dollar/yen pair is expected to trade firmly in May. With crude oil prices moving at highs and the BOJ continuing to pursue an accommodative monetary policy, for example, it seems there will be many reasons to sell the yen and few reasons to buy it. The pair will probably rise while taking being swayed by concerns of an intervention.
Okuma	Bull	163.00 – 157.00	Amid concerns about rising inflationary pressures in the US, the FRB is adopting a more hawkish stance. The situation remains uncertain when it comes to the Middle East, with the dollar likely to see emergency buying as crude oil prices rise further, so investors will probably test the dollar/yen pair's upside.
Ito	Bear	165.00 – 155.00	There are not many factors supporting active yen buying. However, the dollar/yen pair's upside will be weighed down by concerns of an intervention when the pair rises sharply above 160 yen.
Harada	Bull	163.00 – 157.00	The dollar/yen pair is expected to move firmly this month. Two months have passed since the war started in the Middle East, but there are no signs of tensions easing and there will be strong pressure for emergency dollar buying. BOJ governor Kazuo Ueda has said the BOJ remains on the path to rate hikes, but he continues to strike a cautious tone, with yen-buying factors thin on the ground.

Matsuki	Bull	163.00 – 157.00	It seems the BOJ is trying to avoid giving any clear communication about monetary policy. The FOMC has adopted a hawkish stance, while the Middle East situation and the closure of the Strait of Hormuz look set to drag on, so the dollar/yen pair looks set to move firmly this month.
Oshima	Bear	163.00 – 156.00	Three BOJ members who voted against keeping rates fixed in April will be stepping down in June and July. After they leave, the path to rate hikes will probably grow even steeper. If the BOJ adopts a hawkish stance at the June meeting, before these members leave office, the markets will probably react by buying the yen.

## Euro – May 2026

### Expected Ranges

**Against the US\$: US\$1.1600–1.1900**

**Against the yen: JPY180.00–189.00**

### Outlook for This Month

The euro/dollar pair is expected to move bearishly in May.

Around two months have passed since tensions flared in the Middle East when the US attacked Iran. The two sides still seem far apart, with the situation deadlocked without any progress in peace talks. Under these circumstances, there will be deep-rooted demand for dollar buying, with the currency pair likely to trade with a heavy topside as a result. The heightened tensions in the Middle East and the closure of the Strait of Hormuz have led to soaring crude oil prices across the globe. Prices have also shot up across Europe and each nation is putting measures in place to tackle the situation, with Germany lowering taxes and France offering subsidies, for example. These are stopgap measures, but if crude oil prices keep rocketing, these measures might be kept in place for longer, with this hurting the finances of each country.

As for current inflation trends, the March eurozone CPI data (HICP) hit +2.6% y-o-y on soaring crude oil prices, with inflation up on February's +1.9% y-o-y result. If inflation continues to accelerate on stubbornly-high crude oil prices, the ECB might strengthen its tightening stance, with the markets pricing in around three rate hikes within the year. Speculation is brewing that the ECB Governing Council might lift rates as early as June, but some voices have raised concerns about the direction of the eurozone economy, with the zone posting some weak April PMI data, for example, so expectations for rate hikes will probably wane.

The euro/yen pair looks set to move flatly. The euro is expected to move bearishly, but the Bank of Japan (BOJ) decided to keep rates fixed when it met in April. BOJ governor Kazuo Ueda did say the BOJ remained committed to lifting rates, but he remained in cautious mode, with the yen lacking any factors conducive to buying. As a result, the euro/yen pair is likely to continue moving at highs this month.

## Dealers' Market Forecast

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

<b>Bullish on the euro</b>	<b>6 bulls</b>	1.1950 – 1.1500	<b>Bearish on the euro</b>	<b>7 bears</b>	1.1850 – 1.1400
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### \* Ranges are central values

Seki	Bull	1.2000 – 1.1500	Expectations for FRB rate cuts have waned, so if the May FOMC meeting suggests US interest rates will remain high for a prolonged period, the euro's rise against the greenback might slow. However, the ECB looks set to lift rates several times within the year and there is also some strong real demand, with this likely to support the euro/dollar pair even during the ongoing phase of emergency dollar buying.
Yamazaki	Bear	1.1900 – 1.1500	The euro/dollar pair is expected to edge higher within a range. However, its upside will probably be capped. Investors will be wary of geopolitical risk while also paying attention to inflation and headlines.
Nagano	Bull	1.1900 – 1.1500	There are concerns that the eurozone's trade balance will deteriorate on sky-high crude oil prices, with this also having a negative impact on economic sentiments. There are also positive factors, with eurozone interest rates set to rise on inflationary concerns, so the euro/dollar pair will probably trade in a range.
Toriba	Bull	1.2000 – 1.1400	The ECB's monetary policy stance seems more hawkish compared to that of the BOJ and FRB. The eurozone has a trade and current account surplus, with this also supporting the euro/dollar pair. The pair will remain in a comparatively strong position.
Ogawa	Bull	1.1900 – 1.1550	The uncertain situation in the Middle East is unlikely to clear up any time soon, with the ECB likely to strengthen its hawkish stance on concerns about rising crude oil prices. The euro/dollar pair looks set to trade firmly on this hawkish monetary policy.
Yamaguchi	Bear	1.1800 – 1.1400	The US/Iran dispute is dragging on, with crude oil prices remaining high. Soaring energy costs are hitting the European economy hard, with the euro/dollar pair likely to edge lower this month.
Matsunaga	Bear	1.1800 – 1.1400	Risk sentiments are improving on bullish US stocks, with the euro also rallying. However, high energy prices are putting a lot of strain on the eurozone economy, so the ECB will move cautiously when it comes to hiking rates. The euro/dollar pair will only have limited room to rise this month.
Hakamata	Bull	1.1900 – 1.1550	The euro/dollar pair is expected to move firmly in May. Anticipation for eurozone rate hikes have grown since the start of the Middle East dispute, with consumer inflation expectations also rising. The euro looks set to move firmly on this speculation about monetary policy.
Okuma	Bull	1.2000 – 1.1450	The US government is becoming more isolated and there will be moves away from the dollar. On the other hand, the euro will be pushed higher by the eurozone's international balance of payment surplus. If US/Iran talks go well and fears about a quagmire are assuaged, the euro/dollar pair will move firmly.
Ito	Bear	1.1850 – 1.1350	If the Middle East strife drags on into the long term, the US and European economies will grow more resilient to external shocks. It looks like the US will have the upper hand in this respect. Under these circumstances, the euro will gradually face more headwinds going forward.
Harada	Bear	1.1900 – 1.1600	The euro/dollar pair will move bearishly this month on the deteriorating situation in the Middle East and on concerns about the eurozone's worsening finances on the back of soaring crude oil prices. Expectations are growing for ECB rate hikes, but these will fade on uncertainty about the direction of the economy, with the pair expected to move with a heavy upside.

Matsuki	Bear	1.1800 – 1.1300	The markets have grown optimistic about the situation in the Middle East, but if ceasefire negotiations and the closure of the Strait of Hormuz drag on, the euro/dollar pair's upside will be weighed down. Under these circumstances, the ECB will probably remain in wait-and-see mode for now.
Oshima	Bear	1.1900 – 1.1400	Investors have priced in three ECB rate hikes within the year. However, the eurozone's April PMI fell and there is considerable room for these expectations to be pared back on concerns about an economic slowdown, with this likely to push the euro/dollar pair lower. However, its movements could be capped as the dollar is pushed down by cooling tensions in the Middle East.

# British Pound – May 2026

## Expected Ranges

Against the US\$: US\$1.3200–1.3800

Against the yen: JPY210.00–220.00

## 1. Review of the Previous Month

The GBP/USD pair rose in April.

The pair was swayed by the situation in the Middle East at the start of the month. With the ceasefire deadline looming, risk appetite increased on April 7 on hopes for a peace deal, with the dollar weakening and the currency pair moving firmly. The greenback moved bearishly across the board on April 8 on news that the ceasefire had been extended, with the pair rising further. Risk aversion prevailed on April 13 on news that the US/Iran talks were not going well. The GBP/USD pair began sliding as a result, though its losses were pared back by reports the ceasefire would continue and that progress had been made in some areas. The dollar fell and the pair rose on April 14 on news about a peace agreement. The UK February employment data moved firmly on its release on April 21, but the market reaction was muted, with the pair actually sliding as the dollar strengthened on headlines about the Middle East and on hawkish comments by FRB officials. The UK March CPI data was then released on April 22, with the headline data turning out much as expected. The currency pair rose for a time on news that services inflation had risen by a substantial +4.5% y-o-y, but the core data was down on expectations, so the impact was muted on the whole. The dollar weakened and the pair rose on April 24 as optimism grew over US/Iran talks. The greenback was then bought on April 28 on rising US interest rates, so the pair's topside was held down.

## 2. Outlook for This Month

The GBP/USD pair is expected to move firmly in May.

Recent economic indicators have shown some slight improvements when it comes to employment, with the PMIs and so on also moving firmly. Furthermore, the services CPI data was up on market expectations, with speculation about rate hikes growing on concerns that inflation might become stickier on the situation in the Middle East. The swap markets have priced in two rate hikes within the year, with the possibility of three rate hikes also looming into view. However, in the immediate future it seems the Bank of England (BOE) will keep rates fixed, with the GBP/USD pair only having limited room to rise further. Crude oil prices were thought to have peaked out for a time, but they have since risen above \$100 per barrel again, so the dollar might be bought as geopolitical risk flares up again. If this happens, the currency pair will move commensurately bearishly, no matter what happens with UK indicators. A glance at the 1-month options market shows volatility moving at a comparatively low level, perhaps because no major events are expected this month. The 25-delta risk reversal shows pound put-overs expanding slightly, so in the short term it seems there will still be some demand for hedging on the ongoing situation in the Middle East.

# Australian Dollar – May 2026

## Expected Ranges

**Against the US\$: US\$0.7000–0.7300**

**Against the yen: JPY112.00–117.00**

## 1. Review of the Previous Month

The AUD/USD pair rose to \$0.72 for a time in April.

At the start of the month, the pair edged up from the upper-\$0.68 mark to the lower-\$0.69 level on hopes for a ceasefire in the Iran conflict. The pair then soared to the mid-\$0.70 range on April 8 as risk aversion was unwound on the announcement of a temporary ceasefire between the US and Iran. The weekend saw reports that the ceasefire talks had broken down. Risk aversion subsequently flared again at the start of the week beginning April 13, so the pair opened below its previous close, though it was soon bought back.

The greenback was sold mid-April on hopes that the Middle East conflict would be resolved in the near future, with the Australian dollar continuing to be bought as a result. Australia's March employment data was released on April 16. The data was broadly as expected, but it did not put any blocks in the way of a May rate hike, so the pair then rose to \$0.72. On April 19, Iran's foreign minister Abbas Araghchi announced Iran has completely opened the Strait of Hormuz. As risk appetite increased, the pair broke above \$0.72 to hit a monthly high of \$0.7221. The US then denied it had ended a maritime blockade of Iranian ships, so Iran closed the Strait of Hormuz again, with the currency pair dropping back to the upper-\$0.71 mark as a result.

With the situation in the Middle East deteriorating at the weekend, the pair opened the week beginning April 20 below its previous close again. It subsequently fell to the lower-\$0.71 level, though it was soon bought back. Thereafter, the pair continued to move with a lack of direction while being swayed by headlines related to the Middle East situation. The pair temporarily climbed to around \$0.72 as US stocks continued rising on the business results of a major US tech company, but the Australian dollar was then sold when Australia's March CPI data did not swing up by as much as expected, so the pair finished the month trading around the mid-\$0.71 mark.

## 2. Outlook for This Month

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

Australia's March CPI data (released April) soared on skyrocketing energy prices. In a speech in April, the RBA's deputy governor Andrew Hauser reiterated concerns about rising inflationary pressures. At the time of writing, bets on a rate hike at the RBA board meeting on Tuesday, May 5 have risen to around 80%, with investors fully pricing in two rate hikes within the year. The labor market remains strong, with this unlikely to impede rate hikes. It is hard to see the currency pair rising higher while uncertainty remains about the Iran situation and the Strait of Hormuz, but the pair seems to be growing less susceptible to negative headlines. The pair will continue to be swayed by headlines about the Middle East for the time being, but it will move firmly on the whole provided there is no sharp deterioration in the situation.

# Canadian Dollar – May 2026

## Expected Ranges

**Against the US\$: C\$1.3500–1.3850**

**Against the yen: JPY112.00–118.00**

## 1. Review of the Previous Month

Market sentiments shifted sharply throughout April. Funds flowed into the US dollar, gold and US bonds in the first half of the month on the typical risk aversion that followed the intensification of frictions between the US and Iran. The market focus then shifted to prolonged geopolitical turmoil (particularly on the closure of the Strait of Hormuz) and crude oil prices. Under these circumstances, the USD/CAD pair inched lower on the Canadian dollar's status as a commodity currency, with the pair sliding from C\$1.39 to C\$1.36.

The US remained on the offensive against Iran at the start of the month. It then released some better-than-expected March employment data, so the greenback rose and the pair climbed to a monthly high of C\$1.3949 on April 3. However, in the following week the Trump administration announced a 2-week ceasefire agreement with Iran that was predicated on a re-opening of the Strait of Hormuz, so crude oil prices fell sharply. "Emergency dollar buying" was unwound in the forex markets, with the greenback weakening against the other major currencies. The USD/CAD also fell from C\$1.39 to C\$1.38. The US March CPI data was released on April 10. The core CPI figure maintained composure, despite soaring crude oil prices, so the US dollar fell further and the currency pair temporarily dropped below C\$1.3700.

Talks between the US and Iran broke off mid-April and concerns grew about a resumption of fighting between the two countries, with the greenback bought again on risk aversion. There were hopes for a resumption of talks, though. However, there was also a growing sense that the conflict and the closure of the Strait of Hormuz would continue for a while, so crude oil prices moved at highs. Moves to resume talks between the US and Iran became deadlocked late April. The Canadian dollar's movements are strongly linked to crude oil prices, with the currency pair subsequently sliding to C\$1.36 on worries about crude oil prices and supplies.

## 2. Outlook for This Month

The Canadian dollar will continue to be supported by high crude oil prices in May, but the US dollar will also move bullishly on geopolitical risk. As such, the USD/CAD pair is likely to remain in a range between C\$1.3600 and the mid-C\$1.37 mark on the whole. If crude oil prices remain high and the Iran dispute becomes more deadlocked, the pair will move with some slight downwards momentum.

In addition to short-term factors, the prolongation of the Iran conflict might start to have a bigger impact on energy prices and economic trends. If this does happen, the markets will focus more on the financial and fiscal policies of each major nation. As of April 29, the interest rate markets were pricing in two or more Canadian rate hikes within the year. However, the Canadian economy is already moving bearishly (particularly the labor and housing markets). The deadline for a full revision of the USMCA is also looming in July, with talks between the US and Canada likely to be tense. As such, it seems likely the Bank of Canada (BOC) will keep policy rates fixed

this year, with market expectations for rate hikes set to wane gradually going forward. When this does happen, the pair will trade with a heavy topside, but it could swing above C\$1.38.

However, if a peace agreement is reached, the greenback will probably be sold rapidly as market risk sentiments improve sharply and inflation concerns ease. Investors will be monitoring whether the pair drops below C\$1.3490, the level it hit at the end of January.

# Korean Won – May 2026

## Expected Ranges

**Against the US\$: KRW 1,455–1,495**

**Against the yen: JPY 10.51–11.06 (KRW100)**

## 1. Review of the Previous Month

The USD/KRW pair fell in April.

The pair rose to KRW1536.9 at the end of March on concerns that the conflict in the Middle East would spread and become more prolonged. It then opened April trading at KRW1508.5 after President Trump hinted that the US could withdraw from Iran within two to three weeks. With the president of Iran also voicing support for a ceasefire, the pair fell to just around KRW1500. However, President Trump then suggested the US might step up attacks on Iran during a speech on April 2, so the pair climbed back to KRW1520 for a time. South Korea government bonds began to be phased into the World Government Bond Index (WGBI) in April and this kept a lid on some won selling, with the USD/KRW continuing to move with a heavy topside.

A sense of relief swept the markets mid-April after the US reached a 2-week ceasefire agreement with Iran. The trend of risk-evasive dollar buying was subsequently unwound, with the currency pair plunging to around KRW1470. However, there were gaps between the US and Iran when it came to ceasefire conditions. There was also uncertainty about when the Strait of Hormuz would be re-opened. With the first round of peace talks in Pakistan coming to naught, the USD/KRW pair rose to around KRW1500 once more.

Nonetheless, in late April, both sides continued voicing hopes for an end to the fighting. This calmed the markets to a certain extent, with the pair continuing to broadly float in a range around KRW1470–1480. Exporters then sold the dollar at highs on the back of brisk demand for semiconductors, with the pair trading around KRW1472.5 as of April 27.

## 2. Outlook for This Month

The USD/KRW pair will trade with a slightly heavy topside in May as investors focus on the Iran situation.

The US and Iran are still some way apart when it comes to peace conditions, so there is uncertainty about the second round of talks. However, both sides have shown a willingness to negotiate, so there is growing sense of calm. Shipping remains restricted across the Strait of Hormuz, so crude oil prices remain high, but excessive pessimism seems to have waned.

South Korean stocks faced some temporary adjustment on the situation in the Middle East, but major stocks continued to move firmly on AI and semiconductor demand. The KOSPI continues to rise and it hit a record high again. The won will be supported as South Korea's trade surplus expands on semiconductor exports. It will also be bolstered by foreign investor flows after South Korean government bonds are phased into the WGBI.

Shin Hyun-song became the new governor of the Bank of Korea (BOK) on April 21. On assuming office, he spoke about how the outlook inflation and growth had become more uncertain on the supply shock that followed the outbreak of fighting in the Middle East. He also said the BOK needed to stabilize prices and finances by

conducting monetary policy in a prudent and flexible manner. The BOK will be meeting to set policy for the first time under its new governor on May 28, so investors should focus on the BOK's statement.

# New Taiwan Dollar – May 2026

## Expected Ranges

**Against the US\$: NT\$31.20–32.20**

**Against the yen: JPY4.94–5.14**

## 1. Review of the Previous Month

In April, the USD/TWD pair was swayed by the geopolitical situation and fund flows, with the pair moving at highs before dropping. The greenback was bought on risk aversion at the start of the month as the US/Iran conflict intensified across the board, with the currency pair temporarily approaching TWD32. However, as the Iran situation became deadlocked and as foreign funds returned to Taiwanese stock markets, the pair's upward pressure eased off from mid-April, with the Taiwan dollar strengthening.

The USD/TWD pair had moved firmly late March and this momentum continued into April, with the pair kicking off the month trading around TWD31.94. The US/Iran war had begun at the end of February and it was still underway in April, with tensions in the Middle East growing and the US stepping up its military operations by blockading the seas around Iran. As market risk aversion increased, the Dollar Index and US treasury yields rose, with the pair moving at highs between TWD31.80–32.00.

Geopolitical risk gradually eased mid-April. There was no escalation in US/Iran tensions, so there was reduced demand for the greenback as a refuge currency. US stocks also rallied and Taiwanese stocks rose on the back of bullish electronics equities, with overseas investors buying on balance and the Taiwan dollar rising. The USD/TWD pair dropped back from highs, with its central range sliding to TWD31.60–31.75.

Amid lingering uncertainty about the US/Iran war, market movements became more subdued late April, with investors growing more cautious about buying the US dollar in the wake of the FRB's wait-and-see stance. The currency pair gradually approached TWD31.4 before closing at TWD31.467 on April 27.

## 2. Outlook for This Month

In April, the USD/TWD pair rose on geopolitical risk before dropping back. Looking ahead to May 2026, the market focus will gradually shift from risk aversion to the fundamentals and fund flows. With the impact of the Middle East crisis easing, the Taiwan dollar's movements have stabilized, with the currency pair expected to move around TWD31.50.

Though the US and Iran remain at loggerheads, the markets are getting acclimatized to uncertainty, with demand for the greenback as a refuge currency easing off. US inflation remains high, but it has stopped climbing, with the FRB remaining in wait-and-see mode. The market focus is shifting away from short-term measures to mid- to long-term monetary policy movements.

As for domestic factors, Taiwan's economic fundamentals remain strong. Exports and export orders remain brisk on AI-related demand for advanced semiconductors, with both indicators growing by over 60% in March. This is providing structural support for the Taiwan dollar. Furthermore, Taiwan's stock market topped 40,000 points at the end of April, with foreign funds set to continue flowing into Taiwan.

On the whole, it seems the USD/TWD pair will move between TWD31.30–31.70 in May. If brisk fund inflows continue, investors might test the TWD31.20 mark, but if the US/Iran situation deteriorates again, the pair could hit TWD32.00, so caution will be needed.

# Hong Kong Dollar – May 2026

## Expected Ranges

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

**Against the yen: JPY20.10–20.60**

## 1. Review of the Previous Month

In April, the USD/HKD pair moved in the upper half of its peg in a narrow range from the upper-HKD7.83 mark to the lower-HKD7.82 level.

The pair opened the month trading at the upper-HKD7.83 mark. The main driver of the pair's movements remained the Middle East situation. The US ADP National Employment Report was released on April 1 and the nonfarm payrolls data on April 3. Both indicators were up on expectations, but the impact was muted, with the pair moving with a lack of incentives around the upper-HKD7.83 level. However, President Trump announced a ceasefire agreement with Iran during US trading time on April 8. As emergency dollar buying was unwound, the currency pair weakened to the lower-HKD7.83 range. News released mid-April suggested the Middle East situation was becoming deadlocked. As the ceasefire deadline loomed, risk appetite swept the markets on vague hopes for an early resolution to the crisis, with the Hang Seng index moving at highs. This supported the Hong Kong dollar, so the currency pair continued moving with a heavy topside in the lower-HKD7.83 range for a time. Hopes then grew for more progress in ceasefire talks after President Trump announced a 10-day ceasefire between Lebanon and Israel, with the pair temporarily sliding to the lower-HKD7.82 mark. However, before the deadline for ceasefire negotiations arrived on April 22, President Trump announced the ceasefire would continue indefinitely until talks with Iran made progress. As hopes for an early resolution to the Middle crisis waned, the USD/HKD pair edged higher to move around the upper-HKD7.83 mark.

## 2. Outlook for This Month

In May, the USD/HKD pair is expected to continue moving around HKD7.80–7.85, in the upper half of its peg.

US interest rates have regained composure since April, but they remain at highs. With no progress seen when it comes to bringing an early end to the Middle East fighting, energy costs remain high, so there will be strong concerns about inflation. There is also growing uncertainty about the impact of the Middle East situation on the real economy. Nonetheless, employment indicators remain firm, with comments by FRB officials also suggesting that the FRB is in no rush to lower rates. With expectations for 2026 US rate cuts fading sharply, the greenback will continue to be bought for now, provided there is no dramatic shift in the Middle East situation.

Furthermore, though Hong Kong's stock market is gradually bouncing back, it has yet to return to its level from before fighting broke out between the US and Iran at the end of February, with no major IPOs lined up in Hong Kong in May either. With stock-related demand for the Hong Kong dollar also restrained, there are no signs of revival of funding demand in the markets. HKD interest rates continue to move with a heavy topside overall, with the Hong Kong dollar unlikely to be attractive to investors this month.

# Chinese Yuan – May 2026

## Expected Ranges

**Against the US\$: CNY 6.8000–6.9500**

**Against the yen: JPY 22.50–23.50**

## 1. Review of the Previous Month

In April, the U.S. dollar depreciated against the Chinese yuan.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.88 level on April 1. On April 2, expectations for an early end to the war in Iran regressed, and the U.S. dollar was actively bought back. As a result, the U.S. dollar/Chinese yuan exchange rate rose to temporarily approach the CNY 6.90 level. However, the trend did not last for a long time. Thereafter, the U.S. dollar depreciated against the Chinese yuan, and the U.S. dollar/Chinese yuan exchange rate fell below the CNY 6.86 level. On April 8, in the early morning local time in Asia, the media reported that the U.S. and Iran had agreed on a two-week temporary ceasefire. In reaction, the U.S. dollar weakened in the overall foreign exchange market. Following this trend of U.S. dollar depreciation, the U.S. dollar/Chinese yuan exchange market opened trading at the CNY 6.83 with a gap from the closing rate of the previous day. However, there was no more movement in the market thereafter. The U.S. dollar/Chinese yuan exchange rate thus continued fluctuating at the CNY 6.83 level, without rising further.

At the middle of the month, the U.S. dollar/Chinese yuan exchange rate did not move in any single direction, fluctuating in both directions reacting to headlines related to the geopolitical situation in the Middle East. Multiple economic indices for China were released, such as the trade statistics released on April 14, as well as the first-quarter GDP, retail sales, and fixed-asset investment released on April 16. However, these did not have significant impact on the foreign exchange market. The U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range at around the CNY 6.82 level.

In the second half of the month, the U.S. dollar continued depreciating gradually against the Chinese yuan, and the U.S. dollar/Chinese yuan exchange rate fell and reached the mid-CNY 6.81 level on April 21 for the first time in approximately three years. Thereafter, there were various media reports regarding the forthcoming end date to the two-week ceasefire agreement between the U.S. and Iran. Under such circumstances, the U.S. dollar/Chinese yuan exchange rate rallied and reached the CNY 6.83 level. In the morning of April 22, U.S. President Donald Trump announced an extension for the ceasefire agreement, in reaction to which the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.82 level with a gap from the closing rate of the previous day. However, toward April 24, the U.S. dollar/Chinese yuan exchange rate rose gradually and eventually approached the CNY 6.84 level. Subsequently, the media reported that there was a possibility for the U.S. and Iran to hold a second peace dialogue, which kept the U.S. dollar/Chinese yuan exchange rate from rising. As a result, the U.S. dollar/Chinese yuan exchange rate fell to the CNY 6.82 level.

## 2. Outlook for This Month

In May, the U.S. dollar/Chinese yuan exchange rate is forecast to remain on a downtrend.

In reaction to the deteriorating geopolitical situation in the Middle East throughout April, market participants bought the U.S. dollar under an emergency situation. As a result, the U.S. dollar/Chinese yuan exchange rate occasionally rallied slightly. However, the U.S. dollar is forecast to continue weakening against the Chinese yuan in the coming month. According to the trade statistics for China, exports denominated in the U.S. dollar turned out to be +2.5% year-on-year. Even though this growth was below the result in the January–February period, which saw +21.8%, there has so far been positive growth for five consecutive months. Thanks to the expanding trade surplus, exporting companies are more likely to have demand to sell the U.S. dollar, making it easier for the Chinese yuan to be bought.

In reaction to the closure of the Strait of Hormuz, the resource prices continue to rise, including that of crude oil. Under such circumstances, market participants find the Chinese yuan attractive, partially because of the fact that China is less dependent on fossil fuels and thus less likely to be impacted by the rise of crude oil prices. With regard to the geopolitical situation in the Middle East, there is still no sign of an end to the conflict. Thus, the situation is unlikely to turn favorable in the near future. On the other hand, market participants have stopped buying the U.S. dollar, which was initially motivated by the emergency situation. Thus, the U.S. dollar is forecast to continue depreciating slowly against the Chinese yuan in the times ahead.

In the U.S., concerns are growing over both an economic downturn as well as rising inflation due to supply chain disruptions caused by the worsening geopolitical situation in Iran. Thus, the Federal Reserve Board (FRB) is facing a difficult decision. The minutes of the March Federal Open Market Committee (FOMC) meeting stated that it was too early to evaluate the impact of the geopolitical situation in the Middle East on the U.S. economy. However, market participants are advised to remain attentive to remarks by FRB Chair Jerome Powell, along with remarks by Kevin Warsh, a candidate for the next FRB Chair.

It is also worth noting that a summit meeting between the U.S. and China is scheduled for the middle of May in Beijing. As it is possible for trade negotiations between the U.S. and China to be discussed at this meeting, market participants are also advised to remain cautious about related headlines.

# Singapore Dollar – May 2026

**Expected Ranges**                      **Against the US\$: SG\$ 1.2600–1.2950**  
**Against the yen: JPY 122.00–127.50**

## 1. Review of the Previous Month

In April, the Singapore dollar appreciated against the U.S. dollar in general, even though the geopolitical situation in the Middle East had some impact on the U.S. dollar/Singapore dollar exchange market.

On April 1, the U.S. dollar/Singapore dollar exchange market opened trading at the mid-SGD 1.28 level. At the beginning of the month, the U.S. dollar/Singapore dollar exchange rate fell to reach the lower-SGD 1.28 level, as expectations were growing for the mitigation of the geopolitical situation in the Middle East, and crude oil prices fell temporarily. However, on April 2, U.S. President Donald Trump gave a speech, after which expectations for a ceasefire agreement regressed, and crude oil prices appreciated. Following this trend, the U.S. dollar/Singapore dollar exchange rate also rose. On April 8, the media reported that the U.S. and Iran would agree on a two-week ceasefire, which mitigated the excessive tension in the region. Consequently, both crude oil prices and the U.S. dollar depreciated, bringing the U.S. dollar/Singapore dollar exchange rate down to the mid-SGD 1.27 level. However, on April 9, the following day, the Singapore dollar weakened due to the sense of uncertainty regarding the ceasefire agreement.

On April 13, the U.S. and Iran did not reach a ceasefire agreement, and this encouraged market participants to temporarily buy the U.S. dollar. However, on April 14, the U.S. dollar weakened again, as expectations grew for the ceasefire negotiations to resume, while crude oil prices fell. On the same day, the Monetary Authority of Singapore (MAS) held a regular meeting and decided to slightly increase the appreciation rate of the Singapore dollar nominal effective exchange rate policy band. Because some market participants had expected a more-significant measure of monetary tightening, the Singapore dollar was sold immediately after the announcement of this decision. Then, on April 17, the foreign minister of Iran made a remark to suggest an opening of the Strait of Hormuz, and this led crude oil prices to fall sharply, also weakening the U.S. dollar. As a consequence, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.27 level. On April 21, the media reported that ceasefire negotiations would be postponed, as a result of which crude oil prices appreciated, and market participants started to actively buy the U.S. dollar. However, there was an announcement of an extension to the ceasefire agreement, which kept the U.S. dollar from appreciating further. On April 22 and thereafter, crude oil prices remained high, and market participants continued buying the U.S. dollar, as the Strait of Hormuz remained closed. Thus, the U.S. dollar/Singapore dollar exchange rate rose and reached the upper-SGD 1.27 level on April 24. Subsequently, on April 28, the media reported that Iran had made new suggestions to the U.S., and this strengthened risk-taking attitude in the market. As of this writing, the U.S. dollar/Singapore dollar exchange rate has thus been fluctuating at the mid-SGD 1.27 level. Therefore, throughout the month, the Singapore dollar remained generally strong.

## 2. Outlook for This Month

In May, the U.S. dollar/Singapore dollar exchange rate is forecast to remain low while fluctuating in response to headlines related to the geopolitical situation in the Middle East and the level of crude oil prices.

In March, market participants actively bought the U.S. dollar as geopolitical risks increased in the Middle East. In April, however, the tension in the region was mitigated, and crude oil prices fell, which reversed the market trend. Market participants started to actively buy the Singapore dollar. As a result, the Singapore dollar appreciated toward the end of the month, and the U.S. dollar/Singapore dollar exchange rate rose from the mid-SGD 1.28 level observed at the beginning of the month to a level below the SGD 1.28 level. Then, on April 14, the MAS held a regular meeting and decided to slightly increase the appreciation rate of the Singapore dollar nominal effective exchange rate policy band while maintaining the mid-point and the band width. On the same day, the first-quarter GDP for 2026 was announced, and the result turned out to be strong, at +4.6% year-on-year. However, the seasonally adjusted figure recorded a slowdown by 0.3% from the previous quarter. AI-related investment supported Singapore's economy, while there was a decline in the trade and advanced technology sectors on the other hand. Subsequently, geopolitical situations worsened in the Middle East, and some market onlookers pointed to a possibility for the annual GDP growth rate to record negative year-to-year growth. It is also worth noting that the January–February period core inflation rate originally was +1.2%, but the MAS revised its core inflation rate outlook upward to +1.5–2.5% given that crude oil and fuel prices remain high. If energy prices remain high in the times ahead, it is likely for upward pressure on domestic price levels in Singapore to strengthen further.

Under such circumstances, it is considered likely for pressure to buy the Singapore dollar to strengthen in the times ahead. On the other hand, the U.S. dollar/Singapore dollar exchange market is likely to remain unstable as long as geopolitical risks persist in the Middle East.

# Thai Baht – May 2026

**Expected Ranges**                      **Against the US\$: THB 31.00–33.00**  
**Against the yen: JPY 4.80–5.05**

## 1. Review of the Previous Month

In April, the U.S. dollar/Thai baht exchange rate continued fluctuating in accordance with headlines related to the geopolitical situation in the Middle East. However, the U.S. dollar/Thai baht exchange rate did not rise as significantly as it did in March and occasionally fell below the THB 32 level.

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the mid-THB 32 level. On April 3, the market was closed in many countries, as it was Good Friday, and there was a national holiday in Thailand on April 6. Under such circumstances, U.S. dollar-selling was slightly more dominant in the market. Thus, the U.S. dollar/Thai baht exchange rate remained low while remaining at the mid-THB 32 level. Subsequently, the media reported that the U.S. and Iran had reached a two-week ceasefire agreement. In reaction, the U.S. dollar/Thai baht exchange rate fell in an accelerated manner and approached the THB 32 level, and the Songkran holidays started in Thailand. During the holidays, the U.S. and Iran failed to reach a ceasefire agreement on April 13. Furthermore, U.S. President Donald Trump announced the closure of the Strait of Hormuz. In reaction, the U.S. dollar/Thai baht exchange rate rose sharply and approached the mid-THB 32 level. However, U.S. President Donald Trump thereafter expressed an optimistic view regarding the geopolitical situation in the Middle East, which kept the U.S. dollar/Thai baht exchange rate from rising further. In the end, the U.S. dollar/Thai baht exchange rate returned to approach THB 32 after fluctuating within a narrow range. After the national holidays in Thailand, Iran announced on April 17 that it would open the Strait of Hormuz, in reaction to which the U.S. dollar/Thai baht exchange rate fell to the upper-THB 31 level, which was the monthly low in April. Thereafter, the U.S. dollar/Thai baht exchange rate rose again slowly. There were some negative factors in the geopolitical conditions in the Middle East, such as the ceasefire negotiations between the U.S. and Iran that did not happen as planned. Under such circumstances, the U.S. dollar/Thai baht exchange rate rose to temporarily reach the mid-THB 32 level. Subsequently, the U.S. dollar/Thai baht exchange rate did not move in any direction, fluctuating within a narrow range between the lower-THB 32 level and mid-THB 32 level, as market participants were waiting for the outcome of the monetary policy committee meeting at the central bank of Thailand, as well as a Federal Open Market Committee (FOMC) meeting in the U.S. After the FOMC meeting, market sentiment deteriorated due to the geopolitical situation in the Middle East, and market participants bought the U.S. dollar in an accelerated manner. As a result, the U.S. dollar/Thai baht exchange rate once reached the upper-THB 32 level toward the end of the month.

## 2. Outlook for This Month

In May, the U.S. dollar/Thai baht exchange market is forecast to continue following headlines related to the geopolitical situation in the Middle East.

There are important factors at play, such as monetary policy in the U.S. and Thailand (this article was being written before the FOMC meeting and the monetary policy committee meeting in Thailand in April), as well as the economic outlook. However, the main factor in the U.S. dollar/Thai baht exchange market remains the geopolitical situation in the Middle East (which is closely linked to crude oil prices). As it remains uncertain when the war will end, the U.S. dollar/Thai baht exchange market is expected to continue fluctuating in response to related headlines. However, it has also been confirmed that the psychological turning point in the U.S. dollar/Thai baht exchange market this year is between THB 31 at the lower end and THB 33 at the upper end. For this reason, it is unlikely for the U.S. dollar/Thai baht exchange rate to stray out of this range in either side even when the market is highly volatile.

With regard to the domestic economy in Thailand, the media reported that the Bank of Thailand had revised its real GDP growth outlook downward to +1.3% year-on-year, assuming that the war in the Middle East would end by the second half of this year. In the times ahead, it is possible for the geopolitical situation in the Middle East to have negative impact on the Thai economy for a while, such as potential impact on the tourism sector due to rising air fares, even if the geopolitical situation is mitigated soon. In May, the first-quarter GDP for Thailand is to be released. Market participants are advised to remain attentive to this economic index in order to anticipate trends in the U.S. dollar/Thai baht exchange market after the current geopolitical situation in the Middle East eases.

# Malaysian Ringgit – May 2026

## Expected Ranges

**Against the US\$: MYR 3.9150–4.0400**

**Against the yen: JPY 39.50–41.00**

## 1. Review of the Previous Month

In April, the U.S. dollar/Malaysian ringgit exchange rate fell from its recent high at the MYR 4.0 level to the MYR 3.9 level, with expectation for the mitigation of geopolitical tensions. The U.S. dollar/Malaysian ringgit exchange market opened trading at the beginning of the month at around MYR 4.03. Subsequently, the U.S. dollar/Malaysian ringgit exchange rate did not rise further, as market participants were waiting for a speech by U.S. President Donald Trump. Even though the speech did not include any content expected in the market, the media reported thereafter that Iran and Oman were drafting a joint protocol to manage and monitor traffic through the Strait of Hormuz, to which market participants reacted positively. As a result, the U.S. dollar/Malaysian ringgit exchange rate temporarily reached the MYR 4.01 level. However, the exchange rate returned to the MYR 4.03 level on April 3. In the following week, U.S. President Donald Trump made a remark that the entire infrastructure in Iran would be destroyed if there was no agreement made by 8:00 p.m. on April 7. Thereafter, a two-week ceasefire agreement was made just before the due date. Thus, on April 8, the following day, the U.S. dollar/Malaysian ringgit exchange rate fell sharply. Furthermore, the World Bank released its GDP outlook for Malaysia, which turned out to be positive, and this also supported the Malaysian ringgit. Consequently, the U.S. dollar/Malaysian ringgit exchange rate fell further and reached the MYR 3.96 level on April 10.

In the middle of the month, Pakistan hosted negotiations between the U.S. and Iran. However, there was no progress in the situation. Consequently, U.S. President Donald Trump announced the closure of the Strait of Hormuz, which Iran opposed. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate fluctuated in an unstable manner at the MYR 3.97 to MYR 3.98 level. Subsequently, the media reported that the U.S. and Iran had started to plan ceasefire negotiations again. In reaction, expectations grew for progress in the situation, and the U.S. dollar/Malaysian ringgit exchange rate fluctuated within the range between MYR 3.94 and MYR 3.96. Then, on April 17, the March Consumer Price Index (CPI) for Malaysia was announced, and the result turned out to be 1.7%, as had been anticipated in the market. Furthermore, the first-quarter GDP was also announced, and the result turned out to be +5.3%, which was almost as had been anticipated in the market. Thus, there was little market reaction to this news. Subsequently, market participants were waiting for progress in the situation again, and the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating within a range between the lower-MYR 3.95 level and the upper-MYR 3.95 level without moving in any direction. At the end of the month, the media reported on an explosion in the suburb of Iran on April 23, which later turned out to be false. However, crude oil prices and interest rates in the U.S. both rose, in reaction to which the U.S. dollar/Malaysian ringgit exchange rate fluctuated slightly at the MYR 3.96 level. On April 24, the U.S. dollar/Malaysian ringgit exchange rate rose to reach the lower-MYR 3.97 level, after which it fell to reach the mid-MYR 3.96 level due to the U.S. order to attack Iran's minelayer ships. In the last week of the month, Iran proposed a ceasefire plan to the U.S., which fueled expectations for a positive turn in the situation. As a consequence, the U.S. dollar/Malaysian ringgit exchange rate fell from the mid-MYR 3.96 level to the lower-MYR 3.95 level in the morning of April 27. However, on April 28, the U.S. dollar/Malaysian

ringgit exchange rate did not move in any direction at the MYR 3.95 level.

## 2. Outlook for This Month

In May, the U.S. dollar/Malaysian ringgit exchange rate is not forecast to rise further—if there is no progress in the geopolitical situation in Iran.

In April, the U.S. dollar/Malaysian ringgit exchange rate fell in the second half of the month, as the exchange market more sensitively reacted to positive headlines, even though the peace negotiations between the U.S. and Iran increasingly stagnated. As of the time at which this article was being written, Iran was offering a new proposal to the U.S. regarding the opening of the Strait of Hormuz. However, given that the contents of the proposal are unlikely to be acceptable for both countries, it is not likely for the geopolitical situation in the Middle East to be dramatically improved. In the market, however, the U.S. dollar has already weakened with growing expectations for a positive turn in the situation. Thus, in general, market participants seem to be waiting for the U.S. dollar/Malaysian ringgit exchange rate to fall, responding to an improvement of the situation. On the other hand, it is natural to expect the current situation to start impacting corporate activities, even though business confidence in the manufacturing industry in Malaysia did not deteriorate in April. The prolonged closure of the Strait of Hormuz is thus expected to start pushing down the Malaysian economy. It has been said that, in Malaysia, the amount of crude oil consumption is approximately twice as large as production. Even though there has been a net import of crude oil not only in Malaysia but also in other countries in the same region, the energy balance for Malaysia is relatively strong, thanks to the production of natural gas in Malaysia, which is one of the largest in the world. For this reason, even while market sentiment is worsening, Malaysia is considered to be relatively resilient to the rising resource prices among the major countries in ASEAN. Thus, under the same conditions, the Malaysian ringgit is likely to remain more stable against the U.S. dollar compared to the currencies of other countries. In May, a monetary policy committee of the central bank of Malaysia is most likely to maintain the existing monetary policy. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain low, with market participants waiting for an improvement in the geopolitical situation in the Middle East.

# Indonesian Rupiah – May 2026

**Expected Ranges**                      **Against the US\$: IDR 17,000–17,500**  
**Against the yen: JPY 0.9000–0.9500 (IDR 100)**

## 1. Review of the Previous Month

In April, the Indonesian rupiah depreciated against the U.S. dollar due to the geopolitical situation in the Middle East and the rise of crude oil prices.

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at around IDR 17,000. Thereafter, the U.S. dollar/Indonesian rupiah exchange rate temporarily fell below the IDR 17,000 level, with growing expectations for mitigation of the tensions in the war in the Middle East. However, on April 2, the following day, U.S. President Donald Trump made a speech, after which expectations for an end to the war in Iran decreased. Consequently, the U.S. dollar/Indonesian rupiah exchange rate rallied to the IDR 17,000 level. Thereafter, concerns grew in the market over crude oil prices remaining high, as well as an expansion of the fiscal deficit in Indonesia. Thus, market participants actively sold the Indonesian rupiah. On April 8, the media reported on a ceasefire agreement between the U.S. and Iran, and this temporarily mitigated risk-averse sentiment in the market, leading the U.S. dollar/Indonesian rupiah exchange rate to fall below the IDR 17,000 level. Yet, concerns grew in the market thereafter toward the second half of the month regarding the possible end of the war, rising crude oil prices, and fiscal governance in Indonesia. Thus, the Indonesian rupiah depreciated against the U.S. dollar.

On April 22, Bank Indonesia (BI; the central bank of Indonesia) held a monetary policy meeting and decided to maintain its primary policy interest rate (the seven-day reserve repo rate) at 4.75%, in order to keep the Indonesian rupiah stable. On April 23, the sense of uncertainty grew again in the market regarding the geopolitical situation in the Middle East, and thus the U.S. dollar/Indonesian rupiah exchange rate rose to reach the IDR 17,300 level, marking an all-time low for the Indonesian rupiah. On April 24, the central bank of Indonesia announced that it would intervene in the foreign exchange market in an intensified manner, as the U.S. dollar/Indonesian rupiah had recorded the all-time low for the Indonesian rupiah on the previous day, and this kept the U.S. dollar/Indonesian rupiah exchange rate from rising further. Thereafter, the U.S. dollar/Indonesian rupiah exchange rate fell to temporarily reach the upper-IDR 17,100 level. As of April 28, the U.S. dollar/Indonesian rupiah exchange rate was fluctuating at the lower-IDR 17,200 level. In general, market participants have been selling the Indonesian rupiah more actively, based on U.S. dollar-buying, for the purpose of averting risks given the geopolitical emergency in the Middle East, as well as concerns over growing fiscal deficits in Indonesia—both of which are keeping the Indonesian rupiah weak.

## 2. Outlook for This Month

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

The BI held a monetary policy meeting on April 21 and 22 and decided to maintain its policy interest rate (BI rate) at 4.75%. It was the seventh consecutive time that the policy interest rate was kept unchanged. In its statement,

the BI emphasized once again that it would focus on maintaining high economic growth while actively intervening in the foreign exchange market to keep the Indonesian rupiah stable. The governor of the BI, Perry Warjiyo, also expressed his intention to prioritize the stability of the Indonesian rupiah given the impact of the war in the Middle East on the world economy. With regard to the price level, the March Consumer Price Index (CPI) turned out to be +3.48% year-on-year, marking a slowdown from the previous month's result. The core CPI turned out to be +2.52%, which was near the target median. The inflation rate was thus within the target range set out by the BI (between +1.5% and +3.5%) this time.

On the other hand, the crude oil prices have been high since March due to the persistent conflict in the Middle East. Because Indonesia imports crude oil, the appreciation of crude oil prices may gradually strengthen inflation pressure. Furthermore, the rise of crude oil prices is also fueling concerns over an expansion of fiscal deficits in Indonesia. Even prior to the deterioration of the geopolitical situation in the Middle East, concerns had already been growing over fiscal deficits in Indonesia. With the rise of crude oil prices, the budget plan for FY2026 includes a subsidy of approximately IDR 210 trillion to alleviate financial burden for Indonesia's citizens. However, if crude oil prices remain high, the government of Indonesia would have to either introduce additional subsidy or offset the increase of the price somewhere else. In either case, this would lead to an expansion of fiscal deficits. Until the geopolitical situation improves in the Middle East, concerns over an expansion of fiscal deficits in Indonesia would persist, making it likely for market participants to sell the Indonesian rupiah.

## Philippine Peso – May 2026

### Expected Ranges

**Against the US\$: PHP 60.00–62.50**

**Against the yen: PHP 0.370–0.390**

### 1. Review of the Previous Month

**In April, the Philippine peso intermittently renewed its all-time low against the U.S. dollar, and the U.S. dollar/Philippine peso exchange rate reached the PHP 61 level.**

In April, the U.S. dollar/Philippine peso exchange market opened trading at PHP 60.50. Throughout the month of March, the Philippine peso continued renewing its all-time low against the U.S. dollar, due to the rise of crude oil prices. As a result, the U.S. dollar/Philippine peso exchange rate quickly rose to reach the first-ever PHP 60 level. In April, the U.S. dollar/Philippine peso exchange rate continued fluctuating in response to headlines related to the geopolitical situation in the Middle East. Under such circumstances, the March Consumer Price Index (CPI) (year-on-year) for the Philippines was announced on April 7, and the result turned out to be above the market estimate, already showing the impact of rising crude oil prices. Looking at the breakdown, almost all the items show an increase, keeping market participants attentive to see whether Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, would raise its policy interest rate at its meeting scheduled for the second half of the month. While the U.S. dollar/Philippine peso exchange rate was fluctuating at the lower-PHP 60 level, on April 8, the media released reports related to a ceasefire agreement between the U.S. and Iran. In reaction, crude oil prices, which had previously remained high, fell sharply temporarily with a decline of almost 20%. Following this trend, the U.S. dollar/Philippine peso exchange rate fell to reach the lower-PHP 59 level for the first time in approximately one month. However, it was recognized that the geopolitical situation in the Middle East has remained unstable, and crude oil prices started to gradually rise again. Consequently, the U.S. dollar/Philippine peso exchange rate quickly returned to a level near PHP 60, after which the exchange rate continued fluctuating in both directions within the same range.

On April 23, the BSP held a monetary policy meeting, attracting substantial attention in the market, and decided to raise its policy interest rate by 0.25%. In its statement and press interview, the BSP suggested the possibility of moving out of the cycle of monetary easing that started in August 2024 by conducting further policy interest rate hikes, although the ultimate decision would depend on future economic data. Furthermore, the GDP was revised slightly downward, while the price outlook was revised significantly upward. Prior to the meeting, the market estimate was split into two groups: one expecting the policy interest rate to be maintained at the existing level and the other expecting the policy interest rate to be raised. Thus, some market participants adjusted their positions after the decision was announced. Under such circumstances, the U.S. dollar/Philippine peso exchange rate continued fluctuating at the mid-PHP 60 level—the lowest exchange rate for the Philippine peso against the U.S. dollar. Subsequently, toward the end of April, crude oil prices started to rise again. In reaction, the U.S. dollar/Philippine peso exchange rate finally exceeded PHP 61, intermittently renewing the all-time low for the Philippine peso against the U.S. dollar.

## 2. Outlook for This Month

**In May, the Philippine peso is forecast to remain weak against the U.S. dollar, but market participants are advised to remain cautious about foreign exchange market interventions.**

In response to the geopolitical situation in the Middle East, various countries have started to shift their monetary policy. In Asia, the BSP shifted to monetary tightening, following Singapore. However, domestic market sentiment has not been very positive. The governor of the BSP, Eli Remolona, made a remark to suggest that potential economic growth could be stronger than expected. However, at the end of March, president of the Philippines, Ferdinand Marcos Jr., declared a national energy emergency and struggled with resource procurement while calling for cutting energy consumption. Under such circumstances, citizens of the Philippines are increasingly frustrated, as vital financial support is insufficient. It is also worth noting that public attention is increasing regarding progress in the ongoing investigation into political corruption from last year, as well as the impeachment hearing of vice president of the Philippines, Sara Duterte, further fueling political distrust among people here, who are suffering from inflation.

Thus, the BSP is facing a difficult situation in which it needs to control inflation while supporting the economy. The closest upcoming event is the release of the first-quarter GDP of the Philippines, scheduled for May 7. At the moment, there have already been some pessimistic views about this, which suggests that the Philippine peso is likely to remain weak for a while. Crude oil prices are also expected to impact the U.S. dollar/Philippine peso exchange market. However, the U.S. dollar/Philippine peso exchange rate is most likely to fluctuate with a weak Philippine peso at around the PHP 61 level in May, even though the exchange rate may fall sharply only for a short time, as was seen in April.

Risk scenarios include foreign exchange market interventions by the BSP that could forcefully lower the U.S. dollar/Philippine peso exchange rate. Because the depreciation of the Philippine peso is one of the factors for inflation, the BSP is not likely to accept the excessive depreciation of the Philippine peso. However, in March, it was proven that the effect of the BSP's foreign exchange market intervention was limited, as the U.S. dollar/Philippine peso exchange rate fluctuated too quickly. While the geopolitical situation in the Middle East remains unstable without an outlook for conclusion, the BSP is expected to carry out foreign market interventions by carefully observing the right timing.

## Indian Rupee – May 2026

### Expected Ranges

**Against the US\$: INR 93.00–96.00**

**Against the yen: JPY 1.60–1.80**

### 1. Review of the Previous Month

**In April, the U.S. dollar/Indian rupee exchange rate fell temporarily, after which the U.S. dollar appreciated gradually against the Indian rupee.**

On the last day of March, the U.S. dollar/Indian rupee reached the INR 95 mark, immediately after which the Reserve Bank of India (RBI) enacted a ban on transactions of domestic NDF contracts for the purpose of controlling speculative transactions. As a consequence, the U.S. dollar/Indian rupee exchange market opened trading in April at the lower-INR 93 level, with a large gap from the closing rate of the previous month. At the beginning of the month, the Indian rupee appreciated against the U.S. dollar in response to headlines related to a short-term ceasefire agreement between the U.S. and Iran, and the U.S. dollar/Indian rupee exchange rate reached the INR 92 level. In the middle of the month, it turned out that the ceasefire negotiations between the U.S. and Iran did not result in an agreement, which encouraged market participants to buy the U.S. dollar to avert risks under an emergency. Consequently, the Indian rupee depreciated against the U.S. dollar. Toward the end of the month, the sense of uncertainty over the geopolitical risks in the Middle East persisted in the market. Under such circumstances, the Indian rupee continued to gradually depreciate against the U.S. dollar. The U.S. dollar/Indian rupee exchange market closed trading at the lower-INR 94 level (as of April 24).

The BSE SENSEX remained highly volatile in April. Even though the index rallied slightly from the sharp fall in March, it has not yet returned to the level seen before the attacks on Iran started. In April, the BSE SENSEX opened trading at the lower-73,000 level, after which it continued fluctuating in both directions, sensitively reacting to headlines related to the geopolitical situation in the Middle East. There has still been a significant volume of net selling by foreign investors in the stock market in India, even though there has been slight recovery from March, which saw the largest capital outflow since the Covid-19 pandemic. As of April 24, the BSE SENSEX was trading at the 76,000 level, which is near the monthly average in April.

In terms of economic indices for India, the RBI unanimously decided to maintain its policy interest rate at 5.25% at its Monetary Policy Committee (MPC) meeting. Meanwhile, the March Consumer Price Index (CPI) (year-on-year) turned out to be +3.4%, with an increase from the +3.21% observed in the previous month. The March trade balance turned out to be a deficit of USD 20.7 billion. Even though some parts of the trade deficit decreased as a result of a decline in the total value of imports and an increase in exports, market participants are advised to remain cautious in the times ahead.

## 2. Outlook for This Month

### **In May, the Indian rupee is likely to continue depreciating against the U.S. dollar.**

In April, the Indian rupee temporarily appreciated against the U.S. dollar as a result of the strengthened control in the foreign exchange market by the RBI. However, in May, there is no factor to keep the Indian rupee strong. India has been seriously affected by the rise of crude oil prices caused by the uncertain geopolitical situations in the Middle East and the closure of the Strait of Hormuz, as India is highly dependent on resource imports. Unless there is remarkable progress in the ceasefire negotiations between the U.S. and Iran, the Indian rupee is likely to continue depreciating, and it is only a matter of time for the U.S. dollar/Indian rupee exchange rate to exceed INR 95 again, renewing the all-time low for the Indian rupee.

At the MPC meeting held in April, the governor of the RBI, Sanjay Malhotra, emphasized that the fundamentals of India remained robust, while repeatedly mentioning the geopolitical risks. However, the rise of resource prices has been a factor for the expansion of the current account deficit of India, and it is likely to have significantly negative impact. Sanjay Malhotra also called for maintained flexibility to take appropriate actions based on given information. While the RBI is most likely to maintain its current monetary policy, price levels are on an uptrend, so the RBI is expected face a difficult tradeoff in making decisions regarding its monetary policy in the times ahead.

External factors such as the geopolitical situation in the Middle East are likely to have significant impact on the Indian rupee exchange market. On the other hand, the RBI has announced a plan to continue foreign exchange market interventions in the times ahead for the purpose of stabilizing the foreign exchange market. Thus, the RBI is likely to prevent the excessive depreciation of the Indian rupee to some extent.

This report was prepared based on economic data as of April 30, 2026.

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