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Mizuho Dealer's Eye

June 2026

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Azumi Takanashi, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – June 2026

Expected Ranges **Against the yen: JPY157.00–162.00**

Outlook for This Month

The dollar/yen pair will move firmly this month while being swayed by headlines related to the Middle East situation and by the results of the FOMC and BOJ meetings.

Reports suggest the US and Iran have reached a tentative deal to extend the ceasefire for 60 days and begin talks on nuclear issues, with the deal also aiming to normalize shipping through the Strait of Hormuz within 30 days. The focus will now fall on when the deal is actually implemented and whether progress is made towards re-opening the Strait of Hormuz. However, there are deep-rooted concerns that fighting could flare up once more, with the dollar set to rise and fall on related headlines again. For now, the markets will continue to move skittishly on information communicated by the two sides.

In Japan, the BOJ Monetary Policy Meeting is scheduled for Monday, June 15–Tuesday, June 16. At the April meeting, three members of the Policy Board, Junko Nakagawa, Hajime Takata and Naoki Tamura voted against keeping policy rates fixed because of the perceived risk of prices swinging upwards. Since May, Kazuyuki Masu and Junko Koeda have also made hawkish comments calling for rate hikes in the near future. The Japanese government is concerned about an economic slowdown and will want the BOJ to move cautiously when it comes to raising rates, but with voices on the US side also calling for monetary policy normalization, bets on a rate hike at the June meeting had risen to around 70% at the time of writing. BOJ governor Kazuo Ueda will be giving a speech on Wednesday, June 3, with investors watching to see what he says about the BOJ's monetary policy stance ahead of the meeting.

In the US, the FOMC will be meeting over Tuesday, June 16–Wednesday, June 17. The FOMC is expected to keep rates fixed, with the new FRB chair Kevin Warsh saying he will prioritize price stability. With President Trump also recognizing the importance of FRB independence, there have been moves to prices in US rate hikes within the year, with the dollar/yen pair likely to be supported by expectations for widening Japanese/US interest-rate differentials. However, there will be growing concerns about an intervention by the Japanese authorities when the pair tops 160 yen, with the pair potentially seeing a mix of buying and selling, 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	8 bulls	162.00 – 157.00	Bearish on the dollar	5 bears	161.00 – 155.00

* Ranges are central values

Seki	Bull	162.00 – 157.00	After hawkishly leaving rates fixed at the last meeting, the BOJ might decide to lift rates when it meets this month, with investors also likely to focus on growing expectations for an FOMC rate hike on inflationary concerns related to soaring crude oil prices. There will be strong concerns about an intervention when the dollar/yen pair hits 160 yen, but the pair's low will also be supported after an intervention, with the pair's level set to edge higher.
Yamazaki	Bull	163.00 – 158.00	The dollar/yen pair will continue to trend upwards. The authorities will make some noises on headlines related to Iran , etc. or if the pair tops 160 yen, so caution will be needed.
Nagano	Bull	161.00 – 156.00	The dollar/yen pair will move firmly as crude oil prices slide on expectations for a US/Iran ceasefire agreement. Real Japanese interest rates will remain in negative territories even if the BOJ implements a rate hike in June. Real demand (the trade and services balance, etc.) will also remain bearish. With yen-buying demand also likely to be dampened by expectations for US rate hikes, the yen will probably remain bearish this month.
Toriba	Bear	162.00 – 155.00	The dollar/yen pair's movements will depend on the Iran situation. It seems the BOJ may well implement a rate hike in June, but inflation in the US suggests even the new FRB chair Kevin Warsh will find it hard to push for rate cuts there, with the pair set to continue being bought on the dip.
Ogawa	Bull	161.00 – 156.00	Talks to end fighting in the Middle East are making progress, with reports saying the US and Iran have agreed to extend the ceasefire, for example, but the situation still remains up in the air, so investors should be on guard again things changing suddenly. The dollar/yen pair is expected to continue moving in a range at highs.
Yamaguchi	Bear	160.00 – 155.00	The US and Iran are in talks about extending the ceasefire, with the trend of emergency dollar buying set to be unwound as risk aversion eases. The BOJ is also expected to lift rates when it meets in June, with the dollar/yen pair's movements set to be marked by dollar bearishness and yen bullishness.
Matsunaga	Bear	160.50 – 156.50	Recent comments by FRB officials suggest the FRB is unlikely to adopt any stance that rouses expectations for rate hikes. If the FRB indicates it will continue to monitor the impact on the Middle East situation on inflation, the dollar/yen pair will probably be adjusted in a bullish yen direction.
Hakamata	Bull	162.00 – 157.00	The dollar/yen pair look set to move firmly in June. Amid signs that fighting in the Middle East is drawing to a close, crude oil prices have been falling. However, there are still a lot of yen-selling factors, with the currency pair expected to continue edging higher.
Okuma	Bull	162.00 – 157.00	Concerns about the Middle East situation have eased, but the dollar remains bullish. If the FRB seems poised to lift rates, this will make yen bullishness even more unlikely. There will be concerns about an intervention, but the dollar/yen pair will probably edge higher as investors test its topside.
Ito	Bull	163.00 – 157.00	Investors have already priced in another BOJ rate hike to a large extent (though there are some disagreements about the timing), so the yen is unlikely to be bought on its own factors this month. If anything, meanwhile, it seems the FRB will adopt a hawkish stance under its new FRB chair.
Harada	Bull	162.00 – 158.00	There are growing hopes that tensions in the Middle East will ease, but the yen will continue to be sold as trade conditions deteriorate on soaring crude oil prices. It also seems likely the BOJ will implement a rate hike when it meets this month. It is unlikely to accelerate the pace of rate hikes, though, so any yen buying will be capped.

Matsuki	Bear	161.00 – 157.00	The dollar/yen pair is moving close to the level that raises concerns about verbal interventions by the US and Japanese authorities to curb the yen's slide. As such, the yen's room on the downside will be capped. The situation in the Middle East is unlikely to deteriorate further, but with ceasefire negotiations dragging on, it seems the pair's room on the downside will be capped.
Oshima	Bear	162.00 – 155.00	Investors are unlikely to chase the dollar/yen pair's topside given the easing of tensions in the Middle East and concerns about interventions in the currency markets. However, investors have already priced in a BOJ rate hike to a large extent, so the yen is unlikely to see any active buying. Furthermore, the FRB is expected to take a hawkish turn on concerns about inflation, with this likely to support the pair's downside.

Yuma Matsuki, Forex Sales, Global Foreign Exchange Department

Euro – June 2026

Expected Ranges **Against the US$: US$1.1500–1.1750**
Against the yen: JPY182.00–187.00

Outlook for This Month

The euro/dollar pair is expected to trade with a heavy topside this month.

The pair will continue to be swayed by hopes and disappointments for a ceasefire on headlines related to the Middle East situation. However, inflationary pressures are steadily rising in the eurozone, with the euro weighed down by political uncertainty on the back of stagflation concerns and the impact on the economic situation. As such, even if a ceasefire agreement is reached, the euro will find it hard to regain the status it had before the Iran war as a safe refuge for people selling the dollar. When the final April eurozone CPI data (HICP) data was released last month, it revealed no changes from the preliminary data, with inflation accelerating sharply on the previous month on a year-on-year basis. The ECB Governing Council decided to keep its deposit rate at 2.0% when it met at the end of April. However, when the minutes were released on May 28, they contained several hawkish comments, saying, for example, that "a number of members noted that the decision was a close call and that they would not have opposed raising rates at the current meeting had this been on the table," and that "members stressed the need to signal vigilance and communicate that upside risks to inflation and downside risks to growth had intensified." As such, it seems likely the Governing Council will implement a +25bp rate hike when it meets on June 11, with market bets on such a move having risen to around 80% at the time of writing. Investors have fully priced in two rate hikes within the year (including the one in June), a fast pace compared to other major central banks. However, the economy might slow from here on as energy costs rise again due to the ongoing Ukraine conflict. Furthermore, the approval ratings of the ruling administrations in France and Germany could fall even further on the tough economic situation. If these things come to pass, it is hard to imagine investors just buying the euro on rate hikes.

There are also doubts about whether the US/Iran ceasefire can be implemented peacefully. If this deep-rooted uncertainty continues, it could lead directly to risk-off dollar buying, with the euro continuing to be sold as a result. Even if the ceasefire does hold, the euro will probably move bearishly given the aforementioned circumstances.

Dealers' Market Forecast

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

Bullish on the euro	7 bulls	1.1800 – 1.1500	Bearish on the euro	6 bears	1.1800 – 1.1500

* Ranges are central values

Seki	Bear	1.1800 – 1.1500	The euro/dollar pair will probably trade with a heavy topside. There are hopes the pair will rally as tensions in the Middle East ease, but the greenback will receive considerable support from expectations for US rate hikes. The ECB continues to take a firm stance on controlling inflation, but the euro's rise will be capped by geopolitical risk and uncertainty about the eurozone economy.
Yamazaki	Bear	1.1800 – 1.1500	The euro/dollar pair will move somewhat bearishly. There are deep-rooted expectations that US policy rates will also trend upwards, so the currency pair looks set to fall slightly. However, its room on the downside will be capped, with the pair likely to move in a slightly lower range.
Nagano	Bull	1.1850 – 1.1500	The ECB is expected to lift rates twice this year on inflationary concerns. However, with political uncertainty smoldering away in Germany, France and the UK, the euro/dollar pair will probably move with a lack of direction.
Toriba	Bull	1.2000 – 1.1500	Though the ECB kept policy rates fixed at its latest meeting, the minutes revealed that several members were prepared to tolerate rate hikes. The ECB is known as an inflation fighter, so its next move will probably be a rate hike, with the euro remaining a comparatively attractive currency as a result.
Ogawa	Bull	1.1800 – 1.1550	The trend of emergency dollar buying is being unwound on progress in talks aimed at ending the US/Iran war, with the euro/dollar pair also likely to be supported by the ECB's increasingly hawkish stance.
Yamaguchi	Bull	1.1800 – 1.1600	The US and Iran are in talks about extending the ceasefire, with the trend of emergency dollar buying set to be unwound as risk aversion eases. A rate hike at the June ECB meeting also seemed nailed on, with the euro likely to strengthen on the ECB's increasing hawkishness.
Matsunaga	Bull	1.1800 – 1.1550	The euro/dollar pair will rise as expectations for FRB rate hikes wane. On the other hand, recent economic sentiments have raised serious concerns about an economic slowdown in the eurozone. As such, the euro is unlikely to undergo a one-sided rise, with the pair's room on the topside likely to be capped.
Hakamata	Bear	1.1750 – 1.1500	The euro/dollar pair is expected to trade with a heavy topside this month. The ECB looks certain to hike rates when it meets in June, but there is uncertainty about how high it will be able to life rates given the impact on the eurozone economy. If expectations for US rate hikes grow, this will exert downward pressure on the currency pair.
Okuma	Bear	1.1800 – 1.1450	As with Japan, the eurozone faces concerns about an economic slowdown due to rising crude oil prices. It seems the ECB will be forced to hike rates in June due to soaring inflation, but this will raise fears of an economic slowdown, with the euro/dollar pair set to edge lower.
Ito	Bull	1.1900 – 1.1400	The greenback has been bought on uncertainty about the situation on the Middle East, but this trend is now easing. As such, the euro/dollar pair will probably face more tailwinds for a time going forward.
Harada	Bull	1.1800 – 1.1500	Pressure for emergency dollar buying has eased on growing hopes for a pause in fighting in the Middle East, with the euro likely to be bought by investors selling the greenback. The ECB Governing Council will probably pivot to rate hikes this month to control inflation in the eurozone, with this also likely to prompt euro buying.

Matsuki	Bear	1.1750 – 1.1500	The markets have already priced in ECB hawkishness and a rate hike at the June ECB meeting to a large extent. In fact, the euro will probably face more selling pressure when investors focus on eurozone political instability and concerns about an economic slowdown on rising energy costs.
Oshima	Bear	1.1900 – 1.1400	Investors have finished pricing in two ECB rate hikes within the year. The decision by the ECB to keep rates fixed in April was a close one, with more ECB members adopting a hawkish stance. However, investors are also pricing in FRB rate hikes, so the euro/dollar pair will find it hard to carve out a clear direction.

Fumihiko Kanda, Europe Treasury Department

British Pound – June 2026

Expected Ranges **Against the US$: US$1.3100–1.3700**
Against the yen: JPY210.00–217.00

1. Review of the Previous Month

The GBP/USD pair moved with a heavy topside in May. It began the month trading at $1.36 on May 1. With the Bank of England (BOE) inclining in a slightly hawkish direction when it at the end of April, the currency pair was then pushed up to the mid-$1.36 range, but with trading thin on the ground on the May Day holidays in several countries, the pair's gains were pared back and it dropped to $1.35. The pair was also swayed by demand for the greenback on the Iran situation. The UK's governing Labour Party lost big in the local elections on May 7, with gilts then sold on political uncertainty. The impact slowly spilled over into the forex markets too, with the currency pair pushed down to $1.33 on May 18. The pair soon recovered to $1.34 when Andy Burnham, the favorite to be next prime minister, said he had no plans to relax fiscal discipline. With the UK on holiday on May 25, the greenback weakened and the pair hit $1.35 on hopes for a ceasefire in Iran, though the pair dropped back to $1.34 on May 26 after the US and Isreal attacked some Iranian ships.

The pound moved flatly against the yen. After opening the month at the upper-213 yen mark on May 1, the pair fluttered between 212–214 yen on what appeared to be a yen-buying intervention. Sterling was then sold on the UK political situation, so the pair weakened to the lower-211 yen mark on May 18. With the dollar/yen pair then rising, sterling bounced back and the pound/yen pair was bought back to 214 yen in the final week.

2. Outlook for This Month

In June, the GBP/USD pair will move with an eye on downside risk while being swayed by headlines.

The first thing to watch will be the BOE policy decision on June 18. The BOE is keeping a close eye on the situation in Iran. With the recent April CPI data also falling below expectations, investors have lowered their expectations to only fully price in one rate hike in 2026, with anticipation for a June rate hike also falling sharply. Attention will also focus on the vote split and BOE Governor Andrew Bailey's speech.

The next thing to watch will be the parliamentary by-election penciled in for June. Andy Burham seems the most likely candidate to become the next prime minister. He is currently the mayor of Manchester, but Labour Party rules say he can't put his name forward as the next prime minister unless he is a member of parliament (MP). To help him, another MP has given up their seat, with this seat now up for a vote and Andy Burham standing as the Labour Party candidate. If he wins, he will take one big step closer to becoming the next prime minister. However, the Labour Party suffered huge losses in last month's local elections, with the populist Reform UK making huge gains at the same time. Reform UK will also be running a candidate in the by-election, so Andy Burnham's victory is by no means certain, which is a risk factor. In the wake of all these headlines about the next PM, the market's main focus will be on the UK's primary balance. Memories are still fresh of the Truss Shock in 2022, so any relaxation of fiscal discipline will be met with a strong response by the bond markets. As such, the markets will probably move skittishly on comments about how the next PM will raise funds for any spending programs. Global long-term interest rates are trending upwards on the situation in Iran. In May, the yield on 30-year gilts approached 6% for the first time since 1998 (it stood at around 5% during 2022's Truss Shock), with bonds already facing a lot of pressure. This poses a latent downside risk for sterling.

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

Australian Dollar – June 2026

Expected Ranges **Against the US$: US$0.7000–0.7300**
Against the yen: JPY111.50–116.50

1. Review of the Previous Month

On May 5, the RBA board decided to lift its policy rate by 25bp to 4.35%. In her press conference, RBA governor Michele Bullock hinted that rate hikes might be paused for a time, so the Australian dollar was sold. However, risk appetite then improved on hopes for a ceasefire agreement between the US and Iran, with the AUD/USD pair then climbing to just under $0.72 over European and US trading time. On May 6, US media reports said the US and Iran were close to signing a memorandum aimed at bringing the war to a close, with risk appetite increasing further as a result. The currency pair rose temporarily to $0.7278 for the first time in four years.

It remained at highs around the mid-$0.72 mark mid-May. The preliminary US April retail sales data was released on May 14, with sales remaining brisk despite soaring energy costs. With US interest rates also rising, the greenback was bought and the currency pair weakened to just below $0.72. On May 15, President Trump said there was no need to re-open the Strait of Hormuz, with the pair subsequently plunging to the mid-$0.71 level. The minutes to the RBA board meeting were released on May 19 and they suggested that the RBA would have room to monitor the impact of the US/Iran war after having lifted rates for three straight meetings. This suggestion that rate hikes would be paused saw the currency pair's downside extending further. US treasury yields for all terms rose during US and European trading time, so the greenback was bought and the pair weakened to a monthly low of $0.7080.

Australia's April employment data was released on May 21. The unemployment rate had risen sharply to 4.5%, so the AUD/USD pair plummeted, though it was supported around $0.71 and soon bounced back. The pair fell slightly on May 27 when Australia's April CPI data fell below the market forecast (4.4% y-o-y) to hit 4.2% y-o-y, though it continued moving in the mid-$0.71 range.

2. Outlook for This Month

In June, the AUD/USD pair will probably trade in a range around $0.71–72.

Governor Michele Bullock's speech after the May RBA meeting and the subsequent minutes suggest that the RBA will remain in wait-and-see mode for now, with expectations for rate hikes waning. Australia's April employment data also suggests the labor market is starting to slack. With Australia's headline April CPI data also down on forecasts, investors have lowered their expectations to less than one rate hike within 2026. There have been a number of positive headlines about US/Iran negotiations, so the AUD/USD pair's downside will probably be supported as the trend of "emergency dollar buying" is unwound on hopes for a resolution to the Middle East situation. The pair's topside will be held down in June by the bearish labor market and the CPI downswing, but its downside will be supported by firm risk sentiments. Market participants should monitor the June 3 released of Australia's Q1 GDP data and the June 16 RBA board meeting. There is a broad feeling that the RBA will keep rates fixed this month.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – June 2026

Expected Ranges **Against the US$: C$1.3550–1.3950**
Against the yen: JPY113.00–118.00

1. Review of the Previous Month

April's trend of Canadian dollar bullishness shifted in May. With no signs of progress in US/Iran peace talks, the market focus moved from geopolitical risk to rising US interest rates as concerns about inflation grew on soaring energy prices. As a result, the greenback was bought throughout the month, with the USD/CAD pair climbing from the upper-C$1.35 mark to the mid-C$1.38 level.

When the Bank of Canada (BOC) met on April 29, it hinted at the possibility of rate cuts while also touching on the possibility of rate hikes. The interest rate markets then moved to price in two rate hikes within the year. With news also emerging that Iran had responded to a revised draft for a peace agreement, the currency pair fell to a monthly low of C$1.3550 on May 1. It then moved from the upper-C$1.35 range to the mid-C$1.36 level on mixed expectations for ongoing attacks and for an end to fighting. The US and Canadian employment data was released on May 8. While the US jobs market moved firmly, Canada's employment data statistics moved bearishly. Furthermore, the US April CPI and PPI data (released mid-May) both swung up sharply on the previous month on the impact of soaring energy costs. As the interest rate markets moved to price in US rate hikes within the year, the currency pair's topside edged up towards C$1.38. The pair was swayed late May by speculation about a US/Iran ceasefire, with the greenback bought and then sold for a time on headlines, though the US dollar continued to be bought against the Canadian dollar overall, with the pair hitting a monthly high of C$1.3870 on May 28. However, on the same day the US politics site Axios reported that the US and Iran had agreed to extend the ceasefire for 60 days. The currency pair was sold to C$1.37, though it was supported around C$1.3780 and did not fall any further (as of 13:09 ET, May 28).

2. Outlook for This Month

After passing through a period of market volatility on the Iran situation, the USD/CAD pair is now becoming less receptive to news related to the US and Iran. With the deadline for reviewing the United States-Mexico-Canada Agreement (USMCA) looming on July 1, the market focus could shift to trends related to this treaty in June. It seems unlikely that the three parties will agree to extend the current agreement for 16 years. The talks look set to drag on after July 1 and there is a growing sense that the three countries will end up holding annual reviews for a period of 10 years. The US has expressed its desire to sign bilateral agreements, with formal negotiations between the US and Mexico commencing in the last week of May. However, a date has still not been released for US/Canada talks, though the US has already hinted that it is unlikely to completely scrap its per-sector tariffs on Canadian automobile, steel, aluminum and wood products, for example. Investors should pay close attention to any shifts in the interest rate markets when it comes to expectations for Canadian rate hikes. As of the end of April, these markets had priced in around two rates in 2026, but this figure had been revised downward to around 1.3 rate hikes as of

May 28. In fact, Canada's jobs market remains in the doldrums, with Canada's April headline inflation also moving at +2.8% y-o-y, a low level compared to +3.8% y-o-y in the US. As such, expectations for Canadian rate hikes look set to recede further from here on, with investor sentiments growing closer to our main scenario of no rates hikes this year.

The US and Canada look set for stormy negotiations over USMCA in June. With market expectations for Canadian rate hikes also waning, the USD/CAD pair's topside could hit C$1.3950. Even if the US and Iran make significant progress toward a peace deal, the pair's downside will probably be supported around C$1.3550 and it is unlikely to fall to C$1.3490, the 2026 low it hit in January.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – June 2026

Expected Ranges	**Against the US$: KRW 1,460–1,520**
	Against the yen: JPY 10.30–11.00 (KRW100)

1. Review of the Previous Month

The USD/KRW pair rose sharply in May.

The pair opened the month trading at KRW1472.9. Hope for a Middle East peace deal grew when President Trump voiced support for allowing some ships to pass through the Strait of Hormuz. The Japanese yen was then apparently subject to an intervention, with the won also bought and the USD/KRW pair sliding to KRW1446.5 toward May 7. However, overseas investors then pulled funds out of South Korean stock markets, so the pair bounced back. It was then reported that a major hi-tech firm could face strike action during labor negotiations. This was a further reason why overseas investors moved swiftly to lock in profits.

The US CPI and PPI indicators both rose above expectations on their release mid-May, with US interest rates rising on inflationary concerns. The greenback was bought as a result, with the currency pair breaking above KRW1500. The firm that had faced strike action eventually came to an agreement with its workforce, with the biggest threat thus avoided. Nonetheless, peace talks between the US and Iran seemed to stall and crude oil prices remained at highs. With US interest rates also moving firmly, the pair temporarily hit a monthly high of KRW1519.4 on May 22. At this time, the South Korean authorities verbally intervened to say they were prepared to take strong measures if needed.

News late May suggested Iran and the US were moving closer to a deal. With tankers also reported to have passed through the Strait of Hormuz, crude oil prices fell. As stock markets moved firmly on demand for AI and semiconductors, overseas investors bought on balance in South Korea, with the USD/KRW pair's gains pared back. In the end, the pair was moving around KRW1501.2 as of May 27.

2. Outlook for This Month

In June, the USD/KRW pair will be searching for a place to rest around KRW1500.

Regarding the Middle East situation, reports suggest negotiations are underway between the US and Iran, but there is still a lot of uncertainty. Events could impact crude oil prices and subsequently the foreign exchange markets, so investors should remain vigilant. If there are no major signs of progress, the won is unlikely to be bought to any great extent. Furthermore, expectations for FRB rate cuts have essentially disappeared after the US CPI and PPI data grew at a faster pace. As interest rates face pressure across the globe, this will probably have a negative impact on the won.

However, South Korea's export amount increased by 48% y-o-y in April on brisk semiconductor demand. Semiconductor exports alone grew by 173% y-o-y, with the won likely to be supported by expanding exports and a ballooning trade balance. Stock markets continue to hit record highs. If overseas funds continue to flow into South Korea, this will mitigate some of the won's bearishness.

In May, the South Korean authorities intervened verbally to halt the won's slide, but the currency's weakness is due to external factors, so it will be hard for the authorities to implement any effective measures. The USD/KRW pair will probably move around KRW1500 in June, though investors should be wary of any erratic trading.

Melody Tung, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – June 2026

Expected Ranges **Against the US$: NT$31.00–32.00**
Against the yen: JPY4.95–5.15

1. Review of the Previous Month

In May, the USD/TWD pair floated in a range with a lack of direction while being swayed by several positive and negative factors. On the geopolitical front, uncertainty lingered over the US/Iran situation, though tensions did ease, with demand for the greenback weakening as a result. At the same time, there was still strong demand related to AI and semiconductors, with this supporting global equities and risk appetite. However, the US dollar was bolstered as long-term interest rates climbed when inflation accelerated again, with the currency pair being pulled up and down.

After opening the month around TWD31.61, the pair weakened to a monthly low of TWD31.338 on May 7. The US/Iran situation did not worsen, so demand for safe assets eased off. Taiwanese stocks were also bolstered by demand related to AI and semiconductors, with overseas funds flowing into Taiwan. With Taiwanese exporters also selling the greenback, the USD/TWD pair continued to undergo some bearish adjustment early May to trade around TWD31.35‑31.55.

Attention focused on US inflation indicators mid-May, with the CPI (released May 12) and PPI (May 13) data pointing to renewed pressure on prices. As concerns about inflation intensified, US 30-year treasury yields topped 5%, their highest level since the financial crisis. The US dollar was pushed up by widening interest-rate differentials, with the USD/TWD pair climbing to TWD31.730 on May 20, with its range edging up to TWD31.50–31.70.

Tensions between the US and Iran eased further late May, so risk appetite rallied and Taiwanese stocks continuing rising to approach 44,000 points. Taiwan's April export orders figure also hit +48.1% y-o-y on its release on May 20 as AI-related demand remained strong, with this supporting the Taiwan dollar. Taiwanese stocks topped 44,000 points on May 27, so investors tried pushing the USD/TWD pair below the key TWD31.40 mark, with the pair finally closing at TWD31.420.

2. Outlook for This Month

The USD/TWD pair moved in a range in May and this trend looks set to continue in June 2026. The focus is shifting from risk aversion towards the fundamentals and equity funding trends. While continuing to move flatly on the whole, the Taiwan dollar is expected to undergo a gentle climb against its US counterpart. With Taiwan's central bank also making some adjustments, it seems the pair will mainly trade between TWD31.20–31.50.

Turning to the external environment, and although the US/Iran situation has still not been resolved, the markets are gradually getting used to the uncertainty, with the greenback's allure as a risk asset set to wane. However, US inflation will remain in the spotlight, with the CPI and PCE data set to sway FRB policy and the US dollar's movements. US interest rates remain high, with the greenback supported by long-term interest rates in particular, so its slide will be a gentle one.

As for domestic factors, Taiwan's economic fundamentals remain strong. Exports and orders remain firm on demand related to AI and advanced semiconductors, for example, with this ripple effect also supporting the Taiwan dollar. Funds continue to flood into Taiwan after its stock market hit a record around 44,000 points at the end of May. With attention also focused on the central bank meeting in June, speculation about rate hikes will grow on the stickiness of inflation.

On the whole, the USD/TWD pair will undergo a gentle slide in June while continuing to flutter up and down on the balance between the external factor of rising interest rates and the internal factor of fund inflows. As the central bank continues to actively tweak policy, the pair's movements will be restrained and will gradually converge on a range between TWD31.20-31.50.

Naoki Nohara, East Asia Treasury Department

Hong Kong Dollar – June 2026

Expected Ranges **Against the US$: HK$7.8000–7.8500**
Against the yen: JPY20.00–20.50

1. Review of the Previous Month

The USD/HKD pair was swayed by headlines about the Middle East situation in May, though it continued to move in a narrow channel around HKD7.83, in the upper half of its peg range.

The US and Iran agreed a temporary ceasefire at the end of April, so expectations grew that geopolitical risk would ease, though peace negotiations remained stormy in May too. Amid a lack of progress, crude oil prices remained at highs, with the USD/HKD pair continuing to float around HKD7.83.

Hong Kong stock markets moved firmly towards mid-May as hi-tech equities rose across the globe, with the currency pair also sliding to the mid-HKD7.82 range for a time. However, speculation about US rate hikes then intensified after some US April inflation data swung upwards, so the greenback was bought again, with the pair returning to HKD7.83.

News suggested the US and Iran were close to reaching a deal late May, but there remained a lot of uncertainty about how the talks were going, so the impact on the currency pair was muted. The pair's movements grew more composed within the lower-HKD7.83 range.

As for Hong Kong's economy, the Q1 GDP figure hit +5.9% y-o-y, up on market forecasts for +3.5%. At +12.8% y-o-y, the March retail sales data also grew for the 11th straight month, with domestic consumer sentiments steadily recovering.

2. Outlook for This Month

In June, the USD/HKD pair is expected to continuing moving between HKD7.80-7.85, in the upper half of its peg range.

Regarding the Middle East situation, news emerged late May that the US and Iran were close to a deal, but no agreement was reached in the end, with uncertainty still lingering about the future. Crude oil prices remain high, with inflation concerns in the US rising in response. With US employment indicators also moving firmly, market expectations for rate hikes this year are growing.

Under these circumstances, the FRB will probably maintain its hawkish stance until some clear improvements are seen in the Middle East situation, with US interest rates set to remain high. The greenback will continue to be bought for now on US/Hong Kong interest-rate differentials, with the USD/HKD pair likely to remain firm.

In Hong Kong, with hi-tech stocks climbing across the world, Hong Kong stock markets moved strongly in May, but they have still not recovered to their level from the end of February, before the military confrontation between the US and Iran began. Furthermore, though new IPOs are moving briskly, this is not enough to reverse the currency pair's overall sentiments, and there are no signs of a recovery when it comes to market liquidity or fund demand. Based on the above, it seems the USD/HKD pair will continue moving firmly in the upper half of its range.

Yukiko Yoshitomi, Treasury Department, MHBK (China)

Chinese Yuan – June 2026

Expected Ranges **Against the US$: CNY 6.7000–6.9000**
Against the yen: JPY 22.70–23.70

1. Review of the Previous Month

In May, the U.S. dollar/Chinese yuan exchange rate remained low.

At the beginning of the month, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 6.82 level on May 6. As the U.S. dollar continued weakening while the Chinese yuan strengthened, the U.S. dollar/Chinese yuan exchange rate fell to approach the CNY 6.80 level on May 7. By May 8, market participants were increasingly buying the U.S. dollar with growing concerns over renewed tension between the U.S. and Iran. As a result, the U.S. dollar/Chinese yuan exchange rate rallied slightly. However, this trend was only a limited one.

On May 11, the U.S. dollar/Chinese yuan exchange rate reached the CNY 6.79 level for the first time in approximately three years and three months. On May 12 and 13, there were not many factors in the market, and the U.S. dollar/Chinese yuan exchange rate fell gradually. As a result, on May 14, the U.S. dollar/Chinese yuan exchange rate fell to the mid-CNY 6.78 level. At the summit dialogue between the U.S. and China held in Beijing, both leaders agreed to build a constructive relationship between the U.S. and China that is both strategic and stable. The media also reported that the two leaders had discussed trade and the geopolitical situation in Iran. However, there was no outcome that can lead to the improvement of the geopolitical situation in Iran. Thus, this news had little impact on the U.S. dollar/Chinese yuan exchange market. Then, on May 15, the U.S. dollar appreciated during overseas trading hours, in reaction to which the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.79 level with a rise from the closing rate of the previous business day. Thereafter, market participants continued actively buying the U.S. dollar, and the U.S. dollar/Chinese yuan exchange rate recovered to the CNY 6.81 level.

On May 18, the U.S. dollar/Chinese yuan exchange market opened trading at the lower-CNY 6.81 level. Thereafter, the exchange rate rose to temporarily approach the CNY 6.82 level. However, this trend soon slowed down, and the U.S. dollar/Chinese yuan exchange rate fell below the CNY 6.80 level again. Then, on May 19, market participants bought the U.S. dollar in the overall foreign exchange market. Under such circumstances, the U.S. dollar/Chinese yuan exchange rate recovered to the CNY 6.81 level. However, on May 20 local time in the U.S., the media reported that U.S. President Donald Trump had made a remark emphasizing that negotiations with Iran were in their final phase. In reaction, interest rates fell in the U.S., and the U.S. dollar depreciated. As a consequence of this shift in market conditions, the U.S. dollar/Chinese yuan exchange rate fell to the upper-CNY 6.79 level. Subsequently, the U.S. dollar/Chinese yuan exchange rate continued fluctuating within a narrow range at around the CNY 6.80 level, in accordance with news headlines related to Iran.

On May 25, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 6.78 at a lower level compared to the closing rate of the previous business day. Thereafter, the U.S. dollar/Chinese yuan exchange rate did not move in any direction—as there were no influential factors in the market—fluctuating within a narrow range at the CNY 6.78 level.

2. Outlook for This Month

The U.S. dollar/Chinese yuan exchange rate is forecast to fall slowly in June.

The U.S. dollar remains on a downtrend while the Chinese yuan remains on an uptrend, and this is unlikely to reverse in the near future. At the summit dialogue between the U.S. and China held on May 14 and 15 in Beijing, both countries showed willingness to address the issue of trade imbalance. However, the details in the agreement are unknown. The U.S. and China are scheduled to have three more summit dialogues before the end of the year, and such details are likely to be discussed in these future dialogues. Market participants are thus advised to closely monitor the outcomes of trade negotiations between the U.S. and China, which had been officially on hold since October 2025.

In the U.S., expectations for a ceasefire agreement with Iran are diminishing. Under such circumstances, concerns are growing over an economic downturn as well as a re-acceleration of inflation. It is therefore a difficult time for the Federal Reserve Board (FRB) to make decisions. Market participants are advised to attentively wait for remarks to be made by new FRB Chair Kevin Warsh, as well as future monetary policy to be taken.

There is still no sign of an end to the conflict in the Middle East, and thus improvement in the geopolitical situation remains unlikely in the near future. While there has been no progress in the negotiations between the U.S. and Iran, resources and energy prices are rising—such as those of crude oil. As a result, some currencies that are likely to be affected by the appreciation of crude oil prices are depreciating against the U.S. dollar. China is relatively less dependent on energy imports from the Middle East, and market participants see China as less susceptible to higher crude oil prices, which is one of the reasons why the Chinese yuan has been strengthening. However, in the times ahead, the tense geopolitical situation in the Middle East may last longer and start affecting the Chinese economy. In such a case, China would see a more-serious economic downturn, which may encourage Chinese monetary authorities to take measures of monetary easing. For this reason, market participants are advised to carefully observe actions to be taken by the People's Bank of China (PBOC). As long as the negotiations between the United States and Iran remain at a stalemate, the U.S. dollar is expected to continue to weaken, while the Chinese yuan is likely to continue to strengthen over the coming month.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – June 2026

Expected Ranges **Against the US$: SG$ 1.2550–1.2900**
Against the yen: JPY 122.00–127.00

1. Review of the Previous Month

In May, the Singapore dollar appreciated against the U.S. dollar at the beginning of the month, but the U.S. dollar/Singapore dollar exchange rate returned temporarily to the SGD 1.28 level toward the end of the month.

In May, the U.S. dollar/Singapore dollar exchange market opened trading at the lower-SGD 1.27 level. Media reports related to the geopolitical situation in the Middle East continued to influence the U.S. dollar/Singapore dollar exchange market in May, as was the case in the previous months. On May 5, the media reported that the U.S. operation to support ships passing the Strait of Hormuz would be on hold for a short period. In reaction, risk-taking sentiment grew in the market, and this encouraged market participants to buy the Singapore dollar. As a result, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.27 level and temporarily reached the mid-SGD 1.26 level. However, market participants grew cautious thereafter, having seen stagnation in peace talks between the U.S. and Iran. As a result, the U.S. dollar/Singapore dollar exchange rate returned to approach the SGD 1.27 level again on May 12. Subsequently, on May 15, U.S. President Donald Trump made a reluctant remark about the opening of the Strait of Hormuz, and this fueled risk-averse sentiment in the market, encouraging market participants to buy the U.S. dollar to seek safety under growing geopolitical uncertainty. As a consequence, the U.S. dollar/Singapore dollar exchange rate rose sharply to reach the SGD 1.28 level.

On May 18, in Singapore, the April Non-oil Domestic Exports (NODX) report for Singapore was released, and the result turned out to be +24.5% year-on-year, which was very strong and significantly above both market estimates and the previous month's result. However, the reaction to this news in the market was minimal. On May 19, the media reported a possibility for the U.S. to start attacking Iran again, which led the U.S. dollar/Singapore dollar exchange rate to rise and reach the lower-SGD 1.28 level—the highest rate in May. However, various institutions reported thereafter that peace talks between the U.S. and Iran were in their final phase, which diminished the appetite of market participants to buy the U.S. dollar to seek safety in times of uncertainty. Under such circumstances, the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.28 level by May 22. On May 25, the first-quarter GDP in 2026 (confirmed figure) was announced for Singapore, and the result turned out to be +6.0% year-on-year—exceeding market estimates, which was +5.2% year-on-year. Furthermore, the headline Consumer Price Index (CPI) and core CPI both turned out to be lower than the market estimates by approximately 0.3 percentage points. While these figures included both positive and negative factors for the U.S. dollar/Singapore dollar exchange market, market participants maintain a risk-averse sentiment. Thus, the U.S. dollar/Singapore dollar exchange rate remained on a downtrend falling toward the mid-SGD 1.27 level.

2. Outlook for This Month

In June, market participants are forecast to start buying back the Singapore dollar, albeit slowly, with expectations that geopolitical tensions in the Middle East will ease and that crude oil prices will fall in the near future.

In May, the geopolitical situation in the Middle East continued to be the main factor for the fluctuation in the U.S. dollar/Singapore dollar exchange market, as has been the case so far. Currently, as of this writing, the U.S. and Iran seem to be continuing peace talks, and crude oil prices are on a downtrend. If this situation continues, the trend is expected to change, and market participants are likely to start selling the Singapore dollar while buying the U.S. dollar, as almost all of the energy consumed in Singapore is dependent on imported crude oil and natural gas. However, there are still many unknown factors related to the geopolitical situation in the Middle East. Thus, market participants are advised to continue carefully observing related news headlines.

As for now, there has been no clear weakening in the fundamentals for Singapore. The April CPI indices for Singapore did not show as much acceleration as expected. This is thanks to the fact that a new insurance system was introduced in April, lowering price appreciation in the health care sector. It is also worth noting that the first-quarter GDP in 2026 for Singapore turned out to be an increase of +1% from the previous quarter (seasonally adjusted), significantly above the median estimate (+0.2% from the previous quarter). In the times ahead, the economic outlook will depend on the geopolitical situation in the Middle East. However, multiple private financial institutions have already announced their expectation for the Monetary Authority of Singapore (MAS) to take an additional measure of monetary tightening at its meeting scheduled for July. In terms of the labor market, the figures remain stable with wage levels continuing to rise gradually, with the unemployment rate remaining flat at around the 2% level.

Even though concerns over inflation persist, the MAS is likely to maintain its policy of monetary tightening. For this reason, it is most likely for market participants to buy back the Singapore dollar at a moderate pace.

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

Thai Baht – June 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 May, the U.S. dollar/Thai baht exchange rate fell at the beginning of the month, following optimistic media reports related to the geopolitical situation in the Middle East. Thereafter, the U.S. dollar/Thai baht exchange rate continued fluctuating within a narrow range between the mid-THB 32 level and the upper-THB 32 level in accordance with related news headlines.

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the lower-THB 32.50 level on May 1. Thereafter, the U.S. dollar/Thai baht exchange rate continued rising, and on May 5, after the weekend, the U.S. dollar/Thai baht exchange rate rose to approach the THB 32.80 level—the monthly high for the U.S. dollar. Subsequently, the media reported positive developments, such as tankers passing through the Strait of Hormuz. In reaction, the U.S. dollar/Thai baht exchange rate fell to approach the THB 32 level—the monthly low. However, on May 7, the situation changed drastically, and the media reported difficulties in peace talks, leading the U.S. dollar/Thai baht exchange rate to rally to reach the upper-THB 32.40 level. Then, on May 11, the minister of finance of Thailand made a remark to predict that the inflation rate could potentially reach 5% within the year given the geopolitical situation in the Middle East. In reaction, the trend changed again, and the U.S. dollar/Thai baht exchange rate fell to the THB 32.20 level. However, on May 15, U.S. President Donald Trump exhibited reluctance to open the Strait of Hormuz. Furthermore, the media reported a series of negative developments related to the geopolitical situation in the Middle East, such as drone attacks on a nuclear power plant in the United Arab Emirates during the weekend. As a result, on May 18, after the weekend, the U.S. dollar/Thai baht exchange rate rose to reach the upper-THB 32.70 level once again. However, subsequently, the U.S. dollar/Thai baht exchange rate remained low, fluctuating around the THB 32.50 level, as the U.S. suggested a temporary halt on crude oil sanctions against Iran while also cancelling scheduled Iran attacks. Then, on May 19, the U.S. dollar/Thai baht exchange rate rallied to the mid-THB 32.70 level, possibly because market participants were aware of the possibility for the U.S. to start attacking Iran again if peace talks fail. However, on May 20, the media reported that peace talks between the U.S. and Iran were in the final phase. In reaction, the U.S. dollar/Thai baht exchange rate fell again to reach the lower-THB 32.50 level. On May 21, the media reported that Iran's Supreme Leader Mojtaba Khamenei had issued a directive that near-weapons-grade uranium must remain inside the country, which led the U.S. dollar/Thai baht exchange rate to rally. Yet, the media subsequently reported positive developments in peace talks, which led the U.S. dollar/Thai baht exchange rate to fall once again to approach the THB 32.50 level. Thereafter, expectations grew in the market for a peace agreement during the weekend. Thus, on May 25, after the weekend, the U.S. dollar/Thai baht exchange rate fell to approach the THB 32.40 level. Yet, on May 26, the following day, the media reported on U.S. attacks on Iranian ships, and this led the U.S. dollar/Thai baht exchange rate to rally to reach the upper-THB 32.60 level, keeping the exchange rate from falling.

2. Outlook for This Month

In June, the U.S. dollar/Thai baht exchange rate is forecast to continue fluctuating in accordance with news headlines related to the geopolitical situation in the Middle East.

April customs-based import and export statistics were released, and the outcome revealed an increase of 23% year-on-year in exports and an increase of 45% year-on-year in imports. In particular, the increase in imports was significantly above market estimates, and this expanded the trade deficit remarkably from the figure recorded in the March trade balance. Even though the export value has increased, thanks to the robust export of electronic devices, part of the increase has been offset by the increased value of imports to produce such devices. The increase of the import value was further accelerated by the fact that the import value of fuel items doubled even though the amount of imported crude oil decreased as a result of the closure of the Strait of Hormuz. The current account balance has been planned to be announced at the end of the month. Given the figures in the trade statistics, the current account is also expected to see a large amount of deficit. Therefore, the size and persistence of the deficit are key factors in predicting future trends in the U.S. dollar/Thai baht exchange market. Also, at the current moment, there have been a series of positive news headlines regarding the ceasefire between the U.S. and Iran, and the media has reported that the Strait of Hormuz would be reopened within 30 days following the signing of a ceasefire memorandum. If the situation in the Middle East calms down, the import of crude oil would be resumed at a price much higher than the price before the attacks on Iran, and thus the import value for Thailand would certainly increase sharply from the current level, as the country relies almost entirely on imported energy and has only limited domestic crude oil reserves. Such a situation would increase downward pressure on the Thai baht. Market participants are therefore advised to remain cautious about the possibility of the further depreciation of the Thai baht even after the easing of the geopolitical situation in the Middle East.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – June 2026

Expected Ranges **Against the US$: MYR 3.9150–3.9900**
Against the yen: JPY 39.50–41.00

1. Review of the Previous Month

In May, the U.S. dollar/Malaysian ringgit exchange market opened trading at the upper-MYR 3.96 level. On May 4, there were multiple military clashes in the Middle East after market closing. In reaction, crude oil prices increased and interest rates in the U.S. rose, while the U.S. dollar appreciated. On May 5, the U.S. dollar/Malaysian ringgit exchange rate returned to the mid-MYR 3.96 level. However, on May 6, the media reported that there had been remarkable progress in ceasefire talks between the U.S. and Iran, and this led the U.S. dollar/Malaysian ringgit exchange rate to fall sharply to reach the MYR 3.92 level. On May 7, the U.S. dollar/Malaysian ringgit exchange rate reached the mid-MYR 3.90 level—the monthly low for the U.S. dollar. Thereafter, the U.S. dollar remained weak against the Malaysian ringgit, remaining at the MYR 3.92 level, and weekly trading closed at this level, as market participants reacted positively to the media report that Iran was likely to respond to U.S. proposals in the near future.

In the middle of the month, the April employment statistics for the U.S. were released on May 8 with figures stronger than market estimates. However, this did not significantly influence the U.S. dollar/Malaysian ringgit exchange market on May 11. Thereafter, U.S. President Donald Trump denied the possibility to accept the ceasefire proposal given by Iran again. Expectations for an early end to the war receded as a result. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate rose to reach the mid-MYR 3.93 level. On the other hand, market participants maintained a wait-and-see attitude, waiting for the summit dialogue between the U.S. and China scheduled for May 14 and 15. Consequently, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating in both directions at around the MYR 3.93 level. According to media reports, at the summit dialogue between the U.S. and China, both leaders confirmed an early reopening of the Strait of Hormuz. However, Iran pointed out that there was significant difference in attitude between the two countries. Concerns grew over a long closure of the Strait of Hormuz. Under such circumstances, crude oil prices and interest rates in the U.S. rose. As a result, the U.S. dollar/Malaysian ringgit exchange rate reached the upper-MYR 3.95 level on May 15. From May 18 to May 20, interest rates in the U.S. remained high, and there were drone attacks on a nuclear power plant in the United Arab Emirates. For these reasons, the U.S. dollar/Malaysian ringgit exchange rate remained within its highest range in the month between MYR 3.97 and MYR 3.98.

At the end of the month, April trade statistics for Malaysia were released with strong figures. In reaction, market participants grew optimistic about the economic outlook for Malaysia. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange rate continued fluctuating at around the MYR 3.96 level. Thereafter, multiple officials from the U.S. government confirmed that a ceasefire agreement would be reached soon. Thus, on May 25, the U.S. dollar/Malaysian ringgit exchange rate once reached the MYR 3.94 level in the morning. However, on May 26, it was confirmed that U.S. troops had launched new military attacks on Iran, making a ceasefire agreement less likely. Under such circumstances, the U.S. dollar/Malaysian ringgit exchange market closed trading at the MYR 3.97 level.

2. Outlook for This Month

In June, the U.S. dollar/Malaysian ringgit exchange rate continued to fluctuate in reaction to news headlines related to peace talks between the U.S. and Iran. However, thanks to trade flows in Malaysia that turned out to be stronger than market estimates, the Malaysian ringgit remained relatively more stable than other currencies.

In Malaysia's April trade statistics, the trade surplus was approximately six times larger than the figure recorded a year earlier, reaching its highest level since June 2023, thanks to the continued increase in exports of electrical and electronic products, which are the country's major export items. In general, market participants tend to buy the Malaysian ringgit when selling the U.S. dollar. As a result, even when geopolitical risks worsen the market sentiment, the Malaysian ringgit has been relatively stronger against the U.S. dollar than other major currencies from ASEAN countries. Since the outbreak of military conflict between the U.S. and Iran, what seemed barely feasible was to maintain the year-on-year growth rate of February and March at around +10%. Nevertheless, exports from Malaysia are expected to record stronger growth in the second quarter of 2026, thanks to demand related to AI that turned out to be more vigorous than expected.

From the viewpoint of geopolitical risk, there has been a notable difference in attitude regarding progress in peace talks between information reported by the U.S. and Chinese media and information released by the Iranian authorities. Thus, in reality, it is likely to take more time for peace talks to advance, which will keep the overall currencies of Asian countries weak. The Malaysian ringgit is thus expected to experience both a negative factor resulting from this situation and a positive factor based on Malaysia's strong fundamentals. As a result, the U.S. dollar/Malaysian ringgit exchange rate is forecast to remain stable. However, if the geopolitical situation in the Middle East eventually changes, it is possible for the U.S. dollar/Malaysian ringgit exchange rate to fluctuate violently in both directions. For this reason, market participants are advised to remain patient for a while.

Taro Anabuki, Asia & Oceania Treasury Department

Indonesian Rupiah – June 2026

Expected Ranges **Against the US$: IDR 17,300–17,900**
Against the yen: JPY 0.8800–0.9200 (IDR 100)

1. Review of the Previous Month

In May, the Indonesian rupiah remained weak against the U.S. dollar, and the U.S. dollar/Indonesian rupiah exchange rate reached the IDR 17,700 level—renewing the all-time low for the Indonesian rupiah.

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at the lower-IDR 17,300 level on May 4. Thereafter, market participants started to actively buy the U.S. dollar in order to avert risks based on the intensification of the tensions in the Middle East. As a consequence, the U.S. dollar/Indonesian rupiah exchange rate rose to reach the upper-IDR 17,300 level. Subsequently, the inflation rate fell, and the trade surplus recorded stronger growth, both of which were positive factors for the Indonesian rupiah. However, the media reported on a military clash between the U.S. and Iran, as a result of which the U.S. dollar/Indonesian rupiah exchange rate rose and temporarily reached the mid-IDR 17,400 level on May 5. As expectations for a ceasefire grew thereafter, crude oil prices fell, which led the U.S. dollar/Indonesian rupiah exchange rate to rally temporarily. However, the U.S. dollar/Indonesian rupiah exchange rate subsequently remained stable at the upper-IDR 17,300 level, as market participants were aware of a decline in foreign currency reserves. In the week commencing on May 11, market participants bought the U.S. dollar more actively in order to avert risks due to the stalemate in peace talks between the U.S. and Iran. Consequently, on May 12, the U.S. dollar/Indonesian rupiah exchange rate exceeded the IDR 17,500 level for the first time, renewing the all-time low for the Indonesian rupiah. In reaction, Bank Indonesia (BI; the central bank of Indonesia) emphasized once more that it would take any and all measures to mitigate the downward pressure on the Indonesian rupiah. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell toward the end of the day, and the U.S. dollar/Indonesian rupiah exchange market closed trading at the mid-IDR 17,400 level.

On May 17, the crude oil prices started to rise, as a nuclear power plant in the United Arab Emirates was attacked. Following this trend, the U.S. dollar/Indonesian rupiah exchange rate rose to reach the 17,600–17,700 IDR level. On May 20, BI raised its policy interest rate by 50 basis points to 5.25%. As this decision came as a surprise, this led the U.S. dollar/Indonesian rupiah exchange rate to fall and reach the lower-IDR 17,600 level. Thereafter, the U.S. dollar/Indonesian rupiah exchange rate rose again to reach the mid-IDR 17,700 level on May 22, due to concerns over persistently high crude oil prices as well as possible restrictions on commodity exports. Subsequently, expectations grew for peace talks between the U.S. and Iran, fueling risk-taking sentiment in the market. However, concerns over possible restrictions on commodity exports persisted, and the U.S. dollar/Indonesian rupiah exchange rate has been fluctuating at the upper-IDR 17,700 level as of May 26.

2. Outlook for This Month

In June, the Indonesian rupiah is forecast to weaken against the U.S. dollar.

BI made a decision to raise its policy interest rate (BI rate) by 50 basis points to 5.25% at the monetary policy meeting held on May 19 and 20. As the primary market estimate had been an increase of 25 basis points, this came as a surprise. In the statement released by BI as well as at the press conference by the governor of BI, Perry Warjiyo, the main emphasis was on the importance of keeping the Indonesian rupiah exchange market stable, achieving the inflation target for 2026 to 2027, and supporting economic growth, given the growing uncertainty based on the geopolitical situations in the Middle East. In particular, regarding the Indonesian rupiah exchange market, BI emphasized that it has been taking multiple measures to keep the Indonesian rupiah from depreciating under growing uncertainty in the foreign exchange market, while increasing the frequency and the scale of its foreign exchange market interventions.

After the monetary policy meeting held by BI, the Indonesian rupiah appreciated temporarily. However, this did not change the trend of the depreciation of the Indonesian rupiah. It is inevitable for the U.S. dollar/Indonesian rupiah exchange rate to fluctuate in accordance with the geopolitical situation in the Middle East for a while. However, so far, there has only been limited U.S. dollar-selling and Indonesian rupiah-buying, even when the U.S. dollar-buying to avert risks under an increasing level of uncertainty was unwound. If progress is made in peace talks between the U.S. and Iran, the growing cautious sentiment in the market is likely to diminish, as it is primarily driven by concerns over expanding fiscal deficits resulting from persistently high crude oil prices. On the other hand, market participants are encouraged to sell the Indonesian rupiah by capital outflow pressure based on concerns over the independence and governance of BI as well as the remark by the President of Indonesia, Prabowo Subianto, regarding possible restrictions on commodity exports. Thus, even when risk-taking sentiment grows in the market, market participants are likely to sell the Indonesian rupiah.

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

Philippine Peso – June 2026

Expected Ranges **Against the US$: PHP 60.00–62.50**
Against the yen: PHP 0.380–0.400

1. Review of the Previous Month

In May, the U.S. dollar/Philippine peso exchange rate reached PHP 61.75—the all-time low for the Philippine peso—three times, but the exchange rate did not rise further.

In May, the U.S. dollar/Philippine peso exchange market opened trading at PHP 61.42. At the end of April, the Philippine peso reached its all-time low against the U.S. dollar, at PHP 61.75. Meanwhile, the U.S. dollar/Japanese yen exchange market became turbulent thereafter, with the exchange rate falling sharply from the JPY 160 level to the JPY 155 level. Furthermore, crude oil prices fell, in reaction to the geopolitical situation in the Middle East. Thus, market participants actively sold the U.S. dollar worldwide. Following this trend, the U.S. dollar/Philippine peso exchange market also remained turbulent. Then, on May 5, the April price statistics for the Philippines were released, and the result turned out to be +7.2% year-on-year, whereas the previous month’s result was +4.1% year-on-year and the market estimate was +5.5% year-on-year. Furthermore, the first-quarter GDP for the Philippines was subsequently announced, showing three consecutive quarters of decline. The result turned out to be +2.8% year-on-year, recording a decline both from the previous quarter’s figure, which was +3.0% year-on-year, and from the market estimate, which was +3.3% year-on-year. On May 7, the U.S. dollar/Philippine peso exchange rate fell sharply to reach PHP 60.345 on May 7 for the first time in approximately two weeks. However, the U.S. dollar/Philippine peso exchange rate did not remain at the PHP 60 level for long. On May 11, after the weekend, crude oil prices started to rise again due to growing concerns over peace talks between the U.S. and Iran. Thus, the U.S. dollar/Philippine peso exchange rate recovered to the PHP 61 level and continued fluctuating within the range between the mid-PHP 61 level and the upper-PHP 61 level.

In the second half of the month, crude oil prices remained high. In reaction, market participants continued actively buying the U.S. dollar. Consequently, the U.S. dollar/Philippine peso exchange rate reached PHP 61.75—the all-time low for the Philippine peso—for three consecutive business days. The U.S. dollar/Philippine peso exchange rate thus approached the PHP 62 level. However, the U.S. dollar/Philippine peso exchange rate remained firmly at that level and did not rise further. Thereafter, U.S. President Donald Trump made a comment to indicate that peace talks with Iran were in their final phase. In reaction, expectations grew for the conclusion of a ceasefire agreement and the reopening of the Strait of Hormuz. Consequently, crude oil prices started to fall. Following this trend, the U.S. dollar/Philippine peso exchange rate fell to the lower-PHP 61 level. However, there was also persistent demand to buy the U.S. dollar, and this kept the U.S. dollar/Philippine peso exchange rate from falling significantly. As a result, the U.S. dollar/Philippine peso exchange rate continued fluctuating in both directions at around the mid-PHP 61 level until the end of the month.

2. Outlook for This Month

In June, negative factors are expected to persist in both domestic and external environments, and the Philippine peso is likely to remain weak against the U.S. dollar.

The geopolitical situation in the Middle East has finally started to see its end. As a result, crude oil prices have started to fall. However, crude oil prices remain high compared to the level seen prior to March. On the other hand, in the Philippines, inflation pressure is expected to show some effects in the times ahead, with some delays. Thus, the Philippine peso is likely to remain weak against the U.S. dollar for a while. At the end of May, the governor of the central bank of the Philippines, Eli Remolona, made a comment to point out that policy interest rate adjustment might be behind the inflation pressure and therefore that it was possible for the central bank to hold an extraordinary meeting to raise its policy interest rate. The central bank of the Philippines shifted its monetary policy toward tightening at its meeting held in April, and it seems that this principle will remain the same in the times ahead in any case. The central bank of the Philippines also made a comment to emphasize that there was no fixed level for the U.S. dollar/Philippine peso exchange rate and that it was dealing with the foreign exchange market as usual. The U.S. dollar/Philippine peso exchange rate is likely to continue to fluctuate in June near the PHP 62 level, which the exchange rate has never reached.

Crude oil price levels are likely to be a primary factor for the U.S. dollar/Philippine peso exchange market for a while. As the possibility of a policy interest rate hike of 0.25% at the central bank meeting in June is gradually reflected in the foreign exchange market, the U.S. dollar/Philippine peso exchange rate is most likely to fluctuate at around the PHP 61 level in June, with a weak Philippine peso. Meanwhile, in the U.S., a Federal Open Market Committee (FOMC) meeting is scheduled for the middle of June, and the policy interest rate is expected to remain at the existing level. However, depending on the comment and policy interest rate outlook by the new Federal Reserve Board (FRB) chair, market participants might start buying the U.S. dollar in an accelerated manner. In such a case, it is possible for the U.S. dollar/Philippine peso exchange rate to rise and approach the PHP 62 level again. It is also worth noting that there are risk scenarios, one in which the central bank of the Philippines could intervene in the foreign exchange market to lower the exchange rate forcefully and another in which the central bank of the Philippines might raise its policy interest rate unexpectedly by more than 0.25% at its June meeting. Market participants are advised to remain careful about such developments.

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

Indian Rupee – June 2026

Expected Ranges **Against the US$: INR 94.50–97.50**
Against the yen: JPY 1.58–1.78

1. Review of the Previous Month

In May, the Indian rupee depreciated significantly against the U.S. dollar and renewed its all-time low.

On April 30, the U.S. dollar/Indian rupee exchange rate reached the INR 95 level—the all-time low for the Indian rupee. In May, the U.S. dollar/Indian rupee exchange market opened trading at the upper-INR 94 level. At the beginning of the month, the central bank of India (RBI) intervened in the foreign exchange market to control the exchange rate, and the Indian rupee appreciated, while the U.S. dollar/Indian rupee exchange rate once reached the lower-INR 94 level. In the middle of the month, however, the Indian rupee continued renewing its all-time low against the U.S. dollar on consecutive days from the upper-INR 95 level to the upper-INR 96 level, facing persistently high crude oil prices, which have resulted from the uncertain geopolitical situation in the Middle East. Nevertheless, toward the end of the month, the Indian rupee started to rally with growing expectations for the geopolitical situation in the Middle East to ease. As of May 26, the U.S. dollar/Indian rupee pair has been trading at the mid-INR 95 level (as of May 26).

The BSE SENSEX was around the 77,000 level at the beginning of the month. However, in the middle of the month, the index fell significantly to reach the upper-74,000 level. Even though the index has been stable for now, it still has no momentum to start rising. In terms of investment in the Indian stock market by foreign investors, there has been net outflow since March, as market participants are concerned with attacks on Iran by the U.S. and Israel, which could negatively impact India. On the other hand, however, there has now been weaker pressure to sell Indian stocks.

In terms of economic indices for India, the April Consumer Price Index (CPI) turned out to be +3.48% year-on-year, recording a rise from the +3.40% recorded in the previous month. The April Wholesale Price Index (WPI) turned out to be +8.3% year-on-year, significantly above the estimates of economists, recording its largest rise in 3.5 years. The Prime Minister of India, Narendra Modi, made a speech to ask people to change their consumption habits, such as by not buying gold jewelry for a year and reducing fuel consumption. The rise of energy prices based on the worsened geopolitical situation in the Middle East has continued to have negative impact on the Indian economy.

2. Outlook for This Month

In June, the Indian rupee is forecast to continue depreciating against the U.S. dollar.

The U.S. dollar/Indian rupee exchange rate exceeded the psychological turning point at the INR 95 level, after which it reached the INR 96 level in only two weeks. Such a significant depreciation of the Indian rupee is expected to continue in June. Unless crude oil prices fall sharply based on a drastic change in the external environment, it is difficult to find a reason to reduce India's deficits in its trade and current account balance.

The Indian rupee depreciated against the U.S. dollar by over 6% since the beginning of the year. Compared to other currencies in Asia, its level of depreciation is remarkable. This is due to the fact that the increase in fuel import costs is worsening the country's trade balance. The Indian government has taken measures to stabilize the price level by subsidizing fuel such as petrol and diesel. However, retail sales finally increased in May. In reaction, some expect the monetary policy committee (MPC) to raise its policy interest rate, which has been kept at the same level since December last year, at its meeting scheduled for the first week of June. On the other hand, it is also possible for the central bank to cut its policy interest rate in order to avoid an economic slowdown in the domestic market, even though this might accelerate the depreciation of the Indian rupee. Thus, the RBI will face a difficult choice.

The manufacturing industry Purchasing Managers' Index (PMI) has turned out to be high, at 58.9, in the preliminary data for May, and this has mitigated concerns over the domestic economy in India to some extent. Furthermore, although securities investments in India by foreign investors recorded a historical net outflow in March, there has been improvement in the figure for two consecutive months. Thus, from a medium- to long-term perspective, the stock market is expected to rally, although this depends also on the geopolitical situation in the Middle East.

This report was prepared based on economic data as of May 29, 2026.