Asia FX Talk

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Dollar lost momentum, tech-linked currencies to benefit

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MUFG Bank, Ltd.
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Ahead Today

G3: -

Asia: *Singapore CPI, Taiwan Unemployment Rate*

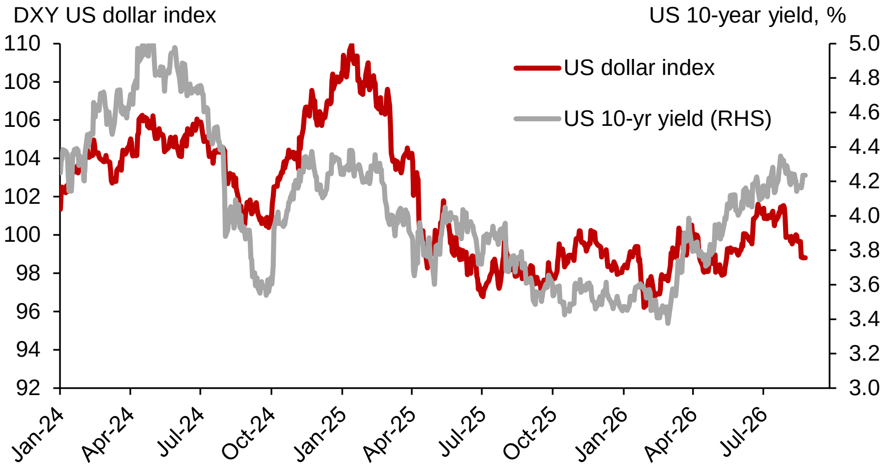
Market Highlights

The US dollar has lost further momentum and extended its recent soft patch. Recent market focus has shifted towards the policy implications of Treasury Secretary Scott Bessent's efforts to rein in the surge in long-end yields and the narrative of a possible debasement trade.

While economists have upgraded US Q3 GDP growth forecasts to 2.5% annualized from 2.0%, supporting the narrative of continued US economic resilience, the dollar has struggled to benefit as markets weigh the longer-term implications of elevated fiscal deficits and long-end Treasury yields.

The recent decline in the dollar has brought it near to key support levels. But US yields remain elevated, while speculative positioning data suggest investors continue to retain a modest net long USD bias. The divergence between relatively resilient USD positioning and weaker price action points more towards fading dollar upside momentum for now. It remains to be seen whether markets price in negative risk premium on the dollar, particularly with President Trump recently hitting 50% tariffs on about $20bn in Canadian goods (about 4-5% of Canada's annual exports to US).

CHART 1: A WEAKER DOLLAR DESPITE ELEVATED YIELDS



Source: Bloomberg, MUFG GMR

Within Asia, a softer dollar backdrop in the near term continues to provide some relief, but regional performance is likely to remain highly differentiated. Currencies such as KRW, TWD, SGD, and MYR are supported by strong external balances, technology exports and relatively resilient domestic fundamentals. In particular, ongoing AI and semiconductor demand remains supportive for these currencies, while SGD should also continue to benefit from macro stability and relatively defensive characteristics. Rising US business investments in computers and peripherals suggest that the tech upcycle could still persist.

INDICATIVE RATES 21-Aug-2026

FOREIGN EXCHANGE

	Asia	% Chg	London close 6pm	New York close 5pm		Close	% Chg
USDJPY	158.53	0.02	158.97	158.95	INDU	53277.01	0.98
EURJPY	185.57	0.08	185.70	185.66	NKY	66016.36	-0.30
EURUSD	1.1705	0.05	1.1682	1.1679	DAX	26136.56	0.59
GBPUSD	1.3665	0.22	1.3642	1.3644	UKX	10816.56	0.64
USDSGD	1.2687	-0.18	1.2693	1.269	STI	5688.96	0.30
USDTHB	32.674	-0.59	32.631	32.670	SET	1613.78	0.24
USDMYR	4.0385	-0.16	**OTHER INDICATORS**		KLCI	1736.48	-0.01
USDIDR	17693	-0.30	DXY Curncy	98.800	JCI	6525.69	0.37
USDPHP	Closed	Closed			PSEi	Closed	
USDINR	95.7050	-0.01	GT2 Govt	4.237	SENSEX	77540.83	0.00
USDKRW	1386.65	-0.53	GT10 Govt	4.735	KOSPI	6912.95	0.88
USDTWD	31.859	-0.25	GTJPY2Y Govt	1.676	TWSE	45224.29	0.65
AUDUSD	0.7161	0.52	GTJPY10Y Govt	2.880	AS51	9058.88	-0.27
USDHKD	7.8414	-0.03	GTDEM10Y Govt	3.257	HSI	26009.46	1.21
USDCNY	6.7205	-0.05	CO1 Comdty	94.39	SHCOMP	3905.20	0.04
USDVND	26116	0.03	XAU Curncy	4603.07	VNINDEX	1768.12	1.95

FX estimated closing. % Chg & bps chg indicate daily changes versus prior trading day. Sources: Bloomberg
** As of 4:30pm, Beijing Time*

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