



Citi Wealth

Asia Pacific Regional Publication



Jaideep Tiwari
Head, Global Foreign Exchange Investment Strategy

21 August, 2025

FX Focus: USD's tactical rebound may lead to range-bound 2H25

FIGURE 1: FX Forecasts

Forecast (July 2025)	Spot	0-3m	6-12m	Long-term
DXY	98.18	95.89	97.93	99.16

Source: Citi Research as of July 2025.

Prior to the US July jobs report release on August 1, the dollar staged a tactical rebound in early July. But this tactical rebound may be ending, and USD's next bearish phase may be commencing. However, we believe there are limits as to how much the USD could potentially fall over the medium term.

- Prior to the release of the US July jobs report on August 1st, the dollar staged a tactical rebound in early July due to:
 - A resumption of US stock outperformance vs the Rest of the World
 - Global trade and fiscal uncertainty partially declining in anticipation of US tariff announcements
 - The US Federal Reserve's reluctance to consider lowering rates on concerns about tariff-induced inflation
 - A stretched short investor base established from the selling of USD post "Liberation Day"
- However, the tactical rebound may abate in favor of USD weakness again:
 - With the US labor market now showing greater signs of distress (as per the July jobs report), USD market rates are now discounting multiple Fed rate cuts (~150bp in cuts to the end of 2026 with 60bp in cuts discounted to the end of 2025). Should the Fed follow through with such cuts at a time when most other G10 central banks are close to ending their easing cycle, the resulting sharp narrowing in USD vs Rest of the World rate differentials will likely pose a longer-term headwind for USD.
 - Global trade and US economic (fiscal) uncertainty, while somewhat lower, is also likely to remain a longer-term constraint on USD and limit any upside. Scope for further tariff negotiations exist which means the amount of tariff revenues the US is likely to receive to fill the budget gap over the next 10 years remains uncertain as trade flows shift. These uncertainties are what started the selloff in USD post-Liberation Day in early April.
- Ultimately, we believe that there are limits as to how much the USD could potentially fall:
 - USD already has a significant in-built negative premium as it trades well below what is implied by USD less Rest of G10 rate differentials
 - If the Fed were to cut rates to offset the current economic slowdown alongside the new stimulative tax bill, a reaccelerating US growth trajectory in comparison to the Rest of the World may support demand for US assets and dollar strength
 - The greenback's downside will be constrained by limits on how much FX strength major economies outside the US are able to absorb

BOTTOM LINE: The 100 – 102 area may end up being a formidable resistance hurdle for the DXY Index to cross while the 93-95 level may limit the extent of the decline to year-end.

OPINIONS EXPRESSED HEREIN MAY DIFFER FROM THE OPINIONS EXPRESSED BY OTHER BUSINESSES OR AFFILIATES OF CITIGROUP, INC., AND ARE NOT INTENDED TO BE A FORECAST OF FUTURE EVENTS, A GUARANTEE OF FUTURE RESULTS OR INVESTMENT ADVICE, AND ARE SUBJECT TO CHANGE BASED ON MARKET AND OTHER CONDITIONS. IN ANY CASE, PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, AND FUTURE RESULTS MAY NOT MEET OUR EXPECTATIONS DUE TO A VARIETY OF ECONOMIC, MARKET AND OTHER FACTORS. FURTHER, ANY PROJECTIONS OF POTENTIAL RISK OR RETURN ARE ILLUSTRATIVE AND SHOULD NOT BE TAKEN AS LIMITATIONS OF THE MAXIMUM POSSIBLE LOSS OR GAIN. CPB CLIENTS PLEASE REFER TO THE "CITI RESEARCH" SECTION WITHIN IN VIEW INSIGHT IN THE CITI PRIVATE BANK WEBSITE FOR DETAILS ON CITI RESEARCH, INCLUDING INDIVIDUAL RESEARCH REPORTS. PLEASE CONTACT YOUR PRIVATE BANKER IF YOU ARE UNABLE TO ASSESS THE "CITI RESEARCH" SECTION WITHIN IN VIEW. OTHER CLIENTS SHOULD SPEAK TO THEIR BANKING TEAM FOR MORE INFORMATION.

FOR DISTRIBUTION WITHIN THE ASIA PACIFIC REGION ONLY
INVESTMENT PRODUCTS: • NOT GOVERNMENT INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

FIGURE 2: The price action in DXY since “Liberation Day” on April 2nd – A steady DXY Index decline with a tactical short covering rally in early July



Source: Bloomberg, August 11, 2025. **Past performance is no guarantee of future results.** Real results may vary.

DISCLOSURES

This communication is marketing material.

This email contains promotional materials. If you wish to change which promotional emails you receive from Citi Private Bank, Citi Global Wealth at Work, and Citi Wealth Investments, you can [update your email preferences or unsubscribe](#). For Citi Personal Wealth Management customers you can [opt out here](#). Email is not a secure environment; therefore, do not use email to communicate any information that is confidential such as your account number or social security number. In the U.S., the address of the sender of this message is 388 Greenwich Street, New York, NY 10013.

This Communication is prepared by Citi Wealth Investments (“CWI”) which is comprised of the investments and capital markets capabilities that are provided to Citi Private Bank, Citi Global Wealth at Work, Citi Personal Wealth Management and Citi Personal Investments International (CPII).

Citi Private Bank, Citi Global Wealth at Work, Citi Personal Wealth Management, and Citi Personal Investments International are businesses of Citigroup Inc. (“Citigroup”), which provides its clients access to a broad array of products and services available through bank and non-bank affiliates of Citigroup. Not all products and services are provided by all affiliates or are available at all locations. In the U.S., investment products and services are provided by Citigroup Global Markets Inc. (“CGMI”), member FINRA and SIPC, Citi Private Alternatives, LLC (“CPA”), member FINRA and SIPC, and Citi Global Alternatives, LLC (“CGA”). CPA acts as distributor of certain alternative investment products to certain eligible clients’ segments. CGMI accounts are carried by Pershing LLC, member FINRA, NYSE, SIPC. Investment management services (including portfolio management) are available through CGMI, CGA, Citibank, N.A. and other affiliated advisory businesses. Insurance is offered by Citi Personal Wealth Management through Citigroup Life Agency LLC (“CLA”). In California, CLA does business as Citigroup Life Insurance Agency, LLC (license number OG56746). CGMI, CPA, CGA and Citibank, N.A. are affiliated companies under the common control of Citigroup.

Outside the U.S., investment products and services are provided by other Citigroup affiliates. Investment Management services (including portfolio management) are available through CGMI, CGA, Citibank, N.A., and other affiliated advisory businesses. These Citigroup affiliates, including CGA, will be compensated for the respective investment management, advisory, administrative, distribution and placement services they may provide.

[Read additional Important Information.](#)

Opinions expressed herein may differ from the opinions expressed by other businesses or affiliates of Citigroup, Inc., and are not intended to be a forecast of future events, a guarantee of future results for investment advice, and are subject to change based on market and other conditions.

© 2025 Citigroup Inc., Citi, Citi and Arc Design and other marks used herein are service marks of Citigroup Inc. or its affiliates, used and registered throughout the world.

**INVESTMENT PRODUCTS: NOT FDIC INSURED · NOT CDIC INSURED ·
NOT GOVERNMENT INSURED · NO BANK GUARANTEE · MAY LOSE VALUE**