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FX Focus: Singapore Dollar May Have Limited Downside on Central Bank Policy

The Singapore Dollar (SGD) has recently come under pressure against a broadly strengthening U.S. Dollar (USD), but the pair now appears to be approaching the weaker end of its range with the Monetary Authority of Singapore (MAS) poised to tighten policy.

The USDSGD currency pair hit a post Middle East conflict low of 1.27 in early May, but the SGD has since come under pressure and lost ~2.25% against USD. The loss has been due to a combination of four factors:

- Renewed USD strength as the U.S. Federal Reserve turned more hawkish at its June meeting with nine of 18 members on its decision-making committee, known by its FOMC acronym, leaning towards higher rates. USD short rates have reacted accordingly and subsequently encouraged inflows into USD.
- Weaker-than-expected Singapore core inflation in May. This led markets to lower the probability of further MAS tightening at its upcoming July meeting. The SGD Nominal Effective Exchange Rate (SGD NEER), which measures the currency against a basket of foreign currencies, has moved lower from its earlier approach towards the stronger end of the trading band.
- The recent selloff in Technology stocks, which has had a direct negative impact on SGD as ~56% of Singapore's manufactured exports are classified as high-technology products led by the Artificial Intelligence (AI) boom.
- Investors cutting long exposure to Emerging Market FX due to tensions in the Middle East. Energy supply dislocations and attempts by governments to counter rising stagflation risks through increased fiscal spending have tested the resolve of markets, which have questioned the fiscal credentials of the Indonesia Rupiah (IDR), Indian Rupee (INR), Thai Baht (THB) and the Malaysian Ringgit (MYR). The contagion has negatively flowed on to SGD.

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In our view, Fed–MAS policy divergence appears overdone given Singapore’s above consensus positive output gap. The MAS sees inflation risks tilted to the upside on energy costs, a more hawkish stance vs its April policy statement that gave no clear indication of the tilt in the balance of risks. Taken together, plus the expectations for a further rise in Singapore’s core 3Q26 inflation, this still likely supports a further MAS tightening via a 50 basis point steepening of the 12-month SGD NEER slope to 1.5% annually in July.

Meanwhile, contagion from the selloff in the aforementioned Southeast Asian currencies (IDR, THB, MYR) has impacted the SGD negatively. However, Singapore’s financial credentials differ vastly from its ASEAN peers given its status as a premier Asian financial hub backed by a robust balance of payments position consisting of a current account surplus of 16-18% of GDP and FX reserves of 65.46% of GDP, among the highest in the world. The U.S.-Iran deal may lower the temperature to a point where the contagion fades altogether.

However, negative sentiment impacting Technology stocks, which if sustained, would likely present a greater hurdle to SGD gains on Singapore’s export vulnerability. But at this stage, the sell-off in Technology stocks looks less like a broad risk-off move and more like the partial unwinding of a crowded trade.

Bottom Line: Overall, further losses for SGD against USD are likely to be capped at the 1.30-32 level, as the MAS likely leans towards further tightening. This means the SGD NEER may resist further drops towards the mid-band but unless the MAS signals an outright re-centering of the SGD NEER band (a more aggressive tightening stance), the 1.26 level now appears to be a firm USDSGD spot floor. This leaves USDSGD in a 1.26-1.32 range for the best part of 2026.

FIGURE 1: USDSGD approaching the upper end of its range (April 2025 to current)



Source: Bloomberg as of June 29, 2026. Past performance is no guarantee of future results. Real results may vary.

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