Market Watch
As of June 2026

What's Been Happening

Global

US-Iran tensions remain a key geopolitical flashpoint, with sporadic exchanges of strikes in June despite an April ceasefire. Although both sides reached a mid-month interim agreement to suspend direct hostilities, reopen the Strait of Hormuz, and provide limited sanctions relief, the situation remains fragile. The ceasefire has been extended by 60 days to support further negotiations on Iran's nuclear programme, but progress has remained limited despite the commencement of technical talks and ongoing regional violence, including in Lebanon. Disagreement over Iran's enriched uranium stockpile remains a central sticking point, keeping the outlook uncertain and the conflict a persistent risk in the months ahead.

US

The US economy grew at a revised annualised 2.1% in Q1 2026, supported by AI-related investment, though growth remained slower than in 2025. Activity remains resilient despite Middle East-related uncertainty, underpinned by strong investment, job gains, and steady unemployment. Inflation rose to 4.2% YoY in May, up 0.4% from April and above 4% for the first time in three years, driven largely by energy prices. Against this backdrop, the FOMC kept rates unchanged at 3.5%-3.75% in June, its first meeting under Chair Kevin Warsh, and signalled the potential for at least one rate hike this year amid a resilient labour market, which added 172,000 jobs in May while unemployment stayed at 4.3%.

UK

The UK economy began the year with stronger-than-expected growth, supported by domestic demand and services, with GDP rising 0.6% in Q1 2026. However, this resilience has been tempered by political uncertainty, tighter financial conditions, and renewed inflation pressures. Inflation flatlined at 2.8% in May, above the 2% target but stable despite Middle East-related energy risks. Against this backdrop, and amid ongoing geopolitical developments, the Bank of England kept its Bank Rate unchanged at 3.75% in June, opting to maintain a restrictive stance while monitoring persistent inflationary pressures and potential second-round effects. On the political side, PM Keir Starmer announced his resignation on 22 June amid mounting pressure from lawmakers, triggering a leadership contest as Britain prepared for its seventh prime minister in a decade.

Singapore

Singapore's economy expanded 6% YoY in Q1 2026, outperforming the 4.6% estimate, supported by manufacturing, wholesale trade, financial services, and AI-driven demand, despite a more uncertain outlook due to the Middle East conflict. Core inflation remained stable at 1.4% in May, below expectations of 1.6%, as lower services inflation offset higher energy costs. Labour market conditions showed some softening, with job vacancies falling from Q4 2025 and retrenchments rising in manufacturing, financial services, and professional services. Nevertheless, unemployment remained low at 2.1%, reflecting overall resilience, though hiring sentiment has turned more cautious amid heightened geopolitical uncertainty.

Global Benchmark Rates

	As of 30 June 2026	As of 29 May 2026
US (The Federal Reserve)	3.750%	3.750%
UK (Bank of England)	3.750%	3.750%
MAS 3 month	1.426%	1.394%

FX Rates

	As of 30 June 2026	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.2938	(0.21)	1.17	0.68
EUR/SGD	1.4780	0.15	(0.64)	(2.06)
GBP/SGD	1.7159	0.24	(0.28)	(0.95)
AUD/SGD	0.8952	(0.17)	(2.20)	4.43
NZD/SGD	0.7345	(0.05)	(3.19)	(0.76)
CAD/SGD	0.9116	(0.09)	(1.33)	(2.82)
JPY/SGD	0.7959	(0.82)	(0.62)	(2.90)
CHF/SGD	1.6005	(0.04)	(1.56)	(1.25)
HKD/SGD	0.1649	(0.30)	1.10	(0.12)
SAR/SGD	0.3444	(0.26)	1.06	0.53
MYR/SGD	0.3169	1.25	(1.64)	0.09
AED/SGD	0.3523	(0.20)	1.18	0.69

FX News

The US dollar extended its gains in June, supported by expectations of sustained higher interest rates and continued demand for U.S. assets. This marked a strong rebound from last year's largest first-half decline in over 50 years, as stronger Treasury yields and policy expectations reinforced investor demand.

Sterling weakened against the US dollar in June, marking its weakest monthly performance since July 2025. The decline reflected growing expectations of policy easing from the Bank of England, alongside domestic political uncertainty and wider interest rate differentials with the U.S.

The euro edged lower against the dollar in June, driven primarily by weaker Eurozone economic data and widening monetary policy divergence with the U.S. Expectations of further U.S. policy tightening continued to support the dollar and weigh on the euro.

The Singapore dollar traded within a narrow range throughout June, reflecting subdued FX volatility and stable market conditions. Despite limited movement, the currency remained slightly above historical averages, indicating underlying resilience even as domestic and global economic conditions remained mixed.

The Japanese yen remained under pressure in June, continuing its weakening trend against major currencies. The wide interest rate differential between Japan and the U.S., together with ongoing carry trade activity, continued to weigh on the currency and support demand for the dollar.

The Australian dollar declined in June, underperforming most major currencies. Softer domestic economic data, weaker global risk sentiment, and broad US dollar strength continued to weigh on the currency.

FX Outlook

The US dollar has stabilised and recently strengthened, with the dollar index trending higher and reaching its year-to-date peak. After a weak 2025 performance, the USD has shown a partial recovery driven by macro fundamentals. Short-term momentum has been supported by hawkish Federal Reserve signals and sticky inflation. Overall, the USD outlook is tilted towards a positive trajectory.

The Singapore dollar has remained strong after the Monetary Authority of Singapore recently adjusted its policy to allow the S$NEER to appreciate at a slightly faster pace. With inflation under control and economic growth expected to improve in 2026, the central bank is comfortable keeping the Singapore dollar firm to help manage imported costs. As a result, the Singapore dollar continues to be well supported and has outperformed many other currencies, benefiting from policy stability and relatively low volatility. The currency is likely to stay resilient against other regional currencies.

The Sterling has shown resilience against the US dollar but has underperformed against the euro, reflecting comparatively weaker UK fundamentals. While UK inflation has largely been brought under control, recent GDP data has been limited and inconclusive, suggesting subdued growth momentum. As a result, GBP movements have remained tightly range-bound, with slight bearish bias amid elevated volatility, as markets await clearer signals on growth recovery and the Bank of England's policy direction.

The euro is supported by the ECB's recent rate hike in response to persistent inflation, which is projected to average around 3% in 2026, but gains are limited by weak economic growth and ongoing geopolitical and energy-related risks. As a result, the euro remains broadly stable but range-bound, driven mainly by monetary policy rather than strong economic momentum.

The Japanese yen remains weak because interest rates in Japan are still much lower than in other major economies. While the Bank of Japan (BoJ) has started to slowly increase rates, these changes are gradual and already anticipated by markets, so they have not provided much support to the currency. As a result, the yen continues to be under pressure and is mainly influenced by global interest rate trends and overall market sentiments. The yen is expected to stay under pressure in the near term.

Outlook

US

The US economic outlook remains broadly positive, supported by continued AI-driven investment, solid job creation, and resilient consumer spending. However, elevated energy prices and broader geopolitical uncertainties remain key risks. Inflation continues to be a concern, with the Federal Reserve projecting a return to its 2% target only by 2028. Reflecting these challenges, the 2026 GDP growth forecast has been revised down to 2.2% from 2.4%, while markets increasingly expect interest rates to remain higher for longer, with further rate hikes remaining a possibility. Meanwhile, the labour market is expected to remain resilient, with unemployment likely to stay in the mid-4% range, providing the Fed with room to prioritise inflation control.

UK

The UK economic outlook remains challenging, weighed by ongoing geopolitical tensions and higher energy costs due to its greater reliance on imported natural gas compared to some other advanced economies. Following a 0.6% expansion in Q1 2026, GDP is now expected to grow by 1% in 2026, up from the IMF's April forecast of 0.8%, though still a slowdown from 2025. However, recent political instability and domestic uncertainty could further dampen an already volatile outlook. Inflation is projected to rise to around 4% by end-2026, with a potential return to the 2% target in 2027, depending on progress in easing Middle East tensions.

Singapore

Based on MAS's June survey, Singapore's 2026 GDP growth forecast has been revised slightly lower to 3.5% from 3.6%, while inflation is now expected to rise to 2.3%, up from 1.5%. Economists cited a prolonged Middle East conflict as the biggest downside risk to the economy, given its potential impact on energy prices and global trade. A possible correction in the AI sector or a slowdown in AI-related spending was identified as the second-largest risk to growth. Overall, the Singapore economy expanded by 6% YoY in Q1 2026 and is expected to grow by 4.3% YoY in Q2 2026, supported by continued strength in technology-related activities and external demand.

Source: Bloomberg and Reuters