NOMURA

FX Insights

Global Markets Research
15 June 2026

Foreign Exchange - Global

Strategy views on the US-Iran interim deal

We made a few changes to emphasize our stance of being selectively short USD and with a focus on RV trades driven by local factors.

- The news that US and Iran officials will sign an interim agreement supports our strategy stance of leaning toward a de-escalation, adopted since *22 May*.
- Despite the risk of the US-Iran situation oscillating, we continue to see scope for a weaker USD. Therefore, we made a few changes to emphasize our stance of being selectively short USD and with a focus on RV trades driven by local factors.
- In **Asia FX**, we initiate short USD/KRW, with a conviction level of 1/5, reinitiate our long EUR/INR (raise to 3/5 from 2), and lower the conviction level on our long SGD/IDR to 3/5 (from 4). We also maintain short USD/CNH (4/5) and short USD/TWD (3/5).
- In **G10 FX**, we maintain a high-conviction level on our short AUD/NZD position (4/5), reflecting our view that the RBA has reached the end of its hiking cycle. We favour trades with low beta to both the USD and oil, namely long CHF/JPY and long EUR/GBP (both 3/5). We also like long USD/CAD from a macro divergence perspective (3/5).
- **In Asia rates**, we focus on relative value after the latest rally. We maintain a receive position in Korea (2yfwd5y) at a conviction level of 3/5 (reduced from 4/5 earlier today). In India, we recommend a Sep-2s5s NDOIS flattener.

The impending reopening of the Strait of Hormuz supports our stance...

The news that (*Bloomberg*, 15 June) US and Iran officials will formally sign an interim agreement (i.e., an MOU on 19 June) that includes a reopening of the Strait of Hormuz **supports our strategy stance of leaning toward a de-escalation, adopted since *22 May***. Specifically, we lowered the conviction levels on our short South/Southeast Asia FX recommendations (i.e., short IDR, INR and PHP) on *22 May*, as well as raising the conviction level on our short USD/CNH to 4/5 and establishing a short USD/TWD (3/5) on *25 May*.

The risk of the US-Iran situation oscillating remains, as the media reported (*Bloomberg*, 15 June) some discrepancies on the terms of the MOU, as discussed by officials from both sides, including whether ships transiting through the Strait of Hormuz would be administrated by Iran/Oman, whether the Israel-Lebanon ceasefire can hold and whether the US and Iran can make further progress on thorny issues in the next stage of the negotiations. Nevertheless, we continue to believe that the **Trump administration has *leeway* to make concessions** if it wants to re-open the Strait.

... of being selectively short USD, with a focus on RV trades driven by local factors

Overall, in view of lower energy prices reversing the terms-of-trade impact of a stronger broad USD, the potential *outcomes* from the FOMC and BOJ meetings this week and some *medium-term drivers* for a weaker broad USD, we maintain **our strategy stance of being selectively short USD** (against long CNH, and long TWD), and with **the focus on RV trades driven by idiosyncratic local factors** (i.e. long SGD/IDR, long EUR/INR, short AUD/NZD, long CHF/JPY and long EUR/GBP). With these developments, we also **made a few portfolio changes to further support our strategy stance**:

a. We **initiate a short USD/KRW position** with a conviction level of 1/5, thereby putting the position on watch for further assessment (see more below).

b. We **reinitiate our long EUR/INR position** by raising the conviction level back to 3/5 from 2/5, because we believe EUR can outperform INR in such an environment, despite potential FCNR(B) inflows (see more below).

c. We also further **lower the conviction level on our long SGD/IDR to 3/5**, as the

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market reassesses the negative implications of the war on Indonesia's BoP dynamics and recent policy measures (see more below).

In **G10 FX**, we maintain a high-conviction **short AUD/NZD** position, reflecting our view that the RBA has reached the end of its hiking cycle, combined with the fact that long AUD/NZD remains one of the most stretched positions in G10 FX space. We are also running **long USD/CAD**, which is likely to face headwinds in the near term; however, this pair has recently shown less sensitivity to oil price movements than it did prior to the US-Iran escalation, suggesting that significant downside should be limited. Elsewhere, we favour trades with low beta to both the USD and oil, namely **long CHF/JPY** and **long EUR/GBP**.

In **Asia rates**, we focus on relative value after the latest rally. We maintain **receive Korea (2yfwd5y)** with a conviction level of 3/5 (reduced from 4/5 earlier *today*). In India, we recommend a Sep-2s5s NDOIS flattener (3/5).

Asia FX

Short USD/CNH: We maintain a high conviction level of 4/5 on our **short USD/CNH position**, targeting 6.60 (~3% gains) by end-August. With positive US-Iran developments, we are more convinced that USD/CNH can move significantly lower, along with a weaker broad USD because: 1) **USD/CNH has been more sensitive to downmoves in DXY than upmoves** since the start of the Iran war (28 February). We expect this to continue; 2) the **USD/CNY daily fixing continues to drift lower**. Today, the fixing reached its lowest level (of 6.8088) since 10 February 2023 (i.e., 6.7884). Positive errors widened to a 544pips today from an average of +361pips last week, but we do not believe this signals significant concerns from the Chinese authorities yet; 3) **FX settlement demand from onshore corporates is likely to remain robust in the coming months**, owing to continued strong export growth and a trade surplus, as well as some local expectations for RMB appreciation. Indeed, the latest May data on net FX trade settlement showed strong inflows of USD53.6bn (April: USD47.7bn; Q1 average: USD65.3bn), which was equivalent to 71.3% of the trade surplus after adjusting for RMB settlement; and 4) RMB appreciation should also be **supported by its substantial undervaluation**. Based on our four FX valuation models, RMB remains *undervalued* by an average of 9.7%, with its productivity-adjusted REER undervalued by 19.9%.

Short USD/TWD: We maintain a conviction level of 3/5 on our **short USD/TWD** position, targeting 30.5 (~3% gains) by end-September. Amid the potential US-Iran agreement that could re-open the Strait of Hormuz (see above), we see scope for TWD to appreciate, because: 1) **a likely softer USD and a risk positive environment**, which should facilitate TWD appreciation against USD, alongside a broadly lower USD/Asia complex. Our expectation for CNH appreciation should also provide a tailwind for TWD; 2) **despite being *highly exposed* to the Strait of Hormuz energy shock, TWD has outperformed within AeJ since the onset of the Iran war, owing to the strength of its tech sector**. Therefore, we would expect TWD to enjoy a tailwind, if energy prices ease from currently elevated levels; 3) **Taiwan should remain a significant beneficiary of strong global AI demand and capex**. Total sales in April 2026 at Taiwanese electronics companies (confirmed data based on 265 companies) rose 39.0% y-o-y. In particular, *sales growth remained strong* for AI server-related products and rose sharply in the computing products segment; 4) **global AI demand is, in turn, supporting robust local fundamentals**. Export growth rose to a stronger-than-expected 51.7% y-o-y in May (consensus: 41.2%; previous: 39.0%), with high-tech shipments being the key driver. Overall, the May goods trade surplus increased to USD17.9bn from USD14.4bn in April. Our economist forecasts 2026 GDP growth of 9.9%, and pencils in two 12.5bp rate hikes by the CBC (see above); and 5) **a softer USD environment may offer some Taiwan lifers and exporters an opportunity** to consider increasing their FX hedging ratios (tactically) and reducing their USD hoarding, respectively, especially if USD/TWD swap points are in premium.

Long EUR/INR: We **reinitiate our long EUR/INR position** by raising the conviction level back to 3/5 from 2/5, targeting 113.8 (~4% gains) by end-September. We maintain the view of INR underperformance against EUR because: 1) **we believe EUR may be a strong beneficiary on the reversal of negative terms-of-trade pressures** from lower energy prices; 2) while the FCNR(B) deposit scheme is likely to improve near-term sentiment on INR, we note that it is eventually the **RBI's FX selling that could lead to INR stability**. This is because the banks that accrue those FCNR(B) deposits will swap them directly with the RBI; 3) **over the longer term, we believe the RBI will likely**

continue to accumulate FX reserves opportunistically, as it attempts to minimise the impact of maturing short forwards on its headline FX reserves. Indeed, the RBI *prepared* for FCNR(B) swap maturities in September to November 2016 by accumulating long USD positions in both spot and forward markets ahead of time; 4) in June MTD, foreign investors have net sold USD4.3bn of Indian equities. While the equity outflows have been partly offset by USD1.5bn inflows into fixed income securities, overall portfolio outflows should continue to put downward pressure on INR; 4) ***Bloomberg*** **(12 June) reported that the Indian authorities may be willing to let the fiscal deficit widen to 4.8% of GDP** from the 4.3% of GDP goal set in February. While fiscal slippage is not a big concern for India, we believe it can add to the risk premia attached to Indian investments; and 5) we estimate that the **RBI net sold USD11.5bn of spot FX reserves in May 2026,** bringing 2026 FX intervention to USD49.1bn (spot + forward; forward data until April 2026), which is ~8.9% of 2025 FX reserves. We believe this is likely to **encourage the RBI to be a buyer of FX on dips in USD/INR, causing INR underperformance**.

Short USD/KRW: We also initiate a **short USD/KRW position** with a conviction level of 1/5, thereby putting the position on watch for further assessment (but not in trade). We recently argued that an **alignment of several factors is necessary for KRW to outperform** ahead. In our view, a few factors have aligned, including: 1) a **de-escalation in US-Iran tensions that could feed into a softer broad USD**. Arguably, the impending signing of a US-Iran MOU fulfils this condition despite some uncertainty; 2) **an increase in Korean corporate FX remittances**. There are signs that Korean officials have stepped up their inspections to assess whether speculative trading or suspected manipulation contributed to KRW weakness. Local media (*Yonhap Infomax*, 15 June) reported that an FX market official criticised shipbuilder Hanwha Ocean's low FX-hedged ratio, which prompted Hanwha to say it would increase its hedge ratio to the 70%-75% range; 3) **local retail purchases of US equities remain *anaemic***. Korean retail investors net bought only USD527mn of US portfolio assets between 8 and 12 June. In MTD June, Korea's retail investors net sold USD283mn of US portfolio assets, following UDS568mn of net selling in May 2026. That said, we **remain concerned that rising Korean equities could create a *"paradoxical phenomenon" of FX demand* by local and foreign investors**, which is why we only have the position with a conviction level of 1/5.

Long SGD/IDR: We further **lower the conviction level to 3/5** (from 4; the conviction level was *raised to 5/5* on 29 May and then lowered to 4/5 on *12 June*), as near confirmation of the US-Iran MOU puts near-term pressure on our position. Our target remains at 14,600 (~12% total gains) by end-August, and spot is already trading close to our trailing stop-loss of 2%. Nonetheless, there is good reasoning for continuing to hold on to the trade through this week: 1) **BI may not hike at its regular policy meeting on 18 June** (our economics team's view) versus consensus expectations that BI will hike again. Arguably, the signing of the MOU reduces the need for BI to continue hiking. An on-hold decision by BI may lead to further IDR weakness; 2) **mixed BI signaling**. On 10 June, *Bloomberg* reported BI Governor Warjiyo signalled that the central bank will refrain from buying bonds with tenors that are 10 years or longer. **However, data on BI's holdings of IDR tradable government securities showed that they rose by IDR73.8trn (USD4.0bn) between 10 and 11 June**. While these are just two datapoints, we are concerned that BI could blunt the impact on higher SBN yields via its secondary-market purchases of government securities; 3) **nascent social concerns over the government's economic policy and spending**. BEM UI, the University of Indonesia's student executive body, called for students across Jakarta to join a demonstration on Friday (*Bloomberg*, 12 June). They protested that "fiscal policy is leaking, Bank Indonesia's independence is being stripped away, and the government's communication with the public remains far from adequate" (*Bloomberg*, 12 June); 4) **MSCI will soon communicate on the free float assessment of Indonesia securities as part of the Market Accessibility Review scheduled for 18 June 2026** (US close), which could result in *more foreign equity outflows*; and 5) we see an **increased risk of S&P lowering its rating outlook on Indonesia to negative** in June/July. However, a new market concern (*Bloomberg*, 3 June) is **whether there is an outright downgrade of Indonesia's credit rating** (as opposed to a revision to a negative outlook).

In **Singapore**, we believe that a US-Iran deal **reduces the risk of an unexpected tightening of global/US financial conditions**, and **removes a headwind for strong economic momentum**, led by the global tech uptrend, strong domestic construction activity, the expansionary stance of the FY26 budget and resilient domestic demand. Therefore, Singapore's output gap will likely remain positive, which raises the risk of second-round inflation effects from elevated energy prices. **We expect another slight S$NEER slope increase by the MAS at** its **July MAS policy announcement, which will likely keep SGD supported**.

G10 FX: short AUD/NZD, long USD/CAD, long CHF/JPY and long EUR/GBP

Short AUD/NZD (target at 1.1750, conviction 4/5): A lower oil price should favour NZD over AUD, as New Zealand is large oil importer, while Australia is a net energy exporter. At the same time, AUD has been the “higher beta” currency, more sensitive to swings in equity markets, commodity prices and credit spreads. The lower oil price therefore implies some offsetting forces for AUD versus NZD. We continue to believe that current rate spreads and the theme that the RBA hiking cycle has most likely ended, while the RBNZ hiking cycle is creeping closer, should be supportive of a lower AUD/NZD cross. Positioning appears to have become less extreme, with CFTC data suggesting some covering of long AUD positions, and some covering of short NZD positions, but is still supportive of a lower AUD/NZD cross, in our view. We continue to target a move to 1.1750 by end-August with fairly firm conviction level (4/5).

Long USD/CAD (target at 1.4250, conviction 3/5): This trade is likely to face headwinds in the near term, as the latest US-Iran “agreement” should encourage investors to be bearish on USD and oil prices for the time being. However, in our analysis, this pair recently offered less binary exposure to Middle East volatility, as the post-war beta of USD/CAD to oil price declines has become smaller than pre-war. If this pattern becomes clearer and persistent, it would likely strengthen our conviction that CAD weakness may continue even though geopolitical volatility fades. Once the market shifts its focus toward macro fundamentals, the divergence between the US and Canadian economies and the interest rate differentials will be key factors pushing USD/CAD higher, in our view.That said, **we would consider flipping our CAD short to a long EUR/CAD position** if there is a clear and permanent de-escalation in the Middle East as USD would likely come under pressure in that environment. Moreover, we will be closely paying attention to new Fed Chair Warsh’s press conference after the June FOMC meeting.

Long CHF/JPY (target at 206.50, conviction 3/5): An improvement in market risk sentiment will likely benefit JPY-cross moves higher. We like to express this via long CHF/JPY, as CHF has a tendency to outperform in June, the SNB’s FX intervention appears to be measured, and the BOJ’s policy rate hike is much priced in the market (including tomorrow’s hike). However, we have a moderate conviction level for this pair this week, as we want to manage the risk of a potential MOF FX intervention after the BOJ’s June MPM. Recall, after the BOJ’s April MOM, the MOF conducted a large sized JPY-buying intervention. The current level of USD/JPY (around160) is not far from the intervention level on 30 April of 160.72. While it is very difficult to forecast when the MOF will intervene, it still has sufficient firepower in its FX reserves to conduct JPY buying intervention comparable with late-April/early-May. We thus maintain a conviction level of 3/5 this week; however, if there isn’t bold MOF action after the BOJ’s meeting, we will review the conviction level.

Long EUR/GBP (target at 0.8950, conviction 3/5): We maintain our long EUR/GBP, expecting monetary policy divergence to drag the pair toward 0.90 as the 2y rate differential narrows from 140bp to below 100bp, reflecting our terminal rate views for the ECB of 3.00% versus the BoE’s at 3.50%. UK political and fiscal risks — including a potential leadership challenge from Andy Burnham and the tight fiscal backdrop requiring spending cuts or tax increases — will provide additional support, in our view.

Asia rates

Receive Korea 2yfwd5y NDIRS. As one of the highest beta markets within AeJ since the Iran war started at the end of February, Korea rates could outperform if a peace deal is reached. In addition, Korea’s stronger fiscal position in comparison with some South Asia economies means fiscal term premium and KTB issuance might remain capped even if the government maintains an expansionary fiscal stance. But we are holding the position with a conviction level of 3/5 now (reduced from 4/5 earlier today, still targeting 3.90%), as the BOK remains set to hike in July amid strong tech-driven exports and renewed concerns towards property price gains. Still, if geopolitical risk subsides we believe longer tenor rates can reprice terminal implied rates lower towards 3% and the 2s7s/2s10s curve can flatten back towards at least par over next few months.

India 2s5s NDOIS flattener India is another clear beneficiary of potentially lower oil prices with an Iran deal. Clearly, there has been some good news for India rates of late, starting from the less hawkish-than-expected RBI meeting on 5 June, followed by the FCNR(B) announcement, the removal of CGT and WHT for offshore bond investors. Rate hike pricing has accordingly come off to ~25bp for the next two meetings. With inflation still likely to move up over next few months, despite being partly due to low base effects, we believe current RBI hike pricing is towards the low end of our expected range. Given this and the 5y bond-swap spread still being narrow (5y NDOIS high relative to IGB yield), we maintain a Sep 2s5s NDOIS flattener with extra 2y pay and a conviction level of 3/5.

Convert pay Taiwan 5y NDIRS, **partly to spread vs US.** The combination of less hawkish comments by CBC governor Yang to the Legislature last week and today's broad rally in Asia rates have caused our pay 5y NDIRS position to breach our reassess level of 2.20%. As a result, we reduce the conviction level to 3/5 from 4/5 and convert this to a relative value position vs. 1/3 US Sep-2y IRS (current level 3.93%). We maintain some pay Taiwan exposure as the current level is already consistent with the CBC staying on hold this week and 5y Taiwan rates have already moved back to levels before the Iran war started at the end of February. This should mean further downside is limited (barring a significant repricing lower in US rates) with Taiwan growth and the inflation trend still moving higher.

Please see Strategy portfolio update (7 May 2026) for our full portfolio.

Fig. 1: Trade ideas

Trade	Target	Timeline	Conviction (0-5)	Entry Date
**New - Long EUR/INR*	113.80	end-Sep	3	15-Jun-26
**New - Short USD/KRW*	-	-	1	15-Jun-26
Receive 2yfwd5y Korea NDIRS	3.90%	end-Jul	3	5-Jun-26
Sep-IMM 2s5s India NDOIS flattener	25bp gain	end-Jul	3	5-Jun-26
Pay Sep-IMM 5y Taiwan NDIRS	2.53%	mid-Jul	4	1-Jun-26
Short AUD/NZD	1.1750	end-Aug	4	27-May-26
Short USD/TWD	30.5	end-Sep	3	25-May-26
Long EUR/PHP	-	-	2	25-May-26
Long USD/CAD	1.425	end-Jul	3	22-May-26
Short USD/CNH	6.6	end-Aug	4	8-May-26
Long 12m USD/HKD	7.8	12-May-27	3	8-May-26
Long CNH vs 6FX abridged basket	-	-	2	8-May-26
Long CHF/JPY	206.5	end-Jun	3	30-Apr-26
Long EUR/SEK	-	-	2	17-Apr-26
Pay Sep-3y China NDIRS	1.60%	end-Jul	3	14-Apr-26
Long EUR/INR	-	-	2	1-Apr-26
Long USD/THB	-	-	1	2-Feb-26
Long 9m USD/HKD	7.8	27-Oct-26	3	23-Jan-26
Long 12m USD/HKD	7.8	27-Jan-27	3	23-Jan-26
Long SGD/IDR	14,600	end-Aug	3	9-Jan-26
Long EUR/GBP	0.8950	end-Jun	3	9-Jan-26

Note: Conviction scale: 1 – Watch; 2 – Watch Closely; 3 - Positioned @ 1/3 desired; 4 – Positioned @ 2/3 desired; 5 – Positioned @ 100% desired.
Source: Nomura.

Appendix A-1

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