OFX ofx.com

October 2025

Currency Outlook

An OFXpert guide to key currencies and events to watch

The below key drivers are likely to impact investor risk sentiment and FX markets in October:

1. After markets predicted further rate cuts this year, the Federal Reserve could hold rates, in the wake of weaker than expected data.
2. Economic data shows a global economic slowdown, with manufacturing and oil sectors seeing the strongest effects.
3. Political events, particularly in France and Japan, created local currency disruptions that shifted market flows.

€ EUR Euro

Political changes in France unsettled markets, while steady inflation and a cautious ECB stance supported the euro. Upcoming US data and global sentiment will likely guide the euro's movements.

September was a volatile month for the euro. The sudden resignation of France's prime minister and unrest in its government, rattled markets; increasing risk premiums on French debt and weighing on the euro. Inflation ticked up to 2.2% in September, breaching the European Central Banks's (ECB) 2% target. This reduces the likelihood of further monetary easing this year. Markets continued to price in expectations of future Federal Reserve (Fed) rate cuts, which softened the US dollar and gave the euro some tailwinds.

External pressures from trade tensions and risk in other regions nudged investors toward more diversified positions and back into European assets. The EURUSD single currency traded in a relatively tight band, with support near US$1.1640 and resistance zones around US$1.1829. Overall, the euro showed modest gains over the week against the US dollar.

With inflation hovering around target, the ECB is likely to tread carefully. Markets will scrutinise speeches, macro forecasts, and comments for clues on whether rate cuts are off the table or delayed further.

Experts are monitoring key US data releases (especially inflation, jobs, consumer spending) for EURUSD direction. If US data comes in stronger than expected, it could reassert US dollar strength and limit euro upside. Conversely, a break below US$1.1644 - US$1.1526 support could shift the tone toward more downside risk.

Expected ranges:

- **EURUSD 1.1585–1.1630**

$ AUD Australian dollar

The AUD inched higher as steady local data, and a softer USD gave it a boost. Future movements will depends on upcoming US economic results.

In September 2025, the Australian dollar (AUD) recorded a modest but notable appreciation against the US dollar (USD), continuing its trend of relative stability amid a shifting global economic landscape. The AUD opened the month at approximately US$0.6554 and closed at around US$0.6613, marking a gain of roughly 1.4% over the 30-day period. This modest uptick reflects a combination of domestic resilience and global market factors that supported the Australian currency.

Throughout the month, the AUD exhibited a narrow trading range, reaching a high of US$0.6683 on September 16—its strongest point of the month—before easing slightly in the latter half of September. The average exchange rate for the month stood at approximately US$0.6592, suggesting a stable mid-point that reinforced the AUD's gradual upward trend.

Domestically, investor sentiment remained cautiously optimistic amid solid Australian employment figures, steady commodity exports, and expectations that the Reserve Bank of Australia (RBA) would maintain a cautious stance on interest rates. Internationally, the US dollar showed signs of softening in mid-September, influenced by shifting expectations around the Federal Reserve's monetary policy outlook, weaker-than-expected inflation data, and mixed economic indicators from the US economy.

Markets will be focused on upcoming US data releases for direction indicators. If the USD remains lower, AUD could strengthen. However, a stronger USD could see a downturn for the AUD.

Expected ranges:

- **AUDUSD 0.6557–0.6629**
- **AUDGBP 0.48907–0.49211**
- **AUDEUR 0.5612–0.5672**
- **AUDNZD 1.1316–1.1446**

$ USD United States dollar

The US dollar softened as government shutdown uncertainty and weaker jobs data fuelled expectations of Fed rate cuts. USD direction depends on inflation, Fed signals, and global market shifts.

The shutdown of the US government has created uncertainty around the timing and release of critical economic data, which dampened sentiment for the US dollar. Recent labour market data came in softer than expected, which led to speculation that the Federal Reserve (Fed) might cut rates sooner. Markets had anticipated Fed rate cuts later this year, but with the USD downturn, experts are focused on Fed officials for any indication that rate cuts might be delayed or more cautious.

The US Dollar Index (DXY) traded in a range, consolidating around 98.00. The US dollar's recent softness has been part of a broader downward drift, with the index down around 0.7% over the past month and about 3.9% over 12 months.

Looking ahead, core and headline PCE (personal consumption expenditures) prints, will be watched closely for inflation movement. Upward surprises may dampen enthusiasm for rate cuts. If inflation remains sticky, the US dollar might find support.. Continued dysfunction or further government shutdown risk could affect investor confidence in US dollar strength. Resolution or progress in Congress might temporarily lift sentiment for the USD. If the DXY reclaims above 98.50–99.00, that might encourage dollar bulls seeking further upside. A break below 97.50 (or 97.00) could open the path for more weakness. The US dollar's performance could also be influenced by what other central banks are doing.

Expected range:

- **DXY 97.462–99.060**

$ CAD Canadian dollar

The Canadian dollar slipped as a stronger US dollar, weaker oil, and softer domestic data weighed on the CAD. BoC signals, economic releases, and trade developments will influence direction.

September saw the Canadian dollar fall to its weakest level in about 4.5 months against the US dollar, reaching US$0.716 – US$0.720 levels amid broad USD strength and domestic headwinds. Canadian bond yields broadly followed US yields last week, but the weak oil and falling trade terms added extra pressure. Meanwhile, concerns about renegotiating trade frameworks (e.g. USMCA) and North American economic policy added uncertainty. The US dollar had tailwinds from global flows and safe-haven dynamics, which made it harder for commodity currencies like CAD to gain ground. The CAD weakened overall, trading near lows.

A fall in crude oil contributed to the downturn in CAD strength. Canada's manufacturing PMI dropped deeper into contraction (below 50) in September, signalling weaker industrial activity. That fuelled bets that the Bank of Canada (BoC) may cut rates further. Markets will also be watching BoC commentary closely. If incoming data shows further softness, there may be more room for rate cuts. If inflation surprises or growth holds up, CAD could find support.

Key domestic releases (manufacturing, services, employment numbers) will be scrutinized for signs of deterioration or stabilisation. If US data surprises to the upside, the USD could rally, putting pressure on CAD. Conversely, weaker US data (or more aggressive Fed easing expectations) might help CAD. Negotiations or announcements around USMCA / North American trade, tariff risks, or policy shifts will likely influence confidence in CAD.

Expected range:

- **USDCAD 1.3975-1.4025**

$ SGD Singapore dollar

The Singapore dollar remained firm against a softer US dollar, with steady growth and low inflation underpinning it. Fed and MAS decisions will shape near-term moves.

USDSGD stayed largely range-bound through September, hovering around multi-month lows as the US dollar softened following the Fed's first-rate cut of the cycle in Mid-September, before rebounding toward 1.29 on short covering and US government shutdown fears. Softer US yields and dovish Fed guidance have kept downside pressure on the greenback, while Singapore's steady fundamentals anchored the SGD.

Singapore's economy remains resilient, expanding 4.4% y/y in Q2, supported by solid services and manufacturing activity. Inflation continued to ease, with core CPI falling to 0.3% in August and headline inflation at 0.5% y/y, the lowest in four years. Retail sales rose 5.2% y/y while manufacturing contracted 7.8% y/y due to weakness in pharmaceuticals. The labour market stayed firm, with unemployment near 2%.

The S$NEER has slipped from its upper bound to about 1.8% above the midpoint, signalling reduced room for further SGD appreciation. FX reserves fell by about USD 6 billion in August to USD 391 billion, the first decline this year. Market expectations for further MAS easing in October have risen, with 42% of analysts forecasting another reduction in the policy band slope, though most still expect a hold given low inflation and stable growth.

Looking ahead, USD/SGD is expected to remain within 1.28–1.29, with two-way risks. A dovish MAS outcome could lift the pair modestly, while further Fed easing or regional inflows could strengthen the SGD. Singapore's robust fundamentals and safe-haven appeal continue to underpin its currency.

Expected range:

- **USDSGD 1.2780–1.2950**

£ GBP Sterling

The pound gained as a softer US dollar and steady Bank of England stance supported it. Upcoming data and BoE comments are expected to influence its direction.

October sees a softer US dollar amid government funding uncertainty in the US, which gave the pound some lift.

The Bank of England (BoE) has held rates steady, and markets currently expect limited chance of a cut in the near term. Business confidence is soft, pressured by rising costs and constrained margins. Inflation remains sticky, so cost pressures persist and complicate the BoE's decision-making. Markets will closely watch comments from BoE officials to see whether they lean toward tightening, holding, or beginning cuts. Strong data could bolster the pound and delay rate cuts; weak data might also feed speculation of easing.

The pound also outperformed the euro in some crosses, helped by eurozone political risk (especially in France) dragging the euro lower. GBPUSD traded in a narrow band, with resistance around US$1.3535 and support nearer US$1.3320–1.3330.

Experts will be watching for shifts in momentum indicators (RSI, moving averages) to catch trend reversals. Surprise strength in US inflation, jobs, or growth data could strengthen the US dollar and weigh on GBP. Conversely, weaker US data might tilt sentiment in favour of the pound. Similarly, eurozone events (especially France, ECB policy) could impact the euro, GBPEUR. Weakness in the euro may lift GBP in that pair even if GBPUSD is weaker. Also, flows and sentiment shifts (e.g. capital moving between regions) can drive unexpected moves. All eyes will be on the economic data for direction.

Expected ranges:

- **GBPUSD 1.3375–1.3425**

$ NZD New Zealand dollar

The NZD dipped as weaker local data and a stronger US economy boosted demand for the USD. Upcoming economic data and global trends will be critical for assessing future NZD trajectory.

The New Zealand dollar (NZD) recorded a modest decline against the US dollar (USD) in September, as a combination of weaker domestic data and stronger US economic performance influenced market sentiment.

Over the course of the month, the NZD slipped from around US$0.5903 on September 1 to approximately US$0.5795 by September 30. While the drop wasn't drastic, it underscored a broader trend of investor caution toward the New Zealand economy and increased demand for the US dollar amid global uncertainty. A softening New Zealand widened the interest rate gap, making the USD more attractive to international investors and putting downward pressure on the NZD.

Beyond domestic and US factors, global sentiment also played a role. With ongoing geopolitical tensions and concerns about a global economic slowdown, investors continued to favour "safe-haven" currencies like the US dollar over risk-sensitive currencies such as the NZD. Additionally, softness in key commodity prices—including dairy, a major New Zealand export—may have further weighed on the NZD.

Looking ahead, the NZD's trajectory will depend on how both the New Zealand and US economies evolve in the coming months. Markets will be closely watching upcoming data releases, central bank decisions, and global economic developments.

Expected ranges:

- **NZDUSD 0.5737–0.5845**
- **NZDEUR 0.4930–0.4999**
- **NZDGBP 0.4282–0.4341**
- **NZDAUD 0.8737–0.8837**

¥ JPY Japanese yen

Yen weakness followed BoJ caution and political moves favouring stimulus, though markets may see a rebound if rate hikes or technical buying support the currency.

From September to early October, the yen weakened notably, with USDJPY rising about 2.1% from 147.09 to 150.00 and briefly touching 150.44. The yen also depreciated against the euro, falling from 171.89 to 176.25 yen per euro.

During its September meeting, the Bank of Japan (BoJ) decided to maintain its policy rate at 0.50%. This followed its first-rate hike since the financial crisis back in January. The BoJ reaffirmed plans to gradually taper its purchases of Japan Government Bonds (JGB), reducing the pace from JPY 400 billion per quarter to JPY 200 billion starting in the second quarter of 2026.

This move reflects caution amid global yield pressures influenced by stronger US economic data. Sentiment towards the yen further deteriorated after pro-stimulus lawmaker, Sanae Takaichi won the Liberal Democratic Party leadership race, positioning her to become Japan's next Prime Minister. Markets reacted sharply to her victory, with the yen dropping approximately 164 pips at the open, indicating surprise at her win. Ms Takaichi's focus on fiscal expansion, and a dovish policy stance are seen as potentially beneficial for equities but negative for the yen, as investors anticipate increased debt issuance and a slower normalisation of BoJ policies.

While some analysts expect Ms Takaichi's reflationary agenda to face implementation challenges, the yen's initial weakness could give way to stabilisation, supported by speculation that the BoJ may raise rates later this month. Overall, downside risks for the yen appear limited, with potential for recovery toward year-end as rate expectations firm and technical levels attract buying interest.

Expected range:

- **USDJPY 135.00–155.00**
- **EURJPY 151.00–184.00**
- **NZDJPY 77.00–91.50**

$ HKD Hong Kong dollar

The Hong Kong dollar gained on tighter liquidity and a softer US dollar. Ongoing inflows and steady growth support it, though USD moves could influence the pair.

USDHKD strengthened through September and early October, moving from the weak-side 7.85 toward around 7.79 as the Hong Kong Monetary Authority (HKMA) tightened liquidity and the US dollar softened after the Federal Reserve's (Fed) first-rate cut. Since late June, the HKMA has stepped in to support the Hong Kong dollar, tightening from about HKD 164 billion to HKD 54 billion, a decline of roughly HKD 110 billion — the sharpest liquidity tightening since 2019.

Domestically, Hong Kong's economy grew 3.1% y/y in Q2, supported by steady consumption and tourism recovery. Retail sales rose 1.0% y/y in July and accelerated to 3.8% in August, while inflation remained muted at 1.1% y/y. The labour market softened slightly, with unemployment edging up to 3.7%, its highest since 2022. On September 18, the HKMA cut its base rate by 25 bps to 4.50%, mirroring the Fed's move under the currency board arrangement, leaving interbank liquidity and cross-border flows as the main drivers of short-term rates.

Looking ahead, USDHKD is expected to stay near 7.79 with two-way risks. Sustained USD weakness or further inflows could strengthen the HKD, while renewed risk aversion or rising US yields may prompt mild rebounds toward 7.82.

Expected range:

- **HKDUSD 7.78–7.82**

OFX

› Any questions?

You can contact our OFXperts 24/7. Email customer.service@OFX.com or visit OFX.com