

Asia FX Talking: Pressure builds on the renminbi

Pressure continues to build on the renminbi as the US-China stand-off continues. We retain our view that Chinese policy will not look for the cheap fix of a quick devaluation. Elsewhere, we look for the Singapore dollar and Philippine peso to underperform in a region wholly involved in Trump's trade war



Beijing, China. Pressure is rising for the renminbi as the trade stand-off continues

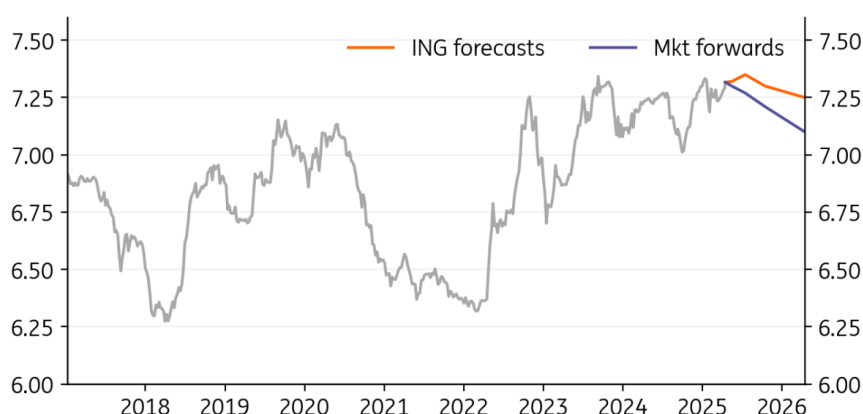
Main ING Asia FX Forecasts

	USD/CNY		USD/KRW		USD/INR	
1M	7.32	↑	1500	↑	87.00	↑
3M	7.35	↑	1475	↑	88.00	↑
6M	7.30	↑	1450	↑	88.00	↑
12M	7.25	↑	1425	↑	89.00	↑

USD/CNY: PBoC faces more pressure as Trade War 2.0 erupts

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.3163	Neutral	7.32	7.35	7.30	7.25

- Tariff hikes resulted in a global market rout and Chinese yuan depreciation pressure, with USD/CNY in a 7.22-7.35 range in the past month. USD/CNH once spiked to 7.42 before intervention brought it back in line with the USD/CNY.
- Near-term risks remain. Capital outflow and easing from the People's Bank of China could add to depreciation pressure. The PBoC will likely keep the upside of USD/CNY capped.
- In the medium term, factors could actually favour CNY recovery. Yield spreads have moved in favour of the CNY, and US rate cuts could further this trend. Aggressive stimulus is expected to help stabilise growth and sentiment in China. And an eventual trade deal would be a huge boost to sentiment. We hold our 2025 call for a 7.00-7.40 fluctuation band – if this breaks, watch for 7.50.

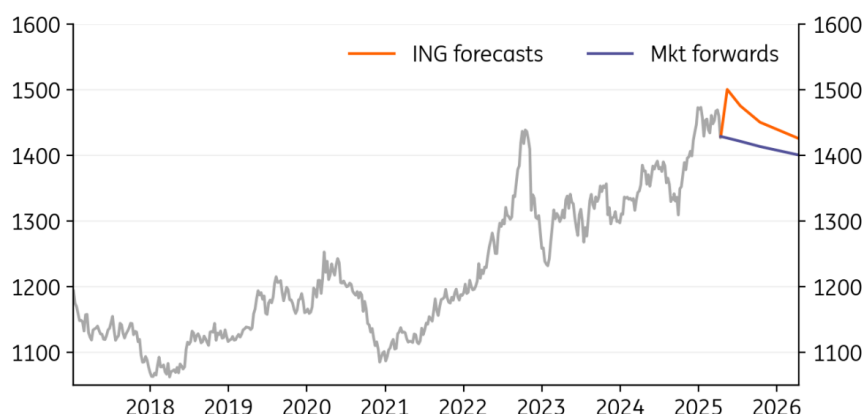


Source: Refinitiv, ING forecasts

USD/KRW: The KRW to be under pressure amid political vacuum

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,428.5000	Bullish ↗	15000.00	1475.00	1450.00	1425.00

- The Korean won appreciated recently due to paused reciprocal tariffs and tariff exemptions on electronics and semiconductors. Yet, this optimism may fade quickly as the political vacuum and stalled trade talks weigh on the currency again.
- Dividend payments and expected Bank of Korea rate cuts in April, along with delayed WGBI inclusion, will likely add depreciation pressures on the KRW.
- Once the domestic politics stabilise, we expect the KRW to strengthen. Fiscal support progress is only likely after the presidential election.

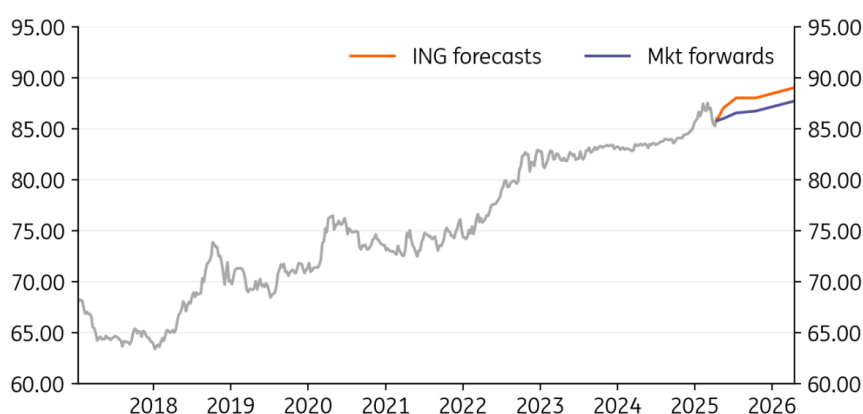


Source: Refinitiv, ING forecasts

USD/INR: More downside pressure on INR in the near term

	Spot	One month bias	1M	3M	6M	12M
USD/INR	85.7800	Bullish ↗	87.00	88.00	88.00	89.00

- The Indian rupee underperformed most of the region and appreciated by just 0.1% vs the USD last month. The Reserve Bank of India likely continued to intervene to support it. Recall that the RBI net sold over \$24bn in 2H24 to contain depreciation pressures on INR.
- Foreign outflows accelerated with foreign selling in the equity markets close to \$16bn so far this year. The cyclical growth correction for the domestic economy, despite the easing of the dollar index, has been a key trigger.
- In addition, liquidity injection by the central bank on a large scale has also been driving bond yields interest lower. Growth moderation and overvaluation of REER as well as equity markets, should mean INR trades with downside bias in the near term.

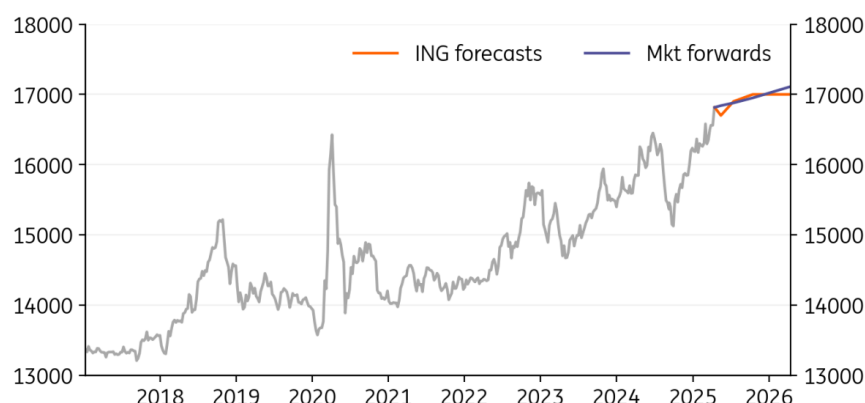


Source: Refinitiv, ING forecasts

USD/IDR: IDR faces more downward pressure

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	16,815.0000	Mildly Bullish ↗	16700.00	16900.00	17000.00	17000.00

- While we agree with Bank Indonesia's assessment that the country's external and domestic balance sheets are relatively stable, a larger fiscal deficit from recently announced government measures is likely.
- Our estimates suggest that the announced spending on priority projects, including the free school lunch programme (with estimated costs at 2% of Indonesia's GDP), could result in a fiscal deficit to GDP expanding to 2.8% of GDP in 2025 vs 2.3% in 2024.
- Concerns about growth due to higher-than-expected tariff rates and an uncertain investment climate, combined with domestic policy uncertainty, are unlikely to support the Indonesian rupiah.

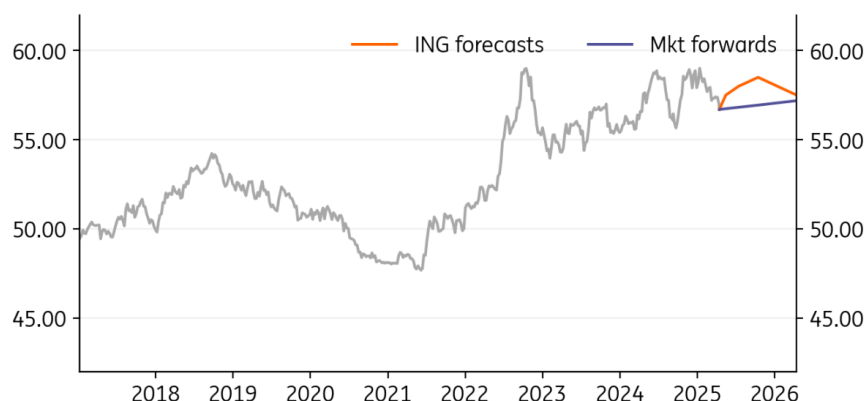


Source: Refinitiv, ING forecasts

USD/PHP: BSP to address overvaluation

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	56.7000	Bullish ↗	57.50	58.00	58.50	57.50

- Following the tariff announcements, the Philippine peso has strengthened against the USD, as the Philippines remains largely insulated from the tariffs imposed by the US.
- Banko Sentral ng Pilipinas cut rates by 25bp to 5.5%, in line with our expectations. With inflation falling below the central bank's target, the real policy rate had surged close to all-time highs of 4% after the March inflation print.
- We expect the PHP to trade with a mild depreciation bias. Since October 2024, the Philippines' overall balance of payments has been deteriorating, marked by a widening current account deficit, weak foreign direct investment and stagnant personal remittance inflows.

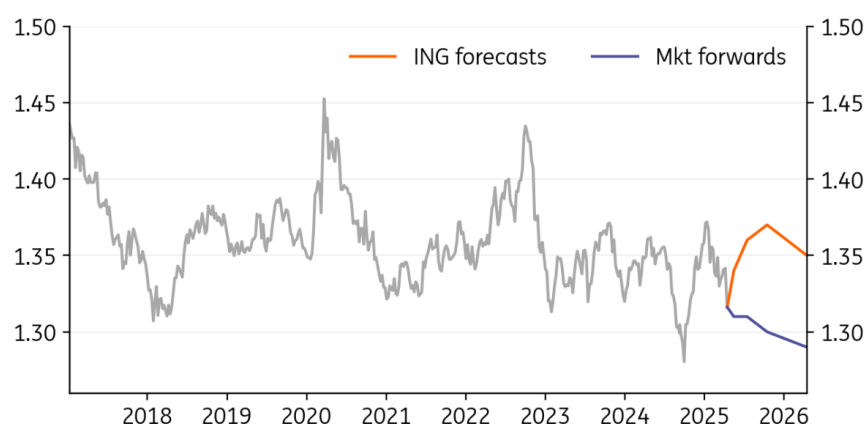


Source: Refinitiv, ING forecasts

USD/SGD: Low inflation gives room for easing monetary policy

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3158	Mildly Bullish ↗	1.34	1.36	1.37	1.35

- Core inflation in Singapore fell further to 0.6% YoY in February, the lowest in nearly four years. The recent inflation readings suggest that the Monetary Authority of Singapore is likely to cut its CPI forecast further.
- This strengthens our case for an April easing, a slight reduction of the slope to 0.5%, annualised, from an estimated 1.0% currently.
- We continue to expect the trading range of SGD NEER to drift lower in 2025, driven by slower growth and inflation, and USD/SGD to trade in the 1.35-1.37 range in six months.

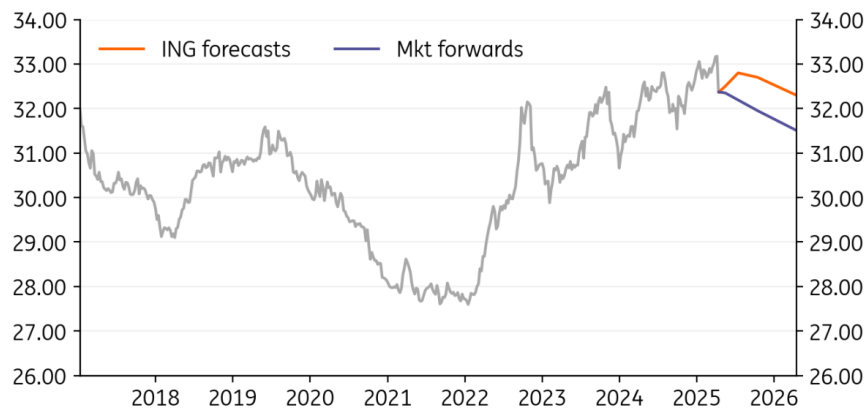


Source: Refinitiv, ING forecasts

USD/TWD: Remaining in holding pattern

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	32.4500	Neutral	32.50	32.80	32.70	32.30

- The USD/TWD pair mostly traded in a very tight range of 32.9-33.3 over the past month, before USD weakening helped the New Taiwan dollar recover to 32.5.
- Domestic drivers of the TWD were mixed over the last month. US-Taiwan yield spreads narrowed, but equity market flows showed net outflows, and the upcoming dividend season could further add to outflow pressures in the second quarter.
- Potential catalysts for TWD appreciation could be a recovery of risk appetite for the tech sector, as well as faster US rate cuts leading to a narrower yield spread, while catalysts for depreciation include growth deterioration should Taiwan fail to secure tariff relief and geopolitical risks. Overall, we expect the TWD to stay in a holding pattern for now.



Source: Refinitiv, ING forecasts

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