

Asia FX Talking: China casts a shadow across the region

Asian currencies failed to take advantage of the late year decline in the dollar. The reason looks to be one of primarily poor Chinese growth and a renminbi which looks to hover at soft levels, while authorities look for levers to reflate the economy



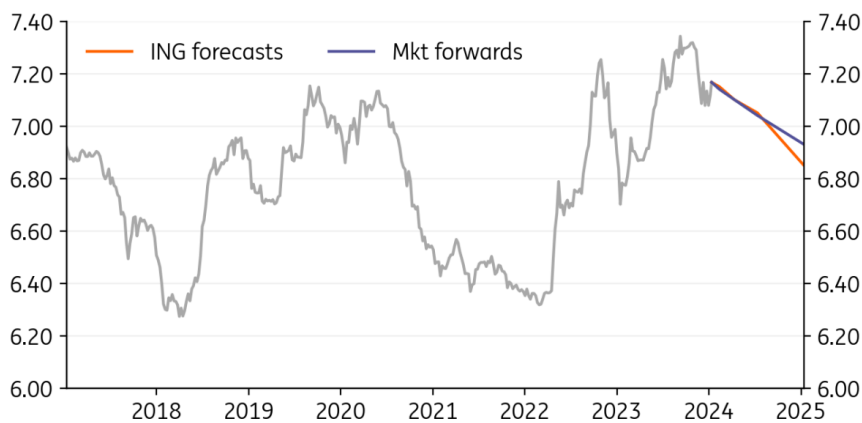
Main ING Asia FX forecasts

	USD/CNY	USD/KRW	USD/INR
1M	7.15 →	1325 ↑	83.00 →
3M	7.10 →	1300 ↓	83.00 →
6M	7.05 →	1280 ↓	83.00 →
12M	6.85 ↓	1225 ↓	84.00 →

USD/CNY: CNY the pivot point for APAC currencies

	Spot	One month bias	1M	3M	6M	12M
USD/CNY	7.1668	Neutral	7.15	7.10	7.05	6.85

- Over the last month, the Chinese yuan has been at the mid-point of performance for APAC currencies, and is roughly unchanged, after trading in a range between about 7.10 and 7.20.
- The economic picture is also roughly unchanged. There is modest growth, concentrated in household spending, and a little growth in manufacturing, but the real estate sector and anything related to it remains extremely challenged.
- The near term offers a similar outlook – ongoing modest and fragile growth, limited policy support and possibly further range-trading.

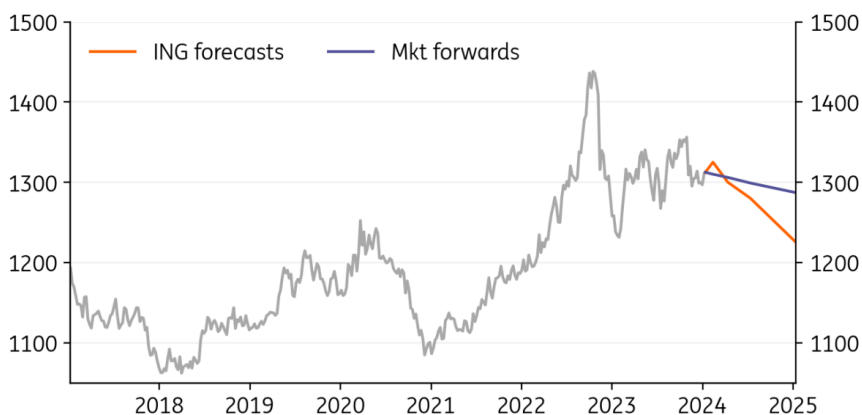


Source: Refinitiv, ING

USD/KRW: Clearer KRW gains only in 2Q

	Spot	One month bias	1M	3M	6M	12M
USD/KRW	1,312.4000	Mildly Bullish ↗	1325.00	1300.00	1280.00	1225.00

- The Korean won has fluctuated between 1,280-1,320 despite the recent recovery in exports. The market seems concerned that tight credit conditions might trigger defaults in the property market.
- Inflation remained above 3%, but it is expected to come down to the 2% level soon due to falling commodity prices combined with base effects. However, the rapid rise in private debt will keep the Bank of Korea's stance restrictive for a while.
- The KRW will likely remain above the 1,300 level until monetary easing become more imminent. We expect clearer appreciation trends from 2Q24.

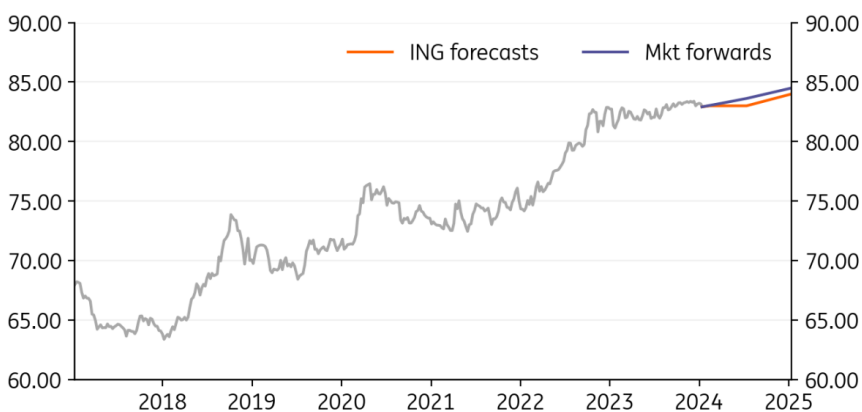


Source: Refinitiv, ING

USD/INR: Shifting to an asymmetric stance?

	Spot	One month bias	1M	3M	6M	12M
USD/INR	82.9100	Neutral	83.00	83.00	83.00	84.00

- The Indian rupee has traded in a slightly wider range in the last month, after months of tight trading around the 83.3 level.
- At 83.1, the INR is not much stronger than it has been, but it looks as if maybe the Reserve Bank of India is going to be a bit more tolerant of appreciation and practice more asymmetric currency management.
- Inflation has crept up towards the top of the RBI's inflation target range, though this is almost all food-related, and will likely drop back closer to 5% in the near term. However, we still don't see the RBI easing until after the Fed's first move.



Source: Refinitiv, ING

USD/IDR: IDR steadies after BI signals downplay rate cuts

	Spot	One month bias	1M	3M	6M	12M
USD/IDR	15,550.000	Neutral	15500.00	15400.00	15200.00	15000.00

- The Indonesian rupiah pulled back in early December after trade data showed a lower-than-expected trade surplus due to a surprise increase in imports.
- Subsequently, Bank Indonesia’s governor downplayed the chances for an early rate cut, which has helped support the IDR as rates are now expected to remain elevated well into 2024.
- Expectations for an extended pause from BI could continue to help support the currency in the near term, though trade data will remain an important determinant and the external environment is not supportive.



Source: Refinitiv, ING

USD/PHP: PHP slips after BSP signals less intervention

	Spot	One month bias	1M	3M	6M	12M
USD/PHP	55.9400	Neutral	55.90	55.50	55.05	54.80

- After some early losses, the Philippine peso recovered in the second half of December, helped along by healthy remittance flows ahead of the holidays. A wider-than-expected trade deficit, however, forced PHP weaker again through early January.
- BSP Governor Eli Remolona kept policy rates at 6.5% but also signalled he would be less inclined to provide support to the PHP during episodes of weakness.
- The PHP could remain vulnerable on expectations for a wider trade gap while BSP’s new policy for less intervention could also translate to more volatility for PHP in 2024.

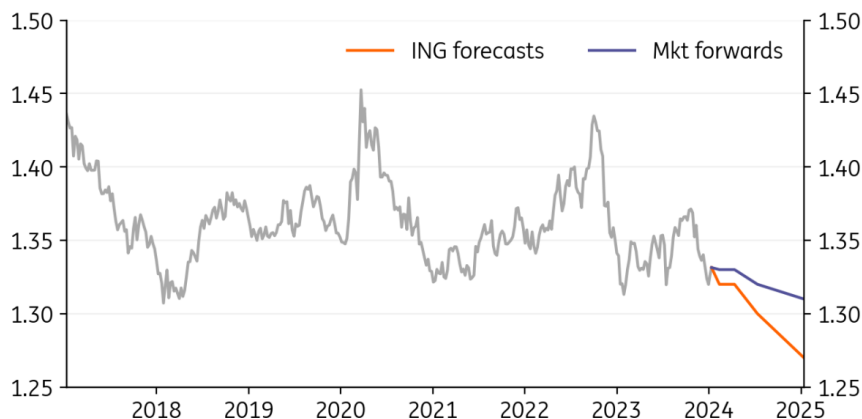


Source: Refinitiv, ING

USD/SGD: SGD tracks regional rally

	Spot	One month bias	1M	3M	6M	12M
USD/SGD	1.3314	Neutral	1.32	1.32	1.30	1.27

- The Singapore dollar has reacted to mixed data reports, with core inflation still elevated at 3.2% but industrial production and non-oil domestic exports remaining in expansion.
- The Monetary Authority of Singapore (MAS) is expected to keep policy settings untouched after 4Q 2023 GDP beat market expectations handily.
- The SGD NEER should continue its modest appreciation path in early 2024 given the outlook for MAS. But China's ongoing problems and the strength of the CNY in Singapore's trade basket mean that this is the main source of downside risk.

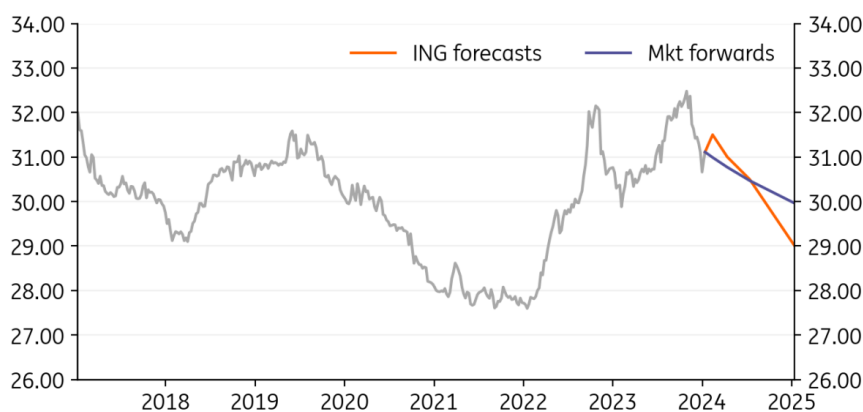


Source: Refinitiv, ING

USD/TWD: A lot rests on the elections

	Spot	One month bias	1M	3M	6M	12M
USD/TWD	31.1100	Mildly Bullish ↗	31.50	31.00	30.50	29.00

- USD/TWD has not moved substantially since the 13 January election result, and we should expect much speculation as to how this result might affect cross-straits tension. That said, the Taiwan dollar had been in the upper half of the APAC performance ranking over the last two months.
- Given the uncertain external backdrop, we see the short-term risk of a further correction to 31.50 and outside risk to 31.75.
- Historically, the Taiwan dollar has traded quite strongly ahead of presidential elections but lost ground in the aftermath of the 2016 DPP win. With the DPP having won the election, but lost its majority, we will now see whether this pattern repeats itself.



Source: Refinitiv, ING

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING

does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.