

# 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.

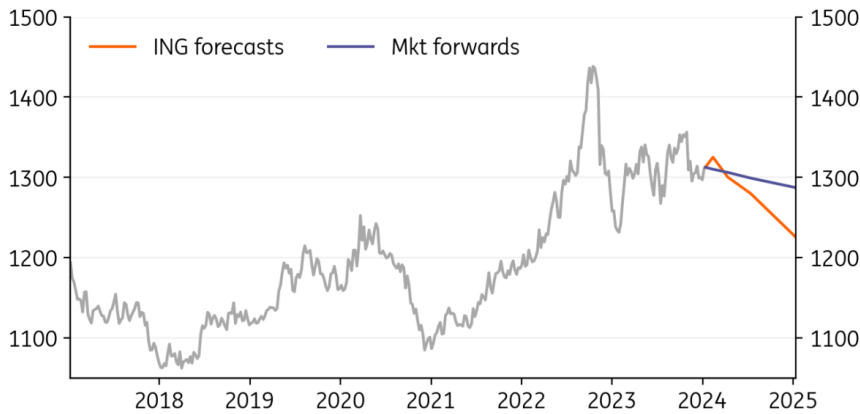


Source: Refinitiv, ING

## 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.

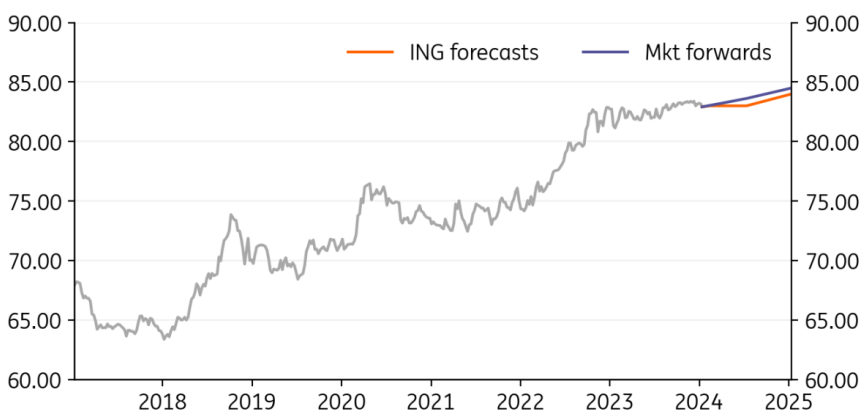


Source: Refinitiv, ING

### 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.

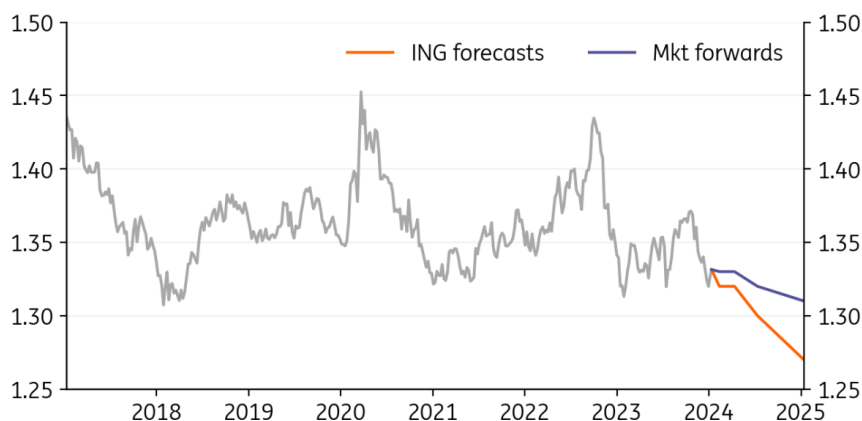


Source: Refinitiv, ING

### 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.

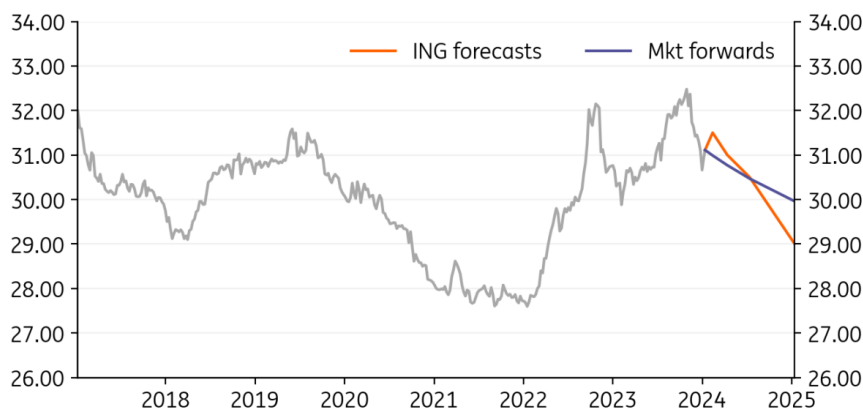


Source: Refinitiv, ING

## 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

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